



# OFF SOUNDINGS CLUB



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## Report of 2009 Annual Audit 4/5/2010

The Off Soundings Club 2009 Annual Audit committee consisted of VC Steve Purdy and Katherine Bradford neither of whom is a signatory to any of the Club's accounts. The committee met with Treasurer Harlan Fredericksen on April 5, 2010 to review the club's 2009 financial records and ongoing procedures.

### 2009 Annual Audit Results

An audit was conducted according to the twelve items listed in the club's audit procedure and the results are as follows:

- a) Are the accounts in balance?

*Yes, it was verified that all accounts were in balance currently, at the end of each month, and at the beginning and end of the year 2009.*

- b) Are accounts balanced on a monthly basis?

*Yes, the accounts were verified to be in balance at the end of each month during 2009.*

- c) Are disbursements backed up by invoices or other records?

*Yes, random spot checks were made of documents that supported disbursements from periods throughout 2009. Invoices, printed copies of e-mails from those requesting reimbursement, and notes by the Treasurer support the disbursements.*

- d) Are disbursements authorized by the responsible account manager?

*Yes, see 'c)' above.*

- e) Is the records backup for income received adequate?

*Yes, the treasurer keeps copies of all deposits and related supporting material bundled chronologically for the current year. For 2010 an additional procedure is required for Paypal receipts. This is addressed in the 2009 Audit Recommendations.*

- f) Are Treasurer Records and files being maintained adequately?

*Yes, the treasurer keeps records of receipts, disbursements and miscellaneous related information in an active file for the current year, available until the completion of the annual audit. They are then archived.*

- g) Are checks secure and restricted to the Treasurer (except as may occasionally be necessary for another signatory to sign checks in the Treasurer's absence?)

*Yes, the Treasurer keeps the checks in a secure location in his office. Occasionally, when on-site payments are required at a remote location such as a race venue, and the Treasurer may not be present, he may provide the checkbook or a number of blank checks to the Commodore, the only other signatory to the account, to make those payments. All checks are handwritten; no payments are made electronically or by computer printed checks.*

h) Are the Treasurer's financial reports correct and issued in a timely manner?

*Yes, balanced Excel spreadsheets of the club's account balances and actual vs. budget for income and expenses with comments are transmitted by e-mail to all members of the Board of Governors within one week of the end of each month, and a Treasurer's report is delivered and discussed at each meeting of the Board of Governors. The incumbent Treasurer has discontinued use of the Quicken accounting software as he feels that Excel spreadsheets are adequate for our purposes. The Audit Committee does not dispute that decision.*

i) Are payments made in a timely manner?

*Yes, the Treasurer routinely makes payments of authorized invoices and reimbursements and distributes the expenses to the applicable accounts within 24 to 48 hours.*

j) Are deposits made in a timely manner?

*Generally, yes within the accepted operating practices of the Club. The Treasurer makes deposits directly, for instance, dues, royalties and other revenue, or may delegate the responsibility for deposits to officers or governors who are managing specific activities. For example, the Race Secretary for race entry fees and party tickets, the Vice Commodore or other persons who organize an event such as a dinner, the Entertainment Committee Chairman for party tickets sold on-site, etc. In those cases, the responsible person will accumulate sufficient items to constitute a bank deposit using deposit tickets provided by the Treasurer and make the deposit. As payments come in over time this may result in some reasonable delay, a week or two. The responsible party forwards a copy of the deposit ticket and information on the sources of the funds to the Treasurer who enters them into the books, distributes the income to the applicable accounts, reconciles the deposit with the bank statement, and makes any necessary adjustments.*

k) Are our investment funds secure and receiving appropriate interest?

*Yes, in 2008 all funds were moved into Bank of America accounts to receive normal bank interest and FDIC protection. Given the insignificant income from current low rates and the prevailing economic situation it was considered more prudent to use FDIC protected accounts than to seek State of CT tax exempt investments as the potential tax liability is also insignificant.*

l) Is the Club filing such forms as may be necessary by state (CT and MA) and federal tax authorities?

*In the opinion of the former Treasurer, Ron Breault, tax filings are not required for CT and MA. For MA we generate no MA taxable income in that state, and discussions with MA agents indicate we do not have to file MA990s. For CT, discussions with CT Dept of Revenue agents indicate we do not have to file CT tax returns so long as our Unrelated Business Income on our Federal return is \$0. The 2009 IRS Form 990-EZ has been filed as required.*

#### Follow up on 2008 Audit Recommendations

1. The Treasurer should update the Bank of America signature cards immediately following the April 4, 2009 election of Officers.

*This was not done. A signature card was filed for the new Treasurer, but the signature authorizations for PC Geary and former Treasurer Breault were not deactivated and a signature card for Commodore Loweth was not filed. This should be remedied by June 30, 2010.*

2. The financial files should be backed up offsite. If not by storing a flash drive off the Treasurer's premises, then by use of an on-line backup service, or by e-mailing the files to a designated officer with the Treasurer's report for each month.

*OSC financial files are on the Treasurer's laptop computer and are backed up daily to business network of the Dittman-Greer Company, the Treasurer's employer, daily, and periodically to an external hard drive in the Treasurer's home office.*

3. Add as a standing item to the Agenda of the annual October Board of Governors meeting a report from the Clerk on the filing of the Massachusetts corporate form for the coming year. The Secretary is to remind the clerk to file the documents and the report prior to each of those meetings.

*Done, the most recent Massachusetts corporate filing was completed on schedule.*

4. To provide flexibility the description of the Audit Review Committee should be changed to read: 'consisting of The Rear Commodore or Vice Commodore and one member of the Board of Governors as appointed by the Commodore.'

*Done, the procedure documentation has been changed.*

5. That the description of the Formal Audit Committee be changed to read: 'will consist of three members and be chaired by the Rear Commodore or Vice Commodore as appointed by the Commodore.'

*Done, the procedure documentation has been changed.*

#### 2009 Audit Recommendations

1. Deactivation of account signature authority for the immediate Past Commodore and former Treasurer and activation of signatory authority for the incumbent Commodore should be completed by June 30, 2010.
2. By June 30, 2010 the Treasurer should develop and document a procedure for documenting, verifying, reconciling and reporting on PayPal receipts.
3. The Off Soundings Club Audit Process and Procedures should be modified to verify that the requirement that there be a direct transmission of a copy of statements and notices from financial institutions to a second member of the Board of Governors (item 1 in the Audit Procedure) is being fulfilled. For 2009 an e-mail memo has been received from PC Robert Geary that he has received and reviewed the statement copies during 2009 and 2010 YTD. A recommended revised procedure is attached for approval at the April 10, 2010 board of Governors meeting.

Respectfully submitted,



Steven M. Purdy, Vice Commodore  
Chairman, 2010 Annual Audit Committee

**Off Soundings Club**  
**Audit Process and Procedures**  
**2/11/07 - Modified 4/4/09 and 4/10/10**

1. A copy of monthly statements and notices should be sent directly from the Club's financial institutions to the Commodore or a member of the board of Governors that he/she may appoint. Currently there is one financial institution, Bank of America.
2. At least an annual review of the Treasurer's records will be conducted by an Audit Review Committee consisting of the Rear Commodore or Vice Commodore, plus one member of the Board of Governors who shall be appointed by the Commodore. At least one of these two people shall not be a signatory to any of the Club's accounts.
3. A Formal Audit will be conducted periodically as directed by the Board by a formal Audit Committee. This committee, appointed by the Commodore, will consist of three members and chaired by the Rear Commodore or Vice Commodore. Members of the Audit Committee shall not be a signatory to any of the Club's accounts. The committee shall review all financial matters of the Club including, but not limited to, the items listed below.
4. A report of the Formal Audit will be made of the Audit Committee's findings that shall contain answers to at least the following questions:
  - a) Are Club accounts in balance? (Quicken, check book, bank statements)
  - b) Are accounts balanced on a monthly basis?
  - c) Are disbursements backed up by invoices or other records?
  - d) Are disbursements authorized by the responsible account manager?
  - e) Is the records backup for income received adequate?
  - f) Are Treasurer Records and files being maintained adequately?
  - g) Are checks secure and restricted to the Treasurer (except as may occasionally be necessary for another signatory to sign checks in the Treasurer's absence?)
  - h) Are the Treasurer's financial reports correct and issued in a timely manner?
  - i) Are payments made in a timely manner?
  - j) Are deposits made in a timely manner?
  - k) Are our investment funds secure and receiving appropriate interest?  
NOTE: Current OSC guidelines are security and ready availability of principle, plus any interest earned to be State of CT tax exempt. Note; the last criterion regarding tax exempt status was dropped in 2009 recognizing that interest rates on cash deposits are currently low enough as to be insignificant from a tax perspective.
  - l) Is the Club filing such forms as may be necessary by state (CT and MA) and Federal tax authorities?
  - m) Confirm that a second set of monthly statements and notices are being sent to a Board member other than the treasurer for verification and that they are being reviewed.