

All Star II AUDIT REPORT for Calendar Year 2009

Introduction

Having been appointed at the Chairs Meeting in November, Rodney Lowe and Roger Kellman conducted an audit of the Finances of the All Star Two Corporation on February 20, 2010 at the home of the Treasurer, Tim Flint.

In general the auditors reviewed the basic financial procedures of the Treasurer, the accounts as they currently stand, various financial spreadsheets, reports and statements. In total we spent about four hours in our review.

While this report is not intended as a complete summary of the finances or financial procedures some background should be helpful, particularly since this is the first audit we believe has been conducted.

General Review

The corporation currently maintains one checking account with Citizens Bank. Two people are authorized to sign checks, Tim Flint and Rodney Lowe. Only one signature is required on a check. *The auditors believe this is appropriate even though Rodney Lowe is one of the two auditors and an authorized signatories.* The balance in the checking account as of 1/23/10 is \$5,470.80.

We also hold a three year Rising Rate Certificate of Deposit totaling \$13,183.96 which is currently earning 2%. It may be terminated or rolled over on 3/25/10 or 2/25/11. The rate beginning 3/25/10 will be 2.2%. The rate beginning 3/25/11 will be 2.4%.

Considering the small amounts involved, the Treasurer does not believe it is necessary to shop around for a better interest rate. *The auditors concur. The auditors also believe that the balance between the checking account and the CD's is appropriate considering our cash flow needs.*

There is no Petty Cash account, nor does there appear to be the need for one.

Three fund accounts have been established; Conference, Ginny Levine, and Art Auction. While the money for these three funds is intermingled, each is separately tracked and reported.

The Treasurer does not use any special accounting program, such as Quicken or Quickbooks in his work. Instead he has established a number of spreadsheets using Microsoft Excel. *Considering the small size of the funds and the limited number and type of transactions the auditors believe this is appropriate.* These spreadsheets and the Treasurer's financial reports are maintained on the Treasurer's home computer. *We recommend that the Treasurer periodically back*

up these spreadsheets to an external data device and that they be electronically transmitted to Rodney as an alternative site backup.

In addition to the data on the computer, the treasurer maintains hard copies of most information and reports.

Income and expenses are covered by a relatively limited number of line items or categories.

For the Art Auction Fund income is in the form of checks and cash received for art items sold. Generally all of the income is disbursed each year to the Ginny Levine Fund and/or the Star Island Annual Fund.

For the Ginny Levine Fund income is from a portion of the registration, separate donations or from the Art Auction. Disbursements are made through procedures established for the Ginny Levine Fund Committee. Depending on the year, disbursement may exceed income but a positive balance is always carried over to the next year. For this past year a special disbursement was authorized for the Star Island Stimulus Fund.

Conference Fund income is overwhelmingly from registration fees. Expenses are broken down into various categories to assist in conference planning.

The auditors believe the income and expense categories for the above funds are appropriate.

Because of the nature of the operation of the Corporation most financial transactions occur during a few months.

Income begins in March when conference registration checks are mailed to the Registrar. When a significant number of checks are in, the Registrar and Treasure meet and the checks are given to the Treasurer. The Treasurer records the checks in a spreadsheet and then deposits them into the checking account. The Registrar has also recorded the checks. *The Auditors recommend that the Treasurer make copies of the checks prior to deposit.*

Financial confusion can occur during the registration process. It is important that the Registrar review and record all registration checks carefully before they go to the treasurer for deposit. This means making sure that all amounts are correct for the specific registrant. *The auditors recommend that the Treasurer and Registrar meet before registrations start coming in to establish appropriate registration review and recording procedures. Because the conference Chairs are involved in the registration process we recommend that they also attend that coordination meeting.*

The Star Island Registrar is also a key player in conference financial procedures. *The Auditors recommend that the Treasurer attend the coordination meeting with Island Staff that occurs each year.*

Much of the work of the Treasurer occurs on island as last minute registration adjustments are made, island bills are reviewed and paid, and receipts and disbursements are made to numerous group volunteers.

Receipts for expenses are submitted by the volunteers. Based on the receipts and the budget the Treasurer cuts a check and gives it to the volunteer. This is done on island. The information is entered into the computer and files when the Treasurer returns home. We reviewed the receipts file and found them to be consistent with the checkbook and spreadsheet. A few of the receipts did not note the number of the check issued. *The auditors recommend that the check number be noted on all receipts.*

Bank statements are received each month. The Treasurer reconciles these with his spreadsheet information each month. *The auditors reviewed most of the year and found the statements and spreadsheets to be consistent.*

We discussed the issue of financial control. In our current operation the Treasurer is charged with all financial transactions, that is, both deposits and disbursements and is also the only one who reviews and balances the accounts. In normal practice these three activities would be done by different people. *Considering the small size of the treasury the auditors do not believe it is necessary to separate these functions. However, we recommend that the bank statements be copied by the Treasurer and sent to the auditors on a monthly basis or the auditors be given online access to Citizen's bank account information and statements.*

Other Issues

For 2009 there is a discrepancy of \$164.60 between the amount in bank accounts (checking and CD's) and amount listed in Funds (Conference, GLF and Art Auction) in the Treasurer's report. Tim has spent a great deal of time attempting to discover the reason for the difference. *The Auditors believe that sufficient due diligence was exercised to resolve the difference and that at this point it should be written off.* Tim will incorporate this balance adjustment in the final 2009 Treasurer's report.

Another discrepancy was discovered during the course of Tim's review. An overpayment of \$57 was paid to the 2009 Chairs to reimburse them for expenses. Considering that the Chairs spent a considerable amount of their own money on items that they did not request reimbursement for *the Auditors recommend that the Treasurer not ask for the \$57 back.*

We discussed the interest received on the CD's. In the past this interest was divided between the Conference Fund and the Ginny Levine Fund. At the Chair's meeting in November we voted to have the entire interest (normally on the order

of \$450) added entirely to the Conference Fund. *The auditors concur with the Treasurer that this should be done next year and not for 2009.*

Our present policy is to have \$10 from each registering conferee designated for the Ginny Levine Fund. The Treasurer has assumed that a maximum of \$40 would be so designated from families who reach the family registration maximum. *The auditors recommend that this be clarified at the next Chairs meeting.*

At the past November Chairs meeting the Chairs spent quite a bit of money for snacks and drinks for the group. In most years either everyone was asked to bring snacks and drinks or a basket was passed around to cover the costs. *The auditors recommend that this be discussed at the next Chairs meeting*

We discussed the issue of required tax filings. It is unclear to the Treasurer what filings are required. *The auditors agreed to follow up on this with Ed Doty.*

We discussed the possible role of the auditors throughout the rest of the year. *It appears that it would be helpful for the auditors to continue in that role for a full year.* Since the Treasurer is the sole financial officer it would give him someone else to contact in the case of questions or other financial issues which may arise. As recommended above the auditors could review the monthly bank statement as a way of providing some financial control. *It is recommended that an annual audit be conducted in October of each year.* That way the Chairs would receive an audited Treasurer's report at the November meeting.

Summary and Conclusions

Based on our review we believe that the attached final Treasurer's Report accurately represents the financial position of the All Star Two Corporation for calendar year 2009.

We also believe that the Treasurer has established and follows appropriate accounting procedures and controls in order to protect the corporation's financial interests. The report above includes a few recommendations which we believe will enhance the Treasurer's work.

It is clear that Tim has worked diligently and efficiently in his role as Treasurer and deserves many thanks from the group. The auditors strongly support Tim to continue as Treasurer if he is willing.

Respectfully Submitted,
March 9, 2010

Rodney Lowe and Roger Kellman
2009 Auditors