

May 22,2010

## INTERNAL AUDIT

At the request of President, Bruce Carlson and Treasurer, Ken Regner the undersigned performed a review of the policies and procedures regarding the handling of funds of the Ten Mile Lake Association's finances. The audit centered on adherence to those policies and procedures as written in the Association's bylaws. Additionally, the auditors looked for deviations from policy and the need to change policy where any problems may exist.

The initial meeting focused on a list of questions we derived from our interpretation of the primary needs of the Association. Where available, the answers came from the bylaws itself. Questions not answered within the bylaws were asked directly to those involved with specific duties relative to those questions. Finally, any unanswered questions are listed with possible solutions to be discussed by the Association's Board of Directors.

It should be noted that this audit focused on procedure and not on a review of the accuracy of actual figures. If such a review is desired it would be important to designate a time frame needed as well as complete access to all records of the period wanted. This could prove to be quite time consuming and ,in fact, may not be necessary due to the consensus of the audit committee that the procedures currently employed are sufficient to provide the board with a high level of confidence.

Questions asked and answered:

1. With respect to finances, are the duties as outlined in the bylaws adhered to?

A. Article V, Sec.4- We found the treasurer in full compliance with duties as written. Additionally, the treasurer has created a "treasurer's committee" to review all of the treasurer's action. We recommended this committee become a permanent committee of the association.

B. Article IX, Sec.1,2,3,4- All compliant.

C. Article IX, Sec.5- Bylaws calls for three (3) directors to make up the ad hoc audit committee. The current committee consists of two (2) folks, only one (1) of which is a member of the board of directors. We recommend future audit committee's be compliant with the bylaws.

2. With respect to finances, are the policies and procedures as outlined in Appendix 1 of the addendum to the bylaws adhered to?

A. Gifting policy- As indicated in Section B, the treasurer deposits memorials and gifts received into the JWS EPF funds. In fact, the membership coordinator currently makes these deposits. As a matter of convenience, we suggest no change to the way it is actually being done. In Section D, this is in fact the procedure outlined.

B. Investment policy- All policies and procedures of the investment policy are being adhered to as written in Section C of Appendix 1 of the addendum. Some changes to the actual banks and dealers have been made, due to fee requirements, and have been done as required.

C. Treasurer's policy- For purposes of this audit, Section D of Appendix 1 of the addendum to the bylaws is the most pertinent. The policy to establish procedures which safeguard association funds is vital to the protection of member's money. In the opinion of the audit committee the procedures are well written and fully implemented. It is helpful to review certain components of those procedures.

1. Money in- Dues, memorials, undesignated gift receipts, book sales, and miscellaneous receipts are all collected by the membership coordinator. The current membership coordinator, Phoebe Alden, has created an extensive system of record keeping which allows for accurate recording of all funds received. Her database tracks payments individually for receipts in all categories. At any one time, she is able to display all receipts by date, form of payment (check, cash, or online deposits), and outstanding balances due. This computerized system is backed up by a manual system which is maintained in a file box. Finally, she has a record of all receipts by deposit ticket copies which are forwarded to the treasurer.

Note: At this time TMLA does not accept credit cards for payment.

2. Money out- All disbursements made by the treasurer are only made by requests of the president, board of directors, and/or the committee chairs. Once requested, payment must be approved by the Board. Checks written are backed up by invoice. Like receipts, Disbursements are recorded electronically and backed up manually.

It is the opinion of the audit committee that TMLA is well served by the procedures in place. All necessary information is readily available to any individual or group needing to verify results given.

Suggestions from the committee:

1. Rename the Treasurer's Committee the Finance Committee and formalize its existence.
2. If possible, include the membership coordinator on the committee.
3. Abide by the bylaws and appoint an ad hoc audit committee annually which is made up of no less than three (3) directors and one or more members of the association at large.

In closing, the committee is reasonably confident that TMLA need not hire an outside source to provide an external audit given the expense such a move may incur. However, the time may come when an external audit may be required to satisfy some outside source. We would also suggest that for future internal audits some training for chosen auditors be provided either by a knowledgeable member or an outside source.

Please advise if further assistance is required and we thank the Board for the opportunity to serve.

Sincerely,

Ivar Siqveland

Dan Eikenberry

Cc: Executive Committee, Board of Directors