Memorandum

CONFIDENTIAL

To: Board of Directors, Gorge Community Foundation

From: McDonald Jacobs, PC

Date: March 18, 2024

Re: Consultation and Recommendations

This memo will serve as a Summary of certain procedures we performed for the Gorge Community Foundation (The Organization). The primary engagement focus included determining the flow of the accounting information and controls currently in place and recommending key accounting and fiscal policies and procedures.

We reviewed processes and procedures for financial close, investment reporting, cash receipts, cash disbursements, and payroll as well as considered selected policies in place. To gain our understanding, we reviewed selected transactions including "walking" through the transaction process from beginning to end to understand who is involved in each step of the cycle and if steps were consistently followed as well as tracing selected transactions to the accounting system or other reports, such as the investment tracking worksheets.

Segregation of Duties

Due to the size of the Organization's staff, there is a lack of segregation of duties and as a result, limited controls in certain areas of accounting function. Ideally, one person should not have control over a physical asset, such as cash, and also have access to the accounting records. While we recognize that complete segregation of duties within an organization of this size is impractical, there are procedures that can be adopted to improve control over the assets of the Organization.

We recommend the following opportunities to segregate the duties:

- Cash disbursements: We understand that the Foundation is moving to utilizing the bill pay services of its bank. While this may improve instances of outside fraud on the bank account, it results in the ability for one person to process payments without a "second signature". We suggest that a simple process be implemented to ensure you can document approval by two signers. When the check batch is set up, provide the detail of planned payments and related support, as needed, to the second signer for review and approval. They can approve via email and that email can serve as your internal documentation of the second signer. Payments processed should match those that are documented as approved.

- Currently, bank reconciliation and reports are provided for access by all board members. We encourage all board members to review, but would also suggest that the treasurer or other designated person, perform a detailed review of monthly bank reconciliation. Reviews should focus on canceled checks to verify vendor names, amounts and authorized signors as well as any electronic transfers, debits, or credits to the account. Old or unusual items should be reviewed and evaluated to ensure follow up is done timely.

- We noted that at times, the bank reconciliation is finalized before final entries are made into the accounting software. We suggest that the bank reconciliation not be finalized until other accounts are reconciled for the month so that all final entries can be captured in the reconciliation.

Payroll
As the Foundation grows and may need to hire additional employees, we recommend the following for consideration:

1. If time tracking will be utilized, consideration of a process for documenting review and approval by appropriate supervisors.
2. A system that tracks paid time off balances within the payroll software.
3. A procedure to formally review payroll reports after processing.

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This summary highlights items noted in our review of the transactions cycles. We would be pleased to meet with management and/or the board to discuss how things may be implemented or other areas as changes in the Foundation arise.