SIR BRANCH 116

SIR BRANCH & GOLF ACCOUNT AUDIT

2020

SCOPE

According to the SIR Manual Policy 33 (b2) Auditing:

* 1. Auditing- The Big Sir-elect shall appoint a Committee Chairman and one or more members who have not served as officers during the current (audit) year. The Committee shall make an audit of the books and records covering the financial transactions of the Branch during the current calendar year. The audit shall include golf, bowling, travel, and any other activity as directed by the Big Sir. Form 29 – Branch Audit Report containing a resume of the audit(s) shall be submitted according to its instructions by February 10 following the audit year.

This report provides the findings and recommendations developed by the Audit Committee for the Branch, Golf financials, and other custodial activities. Included are the two 2020 Form 29 Branch Audit Reports and the year-end Form 28 Monthly Cash Report.

Audit Committee members include Bill Ginter, Harry Oberle III, and Ron Armijo (Chairman). Harry was unable to participate this year due to a personal issue. Due to state pandemic directives, audit was conducted by telephone conference.

1. Findings
	1. Branch 116
		1. Bank balance continues to grow. Increase in 2020 was 14.5% from $9.8k to $11.3k. Contributing factor was $600 over budget from member dues plus some other various overages. There was a similar increase in the 2019 finances of 21.5% from $8.1k to $9.9k. Trend continues.
		2. Introduction of SQUARE to process Golf activity fees was introduced in July. Initial processing was mixed due to having a new process. Protocols were enhanced to resolve accountability and timing issues. By October balance between receipts and transfers to the Golf account improved and balance for the year was achieved through year end. Attached is a report (Sir Branch 116 Credit Card Process) prepared by our Branch Treasurer, Alan Fitzgerald, that describes the protocols implemented to manage the SQUARE process.
		3. SQUARE charges a Credit Card Fee for each transaction. Branch receives the net revenue for each transaction and transfers that amount to the Golf account. Golf account absorbs the transaction fee.
		4. Transactions reviewed
			1. Check number 3520 for $365.75 to State Board 2nd Quarter Assessment did not appear in the bank transaction file. Further review found the clearing entry in the April bank statement
			2. Golf credit card receipt and transfer transactions to the Golf account did not match. Determined to be a timing issue and assembly of the transfers to the Golf account to match the receipts. By year end receipts and transfers balanced with a net zero to the Branch account for the year.
			3. Deposit with Boundary Oak Services, check number 3528, for the 2021 Christmas event was issued in March for $750 but did not clear the bank until August. Request for refund was honored by Boundary in August.
		5. The year-end book balance and bank balance did not match. The book balance was overstated by $16.09. Investigation determined that the out-of-balance was due to irreconcilable errors over the year. Year-end adjustment was posted to reverse the $16.09 to balance to the year-end bank balance.
		6. Over the year there were a total of 142 transactions posted as follows:
			1. Deposits 42
			2. Withdrawals 100 (Checks 19, Transfers to the Golf Account 22, Square 59)
		7. Recommendations
			1. The SIR Manual does not provide guidance for excess reserves carried in the Branch bank account. With the trend of excess reserves each year, providing some relief to the membership in dues reduction or some alternate method of reduction in reserves is appropriate. Appropriate level of reserves should be determined by the BEC.
			2. Change in the accounting of luncheon seed money to custodial accounts plus rearranging the Budget vs Actual report to reflect these accounts was implemented
			3. Continued refinement of the SQUARE protocol to reduce the processing burden on the treasurer should be pursued. Potential use of SQUARE for most Branch receipts beyond use for Golf transactions will add treasurer reconciliation efforts although potentially beneficial to the Branch
			4. Implement use of adjusting entries at month end to reconcile book to bank balances excluding uncleared book entries. For example, a check written for $50 but booked at $40, a month end adjustment of $10 will balance the book to the bank account.
			5. Eliminate the use of negative amounts in a receipts account; only enter unsigned amounts
			6. Audit Committee recognizes that generally accepted accounting procedures for a cash basis accounting system are being followed. It is the committee’s recommendation that the financial accounting for Branch 116 in 2020 is acceptable and should be approved for reporting to the Area Governor along with the year-end Form28 Cash Report.
	2. Golf Account
		1. Bank balance continues to grow. Increase in 2020 was 31.2% from $12.2k to $16k. Note that the fee to NCGA has not yet been posted for 2021. There was a similar increase in the 2019 finances of 12% from $10.9k to $12.2k. Trend continues. Concern is the need for working capital to cover advance payments to courses to be played later in the year.
		2. In 2018, a non-pandemic golf year, the date with the lowest bank balance was October 17 with a balance of $10,050.
		3. Introduction of SQUARE to process Golf activity fees was introduced in July. Initial processing was mixed due to having a new process.
		4. Using SQUARE has reduced the amount of financial monitoring by the Golf Treasurer. Receives fewer checks than before. Writes checks for away Golf events.
		5. Manual accounting process remains in effect. Treasurer manages checks received for scheduled away Golf events and pays Golf Course as needed, months in advance depending on course requirements.
		6. Bank statement reconciliation unknown.
		7. Audit Committee is unable to independently reconcile the year-end bank statement to book balance due to limited financial reporting
		8. Recommendations
			1. Responsibility for managing the bank account should be clearly defined
			2. Bank reconciliation to book should be performed monthly. Book balance prior to the introduction of SQUARE was based on the check book register. Adding SQUARE processing increases effort to manage the bank account. Suggest assessing this accounting requirement
			3. Year-end bank balance continues to increase yearly as indicated above. Some action should be pursued to begin reducing the reserve amount to accommodate annual needs, which may just need a much smaller reserve. The BEC should commission the Golf Committee to pursue alternative methods to resolve this excessive reserve amount.
			4. The Golf financial system has operated without use of technology for several years. Year-end audits have been sporadic. Financial activity is exclusively in support of Golf events that includes scheduled golf events, purchasing prizes, NCGA expenses plus other minor miscellaneous expenses. In the comparison year of 2018 pre-pandemic, there were 118 transactions of which 46 were revenue and 72 were expense. The expense transaction volume included Golf events 50, golf balls 5, NCGA 4, and misc. 13. Given the low volume of transactions it seems reasonable that the Golf Committee endorse development of a simple register to post income and expense transactions as a tool to manage the account including managing SQUARE transactions.
			5. The Audit Committee recognizes that the Golf accounting system is managed through manual means. The committee also recognizes that the system, with minimal activity has operated without known consequence and could continue. However, the accounting methodology used does expose SIR to fraudulent activity given the high account balance and lack of financial controls. There does not seem to be issues with the accounting for 2020 given our limited access to transaction activity. We therefore suggest that the financial condition for 2020 be approved with the caveat that the BEC recommends to the Golf Committee to pursue a new methodology to support their financial interests and responsibilities.
	3. Other Branch Custodial Activities
		1. Custodial activities are self-sustaining financially, which means that the Branch does not subsidize these events
		2. Custodial events are single events, excluding Golf, requiring entry fees that cover all expenses. Each event must net to zero. Examples of custodial events are Dine Out Group, Ladies Day, and Christmas Dinner Dance. Finances are managed by the event chairman who is accountable for the finances
		3. The Audit Committee does not recommend performing annual audits for these standalone events since each event is managed by the custodial event chairman who is responsible for netting the event to zero.

Submitted by:

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Bill Ginter

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