

February 14, 2016

## District 55 Mid-Year Audit

The Audit Committee met on February 13, 2016, with District Finance Manager Mary Seminario and reviewed the first six months (July-December) of District 55's financials. In general, the accounting records for District 55 were found to be in good order and well organized. Mary is to be commended for her work.

The Audit Committee confirms that transactions appearing on the receipt register or payment register are accompanied by supporting documents. The Committee reviewed cancelled checks and confirmed that all checks were signed with two appropriate signatures. The Committee reviewed all vouchers for reimbursement and verified that they were approved by the District Director and provided adequate supporting documents. The Committee reviewed all payments and verified that expenses were properly approved by leadership according to TI rules/regulations. All mileage reimbursement requests were properly reimbursed.

The Audit Committee found the District's financial records to be in order. However, we provide the following commentary and recommendations in an effort to improve the financial recordkeeping and reporting of the District going forward.

### Audit Committee Comments and Recommendations:

To improve the audit process, the Committee recommends that a copy of the check be attached to the actual backup. Several checks had not been cashed after several months, so the Committee could not verify that check was properly signed. It was suggested that a copy of the check be taken with a phone once it is signed and later printed to complete the backup process. The Committee suggested looking into a check scanner for this convenience.

Prior to November 2015, Division Directors were allowed \$100 to allot (or not) to themselves or their Area Directors for Club Officer Training. There were numerous contest reimbursement checks written to Area Directors/Toastmasters. The Audit Committee was aware of the Policy & Procedures changes at the Fall Conference, however, nowhere in the Policies does it state that the Policy changes were retroactive; therefore, many reimbursements were written for speech contests that took place before this Policy change. In the P&P, there are also no maximum limits for reimbursements as far as contests are concerned.

Vendor invoices and Debit Card charges should be submitted on a standardized form where the appropriate approvals may be documented. There were a several invoices that did not have the proper written approvals attached to them. The Audit Committee recommends that a check request form be developed and attached to every invoice that is paid by the District so approvals can be effectively noted.

Several voucher reimbursements did not detail WHY the person was asking for reimbursement. Audit Committee recommends that an explanation be written on the voucher, i.e. "District Director required me to be at this event" and/or "What event am I asking for reimbursement".

A couple of convention invoices were paid through Operations instead of through the Convention account.

A few invoices over \$500 did not have proper approval nor prior authorization backup.

One invoice included a fee to process a rush order, indicating that planning did not occur in a timely manner.

The Committee found one cancelled check with no backup paperwork.

In some cases, information is written on Post-It Notes which are easily removed. This information should be written on the Request for Reimbursement or Invoice to ensure that it remains with item.

One hotel invoice did not have any backup nor prior written approval with the invoice. The Committee recommends that hotel/conference contracts be attached to the invoice/check to confirm what the contract entailed.

Automatic payments debited through the checking account did not have backup authorization. The Audit Committee recommends that all auto pay accounts have proper authorizations approved at the beginning of the year and those written authorizations be given to the Finance Manager as backup for those recurring invoices.

The Committee appreciated the District Director being available for questions during our audit review.

Finally, the Audit Committee includes the Certification for December 31, 2015, along with the narrative pages as part of the official mid-year audit report.

The Audit Committee appreciates the challenging job that the District Finance Manager, Mary Seminario has had to manage the District financial records this year. Mary has done an outstanding job!

Submitted by the District 55 Audit Committee

Margaret Cathey, DTM, PDG – Audit Chair  
April Alexander  
Robin Espiritu

#### Attachments

- Audit Committee Guidelines
- Certification Page of Mid-Year Audit
- Narratives for December 31, 2015



## Audit Committee Guidelines

District #: 55

Circle one: Mid-year Audit or Year-end Audit

PROCEDURES TO BE COMPLETED	COMPLETED BY:
<b>A. Organization</b>	
<p>1. Obtain all supporting documents for the Mid-year or Year-End Profit &amp; Loss Statement from the finance manager, and sort the documents in the following manner:</p> <ul style="list-style-type: none"> <li>• Stack #1: Sort Profit and Loss Statements, bank statements and district reserve statements into separate groups, organize in chronological order and place in one stack.</li> <li>• Stack #2: Sort all other supporting documents in the order they appear on the Receipt Register and Payment Register. Receipt supporting documents should be placed behind the Receipt Register, and payment supporting documents should be placed behind the Payment Register.</li> </ul>	<p><i>me</i> <i>E</i></p> <p><i>A3</i></p>
<b>B. Substantiating Transactions</b>	
<p>2. To ensure that all transactions are adequately supported, perform the following procedures:</p> <ul style="list-style-type: none"> <li>• Trace and match all transactions on the <b>Receipt Register and Payment Register</b> to their respective supporting documentation.</li> <li>• Place a check mark (✓) on the <b>Receipt Register and Payment Register</b> next to each transaction that has supporting documents. The only transactions that should not be check marked are the ones missing supporting documents.</li> <li>• For the transactions missing supporting documents, contact the finance manager and ask if such documents exist. If they do, request copies.</li> </ul>	<p><i>me</i></p> <p><i>E</i></p> <p><i>A3</i></p>
<b>C. Policy Review</b>	

PROCEDURES TO BE COMPLETED	COMPLETED BY:
<p>3. To ensure that transactions were executed within the company policies, perform the following procedures:</p> <ul style="list-style-type: none"> <li>Review <b>all cancelled checks</b> and verify that they were signed by both the district director and finance manager (checks made payable to the district director or finance manager should be signed or approved in writing by the program quality director or the club growth director).</li> <li>Review <b>all reimbursement requests</b> and verify that they were approved by the district director. Ensure that all expenses on the request have adequate documentation (receipts or other supporting materials). Copies of credit card and/or bank statements are not valid receipts or documentation.</li> <li>Identify <b>all payments in excess of USD \$500</b> and verify that each expense was properly approved by the district director and at least the program quality director or the club growth director. Any individual expense in excess of USD \$500 must be authorized in advance; there should be approval included in the supporting documentation and some indication of when the expense was approved (an email approving the expense is acceptable).</li> <li>Review all <b>Debit Card</b> transactions to ensure that all payments made by the district director were authorized in advance in writing by the finance manager and either the program quality director or the club growth director. Payments made by the finance manager must be authorized in advance by the district director and either the program quality director or the club growth director.</li> <li>Identify <b>Other District Expenses</b> (gifts, flowers, expressions of sympathy, etc.) to ensure they are not lavish or excessive and that they support the mission of the district. Tokens of appreciation are allowed up to \$25. Donations are not permitted in lieu of flowers or to any charitable fund.</li> <li>Review all meal expense reimbursements for District Leader August and Mid-year trainings to ensure the district director, program quality director, and club growth director were reimbursed for their meals purchased, up to \$30 a day with supporting receipts. (Meal expenses are NOT covered by a per diem.)</li> </ul>	<p>Meal E A<sup>3</sup></p>

Margaret A. Cathay  
Audit committee member signature

2/13/16  
Date

Robin Espinosa  
Audit committee member signature

2/13/16  
Date

April Ann Alexander  
Audit committee member signature

2/13/16  
Date

**INSTRUCTIONS:**

1. Complete all sections on the Narrative tab.
2. Fill in the white cells below with the appropriate information and print out this page.
3. Obtain related signature below. **Electronic signatures are not acceptable.**
4. Distribute monthly reports per Toastmasters International protocol 8.4, to the district governor and lieutenant governors within 30 days after the end of the month.
- 5. Quarter reports due to World Headquarters:**
  - \* September Report: **October 31**
  - \* December (Audit) Report: **February 15**
  - \* March Report: **April 30**
  - \* June (Audit) Report: **August 31**
6. Submit approved narratives and certification page to World Headquarters by email or fax:
  - \* Scan and email the PDF to **DistrictFinancialReports@toastmasters.org**
  - \* Or fax to (949) 589-3456

**NOTE:** This certification form must be complete for the report to be accepted by World Headquarters. Reserve funds will not be released until World Headquarters receives the completed report.

In Base Currency	USD
<b>Monthly Net Income/(Loss)</b>	6,488.95
<b>Year to Date Net Income/(Loss)</b>	18,048.56
<b>Total Available Funds</b>	12,440.66

1. We, the undersigned, certify that all district financial records have been made available to the audit committee for inspection and that any unpaid bills or other outstanding obligations for the 2015-2016 term have been reported to the audit committee and included in accruals section of this audit. We further certify that there are no other outstanding district obligations incurred for the 2015-2016 term.

Dated this 9th day of February 2016

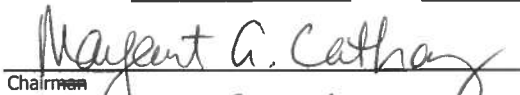
  
 District governor (for the year audited)

  
 District treasurer (for the year audited)

**Complete only for the Mid-year Report and Year-end Report:**

2. We, the undersigned members of the Audit Committee, have examined the records of District 55 for the 2015-2016 term in accordance with the Audit Committee Guidelines\* and believe that this report properly reflects the operation for that term.

Dated this 13th day of February 2016

  
 Chairman

  
 Member

  
 Member

\* Audit Committee Guidelines are available at the District Finance Corner: [www.toastmasters.org/AuditGuide](http://www.toastmasters.org/AuditGuide)

**NOTE:** Audit committee members cannot be members of the district executive committee (e.g., district governor, lieutenant governors, immediate past district governor, secretary, treasurer, public relations officer, division governors, area governors).

In the following white cells, include a brief narrative (description/explanation) of the monthly income, revenues and expenses associated with each category of the Treasurer's Report. Explain if the monthly activities aligned or did not align with the district budget and the District Success Plan. A separate sheet may be used. For each of the four Quarter Reports, **all sections of this narrative page must be completed in order for the report to be accepted by World Headquarters.** The questions in the boxes are to help you formulate narratives. Delete the questions, and replace them with your narratives.

**Marketing**

The variance in marketing expenses stems from under-spending on educational materials by \$1700 and \$6000 in un-redeemed incentives (D55 Bucks gift cards). Members have been reminded and will continue to be reminded of the importance of spending their incentive gift cards at the book store events at all TLI's and Conferences. All D55 Buck gift cards will expire at the end of June 2016.

**Communications and Public Relations**

Spending in this category reflects our district leadership's conservative approach to spending.

**Education and Training**

Our main focus for Education and Training has been on valuable tools and packets to help our clubs support, mentor and develop their members.

**Speech contests**

Our spending on contest expenses was delayed until after our procedures were updated. We are still under budget.

**Administration**

Administration expenses are right on plan.

**Travel**

Our travel expenses are lower than budgeted. We had less people submit requests for reimbursement than we anticipated, although vouchers and reimbursement procedures have been readily available at all DEC and DC meetings.

**Other Expenses**

The small amount of Other Expenses listed (\$365) represents an error in the booking process when the finance manager was reconciling a district order compared to the packing slip. This part of the district order was simply booked in the wrong code. The one time error has not repeated, and represents 0.5% of expenses booked.

In the following white cells, include a brief narrative (description/explanation) of the monthly income, revenues and expenses associated with each category of the Treasurer's Report. Explain if the monthly activities aligned or did not align with the district budget and the District Success Plan. A separate sheet may be used. For each of the four Quarter Reports, **all sections of this narrative page must be completed in order for the report to be accepted by World Headquarters.** The questions in the boxes are to help you formulate narratives. Delete the questions, and replace them with your narratives.

**Membership Revenue**

Membership Revenue remains just ahead of budget, with a total of \$2,084 more revenue than we anticipated. This could be attributed to the open house promotions that are increasing membership.

**Conference Net Income/(Loss)**

All told, the district took in \$8,000 less in Fall Conference revenue than what was budgeted. This reflects about \$4,000 shortage in paid registrations, \$2,000 shortage in silent auction revenue and \$2,000 shortage in corporate sponsorship. Our conference expenses were only slightly lower than what we budgeted for. We had to pay the amount we guaranteed to the hotel that we would spend, even though we had less paid attendees than we had planned. For our spring conference, we have taken proactive steps to avoid these problems by using all resources to build up our corporate sponsorship, taking early action to ensure a successful silent auction, and promoting registration much more than we did for the fall conference.

**Fundraising Net Income/(Loss)**

We did not budget fundraisers for the first half of the year.

**TLI Net Income/(Loss)**

We did not hold any TLI events from July - December 2015. We budgeted for TLI expenses in July 2015, but the TLI was held in June 2015. Therefore, the expenses we budgeted for July 2015 will be spent in June 2016. In essence, we placed the budget for the summer TLI in the wrong month, but we will spend that money correctly in the 2016 summer TLI event. The smaller amount of money spent represents COT events in July.

**District Store Net Income/(Loss)**

We did not anticipate selling as much product for cash and credit card payments as we did in our bookstore because we anticipated (and budgeted for) people to use their D55 bucks gift cards instead. To our surprise, we have sold almost \$900 more than we budgeted when the bookstore was in operation at the Fall Conference.

**Other Revenue**

Most of the "Other Revenue" listed represents the cash collected for spouse and guest meals at our July retreat (about \$500).