

# COMMENTS ON THE 2013 OBC AUDIT REPORT of KARYN SHERIDAN, CPA, CA

Prepared by Ron Stoneham, OBC Treasurer 2014-2015

At the 2013 AGM held on October 30, 2013, the membership voted to obtain a full audit for the fiscal year ending November 30, 2013. This would be the first ever full audit obtained by the club. The services for this audit were contracted for and provided by Karyn Sheridan, CPA, CA. Most of the information provided during this audit was provided by Treasurer Ron Stoneham and President Peter Tregunno. Many of the items reported on in this audit report are a reflection of the departure of our past Office Administrator and the resultant extra time required to provide answers and obtain documents for the auditor in his absence.

While the auditor advised against doing an audit without the administrator from that period still in our employ, we elected to follow the wishes of our membership and proceeded with the audit. It did, in fact, take countless hours of work with the auditor to complete the audit but it was an extremely beneficial exercise. There were no major concerns from the audit but rather confirmation that we just need a bit of fine-tuning to the way we do things and the manner in which we maintain our records. It should be noted that we use QuickBooks V2012 accounting software to maintain our financial records.

The following comments reference each of the separate sections of the Audit Report:

## **OPENING FIGURES**

This has been the result of the Cyclocross event running to the end of November. We will be keeping the year end books open to allow for the inclusion of the revenues and expenses in the correct fiscal year.

## **MISSTATEMENTS IDENTIFIED DURING THE AUDIT**

These have been addressed elsewhere in this document.

## **EVALUATION OF INTERNAL CONTROL**

### **1. SEGREGATION OF DUTIES**

- a. While all of these recommendations have been followed in the past, they are now being reviewed on a more frequent basis (i.e. monthly).

### **2. TIMELY APPROVAL OF FINANCIAL STATEMENTS**

- a. In the future, the club's year-end financial statements will be approved upon their completion by our accountant, subject to final approval by the membership at the Annual General Meeting.

### **3. TIMELY APPROVAL OF ANNUAL BUDGET**

- a. The omission of approval of the annual budget was, in fact, not an omission but rather an omission of recording the approval in the Board minutes. The budget for the 2013/2014 fiscal year has been prepared, approved by the Board, and recorded in the Board minutes. The budget now differentiates between coaching fees and honourariums.

### **4. INTERIM FINANCIAL STATEMENTS AND COMPARISONS TO BUDGET**

- a. This has been and continues to be done on a monthly basis. For fiscal 2014, there has been no requirement for alterations to the original budget.

## **5. INVENTORY ORGANIZATION**

- a. The problem with the physical location of the clothing inventory was one of the major motivations in moving our office to more spacious quarters (2 doors down in the same building). The clothing is now stored in a large sectional wall storage cupboard with separate bins by clothing type and sizes.

## **6. INVENTORY QUANTITIES**

- a. This is a perpetual challenge as the clothing requirements are determined by the demands of our membership. The improved organization of our clothing will allow us to be more accurate in determining inventory levels.

## **7. INVENTORY COSTING**

- a. Inventory costs change based upon the pricing at the time of the order and our record keeping now reflects this more accurately. We continue to maintain copies of all clothing invoices.

## **8. INVENTORY ABSENCE**

- a. We are monitoring outdated clothing on a regular basis and currently selling some at reduced prices – in particular at our annual Garage Sale. At the 2014 Year End we will determine if any additional “write-downs” are required.

## **9. COMPLETENESS OF REVENUE**

- a. At the time of the audit complete accounting records from CCN were not available. They have subsequently been provided by CCN and their collection records were reconciled to our deposit records. In addition, there were no permanent records for our club tour registrations. These were re-created from our deposit records and from our participation records from the tour organizers and subsequently balanced. For 2014, we are maintaining a complete ongoing tour registration list and the registration fees collected balance to our deposit records.
- b. Time trial fees were collected as required and funds deposited. Listing of the participants were incomplete and are now maintained more diligently.
- c. The handling of the Cyclocross event has been completely revised from 2014 so that all revenues for this event are paid directly to the club and reconciled accordingly. As stated previously in these comments, we will be keeping the club’s year-end books open until all income and expenses have been collected and recorded in the correct fiscal year. Admittedly there was very little administrative control over this event by the club but the accounting records ultimately provided by the event organizer for 2013 were complete and accurate.
- d. There were very few refunds allowed for our events and those made were fully documented with email records from the event organizer.
- e. In addition to a new inventory storage system, we have set up a complete pre-numbered invoice and sales register recording system for 2014. A copy of the invoice as well as a written receipt is provided to each purchaser of club clothing. Each sale and corresponding cost of sale is recorded such that we essentially have a perpetual inventory system which is verified by a monthly physical inventory count.

## **10. TOUR REGISTRATION APPLICATIONS**

- a. Where tours provide accommodation for more than 1 night, the tour application form now reflects this option(s) with the appropriate fee paid for the applicable option.

## **11. CASH DISBURSEMENTS**

- a. There was no problem with our disbursements. The items mentioned were either monies paid for services provided to RLCT or the Grand Prix or ongoing annual payments that were itemized in the minutes of previous years' Board of Directors.
- b. All expense items for reimbursement to members (directors and volunteers) are now being submitted on a timely basis.
- c. We will be diligent with US fund payments and reimbursements and hope that this will be at a minimum as we implement the use of club credit cards (2).
- d. The Petty Cash fund has been used for small value payments but records have been skimpy or non-existent. When the fund was found to be almost depleted, it was replaced. In the future, the total of the fund balance plus receipts must total \$300 at all times. When the fund is low, it will be replenished by cheque with the receipts then becoming part of our permanent accounting records.
- e. The use of members' credit cards will no longer be practised as we proceed with the acquisition of club credit cards.
- f. This has been and will continue to be our ongoing policy. We have been a bit lax in the past in reconciling receipt records from third party companies who are collecting fees for us.

## **12. MINUTES**

- a. We will continue to be diligent in the recording and approving of all AGM and Board meeting minutes.
- b. Any unusual payments and pay increases will continue to require Board approval and appropriate recording in the minutes.

## **13. CONTRACTS**

- a. At the time of the audit some of the contracts were in the hands of the event organizers. They are now on file in the club office and the contract mentioned in the audit has since been correctly signed by the event organizer.

## **14. INSURANCE POLICIES**

- a. In the past all insurance renewals have been filed with the paid invoice from the policy provider. The policies are now maintained in properly labelled folders in the office and an electronic file log is maintained of all insurance policies.

## **15. HST**

- a. We now have a separate GL account for HST payments made by the club.
- b. This incorrect recording of HST for our US tour has been corrected.
- c. We have corrected the HST items mentioned and are being more diligent about when HST should apply on our fees.

## **16. POLICY AND PROCEDURES MANUAL**

- a. As mentioned in the Audit Report, a manual was prepared and was fine-tuned while it was used as a training document for our new administrator. It will require constant updating and several recommendations from our auditor will be incorporated during the quieter off season.

## **17. PASSWORDS**

- a. We now have separate passwords for QuickBooks for the administrator and the treasurer.

## **18. BANK RECONCILIATIONS**

- a. The items mentioned have been cleared up and all cheques outstanding over 90 days are followed up with the payees.

## **19. CUT-OFF**

- a. The policy for cheque recording and numbering is outlined in the POLICY AND PROCEDURES MANUAL.

## **20. SOURCE DEDUCTIONS AND HST PAYMENTS**

- a. CRA recorded the payment to the wrong account since the incorrect payment stub was sent with our cheque. It has since been corrected by CRA.

## **21. PAYMENTS TO CLUB MEMBERS**

- a. The NPO information report has been filed with the CRA for 2013. We will continue to be diligent with payments to members and the proper classification of these payments. Payments to club members should be reduced in the future with the acquisition of club credit cards.

## **22. OTHER MATTERS**

With the introduction of the new Ontario Not-For-Profit Corporations Act ("ONCA") coming in 2015, we continue to be aware of our current non-profit status and the fact that our current large reserves, surpluses and retained earnings may raise a flag with the CRA. We will review this situation further with our accountant as we prepare for our 2014 fiscal year end.