



Tonia Norman, DTM, PDG

Audit Committee Chair
District 55
email: audit@tmd55.org

February 2014

The District 55 Audit Committee met on February 2, 2014 with District Treasurer Judy Lackritz, ACS, CL. The committee reviewed the monthly treasurer's reports, reimbursement requests and related receipts, district reserve statements, district bank statements, receipt register, and payments register.

The audit committee confirms that all transactions appearing on the receipt register or payment register are accompanied by supporting documents. The committee reviewed cancelled checks (online) and confirmed that all checks were signed by both the district governor and treasurer. The committee reviewed all vouchers for reimbursement and verified that they were approved by the district governor and provided adequate supporting documents (see recommendation below related to vouchers). The committee reviewed all payments in excess of \$500 and verified that each expense was properly approved by the district governor and at least one lieutenant governor in advance.

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:

1. While Toastmasters International policy allows for the district governor and treasurer to sign checks payable to themselves if at least one lieutenant governor approves the payment, the audit committee recommends that the district governor and treasurer secure the signature of a lieutenant governor on the check in their stead rather than signing checks payable to themselves.
2. For vouchers for reimbursement, the district leadership should instruct district officers and staff using the forms to provide more complete descriptions of the purpose of the expenditure. For example, rather than just listing the location and mileage requested for district travel reimbursement, the voucher should include a description of the purpose of the travel eligible under district travel reimbursement policy.
3. The audit committee strongly encourages the district governor to enforce the 60-day reimbursement deadline. The committee reviewed a severe exception to this policy (a reimbursement for an expenditure that occurred more than 18 months prior to the reimbursement request). Lengthy delays beyond 60 days make it difficult for the district governor and district treasurer to review, process, and effectively record the voucher and the related expenditure effectively.
4. The audit committee encourages the district governor and district treasurer to be consistent and rigorous in their use of the expenditure coding. Just because there is room in the overall district budget does not allow the district governor to charge expenses across expenditure categories. It is better to exceed a particular expenditure category's budget to show the actual costs of that expenditure category than to "make it fit" across the budget. For example, the David Henderson video expenses were coded as a club officer training expenses when it truly is a member speech development or contest expense.
5. The District Treasurer should prepare and provide to the Audit Committee a list of fixed assets and the depreciation amounts related to each district fixed asset.
6. The Immediate Past District Governor incurred unnecessary expenses by having the gift certificate orders shipped to her home instead of to the award recipient. The IPDG ended up shipping the materials to the member and then requested reimbursement for her shipping costs on four separate occasions, for a total combined extra cost of more than \$150.
7. The district approved a large purchase (\$2,152.46) for online software to be used at TLI training. The audit committee encourages the district leadership to ensure that this resource is used promptly to ensure appropriate usage of district funds.

8. The audit committee has serious concerns about the impact of the district gift certificate program on the district's financial recordkeeping and district budgeting and planning.
 - a. The audit committee strongly recommends that the district stop using district gift certificates as incentives and instead find alternative, actual expenditures (such as the outright purchase of TI gift certificates or physical incentive prizes) for any incentive programs and account for them in the appropriate expenditure categories within the district budget.
 - b. All district expenditures should be properly expensed within the district budget, including the resulting purchase made via a district gift certificate. The district should account for the gift certificate redemption in the category of expenditure that the gift certificate was awarded.
 - c. District gift certificates should only be valid within the district budget year in which they were awarded and budgeted. The district should not allow gift certificates from previous district years to be redeemed in the current district budget year.
 - d. The district governor, in an effort to process a large quantity of district gift certificates from the previous year, submitted a rather large district order. This created tremendous accounting difficulties for the district treasurer. To avoid this in the future, the audit committee recommends that the district governor process each member's or club's gift certificate order individual and provide the appropriate expenditure codes on each order receipt to aid the district treasurer in the accounting.
 - e. The prior year's outstanding district gift certificates are being accounted for at Toastmasters International as an "accrued liability" and district reserve funds are being withheld against this accrued liability. This policy severely hampers the financial flexibility of the current district leadership to effectively use all of the available district resources to fulfill the district's mission. The audit committee requests that Toastmasters International separate the district gift certificate accrued liability from the general outstanding liabilities/payables in the district accounting reports to make this arrangement more transparent to those reviewing the district's financial records.
 - f. The district treasurer reported that Toastmasters International will begin accounting for these prior year district gift certificates as district bookstore expenditures. The audit committee disagrees with this approach, as we believe that it will distort the actual district bookstore transactions reflected in the district budget. The audit committee recommends that these district gift certificates be expensed in the budget categories (education and training, membership, etc.) against which they were awarded.

Finally, the audit committee includes the Summary Treasurer's Report for December 31, 2013 (actual versus budget detail), along with the narrative pages as part of the official mid-year audit report.

The audit committee appreciates the challenging job that District Treasurer Judy Lackritz has had to do to manage the district financial records this year. The job of District Treasurer should not be as complicated as the district leadership (current and past) has made it for her through the confusing use of the district gift certificate program. Judy has done an exemplary job under the circumstances.

Submitted by the District 55 Audit Committee

Tonia Norman, DTM – Chair
Stanley See, DTM
Susan McClure, DTM

Attachments (Detailed Summary Treasurer's Report for December 31, 2013, narrative, certification)

District 55

T1: *** Treasurer's Report (Actual vs. Budget SD Detail) ***

Reporting Book: ACCRUAL

As of Date: 12/31/2013

Cost Center: 055--District 55

Treasurer's Report (Actual vs. Budget SD Detail) (in USD)			07/01/2013 Through 12/31/2013		
Month Ending 12/31/2013			12/31/2013		
Actual	Budget	Variance	Actual	Budget	Variance
			District Revenue		
1,126.50	1,140.00	-13.50	31,032.00	30,879.00	153.00
			Membership Revenue		
			Conference Revenue		
			Registration & Tickets		
0.00	0.00	0.00	12,335.88	16,000.00	-3,664.12
0.00	0.00	0.00	225.00	6,000.00	-5,775.00
0.00	0.00	0.00	0.00	2,000.00	-2,000.00
0.00	0.00	0.00	0.00	300.00	-300.00
0.00	0.00	0.00	0.00	800.00	-800.00
			Registration - No Item		
0.00	0.00	0.00	3,430.00	0.00	3,430.00
0.00	0.00	0.00	3,430.00	0.00	3,430.00
			Total Registration & Tickets		
0.00	0.00	0.00	15,990.88	25,100.00	-9,109.12
			Non Registration		
			Non Registration		
23.12	0.00	23.12	283.12	0.00	283.12
65.00	0.00	65.00	315.00	4,000.00	-3,685.00
0.00	0.00	0.00	0.00	2,000.00	-2,000.00
0.00	0.00	0.00	-200.00	0.00	-200.00
88.12	0.00	88.12	398.12	6,000.00	-5,601.88
			Total Non Registration		
			Registration - Donations (Individual)		
0.00	0.00	0.00	900.00	0.00	900.00
0.00	0.00	0.00	900.00	0.00	900.00
88.12	0.00	88.12	1,298.12	6,000.00	-4,701.88
			Total Non Registration		
88.12	0.00	88.12	17,289.00	31,100.00	-13,811.00
1,000.00	0.00	1,000.00	9,389.80	3,500.00	5,889.80
30.00	0.00	30.00	34.14	0.00	34.14
2,244.62	1,140.00	1,104.62	57,744.94	65,479.00	-7,734.06
			District Expenses		
14,924.65	0.00	14,924.65	15,321.20	31,100.00	-15,778.80
1,331.00	2,620.00	-1,289.00	3,617.94	3,790.00	-172.06
-4,029.79	0.00	-4,029.79	6,261.50	3,500.00	2,761.50
			Marketing Expense		
300.00	550.00	-250.00	3,248.44	3,200.00	48.44
1,112.75	600.00	512.75	990.28	3,400.00	-2,409.72
848.00	0.00	848.00	848.00	400.00	448.00
0.00	0.00	0.00	2,380.80	3,240.00	-859.20
0.00	20.00	-20.00	0.00	120.00	-120.00
2,260.75	1,170.00	1,090.75	7,467.52	10,360.00	-2,892.48
148.05	515.00	-366.95	23.05	960.00	-936.95
			Education & Training Expense		
1,483.26	0.00	1,483.26	54.17	3,350.00	-3,295.83
78.95	75.00	3.95	165.42	2,345.00	-2,179.58
200.00	0.00	200.00	906.41	1,200.00	-293.59
-106.80	0.00	-106.80	983.76	2,000.00	-1,016.24
1,655.41	75.00	1,580.41	2,109.76	8,895.00	-6,785.24
1,789.44	0.00	1,789.44	3,900.98	2,770.00	1,130.98
1,179.63	205.00	974.63	3,575.97	5,395.00	-1,819.03
			Travel Expense		
43.84	100.00	-56.16	704.44	1,140.00	-435.56
0.00	210.00	-210.00	445.44	2,110.00	-1,664.56
45.50	100.00	-54.50	1,250.56	2,075.00	-824.44
0.00	0.00	0.00	0.00	75.00	-75.00
0.00	0.00	0.00	0.00	100.00	-100.00
0.00	0.00	0.00	0.00	690.00	-690.00
0.00	100.00	-100.00	800.13	1,280.00	-479.87
0.00	0.00	0.00	0.00	110.00	-110.00
500.00	600.00	-100.00	500.00	1,400.00	-900.00
589.34	1,110.00	-520.66	3,700.57	8,980.00	-5,279.43
19,848.48	5,695.00	14,153.48	45,978.49	75,750.00	-29,771.51
-17,603.86	-4,555.00	-13,048.86	11,766.45	-10,271.00	22,037.45

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

At the end of December, membership is on budget with membership revenue at \$31,032 over the budgeted amount of \$30,879 by \$153.

Conference Net Income/(Loss)

The December budget reflects the payment of the Hotel bill for the Fall conference, but for the six months fall conference revenue exceeded expenses. Fall Conference revenue was \$17,289 and expenses were \$15,321.20.

Fundraising Net Income/(Loss)

Fundraising events were not held with the exception of the request for donations for the DTM ceremony at the Fall Conference.

TLI Net Income/(Loss)

TLI expenses for the first six months were underbudget by \$172.06. The primary expense was the purchase of a video training system from Citrix for \$2152.46

District Store Net Income/(Loss)

District Store Revenue at the Fall Conference was \$1611.85. For the first six months, the expenses reflect redemption of gift certificates as well as purchases for in store merchandise.

Donations

There was not other revenue except for the donations for the DTM ceremony as mentioned in the November report. Donations exceeded expenses by \$255.04.

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

Marketing expenses for the month of December were overbudget, which includes expenses for gift certificates issued last year, but were underbudget for the first six months by \$2892.48. The primary expenditures were for building new clubs, membership growth, and recognition.

Communications and Public Relations

Communications and PR expenses were underbudget for the month of December and for the first six months.

Education and Training

Education and Training has focused thus far on training area and division governors. December expenses reflect gift certificate redemptions. Expenses are well underbudget for the year.

Speech contests

Speech contest expenses are overbudget for December and for the first six months. This partially reflects payment for gift certificates, and also advance purchases for items budgeted in January.

Administration

Administrative expenses are overbudget by \$974.63 due to supplies, postage and printing. For the first six months administrative expenses are overbudget by \$1819.03. This is partially due to increased photocopying and postage expenses that were not anticipated. It is anticipated that the postage will decrease and with care the administrative expenses can be brought in line with the budgeted amounts for the year.

Travel

Travel Expenses are underbudget for December. They are substantially underbudget for the first six months.

Other Expenses

There were no unexpected expenses.

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

Monthly Net Income/(Loss)

\$ -17,603.86

Year to Date Net Income/(Loss)

\$ 11,766.45

Total Available Funds

\$ 63,756.36

1. We, the undersigned, certify that all district financial records have been made available to the audit committee for inspection and that any bills or other outstanding obligations for the 2013-201 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 2013-20 term.

Dated this 2nd day of February 2014

[Signature]
District governor (for the year audited)

[Signature]
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 ente for the 2013-201 term in accordance with the Audit Committee Guidelines* and believe that this report properly reflects the operation for that term.

Dated this 2nd day of February 2014

[Signature]
Chairman

[Signature]
Member

[Signature]
Member

* Audit Committee Guidelines are available at the District Finance Corner: 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).