

# REPORT OF THE DEPARTMENT OF GEORGIA

## FINANCE COMMITTEE

MARCH 23, 2023

As required by the Department of Georgia By Laws, the Department Finance Committee submits the following report on the handling of funds and how they conform to the official Budget as approved by the Department Executive Committee and the results of audits of Department financial records.

### CURRENT ASSETS

The Department maintains five (5) checking accounts with Ameris Bank. Three of these accounts belong to the SAL (1508/1519/1530). One account was previously used by GALPA which is an organization that no longer exist but has a current balance of \$3,981. The primary account used for normal checking and deposits (0463) has a balance of \$112,271 as of January 31, 2023. A sixth account is for Boy's State and was not included in our examination as Boy's State is an independently incorporated entity.

**RECOMMENDATION:** The GALPA funds should be transferred to the primary checking account. This account (3512) should be used to deposit loan payments and periodically transferred to a building fund investment account.

The Department maintains several Money Market accounts with Ameris Bank:

5674	\$388,593	building Fund-post 262
0474	259,352	medical research
3613	101,992	HQ operational fund
5569	27,078	Building fund-521/534
5666	75,757	HQ membership
5682	100,253	Building fund-Post 521/534

Total Money Market accounts with Ameris as of January 31, 2023 were \$953,025.

**RECOMMENDATION:** Total funds deposited with Ameris Bank far exceeds the FDIC insurance of \$250,000. A portion of these funds should be moved to an

investment vehicle other than Ameris to insure safety of deposits and where a higher rate of return can be achieved versus money markets.

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In September of 2021 several accounts (HQ membership/HQ operational) were renamed from existing accounts. By Laws define only 3 accounts, Medical, Reserve and Building. These newly named accounts should be defined as to the specific use, the mechanism for withdrawal and any replenishing mechanism. It is the opinion of the Finance Committee that these accounts are unnecessary and redundant. It is the opinion of the Committee that these fund revert to their original use.

The Department has two (2) certificates of deposit with Ameris Bank

0642	\$27,064	medical research
8186	113,389	HQ operational fund

Total CD's is \$140,453.

**RECOMMENDATION** HQ operational fund is a newly named fund with no written guidance as to how or when funds can be withdrawn and creating such a fund is unnecessary and redundant. It is the opinion of the Committee that this fund reverts to it's original use.

The Department maintains brokerage accounts with Edward Jones and Vanguard. Those accounts and the balances as of January 31, 2023 are as follows:

5809	\$307,789	general fund
5643	24,375	label fund
5810	12,468	commander's fund
5811	1,048,892	building fund
5812	74,546	medical research
Vanguard	181,609	employee back up salary fund
Total invested with Edward Jones	\$1,649,679	

**RECOMMENDATION** The newly named employee back up fund is redundant and unnecessary and should be returned to its original classification.

A breakdown of Edward Jones account by asset class as of 7-31-22 is:

Money Market	\$272,221
CD's	673,249
Bonds	542,330
Stocks	18,690

**RECOMMENDATION:** The newly constituted investment Committee is currently analyzing the existing portfolio to determine ways to maximize return on investments.

### LOANS

The Department has from time to time provided monies to post in the form of a loan. Listed here are the known outstanding obligations and the monthly payment requirement.

Post 12	\$2,923	730/mo
Post63	9,663	210/mo
Post 70	41,291	463/mo
Post145	110,380	1491/mo
Post264	11,438	1000/mo
Post 296	47,440	200/mo
Post 505	50,554	100/mo
Post 519	9,505	200/mo
Post 544	14,488	100/mo
Post 577	2923	730/mo
Post 594	40,000	700/mo
Sheriff Road	10,455	property being listed for sale

Total outstanding loans \$356,818

The DEC voted to suspend loan payments at the beginning of COVID and last year voted to eliminate all interest payments on loans going forward. There has been confusion both at the post level as well as at the Department level on the exact status of the loan portfolio. The Finance Committee was asked to evaluate the portfolio in January of 2023. Our findings did not uncover any documentation in the loan folders as to the revised payment structure of the loans once the interest was eliminated from the monthly payments. It also uncovered several instances of payments being made by post but not recorded in the loan folder or post checks actually being deposited as well as copies of checks that could not be traced to a deposit at Edward Jones( where all loan payment checks are sent for deposit).

The Finance Committee reviewed all outstanding loans and attempted to reconcile loan balances. For non-performing loans, there was an attempt to negotiate a payment plan and reach a memorandum of understanding on payment schedules going forward. Payments on the revised schedule were to begin on February 5, 2023. As noted on the above payment schedule, it may take over 40 years for some post to repay their obligations to the Department but an attempt was made for all post be contributing some amount .

Outside auditors ,for the Legion year ending 2021, initiated an allowance for doubtful loans of \$283,236 due to the poor quality of the loan portfolio.

**RECOMMENDATION:** the Finance committee should continue to monitor the loan portfolio to ensure compliance with any memorandum of understanding that has been reached with each post.

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The Department Executive Committee should formalize a policy to deal with nonperforming post which includes authorized actions to protect the interest of the Department, such as placing the nonperforming post on probation and assigning a remediation team to work with the post to affect a better financial condition.

## PROFIT & LOSS STATEMENTS

Per the Department P&L statements, the Department has incurred the following losses:

7-31-19	\$ -157,694
7-31-20	- 43,496
7-31-21	-254,677 ( year auditors charged \$283,236 for bad loans)
7-31-22	-143,953
First 7 mo of 2023	-232,811

Total losses for the previous 4years and 7 months \$-832,631

The previous bookkeeper was scheduled to retire in July 2022. An outside bookkeeping firm was hired to assume the duties of bookkeeper beginning August 2022. It is the understanding of the Committee that there was no one at Dept HQ who had an adequate understanding of the accounting system and the retiring bookkeeper refused to cooperate with the incoming firm. The retiring bookkeeper was retained for several months into the current year as a transition to the new firm. Without cooperation between the two parties, the new firm attempted to set up a parallel accounting system without a good understanding of the needs of the parties who depend on proper P&L statements or the need to track expenses against budgets.

Numerous errors and discrepancies were noted during the audit process. Several examples of budget issues are listed here as examples for the first 7 months of this Legion year.

**50400 Casual Labor \$50,411** There is no budget item for casual labor. We suspect part or all of this is related to the change of bookkeeping personnel. However, in an attempt to verify the expenditures by reviewing the general ledger for specifics, there are no names attached to check numbers. The December 2022 P&L shows continued activity in this account ( \$1220).

**52700 Audit& Accounting \$11,418** This amount is for 7 months. The budget amount for this account is \$9,000 annually. We anticipate billing for

the annual outside audit to be presented in the next month which may take this account over \$20,000.

**53600 office supplies/printing \$73,193** The yearly budget for this item is \$12,000. The general ledger review provided numerous checks with no name. We can expect additional expenses in this account over the next 5 months.

**52445 Van exp/ insurance \$16,683** The budget for this account is \$12,000

**Reconciliation discrepancies \$27,152** No budget item

**61550 AL College \$6924** The budget for this item is \$4000. In reviewing the general ledger, it appears that hotel expenses were either paid twice or entered twice.

**58100 Boy's State \$3798** This appears to be a purchase for Boy's State which should have been paid from Bot's State funds. The Committee could find no evidence of any reimbursement from the Boy's State account. Other items found in the general ledger show funds paid( SAL-AUX) that may should have been paid from others accounts.

**54204/04 Oratorical \$20,600** Budget \$10,550. This appears to be double entry.

**6540 Payroll Expense \$140,268** Budget for this item is \$209,361 annually. Based on \$140,268 expense for 7 months, the average monthly payroll expense is \$20,000. Expanding this to a full 12 months, the annual expenditure may reach \$240,000 which will be \$31,000 over budget.

The Committee's attempt to verify that all expenditures were credited to the proper budget account could not be accomplished. The Committee did find items which should have been accounted for in previous years. They found expenditures that should have been paid from other checking accounts. They found items that indicated they were paid twice. When a General Ledger was requested to verify these items, it was found that a high percentage of the checks could not be identified as to a person(only a check number was indicated) or company. A review of the Vendor summary found that out of total expenditures of \$526,503, \$254,779 could not be identified by name. One vendor was identified only by a dot(.) in the amount of \$20,600.

**RECOMDATIONS:** All data entries, beginning with August 1, 2022, need to be reviewed and properly classified into proper budget classification per the DEC approved budget for 2022-23 .

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With the budget for the legion year 2022-2023, an effort must be made to curb the annual losses. At the current loss rate of \$100,000- \$150,000 per year, we will exhaust our resources in 10-12 years.

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It is important that the accounting system produce a timely P&L ,as well as balance sheet, on a monthly basis which reflects expenditures in the proper account with corresponding year to date data each month.

### **BALANCE SHEET**

The balance sheet contains numerous double entries of assets which has resulted in the net assets of the Department increasing from \$3,896,462 on July 31, 2022 to \$5,237,623 on November 30, 2022. Beyond the need to rectify the mistakes in the current balance sheet, there are several adjustments that should be made to clean up items that the previous bookkeeper had failed to make.

**Deposits in transit (10350) \$3,474.** This transit item has been on the balance sheet going back to 2020

**RECOMMENDATION** Under normal accounting procedures, once the money reaches the bank, the bank account should be increased and the in transit entry decreased. With out doing a deep dive into this entry's history, a journal entry should be made eliminating the in transit amount and charge the loss against retained earnings.

**Assets of Defunct Post (19000) \$34,500.** In questioning HQ staff, it is not known what these assets are, if they exist, what they are if they exist or where they are if they exist.

**RECOMMENDATION** Account 19000 did not exist on the July 31 2019 financial statement. It first appeared on the July 31 2020 statement in the amount of \$49,500. There have been recent transactions indicating the possibility that this

can be resolved. If the HQ staff is unaware of their origin, a search of the accounting records contained in the computers should help unravel the origin. It is our understanding that the computer used by the former bookkeeper is still in existence but that the former bookkeeper maintained all data on a flash drive which he retained personally. It is the opinion of the Finance Committee that an attempt should be made to reconcile this account. If unable to reconcile, the account will need to be written off against retained earnings by journal entry.

**Due to Reserve (25500) \$42,534.** This represents an IOU from the general fund that is owed to the Reserve fund.

**RECOMMENDATION** A transfer of funds should be made from the general fund into the reserve account. A review of financial statements going back to 2018 found that there have been no actual payments into the reserve account. Most likely this IOU was created as an alternative to actually depositing funds into a reserve account as required by the By Laws . It is recommended that this IOU be paid into the reserve account and properly invested. Records indicate in 2018 the IOU was \$41,849. This indicates that an additional \$8,600 needs to be transferred into the reserve fund representing the past 4 years where no contributions have been made to the Reserve fund.

**Due to building fund (25600) \$55,243.** This represents an IOU from the general fund that is owed to the building fund.

**RECOMMENDATION** The genesis of this account is unknown. \$42,224 goes back to 2018 and perhaps beyond. A transaction to the account occurred in 2022 in the amount of \$13,019 and should be identifiable bringing the total to \$55,243. This account identified as an IOU owed to the building account would indicate that perhaps money received which should have been deposited into the building account were instead deposited into the general account. It is recommended that funds be transferred from the general account into the building fund for proper investment.

**Due from Medical research (25700) \$3,000.** This represents money that is due to either the building or reserve fund. It can't be determined to which account it should be paid without additional research.

**RECOMMENDATION** This amount has been on the books since 2018 and perhaps beyond. The general nature of this transaction indicates funds were improperly credited to the Medical research fund but it is unclear to which account they should be returned. It is recommended that a journal entry be used to remove this item and charged against the building fund.

**Due from fixed asset fund (25400) \$6,689.** This represents money due to either the building fund or reserve fund. It can't be determined which account without additional research. Also there is no fixed asset fund.

**RECOMMENDATION:** This account should be resolved in the same manner as the Medical Research account. This account amount goes back to 2018 or perhaps beyond.

**Advances to post (12900) \$24,136** This account is active and varies from year to year. But there is no documentation as to whom advances were made , for what purpose and as to any classification or repayment agreements.

**RECOMMENDATION** Any advance to a post should be documented in much the same way as a short-term loan, to include purpose of the advance, nature of any repayment and any other details that would facilitate the tracking of the transaction.

## **TRAVEL STATEMENTS**

The Committee attempted to review travel statements to insure a proper accounting of travel funds. We were provided with a few copies selected by the bookkeeping firm. Of those we found inconsistencies in mileage rates being applied. There were also questions concerning what constitutes authorized travel. Our efforts to go further into this analysis were complicated by the process of data entry. Our understanding is that travel statements are either sent or copied and sent to the outside bookkeeping firm where they are entered into a virtual filing system. To do additional investigation, the Committee would need access to the virtual filing system or access to any hard copies that might exist. Request for both have been made.

**RECOMMENDATION:** The Committee should be given access to either hard copies of travel statements, if they exist, or access to the virtual files.

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The Department should maintain a policy manual containing all current Department Policies and such documents should be posted on the Department web site so that all members are aware of current policy.