

MEMORANDUM

TO: CFP Executive Board

FROM: Terry Levee

DATE: May 14, 2013

SUBJECT: Audit Committee Report-Audit of 2012 Financial Records by Ken and Thompson LLC.

1) Committee-Audit Committee

2) Date of Report-May 14, 2013

3) Name of report preparer – Terry Levee, Chair

4) Committee charge- Audits CFP's financial records annually except when a certified public accountant conducts the audit. Results of the audit are reported annually to the Board.

5) Listing of committee members

- 1) Terry Levee, Chair, Deloitte
- 2) Angela Nardone, Vice Chair, N2N Global
- 3) Janice Buchanon, Steritech
- 4) Bill Hardister, Mecklenburg County NC Health Department
- 5) Chris Gordon- VA Department of Health

6) Requested Board (or other) actions

- For the May 2013 meeting, the audit committee's focus was to review the 2012 audit report performed by Kern and Thompson LLC. The audit consisted of the 3 reports/records; the Management Representation Letter, CFP Financial Statements Audit and the CFP Audit letter. Copies of these reports were sent to the board in March 2013.
- The Committee is composed of 5 members.
- Based on discussion and approval at the April 2012 Executive board meeting, an audit of the 2012 CFP financial records was by the accounting firm Kern & Thompson LLC.

7) Findings of the audit

- Based on the opinion of Kern and Thompson, the financial statements present fairly, in all material aspects, the financial position of the Conference for Food Protection as of December 31, 2012 and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.
- Upon review of the results of the communication letter, the following was observed as Significant Deficiencies (a Significant Deficiency is defined as a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance).

SD-1 Control Over Bank Reconciliation

During the course of our audit, we noted that the Organization is not obtaining scanned copies of the front of checks with its bank statements. The documentation and approval of a review of the bank statement and reconciliation by an appropriate individual is not in place.

Recommendation

We recommend scanned copies of the front of checks be requested to accompany bank statements. An important control over cash disbursements is to have an individual independent of the executive treasurer review the bank statement and cancelled checks, and document doing so.

SD-2 Fiscal Policy Document

We note there is not an all-encompassing fiscal policy document.

Recommendation

While many fiscal policies can be inferred from job descriptions, we suggest that the Organization develop a comprehensive fiscal policy document that considers segregation of duties and oversight in key areas. We suggest that this document also include specific guidance about where and in what format records are retained and/or destroyed.

- After review of the above significant deficiencies the committee feels that
 - Regarding SD-1, the treasurer should be able to obtain scanned copies of the fronts of checks when receiving the financial statements. The committee is also discussing who should review the cancelled checks or if a policy statement needs to be included to specifically charge the committee to perform the independent review during its quarterly review since it is already doing so.
 - Regarding SD-2, the committee is reaching out to other organizations similar to ours and government agencies to see how they handle segregation of duties and if they have a specific policy regarding so. The results of those discussions were
 - AFDO- AFDO ran into this situation a few years back as a result of their audit. After discussion they felt that since AFDO's treasurer was an elected position separate from it paid executive board members, it would split the duties. At the present time their duties break down as follows:
 - Clerical assistant: receives check and deposits them; received A/R and writes transmittals for approval
 - Association Mgr.: writes checks/signs them
 - Clerical assistant: mails checks
 - Sec/Treasurer: receives bank statements
 - Accountant: reconciles bank statements
 - State of VA- In a discussion with the state they agreed that we should have a firewall and system of checks and balances. They agreed the best way to have this was to have a segregation of the duties of who deposits the checks and who signs the checks.
 - Mecklenburg Co. NC- Their view is that there should always be a minimum of two people involved in financial transactions. One would receive the money and the other should be responsible for deposits. Same with payments. One

person would authorize a payment and the other would write the check. Better yet, one person would write and sign the check which would require a second signature. For us, that would involve mailing checks for second signatures. It would slow down payments and add costs, One option to explore is electronic approvals. An invoice is received and scanned. An invoice approval document is prepared and sent to the person assigned to entering the on-line payment. One other recommendation was authorizing all employees (at least Executive Director and Treasurer) access to the on-line bank account or at least ability to view statements and checks on-line.

Based on our discussions and review we feel that the board should explore the possibility of complying with the recommendation, SD-2. This would prevent added liability on the board and the executive staff. However we feel that a couple of questions need to be addressed for further discussion.

- How do we address the logistical issue of staff being in different locations?
- How many manual forms of payment does the treasurer receive?
- How does the automatic payment for conference registration work in regards to someone physically handling the money?
- If segregated, how would those duties be divided?

8) Recommendation(s) for future charge

- If approved, the committee will continue to audit the financial books and records as deemed by the Constitution and By-Laws.
- Follow up on the completion of SD-1 and SD-2.

Respectfully Submitted,
Terry Levee, chair

Angela Nardone, vice chair