

**Internal Audit Report on  
Henrico County Community Partners, Inc.  
for the Year Ended June 30, 2015**

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**County of Henrico**



*Proud of our progress;  
Excited about our future*

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**Internal Audit Report #255  
October 14, 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, 2015



Report #255  
October 14, 2015

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## Summary

- Scheduled Audit
- Conclusions on Audit Objectives:
  - Examine adequacy of financial controls and opine on the financial statements
  - Review compliance with grant requirements, if any, and related controls
  - ▲ Review compliance with Corporate Bylaws and Internal Revenue Service requirements and related controls
  - Follow-up on prior recommendations
- Exception Oriented
- 1 Reportable Issue and No Other Observations
- Management Action Plans have been developed to address the risk 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



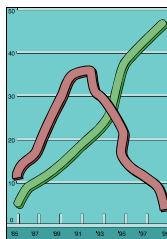


## Background

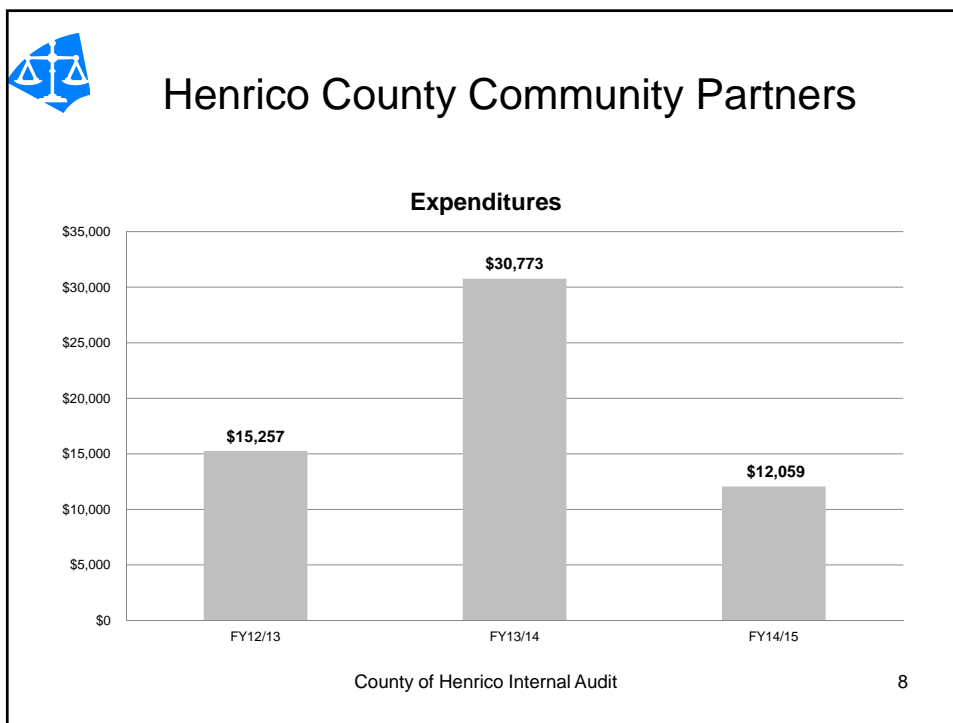
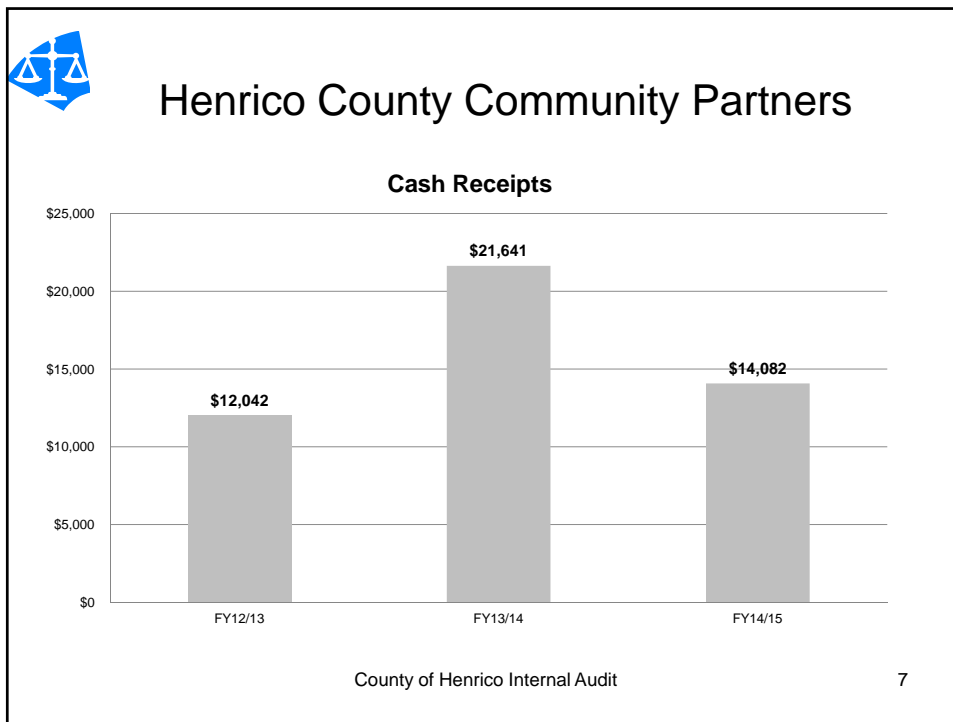
- Not-For-Profit Organization of Henrico County Community Criminal Justice Board
- Video production & sales
- Support programs:
  - Drug Court
  - Drug Court-Healthy Lifestyle Initiative
  - Stepping Stones
  - Emergency Crime Victim Assistance
  - Domestic Violence Victim Assistance
  - Project Lifesaver

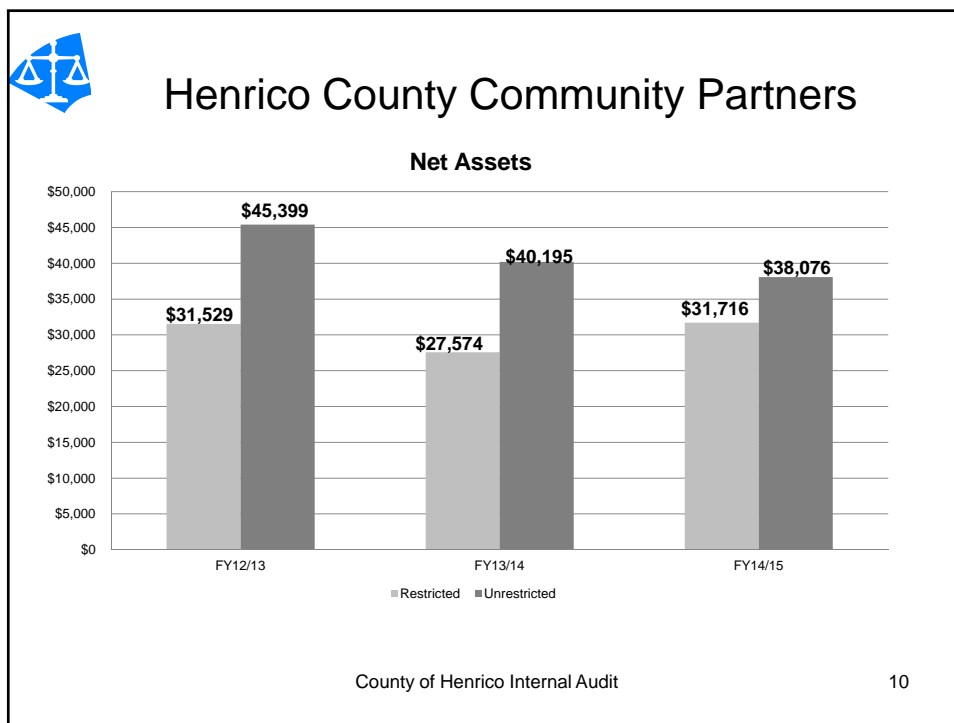
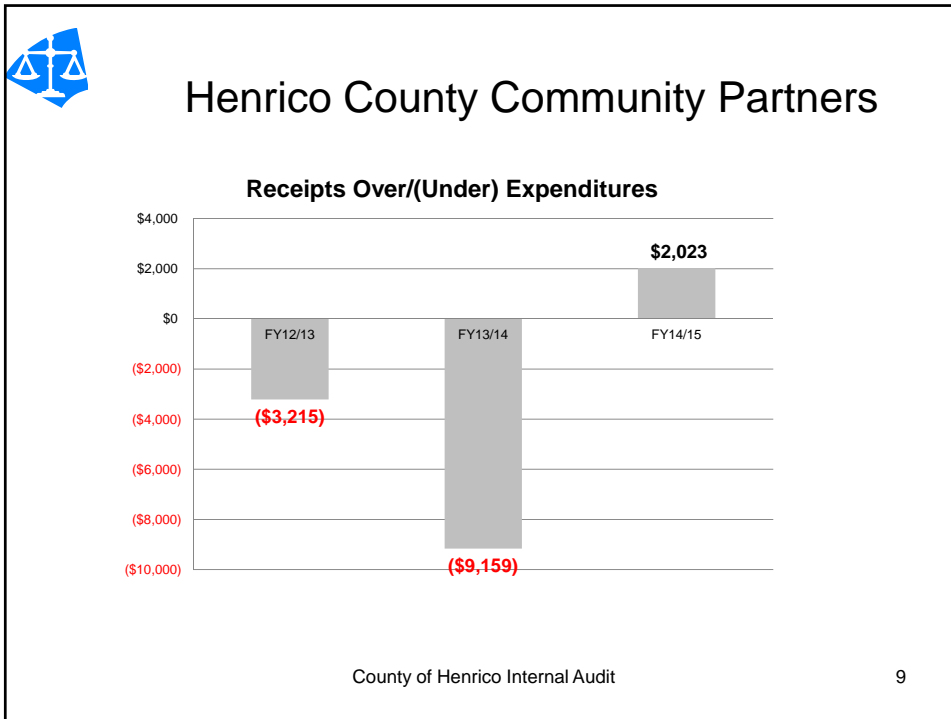


## Scope—FY15



**All transactions, no exclusions**







## Internal Controls

### Objectives:

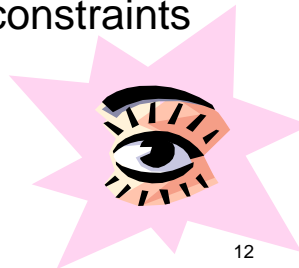
- Reliability and integrity of information
- Compliance with policies, procedures, laws and regulations
- Safeguarding of Assets
- Efficiency and effectiveness of operations



## 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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## Conclusions on Audit Objectives

Audit Objectives		Issues and Other Observations Identified
■	Examine adequacy of financial controls and opine on financial statements	None
■	Review compliance with grant requirements, if any, and related controls	None
▲	Review compliance with Corporate Bylaws and Internal Revenue Service requirements and related controls	1. Ensure Compliance with Bylaws
■	Follow-up on prior recommendations and report on audit findings	None



Sufficient




Needs Improvement



Insufficient-Immediate Attention

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# Issue


## 1. Ensure Compliance with Bylaws

Other Observations


None



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## Ensure Compliance with Bylaws



**Issue 1**

CONDITION	EFFECT
<p>1. The bylaws effective at the beginning of the FY2014-15 indicated that officers will be elected at a July annual meeting. However, no such meeting was held in July 2014.</p> <p>Per subsequent minutes, this oversight was detected by the Board which resulted in a review and amendments to the bylaws and officer approval at the November 2014 meeting.</p> <p>2. The June 2014 and February 2015 meeting minutes indicate that there was insufficient attendance to comply with the requirement for a quorum per the bylaws (50%).</p> <p>The board listing provided indicated that there were 15-16 members at the time of these meetings which required at least 8 members for a quorum. However, there were 6 present in June (with 1 stand-in) and 7 present in February.</p>	<ul style="list-style-type: none"> <li>• Noncompliance with bylaws</li> <li>• Actions approved by attendees could be challenged due to lack of a quorum</li> </ul>
CAUSE	
<p>Lack of familiarity with the requirements in the bylaws and no practices in place to ensure compliance with the requirements.</p>	
CRITERIA	
<p>Corporate bylaws adopted to provide a framework for the entity's operation and management.</p>	

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## Ensure Compliance with Bylaws, cont.

<b>RECOMMENDATION</b>		
Develop procedures to ensure compliance with operating requirements outlined in the bylaws.		
<b>MANAGEMENT'S ACTION PLAN</b>	<b>BY WHOM</b>	<b>EXPECTED COMPLETION DATE</b>
1. HCPI will review the Bylaws at the annual meeting held in July to ensure familiarity and compliance with all requirements.*  * The Bylaws were reviewed by the Board on September 18, 2015 and will be discussed again on October 16, 2015.	President and Secretary	July, 2016
2. The Bylaws will be given to each new Board member at or before the first meeting they attend.	Secretary	September, 2015
3. HCPI will clarify and amend, if needed, the Bylaws as to what constitutes a quorum. Meetings will be cancelled or rescheduled when there is not quorum.	President, Secretary	October 16, 2015





# 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 Cherry  
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, 2015 and the related Statement of Cash Receipts Over/(Under) 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 presentation of the financial statements.

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, in accordance with the cash basis of accounting described in Note 2.

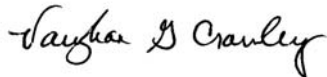
**Basis of Accounting**

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.

**Henrico County Internal Audit**

September 24, 2015  
Copy: Report Distribution List

**Henrico County Community Partners, Inc**  
**Statement of Net Assets**  
**Resulting from Cash Transactions**  
**June 30, 2015**

**ASSETS**

**Current Assets**

**Checking/Savings**

Henrico Federal Credit-checking 62,530

Henrico Federal Credit-Saving 10

Project Lifesaver 7,252

Cash and Cash Equivalents 69,792

**TOTAL ASSETS 69,792**

**NET ASSETS**

Unrestricted Net Assets 38,076

**Temporarily Restricted Net Assets**

Drug Court Healthy Lifestyles \$17,300 Awarded 0

Domestic Violence Victim Assistance (PMECF) \$15,625 Awarded 533

Emergency Crime Victim Assistance \$21,000 Awarded 10,816

Stepping Stones 98

Project Lifesaver 7,251

Drug Court-Turkey 265

Drug Court-Gala 3,319

Travis Pierce Memorial Fund 1,455

Drug Court 7,979

**Total Net Assets 69,792**

**TOTAL NET ASSETS 69,792**

See accompanying notes to financial statements.

**Henrico County Community Partners, Inc.**  
**Statement of Cash Receipts over/(under) Expenditures**  
**Period Ended June 30, 2015**

	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 Gala	Travis Pierce Memorial Fund		Drug Court			
<b>RECEIPTS</b>														
Direct Public Support								\$ 2,200	\$ 775			\$ 4,500	\$ 750	\$ 8,225
Indirect Public Support														\$ -
Government contributions				\$ 2,300										\$ 2,300
Program Service (video sales, monitor batteries)	\$ 1,060							\$ 2,275						\$ 3,335
Investment income	\$ 222													\$ 222
<b>TOTAL RECEIPTS</b>	\$ 1,282	\$ -	\$ -	\$ 2,300	\$ -	\$ 4,475	\$ 775	\$ -	\$ -	\$ 750	\$ 4,500	\$ -	\$ 750	\$ 14,082
<b>EXPENDITURES</b>														
Grants and similar amounts paid		\$ 129	\$ 354	\$ 2,283		\$ 1,274	\$ 777		\$ 3,045	\$ 751				\$ 8,614
Legal and Professional Fees	\$ 1,725													\$ 1,725
Printing, postage, shipping & other	\$ 1,719													\$ 1,719
<b>TOTAL EXPENDITURES</b>	\$ 3,444	\$ 129	\$ 354	\$ 2,283	\$ -	\$ 1,274	\$ 777	\$ -	\$ 3,045	\$ 751				\$ 12,059
<b>CASH RECEIPTS OVER EXPENDITURES</b>	\$ (2,163)	\$ (129)	\$ (354)	\$ 17	\$ -	\$ 3,200	\$ (2)	\$ -	\$ 1,455	\$ (1)	\$ -	\$ -	\$ (1)	\$ 2,023
Net assets, beginning of year (adjusted)	\$ 40,238	\$ 129	\$ 887	\$ 10,800	\$ 98	\$ 4,051	\$ 267	\$ 3,319	\$ -	\$ 7,980	\$ -	\$ -	\$ 7,980	\$ 67,769
<b>Net assets, end of year</b>	\$ 38,076	\$ 0	\$ 533	\$ 10,816	\$ 98	\$ 7,251	\$ 265	\$ 3,319	\$ 1,455	\$ 7,979	\$ -	\$ -	\$ 7,979	\$ 69,792

See accompanying notes to financial statements.

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

*Notes to the Financial Statements*

*Year ended June 30, 2015*

### **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 (1) the Drug Court Healthy Lifestyles Initiative, a fund restricted by provisions from a Jenkins Foundation grant; (2) Domestic Violence Victim Assistance, a Philip Morris Employee Community Fund (PMECF) grant; (3) Emergency Crime Victim Assistance, a fund restricted for emergency crime victim

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

*Notes to the Financial Statements*

*Year ended June 30, 2015*

assistance; (4) Stepping Stones, a fund restricted for saving bonds and scholarships to youth; (5) Project Lifesaver, a fund restricted for use in a program that aids victims and families who suffer from Alzheimer's disease, dementia, and autism; and (6) various other Drug Court activities restricted by the Travis Pierce Memorial Fund and other designated contributions.

### **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 was required to report verbally on the use of the grant funds for the program until the funds were depleted. However, no reporting has been required for the last several years.

Pursuant to an agreement between the Jenkins Foundation and Community Partners, Community Partners no longer provided a financial statement showing budgeted versus actual revenue and expenses for the funded project but continued to use the grant funds for the project until the funds were depleted this year.

**Henrico County Community Partners, Inc.**

*Notes to the Financial Statements*

*Year ended June 30, 2015*

**9. Adjustment to Beginning Net Assets**

The net assets as of the beginning of the fiscal year have been adjusted to reflect corrections made to the classification of transactions recorded in prior years. The corrections are between unrestricted funds and categories of temporarily restricted funds; reflect Community Partners' intent for the source/use of funds; and have no net impact on the total balances of cash or net assets.



## Closing

- Appreciated cooperation
- Follow up on open Action Plans will be performed during the next 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	



## Audit Contact Information

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