

# **AUDIT COMMITTEE REPORT ON THE LAKE CHAPALA SOCIETY A.C. (LCS) – HALF YEAR ENDED JUNE 2009.**

ISSUE DATE: OCTOBER 1, 2009

The Audit Committee submits the following report as an interim (follow up) report to the one issued for the quarter ended December 2008.

Management responded to the original recommendations made in April 2009 and it is understood that most of the actions accepted by the Board are being implemented as part of the strategic planning process. The Audit Committee will be monitoring progress of those actions and reporting on them in the annual report due in April 2010.

The previous report from the Audit Committee highlighted the following areas for ongoing review:

## **3.6 Other Areas of Ongoing Review:**

1. Public Relations
2. Post Life Planning
3. Video Operations
4. Medical Program
5. Patio Sales
6. Spanish Class Program
7. Directory Operations
8. Wilkes Education Center
9. Student Aid Program
10. Strategic Planning Process
11. Children's Art Program
12. Buildings & Grounds

The following areas have been reviewed in the course of the previous six months and are reported as follows:

### **1. Public Relations Reporting Activities:**

#### **Findings:**

In reviewing the public relations activities undertaken by various groups of LCS, the Audit Committee found that there is a lack of cohesion and adequate publicity and reporting given to most of the activities undertaken by those groups.

**Recommendations:**

1. Establish the computer database as the only event authority. Each media release or internal publication should be checked against this database for accuracy.
2. Use the volunteer database currently being developed to identify several members with newsletter experience and at least one with organizational skills sufficient to manage other volunteer reporters.
3. Prepare a written strategy for covering LCS news that includes more than one volunteer, and takes into consideration the various activities at LCS, i.e., health related services, discussion groups, special interest groups, educational services, and student and community aid activities.
4. Publicize how people are to request space, respond to information guidelines, and report any changes that might occur.
5. Establish written policies on space allocation that includes a priorities listing. For instance, LCS sponsored events such as Health Week should take precedence over social activities or games.
6. Develop a yearly calendar of events that recognizes the needs of traditionally held events like Health Week, health services, general membership meetings, board meetings, etc. Use this information to reserve space as early as possible and then make the space available to others, recognizing that some events might take precedence over others.

**2. Patio Sales:****Findings:**

A thorough assessment of the activities undertaken in the patio sales was conducted by the Audit Committee during the period under review. Various alternatives for accounting and stock controls have been discussed with the treasurer.

**Recommendations:**

1. LCS Treasurer should assign item numbers to retail items in order to properly maintain internal control and sales information for those assets.
2. LCS should either purchase a consignment add on package, use a “work around”, or create a separate spreadsheet for consignment operations detail. This will provide not only more information for decision making, but better internal control. The advantage to maintaining more detailed records at the book keeper level is that reports can be generated weekly or monthly to assist the Office Manager in paying consignment vendors as well as managing what products to stock (both consignment and retail) and which to eliminate. This will also allow the Treasurer to be able to report what is owed to consignment vendors and give more accurate financial statements to the LCS board and the LCS membership.

3. Patio sales should have a written operations procedure published so that management, employees, and LCS membership can easily see the operational mission and requirements of Patio Sales.

### **3. Wilkes Education Center:**

#### **Findings:**

A visit to the Wilkes Education Center was undertaken by the Audit Committee and discussions held with the Education Director and her staff.

#### **Observations and recommendations:**

1. Spare capacity is available for using the premises when classes are not being held.
2. A Deputy Director should be recruited to assist the Director of the Wilkes Center as noted in item number 8 “Continuity” listed below.
3. The largely unused Toshiba photo copier should be relocated to LCS where it can be better utilized, perhaps for printing newsletters.
4. Current maintenance program (roof repairs and garden upgrade) appear adequate.
5. Valuation of the premises needs to be made to account for their capital value in the LCS balance sheet.
6. More exposure of the WEC’s activities needs to be given on the LCS website and other public forums.

### **4. Student Aid Program:**

#### **Findings:**

There has been increased interest in LCS student aid program. New donors are being accepted by the Board which will require some tight controls to be implemented so that funds that have been allocated to each program are adequately identified and controlled.

#### **Recommendations:**

1. A financial policy for accounting and disbursement of funds for each program is to be written and adhered to.
2. All special purposes funds are to be isolated and accounted for as “restricted funds” for each program on the balance sheet.
3. Unused restricted funds are to be carried over or allocated to other students as needed and not put into general purposes funds.

Note: It is understood that the Board is in the process of approving such policies and procedures to implement the Committee's recommendations.

### **5. Medical Program**

#### **Findings:**

Income generated from delivery of medical services is allocated to general purpose funds. There appears to be a lengthy lags in communications to and from the Board. The reporting lines for

the current Medical Director appear to be blurred. Adequate priority is not given to allocation of space for Health Care Week.

**Recommendations:**

1. A monthly report showing income generated by the medical services program is supplied to the Medical Director.
2. All available space (whether rented or not) be allocated to the Health Care Week for those activities to be properly recognized.
3. The current policy of having the Medical Director report to the relevant Board member is adhered to.
4. The Medical Director be given the autonomy to manage her own department within established/approved policies without Board intervention.

**6. Strategic Planning Initiative:**

**Findings:**

The Committee noted that some of the issues raised in its April 2009 report are being addressed through the Strategic Planning Initiative. The Strategic Plan is fully supported by the Audit Committee as it will address the existing problems. The proposed changes to the Constitution and Bylaws will clarify the governing role of board members and improve day-to-day operations. The Audit Committee will continue to monitor the Strategic Planning Initiative.

**7. Monthly Financial Statements:**

**Findings:**

The Committee noted the improvement in monthly reporting to the Board and the production of timely financial data for each section of the LCS operations. However, it is felt that those reports are not being released to the membership in a timely fashion.

**Recommendation:**

The monthly financial statements for LCS should be posted on the website as soon as they are finalized, even if they are only show in “draft” format until the Board has approved them at their monthly meeting.

**8. Continuity of Service**

**Recommendation:**

The organization should always avoid having only one person responsible for any given area to ensure continuity in service.

**9. Policies and Procedures**

As addressed in the previous Audit Report and agreed to in the resulting Board of Directors Response, it is imperative that Policies and Procedures be developed for all areas of operation. This will be monitored by the Committee for the next report.

## **10. Other Areas of Ongoing Review**

1. Post Life Planning
2. Video Operations
3. Spanish Class Program
4. Directory Operations
5. Publicity
6. Children's Art Program
7. Children's Furniture Rentals
8. Strategic Planning Process

The Committee will continue to monitor the operations and activities of LCS whilst monitoring the progress of issues raised in the April 2009 Audit Report and this Report.

The Audit Committee Annual Report to the membership will be issued within ninety (90) days after the release of year-end financials. It is anticipated that date will be April, 2010.