

# **Internal Audit Report on**

## **Henrico County Community Partners Inc**

### **for the Year Ended June 30, 2014**

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## **County of Henrico**



*Proud of our progress;  
Excited about our future*

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**Internal Audit Report #250  
February 12, 2015**

HENRICO COUNTY INTERNAL AUDIT

<http://henrico.us/audit>

4301 EAST PARHAM ROAD

P.O. BOX 90775, RICHMOND, VIRGINIA 23273-7032



# Internal Audit Report on Henrico County Community Partners, Inc.

for the Year Ended June 30, 2014



Report #250  
February 12, 2015

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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
- No Reportable Issues and 2 Other Observations
- Management developed an Action Plan to address 1 identified risk and accepted the other risk.

■ 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



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## 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



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## 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

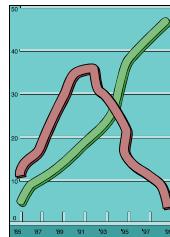


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## Scope—FY14



**All transactions, no exclusions**

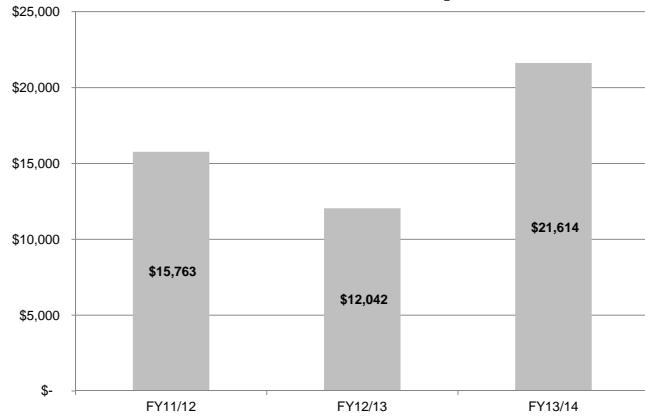
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## Henrico County Community Partners

### Cash Receipts



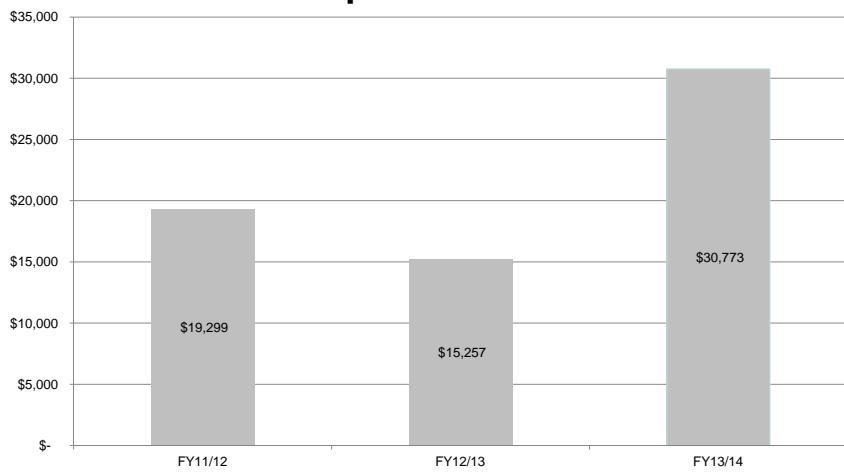
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## Henrico County Community Partners

### Expenditures



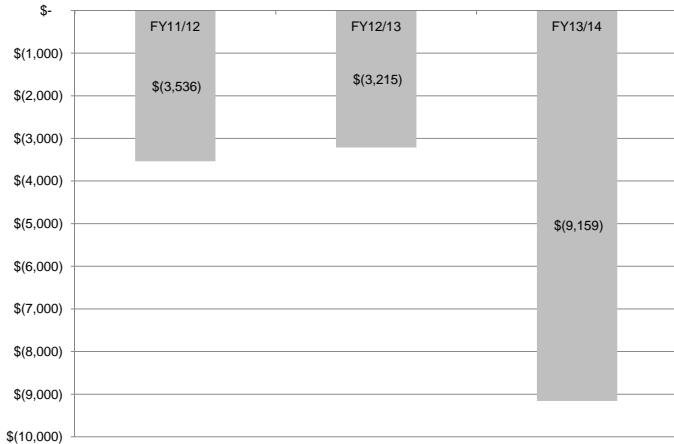
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## **Henrico County Community Partners**

### **Receipts over/(under) Expenditures**



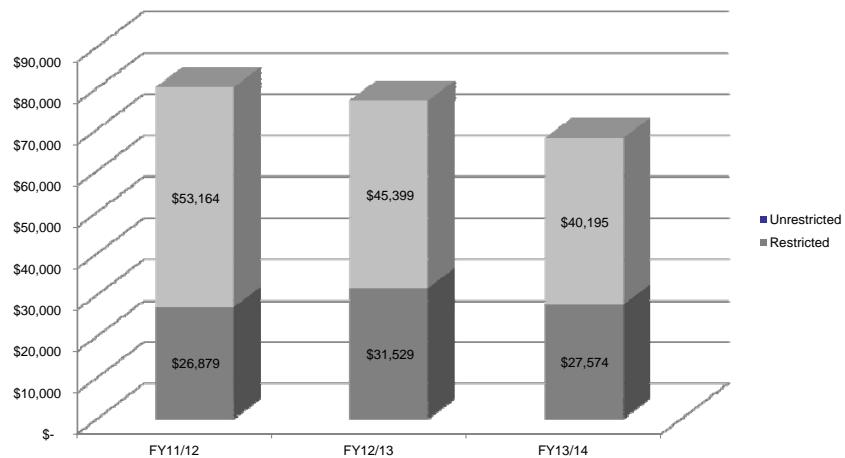
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## **Henrico County Community Partners**

### **Net Assets**



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## Internal Controls

### Objectives:

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



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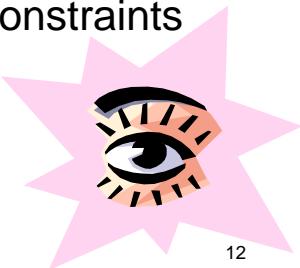
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## Internal Controls Cont'd

### General limitations of any controls:

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



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## 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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## Conclusions on Audit Objectives

|   | Audit Objectives  | Issues and Other Observations Identified   |
|---|---|--|
| ■ | Examine and report on adequacy of internal control                                | Other Observation 2 - Consider using QuickBooks to invoice Project Lifesaver clients         |
| ■ | Review compliance with grant requirements, if any                                 | None   |
| ▲ | Review compliance with Corporate Bylaws and Internal Revenue Service requirements | Other Observation 1 - Ensure acknowledgement letters sent for all donations of \$250 or over |
| ■ | 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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## Reportable Issues

No significant reportable issues related to the audit objectives.



## Other Observations

1. Ensure acknowledgement letters sent for all donations of \$250 or over
2. Consider using QuickBooks to invoice Project Lifesaver clients



## Other Observations

The following slides include observations noted during our review which were not considered critical in reaching our conclusions on our audit objectives.



Other Observation 1



### **Ensure acknowledgement letters sent for all donations of \$250 or over**

A donation acknowledgement letter was not sent for contribution of \$250 for Drug Court.

#### **Recommendation**

Management should ensure the responsible individual sends an acknowledgement letter for all donations of \$250 or over.



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Other Observation 1



### **Management Action Plan**

For future anonymous donations the Board Secretary will write a letter to the donor and place it in a confidential electronic file. The Board Secretary will also provide verbal acknowledgement of the donation to the donor and record the date and time the verbal acknowledgement is made. In the event of a taxable inquiry the donor's letter will be on file.

**Action Plan Owner:** President of Henrico County Community Partners Inc

**Completion date:** 2/1/2015



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Other Observation 2



### **Consider using QuickBooks to invoice Project Lifesaver clients**

As part of the Project Lifesaver service offering, deputy sheriffs go out each month to the residences of program participants to replace batteries in their monitoring devices, establish familiarity to facilitate tracking the individuals when necessary, and to collect \$10 payments for the replacement batteries.

Amounts due from the clients are tracked on an excel spreadsheet rather than using the invoicing and tracking features built in the QuickBooks system that is used to record the Project Lifesaver financial transactions.

#### **Recommendation**

Project Lifesaver management should consider using QuickBooks to invoice clients for more controlled receivables tracking similar to the way the County handles amounts due for other routine services provided to citizens (e.g. utility billings, etc.).

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Other Observation 2



### **Management Action Plan**

The deputies will continue to go to each client's residence and change batteries and ensure it is in proper working condition. While inspecting the bracelet the deputies will continue to collect the funds while still in the client's residence and issue a receipt.

**Action Plan Owner:** Civil Process Deputies

**Completion date:** Continuous

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# Opinion on Financial Statements

## COMMONWEALTH OF VIRGINIA COUNTY OF HENRICO

[www.co.henrico.va.us/audit](http://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, 2014 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 is 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, 2014 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**

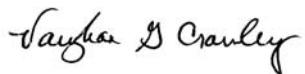
We draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, also used for federal information return reporting, which is a basis of accounting other than accounting principles generally accepted 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 February 12, 2015.

## **Henrico County Internal Audit**



February 12, 2015

Copy: Report Distribution List

**Henrico County Community Partners, Inc**  
**Statement of Net Assets**  
**Resulting from Cash Transactions**  
**June 30, 2014**

**ASSETS**

|                           |               |
|---------------------------|---------------|
| Current Assets            |               |
| Cash and Cash Equivalents | 67,769        |
| <b>TOTAL ASSETS</b>       | <b>67,769</b> |
|                           | <b>67,769</b> |

**NET ASSETS**

|  |               |
|--|---------------|
| Unrestricted Net Assets                                      | 40,195        |
| Temporarily Restricted Net Assets                            |               |
| Drug Court   | 7,972         |
| Drug Court Healthy Lifestyles \$17,300 Awarded               | 129           |
| Domestic Violence Victim Assistance (PMECF) \$15,625 Awarded | 1,575         |
| Emergency Crime Victim Assistance \$21,000 Awarded           | 10,162        |
| Project Lifesaver  | 4,051         |
| Stepping Stones  | 98            |
| Drug Court-Gala  | 3,319         |
| Drug Court-Turkey  | 268           |
| Total Net Assets   | 67,769        |
| <b>TOTAL NET ASSETS</b>                                      | <b>67,769</b> |
|  | <b>67,769</b> |

See accompanying notes to financial statements.

**Henrico County Community Partners, Inc.**  
**Statement of Cash Receipts over/(under) Expenditures**  
**Period Ended June 30, 2014**

|  |                   | Temporarily Restricted        |                                     |                                   |                 |                   |                   |                 |                     |                 |                   |
|--|-------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------|-------------------|-------------------|-----------------|---------------------|-----------------|-------------------|
|  |                   | Drug Court Healthy Lifestyles | Domestic Violence Victim Assistance | Emergency Crime Victim Assistance | Stepping Stones | Project Lifesaver | Drug Court Turkey | Drug Court Gala | Drug Court T-shirts | Drug Court      | Totals            |
| <b>RECEIPTS</b>                        |                   |                               |                                     |                                   |                 |                   |                   |                 |                     |                 |                   |
| Direct Public Support                  | \$ -              | \$ 15                         | \$ 500                              | \$ -                              | \$ -            | \$ 4,243          | \$ 625            | \$ 4,545        | \$ 157              | \$ 625          | \$ 10,709         |
| Indirect Public Support                |                   |                               |                                     |                                   |                 |                   |                   |                 |                     |                 |                   |
| Government contributions               |                   |                               |                                     |                                   | \$ 2,300        |                   |                   |                 |                     |                 | \$ 2,300          |
| Program Service (mostly video sales)   | \$ 1,367          |                               |                                     |                                   |                 | \$ 6,985          |                   |                 |                     |                 | \$ 8,352          |
| Investment income                      | \$ 253            |                               |                                     |                                   |                 |                   |                   |                 |                     |                 | \$ 253            |
| <b>TOTAL RECEIPTS</b>                  | <b>\$ 1,620</b>   | <b>\$ 15</b>                  | <b>\$ 500</b>                       | <b>\$ 2,300</b>                   | <b>\$ -</b>     | <b>\$ 11,228</b>  | <b>\$ 625</b>     | <b>\$ 4,545</b> | <b>\$ 157</b>       | <b>\$ 625</b>   | <b>\$ 21,614</b>  |
| <b>EXPENDITURES</b>                    |                   |                               |                                     |                                   |                 |                   |                   |                 |                     |                 |                   |
| Grants and similar amounts paid        | \$ 5,100          | \$ 196                        | \$ 440                              | \$ 6,709                          |                 | \$ 14,336         | \$ 644            | \$ 1,226        | \$ 157              | \$ 190          | \$ 28,997         |
| Legal and Professional Fees            | \$ 1,425          |                               |                                     |                                   |                 |                   |                   |                 |                     |                 | \$ 1,425          |
| Printing, postage, shipping & other    | \$ 299            | \$ 52                         |                                     |                                   |                 |                   |                   |                 |                     |                 | \$ 351            |
| <b>TOTAL EXPENDITURES</b>              | <b>\$ 6,824</b>   | <b>\$ 196</b>                 | <b>\$ 492</b>                       | <b>\$ 6,709</b>                   | <b>\$ -</b>     | <b>\$ 14,336</b>  | <b>\$ 644</b>     | <b>\$ 1,226</b> | <b>\$ 157</b>       | <b>\$ 190</b>   | <b>\$ 30,773</b>  |
| <b>CASH RECEIPTS OVER EXPENDITURES</b> | <b>\$ (5,204)</b> | <b>\$ (181)</b>               | <b>\$ 8</b>                         | <b>\$ (4,409)</b>                 | <b>\$ -</b>     | <b>\$ (3,108)</b> | <b>\$ (19)</b>    | <b>\$ 3,319</b> | <b>\$ -</b>         | <b>\$ 435</b>   | <b>\$ (9,159)</b> |
| Net assets, beginning of year          | \$ 45,399         | \$ 310                        | \$ 1,567                            | \$ 14,571                         | \$ 98           | \$ 7,159          | \$ 287            | \$ -            |                     | \$ 7,537        | \$ 76,928         |
| <b>Net assets, end of year</b>         | <b>\$ 40,195</b>  | <b>\$ 129</b>                 | <b>\$ 1,575</b>                     | <b>\$ 10,162</b>                  | <b>\$ 98</b>    | <b>\$ 4,051</b>   | <b>\$ 268</b>     | <b>\$ 3,319</b> | <b>\$ -</b>         | <b>\$ 7,972</b> | <b>\$ 67,769</b>  |

See accompanying notes to financial statements.

## **Henrico County Community Partners, Inc.**

*Notes to the Financial Statements*

*Year ended June 30, 2014*

### **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, 2014*

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.

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## Document Distribution

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

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## Audit Contact Information

Vaughan Crawley, Director  
Phone: 804-501-4292, FAX 804-501-5300  
[E-Mail: cra85@henrico.us](mailto:cra85@henrico.us)

Joyce Aikor-Richardson, Auditor III  
Phone: 804-501-4493, FAX 804-501-5300  
[E-Mail: aik11@henrico.us](mailto:aik11@henrico.us)