

To: Debbie Schlinger
Executive Board
Executive Secretary
Wyoming Library Association Membership

From: Financial Audit Committee
Carol Collier, Chair
Bobbi Thorpe
Janet Williams

Date: September 19, 2005

Subject: Financial Audit Committee Report

The Financial Audit Committee met August 26, 2005. The Committee did not conduct its routine annual audit, but instead reviewed the audit report of McGee, Hearne & Paiz, LLP, which had been contracted to conduct a periodic professional audit of WLA financial operations. The audit covered the period January 1, 2004 to December 31, 2004.

In addition to reviewing the audit report, the Committee considered recommendations contained in a letter from MHP, dated April 21, 2005 regarding WLA financial operations. The Committee also reviewed findings and recommendations contained in its audit reports from calendar years 2000-2003, to see how these correlated with the recommendations from MHP.

The Committee is pleased that the MHP audit concluded that the 2004 financial statements present fairly, in all material respects, the financial position of the Wyoming Library Association.

Observations and suggestions made in the MHP letter dated April 21 and the Audit Committee's responses are as follows:

MHP: Internal controls are designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept in an adequate system of internal control is the segregation of duties. An individual person has the primary responsibility for performing the accounting and financial duties. As a result, some of the aspects of internal accounting control, which rely upon adequate segregation of duties, are missing in the Wyoming Library Association. The supervision and periodic review procedures currently in place help mitigate the lack of proper segregation of duties and should be continued.

Response: The Audit Committee agrees that segregation of duties is desirable, but not practical as WLA is structured. Segregation of duties could not be accomplished without additional WLA employees or far greater time commitments from designated WLA officers or committee members.

MHP: During the audit, we noted the cash account was not reconciled at year-end. Cash accounts are reconciled as of the middle of the month. We recommend all accounts be reconciled at month end. This allows the Association to compare cash balances monthly at the same point in time each month.

Response: The Audit Committee agrees. This would bring the Association into conformance with standard accounting practice, which is to reconcile accounts at month end. The Committee recommends that cash accounts be reconciled at month and year-end.

MHP: During the audit, we noted bank reconciliations are not reviewed monthly. Instead, the Audit Committee reviews bank reconciliations yearly. We suggest the reconciliation be reviewed by at least one individual on the Audit Committee or a member of the Board of Directors monthly. This control will allow for timely detection of errors or unusual items that might require additional attention.

Response: The Audit Committee agrees that more frequent review is desirable. At the direction of the WLA Executive Board, this could be added to the expected duties of the Audit Committee or its Chair.

MHP: During the audit, we noted bank statements are dated as of the middle of a month. We recommend the Association request to have their statement date changed to month end. This will allow the Association to reconcile accounts as of the last day of the month thus providing accurate internal financial statements.

Response: The Audit Committee agrees. As noted in Committee reports for 2000, 2001, and 2002, there have been continuing problems in reconciling the year-end WLA figures with bank statements that fall mid-month. The Committee strongly recommends that Bank of the West be requested to change the statement cycle to month end. If the bank will not honor this request, consideration should be given to moving WLA accounts to a bank that will furnish statements on a month end schedule.

MHP: During the audit, we noted the Association's accounting program does not have the capabilities to properly record accounts receivable, accounts payable, and deferred revenue. We recommend that the Association consider whether a change in software is warranted.

Response: The Audit Committee agrees that the Quicken program currently being used for WLA financial records is less than ideal. We recommend that the Executive Board consider the advantages of switching WLA accounts to one of the commercially available accounting software programs. We also recommend that if the Association converts to different software, the Executive Secretary should receive training in the use of such software.

MHP: During the audit, we noted three outstanding items on the December 2004 bank reconciliation. These items were from October 2003. When items are on the bank reconciliation for multiple months, we recommend these items be researched and appropriate action be taken to remove the items from the bank reconciliation.

Response: The Audit Committee agrees that outstanding items remain on the reconciliations for too long a period. This has been a continuing problem, as noted in recommendation #4 from our CY2002 report: The Committee recommends that the Executive Secretary void uncleared checks in a timely manner. The Committee also recommends that the Executive Secretary follow through on Executive Board directions that checks be imprinted with "void after 180 days."

MHP: During the audit, we noted the Association does not keep track of the date an individual pays his/her dues. We recommend the Association record the names of individuals related to each deposit or record the date of receipt on membership applications. This will provide the Association with a back-up listing of the individuals included in a deposit.

Response: The Audit Committee agrees that tracking of dues payments could be enhanced. We recommend that any investigations of accounting software for use by the Association, as recommended above, consider ways in which tracking of dues payments might be improved through use of such software.