

Financial Audit Report

Date: 5 August 2011
From: Sam Work, Chairman 2011 Audit Committee
To: Willie Williamson, President Quantico Shooting Club, Inc.
Subject: Financial Audit of the Quantico Shooting Club, Inc.

Reference: Memorandum to QSC 2011 Audit Committee, 25 March 2011

The 2011 Quantico Shooting Club, Inc. Audit Committee has examined the books of account for the period 01 April 2010 through 31 March 2011. An examination was made of the financial statements, check book reconciliation reports, the account balance as of 31 March 2011, and the underlying transactions of receipts and disbursements for the period. The examination was conducted in accordance with the audit procedures described in MCBO 7010.1A. In the opinion of the 2011 Audit Committee, with the exceptions noted below, the financial statements present fairly the results of operations for the period.

Resolution of Prior Audit Issues

Finding #1: A physical inventory was completed of all catalogued and numbered assets of the Club. Additional items in the possession of the Club were evaluated for inclusion in the inventory. This inventory did not include the clay targets used for shotgun range recreational or match fire. These are immediately expensed upon purchase and are not considered an asset of the Club. Four (4) items with an aggregate inventory list value of \$345 were not located. Four (4) computers were located in the back room of the Club house with an aggregate inventory list value of \$2155.80 that were listed as “not in use.”

Recommendation: It is the recommendation of the Audit Committee that the Operations Officer remove the four (4) items not found from the inventory list. Club officers should secure the remaining EMT emergency response kit and make it available only to the certified EMT when not secured. The Operations Officer should also remove the not-in-use items from the back room, recycle components of use to the Club, and then offer the remaining parts for use by Club members. Any unclaimed parts should be recycled or disposed of. Club officers should also label newly-identified items that are not labeled. Such items are designated on the physical inventory (2010) with letter suffixes after placeholder item numbers.

Status: Not-in-use items have been recycled and retired.

Finding #2: An inspection was performed of the large safe in the Club house back room, and found \$297 in cash and checks awaiting deposit, as well as old check books, NRA points forms, pending membership applications, bank bags, blank check stock, two lockable cash boxes (empty) with keys, and Club files awaiting disposition and storage. The Operations Officer does not recall the last time the combination to the safe was changed. Also, the Operations Officer does not recall the building locks ever being changed.

Recommendation: When office staff leaves the employment of the Club, or the Officers of the Club change, the building locks should be changed to secure the physical assets and the vital records of the Club. Likewise, a reliable means to change the safe combination should be secured, and a policy should be drafted to address security when staff rotates or the Officers in possession of the combination change. In addition, provision should be made to secure backup records off-site which would allow the Club to continue operations should the original records be lost or destroyed.

Status: The safe combination has been changed with change of office staff, and backups of electronic files are secured off-site. The right to change locks on leased buildings is reserved for MCBQ, and they have taken no action on requests for such changes.

Finding #3: An inspection of banking records covering the period of audit review indicates that the LOWEST daily cash balances for the Club ranged from \$48,676.96 on 25 June 2009 to \$20,665.01 on 18 February 2010. While accurate projections of cash balances will have to await a membership audit, the cash flow of the Club at present suggests that the operations of the Club will be severely impaired by the winter of 2010-2011.

Recommendation: Unless expenses are reduced or income is increased in a sustainable way, the Club will be out of cash by February of 2012. Immediate steps should be taken to address this critical matter.

Status: The Board has raised membership dues by twenty-five percent for all membership categories, and raised some fees, in January 2011. Recent cash flow projections by the Treasurer indicate that the cash flow of the Club is likely to be sustainable for the Club assuming normal activities and renewals.

Finding #4: In two instances, physical checks were returned with banking statements. Each month that a physical check is returned automatically incurs a \$5 bank charge.

Recommendation: Direct the Bank of America to no longer return physical checks. Bank statements show the scanned front and back of checks, and physical checks are available upon request by the Club for a fee.

Status: Return of a physical check occurred again in one instance during the FY2011 period.

Finding #5: The Club has begun to manage their various range types (i.e., shotgun, rifle, and pistol) as cost centers. However, cash, check, and credit card remittances tend to be comingled when deposited.

Recommendation: Track deposits and remittances separately for ranges and membership fees immediately upon receipt, and maintain distinct recordkeeping for them.

Status: Tracking of income by Match, Range Fees, and Membership Dues was implemented during January 2011.

Finding #6: Checks numbered 3209 (4 September 2009 for \$35) and 3219 (21 September 2009 for \$29.84) have not been cashed.

Recommendation: Determine disposition of checks, writing off the payables, as needed

Status: The Club accountant will be advised to review this issue.

Current Audit Findings

Finding #1: During the Audit period, it appears that several check forms were loaded for imprinting out of numerical sequence. Also, some check stub portions of the check forms were not filed when checks were issued. Since the QuickBooks software used to imprint checks assumes forms will be loaded in order, the check numbers it records do not match the actual numbers shown on the checks. This mis-numbering, plus the missing check stubs, makes the correct identification of un-cashed checks difficult.

Recommendation: The QuickBooks record of issued checks should be compared against the copies of checks returned with bank statements, and the record corrected to reflect the proper check numbers.

BOD Response: Recommendation accepted. The Operations Officer will reconcile the QuickBooks record of issued checks against the sequential numbering in bank statements and amend or correct the QuickBooks records.

Finding #2: Checks numbered 3262, 3338, 3354, 3355, and 3356 were issued and cashed with only one signature. On checks numbered 3354 and 3356, the signatory was not a member of the BOD. Per Article IV 3 of the Club bylaws, all checks must be signed by two authorized signatories, at least one of which is a member of the BOD.

Recommendation: Increase oversight to assure that all checks are signed as required by the Club bylaws.

BOD Response: Recommendation accepted. The checks in question were legitimate Club expenses, but logistics did not permit two authorized signatures. In some cases, clear verbal authorization was received from an authorized approver. However, the Bank of America will NOT enforce the by-laws requirement, so additional training and policy definition occurred to inform check writers and signatories as to their responsibilities. Should it be necessary to issue a check without a second signer, it will be necessary to document the verbal authorization of a signatory on the account at the time and receive additional documentation when next available.

Finding #3: In one instance, a physical check was returned with a banking statement. There is no indication that the Club asked for the return of this check. Each month that a physical check is returned automatically incurs a \$5 bank charge. This situation also occurred twice during the 2009 Fiscal Year.

Recommendation: Once again direct the Bank of America to no longer return physical checks. Bank statements show the scanned front and back of checks, and physical checks are available upon request by the Club for a fee.

BOD Response: Recommendation accepted. The Bank of America will be asked to document their receipt of our request to never remit cancelled checks, and a refund will be sought for the instances in which the Club was charged.

Finding #4: Credit card receipt slips for payments made to the Club in December 2010 in the amount of \$352.00 are missing. This was during the period when Telephone lines to the clubhouse were not functioning and a manual credit card machine was in use.

Recommendation: With the employment of new equipment and procedures, this issue appears to be resolved.

BOD Response: Noted.

Finding #5: Checks numbered 3297 (02 August 2010 for \$80.00), 3312 (12 August 2010 for \$24.00), 3328 (09 September 2010 for \$15.00), 3331 (09 September 2010 for \$15.00), 3334 (09 September 2010 for \$15.00) have not been cashed.

Recommendation: Determine disposition of checks, writing off the payables, as needed.

BOD Response: Recommendation accepted. The accountant will write off the payables. Most instances of uncashed checks are the result of awardees of competitions not cashing their cash awards. This is considered a courtesy in some quarters, and is intended as a form of contribution to the Club. Therefore, instances of uncashed checks are likely to continue in the future.

Finding #6: A debit card payment of \$2159.33 was made to Bushmaster Firearms on 19 January 2011 to purchase prizes for the 2010 Remember the Brave match. No invoice or receipt of payment is on file for this payment.

Recommendation: Contact Bushmaster and request a copy of their invoice or the issuance of a receipt for the payment.

BOD Response: Recommendation accepted. Bushmaster will be contacted to document the payment.

Summary of Audit

The 2011 Audit Committee examined and/or verified the following sensitive financial issues in the course of completing the QSC Financial Audit for the above period.

- Bank statements to verify timely and accurate reconciliation,

- Receipts to determine if invoiced correctly and sequentially, and if bank deposits corresponded to recorded invoices,
- Cash disbursements to assure that proper supporting documentation accompanied each check,
- Evidence of Insurance was assured to be in force and equal to \$2 million in coverage for Club Liability which is twice the requisite amount as put forth by MCB Quantico,
- Tax status is determined to be up to date and State & Federal payroll tax deposits up to date and disbursed in a timely manner.