

Michael D. Durick
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April 27, 2009

Morro Bay Friends of the Library
625 Harbor St.
Morro Bay, CA 93442-1905

Re: Review of Books and Records for the period January 1 to December 31,
2008

To Whom It May Concern:

I have examined receipts and expenditures, bank statements, tax returns and changes in fund equities (including the Building Fund) for your organization for the calendar year 2008.

This review has been conducted without the benefit of soliciting outside verifications and I relied solely on the documents presented to me with the request for review.

I have found no material discrepancies within the records but did discover a few deficiencies that merit your attention. There were two occasions of reimbursements without the usual documentation: Check 1883, May 8, 2008 to Ric Deschler for the Teddy Bear Tea, undocumented amount of \$38.44 and Check 1940, December 7, 2008 to reimburse Jude Long for the purchase of two chairs while the records contain a receipt for only one chair.

Another minor discovery that you may want to address deals with staff reimbursements. I noted several instances where sales tax was ignored by the claimants either to their disadvantage or in one case to the disadvantage of FOL. These are not significant amounts of money, but I have notes on the occurrences and amounts if you should desire to address them.

Again in 2008 your revenue has exceeded budgeted expectations and contributed to a growth in your cash reserves. As the organization approaches the \$300,000 mark in net assets, it would be probably be prudent to reexamine policies, procedures and particularly, internal controls.

I would like to further offer the following recommendations:

- 1) An annual audit to be conducted by a certified public accountant. Perhaps there is someone with that professional credential within the membership who would perform the service a no cost or at least a substantially reduced fee as a donation to FOL.
- 2) Explore the purchase of liability insurance for directors and officers of FOL.
- 3) Separate responsibilities for handling cash, reconciling bank statements and depositing checks, to the extent possible, to avoid any appearance of irregularity.
- 4) Require payments for services or reimbursements made to an officer, board member, or a relative of either, to be signed by a third party.

Sincerely,

Michael D. Durick