

Report - Internal Audit Comm

September 26, 1997

Finance Committee
United States Masters Swimming, Inc.

In September 1997, I concluded an examination of the 1996 financial statements and records of United States Masters Swimming, Inc. (USMS). My objective was to analyze and document the status of financial operations and to identify and make recommendations on areas that need improvement.

I tested certain receipts, disbursements and adjustments included in the 1996 books and records of USMS. I had discussions with the Controller and head of the Finance Committee. I also evaluated selected documents, files, reports, and policies and procedures from the Financial Operating Guidelines (FOG).

I did not perform an examination, the objective of which would be the expression of an opinion on the accuracy of the financial statements of USMS. Accordingly, I do not express such an opinion. Had additional procedures been performed, other matters might have come to light that would have been reported to you.

I have included findings that I consider significant in this report. Items deemed to be immaterial have not been included.

In conjunction with my work I noted the following:

1. DREYFUS

Statements for the funds held by Dreyfus have not been received since September 30, 1996. Based on my discussions with the Controller, Dreyfus has apparently refused to change the mailing address on the account even when requested by authorized signers on the account. I was unable to confirm the balance in this account.

Recommendation: Discontinue relationship with Dreyfus as soon as possible and change FOG to exclude Dreyfus from the acceptable companies list.

2. PIPER JAFFRAY

FOG Section V.A.e(2) does not recognize Piper Jaffray as an acceptable company to invest with.

Recommendation: Amend FOG to include Piper Jaffray.

3. CONCENTRATION OF FUNDS

FOG limits the concentration of funds invested in CDs in financial institutions to \$100,000. No such limitation exists for investments in money market funds (a theoretically riskier investment) or checking accounts at financial institutions. As of December 31, 1996, USMS had over \$210,000 in a money market fund at Fidelity and approximately \$150,000 in the Bank of America checking account.

Recommendation: Review FOG and the limitations for investment levels.

4. TIMING OF DEPOSITS

FOG requires deposits to be made within five days of receipt. In analyzing the cash receipts during 1996, it was taking at least 5 days, and in some cases up to 4 months for the deposits to be made. In general, most checks received were deposited within three to four weeks of their date.

Recommendation: Review process for possible streamlining and/or revise FOG accordingly.

5. RESERVE FUNDS

FOG requires that reserve funds be invested in separate accounts which are clearly identified as reserve accounts. This is not currently done.

Recommendation: Amend FOG to remove this requirement.

6. QUARTERLY BUDGET REPORTING BY CONTROLLER

FOG requires the Controller to provide the Executive Secretary quarterly reports. These reports were not prepared. Even if they had been prepared, the information would have been incomplete since check registers were not being received timely from the Treasurer (generally anywhere from a three to five month delay).

Recommendation: Adhere to FOG

7. COUNTERSIGNATURES ON CHECKS

It was noted that several checks issued by the Treasurer requiring a countersignature did not have such a countersignature.

Recommendation: Review current procedures and revise as necessary.

In the previous year's report several areas were noted as needing improvement. Following is an update on those areas.

1. REQUESTS FOR REIMBURSEMENTS

Checks for reimbursement continue to take longer than desired. However, in analyzing the expense reports submitted I noted that reimbursement checks were generally dated within 30 days from the date on which the expense report was *signed* by the committee chairs. It should be noted that this 30 days does not include the time between the payment of the original invoice and when it was approved by the committee chairs.

2. REVIEW OF CONTRACT PROPOSALS BY FINANCE COMMITTEE REPRESENTATIVE

No unsigned contracts were submitted to anyone on the Finance Committee for review during the period.

Respectfully submitted,

Jeff Moxie
Chair - Internal Audit Committee