

2832 S. Ingram Mill Rd, Ste. 104  
Springfield, MO 65804  
Tax & Audit Services

417-868-8989 (Office)  
417-866-1868 (Fax)  
Certified in Missouri & Alaska

To the Board of Directors of  
The Boys and Girls Club of the Ozarks

I have audited the financial statements of the Boys and Girls Club of the Ozarks for the year ended December 31, 2008, and have issued my report thereon dated July 10, 2009. Professional standards require that I provide you with the following information related to my audit.

**My Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated January 9, 2009, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

**Significant Audit Findings**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boys and Girls Club of the Ozarks are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Organization's financial statements do not include any particularly sensitive estimates.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The Organization does not have any particularly sensitive disclosures.

The following are the significant audit findings:

***Cash Management***

During review of the trail balance report disclosing individual expense accounts, it was noted that five accounts totaled **\$2,740.08** worth of bank NSF fees, and interest and penalties for late payments to vendors. A listing of these accounts and balances is attached.

While tracing transactions through the bank statements, it was noted that there were frequent transfers among accounts. The Organization had eleven (11) bank accounts at December 31, 2008. While certain programs require separate bank accounts, the number of accounts the Organization owned at December 31, 2008 appears excessive and places a higher burden on the accounting department for reconciliation and tracking purposes.

Debit cards were also used frequently. Purchases selected for testing appeared to be Organization related, but in several instances backup for these payments was not located.

### ***Loan Activity***

The Organization refinanced its building loan in December of 2008. When I asked about the details of the loan, nobody in administration was able to tell me what the loan balance should have been at December 31, 2008 or provide me details as to why the new loan documents indicated a higher loan balance than the payoff of the old loan should have been. My understanding was the Executive Director was under the impression that additional funds were in a separate bank account available for withdrawal if needed. However, there was no bank statement for any such account.

I requested the loan payment file repeatedly. It was never provided. The loan balance on the audit report is adjusted to the bank's confirmation letter as of December 31, 2008 as the accountant did not produce any documentation relating to payments or the year-end balance of the loan.

### ***Thriftshop Lease***

During the audit it was noted that there is currently no legally binding lease agreement for the thriftshop facility.

### ***Payroll***

Since the Organization uses an outside source for payroll processing and that servicing company does have an annual service auditor's report (SAS 70), I conducted very limited payroll testing. The procedures I used included review of source documents (timesheets) and tracing of those documents into the payroll reports provided to the accounting department from the payroll service company. I noted the following:

1. Individuals do not sign their timesheets.
2. Supervisors do not sign their employees' timesheets to indicate approval.
3. In some instances, timesheets were not present. The accountant indicated it could be that timesheets were maintained at the individual club and not provided to the central accounting department.

## **Difficulties Encountered in Performing the Audit:**

### ***Information Availability***

Prior to the audit, a detailed list of records required for planning and the initial stages of the audit was provided to management. I verified in advance of fieldwork that these items were available and ready for the audit. When I arrived, very limited items were available for testing. There had not even been a financial statement printed. A significant number of documents needed for the audit had to be requested and several were requested repeatedly.

After receipt of the check registers for the year, a sample of checks was selected for internal control and testing. This list was provided to the accountant with specific guidance as to what documents were needed to support the test (i.e. invoices). The sample was left with him to allot time for him to gather the required documents. On two separate occasions, I returned with an assistant for the purpose of completing this test and both times the documents had not been pulled prior to our arrival even though I had called or e-mailed the accountant to verify everything was ready for us before arriving at the club.

Copies of the prior year NAP and YOP audits were requested repeatedly as well and were never provided. While copies are not essential to completing my audit, they are typically requested so I know if there are any issues relating to past audits that were not addressed by administration previously.

**Corrected and Uncorrected Misstatements**

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has will be provided a listing of all such misstatements and such misstatements are reflected as corrected in the audit report.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

I will request certain representations from management that are included in the management representation letter dated July 10, 2009.

**Management Consultations with Other Independent Accountants**

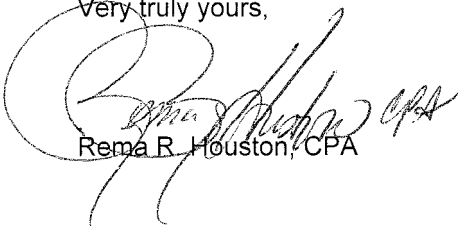
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and those responses were not a condition to my retention.

This information is intended solely for the use of the Board of Directors and management of the Boys and Girls Club of the Ozarks and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Rema R. Houston, CPA

Boys & Girls Club of the Ozarks  
Bank, Credit Card and Other Penalty Charges  
12/31/08

Account Number	Account Name	12/31/2008 Balance
9510	NSF Fees-Penalties	291.50
9540	Interest Exp/Penalties Vendors	<u>2,448.58</u>
		<u><b>\$ 2,740.08</b></u>

Amounts are recapped from the Boys and Girls Club of the Ozarks detailed trail balance as provided by the Organization.

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To the Board of Directors  
and Management of the Boys and Girls Club of the Ozarks

In planning and performing my audit of the financial statements of the Boys and Girls Club of the Ozarks as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered the Boys and Girls Club of the Ozarks' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I believe that the following issue qualifies as both a significant deficiency and a material weakness:

**Accounting Controls Over Thriftshop Activities**

During the course of the audit, it was noted through inquiry of management that the Thriftshop activities of the Organization are subject to virtually no internal control procedures. Control over cash receipts and expenditures as well as day to day operations were managed by one individual with no system of checks and balances. Additionally, per discussion with the Executive Director, individuals are often court-ordered to volunteer as part of a community service program. All individuals working in the thriftshop have access to the register and no daily cash register tape is run for comparison of sales to actual cash received.

This communication is intended solely for the information and use of management, the board of directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

  
Rema R. Houston, CPA  
Springfield, Missouri  
July 10, 2009