

Boys & Girls Clubs of Central New Mexico

**COMMUNICATION OF
SIGNIFICANT DEFICIENCIES
IN INTERNAL CONTROLS**

December 31, 2020

To the Board of Directors and Management
Boys & Girls Clubs of Central New Mexico

In planning and performing our audit of the financial statements of the Boys & Girls Clubs of Central New Mexico (the Club) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 Club's internal control. Accordingly, we do not express an opinion on the effectiveness of the Club'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 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 Club's financial statements will not be prevented or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 the Club's internal control to be significant deficiencies:

Account Reconciliations

Criteria:

Maintenance of complete and accurate records and preparation of annual financial statements and footnotes with accounting principles generally accepted in the United States of America (GAAP) ensures that timely, accurate and useful information is available to management, those charged with governance and other interested parties. Fundamental to a good system of internal controls is thorough review processes, accurate record keeping of accounting transactions and preparation of accurate account reconciliations.

Condition:

Certain reconciliations were not performed for various accounts, resulting in significant adjusting journal entries to accounts receivable and related revenues, as well as accounts payable and accrued liabilities and related expenses.

Questioned Costs:

None.

Cause and Effect:

An adequate review of significant transactions to ensure proper accounting treatment was not performed for the areas listed above, resulting in differences between the Club's internal accounting records and the audited financial statements. The Club internal accounting records were not kept in accordance with GAAP and additional effort was required to prepare the proper audited financial statements in accordance with GAAP.

Auditors' Recommendations:

Implement effective internal controls that ensures all significant matters impacting the accounting record and financial statements are evaluated for proper accounting treatment in a timely manner.

Management's Recommendations

The Club has implemented internal controls and processes in order to ensure accurate and timely financial reporting. Beginning in fiscal year 2021, the Club contracted a CPA firm to assist with the monthly accounting services for the Club. The firm has a dedicated accountant to assist the Club weekly. Additionally, the Club now utilizes QuickBooks Online, which imports bank transactions directly into the accounting software and allows the Club to match activity with any invoices, bill payments, etc. This ensures accurate and efficient reconciliations. Monthly reconciliations are completed by the Club and presented to the Board of Directors during the monthly finance committee meetings. Management has implemented a process in which the Grant Manager shares grant invoicing information with the accountant, as well as meeting with the accountant monthly in order to provide accurate grant reporting within the financial statements. Additionally, the Club has also implemented weekly meetings with administrative staff, the CEO, and the accountant to discuss any issues or needs for the Club.

Cash Disbursements**Criteria:**

Internal controls over cash disbursements should include both preventive and detective controls to provide a balance of controls both before and after transactions are initiated.

Condition:

Internal controls and processes over cash disbursements consist substantially of only detective controls.

Questioned Costs:

None.

Cause and Effect:

Detective controls identify discrepancies and errors after a transaction has already taken place, without guarantee of correction after the fact. As a result, the current internal control structure over cash disbursements is inadequate.

Auditors' Recommendations:

Implement effective processes and internal controls that ensure that there are proper internal controls over cash disbursements and include both preventive and detective controls.



Management's Recommendations

Management has implemented internal controls in regard to cash disbursements such as, an approval software (ApprovalMax) in which purchase orders and bills are submitted by staff then reviewed and approved by the CEO/management. The software connects directly to QuickBooks Online to ensure that cash disbursements are not made until they have the proper approvals by the respective party. This software also ensures that proper documentation, such as invoices and receipts, are collected and attached directly to each transaction.

The Club's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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

PULAKOS CPAs, PC

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November 19, 2021