

## **Monmouth Boat Club Audit -2017**

**Audit Committee:**   **Dave Ottignon, Chairman**  
                              **Brian Steib**  
                              **Chris Henkel**

In 2016, the Audit Committee (AC) defined its scope to review the financial statements and operating processes of Monmouth Boat Club (MBC). Being that our financials and reporting processes were in order, the 2017 audit scope was defined to include a review of the administrative management of MBC, its capital assets, insurance, and technology applications. In addition, the AC was tasked with performing due diligence for an independent external audit review of the club's finances.

The AC audit was completed by meeting with the Commodore, members of the Ways and Means committee, and the club insurance supervisor. Discussions revolved around managing the business side of the club by MBC volunteers. Each official role requires a significant commitment of time and dedication to ensure orderly operation of the club. From the outset, the AC realized that the individuals in key supervisory roles perform their functions admirably for the benefit all club members.

The following is a summary of the AC's findings:

### **Administrative Management of MBC**

- The organizational structure of the club lacks transparency as lines of authority are unclear, and not adequately documented within club organizational documents. There are a number of committees covering facilities, boats, way and means, IT, and audit. The flow of accountability between these committees, officers, and supervisors is blurred with multiple individuals serving in various roles, and a lack of a clear organization chart and detailed definitions of roles in the by-laws.
- There is a lack of defined succession planning for key officer roles. This particularly applies to the Financial Secretary and Insurance Officer, positions which require specific skillsets and institutional knowledge of the club that cannot be readily replaced.
- Club records retention processes are informal and lack uniformity across management roles. Officers and supervisors share access to an online drive to store documents for their respective areas. Some documents are not securely maintained on a dedicated club system. A club safe deposit box is in place, but has not been inventoried/maintained in years. Key areas of risk are tax returns, insurance records, and an inventory of club assets.
- There is no clear evidence of a monitoring framework to track action items discussed in meetings, and reports from the Board of Trustees and AC. We noted that items discussed in prior years are not uniformly addressed in a timely manner, with some items being completely overlooked. A uniform monitoring system would provide a platform to identify action items; assign accountability for addressing those items; tracking status towards completion/next steps towards completion; and providing commentary supporting decisions to address, reject, or take other action towards these items.
- Repairs and maintenance to club assets get done, but not necessarily under supervision of the committee, officer, or supervisor responsible. Members have a tendency to take ownership of tasks, with the thought of saving the club money, without following established protocols. Concern arises related to full disclosure of activities related to club assets, and insuring that appropriate approvals, permits, insurance, and any other documentation are obtained prior to completing the work. Certain

improvements in particular, require proper proof of insurance to prevent voiding club insurance policies.

- Officer transitions are difficult as access to the club's information technology systems are not easily accomplished. Administrative rights are delegated to club systems, however, the process for transitioning documents and access is not intuitive.

### **Capital Assets**

- The Board of Trustees is responsible for maintaining the inventory of the MBC's assets. An Excel worksheet inventory documents the contents of the MBC safe deposit box. The last time this file was updated was around 2014/2015. The file is stored on a thumb drive in the MBC safe deposit box, and a copy was provided to the AC by the Financial Secretary. A short scan of the inventory noted that some items may relate to assets no longer in the club's possession. Further, discussion with club officers noted that current copies of boat registrations and other key documents for club assets may not be stored in the safe deposit box, or other consolidated secure location (e.g. a safe in the clubhouse).

### **Audit**

- The by-laws state that the club should procure an external audit every three years. The AC contacted two independent public accounting firms to inquire about the interest, scope, and cost to perform an audit. One of these firms was willing to discuss our needs but was not interested in the assignment. Based on our discussions with the other firm:
  1. No formal written proposal was provided, but the cost would start around \$6,000.
  2. The scope of the audit needs to be defined as the firm would be preparing certified financial statements
  3. The purpose for obtaining the external audit would be needed. and
  4. The audit would occur during the summer when business is slow.

### **Insurance**

- The cost of insuring the club and its assets is our largest expense at \$36 thousand a year. The existing policy from Chubb is all-inclusive, covering all the club's needs.
- The clubhouse and grounds are insured for a value of \$1,186,230, based on the cost methodology and BOMA (Building Owners and Managers Association) tables. The insurance supervisor calculated an estimated value at origination of the insurance policy. Chubb evaluated the calculation, accepted what was provided, and adjusts the facility's value upwards each year.
- The insurance policy is approximately 350 pages, and is maintained in the insurance supervisor's office along with all accompanying insurance claim documentation.
- The insurance supervisor devotes a significant amount of time and effort chasing requests for certificates of insurance from contractors working at the club, and renters of the club's facilities. In addition, the AC was notified that not all boat owners using the mooring field provide copies of their insurance along with membership forms, as required. Failure to provide appropriate proof of insurance poses risk to voiding the club's insurance policies.

### **Audit Committee Recommendations:**

- Form a joint committee to decide on long-term plans with the Ice Boat Club. Committee members should not be dual members of both clubs. ***This is a repeat recommendation*** that was also made in 2003, and is a critical ongoing point of discussion for the future of the club. No clear progress has been made to date.
- Invest in the modernization of the club's IT infrastructure to make the officer and supervisor roles less cumbersome. Follow-up on initiatives discussed during recent membership meetings related to automating the membership management system. Evaluate ways to improve and enhance club race management and scoring.
- Clearly define the club's organization structure through enhancements to the by-laws, and define how committees interact with their respective officer(s). An organizational chart to document lines of authority/accountability for club management from officers to committees and supervisors would be beneficial to enhancing transparency over the management of club affairs for the full membership.
- Develop an action item tracking worksheet to monitor progress towards addressing action items from general meetings, audit reports, and Board of Trustee reports. This would aid in promoting timely action to address items discussed in meetings, and provide a clear platform for all officers, supervisors, committees, and members to understand the club's needs and goals.
- Periodically solicit new pricing from multiple insurance providers to substantiate and support club insurance costs. The club benefits from our current insurance supervisor being an insurance agent. However, pricing should be evaluated by the membership on a periodic basis to promote discussion and ensure insurance policies meet the dynamic needs of a changing club.
- The Board of Trustees must review and update the inventory worksheet so that the club has a current understanding of existing assets. In addition, the club's safe deposit box should be periodically inventoried and reconciled to the club asset inventory worksheet. Old/dated documents should be removed, and appropriate new documents should be secured. Current registrations and legal documents for club assets should be consolidated and secured in either the club safe deposit box, or a secure location within the clubhouse.
- The membership should consider obtaining an independent appraisal of the club facilities. Understanding the current value of the facilities would aid in discussions surrounding capital improvements to the club, emergency management plans/contingencies for raising the clubhouse, and insurance pricing.