

**Oregon Columbia Chapter of the Associated General Contractors
Suggestions for Improvements
December 31, 2018**

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.

1. During the current year review of the Foundation bank reconciliations, we noted a deposit in transit for \$3,000. Per our discussion with management, we noted this was a check received before year-end that was deposited in the bank on January 14, 2019. Best practice is for checks to be deposited into the bank account within 1 to 2 business days to protect against them being lost or stolen. We recommend management review this process to ensure checks are deposited more timely.
2. During our examination of the SAIF expenses and revenue, we noted a formula error on the SAIF spreadsheet which lead to AGC recognizing approximately \$50,000 in additional revenue for 2018 than was initially recognized. The error appeared to be the result of adding wages for new employees to the spreadsheet and the sum formula not including those new cells. This was partially offset by an adjustment to the overhead expenses recognized. We noted the actual expenses recorded for SAIF appeared correct; the error only affected the amount of revenue recognized on the grant in 2018. We recommend management review the process for calculating the amount of revenue to recognize under the SAIF contract. We recommend a focus be on eliminating as many of the manual processes as possible to limit human error. We also recommended a system of review be implemented which checks direct expenses recorded on the spreadsheet to the general ledger balances as well as reviews the calculation of overhead.

Through our procedures, we noted the following control exceptions which we feel were not resolved in the current year:

1. **Noted in Prior Year:** We noted that the controller prepares financial reports for the board and the Board Treasurer reviews before issuance. Due to the nature of a volunteer board, there is limited amount of time that is available for this function and can result in a delay of monthly financial reporting. We recommend that a checklist for review procedures is created to allow a self-review procedure before the financial reports are submitted to the Board Treasurer.

Current Year Update: During the current year audit, we noted no changes in this process. With the change in Treasurer for the Chapter as well as staffing shortages in the accounting department, we renew our suggestion to implement a month-end checklist to ensure all monthly adjustments and reconciliations have been performed.

- 2. Noted in Prior Year:** 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.

Current Year Update: During our current year audit, we noted no significant change in the number of credit cards. Starting in 2019, management moved to a new software platform called Concur that they feel will improve efficiency and provide additional control over credit card expenses.

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

- 1. Noted in Prior Year:** During our prior year examination of the Foundation's accounts receivable it was noted there was \$1,900 in balances over one year where collections were doubtful. However, there was no balance recorded in the allowance for doubtful accounts. The accounts receivable balances should be reviewed monthly to determine collectability and if accounts are deemed uncollectible, the accounts should be written off when information deems necessary.

Current Year Update: During the current year audit, we noted the balances in question had either been collected or written off. There was no balance in the Foundation's accounts receivable at December 31, 2018. As such, we consider this matter resolved.

- 2. Noted in Prior Year:** During the prior year's audit, we noted there was no signature approval on the Foundation bank reconciliations. Review of bank reconciliations is an essential part of maintaining adequate segregation of duties.

Additionally, we noted there was no signature approval on the November reconciliations for the Chapter, UCG, 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.

We recommend all bank reconciliations including the Foundation be reviewed and approved by personnel separate from the preparation and evidenced with a signature.

Current Year Update: During our audit procedures we noted the bank reconciliations for all entities had signature approval. We consider this matter addressed.