Oregon Columbia Chapter of the Associated General Contractors
Suggestions for Improvements
December 31, 2016

In planning and performing our audit of the consolidated financial statements for the Oregon Columbia Chapter of the Associated General Contractors and their affiliated entities (together, the Organization), we consider the effectiveness of internal controls throughout the Organization. While we do not express an opinion on the effectiveness of the Organization's internal controls, we did become aware of several opportunities for strengthening internal controls and operating effectiveness.

During the year under audit, there were shortages to staffing in the accounting department between the months of September and November 2016. New personnel were hired in December 2016 and were trained as of January 2017. Through our procedures, we noted the following control exceptions during that period which we feel were the result of the staffing shortage:

1. Due to turnover in the accounting staff, we reviewed bank statements for the months of August through November 2016 and selected 11 checks signed by the Controller alone. Of those 11 checks, 3 of them had also been recorded into the accounting software by the Controller. Proper segregation of duties requires separation between the recording and approval of disbursements. With the hiring of additional accounting staff, we noted the segregation of duties was restored by January 2017. As such, we do not expect this to be an exception in 2017.

2. During our examination of the information provided to the Board by the Accounting Department, we noted there was an error with the information provided during the months of September and November. The error was due to a formula which resulted in an overstatement of net dues revenue. Management detected the error internally and issued corrected statements to the Board in April 2017. We recommend accounting staff review the totals per Quickbooks to the calculated totals in the Board presentation.

3. During our examination of the information provided to the Board, we noted there was a significant change in the budget to actual amounts between the September and November. Through our discussions with management, it was noted the variances were due to the timing of when expenses were budgeted and when they were recorded in Quickbooks. Specifically, the AGCA charter fees and PAC contribution expenses were recorded in August, but not budgeted until October.

   While the AGCA charter fee is paid annually, portions of the expense are deferred at year-end due to timing. We recommend that the expense be recognized throughout the year both in Quickbooks (through an amortization schedule) and in the budget. Similarly, since most of the PAC expenses are based on dues collected, we recommend those expenses be amortized throughout the year in both Quickbooks and in the budget. Recognizing these expenses throughout the year would prevent future issues regarding timing of expenses.

   Management has already implemented our recommendation for the AGCA Charter Fees and is reviewing our recommendation for the PAC expenses.

4. **Noted in PY:** During the prior audit**,** HSS noted signature evidence of review and approval for the Chapter, CAF, and PAC bank reconciliations and statements, but not for the reconciliations and statements for the Foundation. As such, there is a lack evidence of segregation of duties between transaction processing and approval for those which no signature evidence was noted (e.g. the Foundation).

   CY Update: During the current year's audit, we noted there was no signature approval on the Foundation bank reconciliations. Per our discussions with management, there has been no change to the process in current year.

   Additionally, we noted there was no signature approval on the December reconciliations for the Chapter, CAF, and PAC. Per our discussions with management, the staff shortages led to a lack of segregation of duties over bank reconciliations for these entities as well.

   As noted above, with the increase in accounting personnel, we do not expect this to be an issue in 2017. However, we continue to recommend all bank reconciliations including the Foundation be reviewed and approved by personnel separate from the preparation and evidenced with a signature.

Through our procedures, we noted the following control exceptions which we feel were not the result of the above noted staff shortages:

5. During our current year audit, we noted there were several meetings of the Finance Committee for which the minutes were missing or had not been prepared. We recommend preparing minutes for all Board of Directors and subcommittee meetings. The use of voice recording devices for later transcription could help with this.

6. During our current year audit, when reviewing the CAF, we noted the January 2016 payment from the unions were missing or presumed to have not been received. We recommend a tracking system be put in place by management in cooperation with CAF personnel to ensure future payments are received and recorded in a timely manner.

7. During our analysis of the month-end process, we noted 22 of 25 employees had credit cards, which led to excessive time to reconcile monthly balances. The number of credit card statements and charges causes delays in the month-end close process. We suggest management review the list of card holders and reduce the number if possible.

8. During our examination of the month-end process, we noted there was a delay due to the time it took to obtain support for credit card charges. We also noted the monthly credit card statement balances in aggregate are immaterial. In addition to limiting the number of cards (noted above), we suggest management record all credit card expenses as the statements are received and obtain support from employees afterward.

Through our procedures, we noted the following control exceptions from the prior year which we feel were resolved in the current year:

9. **Noted in PY:** During the prior audit, HSS noted there was no evidence of approval for 15 of the 22 credit card statements in October 2015. HSS also noted there was no evidence of board approval of the April 2015 credit card statement for the Executive Director.

   CY Update: During the current year's audit, we noted 15 of the 22 statements in June 2016 lacked evidence of approval, but all 20 statements in December 2016 showed evidence of approval. Per our discussions with management, controls over approval of credit card statements have improved under the new Controller. We consider this matter resolved.

10. **Noted in PY:** During the prior audit, one of the disbursements tested by HSS was over $5,000, but had only one signature was on the final check. AGC policy is that all checks over $5,000 must have two authorized signatures.

    CY Update: During the current year's audit, we noted all disbursements over $5,000 tested during the current year audit had two authorized signatures. We consider this matter resolved.

11. **Noted in PY:** During our prior year audit, we noted the Assistant Controller prepared journal entries which were approved by the CFO. While the CFO reviewed the entries, she did not provide a signature as evidence of her approval. HSS recommended all approved journal entries have signature evidence of approval.

    CY Update: During the current year's audit, we noted all journal entries tested during the current year's audit had signature approval on them. We consider this matter resolved.

12. **Noted in PY:** During the prior audit, we tested credit card statements and support for 2 months (April and October 2015). We noted in April 3% of credit card transactions were missing support (invoice, receipt, etc.) and in October 17% of credit card transactions were missing support.

    CY Update: During the current year audit, we noted 6% of credit charges were missing support, but only 1% were missing support in December 2016. As discussed above, review of credit card transactions has improved under the new Controller. As such, we consider this matter resolved.