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August 29, 2016

Virginia Beach Police Foundation
Attn: Board of Directors
Virginia Beach, Virginia

Re: FYE June 30, 2016 Internal Audit

To the VBPF Board,

In accordance with the VBFP Financial Procedures and Audit Policy (attached), I have caused the internal audit to be performed using the procedures outlined in said policy. Additionally, a proof of cash has been prepared and attached hereto summarizing the organization's cash receipts and disbursements for the fiscal year ended June 30, 2016.

The following items of note were identified:

- Board approval exceeded for memorial cleaning/polishing. Since identification of this issue, the Board has voted to increase approval for this work from \$1,000 to \$2,000.
- Recommend reporting unused "Dedicated Projects" contributions as restricted net assets as these contributions are earmarked for a specified purpose. This recommendation has been discussed with the Treasurer and an account set up accordingly.

Sincerely,



Andrea M. Kilmer
Audit Committee

cc: Linwood Branch, Audit Committee

VBPF Financial Procedures and Audit Policy

The Board of Directors of a charitable organization has a fiduciary responsibility for the proper accounting of the assets of the organization. This document is intended to establish the policies and procedures to be followed by the Treasurer and by the Board of Directors to fulfill this responsibility.

The following practices shall be followed:

- The Board of Directors shall establish an Audit Committee to perform such reviews of the financial records of the organization as it determines necessary to insure the completeness and accuracy of the documents. The Audit Committee shall conduct an Internal Audit annually and at any time a new Treasurer is elected.
- The chairperson of the Audit Committee shall have access to the financial records of the organization, including electronic access to bank account records.
- The chairperson of the Audit Committee shall, at the annual meeting of the Board of Directors, recommend and the Board shall approve whether or not to submit the organization's financial statements to an accounting firm for compilation, review or audit.
- The Board of Directors shall establish an annual budget that reflects the goals and objectives of the organization for the coming fiscal year and the Treasurer shall report monthly on actual receipts and expenditures compared to budget.
- Bank statements for all accounts maintained by the organization shall be mailed directly by the institution to the Secretary and a copy forwarded to the Treasurer for monthly review and comparison to the financial statements prepared by the Treasurer. The Secretary shall promptly advise the President and the chairperson of the Audit committee of any discrepancies noted in this comparison.
- The Treasurer shall prepare monthly Profit and Loss, Balance Sheet and Donor statements for review and approval by the Board of Directors.
- Authorized signers on all bank accounts maintained by the organization shall include the President, Vice President and Treasurer. The President and Treasurer are authorized to hold debit cards on the organization's checking accounts to facilitate purchase transactions as authorized by the Board of Directors.
- The Treasurer shall maintain the financial records of the organization using financial software (currently QuickBooks) approved by the Board of Directors on a computer owned by the organization and which shall be available to the Audit Committee for inspection upon request. The Treasurer shall maintain the

electronic and paper copies of the financial records of the organization in accordance with the organization's Retention of Records policy.

- A majority of the Board of Directors shall approve in advance all expenditures, except that the President and Treasurer may, on his or her own initiative, authorize individual expenses not to exceed \$500 for routine transactions associated with the regular operation of the organization. These transactions shall be reported in the monthly Treasurer's report. Pursuant to the By-Laws, the Executive Committee of the Board is authorized to approve expenditures occurring between meetings of the Board, however, such expenditures shall be included in the Agenda and ratified by the full Board at its meeting which next follows the expenditure.
- The Board of Directors shall annually authorize the preparation of the organization's IRS Form 990, Form 990EZ or Form 990N either by the Treasurer or by an accounting firm selected by the Board of Directors based on the recommendation of the Audit Committee chairperson. The Board shall review the Form 990 after preparation and shall authorize the Treasurer to file the return.
- The Treasurer is authorized to invest cash not needed to meet obligations of the organization in FDIC insured Certificates of Deposits issued by banks approved by the Board of Directors with such maturities that are consistent with the projected cash needs of the organization. The Treasurer shall report all such transactions in his or her monthly report to the Board of Directors.
- In managing the financial affairs of the organization, the Treasurer shall, at all times, follow generally accepted accounting practices and exercise due diligence in the performance of his or her responsibilities.

Items the Treasurer should make available for audit:

- Bank statements for each month of the year with all enclosures
- Year-end and monthly financial statements
- Annual budget with comparison to actual expenditures
- Deposit receipts
- Documentation for all expenditures
- Detail general ledger

To internally audit the books the following should be done:

- Review the bank statements for the year and note any unusual items, items being repeated or large items. Flag for follow up and review of supporting documentation.
- A sample of deposit, bill payment and journal entries shall be reviewed for appropriate documentation, authorization and accuracy.

- The bank statement at the end of the year should be reviewed and re-reconciled by the auditor and matched with the original. As well, any outstanding checks or deposits in transit should be traced to the following month's bank statements to verify they cleared.
- Such other inquiries or reviews as may be appropriate based on the circumstances.

ADOPTED BY THE BOARD OF DIRECTORS:

Michael Prendergast, Secretary

Date: _____

