
POST AUDIT MEMORANDUM

**KWANTLEN UNIVERSITY COLLEGE
STUDENT ASSOCIATION**

December 31, 2005

***T&W* TOMPKINS, WOZNY, MILLER & CO.**
Chartered Accountants

A partnership of incorporated professionals

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1. Disbursements should be authorized by the appropriate personnel. There is no approval system in place for disbursements. Note that if disbursements are approved by Council, a copy of the minutes approving the expenditure should accompany the cheque requisition.
2. Cheques issued no longer require 2 signatures. We recommend that all cheque issued have at least 2 authorized signatures (3 for amounts over \$5,000) to improve segregation of duties. The cheque signing process can be made efficient by making payments on a regular basis. For example, suppliers are paid on the 15th and 30th of each month.
3. Bank charges and transfers should be recorded on a timely basis so that the Association is provided with an accurate current bank balance.
4. Accounts payable and receivable should be recorded on a regular basis to ensure accuracy of the financial statements.
5. Bank deposits must be recorded on a more timely basis to ensure that the bank balance is accurate and correct. At December 31, 2005, \$285,000 in outstanding deposits had to be recorded in the current and health and dental bank accounts.
6. The bank accounts should be reconciled on a monthly basis and the reconciliations should be presented to the board to ensure that control is maintained. The Treasurer should sign the bank reconciliation to indicate their approval. This is applicable to the general operating account, the health and dental account as well as the capital account. The bank accounts were not reconciled correctly for most of the fiscal year. It also appears that the 2006 bank reconciliations have not been prepared to date.
7. The current bank reconciliation contains a large number of stale dated cheques that have been outstanding for many months. We recommend that the accounting staff review these items to determine if the cheques are stale dated and either reverse the amounts from the accounts or record them as accounts payable, if applicable.
8. General ledger accounts should be reviewed by the Finance Officer/Treasurer on a regular basis to identify misallocations so any corrections can be made on a timely basis.

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9. At the time of the audit, we discovered that certain expenditures (some were large) that were unsupported (i.e., no cheque requisition, no supplier invoice). All disbursements should be adequately supported by the applicable documentation.
10. Certain expenditures had no externally documentation to support the amount incurred (i.e. just a hand written note). Also, all expense reports should be fully completed with the appropriate supporting documentation attached. The expense reports must be approved by supervisors (signing or initialing the reports).
11. Payments to suppliers should not be made from vendor statements but only from vendor invoices. Supplier statements should only be used to reconcile amounts owing.
12. We recommend that when staff members receive goods (i.e. Café Lounge purchases), that they be trained to check the items received against the invoice/packing slip and sign the invoices to indicate their approval of the purchase of the goods. The accounting department should then review the applicable documentation.
13. GST collected and paid must be recorded in the respective GST liability account on a regular and correct basis. In 2005, the GST liability was not recorded. In addition, GST paid should be coded appropriately in order to maximize the amount recoverable. This was not done in 2005. Finally, the 2005 GST return was not filed by the due date, March 31, 2006. In the future, the GST return must be filed before the due date to ensure that no penalties or interest are charged.
14. We found amounts advanced to employees where supporting documents were not turned in nor the excess funds. When an advance is paid to an employee, the amount must be accounted for to ensure that the employee turns in all supporting invoices/receipts and returns the unused cash, if any. The unused cash must then be documented and traced back to a deposit labeled as such to ensure proper coding of the deposit.
15. Bursaries paid out should be subject to an approval system. The applicable documents must include the appropriate authorization.

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16. The daily cash receipts from the Café Lounge should be reconciled to the Z tape (including all voids) and cash over/short balances should be monitored. The cash over/short balances should be included in the cash out summary report and should be recorded in the general ledger. The charge cards and Interac sales were not reconciled to the Z tape on a regular basis during the year.
17. In certain instances, payments made to the Café Lounge by credit cards and Interac were never processed and deposited. These receipts should be reconciled from the cash out summary report to the monthly bank statements for the Café Lounge. It is also imperative that all staff working in the Café Lounge be trained in closing the credit card register at night so that deposits are not lost.
18. It appears that substantial amounts of cash remains in the safe before being deposited in the bank. The cash should be deposited to the bank account on a regular basis.
19. Capital asset acquisitions should be recorded in the correct general ledger accounts (i.e. in the Capital Fund) and amortization of capital assets should be recorded in the accounts on a regular basis.
20. In view of the technical difficulties encountered regarding the safekeeping of the payroll information and the general accounting records, we recommend that backups of the information be made regularly and stored appropriately.
21. The Association should review its filing system. Generally, it was tedious to locate many of the invoices and other documentation.
22. Internal financial statements should be presented to the board on a regular basis to ensure control over the financial activities of the Association. The Association's internal financial statements were not accurate and were not prepared on a timely basis. This is evidenced by the numerous year end journal entries as well as the substantial dollar amounts the entries represented.
23. For the year ending December 31, 2005, the Association incurred a loss of approximately \$352,000 after recognizing a gain of \$49,000 on the sale of long term investments which had previously been written down. In addition, the Association's overall equity has been reduced by that amount to approximately \$326,000 (down from \$677,000). This trend cannot continue as the financial viability of the Association will be impaired.

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24. As at December 31, 2005, the Association has a working capital deficiency of \$209,815 (current assets less current liabilities, adjusted for the demand bank loan). This indicates the Association's ability to pay their debts as they become due has been restricted. The deficiency should be addressed in conjunction with the Association's financial plan.
25. For the year ending December 31, 2005, Café Lounge incurred a loss of \$32,618 before amortization of equipment. The financial results of the Café Lounge must be monitored on a regular basis to ensure the financial viability of the operation. In 2005, sales decreased by approximately \$30,000 to \$110,000. In addition, the gross profit percentage on sales has decreased by approximately 5% to 27%.
26. Various revenue streams, such as Café Lounge, fitness and locker rentals continue to decline. These areas must be reviewed to determine why this is happening.

INVENTORY

27. Inventory counts should be taken periodically and the general ledger should reflect these amounts. This would include the Café Lounge, bus tickets as well as movie tickets. This will ensure that the revenue and expense accounts better reflect the activity of the Association as well as providing accountability for those assets.

Physical counts were not undertaken at December 31, 2005 and if they were, the results were not documented. This was the case even though we had various communications with the Association prior to the year end date.

PAYROLL

28. Substantial severance payments (over \$180,000) were made to employees in 2005. Before any major restructuring of operations are completed, the financial impact of these types of payments must be made.
29. \$7,500 was paid to a former employee for taking on a lesser role in the organization (i.e. a change in duties pursuant to their employment contract). The employee did not take on this lesser role, yet was still paid the \$7,500.

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MINUTES AND MOTIONS

- 40. It certain instances, minutes were not formally typed and approved until many months later. Please ensure that all minutes are typed and approved on a timely basis.
- 41. Copies of all minutes should be kept together in the office for easy access.
- 42. A motions book should be maintained to ensure completeness of the records. Copies should be provided to the Finance Office.
- 43. Motions to approve expenditures should be made BEFORE the related cheques are written.

AUDIT TIMING

- 44. The audit should be scheduled as soon as possible after the year end to ensure that there is enough time to complete the work before the AGM and in order to satisfy the legal requirements of the Association. However, this can only be done if the accounting records are accurate and up to date.
- 45. The audit should be scheduled at a time when the accounting staff can be present to assist in the audit.

INVESTMENTS – CAPITAL FUND

- 46. The transactions in the investments accounts should be recorded on a regular basis and the results of the activities should be reflected in the Association's accounts.
- 47. The Association restructured their investments during the year choosing to invest in a second mortgage and promissory note. As these financial instruments do not become due until early January 2008, the Association's flexibility and access to ready cash has been eroded. We recommend that the Association proceed cautiously when investing the remainder of the funds in order to maintain control over working capital.
- 48. The Association should continue to hold the CIBC investment people "accountable" by meeting with them two times a year to review the rate of return on the respective investment portfolios.

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OTHER

49. The Association provided “prizes” during its 2005 fall membership meeting. The Association must continually take care in deciding how to spend member’s funds. In addition, the Association must ensure that they do not confer a benefit on its members by providing items, such as prizes.

WHERE TO GO FROM HERE

50. The Association cannot incur any further losses similar to those in 2005.
51. The accounts must be updated so they are current and accurate. The Association will then have accurate financial information to make financial decisions.
52. A financial plan must be put in place to assure the Association’s long-term financial viability. In light of the substantial 2005 loss, this should be done immediately.
53. The Association must review the various points noted above so that the system of financial and internal controls can be improved.