Michigan Beekeepers Association
May 27, 2020
Zoom Remote Meeting


Called to order: 8:02 pm Chris Beck presiding

Motion to approve Agenda: Norm Adams; Second: Rodney Bear

Secretary’s Report:
Motion to approve the April Minutes: Norm Adams; Second: Rodney Bear

Treasurer’s Report: Kale Tissue
See attached report
Motion to approve: Norm Adams; Second: Rodney Bear

Member Communications: Jen Blackburn
She was locked out of the MBA laptop for 3 weeks, so has not been able to do much work on the new website. This week, she will send out a reminder of the upcoming MSU webinar.
Larry Connor reported that he has gotten feedback from some members that they find the current website difficult to use. Charlotte Hubbard added that a couple of years ago she came up with some suggestions to improve the website, and wondered if a needs analysis had been done. Steve Tillman suggests that we take a break and form a planning committee to look at the website. Kale reminded us that a couple of months ago, the board agreed to support Jen’s effort to revise the website.

Larry Connor made a motion to form a website planning committee. Jen will chair and select the committee. This was seconded by Rich Wieske. The vote was tied, and Chris broke the tie and voted to pass the motion.

District Representative Reports:

Kyle LeRoux:
Kalamazoo bee club reports that all of their yards are doing fantastic. The Berrien/Cass membership drive via Facebook is resulting in increased membership, and they did a socially-distanced bee yard day for new beekeepers. In June Charlotte Hubbard will present a
program about mites. The Battle Creek club is being restructured/streamlined. They are moving to more of an internet platform.

Dave Pearce:
Andrew Mills gave a great talk to the beekeeping class on small hive beetles. Napoleon has just finished their package bee order distribution, and have Michigan nucs available.

Rich Wieske:
They have seen lots of swarms and are busy doing splits. Pine River is not meeting, but they continue with their observation hive and bee yard. Macomb County Community College club members installed 2 new packages and they are doing well. Detroit is doing their first Zoom meeting tonight. SEMBA has successfully done two Zoom meetings.

Michael Banyai:
Petoskey club has had two Zoom meetings, and expect to have another one next month.

Theresa Bristol-Miller:
Theresa has resigned from this position for personal reasons, and Chris is working on filling it. However, she is committed to representing MBA at the honey festival.

Joel Lantz:
Joel was on the call, but had technical difficulties.

Norm Adams:
He plans to have a District 6 Sentinel Hive Project meeting with Preston Zale.

MDARD: Mike Hansen
Written report emailed to Chris:
Within MDARD, we have been discussing the development of internal procedures for certification of packages, Nucs, Queens. After discussion with Apiary Inspectors of America (AIA) members, we found that many states do not have a standard for inspection procedures. AIA now has a committee, led by Mike Studer of Tennessee, that is working to gather information from member states and provinces to start work on a guidance document. When we have that information, we’ll be better able to discern what inspection’s need to occur to certify bees for movement. No certification is required in state, but for those beekeepers that want to ship bees to other states, we want to be sure we are using uniform practices.

Apiary Inspectors of America: AIA members have been meeting regularly via Zoom.

Canadian Queens: We currently cannot import queens from Canada. USDA took this action last summer with the Canadians allowed importation from South America. At this time the USDA and Canadian authorities are working through risk assessments. USDA needing assurance that here are no viruses, pathogens or other concerns unknown to North American that could have been imported from South America.

USDA Lab: Beltsville: The bee lab in Beltsville is still not taking bee samples because many of their staff are working remotely. The state of Utah lab will assess samples for beekeepers at a fee. And there is another lab in North Dakota that also provides service for a fee. This information has been sent to Meghan and Ana and can be shared. We’re hopeful
that once the Covid restrictions loosen, we may be able to resume sending samples to Sam Abban at Beltsville.

National Bee Survey: we will be getting our sample kits – I expect in June. Rachel Fahey, director of the National Bee Survey has initiated a blog post related to the survey: information can be found at: https://ushoneybeehealthsurvey.info/blog/ Michigan Samples will be taken in late summer and fall this year. We will be looking for locations to sample – need to have 10 colonies in a location. There is a preference to identifying migratory and queen producing apiaries. However we are not tied to those parameters for all samples.

Fall inspections: Beekeepers needing inspections to move bees to another state can send me an e-mail or call my office 269-429-0669 to arrange for an inspection. Please do not wait for the last minute. If we can do an inspection when we have an inspector in your area, we can greatly reduce the time and cost of an inspection. Some bees will be heading south as early as mid-August, most move in September and October, so please plan well in advance.

**MSU:** Zachary Huang, Meghan Milbrath and Ana Heck
The pandemic is having a big effect on MSU research. Their department is trying to hire a new department chair. Meghan has been able to do some research, and is seeing more European Foulbrood. Next week, they are interviewing for an Extension educator position, who would be doing beekeeping education throughout the state. This position will be funded by a variety of sources, including a Heroes to Hives endowment, MDARD funding, and other grants.

Kale made a motion to donate $6500 to the MSU Bee Lab through the Fremont Foundation. This was seconded by Michael Banyai, and passed unanimously.

**Conferences:** Larry Connor
Larry made a motion that we don’t have a summer program. This was seconded by Norman Adams, and passed.
Sheldon reminded us that our constitution states we have to have 3 member meetings, so we need to reconcile that.

Larry would like volunteers to help in planning a fall Zoom meeting, discussing format and content. Keith Delaplane, University of Georgia, and Dewey Caron from Oregon are speakers under consideration.

**New Business:**
Kyle made a motion for a memorial contribution of $500 to the Fremont Foundation in honor of Mr. James Dankey. This was seconded by Sheldon, and passed unanimously.

Jen made a motion to donate $500 from the spring conference auction proceeds to Mount Mancelona. They are establishing pollinator habitat, a bee sanctuary, and a youth farming program. This was seconded by Kyle LeRoux. This passed unanimously.
Norm Adams made a motion that the balance left from the spring auction be donated to the Sentinel Hive Project. Sheldon seconded the motion. This passed unanimously.

Sheldon suggests that at our next meeting, we consider changing the constitution so that we are only required to have 2 General Membership meetings per year.

**Old Business:**

*Sentinel Fundraising Committee* - Rich Wieske

There has been lots of activity, and they are looking for a new name/acronym. There are 2000 foundations within Michigan that give grants, and he would like a volunteer to look through their handbook and identify potential resources. Sheldon offered to help with this. There is a lot of support for the Adopt-a-Bee Program. They probably have sufficient support for this year from area bee clubs, but for upcoming years, they are looking at pursuing long-range support from large foundations, such as Dow or Mott.

Charlotte plans to publish in July and is looking for contributions, especially since the clubs are not meeting in person.

**Audit:** Steve Tillman

See attached report.

Motion to adjourn: Rodney Bear

**Action Items:**

- Jen will form a website planning committee.
- MBA will donate $6500 to the MSU Bee Lab through the Fremont Foundation
- Consider changing the constitution to require 2 General Membership meetings per year
- MBA will make a memorial contribution to the Fremont Foundation in honor of Mr. James Dankey
- MBA will donate $500 from the spring conference auction to Mount Mancelona
- The remaining proceeds from the spring conference auction will be donated to the Sentinel Hive Project
Treasurer’s Report

MBA Meeting – May 27, 2020

- Month Finances
- Membership

Revenue & Expenses Overview

<table>
<thead>
<tr>
<th>Account</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>37,053</td>
<td>41,705</td>
<td>4,652 (+12.6%)</td>
</tr>
<tr>
<td>Expenses</td>
<td>28,026</td>
<td>34,605(1)</td>
<td>6,579 (+23.5%)</td>
</tr>
<tr>
<td>Net</td>
<td>9,026</td>
<td>7,100</td>
<td>1,926 (-21.3%)</td>
</tr>
</tbody>
</table>

(1) $6,000 withdrawn for MSU/Fremont Grant (pass through $)
### Treasurer’s Report

#### Revenue
**October 2019 – April 2020**

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Apr Actuals</th>
<th>YR Actuals</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Dues</td>
<td>845</td>
<td>11,200</td>
<td>15,000</td>
</tr>
<tr>
<td>Conference</td>
<td>0</td>
<td>28,105</td>
<td>22,500</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>2,400</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>845</strong></td>
<td><strong>41,705</strong></td>
<td><strong>38,000</strong></td>
</tr>
</tbody>
</table>

#### Expenses
**October 2019 – April 2020**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Apr Actuals</th>
<th>YR Actuals</th>
<th>Next Month</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Expenses</td>
<td>438</td>
<td>1,946</td>
<td>85</td>
<td>1,500</td>
</tr>
<tr>
<td>Communications</td>
<td>125</td>
<td>854</td>
<td>125</td>
<td>2,200</td>
</tr>
<tr>
<td>Conferences</td>
<td>100</td>
<td>21,645</td>
<td>150</td>
<td>22,500</td>
</tr>
<tr>
<td>Grants</td>
<td>0</td>
<td>6,000</td>
<td>6,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Office/Supplies</td>
<td>87</td>
<td>805</td>
<td>0</td>
<td>800</td>
</tr>
<tr>
<td>Organizational</td>
<td>176</td>
<td>2,797</td>
<td>357</td>
<td>5,500</td>
</tr>
<tr>
<td>Promotional</td>
<td>0</td>
<td>140</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>926</strong></td>
<td><strong>34,187</strong></td>
<td><strong>6,717</strong></td>
<td><strong>42,500</strong></td>
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</tbody>
</table>
Grants
October 2019 – April 2020

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Apr Actuals</th>
<th>Next Month</th>
<th>YR Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michigan State University</td>
<td></td>
<td></td>
<td>6,000</td>
</tr>
<tr>
<td>University of Guelph</td>
<td></td>
<td>5,000</td>
<td>0</td>
</tr>
<tr>
<td>Belle Isle Nature Center</td>
<td></td>
<td>1,000</td>
<td>0</td>
</tr>
<tr>
<td>New Club Donations</td>
<td></td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>6,000</td>
<td>6,300</td>
</tr>
</tbody>
</table>

2019/2020 Budget: $10,000

Treasurer’s Report

MBA Meeting – May 27, 2020

- Month Finances
- Membership
## Treasurer’s Report

### Membership

**May 19, 2020**

<table>
<thead>
<tr>
<th>Category</th>
<th>People</th>
<th>Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Members</td>
<td>429</td>
<td>352</td>
</tr>
<tr>
<td>Lapsed Members</td>
<td>239</td>
<td>377</td>
</tr>
</tbody>
</table>
Committee Report
Financial Audit of Michigan Beekeepers’ Association
Fiscal Years 2017 thru 2018
Executive Summary

Submitted by: Steve Tilmann
Michael Risk
Tim Norton
Date: May 72, 2020
### Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Recommended Policies</td>
<td>4</td>
</tr>
<tr>
<td>Recommended Procedures</td>
<td>5</td>
</tr>
<tr>
<td>Recommended Actions</td>
<td>6</td>
</tr>
<tr>
<td>Finding #1: No formal accounting system (i.e., Quickbooks) has been used by the MBA since October 2016</td>
<td>7</td>
</tr>
<tr>
<td>Finding #2: A significant number of MBA financial transaction lack adequate documentation</td>
<td>9</td>
</tr>
<tr>
<td>Finding #2.1: Paper financial</td>
<td>11</td>
</tr>
<tr>
<td>Finding #2.2: Digital financial records</td>
<td>12</td>
</tr>
<tr>
<td>Finding #2.3: The Audit Committee is not aware of any formal password management procedure</td>
<td>13</td>
</tr>
<tr>
<td>Finding #2.4: Mobile deposits not documented and cannot be classified</td>
<td>14</td>
</tr>
<tr>
<td>Finding #2.5: E-commerce deposits undocumented and cannot be classified</td>
<td>15</td>
</tr>
<tr>
<td>Finding #2.6: Recurring debit card expenses are not documented and cannot be classified</td>
<td>16</td>
</tr>
<tr>
<td>Finding #2.7: The are no records of the checking account monthly reconciliations</td>
<td>17</td>
</tr>
<tr>
<td>Finding #2.8: Two undocumented deposits were found totaling over $21,800</td>
<td>18</td>
</tr>
<tr>
<td>Finding #2.9: Petty cash for conferences inadequately accounted for</td>
<td>19</td>
</tr>
<tr>
<td>Finding #2.10: Reimbursement checks adequately documented</td>
<td>20</td>
</tr>
<tr>
<td>Finding #2.11: Two equipment insurance policies are not documented</td>
<td>22</td>
</tr>
<tr>
<td>Finding #3: For FY17 and FY18 check stubs were blank or missing</td>
<td>23</td>
</tr>
<tr>
<td>Finding #4: Amazon Prime account</td>
<td>24</td>
</tr>
<tr>
<td>Finding #5: Undeposited check found</td>
<td>26</td>
</tr>
<tr>
<td>Finding #6: MBA has two merchant accounts</td>
<td>27</td>
</tr>
<tr>
<td>Finding #7: Missing checks</td>
<td>28</td>
</tr>
<tr>
<td>Finding #8: No inventory of fixed assets</td>
<td>29</td>
</tr>
<tr>
<td>Finding #9: Constant Contact</td>
<td>31</td>
</tr>
<tr>
<td>Finding #10: The checking account reached a low of $345.07 on September 28, 2018</td>
<td>34</td>
</tr>
<tr>
<td>Finding #11: The 2017 Fall Conference expenses were $27,745.66</td>
<td>35</td>
</tr>
<tr>
<td>Finding #12: MBA revenues</td>
<td>36</td>
</tr>
<tr>
<td>Finding #13: MBA grants and promotional expenses</td>
<td>37</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Appendix 1</th>
<th>Report Library</th>
<th>39</th>
</tr>
</thead>
<tbody>
<tr>
<td>End Notes</td>
<td></td>
<td>40</td>
</tr>
</tbody>
</table>
Introduction:

- This audit was undertaken at the request of the Michigan Beekeepers' Association (MBA) Board. The Committee was charged to review the finances of the MBA for the period October 2016 through September 2019, which would be the fiscal years 2017 through 2019. The Committee was given a free hand to conduct the audit.

- The results of the audit are contained in this report. The report itself is organized into a series of “Findings”, statements of financial conditions which the Committee felt were important. Each finding presents begins with a statement of facts which are supported by data which the Committee was provided or developed by the Committee itself. This data is contained in various financial reports, and a few spreadsheets, that are attached to this report as the “Library” (see Appendix 1).

- Each Finding includes a “Discussion” section. In this section, the Finding is discussed further with the intention of providing clarification, suggestions and opinions of the Committee.

- Finally, most of the Findings contain recommended actions, policies and procedures. These recommendations form the crux of the report. These recommendations are summarized in the following pages, with each recommendation referencing the Finding which forms its basis. The recommendations are items for which the MBA can, and in the opinion of the Committee should, take action.

- The Committee can make recommendations. The MBA board can make motions to adopt these recommendations. But the actual implementation of these recommendations is another matter. Therefore, the Committee strongly advises a follow up compliance review to monitor the progress of implementation. Words are easy; the real work is in making the changes needed to get the MBA’s “financial house in order”.
Recommended Policies:

The following table summarizes the Recommended Policies.

<table>
<thead>
<tr>
<th>Finding #</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding #1</td>
<td>1</td>
<td>It shall be the policy of the MBA to use the online version Quickbooks as the financial accounting software.</td>
</tr>
<tr>
<td>Finding 2.3</td>
<td>2</td>
<td>The MBA shall maintain a secured paper copy of usernames and passwords.</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>As officers change, any passwords issued to those offices shall be immediately changed.</td>
</tr>
<tr>
<td>Finding 2.4</td>
<td>4</td>
<td>Checks used in mobile deposits shall be retained and become part of the monthly file.</td>
</tr>
<tr>
<td>Finding 2.5</td>
<td>5</td>
<td>The MBA shall reconcile the Merchant Deposits as shown on the monthly bank statements to those records of the originating service provider.</td>
</tr>
<tr>
<td>Finding 2.6</td>
<td>6</td>
<td>Recurring debit card expenses shall be documented and the documentation retained in the monthly accounting file.</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Recurring debit card expenses shall be periodically reviewed by the Treasurer to assure that the expense is valid and is of the correct amount. The result of this review shall be reported to the MBA Board and incorporated into the minutes.</td>
</tr>
<tr>
<td>Finding 2.7</td>
<td>8</td>
<td>The Treasure shall conduct monthly reconciliations of the general ledger checking account to the bank statement in a timely and accurate manner. A record of this reconciliation shall be maintained in the monthly files.</td>
</tr>
<tr>
<td>Finding 2.10</td>
<td>9</td>
<td>Checks written to the President shall be signed by the Treasurer. Checks written to the Treasurer shall be signed by the President.</td>
</tr>
<tr>
<td>Finding 3</td>
<td>10</td>
<td>All checks issued by the MBA shall have a printed check stub generated by the accounting software package.</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Check stubs shall be retained and become part of the permanent monthly accounting file.</td>
</tr>
<tr>
<td>Finding 4</td>
<td>12</td>
<td>Business services retained by the MBA shall be used exclusively for conducting the affairs of the MBA. These services shall not be used by individuals outside of this context.</td>
</tr>
<tr>
<td>Finding 8</td>
<td>13</td>
<td>The MBA shall maintain an inventory of all fixed asset items.</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>Fixed asset items owned by the MBA (computers, projectors, printers and so forth) shall be used for MBA business only and shall not be used by individuals for personal, non-MBA purposes.</td>
</tr>
</tbody>
</table>
Recommended Procedures:

The following table summarizes the Recommended Procedures.

<table>
<thead>
<tr>
<th>Finding</th>
<th>Number</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding 1</td>
<td>1</td>
<td>The Treasurer shall maintain the monthly books in a timely and accurate manner.</td>
</tr>
<tr>
<td>Finding 2.3</td>
<td>2</td>
<td>Usernames and/or passwords should be promptly changed when responsible individuals leave their position.</td>
</tr>
<tr>
<td>Finding 2.4</td>
<td>3</td>
<td>For mobile deposits, the check shall be annotated with the date of the deposit and its classification (i.e. membership dues or conference registration).</td>
</tr>
<tr>
<td>Finding 2.4</td>
<td>4</td>
<td>For mobile deposits, the original check or its image shall be maintained as part of the monthly accounting file.</td>
</tr>
<tr>
<td>Finding 2.6</td>
<td>5</td>
<td>Notices of pending charges or acknowledgements of payments received shall be retained as documentation of the expenses and retained in the monthly accounting files.</td>
</tr>
<tr>
<td>Finding 2.6</td>
<td>6</td>
<td>The monthly bank statement is sufficient documentation for recurring bank service charges and fees.</td>
</tr>
<tr>
<td>Finding 2.6</td>
<td>7</td>
<td>The Treasurer shall conduct monthly reconciliations of the general ledger checking account to the bank statement in a timely and accurate manner. At the end of each month, a reconciliation report shall be generated and included in the monthly file.</td>
</tr>
<tr>
<td>Finding 3</td>
<td>8</td>
<td>Where appropriate, supporting documentation for the check should be stapled to the check stub (or otherwise retained if in digital format) and included in the monthly accounting file.</td>
</tr>
<tr>
<td>Finding 5</td>
<td>9</td>
<td>All checks received by the MBA shall be deposited in a timely manner.</td>
</tr>
<tr>
<td>Finding 7</td>
<td>10</td>
<td>If a check is voided, then that check should be retained in the monthly accounting files.</td>
</tr>
<tr>
<td>Finding 8</td>
<td>11</td>
<td>An annual inventory shall be conducted of all fixed asset items owned by the MBA. The inventory should include the current location of the items.</td>
</tr>
<tr>
<td>Finding 8</td>
<td>12</td>
<td>The Constant Contact database should be reviewed periodically to remove inactive names. This review should be reported to the board so that the review can be recorded in the Board minutes.</td>
</tr>
</tbody>
</table>
Recommended Actions:

The following table summarizes the Recommended Actions.

<table>
<thead>
<tr>
<th>Finding #1</th>
<th>1</th>
<th>The MBA immediately migrate to the online version of Quickbooks.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>The historical database, reconstructed by the Audit Committee, be migrated to the online version of Quickbooks.</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>The financial records (i.e. the &quot;books&quot;) of the MBA be &quot;backfilled&quot; for fiscal year 2019 and 2020 (starting in December 2018) into the online version of Quickbooks.</td>
</tr>
<tr>
<td>Finding 2.1</td>
<td>4</td>
<td>Maintaining the paper financial records in the current fashion should be continued.</td>
</tr>
<tr>
<td>Finding 2.2</td>
<td>5</td>
<td>The MBA should establish online storage of digital documents</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Any existing digital records of the MBA should be transferred to the online repository.</td>
</tr>
<tr>
<td>Finding 2.3</td>
<td>7</td>
<td>The MBA should establish some sort of username and password management scheme.</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>An officer of the MBA (a member of the executive committee) should be designated the “keeper of the passwords”.</td>
</tr>
<tr>
<td>Finding 2.5</td>
<td>9</td>
<td>The MBA should develop a procedure to identify the type of revenue involved with all Merchant Deposits.</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>The MBA should develop a procedure to reconcile the credit card sales, as reported by the membership service, to the “PNC Merchant Deposits” as shown on the monthly bank statement. The resulting reconciliation report should become part of the monthly accounting records.</td>
</tr>
<tr>
<td>Finding 4</td>
<td>11</td>
<td>The MBA should immediately close (cancel) the Amazon Prime account. If this is done promptly, then the MBA should expect a refund of the last annual membership fee of $104.94.</td>
</tr>
<tr>
<td>Finding 6</td>
<td>12</td>
<td>The MBA needs to investigate both merchant accounts and determine if one or the other can be discontinued.</td>
</tr>
<tr>
<td>Finding 8</td>
<td>13</td>
<td>The MBA creates a list of fixed asset items and include this list in the document depository (see Findings 2.1 and 2.2).</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>An annual count of these inventory items should be conducted.</td>
</tr>
<tr>
<td>Finding 9</td>
<td>15</td>
<td>The MBA should review the contacts in Constant Contact and remove those deemed suitable. The goal is to reduce the monthly fees.</td>
</tr>
<tr>
<td>Finding 13</td>
<td>16</td>
<td>The MBA should develop a mission statement and published this statement prominently on the MBA’s web site and social media accounts.</td>
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</tbody>
</table>
Committee Report

Financial Audit of Michigan Beekeepers’ Association

Fiscal Years 2017 thru 2019

Submitted by: Steve Tilmann

Michael Risk

Tim Norton

Date: May 27, 2020
Introduction:

- This audit was undertaken at the request of the Michigan Beekeepers’ Association (MBA) Board. The Committee was charged to review the finances of the MBA for the period October 2016 through September 2019, which would be the fiscal years 2017 through 2019. The Committee was given a free hand to conduct the audit.

- The results of the audit are contained in this report. The report itself is organized into a series of “Findings”, statements of financial conditions which the Committee felt were important. Each finding presents begins with a statement of facts which are supported by data which the Committee was provided or developed by the Committee itself. This data is contained in various financial reports, and a few spreadsheets, that are attached to this report as the “Library” (see Appendix 1).

- Each Finding includes a “Discussion” section. In this section, the Finding is discussed further with the intention of providing clarification, suggestions and opinions of the Committee.

- Finally, most of the Findings contain recommended actions, policies and procedures. These recommendations form the crux of the report. These recommendations are summarized in the following pages, with each recommendation referencing the Finding which forms its basis. The recommendations are items for which the MBA can, and in the opinion of the Committee should, take action.

- The Committee can make recommendations. The MBA board can make motions to adopt these recommendations. But the actual implementation of these recommendations is another matter. Therefore, the Committee strongly advises a follow up compliance review to monitor the progress of implementation. Words are easy; the real work is in making the changes needed to get the MBA’s “financial house in order”.

### Recommended Policies:

The following table summarizes the Recommended Policies.

<table>
<thead>
<tr>
<th>Finding</th>
<th>#</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>1</td>
<td>It shall be the policy of the MBA to use the online version Quickbooks as the financial accounting software.</td>
</tr>
<tr>
<td>#2.3</td>
<td>2</td>
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<td>As officers change, any passwords issued to those offices shall be immediately changed.</td>
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<td>Checks used in mobile deposits shall be retained and become part of the monthly file.</td>
</tr>
<tr>
<td>#2.5</td>
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<td>The MBA shall reconcile the Merchant Deposits as shown on the monthly bank statements to those records of the originating service provider.</td>
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<td>Recurring debit card expenses shall be documented and the documentation retained in the monthly accounting file.</td>
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<td>Recurring debit card expenses shall be periodically reviewed by the Treasurer to assure that the expense is valid and is of the correct amount. The result of this review shall be reported to the MBA Board and incorporated into the minutes.</td>
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<tr>
<td>#2.7</td>
<td>8</td>
<td>The Treasure shall conduct monthly reconciliations of the general ledger checking account to the bank statement in a timely and accurate manner. A record of this reconciliation shall be maintained in the monthly files.</td>
</tr>
<tr>
<td>#2.10</td>
<td>9</td>
<td>Checks written to the President shall be signed by the Treasurer. Checks written to the Treasurer shall be signed by the President.</td>
</tr>
<tr>
<td>#3</td>
<td>10</td>
<td>All checks issued by the MBA shall have a printed check stub generated by the accounting software package.</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Check stubs shall be retained and become part of the permanent monthly accounting file.</td>
</tr>
<tr>
<td>#4</td>
<td>12</td>
<td>Business services retained by the MBA shall be used exclusively for conducting the affairs of the MBA. These services shall not be used by individuals outside of this context.</td>
</tr>
<tr>
<td>#8</td>
<td>13</td>
<td>The MBA shall maintain an inventory of all fixed asset items.</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>Fixed asset items owned by the MBA (computers, projectors, printers and so forth) shall be used for MBA business only and shall not be used by individuals for personal, non-MBA purposes.</td>
</tr>
</tbody>
</table>
Recommended Procedures:

The following table summarizes the Recommended Procedures.

| Finding 1 | 1 | The Treasurer shall maintain the monthly books in a timely and accurate manner. |
| Finding 2.3 | 2 | Usernames and/or passwords should be promptly changed when responsible individuals leave their position. |
| Finding 2.4 | 3 | For mobile deposits, the check shall be annotated with the date of the deposit and its classification (i.e. membership dues or conference registration). |
| Finding 2.4 | 4 | For mobile deposits, the original check or its image shall be maintained as part of the monthly accounting file. |
| Finding 2.6 | 5 | Notices of pending charges or acknowledgements of payments received shall be retained as documentation of the expenses and retained in the monthly accounting files. |
| Finding 2.6 | 6 | The monthly bank statement is sufficient documentation for recurring bank service charges and fees. |
| Finding 2.6 | 7 | The Treasurer shall conduct monthly reconciliations of the general ledger checking account to the bank statement in a timely and accurate manner. At the end of each month, a reconciliation report shall be generated and included in the monthly file. |
| Finding 3 | 8 | Where appropriate, supporting documentation for the check should be stapled to the check stub (or otherwise retained if in digital format) and included in the monthly accounting file. |
| Finding 5 | 9 | All checks received by the MBA shall be deposited in a timely manner. |
| Finding 7 | 10 | If a check is voided, then that check should be retained in the monthly accounting files. |
| Finding 8 | 11 | An annual inventory shall be conducted of all fixed asset items owned by the MBA. The inventory should include the current location of the items. |
| Finding 8 | 12 | The Constant Contact data base should be reviewed periodically to remove inactive names. This review should be reported to the board so that the review can be recorded in the Board minutes. |
Recommended Actions:

The following table summarizes the Recommended Actions.

<table>
<thead>
<tr>
<th>Finding</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding #1</td>
<td>1. The MBA immediately migrate to the online version of Quickbooks.</td>
</tr>
<tr>
<td></td>
<td>2. The historical data base, reconstructed by the Audit Committee, be migrated to the online version of Quickbooks.</td>
</tr>
<tr>
<td></td>
<td>3. The financial records (i.e. the “books”) of the MBA be “backfilled” for fiscal year 2019 and 2020 (starting in December 2018) into the online version of Quickbooks.</td>
</tr>
<tr>
<td>Finding 2.1</td>
<td>4. Maintaining the paper financial records in the current fashion should be continued.</td>
</tr>
<tr>
<td>Finding 2.2</td>
<td>5. The MBA should establish on-line storage of digital documents</td>
</tr>
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<td></td>
<td>6. Any existing digital records of the MBA should be transferred to the on-line repository.</td>
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<tr>
<td>Finding 2.3</td>
<td>7. The MBA should establish some sort of username and password management scheme.</td>
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<tr>
<td></td>
<td>8. An officer of the MBA (a member of the executive committee) should be designated the “keeper of the passwords”.</td>
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<td>Finding 2.5</td>
<td>9. The MBA should develop a procedure to identify the type of revenue involved with all Merchant Deposits.</td>
</tr>
<tr>
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<td>10. The MBA should develop a procedure to reconcile the credit card sales, as reported by the membership service, to the “PNC Merchant Deposits” as shown on the monthly bank statement. The resulting reconciliation report should become part of the monthly accounting records.</td>
</tr>
<tr>
<td>Finding 2.11</td>
<td>11. The policy for these insurance purchases should be added to the paper financial records.</td>
</tr>
<tr>
<td>Finding 4</td>
<td>12. The MBA should immediately close (cancel) the Amazon Prime account. If this is done promptly, then the MBA should expect a refund of the last annual membership fee of $104.94.</td>
</tr>
<tr>
<td>Finding 6</td>
<td>13. The MBA needs to investigate both merchant accounts and determine if one or the other can be discontinued.</td>
</tr>
<tr>
<td>Finding 8</td>
<td>14. The MBA creates a list of fixed asset items and include this list in the document depository (see Findings 2.1 and 2.2).</td>
</tr>
<tr>
<td></td>
<td>15. An annual count of these inventory items should be conducted.</td>
</tr>
<tr>
<td>Finding 9</td>
<td>16. The MBA should review the contacts in Constant Contact and remove those deemed suitable. The goal is to reduce the monthly fees.</td>
</tr>
<tr>
<td>Finding 13</td>
<td>17. The MBA should develop a mission statement and published this statement prominently on the MBA’s web site and social media accounts.</td>
</tr>
</tbody>
</table>
Finding #1: No formal accounting system (i.e., Quickbooks) has been used by the MBA since October 2016.

It should be noted that the Audit Committee is of the opinion that a functional and current financial accounting system (i.e. Quickbooks) is fundamentally and strategically important for the MBA. It is also fundamentally important for the purposes of conducting this audit. The MBA has had no formal accounting system since October 2016. This is the number one problem discovered by the Audit Committee.

- Quickbooks is an accounting software program. This program (version 2009) was used to keep MBA books from October 2010 through September 2016. It appears using Quickbooks stopped in October 2016 and has not been used since.
- There is no evidence that an equivalent formal accounting system was put into place when using Quickbooks was suspended in October 2016.

Discussion:

- It is difficult for the Committee to understand why Quickbooks was abandoned and why steps have not been taken to correct this situation.
- Fortunately, this is a structural problem and is easily fixed. The MBA should take immediate steps to reinstate a formal accounting system. The logical and obvious choice is to use the online version of Quickbooks.
- An archived copy\(^1\) of the MBA’s October 2016 Quickbooks data base was located and then accessed using a “trial” desktop version of Quickbooks 2020\(^2\). The recovery of this financial history is important for several reasons\(^3\).
- To support this audit, and to provide a way forward for the MBA, the Committee undertook the task of reconstructing the MBA books in Quickbooks for fiscal years 2017 and 2018\(^4\). We did not reconstruct the books for the current fiscal year 2020.
- The financial records (i.e the “books”) that the Committee reconstructed can be uploaded to the online version of Quickbooks. Time is of the essence to accomplish this task. The trial desktop version of Quickbooks, by which the books were reconstructed, is required for the upload and will soon expire.

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\(^1\) This archived copy was not obtained from the MBA. Rather, the Treasurer at that time (Tilmann, one of the members of this Audit Committee) provided an archived copy of the data files which he had preserved.

\(^2\) See End Note <<A>>

\(^3\) 1) The financial records from October 2010 through September 2016 were able to be rescued.

2) The Audit Committee now had the means to reconstruct the financials records for Fiscal Years 2017 and 2018 (the period for FY2019 was not reconstructed due to lack of records provided to the Committee).

3) The option was now available to migrate the data base to the online version of Quickbooks, one of the recommendations of this audit.

\(^4\) See End Note <<B>>
Finding #1: (Cont’d)

- The Audit Committee is quite aware that the MBA is a volunteer run organization. As new Treasurers come and go there are several issues that present themselves when using a desktop version of Quickbooks. These issues can be avoided by migrating the books to the online version of Quickbooks, hence our recommendation to go to the online version.

**Recommended Policy:**

- It shall be the policy of the MBA to use the online version Quickbooks as the financial accounting software.

**Recommended Procedure:**

- The Treasurer shall maintain the monthly books in a timely and accurate manner.

**Recommend Actions:**

- The MBA immediately migrate to the online version of Quickbooks.
- The historical data base, reconstructed by the Audit Committee, be migrated to the on-line version of Quickbooks.
- The financial records (i.e. the “books”) of the MBA be “backfilled” for fiscal years 2018 and 2019 (starting in December 2018) into the online version of Quickbooks.

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5 Such as, getting the data files to the next Treasurer, installing a current version of the program on another computer, the possibility of incompatible operating systems, and so forth.
Finding #2: A significant number of MBA financial transactions lack adequate documentation

- As the books for FY17 and FY18 were reconstructed (see Finding #1), transactions were noted in the memo field as being “undocumented”. In most instances, this meant that there was nothing in the files that substantiated the transaction or indicated what the transaction was for. In a few instances, a handwritten note on the bank statement or an otherwise blank check stub was observed. This type of transaction was also deemed as “undocumented” as there was no external (third party) document substantiating the revenue or expense.
- For FY17, 71% of the transactions involving the checking account were deemed as being “undocumented” (see table below). For FY18, that figure rose to 88% of the transactions deemed as being “undocumented”.

<table>
<thead>
<tr>
<th>Period</th>
<th>Nbr of Checking Account Transactions</th>
<th>Nbr of “Undocumented” Transaction</th>
<th>Percent “Undocumented”</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>156</td>
<td>111</td>
<td>71%</td>
</tr>
<tr>
<td>FY18</td>
<td>374</td>
<td>328</td>
<td>88%</td>
</tr>
<tr>
<td>Totals</td>
<td>530</td>
<td>439</td>
<td>83%</td>
</tr>
</tbody>
</table>

- Most of the undocumented transactions were for revenues, though undocumented transactions were noted for expenses, such as debit card transactions and checks.
- For the undocumented revenues, the transactions fall into two broad categories: merchant deposits\(^7\) and mobile deposits\(^8\). For the undocumented expenses, most fall within the category of recurring debit card transactions\(^9\) and undocumented Merchant Account expenses.\(^10\)

Discussion:

- Clearly, the practice of having undocumented revenues and expenses must come to an end. Unlike the lack of an accounting system (Finding #1), which is a structural problem, the lack of documentation is a procedural problem and much more difficult to solve.\(^11\)
- The goal is for the MBA to implement the policies and procedures that reduce the 83% undocumented transaction shown in Table 1 to something a lot lower, preferably zero.

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\(^6\) This data was obtained by counting the transactions in the PNC Checking account on the Balance Sheet Detail reports for the respective fiscal years.

\(^7\) Merchant deposits are revenues coming into the MBA as a result of a credit card purchase, such as a membership dues payment or a conference registration made online.

\(^8\) Mobile deposits are a relatively recent feature of banking that allows checks to be deposited by taking a picture of the check with a smartphone. The presentation of the actual paper check to the bank is not required.

\(^9\) Recurring debit card transactions are monthly, quarterly or yearly expenses that are automatically charged against the MBA debit card on a recurring basis. These types of expenses are typically for contracted services, such as credit card processing, email services and membership management services.

\(^10\) Merchant account expenses are charges made against the MBA checking account by the credit card processors (Merchant accounts) such as discounts, interchange fees, service fees and the like. These expenses are typically monthly.

\(^11\) Procedural problems involve people which means that the person needs to be aware that the procedure exists, takes the time to do the procedure and is consistent in carrying out the procedure.
Discussion (cont’d):

- Because a vast majority of revenues flowing into the MBA checking account were undocumented, the Committee was unable to confidently classify these revenues into the proper source (i.e. separate conference registrations from membership dues). Consequently, the financial performance of the conferences (a main source of revenue for the MBA) are, at best, an estimate. Saying the same thing in another way, the records reveal that the MBA cannot answer the strategic question “How much money did the MBA make on the conferences and the membership dues” during the three year period covered by this audit.

- The Audit Committee understands providing and maintaining adequate and thorough expense and revenue documentation is a challenge, particularly on the revenue side. The Committee therefore has decided to break up the main Finding, inadequate and missing documentation, into a series of sub-findings, each dealing with a different aspect of the problem. Each sub-finding has its own recommended policies, procedures and actions. These sub-findings address the following issues:
  - Long-term storage of transaction documentation
  - Password management
  - Documenting mobile deposits
  - Documenting merchant deposits
  - Documenting recurring debit card expense
  - Documenting checking account monthly reconciliation
  - Documenting the petty cash for conferences
  - Reimbursement checks
Finding #2.1: Paper financial records

- Audit Committee was provided paper financial records for Fiscal Year 2017 and 2018. These records were organized in an expandable file folder, with each month of the fiscal year stored in a separate file folder.
- The organization of the paper records for FY17 and FY18 is consistent with corresponding paper records from FY11 through FY16.

Discussion:

- Organizing the paper records in the manner described above is a reasonable and acceptable procedure. The organization of the paper records for FY17 and FY18 is consistent with corresponding paper records from FY11 through FY16. This continuity of organizing the paper records is a good thing. This procedure should be kept.

Recommended Actions:

- Maintaining the paper financial records in the current fashion should be continued.
Finding #2.2: Digital financial records

- No digital records were provided to the Audit Committee. It is not clear to the Committee that such digital records exist and the Committee assumes they don’t.
- Digital records might include invoices, statements, spreadsheets, correspondence, email, images and so forth. Digital records (in this context) would be used to document revenues and expenses (without the need to print the document on paper).

Discussion:

- The Committee understands more and more financial records are in digital format and not on paper. The MBA needs to create a digital repository of these records, organized much along the system used for the paper records. This repository needs to be “cloud based”, that is to say, in an online format. There are several providers for such a service (e.g., Microsoft’s One Drive and Google Drive).
- The structure of this on-line repository should mirror that of the paper records. That is to say, a folder for each fiscal year and within that folder a sub-folder for each month.
- Maintaining digital transaction documents can also be accomplished within the on-line version of Quickbooks. This is a viable supplement to the on-line repository discussed above. It should be noted that using Quickbooks to maintain digital records for a transaction is quick, efficient and permanent.
- Some thought should be given to the naming conventions of documents stored digitally. Whatever procedure is established, it should be documented so that future documents be named in the same manner.

Recommended Actions:

- The MBA should establish on-line storage of digital documents.
- Any existing digital records of the MBA should be transferred to the on-line repository.

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12 See Endnote <<C>> for a brief discussion of a possible naming convention.
Finding #2.3: The Audit Committee is not aware of any formal password management procedure

- The Audit Committee is aware that more and more of the MBA’s contracted services are on-line and require usernames and passwords to access.

Discussion:

- The Audit Committee suspects that the MBA has no formal password management procedure in place. This needs to be addressed.
- The ability to documentation and pass on critical usernames and passwords is important, particularly in an all-volunteer organization such as the MBA.
- The MBA needs to decide upon and implement some sort of username and password management scheme. Whatever procedure the MBA adopts should be simple and secure.
- The simplest documentation of usernames and passwords is a piece of paper that is securely stored. There are available on-line password storage vaults which might also be useful, though these storage vaults have their own issues\textsuperscript{13}.
- The MBA should also have a policy in place regarding the changing of critical usernames and passwords as people come and go. This is particularly true for accessing the MBA bank accounts.

Recommended Actions:

- The MBA should establish some sort of username and password management scheme.
- An officer of the MBA (a member of the executive committee) should be designated the “keeper of the passwords”.

Recommended Policies:

- The MBA shall maintain a secured paper copy of usernames and passwords.
- As officers change, any passwords issued to those offices shall be immediately changed.

Recommended Procedures:

- Usernames and/or passwords should be promptly changed when responsible individuals leave their position.

\textsuperscript{13} Namely, to access an on-line username and password storage vault requires a username and a password. This poses the classic “chicken and egg” dilemma.
Finding #2.4: Mobile deposits not documented and cannot be classified

- Mobile deposits are a banking feature where a check can be deposited through a smart phone by taking a picture of the front and back of the check. A traditional bank deposit slip is not required for mobile deposits.
- Mobile deposits began to be used by the MBA in January 2018. From January 2018 through November 2018 approximately 68 mobile deposits were made accounting for about $32,800.14
- The source document (i.e. the check) was not retained for any of these mobile deposits.
- All these mobile deposits were undocumented, meaning that no record was kept as to whether the deposit was for membership or for conference registration (or for some other reason). Consequently, the Audit Committee was unable to properly classify the revenue source when reconstructing the books for FY17 and FY18.15
- Also, because of not being able to classify mobile deposits, the revenue totals the Spring Conference, Fall Conference and Membership are not accurate for FY17 and FY18. Saying this in another way, the Committee is of the opinion that the MBA is unable to accurately determine the amount of revenues generated by the Spring Conference, Fall Conference and Membership dues for the indicated period.

Discussion:

- While mobile deposits may be convenient, they do require an additional manual step(s) in order to document what the deposit was for (e.g., membership or registration or other). Of course, this takes time and is a strong incentive to skip this important step. Thus, the failure in adequate documentation. It is for this reason that the Committee discourages the use of mobile deposits.
- If mobile deposits continue, the Committee recommends that the original check be retained. This could be in the form of the individual checks or perhaps a group of checks photocopied (in order to reduce the paper).
- After the deposit is concluded, the check could be discreetly annotated with the date of the deposit and its classification (i.e. conference registration or membership dues).

Recommended Policies:

- Checks used in mobile deposits shall be retained and become part of the monthly file.

Recommended Procedures:

- For mobile deposits, the check shall be annotated with the date of the deposit and its classification (i.e. membership dues or conference registration).
- For mobile deposits, the original check or its image shall be maintained as part of the monthly accounting file.

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14 See the spreadsheet Bank Statements Stats.xlsx
15 About half of these mobile deposits were therefore classified as “undocumented revenue”. The remainder of these deposits were classified as “combined membership and registration” within either the Spring Conference or Fall Conference sections of Revenue based upon the date of the mobile deposit.
Finding #2.5: PNC Merchant deposits undocumented and cannot be classified

- Beginning in March 2017, deposits began to occur on the bank statement under “Other Additions”. These deposits are identified on the statement as “PNC Merchant Deposit”. From March 2017 through November 2018 there are about 216 such deposits\(^{16}\).
- It is assumed that the source of these deposits is from a newly engaged membership service\(^ {17}\) that provides online payment capability for conference registration and membership payments. Merchant deposits are the monies that result from payments made on-line with a credit card.
- All of these deposits are undocumented and cannot be classified by the Committee as to the source of revenue.
- Similar to the issues surrounding Mobile Deposits (see Finding #2.3), the inability to classify “Merchant Deposits” means that the revenue sources for the Spring and Fall Conferences and membership dues is not accurate for FY17 and FY18 books.
- There is no evidence that any of these Merchant Deposits were reconciled\(^ {18}\) with the service provider.
- The Committee notes that many of these deposits are for “odd” amounts, which is to say an amount different than a registration fee or a membership fee\(^ {19}\). These anomalies further bring into question exactly what these revenues were for.
- Merchant deposits are posted to the MBA checking account (i.e. they appear on the bank statement) multiple times throughout the month. The deposits look to be a single credit card transaction or multiple, combined credit card transactions. During the busy times of the year\(^ {20}\), these posting are daily and sometimes several times a day.

Discussion:

- Of all the findings in this report, handling the Merchant Deposits is probably the most difficult to grasp.
- The frequency and number of the Merchant Deposits pose a special challenge to the MBA Treasurer quite distinct to the documentation challenge posed by mobile deposits (See Finding 2.3). First is the challenge to discover when a deposit occurs and a ledger transaction is required. This means either going online to see what is happening or waiting for the monthly bank statement. Second is the challenge to figure out what the deposit was for (membership or registration) to properly account for it.
- The Committee assumes that the service provider can produce (monthly) reports that list each individual credit card transaction, its dollar amount, and what it is for (membership or conference registration). Ideally, subtotals would be provided that correspond to each bank deposit.
- Such a report can be used to reconcile the transactions recorded by the service provider and the transactions recorded on the monthly bank statement. This report should be included in the monthly files.

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\(^{16}\) See the spreadsheet Bank Statements Stats.xlsx

\(^{17}\) Membee.com. The first charge for this service was in February 2017. See report Transactions by Vendor.pdf

\(^{18}\) Reconciling deposits made from e-commerce is similar to, and equally important as, reconciling to the monthly bank statement.

\(^{19}\) Examples can be seen in the March, April and May 2017 bank statements.

\(^{20}\) January when membership payments become due and during the period prior to the conferences.
Discussion: (Cont’d)

- The Audit Committee is certainly aware of the amount of work involved in properly accounting for e-commerce revenue transactions. It is problem of timing and the number of such transactions. A Merchant Deposit can be discovered by simply going on-line to the checking account and looking at the daily activity. Figuring out what the revenue is for (membership or registration) is another matter and involves getting timely reports from the membership service provider. To put it another way, knowing when a deposit happens occurs at a different time than knowing what the deposit was for.
- Endnote <<D>> provides a suggested procedure to “book” the Merchant Deposit transaction.

Recommended Actions:

- The MBA should develop a procedure to identify the type of revenue involved with all Merchant Deposits.
- The MBA should develop a procedure to reconcile the credit card sales, as reported by the membership service, to the “PNC Merchant Deposits” as shown on the monthly bank statement. The resulting reconciliation report should become part of the monthly accounting records.

Recommended Policies:

- The MBA shall reconcile the Merchant Deposits as shown on the monthly bank statements to those records of the originating service provider.
Finding #2.6: Recurring debit card expenses are not documented and cannot be classified

- Recurring debit card expenses are those expenses periodically charged to the MBA debit card. These expenses typically involve services provided to the MBA, such as merchant accounts, membership service, email related services and the like.
- On the monthly bank statement, recurring debit card expenses show up as “Check Card Purchases”, “ACH Deductions” and “Service Charges and Fees”.
- With very few exceptions, the Audit Committee found that recurring entries were not documented.

Discussion:

- The problem with recurring entries is that they tend to breed complacency and take on a life of their own. This is particularly true when a new Treasurer or Board member shows up; it fosters the attitude that “it was there when I took over the job” and is thereby assumed to be correct and proper. This is not always the case.\(^{21}\)
- Even though recurring debit card expenses show up automatically, they are expenses none the less and should be documented just as any other expense (checks, debit card purchases, etc.) or revenue.
- Many organizations, such as those that bill the MBA on a recurring basis, will notify their customer (i.e. the MBA) by sending an email advising of the pending charge or send a payment acknowledgement receipt. Either document is sufficient for documentation and should be retained in the monthly accounting file.
- For recurring bank fees, such as Merchant Fees, credit card interchange fees and credit card discount fees, are shown on the monthly bank statement. The statement is sufficient documentation for these expenses (provided the bank statement is kept in the monthly accounting file).

Recommended Policies:

- Recurring debit card expenses shall be documented and the documentation retained in the monthly accounting file.
- Recurring debit card expenses shall be periodically reviewed by the Treasurer to assure that the expense is valid and is of the correct amount. The result of this review shall be reported to the MBA Board and incorporated into the minutes.

Recommend Procedures:

- Notices of pending charges or acknowledgements of payments received shall be retained as documentation of the expenses and retained in the monthly accounting files.
- The monthly bank statement is sufficient documentation for recurring bank service charges and fees.

\(^{21}\) See Finding #9 (Constant Contact) and Finding #2.5 (Merchant Accounts) for two cases in point.
Finding #2.7. The are no records of the checking account monthly reconciliations

- During the audit, the Committee found no documentation or reports of monthly reconciliation between the ledger’s checking account balance and the bank statement.
- Reconciliation is a procedure whereby the amount of cash in the checking account, as maintained by the accounting system, is checked to see if it agrees with the checking account balance as maintained by the bank.
- Reconciling the bank account using a software system such as Quickbooks is a relatively easy and quick task. Furthermore, a reconciliation report can be (easily and quickly) obtained which can then be included in the monthly Treasurer records. A reconciliation report documents not only the fact that the reconciliation has occurred, but also serves as a document which helps anchors that accuracy of the MBA books to those of the bank.

Discussion:

- We assume that the checking account was reconciled, but the Committee is unable to say for sure that this happened.
- Part of the problem is that no formal accounting system was in place since October 2016 (Finding #1). Checking account reconciliation is a standard feature of accounting software.
- Reconciling the bank account using a software system such as Quickbooks is a relatively easy and quick task. Furthermore, a reconciliation report can be (easily and quickly) obtained which can then be included in the monthly Treasurer records. A reconciliation report documents not only the fact that the reconciliation has occurred, but also serves as a document which helps anchors that accuracy of the MBA books to those of the bank.

Recommended Policy:

- The Treasure shall conduct monthly reconciliations of the general ledger checking account to the bank statement in a timely and accurate manner. A record of this reconciliation shall be maintained in the monthly files.

Recommendation Procedure:

- The Treasure shall conduct monthly reconciliations of the general ledger checking account to the bank statement in a timely and accurate manner. At the end of each month, a reconciliation report shall be generated and included in the monthly file.
Finding #2.8: Two undocumented deposits were found totaling over $21,800

- Two large deposits were located that were undocumented. Since they were undocumented these deposits could not be classified when reconstructing the books.
- The first was for $16,844.89 on 07/27/2017 and represents about 44% of the total revenue for FY17. It was finally determined that this deposit was for monies collected at the Spring 2017 conference by contracted service of Michigan State University. There was no documentation in the files that broke this amount down (i.e. registration, membership, auction, etc.) or itemized how that amount was derived.
- The second was for $5,013.03 on 11/26/2018. It was finally determined that this deposit was the result of the MBA cashing in one of the three Certificate of Deposit (CDs). As with the other previously discussed deposit, there were no records in the monthly accounting files regarding this deposit.

Discussion:

- The purpose of including these undocumented deposits as a “Finding” of this audit report is to illustrate how a lack of documentation leads to inaccuracies of the reconstructed books.
- Specifically, the $16,000 check from MSU undoubtedly contained revenue outside of the scope of the spring conference (i.e. money derived from membership payments). Therefore, the Committee advises that the reconstructed revenue for FY17 books is not accurate.
- It was noted while researching the cashed in CD that past Treasurer reports included the total amount of the CDs (ranging from $15,000 to $10,000) in the reported “cash on hand”. This is (technically) incorrect. Cash on hand refers to cash which is immediately available. Investment instruments (such as a CD) can be included as cash on hand provided these instruments can be converted to cash is less than 90 days. The Committee recommends that in the future, cash on hand refers only to the balance in the checking account.

22 With help from the then MBA Vice-President and President.
23 Minutes from the November 29, 2018 MBA Board meeting.
24 The same statement can be made for the FY18 books and for the same reason: undocumented revenue.
25 While any CD may be cashed in, doing so before its maturity date carries significant penalties. Including CDs in cash on hand can lead to misleading judgements regarding the cash position of the MBA.
Finding #2.9: Petty cash for conferences inadequately accounted for

- Petty cash for the Spring and Fall conference is typically withdrawn from the checking account just before the conference and then redeposited shortly after the conference. The Committee can find evidence of withdraws from the checking account for petty cash; the Committee does not see explicit records of the petty cash going back into the checking account.
- The Committee does see records of cash deposits made following a conference in the amount much greater than the petty cash. We assume that the cash was generated from cash received during the conference (e.g. registrations and memberships paid by cash at the door) and also includes petty cash.

Discussion:

- Cash is a sensitive topic and extra care should always be taken to properly account for it.
- The lack of clear accounting of petty cash is part of the larger issue of lack of accounting for all revenues, particularly revenues coming in during conferences.
- To address this issue, adequate records should be retained that document post-conference deposits and identify where the funds come from (e.g. registrations paid at the door, memberships paid at the door, auctions, other sales and petty cash).
Finding #2.10: Reimbursement checks adequately documented

- Particular attention was paid to checks written for expense reimbursements. No irregularities were noted.
- According to the MBA bylaws, both the President and Treasurer have signature authority for writing checks (though only one signature is required). It was noted that reimbursement checks written to the President were signed by the Treasurer, and vice versa.

Discussion:

- Reimbursement checks were deemed to be properly handled and documented.
- It is a smart practice that checks written to the President by signed by the Treasurer. Conversely, checks written to the Treasurer be signed by the President.

Recommended Policy:

- Checks written to the President shall be signed by the Treasurer. Checks written to the Treasurer shall be signed by the President.
Finding #2.11: Two equipment insurance policies are not documented

- The Amazon purchases record reveals that the MBA purchased two “Square Deal” 3-year insurance policies. The first was dated February 28, 2018 and the second was dated February 3, 2019. These policies are still in effect.
- A “Square Deal” insurance policy is typically for “things”, such as computers and projectors (in the context of the MBA). The Committee assumes that these insurance policies are for computers and/or projectors.
- There is no documentation (other than an Amazon purchase confirmation) regarding these policies. Therefore, the Committee is unable to identify specifically which items are covered under each policy.

Discussion

- Without documentation for the two insurance policies, there is no record as to which items are covered, the terms of the coverage or even if such coverage exists. Certain individuals may be aware of this coverage, but what happens when these individuals move on?
- We presume that when the policies were taken out, specific items were included under the coverage (including the serial numbers of the items in question). It may be useful to include a comment on the inventory list (Finding #8) which item is covered by the policy (so that this knowledge is passed on to whomever is in charge of the inventory).

Recommended Actions

- The policy for these insurance purchases should be added to the paper financial records.
Finding #3: For FY17 and FY18 check stubs were blank or missing

- Of the 69 checks written in FY17 and FY18, 48 checks had either blank or missing check stubs (70%), 16 checks had hand written notations on the stub (23%), and 5 checks had computer printed stubs (7%)\(^{26}\).
- It is unclear to the Audit Committee how the checks written during FY17 and FY18 were physically prepared and why there is an inconsistency in the check stubs.

Discussion:

- Check stubs contain information about a check. A check stub typically records payee name, check date and amount, check number and a brief description. In effect, the stub is a permanent record of the check as it was issued.
- A blank or missing check stub is a poor business practice and is considered by the Committee to be a deficiency.
- Most (if not all) formal accounting software packages that print a check also print a check stub.
- The Committee assumes that since no formal accounting system was used in FY17 and FY18, it explains why so many of the checks (93%) had blank or missing stubs or handwritten notations on the stub. Those few checks that had a printed stub remained unexplained.
- The Committee notes that preparing checks in Quickbooks is a fast and intuitive process. The check’s stub is automatically generated and the back-end accounting is automatically performed. It is hard to envision any other check preparation procedure that would be less time consuming and more thorough.

Recommended Policies:

- All checks issued by the MBA shall have a printed check stub generated by the accounting software package.
- Check stubs shall be retained and become part of the permanent monthly accounting file.

Recommended Procedure:

- Where appropriate, supporting documentation for the check should be stapled to the check stub (or otherwise retained if in digital format) and including in the monthly accounting file.

\(^{26}\) See the spreadsheet Bank Statements Stats.xlsx. The number was derived by counting the check stubs provided to the Audit Committee in the monthly financial files.
Finding #4: Amazon Prime account

- On April 5, 2017, the MBA established an Amazon Prime account. The annual fee for this Prime account is $104.94. This Prime account, and its associated annual fee, remains active and was last charged to the MBA on April 3, 2020.
- Since this Prime Account was established in 2017, the MBA has paid a total of just under $420 in annual fees.
- Table 2 presents a summary of purchases from Amazon during the period in question.

<table>
<thead>
<tr>
<th>Order Date</th>
<th>Shipment Date</th>
<th>Shipping Address Name</th>
<th>Shipping Address Street 1</th>
<th>Subtotal</th>
<th>Shipping Charge</th>
<th>Tax Charged</th>
<th>Total Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/31/2017</td>
<td>8/1/2017</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$299.99</td>
<td>$0.00</td>
<td>$18.00</td>
<td>$317.99</td>
</tr>
<tr>
<td>11/11/2017</td>
<td>11/11/2017</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$6.37</td>
<td>$0.00</td>
<td>$0.38</td>
<td>$6.75</td>
</tr>
<tr>
<td>11/11/2017</td>
<td>11/13/2017</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$27.97</td>
<td>$0.00</td>
<td>$1.68</td>
<td>$29.65</td>
</tr>
<tr>
<td>2/3/2018</td>
<td>2/3/2018</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$430.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$430.00</td>
</tr>
<tr>
<td>2/28/2018</td>
<td>3/1/2018</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$24.90</td>
<td>$0.00</td>
<td>$1.49</td>
<td>$26.39</td>
</tr>
<tr>
<td>2/28/2018</td>
<td>3/1/2018</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$299.99</td>
<td>$0.00</td>
<td>$18.00</td>
<td>$317.99</td>
</tr>
<tr>
<td>2/28/2018</td>
<td>2/18/2018</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$21.21</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$21.21</td>
</tr>
<tr>
<td>10/7/2018</td>
<td>10/7/2018</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$56.97</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$56.97</td>
</tr>
<tr>
<td>10/7/2018</td>
<td>10/7/2018</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$99.99</td>
<td>$0.00</td>
<td>$6.00</td>
<td>$105.99</td>
</tr>
<tr>
<td>10/7/2018</td>
<td>10/7/2018</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$13.80</td>
<td>$0.00</td>
<td>$0.83</td>
<td>$14.63</td>
</tr>
<tr>
<td>10/30/2018</td>
<td>10/30/2018</td>
<td>Theresa Wyatt</td>
<td>5051 GARDNER LINE RD</td>
<td>$36.72</td>
<td>$0.00</td>
<td>$2.20</td>
<td>$38.92</td>
</tr>
<tr>
<td>2/3/2019</td>
<td>2/3/2019</td>
<td>Sheldon Schwitek</td>
<td>1738 COMMONWEALTH AVE</td>
<td>$11.73</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$11.73</td>
</tr>
<tr>
<td>2/3/2019</td>
<td>2/3/2019</td>
<td>Sheldon Schwitek</td>
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<td>$399.99</td>
<td>$0.00</td>
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<td>$423.99</td>
</tr>
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<td>3/13/2019</td>
<td>3/14/2019</td>
<td>Sheldon Schwitek</td>
<td>1738 COMMONWEALTH AVE</td>
<td>$19.99</td>
<td>$0.00</td>
<td>$1.20</td>
<td>$21.19</td>
</tr>
<tr>
<td>3/13/2019</td>
<td>3/14/2019</td>
<td>Sheldon Schwitek</td>
<td>1738 COMMONWEALTH AVE</td>
<td>$66.94</td>
<td>$0.00</td>
<td>$2.16</td>
<td>$67.10</td>
</tr>
<tr>
<td>2/2/2020</td>
<td>2/3/2020</td>
<td>Sheldon Schwitek</td>
<td>1738 COMMONWEALTH AVE</td>
<td>$390.01</td>
<td>$0.00</td>
<td>$23.40</td>
<td>$413.41</td>
</tr>
<tr>
<td>2/2/2020</td>
<td>2/3/2020</td>
<td>Sheldon Schwitek</td>
<td>1738 COMMONWEALTH AVE</td>
<td>$19.99</td>
<td>$0.00</td>
<td>$1.20</td>
<td>$21.19</td>
</tr>
<tr>
<td>2/3/2020</td>
<td>2/3/2020</td>
<td>Sheldon Schwitek</td>
<td>1738 COMMONWEALTH AVE</td>
<td>$110.97</td>
<td>$0.00</td>
<td>$6.66</td>
<td>$117.63</td>
</tr>
</tbody>
</table>

Column Totals: $2,337.53 $0.00 $107.20 $2,439.88

- On July 7, 2017, two digital orders (e-books titled “Detroit: An American Autopsy”) were placed through the MBA account, but the orders were closed by Amazon due to stated reason “Closed due to lack of payment”. These two digital orders remain unexplained.

Discussion:

- Amazon promotes a set of “benefits” to having a Prime Account. Mostly widely known is the benefit of having free, 2-day shipping on selected items.

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28 Email communication dated 4/26/2020 to the Audit Committee from the MBA Treasurer.
29 Other, perhaps lesser known benefits, include free or reduced cost e-books and movie streaming. One would assume that the sole benefit of use to the MBA is the free 2-day shipping.
Discussion (Cont’d)

• The Committee did not attempt to determine what the shipping on each order would have been had not the item been purchased using the Prime free 2-day feature. However, it is obvious that the $420 that the MBA has spent on the annual fees is likely more than what shipping charges would have been. In other words, it certainly appears that the Prime membership has cost the MBA more than it has saved.

• Because Amazon Prime accounts can be shared, there exists the potential for misuse. Much to the surprise of the Committee, it was deemed that there are ways to obfuscate such sharing.

• The Committee assumes that most would agree that the MBA Prime Amazon account should be used only for MBA business. To do otherwise would be taking advantage of one’s position.

• The Audit Committee recommends that the MBA Prime Account be closed.

• On the Amazon web site “End Your Amazon Prime Membership” page, the following statement is made: “Paid members who haven’t used their benefits are eligible for a full refund of the current membership period. This refund will be processed in 3-5 business days.” The last annual fee was paid by MBA on April 3, 2020. If no activity has occurred since that time, then the MBA should expect a refund of the last membership fee ($104.94).

Recommended Action:

• The MBA should immediately close (cancel) the Amazon Prime account. If this is done promptly, then the MBA should expect a refund of the last annual membership fee of $104.94.

Recommended Policy:

• Business services retained by the MBA shall be used exclusively for conducting the affairs of the MBA. These services shall not be used by individuals outside of this context.

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30 For example, having a private individual use the MBA Prime Account for personal orders and paid for by a personal credit card.

31 To close an Amazon Prime account, it is required to login into Amazon under the “primary account” (i.e., the owner of the Prime account and not a shared account). The Committee was unable to determine if the MBA login credentials are those of the “primary account”.
Finding #5: Undeposited check found

- An undeposited check in the amount of $35 was in the accounting records for March 2017.
- The check was in an unopened envelope.
- The check was for a membership payment and included a membership application form.

Discussion:

- It was suggested that this check was deposited via a “mobile deposit”. Evidence suggests otherwise. One, the envelope was unopened when it was found. Two, there is no record of a mobile deposit for this time.\(^{32}\)

Recommended Procedure:

- All checks received by the MBA shall be deposited in a timely manner.

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\(^{32}\) In fact, mobile deposits did not start appearing until January 2018 bank statement, nine months after the date on the check.
Finding #6: MBA has two merchant accounts

- It appears the MBA is paying for two separate “merchant accounts”: PNC Bank and Authorize.net.
- A “merchant account” is a service retained by an entity for the purposes of processing credit card payments received by that entity. Merchant accounts handle the processing and routing of the credit card payments from the time the payment is made until the payments appear as a deposit on the entity’s bank account.
- The fees charged to the entity for this service appear on the bank statement as “merchant fees”, “interchange fees” and “discounts”. Interchange fees and discounts are fees related to the amount of the credit card transaction. Merchant fees are monies paid to the provider for their service.
- Merchant fees are a recurring entry on the monthly bank statement (see Finding 2.5).
- For the period October 2016 through November 2018, the MBA paid a total $3219.40 for merchant fees. This is the second largest single expense of the MBA, outside of expenses related to conferences and grants.
- The merchant fees paid to the PNC Merchant account was $1,448.67 and the merchant fees paid to the Authorize.net merchant account was $767.58.

Discussion:

- It appears that the MBA may be paying for duplicate services.
- The primary reason MBA needs a merchant account is for processing credit card purchases made via the membership service provider “Membee”. In the opinion of the Committee, it is unlikely that two merchant accounts are required to accept credit card payment through Membee.
- The obvious question arises as to why the MBA has two separate merchant accounts.
- Investigation may reveal there is a good reason as to why MBA has two merchant accounts. It seems more likely, however, that there is indeed a duplication of services and that one or the other merchant service can be cancelled.

Recommended Action:

- The MBA needs to investigate both merchant accounts and determine if one or the other can be discontinued.

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33 The first being insurance.
34 Payments made on Membee are routed through a merchant account.
Finding #7: Missing checks

- There are several missing checks, as indicated by a skip the check numbers.\(^\text{35}\)
- There is a gap of ten check between the number sequence 2477 through 2486. This gap is unexplained.
- There is a single gap for checks 2490 and 2484. These could be voided checks, but again there is no documentation to this effect.
- There is a gap between check number 2503 and 3000. At this time, the MBA purchased more checks and the gap most likely results in having the new checks start non-sequentially from the old checks.
- It was noted that some of the check numbers did not follow a chronological sequence\(^\text{36}\) based on the date when the check cleared the bank.

Discussion:

- Of course, all checks should be accounted for. If a check is voided for some reason, then that check should be retained in the monthly records properly notated.

Recommended Procedure:

- If a check is voided, then that check should be retained in the monthly accounting files.

\(^{35}\) See the report Missing Checks - Oct 16 thru Sep 19

\(^{36}\) Ibid.
Finding #8: No inventory of fixed assets

- Beginning in February 2011, the MBA began to acquire fixed assets (i.e. “things”) starting with a projector. In February 2014, another projector was purchased. In 2017 and following several computers, projectors and related items were purchased (See Table 3).

<table>
<thead>
<tr>
<th>Table 3. MBA Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Computers</strong></td>
</tr>
<tr>
<td>Apple Computer #1</td>
</tr>
<tr>
<td>Apple Computer #2</td>
</tr>
<tr>
<td>Apple iPad</td>
</tr>
<tr>
<td><strong>Projectors</strong></td>
</tr>
<tr>
<td>Epson(?) Projector #1</td>
</tr>
<tr>
<td>Epson(?) Projector #2</td>
</tr>
<tr>
<td>Epson Project #3</td>
</tr>
<tr>
<td>Epson Project #4 w/case</td>
</tr>
<tr>
<td>Epson Project #5 w/case</td>
</tr>
<tr>
<td>Epson Project #5 w/case</td>
</tr>
<tr>
<td><strong>Other</strong></td>
</tr>
<tr>
<td>Honey Judging Tool Kit</td>
</tr>
<tr>
<td>Laptop Backpack</td>
</tr>
<tr>
<td>Apple Computer Case</td>
</tr>
<tr>
<td>iPad Cover</td>
</tr>
<tr>
<td>HDMI Cables (quantity 5)</td>
</tr>
<tr>
<td>Computer Speakers</td>
</tr>
<tr>
<td>Computer Speakers</td>
</tr>
<tr>
<td>Computer Speakers</td>
</tr>
<tr>
<td>Computer Camera</td>
</tr>
</tbody>
</table>

- The Committee found no evidence that there is a physical inventory (i.e. a written list) of these items.

Discussion:

- The problem with items such as projectors, computers, computer cameras, computer speakers, cables and so on is that these sorts of things can have “legs”. A physical inventory of such items can help assure that all these assets are properly accounted for.

- In reconstructing the books for FY17 and FY18, the Committee established fixed asset accounts for the three computers and two projectors for which the Committee found records of purchase. There very well may be more items of which the Committee is unaware, such as additional projectors or printers.

- By putting these items “on the books”, there will be an obvious record that the MBA owns “things” and that these “things” should be routinely accounted for.
Discussion (Cont’d):

- Furthermore, the Committee is of the opinion that there should be a formal inventory (a written list) of these assets. Such a list could form the basis of a physical inventory count. Toward this end, the Committee has included a spreadsheet which might serve as a starting point for such an inventory list.37
- Items that have a serial number (such as projectors and computers) should have this serial number included on the inventory list. Provision is made for serial numbers in the spreadsheet referenced above.

Recommended Actions:

- The MBA creates a list of fixed asset items and include this list in the document depository (see Findings 2.1 and 2.2).
- An annual count of these inventory items should be conducted.

Recommended Policy:

- The MBA shall maintain an inventory of all fixed asset items.
- Fixed asset items owned by the MBA (computers, projectors, printers and so forth) shall be used for MBA business only and shall not be used by individuals for personal, non-MBA purposes.

Recommended Procedure:

- An annual inventory shall be conducted of all fixed asset items owned by the MBA.

[37] See the spreadsheet MBA Inventory included in the document library of this report.
Finding #9: Constant Contact

- Constant Contact is an email service retained by the MBA to support member communications, primarily emails sent to members and subscribers.

- Constant Contact is a recurring debit card entry (see Finding 2.6) with a current annual expense of $1,140 (paid in $95 monthly installments). Outside of conference expenses and grants, the cost for this service is the third largest cumulative expenses for FY17 and FY18 following insurance and merchant fees.\(^{38}\)

- The monthly fee for Constant Contact is based on the number of “contacts” (i.e. names) maintained in the MBA account. Table 3, below, presents fee schedule for Constant Contact.\(^{39}\) As can be seen, the MBA is paying the highest monthly fee.\(^{40}\)

<table>
<thead>
<tr>
<th>Nbr of Contacts</th>
<th>Monthly Fee $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 500</td>
<td>$20 / month</td>
</tr>
<tr>
<td>501 – 2,500</td>
<td>$45 / month</td>
</tr>
<tr>
<td>2,501 – 5,000</td>
<td>$65 / month</td>
</tr>
<tr>
<td>5,001 – 10,000</td>
<td>$95 / month</td>
</tr>
</tbody>
</table>

- The past two emails from the MBA sent via Constant Contact had about 2,200 pieces.\(^{41}\) This is less than 50% of the lower limit of the upper tier pricing. If 2,200 pieces is typical of an average send, then the potential exits to cut in half the monies currently being paid to Constant Contact.

Discussion:

- The MBA has a membership in the range of 500 – 600 people (“contacts” in the vernacular of Constant Contact) to which emails are sent. In addition to members, emails are also sent to those who “subscribe” via the “Join Email List” option on the MBA website.

- An obvious cost saving measure would be to closely examine the contacts maintained in the MBA’s Constant Contact account with the goal of reducing the monthly expense. Obvious names that could be purged are those emails that bounced, not deliverable or never opened and those contacts who have elected not to receive any email. These statistics are readily available through the Constant Contact web site.

Recommended Action:

- The MBA should thoroughly review the contacts in Constant Contact and remove those deemed suitable. The goal is to reduce the monthly fees.

\(^{38}\) See report P&L Summary - Oct-16 thru Nov-18
\(^{39}\) Personal communication from Jonathan Modig, Constant Contact Marketing Consultant, dated 4/27/2020.
\(^{40}\) The Committee is informed (Ibid.) that the monthly fee is automatically adjusted by Constant Contact each month based on the account’s number of contacts.
\(^{41}\) Personal communication from MBA Member Communications, dated 5/15/2020.
Recommend Procedure:

- The Constant Contact data base should be reviewed periodically to remove inactive names. This review should be reported to the board so that the review can be recorded in the Board minutes.
Finding #10: The checking account reached a low of $345.07 on September 28, 2018

The Audit Committee is aware of a substantial degree of interest expressed by members of the MBA, both on the board and off, with respect to the cash position of the Association. This Finding is provided to bring a degree of transparency to this issue.

- According to the books, the checking account balance at the beginning of October 2016 (the beginning of our audit period) was $34,278.13. On September 28, 2018, the balance reached a low of $345.07. By the end of September 2018 (the end of FY2018) the amount in the checking account recovered to $855.07.

- According to the bank statement, the checking account at the end of September 2018 was $2,144.99 and not the $855.07 figure stated above. The difference is attributable to several checks that were written toward the end of September 2018 but had not cleared the bank until the following month.

- The following graph charts the MBA end-of-month cash balance from October 2016 through September 2018. It is provided for purposes of transparency. The checking account balance underwent a steep decline during the period November 2017 ($28,918.49) and August 2018 ($2,114.99). A decline of more than $26,000 over a period of nine months.

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42 Balance Sheet – FY2016, PNC Checking Account balance
43 Balance Sheet – Detail – FY2018, PNC Checking Account balance
44 Monthly reconciliation report for September 2016 (201809-Sep 2018 Reconciliation.pdf)
45 Ibid.
Finding #10: (Cont’d)

- The bump in available end-of-month cash reflected in the chart from October 2018 ($2,638.88) to the next month of November 2018 ($6,212.92), which is an increase of $3,574.04, reflects a deposit made when a $5,000 Certificate of Deposit (CD) was cashed in. Thus, this increase does not reflect “new” money coming into the MBA but rather a transfer of cash reserves from the CDs. Had this CD not been cashed, it is reasonable to assume that the cash on hand as of the end of November 2018 would have dipped to $1,212.92.
- It should be noted that the redemption of the CD was not documented in the MBA records.

Discussion:

- The Audit Committee reminds readers of this report that there can be many reasons for a cash decline as witnessed from March through August 2018. For instance, one of the missions of the MBA is to support bee-related research and projects through grants (see chart, below). Cash is the coin-of-the-realm in this endeavor.
- It is not the role of this Audit Committee to second guess spending decisions made by the Board during the early part of calendar year 2018. That said, it does appear that the cash reserves dipped to an uncomfortable level during that time.
- The MBA has $15,000 in CDs, in the form of three individual CDs of $5,000 each. The maturity dates of these CDs are staggered so than none mature on the same date. It is fortunate that a CD matured in November 2018 to provide a cash infusion at that time. Otherwise, the cash balance available may have seriously affected the operation of the MBA.

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46 The CD was cashed in on November 26, 2018. The cashing in of this CD was not documented. Rather, it was inferred by a description of the deposit on the November 2018 bank statement.
47 The math is as follows: $6,212.92 - $5,000 = $1,212.92
Finding #11: The 2017 Fall Conference expenses were $27,745.66

The Audit Committee is aware of a substantial degree of interest expressed by members of the MBA, both on the board and off, with respect to the cash position of the Association. This Finding is provided to bring a degree of transparency to this issue.

- The Fall Conference expense for 2011 through 2017 are presented in Table 4, below.\(^{48}\) Note that the 2017 Fall Conference (held in November 2017 in Kalamazoo) occurs at the beginning of the MBA’s 2018 fiscal year.
- As can be seen, the expenses associated with the 2017 Fall Conference was over $27,745. This is three times the average fall conference expense from 2011 through 2016.

![Table 4. Fall Conference Expenses ($)](image)

- Although the revenues for the 2017 Fall conference appear slightly above average, readers are reminded that the “revenues” shown include membership revenues, since deposits made in this period were not documented and therefore could not be classified accurately.\(^{49}\) The revenue for the 2017 Fall conference is therefore overstated (as is the revenue for the Fall 2016 conference seen above for FY17).

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\(^{48}\) See the spreadsheet P&L Summary FY11 thru FY18 by year.

\(^{49}\) See Finding #2, this report.
Finding #12: MBA revenues

The Audit Committee is aware of a substantial degree of interest expressed by members of the MBA, both on the board and off, with respect to the cash position of the Association. This Finding is provided to bring a degree of transparency to this issue.

- The MBA derives its revenue from three main sources: the Spring Conference, the Fall Conference and membership dues. Table 5, below, presents these revenues for fiscal years 2011 through 2018.⁵⁰

![Table 5. MBA Major Sources of Revenue ($)](image)

- The membership revenues for FY17 and FY18 appear to be abnormally low. This is because of the inability to accurately classify revenues for this period due to inadequate documentation; membership revenue is undoubtedly included in the conference revenues. Thus the conference revenues (for FY17 and FY18) are overstated and the membership revenues are understated. This is a graphic example of the issues involved with inadequate documentation.

- The Committee is confident that the total revenue (from all three sources) for FY17 and FY118 is correct.

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⁵⁰ See the spreadsheet P&L Summary FY11 thru FY18 by year.
Finding #13: MBA grants and promotional expenses

The Audit Committee is aware of a substantial degree of interest expressed by members of the MBA, both on the board and off, with respect to the cash position of the Association. This Finding is provided to bring a degree of transparency to this issue.

- The principal mission of the MBA is to promote Michigan beekeeping through education, research and community engagement. It has been this way since the MBA was founded in 1865.
- Spending money is the coin-of-the-realm in achieving this mission. The money is spent for grants (such as supporting research at Michigan State University) and promotion (such as honey pamphlets distributed at the Michigan Welcome Centers along the interstate highways).
- Table 6 (below) presents a summary of funds spent by the MBA for grants and promotions.

![Table 6. MBA Grants and Promotions ($)](image)

- The total spend for Grants and Promotions peaked in FY16 with a total of $17,137.99. The total spend for FY19 was not available to the Committee and is thus not shown in the table.

Discussion:

- It is noted that while researching this audit report, there is nothing on the MBA web site (and probably the other social media accounts) that clearly state the mission of the MBA. While such mission statements may see trite, such statements do tend to define what the organization is all about and to provide focus. Furthermore, a mission statement helps to anchor the current and proposed financial activities of the organization.

The following mission statement is offered as a starting point...

“The mission of the Michigan Beekeepers’ Association is to promote Michigan beekeeping through education, research and community engagement.”
Recommended Actions:

- The MBA should develop a mission statement and published this statement prominently on the MBA’s website and social media accounts.
Appendix 1. Report Library

This Appendix describes a zip file containing the various reports and spreadsheets used during this audit. The reports were generated using Quickbooks from the MBA books after the financial records was reconstructed for the October 2016 through November 2018 period.

Reports Library

Amazon (folder)
- FY18_Amazon (folder containing Amazon orders in FY18_Amazon.zip file)
- FY18_Amazon (folder containing Amazon orders in FY19_Amazon.zip file)
- AmazonReports_AuditInfo.xlsx
- Amazon History for Report.xlsx
- FY18_Amazon.zip
- FY19_Amazon.zip

Analysis Reports (folder)
- Bank Statement Stats.xlsx
- Constant Contact Stats.xlsx
- MBA Inventory.xlsx
- Merchant Fee - Oct-16 thru Dec-18.pdf
- Missing Checks - Oct 16 thru Sep 19.pdf
- P&L Summary FY11 thru FY18 by year.xlsx
- Transactions by Vendor.pdf

Balance Sheet Reports (folder)
- Balance Sheet - Comparison - FY18 to FY17.pdf
- Balance Sheet - Detail - FY2017.pdf
- Balance Sheet - Detail - FY2018.pdf
- Balance Sheet - FY2016.pdf
- Balance Sheet - FY2017.pdf
- Balance Sheet - FY2018.pdf

P&L Reports (folder)
- P&L Detail - FY17.pdf
- P&L Detail - FY18.pdf
- P&L Summary - FY11 to FY18 Compare.pdf
- P&L Summary - FY16 to FY17 to FY18 Compare.pdf
- P&L Summary - FY2017.pdf
- P&L Summary - FY2018.pdf
- P&L Summary by Year - FY-16 thru FY-18.pdf

Reconciliation Reports (folder containing 26 monthly checking account reconciliation reports generated when reconstructing the MBA books for October 2016 through November 2018)
End Notes

<<A>> Finding #1: The version of Quickbooks 2009 including updates to the program and data files as of October 2016 was no longer available. Reinstallation of Quickbooks 2009 from the original CD (without the intervening updates) was not able to open the October 2016 data files. Furthermore, since the 2009 version is no longer supported, the updates required to resynchronize the program and the data base were not available from Intuit. Quite by accident, it was discovered that Quickbooks 2020 was able to open and then update the October 2016 data files.

<<B>> Finding #1: To reconstruct the books for the missing months, the Audit Committee examined the monthly bank statements and supporting documents. Each item on the bank statement was entered as a transaction into the books. If no documentation was found, it was so noted in the transaction. The effort took approximated 60 hours (logged) and approximated 600 transactions.

<<C>> Finding #2.2: Without some sort of structure to the document’s file name, chaos will soon follow and conveniently locating a specific document will become difficult. The Committee recommends that following convention:

General format: yyyyymmdd <Document Description>, where yyyyymmdd is the date of the document
For example, the June 2020 bank statement would be named: 20200630 Jun20 Bank Statement

Having the date before the document name, in the format shown, will result in the documents in a folder be automatically sorted by date when viewed in the directory. Other formats make work equally well.

<<D>> Finding #2.5: For what it is worth, the Audit Committee offers the following suggested procedure to handle the general ledger postings of the Merchant Deposit transactions. This is a reconciliation procedure.

1. For each Merchant Deposit...
   Debit: Checking Account (an asset account)
   Credit: An “Undistributed Revenues” account\textsuperscript{51} (a revenue account)

   At the end of the month, the “Undistributed Revenues” will have a total dollar amount, which should agree with the “Other Additions” dollar amount shown on the monthly bank statement. These transactions can be posted without knowing what the revenue was for.

2. At the end of the month and based on a report from the membership service, post a transaction relieving the “Undistributed Revenues” account for membership dues to the membership dues and another transaction for the monthly conference registrations (Spring or Fall conferences).

   Debit: The “Undistributed Revenues” account
   Credit: The appropriate revenue account for membership dues, spring conference registration or fall conference registration.

   After these accounts are posted, the dollar amount in the “Undistributed Revenues” account should be zero.

3. The monthly report from the membership service would then be retained in the monthly files and serve as the documentation for the Merchant Deposits for that month.

\textsuperscript{51}Not in the current MBA chart of accounts. To implement this procedure, this account will need to be added to the chart.