

DELAWARE AREA GENERAL SERVICE ASSEMBLY, INC.

To: Area Committee
From: Dick H., Past Delegate, P62 A12
Date: April 11, 2023
RE: Financial Review 2020 – 2022

Background

As noted in the Financial Management Guidelines, there are no outside authorities (laws, regulations, etc.) that require an audit by a CPA. However, the Assembly has the need to have assurance that the financial statements are reliable, that the Guidelines have been followed, and that sound business practices are in place. That review has been assigned to the Finance Chair. However, there has been no Finance Chair for a number of years. Therefore, no review has been performed. Having performed these reviews in the past, the Chair has appointed me to perform this one.

Banking / Accounting / Statement Requirements

One checking account is used for all Convention related Income/Expense.

A second checking account is used for all other Income/Expense.

All Income/Expense is to pass through the appropriate checking account.

Quicken is used as the accounting system. All checking account activity is to be entered in Quicken.

Quicken bank account balances must be reconciled to the bank statements monthly.

All financial statements are to be prepared directly from Quicken reports

Review – 2020 & 2021

The Area Treasurer provided me with copies of the Quicken registers for each bank account, the bank statements, the Quicken reports he used to prepare the financial statements, and the statements. I reviewed those documents monthly and found that all of the above requirements were met. I found no reason for further testing at this time. Note that the bank statements confirmed that there was no Convention activity and that the Convention prudent reserve balance remained at \$4500. Therefore, I find that the statements for those years are reliable.

Review – 2022

There was a Convention in 2022. The Area Treasurer provided me with copies of the registers and bank statements for both accounts, plus the Quicken Financial Reports and the Financial Statements For 2022. The Convention Treasurer did not submit Transaction Registers to the Area Treasurer. Therefore, the Area Treasurer copied the transactions into Quicken from the Bank statements. I found compliance with the above requirements, and that the statements can be relied upon.

Review – 2022 (Con't)

The Convention Treasurer submitted the required final financial report late. Although the ending balance agreed with the reconciled bank statement balance, individual Income and Expense balances did not agree with the corresponding balances in the Quicken reports. To date, the Convention Treasurer has not provided a reconciliation of those differences. Therefore, the final report submitted by the Convention Treasurer is not to be relied upon.

I extended the review to include checking the Income and Expenses transactions recorded in Quicken to hard copy supporting documentation:

Assembly - I reviewed all of the Assembly account transactions and found no exceptions.

Convention – The Convention Committee contracted with Go-Daddy to provide a website that included both registration and fee paid on line. This resulted in 76% of the income direct deposited to the bank account, with no human intervention. No exceptions were found. The fee for ecommerce was \$313. I reviewed the documentation for the major expenses – Caterer, Hall Rental, Speaker Expenses, Insurance. Only four expense checks were issued. The remaining expenses were paid by debit card. Therefore, between Go-Daddy and the debit card, over 75% of Income and expense were directly credited / charged to the bank account without human intervention. This use of technology significantly improved the timeliness of the financial statements. The one exception found is that no premium was paid for the insurance policy that the Committee obtained in order to provide the certificate of insurance that is required by the Convention Center. The explanation given is that the Convention Treasurer paid the \$176 premium out of her credit card and treated it as her contribution. And, the policy covered only the Convention thus leaving the Assembly without liability insurance for its other activities.

Concerns – Recommendations

- 1.) Insurance 2022 – Best business practice includes requiring that the financial statements include all Income and expense.

Recommendation - The 2022 Statements should be revised to show the \$176 as both a personal contribution and an expense.

- 2.) Insurance – Past practice has been to rely upon the Convention Committee to obtain the liability insurance required by the Convention Hall contract. This resulted in two mistakes. First, the policies were written to cover only the Convention. Second, there was no Liability coverage for the six years that there was no Convention

Recommendation: The Area Treasurer should be assigned the responsibility of obtaining a General Liability policy covering all Area activities for each year, regardless of whether or not there is a Convention. (Cost approximately \$400 - \$500 per year).

- 3.) Convention Treasurer – If the authority to manage the Convention bank account is to be delegated from the Area Treasurer to a Convention Treasurer, then there has to be assurance that the individual appointed is both willing and able to follow the Financial Management Guidelines and best business practices.

Recommendation: The appointment of Convention Treasurer should be subject to the approval of the Area Treasurer.

- 4.) Transactions Register – Especially given the use of direct deposits and debit card payments where transactions are posted directly to the checking account, it is essential that a register be maintained that documents chronologically all transactions that affect this account. It serves as a control against fraudulent entries and documentation of the entries to be posted to Quicken.

Recommendation: The Convention Treasurer must be required to maintain this register and to submit a copy to the Area Treasurer at the end of each month. The form, format and contents is to be approved by the Area Treasurer.

- 5.) Bank Reconciliations – The Area Treasurer uses the Quicken Reconciliation process. If discrepancies are found, the Area Treasurer resolves them with the Convention Treasurer.

Recommendation: Monthly, once all discrepancies are resolved and the reconciliation balances, the Area Treasurer provides copies of the Quicken Reconciliation report and the Bank Statement to the Convention Treasurer.

- 6.) Final Convention Final Financial Report – Convention Committee presents this report to the Area Assembly based on the Quicken Financial Reports. After entering in Quicken any activity contained in the last Transaction Register, the Area Treasurer sends the Quicken Convention reports to the Convention Treasurer.

Recommendation: The Convention Treasurer prepares their final report taking care to assure that, although reformatting is permissible, the balances agree with the Quicken Reports. The Convention Chair then combines their financial report with any narrative they wish to include to result in the report to the Assembly.