

Completed Audit Report
BAAQMD Employees' Association
Audit Period January 1, 2014 – December 31, 2014



Between July-September 2015, the undersigned members of the BAAQMD Employees' Association ("EA") Financial Committee completed an examination of the books and records and certify that to the best of our knowledge the information in this report is true and correct:

Primary Findings

Disbursements were accurately reflected in the Association's records and issued for legitimate purposes with the following exceptions:

1. Check #2316 was written in the amount of \$60.00 to the EA's domain registry provider Domain Registry Services. The receipt was included in the EA's invoice records for 2014, but the check was voided.
2. Check #2335 was written in the amount of \$650.00 to the Clark Reporting, but the amount written in the disbursements journal was shown as \$700.00. According to the invoice, the correct amount was \$650.00.
3. Check #2354 was written in the amount of \$852.14 to the EA's legal firm David, Cowell & Bowe, LLP. The invoice for the legal services through September 20, 2014 showed a current charge amount of \$852.50.
4. During the course of the audit it was noted that member(s) who purchased items on behalf of the EA had comingled receipts, which included both EA related and personal purchases on the same receipt. The member(s) were only reimbursed for EA purchases.
Recommendation for accounting and reconciliation purposes is to advise EA members who purchase items on behalf of the EA to not comingle receipts.
5. The following check numbers (2273, 2307, 2308, 2314, 2336, 2338, and 2343) did not have the amounts listed in the disbursements journal.

ORIGINAL

6. During the course of the audit it was noted that reimbursements to member(s) who purchased items on behalf of the EA were in violation of EA By-Law Article V, § E. which states "No general member shall be reimbursed for out-of-pocket expenses incurred on behalf of the Association without prior approval of the Treasurer and one other Officer. In no case shall expenditures exceed fifty (\$50.00) dollars. Proof of expenditures must be submitted to the Treasurer before reimbursement." In all of the cases there was prior approval from the board for the purchases and the member(s) submitted proof of the expenditures, but they were in excess of the \$50.00 limit.

Recommendation is for the removal of the cap of \$50.00 for reimbursements to members for out of pocket expenses incurred on behalf of the EA.

7. During the course the course of the audit it was discovered the EA Board violated EA Constitution Article V, § C. which states "...In addition, the Board may make necessary expenditures...and up to a maximum of \$2,500 per social event and limiting it to two events per year. Funding for all additional social events will be voted upon by the general membership..." However, under EA By-Law Article V, § A. d) "...Expenditures over \$1,000 must be approved by a majority vote of the Board of Directors for...any social event up to a maximum of \$2,500..." Between January 1, 2014 through December 31, 2014, the EA Board authorized a total of five social events, which include the following: 1) Oakland A's baseball game \$1,565.58; 2) Movie night \$405.75; 3) Children's Holiday Party \$1,389.03; 4) Summer picnic \$2,970.08; and 5) Winter All-Hands Chairman Salute \$3,190.00. Two of the events exceeded the \$2,500 cap.

Recommendation is for the removal of the cap of \$2,500 per event and two social events per year and establish a budget of \$10,000 per year for social events. This will provide the EA Board with the flexibility and discretion to provide a variety of social events and have an allocated fixed budget.

Methodology

A. Traced cancelled checks to the bank statements and disbursements journal.

- B. Located all cancelled checks for the audit period and confirmed that the amounts of each check matched the amounts for the corresponding entries on the EA's bank statements.
- C. Compared these checks with the corresponding entries in the disbursements journal. Confirmed that the payee, date, and purpose were properly recorded in the disbursements journal.
- D. Scanned the disbursements journal for any disbursements that appeared to be unusual or out of the ordinary.
- E. Examined the disbursements journal for any disbursements that violated the EA By-Laws Financial approval amounts.

Receipts

Receipts were accurately reflected in the union's records and deposited to the EA's bank accounts with the following exceptions:

1. The EA received an overdraft charge of \$30.00 on July 24, 2014 because there was not enough funding in the EA business checking account to cover a check (#2330) in the amount of \$1,032.50.
Recommendation is to monitor the incoming deposit amounts, maintain an active awareness of the balance and reconcile checks/balance amounts as checks are being written.
2. A deposit for \$400 was made into the EA checking account on June 24, 2014. The only record of the deposit is a deposit slip and bank statement. There was no memorialization of the nature of the deposit or a copy of the negotiable instrument.
3. During the review of check deposits from the Bay Area Air Quality Management District ("District") to the EA for EA membership dues, it was discovered that some deposits of the dues into the EA bank account were delayed by up to 30 days. The amount of time between check date and deposit date ranged between 3-30 days. It was also discovered that between February-June 2014 there was no record of EA employees/individual dues amounts the District took for membership dues. Between July-December

2014, there were records listing each EA member and the respective dues amount taken.

Recommendation is for all negotiable instruments and/or monies received to be deposited into the EA checking account within a reasonable amount of time with no substantial delays. It would be ideal for deposits to be made within seven (7) days of receipt. In addition, continue the current practice of obtaining and retaining all records showing the member name and amount of dues collected.

Methodology

- A. Examined the EA's disbursements journal for the entire audit period for any disbursements that appeared to be unusual or out of the ordinary.
- B. Reviewed the supporting bills, vouchers, invoices, for all of these disbursements and confirm that they were made for legitimate EA purposes.
- C. Traced employer dues checkoffs to the receipts journal and bank statements.
- D. Located all checkoff statements for the audit period and confirmed that each checkoff check was recorded in EA's receipts journal. Confirmed that the amounts recorded in the receipts journal matched corresponding entries on your union's bank statements.
- E. Confirmed that receipts from all other sources had been properly recorded and deposited.
- F. Located all original receipts for the audit period and confirmed that all non-dues checkoff income (interest) cited on these records matched corresponding entries in the receipts journal.
- G. Traced these entries from the journal to corresponding entries on the EA's bank statements.

Fixed Assets

All EA fixed assets (equipment) were properly accounted for with the following exceptions:

1. The EA did not have a process in place to record fixed assets that were purchased on behalf of the EA.

Recommendation is for the EA to begin recording (make, model, serial number, condition, and disposition) of all EA assets. The EA Treasurer has begun recording all fixed assets belong to the EA.

Methodology

- A. Physically examined all current EA assets valued over \$100. Recorded make, model and serial number of equipment.

Bank Accounts

The EA currently has a standard business checking account (East West Bank), two 12-month term CD's (San Francisco Federal Credit Union "SFFCU"), a 180-day CD (East West Bank), a money market checking account (East West Bank) and a credit union regular share account (SFFCU). Disbursements and receipts were accurately reflected in the Association's records and issued for legitimate purposes, except for the following discrepancy:

1. One of the SFFCU 12-month term CD's and credit union regular share account are in the name of "James Minton." For reference, Minton was a former EA Treasurer. This 12-month CD term ends on April 26, 2016. According to SFFCU records and current EA Treasurer Joseph Driste, the second 12-month CD had also been under Minton's name until its expiration on September 28, 2015. Driste moved the expired 12-month CD into a 16-month CD and transferred it under the EA's name. Driste has already arranged for the current 12-month CD and credit union regular share account currently held under Minton's name to be automatically transferred to the EA's name once the CD expires in April 2016.

Recommendation is for all EA accounts to be properly held under the EA's name.

Methodology

1. Identified all bank accounts, verified their ending balances, and reviewed withdrawals/ transfers.
2. Located and reviewed all bank statements for the audit period. Determined that all withdrawals during the audit period from savings accounts, money market accounts, or certificates of deposit were used for legitimate union purposes.

Labor-Management Reporting and Disclosure Act

The EA appears to be complying with the Labor-Management Reporting and Disclosure Act's provisions for financial reporting, recordkeeping, bonding, and loans with the following exceptions:

1. During the initial stages of the audit, members of the EA Board were not bonded. The EA obtained the bonding services of State Farm Insurance and currently the EA President (Grazzini), EA Vice President (Coelho) and EA Treasurer (Driste) are bonded (fidelity) for the period covering August 12, 2015 – August 12, 2016.
2. Our LM-2 report for fiscal year ending 12/31/2014 has not submitted to OLMS. The Treasurer is currently working on our LM-2 report for fiscal year ending 12/31/2014.

Methodology

1. Confirmed the EA has financial records and meeting/minutes for the last five years.
2. Reviewed financial controls currently in place for the EA.
3. Determine whether financial records were properly maintained.

4. Confirm that all officers or members of the EA who handle funds are adequately bonded.
5. Confirmed that no officers or members of the EA were loaned more than \$2,000 by the EA.

Attachments

1. Fixed Assets Inventory

Signatures

John Foster



Franklin Dickey



BAAQMD Employee Association Fixed Assets - 2014 Audit



1. Toshiba laptop computer
Satellite S55T-B5335
Serial #ZE210777C
Assigned to EA member Ruby World

2. Toshiba laptop computer
Satellite C55-A5388
Serial #4E032987U
Assigned to EA Treasurer

3. WD portable hard drive
WD5000MLC-00
Serial #WXNY088X1065
Assigned to EA Corresponding Secretary

4. Seagate portable hard drive
Model #SRD00F1
Serial #NA7J5KFL
Assigned to EA Vice President

5. Epson DS-510 scanner
Model #J341A
Serial #SQWZ021080
Assigned to EA member Ruby World

6. Acer laptop computer
Model #R3-471
Serial #NXMP4AA01551419C7F7600