

Report on the Review of Master Gardener Foundation
Cash Receipts and Cash Disbursements
For the Fiscal Year Ending December 31, 2017

SCOPE:

We have conducted a review of cash receipts and cash disbursements for the fiscal year beginning January 1, 2017 and ending December 31, 2017. Note that 2017 was the first fiscal year that coincided with the calendar year. The bylaws were amended in 2016 to change the fiscal year from November 1 to October 31 to a fiscal year of January 1 to December 31. As a result of the amendment, there were 2 fiscal periods that ended in 2016. The first was the fiscal year that began November 1, 2015 and ended October 31, 2016. Then there was a “short period” that began November 1, 2016 and ended December 31, 2016. We did not review the accounting periods that ended in 2016.

METHOD:

As part of the review we:

- Read the bylaws of the foundation.
- Interviewed the Board Treasurer, Marilyn Glenn.
- Read the minutes of the Board meetings.
- Reviewed the Treasurer’s reports.
- Reviewed the bank statements.
- Reviewed the transaction register for the checking account.

FINDINGS:

Bylaws Article VIII. Section 3 states that “Any disbursement that exceeds an amount established by the Board requires the approval of the Board.”

There was no record in the Board minutes for 2017 that this amount was ever set. The Treasurer’s reports did not include a list of checks. There was no approval for checks written over any specific amount. The Treasurer stated that most of the expenses were budgeted for and approved in the budgeting process. The minutes indicated that expenses not budgeted were discussed and approved by the Board.

Not setting a limit as described in Article VIII. Section 3 of the Bylaws was a departure that cannot be corrected for 2017 at this point. The Board can set a limit for the current fiscal year.

Bylaws Article VIII. Section 5 states that “The President shall appoint two members of the Foundation to review an itemized statement of the receipts and disbursements of the past fiscal year, January 1 – December 31 as prepared by the Treasurer. The committee will present this statement for approval to the March general meeting.”

There was no record in the Board minutes that the required committee was appointed to review the cash receipts and disbursements for the fiscal year November 1, 2015 through October 31, 2016. There was no record in the Board minutes that the required committee was appointed to review the cash receipts and disbursements for the short period November 1, 2016 through December 31, 2016. There was no record in the Board minutes that the required reviews were completed and that reports were made. The lack of reviews represented a serious departure from the Bylaws that cannot be corrected with respect to the timing.

Even though the language of Article VIII. Section 5 specifies the review of a calendar year fiscal period, we believe that the amendment of the Bylaws in 2016 did not do away with the requirement for a review of other fiscal periods. Article VIII. Section 5 contemplates that the reviews will be on a continuum, year after year, without any gaps. The lack of reviews for the time span, November 1, 2015 through December 31, 2016, created a 14 month lapse in the continuity of reviews. If adequate records can be located, it may be possible to conduct reviews during this year to restore continuity.

Cash Disbursements: The Treasurer maintained adequate documentation to support cash disbursements for 2017.

We found 2 checks where the amount paid was different from the amount on the supporting document. The first was to pay for the bus for the Northwest Flower Show. The payment was \$50 more than the invoice because the Treasurer added a customary tip of \$50. This explanation was reasonable.

The second check was written to WSU for the Program Coordinator's salary. The check was written for \$6,000, but the MOA specified \$6,500. The explanation was that the payment was \$500 less because no projects were undertaken by the Coordinator.

The Treasurer used a transaction register to keep track of cash disbursements and cash receipts. The tissue copies of the checks written were also helpful to document payees. There was no list of cash disbursements or cash receipts beyond the check register.

Cash Receipts: Sources of cash were the plant sale, including pre-sale and post-sale activities; the donation table located at Hovander Homestead Park; the library lecture series; the trip to the flower show; and contributions. The major source of cash receipts was the plant sale, with a gross of \$16,259.

The Treasurer reported that proceeds from the plant sale, held on May 13, 2017, were taken to WECU for deposit on Monday, May 15, 2017. In some prior years, the Foundation hired an armored car service to pick up the sales receipts on the day of the sale. In some years, it was possible to take all the receipts to WECU on the day of the sale. Obviously, cash not deposited promptly represents a higher risk to the Foundation.

Bank Statements: Although the transaction register appeared to be complete, the transactions register was not formally reconciled to the bank statements month by month. In the Treasurer's Reports the amount shown for the checking account balance was the amount on the bank statement, rather than the reconciled balance.

RECOMMENDATIONS:

1. The Board should read and be familiar with the Bylaws prior to their first meeting.
2. The Board should consider developing a permanent calendar, through policies and procedures, to keep track of recurring deadlines such as reporting to external agencies and required Board actions.
3. The Board should establish the amount of a disbursement that requires Board approval in order to comply with Article VIII. Section 3.
4. With respect to the MOA with WSU and payment for the Coordinator's salary, the Board should determine when the payment should be made and communicate this through the Bylaws or through policies and procedures. A date for payment should be established. The Board should also motion and approve when the amount paid is different from the MOA amount, with a reason given.
5. The financial reports provided to the Board by the Treasurer should reflect the reconciled bank balances, rather than the balances per the bank statement.
6. On the day of the plant sale, there should be enough people processing the receipts that the deposits can be taken to WECU on the day of the sale. The best practice is for all cash receipts to be deposited promptly and intact.

CONCLUSION:

The purpose of this review was to help assure that:

- The Board took good care of Foundation assets by following the provisions of the Bylaws and by receiving and reviewing regular financial reports.
- The Treasurer took good care of Foundation assets by maintaining accurate records and by maintaining adequate documents to support the financial transactions.

This type of review may not necessarily detect irregularities, if in fact, irregularities exist. In a small organization such as the Master Gardener Foundation, it is generally impossible to implement separation of duties for cash handling and other controls that are desirable. The best way to protect Foundation assets is to assign responsibility to people who have personal integrity.

Reviewers: Mill Shires

Pat Edwards

Date review was completed: January 15, 2018

File: MGF Review Report