

May 16, 2014

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Approval of 2013 Audited Financial Statements, Recommendations and 990 Tax Filing

On May 16<sup>th</sup> SVIA's Board of Directors unanimously approved SVIA's federal 990 tax filing, financial statements and auditor recommendations for 2013. SVIA's Membership and Budget Committee had reviewed and approved these items on April 25<sup>th</sup> and forwarded them to the Board with the Committee's recommendation of adoption.

The CliftonLarsenAllen's (CLA) recommendation to enhance internal controls gendered discussion by the Board. It was explained that SVIA's auditor makes recommendations to strengthen the internal controls of our operations each year. This is part of the normal course of their work. We have used CLA for five years and each year they come up with a new enhancement. Each year, the Membership and Budget Committee has endorsed these recommendations and recommended that the Board do so, as they did this year. SVIA has also implemented these controls.

For example, last year CLA felt SVIA was vulnerable to financial institutional risks. We now have six bank accounts, where we use to have four to diversify this risk and ensure that SVIA moneys have full FDIC protections. (There are three officers who have authority with these accounts: Chairman, Treasurer, President, i.e. Jim King, Aruna Hobbs, and myself).

SVIA has two staff people that have access to SVIA's financial accounts/books: our accountant who is an outside contractor and works once a week: Teresa Lent and myself. Teresa was recommended by a previous auditor (Stokes) and joined SVIA in 2007. Teresa comes in once a week for a couple of hours each week. This year the auditor raised a concern about access to our accounting system: QuickBooks. I check Teresa's work weekly since I sign checks that are under \$7,500 and prepare all of the financial and budget reports for the Membership and Budget Committee, which are monthly.

This year, CLA felt that access to QuickBooks needed to have additional oversight. Eliminating the President's access to QuickBooks was not an acceptable option from a management or Budget Committee perspective since the President uses this program to generate all of the required reports for the Committee on Membership and Budget, and SVIA has a very small office. Aruna Hobbs, Sharon Cowher and myself suggested and recommended to the auditor a new check and balance to ensure that SVIA funds are not manipulated or misappropriated. That was a weekly report on checks disbursed as well as a monthly review of SVIA's bank statement by the Chairman and/or Treasurer. SVIA has only one bank account that permits disbursements.

CLA, as well as the Membership and Budget Committee accepted these additional steps to uphold the integrity of SVIA's accounts and address the potential vulnerability that CLA felt had been in our system. Essentially, these new steps require that when our accountant cuts weekly checks that a check report of all transactions be sent directly to the Chairman of the Board and Treasurer. The President does not receive a copy of this report. The purpose of this weekly report is to ensure that all checks over \$7,500 have the two required signatures (President, Treasurer or Chairman) and that nothing unusual is going on (checks are in sequence and payee/payments are usual). The weekly check report lists the payee, the

amount, the date, the check number etc. It is delivered each Wednesday by email now. Additionally, the bank statement for SVIA's checking account are also provided on a monthly basis directly to the Treasurer and Chairman. Should the Chairman or Treasurer note any issue within the monthly statement or the weekly statements, they will raise the issue with the Accountant and/or the President.

The Board was reminded that the President reviews the monthly bank statements/reconciliations as well as provides the Membership & Budget Committee monthly reports that include:

- Profit vs. loss by class for the month;
- Profit vs. loss by class through the year to date;
- Profit versus loss through the year to date compared with the previous year;
- Balance sheet as of the end of each month;
- Balance sheet as of the end of each month compared to the previous year;
- Budget versus actual through the period to date by month; and
- An overview on these reports that explains any differences.

These reports are reviewed by the Treasurer and Chairman of the Board monthly. Additionally, three of these reports: the profit versus loss by class, the budget versus actual and the balance sheet are also provided quarterly to the Board of Directors.

Additionally, the President consults with the Chairman and Treasurer regularly on SVIA financial issues in addition to these reports. They also call the President if they have questions and/or concerns at any time.

Like the Committee on Membership and Budget and CLA, the Board concluded that the new internal controls supplement the rigorous controls that SVIA has had in place for many years while trying to take into account the realities of a small office and time constraints of a volunteer Board.