



Chesterfield County, Virginia Internal Audit

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GREGORY L. AKERS
Director

DATE: March 30, 2018

TO: Joseph P. Casey, Ph.D.
County Administrator

FROM: Greg L. Akers
Director of Internal Audit

A handwritten signature in blue ink that reads "Greg".

SUBJECT: CDBG/HOME Program Organization Audit Reports

The County's Department of Community Enhancement administers the Community Development Block Grant (CDBG) and Home Investment Partnerships (HOME) programs. These program funds are awarded annually from the United States Department of Housing and Urban Development (HUD). Portions of these funds are awarded to certain community organizations through the County. Organizations that receive rewards are required to provide an annual audit report within 90 days of their fiscal year (FY) end as specified in their contract with the County.

Starting with FY19 CDBG and HOME funding requests, the County also requires organizations provide their most recent audit reports with funding applications. Attached is a list of organizations' annual audit reports received calendar year 2017 that Community Enhancement provided to us for evaluation.

We performed a technical evaluation of these organizations' audited financial statements. Our evaluation included consideration of the audit opinion, whether or not an audit of Federal financial assistance was performed, reported findings, and disclosures to identify potential concerns. An independent auditor's opinion regarding the financial statements as a whole may be either unmodified or modified. An unmodified opinion indicates the financial statements present fairly, in all material respects, the financial position in accordance with generally accepted accounting principles. There are three types of modified opinions: qualified, adverse, and disclaimer of opinion. In each case, the reason for such a modification is described in the auditor's report. We understand management is using this information as general reference for their financial monitoring of these organizations and evaluation of funding requests.

Summary: Community Enhancement provided 8 financial reports received in calendar year 2017 to us for evaluation, 6 from organizations previously awarded funds and 2 from new applicants being considered for FY 2019 funding. Our evaluation found a concentration of risk disclosure for 4 organizations. Additional details are provided on pages 3 and 4.

Finding(s): We noted audit requirements in CDBG and HOME program contracts still reference *OMB Circular A-133*, which has been superseded by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Subpart F*.

Recommendation(s):

1. We recommend Community Enhancement update audit requirement reference in CDBG and HOME program contracts to agree with current Federal regulations.

Management's Response(s):

1. *Concur. Kathleen Thompson, CDBG and HOME Grants Administrator is responsible for implementing 7/1/2018. All CDBG and HOME program contracts from now on will be updated to agree with current Federal regulations.*

We believe our analysis provides an objective summary of financial reports provided to Internal Audit for evaluation. However, as required by Government Auditing Standards (2011 Revision) section 2.12 issued by the U.S. Government Accountability Office, we must communicate this evaluation does not constitute an audit conducted in accordance with generally accepted government auditing standards (GAGAS). Should you have any questions, or if we can be of further assistance, please call Lora Holland or me at extension 1240.

Copy: Bill Dupler, Deputy County Administrator for Community Development
Kirk Turner, Community Enhancement Director
Kathleen Thompson, CDBG and HOME Grants Administrator
James F. Lane, Ed.D., School Superintendent
Audit and Finance Committee

CDBG/HOME PROGRAM ORGANIZATION AUDIT REPORTS

| No. | Organization/ Project Name | FY2019 Request | FY2018 Budget | FY2017 Budget | Financial Statement Period | Unmodified Audit Opinion by CPA [Y/N] | Uniform Guidance/ Federal Audit Performed ¹ [Y/N] | Audit Findings (financial report page no.) [Y/N] | Potential Concerns/ Further Details |
|-------------------------|---|-------------------|------------------|------------------|----------------------------------|---|--|--|--|
| PREVIOUS AWARDS: | | | | | | | | | |
| 1 | Better Housing Coalition | \$285,000 | \$35,000 | \$21,700 | 12/31/2016 | Y | N/A ² | N | |
| 2 | ElderHomes (project: HOMES) | \$650,000 | \$627,892 | \$449,500 | 6/30/2017 | Y | Y | N | |
| 3 | Homeward | \$10,000 | \$5,000 | \$0 | 6/30/2017 | Y | N/A ² | N | Note 1 to the financial statements (p. 11 of the financial report) provides a concentration of risk disclosure due to 87% of their total contributions and grants receivable coming from three donors. |
| 4 | Housing Opportunities Made Equal | \$142,000 | \$59,500 | \$115,918 | 6/30/2017 | Y | Y | N | Note 5 to the financial statements (p. 13 of the financial report) provides a concentration of risk disclosure due to approximately 53% of their support coming from government sources. "Any significant reduction in the level of this support would have a corresponding effect on the Organization's ability to maintain its current programs and services." |
| 5 | Richmond Metropolitan Habitat for Humanity | \$99,000 | \$99,000 | \$95,000 | 6/30/2017 | Y | N/A ² | N | |
| 6 | St. Joseph's Villa | \$40,000 | \$40,000 | \$40,000 | 6/30/2017 | Y | Y | N | |

CDBG/HOME PROGRAM ORGANIZATION AUDIT REPORTS

| No. | Organization/ Project Name | FY2019 Request | FY2018 Budget | FY2017 Budget | Financial Statement Period | Unmodified Audit Opinion by CPA [Y/N] | Uniform Guidance/ Federal Audit Performed ¹ [Y/N] | Audit Findings (financial report page no.) [Y/N] | Potential Concerns/ Further Details |
|------------------------|-------------------------------|-------------------|------------------|------------------|----------------------------------|---|--|--|---|
| NEW APPLICANTS: | | | | | | | | | |
| 1 | CARITAS | \$250,000 | \$0 | \$0 | 6/30/2016 | Y | N/A ² | N | Note 2 to the financial statements (p. 16 of the financial report) provides a concentration of risk disclosure due to 90% of their unconditional promises to give coming from four donors. |
| 2 | Greater Richmond ARC | \$250,000 | \$0 | \$0 | 12/31/2016 | Y | N/A ² | N | Note 3 to the financial statements (p. 9 of the financial report) provides a concentration of risk disclosure due to 24% of their fees for services coming from a governmental insurance program, and approximately 43% of the fees were for services provided under six governmental contracts secured through the AbilityOne Program. |

Footnote(s):

¹Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the compliance audit requirements for organizations expending \$750,000 or more in Federal financial assistance.

²This organization is not subject to a Uniform Guidance audit per either a letter/email received from the organization or review of financial statements showing the Federal financial assistance audit threshold was not met.