

2019-2020 PATACS AUDIT

According to the bylaws an audit of PATACS fiscal operations is required every two years. The 2019/2020 audit was conducted with the Audit Chairman, Nick Wenri, Board Member and inputs by Roger Fujii, Treasurer, Paul Howard, President and Mel Mikosinski, Membership Chair and 2nd VP. Roger F. and Mel M. provided online documentation which included club expenditure authorizations, bank statements, and membership transactions (memberships, renewals and donations associated with membership transactions). Paul H. provided PizzaSig Donation data for the period when the organization held live meetings prior to Covid restrictions. Mel M provided much analytic data and his detailed Sub-Audit report is provided as an attachment to this report.

Methodology:

Using bank statements as a baseline, all transactions (Checks issued/deposited, Cash deposits and any bank issued interest or fees) are compared with the appropriate supporting data. Per organization rules, all payment authorizations and checks issued require two signatures of designated officers/board members.

Analysis of deposits is a little more complicated. There are multiple sources of deposits. There are check deposits (Mainly from the memberships/renewals), cash deposits (memberships/renewals -donations) and direct deposits from Amazon (link referrals to Amazon-now Amazon Smile) and Pay Pal membership transactions. Extra supporting documentation is required here since bank statements only show cash deposits as a lump sum. Membership data is required to show how many cash membership/renewals and donations are included in the monthly bank statement. We now have an added complication of Pay Pal income for membership/donations. Prior to Pay Pal we had a fixed sum for the yearly membership (and it was on a yearly basis). Now we accept multiyear memberships which means one can no longer multiply the number of members times the membership fee and while the membership dues are "constant" to the members, the amount the club receives from Pay Pal is minus Pay Pal charges. This makes it important to have documented membership information to discern what income is membership dues and what is donation funds so that can be compared with the treasurer's records

The major challenges in "balancing the books" are associated with the internal working of the system. Membership reports can show so many new members and membership renewals in a month, but the incoming funds can get deposited at different times. There is a time lag as to when funds (cash or check) are received by the membership chair and are transferred to the treasurer and are then deposited in the account. Other recorded membership/renewals with payment via PayPal get deposited at different date. The bank records indicate a PayPal deposit amount which may include memberships and donations from one or more individuals. That plus the possibility of an individual paying for a multiyear membership makes the validation of reported income being deposited a minor challenge. This is an instance where Mel M's documentation is necessary in order to figure out where the deposit amount is coming from.

Findings:

All checks issued had a valid authorization and there were no discrepancies found in the checks.

The only discrepancy noted was that one PizzaSig donation deposit was \$1 more than the PizzaSig records stated (extra treasurer donation?).

In comparing the Bank Statements with the issued sequential check numbers there were a number of checks issued without any cash reimbursement approval forms in the data provided.

There were five check numbers that never appeared as cleared by the bank. A query to the treasurer indicated that there was some initial confusion during the change over of the Treasurers as to what expenditures required a formal approval statement, at issue were mainly expenditures that were formally approved by the board. This eventually was corrected and all subsequent checks have a matching approval with the required two signatures.

Based upon the bank statements there was a series of check numbers that appeared to be missing, the bank statements had check numbers prior and past the numbers in question that had been cashed. A query to the Treasurer indicated that two of the checks were destroyed, the remaining three checks were annotated in the Quicken files as void and then destroyed. In today's banking process once a check is written and issued, it is never again seen by PATACS. This has curtailed the need for the storage of canceled or voided checks.

Comments:

It may be a good time for a review and updating of the Club's Bylaws to accommodate changes in the way we do business and how to handle changes in the way business is handled in the world. (I'm thinking things like the way banks handle checks, multi-year memberships, PayPal operations, changes desired in club procedures, etc.)

With future possible changes of level of involvement of members in maintaining PATACS documentation the following is a list of minimum data required to accomplish a fiscal audit:

Bank Statements (Cash, Check and Direct Deposits/Withdrawals plus any account interest/fees)

Copies of Expenditure Authorizations (To verify two approvals and amount)

Membership Transactions (Membership payments including when and how provided (Check-Cash-PayPal) and any donation amount.)

Details of miscellaneous donations (Source, Type (cash, check, other), dates (acceptance and transfer to treasurer), amount.

Listing of checks written during the audit period (Expenditures do not appear in bank statements until the checks are cashed by the recipient).

Monthly treasurer's reports provide a good barometer of the club's fiscal health, but are limited in detail and are merely a snapshot of status when written. Income and expenditures are continuing through out each month and may arrive at any time, As a crosscheck to the Treasurer's Quicken data, and as a great aid in accomplishing a Fiscal Audit, the various reports generated by Mel M. are much appreciated.

Nick Wenri,
Audit Chairman

Attached is Mel M's Sub Audit Report

This special audit report only covers PATACS deposits

Date Jan 2, 2021

I: The purpose of this FY19 and FY20 sub-audit report is to document the details of a PATACS audit concerning Checking, PayPal, and CD deposits. PATACS audits are done every two FY years. Between FY18 and FY19 the Treasurer duties was transfer to a new person and a Special FY18 audit report was recorded on Jan 6, 2019.

Due to issues with the Treasurer's Quicken reports the auditor will use the Membership Chair's PATACS PO Excel report as a reference to be compared with the Operating Fund PATACS Bank Statements.

II: FY19 and F20 Audit Operating Fund Reports uses the following reporting elements:

- Individual PATACS Member details plus paid dues and donations.
- Dues and Donations by check of cash.
- Dues and Donations via the PayPal system (only on the FY20 report).
- Pizza Sig meeting donations.
- Amazon monthly commission payments.
- Checking Accounts interest payments for two checking accounts and two CD accounts.

Monthly Summary Total lines as follows:

- Level 1 = Monthly Treasurer's deposit totals.
- Level 2 = Monthly bank deposit collection totals (For auditor use).
- Level 3 = Running Treasurer Cash Flow quicken totals (For monthly comparison with the Treasurer's monthly Cash Flow Quicken report).

Special additional Audit elements added by the Auditor.

- Bank statement deposit numbers (**Red Amounts**)
- Bank Statement Date

III: The monthly Capital One bank statements use the following formats:

- **Account Summary:** The summary totals for the monthly deposits/credits, checks/debits, balances, and interest rewards.
- **Account Detail:** The individual checks/debits and deposit transactions breakdown of the account monthly summary information.

IV: Analysis and comparison between the Audit Operating Fund Report and the 4092 Operating Statements from the Capital One Bank. The statement items used in the audit are the Deposit/Credits items in the Account Summary area of the statements and are marked with a **yellow background**. Each of the yellow marked items values were transfer to the Audit Operating Fund Report's Bank Statement deposit numbers column and marked with **red numbers**.

1. FY19 analysis and comparison between FY19 4092 Operating Statement (Attachment 1a) and FY19 Audit Operating Fund Report (Attachment 1b).

- a. Bank statement deposit numbers were matched with related Audit Operating Fund Report's level 2 items marked in **red numbers**. In addition, a breakdown of the deposit number was marked with **yellow background** numbers where possible.
 - b. FY19 analysis showed that all checks and cash deposits for September and October were not deposited until November 2019. A special subtraction action was done in the month totals column for November to show a matching **red number** for the banks reference deposit number. All Bank Deposit refence numbers were match successfully with level 2 and 3 detail numbers. See attachments 1a and 1b for details.
2. FY20 analysis and comparison between FY20 4092 Operating Statement (attachment 2a) and FY20 Audit Operating Fund Report (attachment 2b).
 - a. Bank statement deposit numbers were matched with related Audit Operating Fund Report's level 2 items marked in **red numbers**. In addition, a breakdown of the deposit number was marked with **yellow background** numbers where possible.
 - b. FY20 analysis showed that PayPal deposits do not get directly deposited into the Capital One bank. Only one PayPal transfer of \$900.00 was made in FY20 into the Capital One bank system. Due to the PayPal column, a special subtraction action was done in the month totals column for eleven months to show a matching **red number** for the banks reference deposit number. All Bank Deposit refence numbers were match successfully with level 2 and 3 detail numbers. See attachments 2a and 2b for details.

V: Analysis and comparison between the FY20 PayPal Transaction History and Audit report with the monthly Treasurer's Quicken PATACS Account reports. The PATACS PayPal system provided a FY20 PayPal Transaction History which the auditor added a running total and Treasurer's monthly Quicken account report information.

1. FY20 PayPal Transaction History and Audit report elements:
 - Transaction Date
 - Transaction Description (Name and ID number)
 - Transaction Gross amount
 - Transaction PayPal Fee
 - Transaction Net amount (

Special additional Audit elements added by the Auditor.

 - Net Running Totals
 - Treasurer's monthly Quicken Report Account Totals (**yellow background numbers**)
 - Treasurer's monthly Quicken Balance Account Report Dates (**yellow background numbers**)
2. FY20 analysis and comparison between the FY20 PayPal Transaction History's running totals numbers and the Treasurer's monthly Quicken PayPal account numbers showed that all numbers matched. See attachment 3 for PayPal transaction details.
3. The FY20 PayPal Transaction History's PayPal Gross Total (**green background number**) matches the FY20 PayPal total number in the FY20 Audit Operating Fund Report (attachment 2b). The PayPal

Transaction History also shows that a withdraw of \$900.00 took place on 8/27/2020. The same date the FY20 Audit Operating Fund Report and FY20 4092 Operating Statement showed a deposit of \$900.00.

VI: Analysis and comparison between the FY19-20 3203 Reserve Statements (attachment 4) with the monthly Treasurer's Quicken PATACS Account reports.

1. From September 01, 2018 until August 18, 2020 the balance for the Reserve Account 3203 was \$9,733.85. In August 2020 two amounts (\$5,000.00 and \$2,730.00) was withdrawn from Reserve Account 3202 and transferred to PATACS Saving Account 4404. From August 27, 2018 until September ,30 2020 the balance for the Reserve Account 3203 was \$2,003.86.
2. All monthly statement balances of the FY19 and FY20 3203 Reserve account balances matched the FY 19 and FY20 monthly Treasurer Quicken reports' 3202 Account balances.

VII: Analysis and comparison between the FY19-20 CD Account Statements (attachment 6 and 7) with the monthly Treasurer's Quicken PATACS Account reports.

1. Freedom bank's CD account 6326 for 135 days:
 - a. Monthly Treasurer's reports show labeled CD accounts 6223 or 6323 that should have been labeled as a 6326 account.
 - b. Freedom bank creates a mailed hardcopy CD account statements a month before and during the month of the CD renewal date. Hardcopies of the statements are not getting to the Treasurer in a time manner, causing inaccurate tracking of the CD fund monthly amounts. See attachment 5 for CD tracking details.
 - c. Freedom bank's on-line tracking of CDs is not possible due to the Bank's requirement of a Checking account requirement to setup the on-line account.
 - d. The variable CD rate has fallen to (0.200%).
2. Freedom bank's CD account 9303 for three years:
 - a. Freedom bank creates a mailed hardcopy CD account statements a month before and during the month of the CD renewal date. These statements are three years apart making it almost impossible for the Treasurer to provide monthly account updates. See attachment 5 for CD tracking details.
 - b. Freedom bank's on-line tracking of CDs is not possible due to the Bank's requirement of a Checking account requirement to setup the on-line bank account.

VIII: Final FY19 and FY20 Audit Results and Recommendations.

1. No major deposit or transfer issues were found during the FY19 and FY20 PATACS deposits and accounts that were audited in this report.
2. Recommend that the two Freedom CD accounts not be renewal and be transferred to a bank that PATACS has checking accounts. This will allow more accurate on-line CD tracking for the Treasurer and possible higher return rates.

Mel Mikosinski (Membership Chair and 2nd VP)

9 Attachments

- 1a. FY19 4092 Operating Statements.pdf
- 1b. FY19 Audit Operating Fund Report.pdf
- 2a. FY20 4092 Operating Statements.pdf
- 2b. FY20 Audit Operating Fund Report.pdf
3. FY20 PayPal Transaction History and Audit.pdf
4. FY19-20 3203 Reserve Statementsd.pdf
5. FY19-20 CD Auditor Worksheet.pdf
6. FY19-20 CD 6326 Statements.pdf
7. FY19-20 CD 9303 Statements.pdf

