

Polish American Congress- Illinois Division
Audit Report of Fiscal Year
March 1, 2009 – February 28, 2010

Of all the meetings held by the committee, there was never 100% attendance by all Audit Committee members.

The Audit Committee consisted of:

Marian Skawski – Chairperson
Gregory Akko – Member
Irene Hercik – Member
Magdalena Kobiela – Member

The most disappointing finding was the fact that usage of the QuickBooks software program was not continued by the newly elected Treasurer the way it was set up by the previous Treasurer. The transition of the assignment between outgoing and incoming treasurer, according to the incoming treasurer, never took place. Due to the difficulties in using the software and lack of hands-on training, the posting and financial reporting was switched to a manual method using excel software.

The monthly reports were prepared based on the Operating Checking Account maintained at Liberty Bank. The balances from the remaining accounts at Liberty bank were included in the summary of the PAC Funds Report. That report also included the Polish American Foundation funds and Certificate of Deposit maintained at the PNA Bank. Our understanding is that each month those two reports were presented at the monthly meetings. There is no evidence of shortages of any funds. (See attachments 1A, 1B, 1C)

The big drawback to using this approach is the lack of a systematic method of accumulating expenses by the categories.

Due to the very limited time available to perform this audit, January, February and March 2010 reports were very closely checked against the operating checking account. The type of expenses was established based on the payments shown on the bank statement and deposits matched the income sources on the monthly report. Both of those documents were in agreement for all verified months. By using QuickBooks software program and printing Profit and Loss Report and Balance Sheet Report the systematic data can be obtained for any specified period of time.

After our initial audit meeting, some of the entries were posted into the QuickBooks software program but the Chart of the Accounts was not followed. The entries were posted as deposits and payments, but this is not sufficient data in order to generate the Balance Sheet and Profit and Loss Report.

Based on findings and observations the Audit Committee is making the following recommendations in order to improve PACIL bookkeeping:

1. Go back to the QuickBooks software program. The data for the fiscal year starting March 1, 2009 through February 28, 2010 should be corrected in the QuickBooks software program, according to the established Chart of the Accounts or leave the way it was entered with the understanding that the breakdown of expenses is not accurate.

Based on the data that is presently posted in the QuickBooks software program, the Balance Sheet was compared with the Liberty Bank Statements as of May 31, 2010 and nothing abnormal was found (See attachments 2A, 2B, 2C, 2D, 2E, 2F, 2G).

2. The 1099 forms for Miscellaneous Income, required by IRS for over \$600.00 income, must be reported, and such reporting is done on a calendar year basis. There are no records about these forms.

3. In regards to the above, the reporting should be changed from fiscal year to the calendar year.

4. The monthly minutes from Board and General Meetings, after corrections and approval by the members, should be placed on the PAC website www.pacil.org, with access for authorized individuals only. Having these minutes the Treasurer and Audit Committee can cross-reference approval of the expenses.

5. The Treasurer should make the payments upon valid and approved receipts only. Each payment should be classified according to the established Charts of the Accounts. To ensure the uniformity in classification, the Chart of the Accounts listings should be readily available for the Treasurer.

6. Monthly operating expenses for the Board members should be included in the expense report and approved by the Board before the check is issued. The expenses included in the report should be posted into the QuickBooks software program by the type of expenses required by the established Charts of the Accounts.

7. The Treasurer should receive a reconciliation report from each event with the supporting documents in order to make the payments and prevent further questions. The expenses included in the report should be posted into the QuickBooks software program by the type of expenses required by the established Charts of the Accounts. The income from those events should be deposited into the operating checking account unless the Board of Directors will direct the funds to the special account. That decision should be recorded in the meeting minutes to avoid arguments after the fact.

8. The record keeping system for all supporting documents must be improved. Practically, it is non existent. There is a need for separate monthly binders including bank statements, deposit documents, cancelled checks and approved invoices, expense reports

and petty cash presented for payments. Presently the supporting documents are not in one central file. They are being kept at the different private locations.

9. All documents should be stored at the place where the organization is registered in a safe cabinet with the excess of authorized Board members only. The documents should be filed chronologically by their subjects.

10. The postings should be entered into the QuickBooks software program on a monthly basis in order to generate and present the Profit and Loss Report at the regular monthly meetings.

11. The distribution of that report should be approved by the Board of Directors.

12. The Membership Account must be reconciled. There was evidence that some of the member dues were deposited into the operating checking account instead into the membership account.

FINAL NOTES:

The Treasurer should watch that the following reports will meet the due dates:

1. Federal Tax Return due on October 15, 2010. Extension was obtained from original due date July 15, 2010.
2. AG-990-IL 2009 Illinois Annual Report due on August 31, 2010
3. Annual Report to the Secretary of State due prior to August 1, 2010.

It is imperative that the above reports for the previous years be located and filed in a safe storage cabinet with the remaining accounting documents. All documents should be centralized.

The Audit Committee thanks the outgoing Treasurer Marek Zelek, incoming Treasurer Halina Bielowicz and outgoing Financial Secretary Stanley Magnuszewski for their time spent with us. We sincerely thank them for providing the supporting documents, which were used to report the above findings.

Respectfully submitted to:

Mr. Casey Chlebek, Outgoing PACIL President

Mrs. Mary Anselmo, Incoming PACIL President

Mr. Frank Spula, PNA President

Marian Skawski
Audit Committee Chair