

## Audit Portion of Research and Request

AGO met with Cody on February 22, 2018, during our meeting with Cody she mentioned having difficulty finding an auditor to audit their program. Therefore, the last audit was completed in 2015 (for FY2014).

AGO followed up with Cody on February 27, 2018 offering an audit company, NR Smith, who audits our other nonprofits.

February 27, 2018 Cody stated "We reached out to NR Smith during our initial search, but I don't believe we ever heard back from them."

Cody also let us know that that they were successful in locating an auditor to conduct the audit (Petersen cpas and advisors). The audit will take place in early March.

Cody asked if the audit could take place later in late April or early May. Her request was declined since the audits were past due.

March 22, 2018 AGO requested the 2015 audit from Cody.

March 22, 2018 Cody indicated AGO has the original hard copies of all completed WCCVA audits.

*The AGO has the original hard copies of all completed WCCVA audits. We do not have any audits that were completed, but not provided to the AGO.*

*The audit covering 2015 financials (which was to be completed in 2016), is the audit that was started, but not finished, because the firm decided to no longer provide audits for small non profits (please see attached letter from May, 2016). At the time, the auditor went over Quickbooks with WCCVA's accountant and made sure everything was prepared for the audit (see attached Quickbooks report).*

*WCCVA requested assistance from the Washington Association of Certified Public Accountants to complete both the audit mentioned above and the audit that was scheduled for July/August, 2017. WCCVA retained the required services as soon as the contract between WCCVA and the AGO was received in March. The onsite portion of the audits will be conducted on March 27 & 28 and the final audit reports will be ready the following week.*

*Again, everything that has been completed has been provided to the AGO, but if you have any questions, or if there is anything else that you need prior to the authors final reports, please let me know and I will contact the accountant. Likewise, if there are questions you have that you would like to speak to the accountant or auditor about directly, please do not hesitate to reach out. I know they would be happy to talk with you and would certainly be better equipped to provide you with more details if needed.*

*Have a great day. I am available if you need anything.*

Cody

March 22, 2018 AGO via email asked Cody to verify that they did not keep a copy of the most recent audit.

March 22, 2018 AGO called Cody regarding the audit report but received her voice message.

March 27, 2018 Cody sent an email to AGO. The attachments did not include the documents referenced in the following email.

*You had previously requested the 2015 & 2016 audits, which are currently being completed and copies of Quickbooks reports from 2015 & 2016, which I have provided. I thought that was everything that had been requested. I apologize for the confusion, but this email that you sent is the first I have heard that you do not have copies of WCCVA's financial documents prior to that 2015 - 2016 time frame. I do not believe that WCCVA has any additional copies of old audits. The audits are conducted at the request of the grantor and are not something that WCCVA requires independent of that request. The auditor provides one copy of the audit book, which is provided to the grantor. At the AGO's request, WCCVA provided the audit books for ALL WCCVA audits, including those that were attached to the OCVA grant file. From what I saw, Mamie and Rebecca kept meticulous files and I know they were up to date when Rebecca left. If it helps in the search, there was a green file folder that WCCVA provided to the AGO containing all WCVA audits. It says "WCCVA Audits," written in black sharpie on the cover. Are you missing one audit book or is the entire file gone? I will ask our accountant if she has anything we can send you.*

*In regard to the 2015-2018 time frame, can you please confirm that you have everything you need (aside from the audits that will be completed next week)? For easier reference, I am attaching Quickbooks reports for 2015 and 2016, as well as WCCVA's financial policies and job descriptions, so that everything is contained in one email. If you need anything else from 2015-current, please let me know and I will talk to the accountant about that too.*

*Thank you,*

Cody

April 20, 2018 – Site Visit (Audit portion)

April 20, 2018 WCCVA Site Visit (Audit portion notes):

#### Financial Review:

Betty and Melanie met with Angela, via phone, the auditor from Peterson cpas and advisors out of Yakima – Angela 509-575-1040 wk or 509-833-5398 cell

Angela has 20 years of experience auditing including nonprofits. Angela is trained to investigate and look for fraud. She also looks for legal expenses and litigation related activity, she did not

identify anything. Her overall opinion of WCCVA is that they did not engage in fraudulent activities and that they are good people. However, she understands that their expertise is not in financial matters, which is why they need to rely on outside vendors. She recommends the board provide more oversight and keep minutes to help protect employees and keep them in compliance.

Angela walked through WCCVA's financial processes with folks then looked through the books to verify. She received a backup copy of QuickBooks from Dixie Leonard (AA Bookkeeping and Accounting-Tumwater, CPA, enrolled agent). She pulled transactions looking for approvals and adequate internal controls.

The audit covers 2015, 2016 and 2017; however, Angela stopped auditing when WCCVA told them the funds were frozen. In order for Angela to proceed with the audit and produce the audit reports, she requested \$6,000. Angela did comment that 2017 seems better than 2015 or 2016 and attributes that to Dixie. WCCVA was audited following the GAO US Government Accountability Yellow Book Auditing Standards.

"The Yellow Book" <https://www.gao.gov/yellowbook/overview>

Internal controls, segregation of duties, and compliance areas include:

- Cash Receipts/Revenue
- Payroll
- Expenses

Cash Receipts/Revenue:

Revenue received other than from AGO reimbursements are minimal.

- In 2015 WCCVA received \$200 for memberships and \$150 rebate;
- In 2016 WCCVA received \$2.90 for donations and .18 bank interest;

Payroll:

WCCVA uses an outside company, Genie Payroll, to do their payroll and they do a good job. Timesheets are not utilized because the two WCCVA staff are salaried, dedicated to this funding.

Topics for discussion included...

- HSA is a valid expense for a Health Savings Account. It benefits the employee by reducing out of pocket expense so the employer can keep insurance costs down with a bigger deductible.
- Bonuses are an allowable discretionary expense. However, there were no board minutes documenting the justification.
- The Executive Director receives stipends for a cell phone and internet access. These reimbursements are considered taxable fringe benefits but they were not included on her Form W-2. This item will result in a finding.

Expenses:

Questioned costs identified as being reimbursed to WCCVA by AGO without goods being received or that the services were completed:

2015:

- Costa Consulting - \$39,600
- 4Imprint - \$11,716

2016:

- 2 invoices for 4Imprint totaling \$59,375.96

Topics for discussion...

- Liability insurance was paid in 2015; \$2,848 but there was no payment in 2016.
- 2012 and 2014 leasehold improvements wrapped into lease payments for 10-20 years. This seems unusual but valid nothing during this audit.

**Summary of compliance findings, management letter and/or recommendations:**

- Questioned costs totaling approximately \$110,692.
- The last 990 was filed with the IRS in 2014. Angela will catch them up and request penalties be revoked.
- Board should:
  - Provide more oversight
  - Be a better functioning organization
  - Create and retain board meeting minutes (even if meetings are via phone)
  - Help protect employees and keep them in compliance
  - Update policies, procedures, and handbook for consistence
- Cell phone and internet stipends are taxable to Cody but were not included on her Form W-2

Segregate duties by having the bookkeeper create all checks for executive director or delegate's signature.

April 24, 2018 – Email

Requested audit cost estimate

April 25, 2018 – Email

Fee Estimates:

2015 audit, with additional fees due to findings and scope expansion	\$7,500
2016 audit, with additional fees due to findings and scope expansion	\$7,500
2017 audit	\$6,000
Preparation of Form 990 for 2015 through 2017	\$2,100
Total fees	\$23,100

**Angela Pratt, CPA**

May 1, 2018 – Email

Received an invoice from Angela outlining her audit work so we can pay part of the invoice to get the draft audit report out to WCCVA.

June 12, 2018 – Email

The last I heard from WCCVA is that they are working on their response to the finding. I have been working out of town and just returned to the office, so I will check in with them again today. Thank you for the follow up!

**Angela Pratt, CPA**

June 19, 2018 – Email

I still have not heard anything from Cody or Greg on the drafts, nor have I received their response to the finding. I will check in again with them this week.

**Angela Pratt, CPA**

June 19, 2018 – Email

I had a phone call from Greg. He is trying to craft the response, as they do not have any funds to pay Cody to do it. I guess that is why it is taking unusually long. Just wanted to let you know. Thanks!

**Angela Pratt, CPA**

June 26, 2018 - Email

I'm hoping to hear back from Greg soon so we can get these wrapped up!

**Angela Pratt, CPA**

June 25, 2018 – Email

Received a draft copy of the WCCVA Audit

June 27, 2018 – Email

AGO has a few follow up questions now that we have had a chance to review the audit.

1. What specific costs are questioned? Invoices for consulting services and outreach materials. The purchase process was not completed and the goods and services were not received. The invoices had been submitted to AGO for reimbursement and subsequently reimbursed, even though the purchasing process was never completed. I will obtain the details when I am back in the office.
- a. Who are the vendors and how much did WCCVA request for reimbursement from AGO for each? I will respond when I am back in the office and have access to the invoices.
- b.
- c. Did WCCVA write checks to these vendors or did WCCVA seek reimbursement for goods and/or services never received? The invoices were submitted for reimbursement prior to the purchasing process being completed for the goods. It is my understanding that the organization intended to follow through with the consulting services, but there was a disagreement and the services were not ultimately provided. The purchase process for the outreach materials was not completed, as, per inquiry of management, the "final approval" for the orders was not completed. I did not see evidence of payment going to these vendors.

- i. If checks were not written to the vendors, is there sufficient assets in WCCVA bank account to cover the questioned costs? If not, is it know what the dollars were spent on? [I do not know if WCCVA currently has enough funds in the bank account to cover these. As of December 31, 2015 and 2016, however, between cash in the bank and outstanding receivables from AGO, there was enough in liquid assets to cover this liability.](#)
2. AGO requires vendor invoices before reimbursements are made. Was there evidence of invoices? If so, do you know how these invoices were created? [There were invoices that accompanied the request for reimbursement. The invoices appear to have been approved and reimbursed by AGO, as your records should reflect. I do not know how these were created. They look like normal vendor invoices. Do you keep copies of the invoices and the approved reimbursement requests? That would make it easier for me to direct you to the invoices in question.](#)
- 3.
4. During your audit period WCCVA did not file their 990 reports with the IRS. I don't recall seeing this in the audit report. Did you consider this outside the scope of the audit? If outside scope, was there anything else you determined outside the scope of the audit? [Filing of Form 990 is a non-attest service, whereas the audit is an attest services, so yes, the filing of the 990 is outside the scope of the audit as far as the reporting goes. I have, however, noted the failure to file in the management letter of comments.](#)

7/3/2018 – Email:

I need to clarify my previous response to one of your questions regarding payment to vendors. In some cases, there were checks that had been initiated within QuickBooks, but later voided and not issued. Therefore, payment did not actually go to the vendors.

In response to your questions regarding vendors, invoices, and amounts, please see the following:

#### **June, 2015 Questioned Costs**

4imprint	\$11,715.77	Invoice #10733988	Order made June 29,
2015	No evidence of check being issued, bill deleted on July 9, 2016, per QuickBooks		
Costa Consulting	<u>\$39,600.00</u>	Invoice #06-AVSA-2015	Invoice date June 29,
2015	Per QuickBooks, looks like check #3005 was initiated, then voided and bill subsequently deleted		

Total \$51,315.77 (rounded to \$51,316 for financial statement presentation purposes)

#### **June, 2016 Questioned Costs**

4imprint	\$25,548.08	Invoice #12347216	Order made June 30,
2016	Online-debit purchase, voided January 20, 2017, per QuickBooks-no evidence of payment to vendor		
4imprint	\$33,827.88	Invoice #12347244	Order made June 30,
2016	Online-debit purchase, voided January 20, 2017, per QuickBooks-no evidence of payment to vendor		

Flashbay, Inc.	\$ 4,418.00	No copy of	
invoice*			Online-debit purchase, voided January 20, 2017,
per QuickBooks-no evidence of payment to vendor			
Jacqueline Hatfield	<u>\$ 4,800.00</u>	Invoice in July, 2016	
file**			

Total \$68,593.96 (rounded to \$68,594 for financial statement presentation purposes)

\*Invoice was not present in June, 2016 folder. Amount was detailed on the expenditure report sent to AGO for reimbursement. No evidence of payment made to vendor.

\*\*Invoice was in July, 2016 folder and was for January, 2016 through June, 2016 services at \$800 per month. However, the total of \$4,800 was included on the June, 2016 and July, 2016 expenditure report sent to AGO for reimbursement. Check #2404, payable to Jacqueline Hatfield, was issued on July 11, 2016 and cleared the bank in July. Appears that WCCVA submitted this amount to the AGO twice for the same invoice.

I will be on vacation the remainder of this week, and back on Monday, July 9. If you have any other questions, please feel free to email or call me. Thank you and have a great holiday!

### Angela Pratt, CPA

#### Questioned cost research:

July 3, 2018 - Online Chat with 4imprint (Invoices 10733988, 12347216, 12347244) \$71,091.73. All orders were cancelled, nothing was ever placed. Therefore, they have nothing to show for them.

July 9-11, 2018 – Voice message recap with Jeri from Costa Consulting (Invoice #06-AVSA-2015) \$39,600.

Cody asked Jeri to create an invoice so she could get board approval for the contract. A contract was not executed for the work on the invoice nor did she do any of the specific work. Jeri will forward an email exchange regarding this request.

July 9, 2018 – AGO called Flashbay, Inc. (no invoice # reference) \$4,418. WCCVA has not ordered or paid them for anything since 2014.

Jacqueline Hatfield \$4,800.

WCCVA billed AGO in June and July 2016 but AGO only reimbursed WCCVA once in June.