

MEMO

Financials
8/22/96

To: Executive Committee, WNGGA
CC: Jason Moore
Nelson Llewellyn
From: Penry Consulting Services, 8665 Renaa Ave, Galloway, OH 43119
Date: Thursday, August 22, 1996
Subject: WNGGA Audit - August 21, 1996

On August 21, 1996, Jason Moore and I conducted an audit of the books of the Welsh National Gymanfa Ganu Association, Inc. Although we did not find any major irregularities in procedures and controls, we did make some observations and need a couple of issues resolved. We reviewed last years recommendations and are happy to report that the majority have been implemented or are in process.

- ✓ Checking Account - Using last years financial report and beginning with the opening balance of \$7,961.54, then adding in the reported revenue and subtracting out the reported disbursements from the Treasurer supplied Financial Status Report we arrive at a ending balance of \$36,986.86. However, the Cash Flow report reflects a closing balance of \$35,465.48, and using the bank reconciliation and subtracting outstanding checks and adding in outstanding deposits we arrive at a balance of \$35,902.48. We went ahead and certified the audit, but these differences must be resolved and explained before the next audit. If the checkbook is out of balance it must be corrected. If items were not reported on the Financial Status Report or Cash Flow report, these reports need to be resubmitted with corrections. If the opening balance was incorrect, we need that have that adjusted.
- ✓ Endowment Account - the increase from the prior year is reported as \$3,671.48 on the first page, but the page listing receipts and disbursements shows a difference of \$3007.15. We need the unreported difference of \$664.33 explained.
- ✓ The organization is still at risk with IRS compliance issues. We would recommend that a formal contract be drawn up for the office worker and that the issue of workman's compensation be clearly specified. It is imperative that a

1099 be issued to any part-time or contract person who has income of \$600 or more.

- ✓ Rather than a stipend, Nelson needs to receive his \$1000 as reimbursement. A stipend is taxable and requires issuance of a 1099 form. Reimbursement does not. His daily mileage to and from the office as a volunteer will more than cover the \$1000. He needs to track his mileage with a log and bill for \$1000.00 reimbursement.
- ✓ In written instructions to venues for the Gananfa, we would suggest that the issue of a 1099 be addressed. If a conductor, (singer, etc.) who is acting as an individual is given an honorarium of \$600 or more, the venue must supply a 1099. However if the individual is considered as a business entity and bills as such, then no 1099 is necessary. For instance, if I ask a conductor from Chicago to be the guest conductor and give that individual \$800, I must issue a 1099, but if the individual will bill me for \$800, listing him/herself as a service such as Jane Jones, Conducting Services, then I can avoid the 1099.
- ✓ The current method of securing office supplies and needed items on a rapid basis is not good accounting practice. Nelson purchases them from his personal checking account then gets reimbursed. This commingling of personal and National Gymanfa Ganu Association business is unfair to Nelson and makes a proper audit trail of assets nearly impossible. A petty cash account in the amount of \$500.00 should be established with a single signature check. The petty cash account would be replenished with the submission of all receipts to the Treasurer on a monthly basis. An alternative would be to have the petty cash checking account at the same bank as the regular account, then have the bank replenish it back to the agreed amount monthly. The receipts would still be filed with the Treasurer. In either event, the deposit amount should be enough to ensure no-charge checking, but Nelson's limit would be the \$500 for the month.