



Audit Report Executive Summary

To: Board of Directors
 Cc: None
 From: Internal Audit Committee: Rajani Maddi, Santosh Kunala, and Krishna Mullangi
 Date: December 19, 2017

Financial Management - Receivables

Level of Risk	Trend of Risk	Audit Opinion
Low	Low	Marginal

Financial Management – Disbursements

Level of Risk	Trend of Risk	Audit Opinion
Low	Low	Marginal

1. Background:

SV Temple, Colorado a Non-profit Organization provides Hindu religious services as per Vedic traditions and fulfills the cultural and spiritual needs of devotees by promoting Classical music, dance, art, scriptures and meditation. To fulfill these needs and services to the members, the temple collects donations in multiple forms.

In 2Q 2017, the Internal Audit Committee members listed above completed the audit and made the following observations identified potential opportunities for improvement.

1.1. Scope:

The Scope of audit is limited to the activities limited to Financial Management only. Any activity that is not related to Financial Management is excluded from the scope. These activities related to financial management is separated into two categories that include (1) Receivables and (2) Disbursements.

2. Receivables:

The Audit team observed that donations are received in four forms. These include; (1) Hundi Cash (2) Donations from Services (3) Donations from Annapurna and (4) Online.

The following diagram provides an overview of different modes of donations received by the temple.



Fig 1: Donations Received by the temple

Hundi Cash: The cash deposited by the devotees both at the main and down floors including donations offered in the Aarati plate.

Donations for Services: Donations offered by the devotees for numerous services received from the temple. Majority of these donations are collected through Credit card with a small percentage paid by Cash. This is collected at the counter in the temple. The cash collected at the counter also includes donations for Laddu prasadam offered at the counter.

Annapurna: Donations offered by the devotees for receiving prasadam at the dining hall.

On-line: Donations collected on-line by the temple’s website. This is collected by PayPal and directly deposited in the Bank account.

3. Disbursements:

The Audit team met with Treasurer briefly in 4Q 2017 and made the following observations. These observations are based on limited audit and full audit of the transactions has not been completed due to schedule availability.

The treasurer focuses on (1) Expense Reimbursement (2) Recurring Expenses and (3) Other payments as applicable.

The following section summarizes the Audit team opinion through the observations made during the audit.

Level of Risk: *Low*

Receivables: As majority of the funds collected through credit cards, the amount is documents and was reconciled with Parakamani. The discrepancies identified were not significant in dollar volume. Therefore, the risk level for Receivables is Low.



Disbursements: Based on the limited audit performed, the risk is *Low*. However, it is suggested to complete the full audit to gain full visibility to all transaction audit. The opinion is *Marginal* based on the observations and limited audit performed.

Trend of Risk: *Low*

Receivables: If the Cash receivables stay at the current levels of less than 25% – 30% of cash relative to the total receivables, the risk is lower. However, if the Cash % is increased over the years, then the risk level will need to be revisited.

Disbursements: The Treasurer has the right procedures in place to continue the operation successfully without impacting temple budget negatively. While there are minor opportunities for improvement, these would not impact the operations and would not add significant value. Therefore, the trend of risk is low.

Based on this information the trend of risk is Low.

Audit Opinion: *Marginal*

SV Temple, Colorado has implemented decent level of processes as it relates to Receivables. However, the Audit team has observations related to the following activities that are best if addressed in a timely manner which eliminates unknown risk for the Board. These observations include:

1. Duplicate Data entry at the cash counter and Parakamani
2. Foreign Currency Conversions
3. Expense reimbursement timeline
4. Clarification on Discounts offered to the services or in receipts
5. Tax receipts generated for Services
6. Integration between POS and Oracle – Parakamani
7. Prasadam Donations & Entries in to the system
8. Daily Closing balance not reconciled when cash is deposited into the safe

Board Response: Management thanks Internal Audit for its report and believes this is a fair assessment of the Financial Management Activities.

Board has made improvements since the last two years and committed to make additional improvements as the budget and schedule allows.



4. Observations

The following section describes the observations made during the audit with specific examples as applicable.

4.1. Receivables

4.1.1. Duplicate Data entry at the cash counter and Parakamani

The donations received for services at the cash counter are manually re-entered into the Parakamani for the balance to be reconciled between both the system. While the team is doing a great job, the manual dual entry is prone to introduce increasing risk and transition occurs to the roles.

Therefore, it is suggested to eliminate the dual entry enabling integration between Cash counter and Parakamani. In addition, explore opportunities to eliminate manual entries which is shown potential for inconsistencies and incorrect entries.

There is a likely hood for the money to be lost over the years due to incomplete Knowledge Transfers to future members and volunteers.

4.1.2. Foreign Currency Conversions

It has been observed that foreign visitors deposit other national currency in the Hundi's. The Audit team identified the currencies deposited as Indian Rupees, UK Pounds/Euros, and South African Rand's. Some of the currency has been with the Finance team for little over 6 to 9 months.

Current procedures enable to convert these currencies once certain amount or volume has reached. While this approach is sufficient currently, there is an opportunity to determine a frequency for these deposits either once a quarter, Half-year, or annually as best possible by the Finance committee. This critical when the foreign nationals demonetize the local currencies as India did in Q4 2016.

4.1.3. Expense reimbursement timeline

SV Temple has procedures in place to reimburse for expenses incurred by the volunteers/members in place. These procedures require the volunteer/member submit a receipt requesting reimbursement from the Finance team.

It recommended to clearly document and with definite timelines for reimbursements. It was observed that some volunteers request reimbursements after 3 months. As a best practice, it is suggested to define a timeline and complete the reimbursements in less than 30/60/90 days as practically possible by the Finance team.

4.1.4. Clarification on Discounts offered to the services or in receipts

The Temple encourages members to offer partial donations to certain services like Annadanam. These services require minimum amount to be donated to recognize sponsor as a donor. In cases, when the sponsor does not contribute minimum amount required for the service, the system discounts the difference and accepts the partial contribution made by the sponsor. However, the receipt does not clarify the discount in detail leading to potential confusion for future members when a reconciliation or an actual audit is performed.



It is recommended to clarify the discount with specifics rather than simply inputting DISCOUNT in the receipt.

4.1.5. Tax receipts - Receipts sent to donations from 501c (3) accounts

Certain members in the community have 501 c (3) accounts maintained by financial organizations like Schwab's. These members donate to the temple through these accounts. While the members are taking tax deductions annually by contributing to these accounts, temple has an opportunity not to distribute tax receipts for such donations.

While the risk is on donor, temple is enabling the donor to take multiple deductions or at least transfers the risk of tax liability to the donor. It is suggested not to send a tax receipt for such donations. At a minimum, there should be well documented guidelines for such communications either in temple by-laws or operating guidelines.

4.1.6. Integration between POS and Oracle – Parakamani

Currently, there are multiple entries made for donations received from community members at the cash counter in the temple. These include an entry at the time of a service or product is offered for collecting donation and another entry by the Finance team into Parakamani. These entries are done for record keeping in Parakamani as well as reconciliation purpose. The entries into Parakamani are not made immediately either.

As these are manual entries, there is a potential for errors in either of these systems introducing additional manual work for volunteers to reconcile.

The Audit team learned that the temple has in their plans to integrate these two systems eliminating the manual entry into Parakamani.

It is recommended to expedite the integration fast and complete it sooner to realize better benefits sooner.

4.1.7. Prasadam Donations and Entries in to the system

Devotees offer donations for Laddu Prasadam offered at the cash counter inside the temple. Whenever a donation is made towards Laddu Prasadm, the volunteer receives the donation either in cash or credit receipt. These donations are entered in bulk under one transaction. Sometimes, a donation receipt is not printed for the devotee introducing an opportunity for discrepancy.

In addition, the audit revealed that there is an opportunity to introduce reconciliation process for Laddu offerings. Lack of the planned process and not printing the receipt for every donation received could lead to potential loss of revenue.

It is recommended to explore options to define a process along with printing a receipt at the time of donation receipt mitigating the unknown risks.

4.1.8. Cash drop mismatches in safe

The current process for cash drop in the safe is done in the temple. Cash is dropped by two counts (1) from the front desk counter on located main floor (2) Annapurna committee drops the cash at the end of each day.

4.1.8.1. Cash handling process at the main counter



Per the current process, a daily log book is maintained and manually entered by the volunteers. The process expects that the volunteer verifies the closing balance of previous day before signing on to the daily service. And at the end of day the volunteer is expected to count the cash received, package it with a daily report from the system leaving \$100 closing balance for the following day at the counter and drop the rest of cash in the safe. While the process is defined to serve the purpose, it is expected to work as planned. However, due to the manual activities involved in verifying the daily log book, printing closing balance, and packaging the cash to drop with a receipt for the given day quite a few inconsistencies have been identified by the Audit committee. A few examples include: (a) Log book doesn't have 3 entries for August 7, 2017 making it difficult to understand the cash transactions for the given day. (b) Closing balance not reconciled to the cash dropped (c) zOut closing report not reconciled to the cash dropped by the volunteer.

Considering that cash is directly handled and manual nature of the transactions, the committee believe that there is significant opportunity for cash to be lost. It is strongly suggested to automate close and open balance through the system eliminating the manual entries.

4.1.8.2. Annapurna Committee

Annapurna committee follows the same process as the counter by dropping daily cash balance with a date on the package dropped in the safe. The Audit committee found a discrepancy for 8/5/2017 with the cash dropped and the entry in the note of the package.

It is suggested to explore automation opportunities for daily report from Annapurna committee as well.

In addition, the cash drop mismatches, manual entries are made by the finance committee into the Parakamani and volunteer at the cash counter. These include an entry at the time of donations received for services and products offered and another entry by the Finance team into Parakamani. These entries are done for record keeping in Parakamani as well as reconciliation purpose. The finance committee spends significant amount of time to enter and reconcile these manually. As it is highly manual, it is suggested to integrate both cash counter and Parakamani eliminating manual errors and using volunteers time efficiently.

4.2. Disbursements

The temple maintains the following bank accounts through which all disbursements are performed:

1. First National (Formerly known as Sun Flower) bank
 - 1.1. Deposit Account
 - 1.2. Loan Account
2. US Bank

4.2.1. Account Usage

1. Deposit Account: All incoming cash and donations are deposited in this account. Payments are also made using this account. This is the primary account where all transactions are taken place for the Temple. All cash deposits into these accounts are verified by Finance Committee chair through monthly bank statements sent by treasurer.
2. Loan account: It is a reserve account. Whenever there are reserves, savings are deposited into this account. Contributions for Specific donations are also saved in this account. The temple is aiming to have 1.5 month reserves in this account. Currently, they are about a month worth of savings in this account.



3. US bank: No activity has been observed by the Audit team during the months of August, September, and October in 2017.

4.3. Expenses

The expenses are categorized into the following three categories:

1. Adhoc Expense reimbursement – These expenses are adhoc and reimbursed through a form. The requestor submits a form that will be approved by the respective authorities before they are reimbursed.
2. Recurring expenses – These expenses are recurring monthly expenses that include, Utilities, Phone Payment, Rentals, and other related expenses.
3. Loan payments – These include mortgage payments and private loan reimbursements.

Automatic payments have been set up for standard expenses like Mortgage payment. Any payments more than \$2500 is reimbursed through checks. No payments are made without an approval. The approvals are stored in e-mail and cloud by the treasurer.

The following observations were made by the Audit Committee team. We suggest exploring opportunities to reduce cost on the following expenses:

1. Review Land loan contracts and agreements to ensure future certainty and no surprises are existing for any unexpected expenses.
2. Long term loan documents – These documents may have written at the time of origination or renewal and has an opportunity for surprise expenses. It is recommended to verify these documents as well.
3. CPA expenses – Temple is paying \$460 per month to CPA. The Audit did not have an opportunity to get into the details of services received by CPA. At its face value, this expense presents an opportunity to review the services received by CPA and explore options for potential savings.
4. Mass marketing emails: During the brief conversation, an opportunity was identified to explore options for Mass communication e-mails to save the effort from volunteers and cost for the temple.

5. Distribution List:

This report has been distributed to the following members:

Board of Directors – SV Temple, Colorado
Rajani Maddi – Internal Audit Committee Member
Santosh Kunala – Internal Audit Committee Member
Krishna Mullangi – Internal Audit Committee Member