

DRAFT
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To the Board of Trustees
Four Seasons Park Community Club
308 Alder Lane-Four Seasons Park
Port Angeles, Washington 98362

In planning and performing our audit of the financial statements of Four Seasons Park Community Club as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Four Seasons Park Community Club's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we 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 Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Four Seasons Park Community Club's internal control to be material weaknesses:

Reconcile Accounts to Supporting Documents

In order to make the financial reports generated by the accounting system as meaningful as possible, the Association should reconcile the general ledger accounts for cash, accounts receivable, and accounts payable to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors.

A reconciliation of accounts receivable from the general ledger to the accounts receivable detail ledger should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to or write-offs of accounts receivable have been approved.

A reconciliation of accounts payable from the general ledger to the outstanding accounts payable register should be prepared to determine that all additions to and payments of accounts payable are correctly recorded and to determine whether there are any disputed items.

Other account balances, such as loan balances, fixed assets, etc., should also be adjusted to the correct balances on a monthly basis. These reconciliations and adjustments will ensure meaningful and accurate financial statements.

★ Shift from Spreadsheets back to Quickbooks Software System

At present, the Association is very dependent on Excel spreadsheets to manage the business. All information tracking is performed on Excel spreadsheets.

We believe that the Association needs to significantly reduce the use of external (Excel) spreadsheets and shift back to the Quickbooks software system. Utilizing Quickbooks software system would eliminate redundant processing and improve the Association's access to information. An integrated system such as Quickbooks would mean that invoices would only be keyed into a system once. Analysis and other reviews could be performed on real-time data entry. Additionally, Quickbooks software system would allow security features to ensure that only authorized personnel would be allowed to enter, modify, or change data. Other approved users would have the ability to look up data but not to originate or change it.

A significant deficiency is a deficiency, or a 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. We consider the following deficiencies in Four Seasons Park Community Club's internal control to be significant deficiencies:

★ Improve Segregation of Duties

Internal controls are designed to safeguard assets and help or detect losses from dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the Association's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

- Mail should be opened by an individual not responsible for accounting, Cash receipts could be recorded and the deposit prepared by this person. The cash receipts journal, supplemented by remittance advices, could be forwarded to the accounting staff for postings to the general ledger and detail customer accounts.
- Cash receipts should be deposited intact daily. Holding receipts for a weekly deposit exposes the Association to loss.
- Bank statements, canceled checks, and appropriate advices should be received by someone other than individual maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- Signed checks should also be mailed without allowing them to be returned to the individual responsible for accounts payable.
- Management should review supporting documents for normal recurring disbursements (not usually reviewed) on a spot-check basis. Nonroutine testing would aid in ensuring compliance with Association policy for all disbursements.
- Journal entries should be approved by an employee other than the one who prepared the entry.

★ Use a Checklist of Accounting Procedures

In order to ensure that all accounting procedures are performed on a timely basis, we recommend that a comprehensive checklist be prepared and used. The checklist should cover all procedures that the Association determines need to be performed on a periodic basis including, but not limited to, month end procedures such as bank reconciliations, and general ledger account analysis.

*** Obtain a Written Contract with Outside Service Providers**

The Association uses the services of an independent contractor for general maintenance of common grounds. A written contract for these services could not be located. We recommend that all such arrangements with outside service providers and independent contractors be formalized in a written contract that includes the contract term and

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

Port Angeles, Washington
January 4, 2024