

MEMORANDUM

To: ABBI Board of Directors

From: Carlos N. Velez, Treasurer Emeritus 

CC: ABBI Finance Committee (Erik Gillman, David Kamen, Dan Jacobs, Alan Labouseur, Colin Purcell), Nicole Raskopf (Treasurer)

Re: Audit of ABBI Financials for FY 2022-2023 and Proposed Procedure

Date: October 25, 2023

Preface

The ABBI Finance Committee (“Committee”) met with our Treasurer, Nicole Raskopf, to conduct an audit of the financial records for the Fiscal Year ending June 30, 2023. As this was the first audit in living memory, the Committee developed a proposed procedure via email, and executed on this procedure on October 16, 2023 (with some modifications, as described below). Hence, this memorandum is divided into two major sections. The first is a report on the proceedings and results from the meeting on the 16th of October. The second section is a proposed audit procedure for future Committees to follow, recognizing that future situations may require some deviation from what is described herein.

Minutes - Finance Committee Meeting - October 16, 2023

1. The meeting was brought to order by Carlos Velez at 7:15 pm.
2. Carlos Velez provided some background on why an audit was not conducted previously, and opened the discussion on the procedure to be followed that evening.
 - a. The reason audits were not conducted previously was because an invoice-by-invoice audit would be very expensive (some suggested up to \$10,000).

- b. However, it has come to our attention that as a non-profit, we are permitted to sample a random selection of transactions. Once these were verified and recorded, then the financials would be construed as being audited.
3. A discussion ensued regarding the possible exposure of confidential information to those present, such as family names, addresses, amounts paid or received to/from ABBI, and so on. After some debate, the members present decided on the following procedure:
 - a. Eric Gilman prepared a non-disclosure agreement (“NDA”).
 - b. This agreement was read aloud.
 - c. All those present agreed to the contents, and signed the agreement (a scanned copy of the signed agreement will be appended to this document)
 - d. Regardless of this agreement, due care was taken during the course of the audit not to expose potentially confidential information to those present.
4. After executing the NDA, the audit proceeded as follows:
 - a. A random transaction was selected from the bank statements displayed on the Treasurer’s laptop;
 - b. For each transaction, the Committee verified that the entries in the bank statement, the invoice or check request (whichever was appropriate), and the entry in QuickBooks (our accounting software) were all identical;
 - c. Each sampled transaction was duly recorded, and is listed below.
5. The sampled transactions are listed in the table below. For each transaction, the bank statement, the receipt or other document (including paper receipts from the bank for deposits), and the QuickBooks entries were all checked by the members present. Each of these transactions was verified and correct.
 - a. The Committee attempted to choose random transactions in chronological order.
 - b. As the evening unfolded, the Committee identified a series of different transaction types (described below) in order to diversify the audit.
 - c. There was no discussion regarding a procedure in the event a transaction was found to be incorrect in some way.

6. As a final step, the notes from this meeting were prepared by Carlos Velez, then distributed to those present for comments and corrections. The final version was distributed to the ABBI Board on the date noted above.

Date	Type	Amount	Paid To or Received From	Purpose or Nature of Transaction	Comment
7/1/22	Deposit	\$592	Parents of MB members	MB Uniforms	Copies of checks accompanied paper record
8/1/22	Check #4517	\$1233.97	Steve Weiss Music	Pit music accessories	Itemized invoice validated
8/1/22	Deposit	\$3,463.59	Square	MB Merchandise sales paid via card via Square	Actual transaction was \$3,582 collected less \$118.41 in Square fees for \$3,462.59 net deposit. Both the amount collected and the fee were verified.
9/1/22	Debit card	\$1,497	In Band Today (via Mr. Keech)	MB Pit-related accessories	Itemized invoice validated
10/28/22	Check #5009	\$452.78	Mr. R. Atkins	Reimbursement of purchases made to construct MB props	Purchase included paint, wheels and related items. All receipts were inspected, and the total reimbursable amount was confirmed.
11/19/22	Deposit	\$1,292.50	MB Parents	Syracuse Hotel, Misc.	Copies of all checks accompanied the paper record of this transaction.
12/1/22	Deposit	\$1570.21	Square (eCommerce account)	MB Tour fees and related	Deposit of \$1620.50 less fees of \$50.29 for \$1570.21 Net.
12/7/22	Petty Cash	\$100	Withdrawn by Treasurer; Returned to bank 4/21/23	For sale of chocolate and other items by Color Guard	Both withdrawal and return of cash verified
12/17/22	Check #5034	\$1,154	Gertrude Hawk	Purchase of chocolate for WG fundraiser	Invoice from Gertrude Hawk validated
4/21/23	Deposit	\$1,505	Assorted checks and cash	WG fundraising	Checks totaling \$1,245 plus cash totaling \$260 = \$1,505. Both recorded correctly.
5/26/23	Deposit	\$10,415	Assorted checks	Car wash fundraiser, Jazz Cab raffles, Adams, etc.	

7. The meeting concluded at approximately 8:30 pm.

Recommended Procedure - Future Audits

Those present at the meeting of the 16th were universally satisfied with the process followed, and the result. All noted the accuracy and organization with which the records were kept by Nicole Raskopf, making the procedure fairly straightforward once we started. To this end, we recommend the following general audit procedure for future Audit Committees, Boards, and Treasurers. It should be noted that this recommendation assumes that “sampling” will continue to be permitted by NY State.

The Procedure

1. Assemble the Finance Committee and the Treasurer at a mutually convenient date and time.
 - a. Band music Directors should be invited, but the presence of one or more Directors is not absolutely required.
 - b. If possible, appropriate technology to allow the laptop screen to be displayed should be available (i.e., a projector or a second monitor).
 - c. One person from the Finance Committee should be appointed in advance to serve as the keeper of minutes for the meeting, as well as the corresponding report.
2. The Treasurer should bring to the meeting:
 - a. Laptop with the QuickBooks accounts
 - b. Paper or digital copies of all bank statements for the Fiscal Year under review
 - c. All paper records for all transactions for the Fiscal Year under review (i.e., bank receipts, check requests, check stubs, invoices, etc.), all well-organized and ready for quick retrieval and inspection.
3. At least ten transactions should be selected for inspection.
 - a. Approximately one transaction per calendar month will suffice
 - b. Transactions should be divided between Deposits and Withdrawals.
 - c. A diverse set of transactions should be included in the audit:
 - i. Deposits may include groups of checks, donations, cash deposits, and so forth

- ii. Withdrawals may include checks issued by ABBI, reimbursements to parents or other volunteers, usual and customary ABBI expenses (i.e., internet, software, tax preparation, etc), cash withdrawals, and any other cash outflows from ABBI accounts
 - iii. Complex transactions, such as deposits into Square, should be inspected for both the gross deposit and corresponding bank fees
- 4. Each transaction is validated when the amount of the transaction is identical across multiple documents:
 - a. The QuickBooks entry or entries
 - b. The bank statement
 - c. The invoice or other evidence of payment from ABBI
 - d. Any other related documents supporting the transactions
 - e. Digital versions of these documents, such as emailed check requests from volunteers, are acceptable.
- 5. Each transaction should be noted in a table similar to the one above.
- 6. The report should be drafted and shared with those present in the meeting. Once any errors or omissions are noted, the report should be signed by the preparer, and submitted to the ABBI Board.
- 7. It is recommended, but not required, that the Audit is conducted as soon as the Fiscal Year is ended. However, as the ABBI tax returns are typically not due until November, it is acceptable to delay the Audit until the September-October timeframe.
- 8. Should an error be found in a chosen transaction, it is obvious that the error should be corrected as soon as practical. The nature of the correction will depend on the error. Future Committees will have to decide how to handle this eventuality. For instance, it may be agreed to have the Treasurer make the necessary correction immediately, or as soon as practical. If the latter, the correction may be communicated via email to the Committee, and recorded in the corresponding report to the Board.