



ALBUQUERQUE
COMMUNITY
FOUNDATION

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MEMO

To: Board of Trustees
From: Michelle Dearholt, Audit and Risk Management Committee Chair and Tom Daulton, Finance Committee Chair
Date: December 7, 2022
Re: Audit Internal Control Finding Follow Up

As noted in the financial statement presentation at the Board meeting on September 27, 2022 the audit firm of CRI noted six internal control findings. Trustees asked the Audit and Risk Management and Finance committees to work with Foundation staff on a plan to address these issues. We have been meeting with staff to come up with a plan, which was presented to the Finance Committee at its November 17th meeting.

Staff have developed a formal checklist for month, quarter and year end closes. They have added specific steps to address each finding. As part of the Finance Committee Chair's duties to review financial statements with staff, the Chair will also begin reviewing these checklists to ensure they are being followed.

After reviewing this plan we feel that it is an appropriate response to these findings and will allow staff to correct these issues. We would be happy to speak with any Trustees about this plan if so interested.

Albuquerque Community Foundation
End of Month Procedures

Month:

Preparer	Date	Reviewer	Date Reviewed	Procedure
				Reconcile Cash - ACF (Finding 3)
				Reconcile Cash - ACF Holdings (Finding 3)
				Reconcile Cash - HCB (Finding 3)
				Reconcile Cash - US Bank Money Market (Finding 3)
				Reconcile NMCT
				Reconcile Investment Pool
				Process Revenue Share
				Prepaid Expenses Entry
				Department Budgets (Burn Rate Analysis)
				Review AP List to verify all have been paid (Finding 3)
				Reconcile Balance Sheet Accounts (14000 - 16500)
				Profile Duplicates (Stripe Donations)
				Prepare Gift Reconciliation - "Thank You" letters sent
				Reconcile Balance Sheet Accounts (14000 - 16500)
				Department Credit Card Reconciliations
				Review all non-grant checks over \$15K for dual approvals

Finding 3: Management should reconcile underlying aging reports to financial statements and review account balances and bank reconciliations for unusual items. Dates of vouchers should be reviewed for accuracy

**Albuquerque Community Foundation
End of Quarter Procedures**

Quarter:

Preparer	Date	Reviewer	Date Reviewed	Procedure
				Depreciation Entry Dennis Fund (CHAM)
				Depreciation Entry HCB
				Depreciation Entry ACOP
				Depreciation Entry Hammersley House
				Reallocate Partners to ACOP (41030 & 41050)
				Hammersley House Designated Fund Fees (Double Entry ACOP)
				Prepare entry to Adjust FMV of CRUTs
				CRT Present Value (Finding 6)
				Trial Balance (Finding 2)
				Prepare HCB Payable Intercompany & Agree to GL (12200)
				Run TB for Intercompany account, should have zero balance (12210)
				Run Trial Balance for HCB
				Run Trial Balance for ACF Holdings
				Statement of Financial Position
				Statement of Activity
				Budget to Actual (ACOP)
				New Fund Report - review agreements & charge fee
				Run Aging Report (Finding 4)
				Prepare Journal Entry Listing
				Prepare entry for Manual Management Fees

Finding 2: Management should review net assets on financial statements and implement procedures so that prior year numbers do not change.

Finding 4: Management should review accounts receivable and update internal processes to ensure that when receivables are received, they are not recorded as new revenue

Finding 6: Distributions from CRUTs are not common, but management should ensure agreement are followed in the year of the distribution.

**Albuquerque Community Foundation
End of Year Procedures**

Year End:

Preparer	Date	Reviewer	Date Reviewed	Procedure
				Sweep Impact Investment Interest to Revenue Share
				Review 11103 & 11104 Undeposited Cash/Checks (Finding 1)
				Review deposits in January of the following year for amounts needed to be recorded as a receivable. Monitor deposits over \$20,000 through the audit. (Finding 1)
				Review Accounts Payable and Grants Payable for appropriate date (Finding 3)
				Gift Accruals (i.e. gifts over \$100K) (Finding 1)
				Review checks in January of the following year for amounts needed to be recorded as a payable. Monitor checks over \$20,000 through the audit. (Finding 6)
				Run YTD GL for In-Kind Contributions & Expenses. Balances should equal (52376 & 41100)
				Estimated Annual Taxes
				Complete CRI Tax Spreadsheet
				Review Inactive Funds - no grants w/in two years
				Review Funds to Close
				In March download investment manager statements for the prior December and adjust endowment valuation via a topside entry. Monitor outstanding investments through the audit and provide auditors with adjusting entries as needed. (Finding 5)

Finding 1: Management should review undeposited items and record receivables for contributions not yet received

Finding 3: Management should reconcile underlying aging reports to financial statements and review account balances and bank reconciliations for unusual items. Dates of vouchers should be reviewed for accuracy

Finding 5: Valuations at year end should be reviewed and the underlying support reviewed to ensure the timeliness of the information being relied upon.

Finding 6: The Foundation received a distribution from a CRUT near year end. The agreement stated that 50% of the distribution should be paid to other organizations. This was paid by the Foundation in 2022 but was not accrued as a grant able at year-end.



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To the Board of Trustees
Albuquerque Community Foundation and Subsidiaries

In planning and performing our audit of the consolidated financial statements of Albuquerque Community Foundation and Subsidiaries (the Foundation) 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 the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation'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 deficiencies in internal control listed on the following pages to be significant deficiencies.

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

Carr, Riggs & Ingram, L.L.C.

Albuquerque, New Mexico
September 27, 2022

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	CD = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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ITEM	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
1	SD	Cash/ Receivables	During testwork over cash and receivables, we noted that \$1,044,851 of contributions receivables at year end were incorrectly posted as undeposited cash.	Management should review undeposited items and record receivables for contributions not yet received.	Management is redoing accrual review at year-end as these items should have been accrued for instead of recorded as undeposited cash.
2	SD	Net Assets	During our audit procedures over net assets, we noted that preliminary net assets did not roll from prior year in the amount of \$23,330	Management should review net assets on financial statements and implement procedures so that prior year numbers do not change.	Management incorrectly recorded an audit adjustment from 2020, resulting in this difference.



ITEM	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
3	SD	Outstanding checks in bank, Accounts Payable, Grants Payable	Beginning accounts payable was negative. Audit procedures revealed that the Foundation inadvertently created vouchers for grant distributions at year end that were not actually paid until 2022. As a result, nonexistent checks were posted to the ledger and included in bank reconciliation. Accounts payable understated by \$504,817, erroneous outstanding checks in the amount of \$381,069, and grants payable overstated by \$118,505.	Management should reconcile underlying aging reports to financial statements and review account balances and bank reconciliations for unusual items. Dates of vouchers should be reviewed for accuracy.	Management is redoing accrual review at year-end. There was a misunderstanding of how these entries were automatically calculated in the accounting software which was not caught by management. This is being corrected moving forward.
4	SD	Receivables	Items included in AR and Fees receivable were already received during the year. \$27,824 in A/R and \$58,667 in (interfund) fees receivable and related revenue was adjusted.	Management should review accounts receivable and update internal processes to ensure that when receivables are received, they are not recorded as new revenue.	Management is redoing accrual review at year-end.
5	SD	Investments	The valuation for investment Quantum did not match actual value at year end.	Valuations at year end should be reviewed and the underlying support reviewed to ensure the timeliness of information being relied upon.	Quantum valuation was not available when YE entries were prepared. This is an ongoing timing issue for the Foundation.



ITEM	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
6	SD	Charitable remainder trust	The Foundation received a distribution from a CRUT near year end. The agreement stated that 50% of the distribution should be paid to other organizations. This was paid by the Foundation in 2022 but was not accrued as a grant payable at year-end.	Distributions from CRUTS are not common, but management should ensure agreements are followed in the year of the distribution.	Management is redoing accrual review at year-end.