



OFF SOUNDINGS CLUB

STEVEN M. PURDY
Rear Commodore
116 Oslo Street
Mystic, CT 06355

(860) 536-0812
steve_purdy@comcast.net

Report of Formal Audit 2/14/09

The Off Soundings Club 2008 Formal Audit committee appointed by the Commodore consisted of Steven Purdy, Rear Commodore, Harlan Fredericksen, and James Francis, none of whom is a signatory to any of the Club's financial accounts. The committee met with the Treasurer, Ron Breault, at his home the morning of February 14, 2009.

2008 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 2008.

- b) Are accounts balanced on a monthly basis?

Yes, the accounts were verified to be in balance at the end of each month during 2008.

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

Yes, random spot checks were made of documents that supported disbursements from periods throughout 2008. 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.

- 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 home 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 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.

- 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 Treasurer 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 Federal tax situation has been resolved at least for the moment, and the 2008 IRS Form 990-EZ has been filed as required. The audit committee reviewed the 2008 tax year 990-EZ. There is currently no procedure to ensure timely filing of the MA corporate form. See recommendation below.

Follow up on 2007 Audit Recommendations

1. The list of signatories for the OSC account at Bank of America should be reviewed and updated.

This was done; the Treasurer and the current Commodore are now the only signatories.

2. The Treasurer should back up the OSC Quicken files and other OSC data files to a portable flash drive and that drive should be stored offsite.

The files are backed up to a second computer and to a flash drive, but all are kept in the Treasurer's home office.

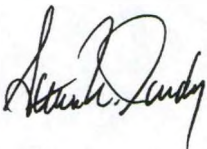
3. A recommendation that the 'Reconcile' feature in Quicken be used to identify any inconsistencies.

This was done by the Treasurer early in 2008 on a trial basis. However, because all accounts are reconciled and balanced monthly no discrepancies were detected and the practice was discontinued. The audit committee could request that the reconcile tool be run during an audit to detect any inconsistencies. As all statements reviewed during this audit were reconciled and balanced the committee did not consider it necessary.

2008 Audit Recommendations

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

Respectfully submitted,



Steven M. Purdy, Rear Commodore
Audit Committee Chairman

To: Off Soundings Board Members
From: Steven M. Purdy, RC

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

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