

Internal Audit Report on Henrico County Community Partners, Inc for the Year Ended June 30, 2013

County of Henrico



*Proud of our progress;
Excited about our future*

**Internal Audit Report #242
November 21, 2013**

HENRICO COUNTY INTERNAL AUDIT
<http://www.co.henrico.va.us/audit>
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Internal Audit Report on Henrico County Community Partners, Inc. for the Year Ended June 30, 2013



Report #242
November 21, 2013

County of Henrico Internal Audit

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Summary

- Scheduled Audit
- Conclusions on Audit Objectives:
 - ▲ Examine and report on adequacy of internal control
 - Review compliance with grant requirements, if any
 - ▲ Review compliance with Corporate Bylaws and Internal Revenue Service requirements
 - Opine on the financial statements
 - Follow-up on prior recommendations and report on audit findings
- Exception Oriented
- 2 Reportable Issues
- Management Action Plans have been developed to address all risks identified.



Sufficient



Needs Improvement



Insufficient-Immediate Attention

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Contents

- Introduction and Background
- Scope, Internal Controls, and Methodology
- Conclusions on Audit Objectives
- Issues and Management Action Plans
- Opinion on Financial Statement
- Financial Statement
- Closing and Report Distribution



Introduction

- Auditor III Joyce Aikor-Richardson performed Audit work
- Scheduled Audit
- Used professional auditing standards
- All exceptions given to Board officers
- Reported control design issues and significant test exceptions only
- Work for same Government we Audit



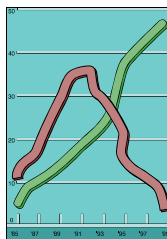


Background

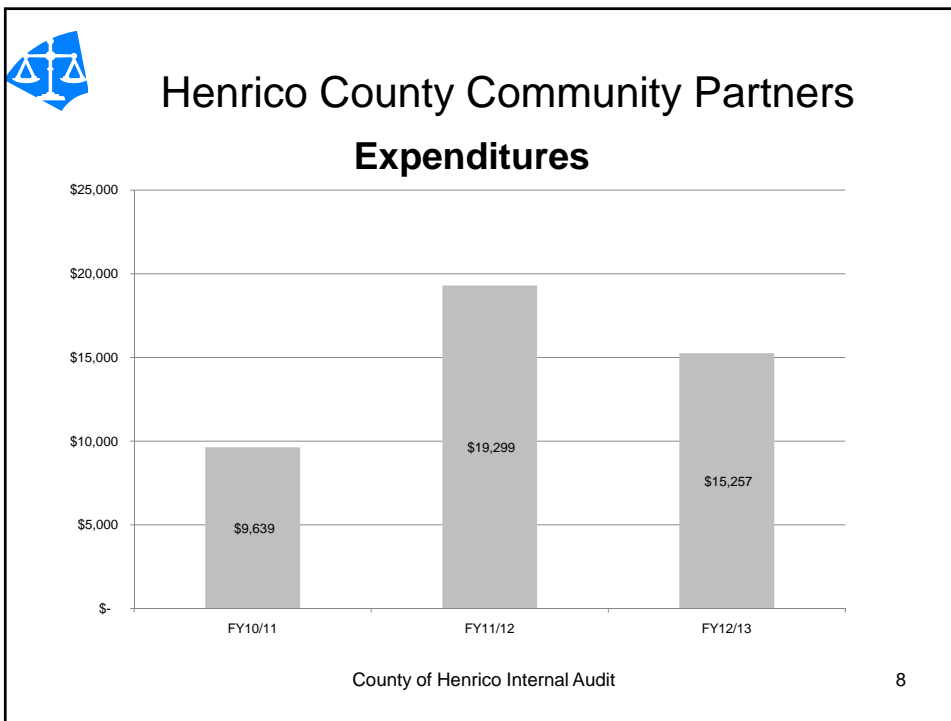
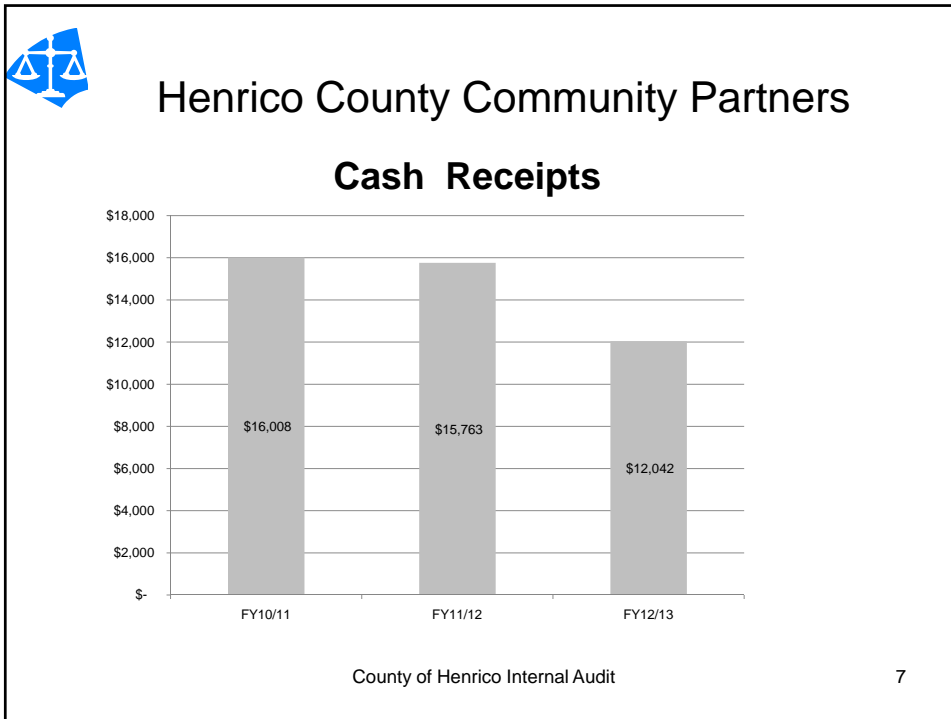
- Not-For-Profit Organization of Henrico County Community Criminal Justice Board
- Video production & sales
- Support programs:
 - Drug Court
 - Drug Court-Healthy Lifestyle Initiative
 - Stepping Stones
 - Emergency Crime Victim Assistance
 - Domestic Violence Victim Assistance
 - Project Lifesaver

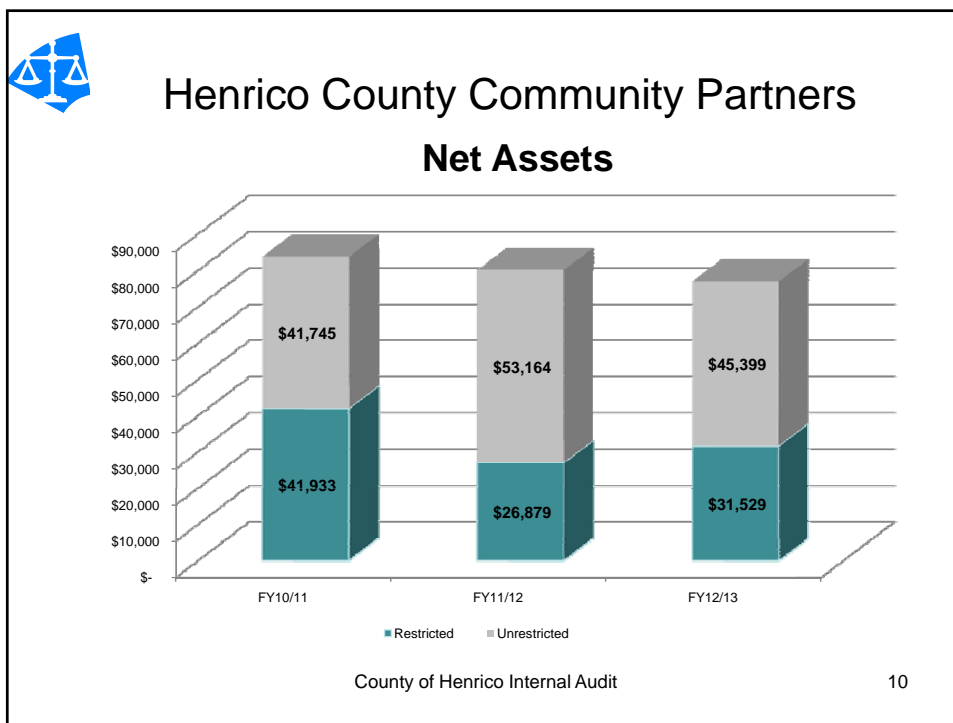
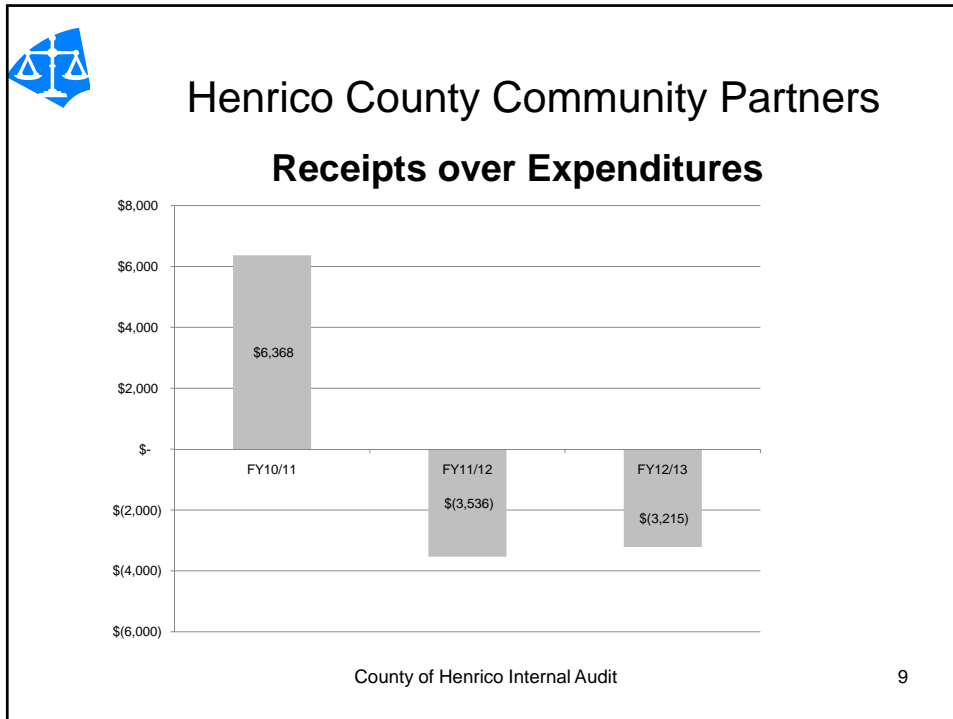


Scope—FY13



All transactions, no exclusions







Internal Controls

Objectives:

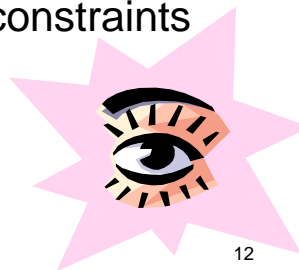
- Reliability and integrity of information
- Compliance with policies, procedures, laws and regulations
- Safeguarding of Assets
- Efficiency and effectiveness of operations



Internal Controls Cont'd

General limitations of any controls:

- Errors and irregularities may go undetected
- Inherent limitations in any control structure
- Limitations include resource constraints
- Compliance may deteriorate





Audit Methodology

- Tested compliance with Federal, State, grant and program requirements
- Tested compliance with Bylaws
- Reviewed and Opined on Financial Statements-tracing recorded transactions to supporting documentation



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Issues

Reportable Issue

1. Ensure Review of Supporting Expenditure Documentation for Accuracy Prior to Payment
2. Ensure Written Donors Acknowledgements are Complete and Accurate


Other Observations

None



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Conclusions on Audit Objectives

	Audit Objectives	Issues and Other Observations Identified
▲	Examine and report on adequacy of internal control	1. Ensure Review of Supporting Expenditure Documentation for Accuracy Prior to Payment
■	Review compliance with grant requirements, if any	None
▲	Review compliance with Corporate Bylaws and Internal Revenue Service requirements	2. Ensure Written Donors Acknowledgements are Complete and Accurate
■	Opine on the financial statements	None
■	Follow-up on prior recommendations and report on audit findings	None


■ Sufficient
 ▲ Needs Improvement
 ◆ Insufficient-Immediate Attention

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Issue 1

Ensure Review of Supporting Expenditure Documentation for Accuracy Prior to Payment



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Issue 1

Criteria

Best management practices suggest invoices or source documents should be reviewed to ensure that the rate selected or amount is correct prior to payment



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Issue 1


Condition

One of the supporting receipts for an expenditure related to a Drug Court-Healthy Lifestyles activity was double-counted in the calculation of the reimbursement owed and this error was not detected prior to payment.

Overpayment in amount of \$14.60 resulted.

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Issue 1

Cause


Human error and oversight in the review process

Effect

Ineffective review control can result in inaccurate payments.

Overpayment of \$14.60

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Issue 1

Recommendation

Ensure review of receipts or source documents for accuracy prior to payment.

For known overpayment, HCPI management should work with the payee and HCPI's accounting firm to handle recovery of the overpayment.

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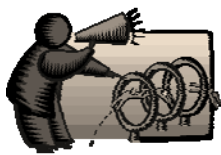
Issue 1

Management's Action Plan

Accountant will check the total requested for reimbursement against receipts prior to cutting a check. We acknowledge accounting errors are inevitable although attention to detail will be given future requests for reimbursement. Once the error was noted, shortly thereafter the entire amount was reimbursed.

Owner of Action Plan: President and Accountant

Expected Implementation Date: 10/18/13



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Issue 2

Ensure Written Donors Acknowledgements
are Complete and Accurate

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Criteria

IRS Publication 1771, Charitable Contributions— Substantiation and Disclosure Requirements. The IRS imposes recordkeeping and substantiation rules on donors of charitable contributions and disclosure rules on charities that receive certain quid pro quo contributions. Although it is a donor's responsibility to obtain a written acknowledgment for a single contribution of \$250 or more, an organization can assist a donor by providing a timely, written statement containing the information required by the IRS.



Condition

A donation acknowledgement letter was prepared and distributed which did not have the correct donation amount or the date of the donation. The listed amount was \$50 greater than the actual donation.



Cause

No independent review and validation in the preparation of the acknowledgement letters.

Responsibility to prepare HCPI's official IRS-compliant acknowledgement letter was not centralized to one individual trained in IRS requirements.

Effect

The organization provided a donor with inaccurate and incomplete information for use in the preparation of their federal tax return. Errors in letters could expose the entity to questions about false substantiation.



Recommendation

Management should consider:

- implementing an independent review process to ensure all letters are prepared completely and accurately prior to distribution
- ensuring that all preparers and reviewers are properly trained on the relevant IRS requirements particularly if responsibility is delegated to multiple parties.



Management's Action Plan

HCPI asks anyone accepting donations with the authority of HCPI and on behalf of HCPI to review and sign a statement acknowledging their responsibility in preparing donation acknowledgement letters.

Owner of Action Plan: President and Secretary
Expected Implementation Date: 11/6/13



Opinion on Financial Statements

COMMONWEALTH OF VIRGINIA COUNTY OF HENRICO

www.co.henrico.va.us/audit

Director – V. G. Crawley
IT Auditor III –
Sharon Thornton
Auditor III -Sharon Wade
Auditor III –
Joyce Aikor-Richardson

INTERNAL AUDIT OFFICE

AUDIT REPORT ON FINANCIAL STATEMENTS

Henrico County Community
Criminal Justice Board
Richmond, Virginia

Board of Directors
Henrico County Community Partners Inc
Richmond, Virginia

We have audited the accompanying Statement of Net Assets Resulting from Cash Transactions of Henrico County Community Partners, Inc. (HCPI), a not-for-profit organization, as of June 30, 2013 and the related Statement of Cash Receipts Over Expenditures for the year then ended, and the related notes to the financial statements which collectively comprise HCPI's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting in an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Net Assets of the Henrico County Community Partners, Inc. as of June 30, 2013 and the Statement of Cash Receipts Over Expenditures for the year then ended, on the basis of accounting described in Note 2.

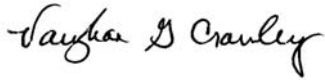
Basis of Accounting

We draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, also used for federal information return reporting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

As described more fully in Note 8, Henrico County Community Partners, Inc. will no longer provide a financial statement showing budgeted versus actual revenue and expenses for the funded project pursuant to the agreement with the Jenkins Foundation, grantor for Drug Court Healthy Lifestyle Initiative.

We issued an Internal Audit Report on Operations of the Henrico County Community Partners, Inc. dated November 21, 2013.

Henrico County Internal Audit

November 21, 2013
Copy: Report Distribution List



Henrico County Community Partners, Inc
Statement of Net Assets
Resulting from Cash Transactions
June 30, 2013

ASSETS

Current Assets	
Cash and Cash Equivalents	76,928
TOTAL ASSETS	<u>76,928</u>

NET ASSETS

Unrestricted Net Assets	45,399
Temporarily Restricted Net Assets	
Drug Court Healthy Lifestyles (\$17,300 Awarded)	310
Domestic Violence Victim Assistance (PMECF) \$15,625 Awarded)	1,567
Emergency Crime Victim Assistance (\$21,000 Awarded)	14,571
Stepping Stone	98
Project Lifesaver	7,159
Drug Court Turkey	287
Drug Court	7,537
Total Net Assets	<u>76,928</u>
TOTAL NET ASSETS	<u>76,928</u>

See accompanying notes to financial statements.



Henrico County Community Partners, Inc. Statement of Cash Receipts over/(under) Expenditures Period Ended June 30, 2013

	Unrestricted	Temporarily Restricted							Totals		
		Drug Court Healthy Lifestyles	Domestic Violence Victim Assistance	Emergency Crime Victim Assistance	Stepping Stones	Project Lifesaver	Drug Court Turkey	Drug Court			
RECEIPTS											
Direct Public Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,300	\$ 860	\$ 500	\$ 2,660
Indirect Public Support											\$ -
Government contributions					2,430						\$ 2,430
Program Service (mostly video sales)	1,610				19			5,036			\$ 6,665
Investment income	287										\$ 287
TOTAL RECEIPTS	\$ 1,897	\$ -	\$ -	\$ 2,449	\$ -	\$ 6,336	\$ 860	\$ 500	\$ 12,042		
EXPENDITURES											
Grants and similar amounts paid	\$ -	\$ 434	\$ 1,257	\$ 2,591	\$ -	\$ 8,301	\$ 573	\$ 203	\$ 13,360		
Legal and Professional Fees	1,825										\$ 1,825
Printing, postage, shipping & other	72										\$ 72
TOTAL EXPENDITURES	\$ 1,897	\$ 434	\$ 1,257	\$ 2,591	\$ -	\$ 8,301	\$ 573	\$ 203	\$ 15,257		
CASH RECEIPTS OVER/(UNDER) EXPENDITURES	\$ 0	\$ (434)	\$ (1,257)	\$ (142)	\$ -	\$ (1,966)	\$ 287	\$ 297	\$ (3,215)		
Net assets, beginning of year	45,399	744	2,824	14,713	98	9,125	0	7,240	80,143		
Net assets, end of year	\$ 45,399	\$ 310	\$ 1,567	\$ 14,571	\$ 98	\$ 7,159	\$ 287	\$ 7,537	\$ 76,928		

See accompanying notes to financial statements.

Henrico County Community Partners, Inc.

Notes to the Financial Statements

Year ended June 30, 2013

1. Nature of Business

Henrico County Community Partners, Inc. (“Community Partners”) is a not-for-profit organization located in Henrico County, Virginia. Community Partners’ mission is to support the mission and goals of the Henrico County Community Criminal Justice Board (the “Justice Board”), member agencies and related organizations by fostering public/private partnerships to promote public safety, increase defendant accountability and rehabilitation, require victim restitution and reduce the level of criminal activity.

One of Community Partners’ programs, Project Lifesaver, is a program designed with the partnership of public safety organizations assisting those who care for victims of Alzheimer’s and other related mental dysfunctional disorders who become lost. These victims include the elderly and even the youngest in the community who are afflicted with Down syndrome and autism. Individuals wear wristbands that send signals to law enforcement agencies which help law enforcement officials find loved ones and bring them home safely.

2. Basis of Accounting

The financial statements of Community Partners were prepared on a cash basis of accounting, used also for federal information return reporting. On a cash basis of accounting, receipts are recognized when cash is received and deposited. Expenditures are recorded in the accounting period when bills are paid. Because the financial statements are prepared on cash basis, Community Partners does not have any recorded liabilities. The dollar amounts on the financial statements were rounded for presentation purposes. Community Partners uses a July 1 to June 30 fiscal year.

3. Cash and cash equivalents

Community Partners’ cash and cash equivalents are considered to be cash on hand, demand deposits, and/or short-term investments with original maturities of three months or less from date of acquisition.

4. Net Assets

Unrestricted net assets are net assets that are neither temporarily restricted nor permanently restricted. They include all net assets with uses not restricted by donors or by law.

Unrestricted assets include bank checking deposits which can be used for programs services, management and general or fundraising purposes.

Temporarily restricted net assets are assets whose use is limited by either donor-imposed time restrictions or purpose restrictions. Time restrictions require resources to be used in a certain period or after a specified date. Purpose restrictions require resources to be used for a specific purpose.

Temporarily restricted assets include deposits which are restricted for the Drug Court Healthy Lifestyles Initiative; Domestic Violence Victim Assistance, a Philip Morris grant; Emergency Crime Victim Assistance, a fund restricted for Emergency Crime Victim Assistance; Stepping Stones, a fund restricted for saving bonds and scholarships to youth; and Project Lifesaver, a

Henrico County Community Partners, Inc.

Notes to the Financial Statements

Year ended June 30, 2013

fund restricted for use in the program that aids victims and families who suffer from Alzheimer's disease, dementia, and autism.

5. Inventory

On the cash basis of accounting, Community Partners does not maintain or carry any inventory, such as available video tapes for sale. Additionally, there are batteries, transmitters, and other items used in the Project Lifesaver program which are kept as backup or for when a new individual needs to be set-up. The disbursements for these items are recorded as program supplies and not inventory.

6. Income Taxes Status

The Internal Revenue Service has determined that Community Partners is tax exempt under Section 501(c) (3) of the Internal Revenue Code.

7. Related Parties

The Board of Directors manages the activities, property and affairs of Community Partners. The Articles of Incorporation require that the Board of Directors at all times be members of the Justice Board or be approved by the Justice Board. The Henrico County Board of Supervisors, as provided by State law, appoints the Justice Board.

The Henrico County Division of Fire has previously assisted in providing services for the Project Lifesaver program activities. They maintained separate funds which were used for their part of the overall program activities. Those amounts have never been reflected in the net assets presented on Community Partners' financial statements.

8. Grants

Grants are recorded as revenue upon the receipt of cash. The organization reports grants as temporarily restricted if they are received with grantor stipulations. When a grantor's restriction is met, temporarily restricted net assets are considered released from restrictions and are shown as expenditures in the accompanying statement of cash receipts over expenditures.

Pursuant to an agreement between the Philip Morris Employee Community Fund and Henrico County Community Partners Inc's/Victim-Witness, Community Partners is required to report verbally on the use of the grant funds for the program until the funds are depleted.

Pursuant to an agreement between the Jenkins Foundation and Community Partners, Community Partners will no longer provide a financial statement showing budgeted versus actual revenue and expenses for the funded project but continue to use the grant funds for the project until the funds are depleted.



Closing

- Appreciated cooperation
- Follow up on action plans will take place during the next annual audit.



Document Distribution

Audit Committee (Mr. Glover, Mrs. O'Bannon, County Manager)	Board of Supervisors, Non-Audit Committee
Henrico County Community Criminal Justice Board	Henrico County Community Partners, Inc.
Internal Audit Staff	



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