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The Members of the Board of Directors and
Management of Chenango United Way, Inc

In planning and performing the audit of the financial statements of Chenango United Way, Inc as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, I considered Chenango United Way's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstance 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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statement will not be prevented, or detected and corrected, on a timely basis. I consider the following deficiencies in Chenango United Way's internal control to be material weaknesses:

Client Expertise in Accounting and Financial Reporting

Management is responsible for establishing and maintaining internal controls, including monitoring and for the fair presentation in the financial statement of financial position, results of operation and cash flows, including the notes to financial statements, in conformity with accounting principles generally accepted in the United States of America.

At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the Organization. Management is as responsible for outsourced functions performed by a service provider as it would be for such functions performed internally. Specifically, management is responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluation of the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requested me to prepare a draft of your financial statements including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements.

The absence of controls over the preparation of the financial statements is considered a material weakness because more than a remote likelihood exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Organization's internal control.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I considered the following deficiencies in Chenango United Way, Inc.'s internal control to be significant deficiencies.

<u>Segregation of Duties</u>

A good system of internal control provides for a proper segregation of accounting functions.

The Organization does not have the proper segregation of duties over cash receipts and disbursements, accounts receivable, and accounts payable. For example, the same person, prepares the deposit, enters them in the accounts receivable subsidiary ledger, and prepares the bank reconciliation. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of error and fraud.

I understand that the treasurer does review the bank reconciliation and cash log, this helps reduce the risk of errors and fraud. I recommend that the board continue to monitor the process especially because the staff size is small.

Prior auditor's significant deficiencies and update based on current audit.

<u>Campaign Packets</u>

Prior auditor noted during their audit that some pledge documentation comes in after corporate packets have been received. During the current audit, I noted updated donation tracker reports added to the file which allowed me to reconcile the campaign package to donation tracker.

<u>Security</u>

Prior auditor noted during their audit that the landlord during and after business hours enters the offices. During the current audit, I noted that management discussed this with the landlord prior to signing the new lease and the issue has been resolved.

During the audit, I also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, that are opportunities for strengthening internal controls and operating efficiency.

<u>Cash</u>

During the current audit, I noticed that since you switched banks holding the technology savings funds the new account earns interest, which was not recorded and the account was not reconciled. I recommend that all bank accounts be reconciled monthly to ensure all activity is properly recorded in the proper period.

During the current audit, I noticed a few transactions near the end of the year were entered in QuickBooks with incorrect date which made the reconciliation not agree to the trial balance. I recommend that additional attention be given when entering dates into QuickBooks, as this is one weakness with the program as the system will use the last date entered.

<u>Allocations</u>

During the current audit, it was noted there is not a consistent policy on how allocations paid to agencies and not spent are handled. Some agencies will return the unused dollars where others have the current allocations reduced. I recommend the Organization adopt a policy regarding how these transactions are handled and consider having a date when funds must be returned by which enables the Organization to reallocate and easily track the dollars.

Technology Savings

During the current audit, I noted there were various discussions on how transactions should be recorded and tracked. I recommend that the Organization adopts a policy identifying if it is an internal tracking process or if it is more formal and represents board designated funds.

This communication is intended solely for the information and use of management, members of 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.

I am available at your convenience to discuss any of the items contained in this letter or any other concerns that you may have.

Sincerely,

Darcy Aldous CPA PC

Darcy Aldous CPA P.C.