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	Audit Requirements for Organizations Applying for or Receiving County Funding	
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PURPOSE:

The purpose of this policy is to establish an audit requirement or other financial reporting requirement for all external organizations requesting and/or receiving direct County funding. The policy will help ensure that these organizations have adequate levels of financial management and operational transparency which are necessary to ensure public trust and accountability and are precursors to receiving taxpayer funds.

SCOPE:

This policy does not apply to funds paid to external organizations for services obtained through the normal procurement process.

DEFINITIONS:

1. *Audited Financial Statements* – Are financial statements which:
 - a. Have been prepared in accordance with generally accepted accounting principles or the following other comprehensive basis of accounting: tax basis or cash basis; and,
 - b. Audited by an independent certified public accountant; and,
 - c. An opinion has been expressed as to whether they present fairly the financial position of the organization.

2. *Unaudited Financial Statements* – For purposes of this policy, unaudited financial statements are a grouping of statements that contain, at a minimum, a balance sheet or statement of net assets, a statement of activities or income statement and a notarized certification from the organization’s President and Treasurer that the statements provided accurately reflect the financial position of the organization.

3. *External Organization* – Any organization that is separate and distinct from the County of Accomack and which is not included within the County of Accomack’s financial reporting entity.

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PROVISIONS:

1. General

The County partners with multiple external organizations including volunteer fire and rescue companies, nonprofits and other governmental boards, councils, commissions, etc. to provide essential services to the public in exchange for the organization receiving financial support from the County.

Although the County does not provide these services or administer these funds directly, it expects those organizations that do to adhere to the same elevated principles of accountability and transparency that it applies to itself. The County has therefore developed this policy to require all external organizations that **request or receive** direct County funding to furnish audited or unaudited financial statements to the County on an annual basis as a condition of receiving these funds. Which statements to furnish, audited or unaudited, is dependent on the amount of funds the organization is requesting or receiving from the County

2. Audited Financial Statement Requirement

External organizations are required to submit audited financial statements to the County under the following circumstances:

- a. Organizations **requesting** County funds in an amount greater than or equal to \$10,000 must submit current audited financial statements to the County before their request will be considered. In order for the financial statements to be considered current, they must pertain to a fiscal year ending no more than 20 months prior to the date the funds were requested.
- b. Organizations that have been **awarded** County funds in an amount greater than or equal to \$10,000 must submit annual audited financial statements covering the periods the grant funds were used for as long as the organization receives County funding. These financial statements are due to the County within 9 months after the fiscal year end of the organization.
 - i. Only financial statements containing an unqualified or “clean” auditor’s opinion are considered to have met the County’s submission requirements.

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3. Unaudited Financial Statement Requirement

External organizations are required to submit unaudited financial statements to the County under the following circumstances:

- a. Organizations **requesting** County funds in an amount less than \$10,000 must submit current unaudited financial statements to the County before their request will be considered. In order for the financial statements to be considered current, they must pertain to a fiscal year ending no more than 20 months prior to the date the funds were requested.
- b. Organizations that have been **awarded** County funds in an amount less than \$10,000 must submit annual unaudited financial statement(s) covering the periods in which the grant funds were used for as long as the organization receives County funding. These financial statements are due to the County within 9 months after the fiscal year end of the organization.
- c. Organizations required to submit unaudited financial statements may substitute audited financial statements in lieu of unaudited ones if available.

4. Where to Submit Information

Financial statements should be submitted via email to the Accomack County Finance Department.

5. Form of submission

Financial statements must be submitted in electronic format. No paper copies will be accepted.

6. Annual Review

A review will be conducted annually during the budget process to ensure external organizations are complying with the provisions of this policy.

7. Noncompliance Consequences & Actions

- a. **Failing to Meet Submission Timeframes**
Any organization that fails to submit their financial statements to the County in accordance with the

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timeframes and conditions specified in this policy will have their County funding suspended until compliance is achieved. County funding for organizations who fail to submit their required financial statements within 12 months after the due date will be referred to the Board of Supervisors for possible reallocation of funds.

b. Failing to meet reasonable standards

Organizations who submit audited financial statements that contain an unqualified (aka “clean”) auditor’s opinion on the financial statements are considered to have met the County’s submission standards. Submissions containing an auditor’s opinion other than unqualified such as an adverse, qualified or disclaimer of opinion are considered unsatisfactory and will have their County funding immediately suspended. Funding will remain suspended until the County receives audited financial statements that contain an unqualified auditor’s opinion.

- i. If suspension of organization’s funding results in an increased public safety risk due to the ability of the organization to continue to provide public services, the County may institute measures to ensure services continue to be delivered such as making direct payment to the organization’s lenders to avoid default. Any amounts distributed on behalf of the organization will be deducted from the total amount of suspended County funds. In no case will County funding be remitted directly to the organization until satisfactory audited financial statements are received.

Organizations who receive an auditor’s opinion which is considered unsatisfactory are expected to immediately implement a corrective action plan, with this assistance of their independent external auditor, to remedy the situation in time for the next audit period. County funding for organizations who fail to implement a corrective action or repeatedly receive unsatisfactory auditor’s opinions will be referred to the Board of Supervisors for possible funding reallocation.

8. Cost of Compliance

The financial cost associated with obtaining audited or unaudited financial statements shall be borne by the external organizations requesting or receiving funds from the County.