

February 10, 2021

To the Board of Directors
United Church Camps, Inc.
Ripon, Wisconsin

In planning and performing our audit of the financial statements of United Church Camps, Inc. as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered UCCI's internal controls 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 UCCI's internal control. Accordingly, we do not express an opinion on the effectiveness of UCCI's internal controls.

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 material weaknesses and one other deficiency that we consider to be a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in United Church Camps, Inc.'s internal control to be material weaknesses:

Monitoring Controls Over Cash Disbursements

During our audit we noted that the independent review of the cancelled check images is not being performed. A review of the check images performed by an individual independent of check preparation responsibilities and who does not have access to the accounting records is one of the simplest, yet most effective internal control procedures over cash disbursements, and other transactions. This individual should formally document the completion of the review process each month using the attached bank statement review form, nothing any items that required additional follow up.

Currently, there is no review of the final processed payroll other than by the preparer. We recommend the Executive Director review the final processed payroll and compare it to the pre-processed payroll to ensure the amounts match. Alternatively, we recommend reviewing the W-2 forms at year-end to ensure proper wage payments. We recommend all review of items be formally documented on the document or in an email noting the date and name of the person performing the review.

Finally, we recommend a member of the Board review the Executive Director's credit card charges each month. It is better for an unrelated person higher in authority to review the charges so that they can raise questions about charges if needed. We recommend this review be formally documented on the statement or in an email noting the date and name of the person performing the review.

Monitoring Internal Control Systems

Internal control is an integrated process that typically begins with management setting financial reporting objectives relevant to UCCI's particular activities and circumstances. Monitoring is a process that assesses the quality of an organization's internal control over time and involves assessing the design and operation of controls on a timely basis and taking actions as necessary. Monitoring must be part of an organized effort that goes beyond simple observation of operations. The monitoring component of internal control has often been underutilized by organizations of all sizes.

Monitoring can be virtually any activity that ensures that controls are operating as intended and continue to be properly designed. For example, an organization's control activities may include a reconciliation of its bank accounts by an individual independent of cash receipts and disbursements functions. An effective system of monitoring should then include a review of whether the bank reconciliations are being prepared on a timely basis. Likewise, an organization may periodically backup its computer files and store them off premises to ensure safe storage of computer information. Other monitoring activities may include a review of approved wages, a review of a reporting system that tracks timely follow up on promises to give, an analysis of reported disbursement errors, and a review of compliance with donor restrictions.

An effective control environment for monitoring includes a proper tone at the top regarding the importance of monitoring and an organizational structure that places people with appropriate skills and authority in monitoring roles. In smaller nonprofit organizations, such people often include members of the governing body, such as the Treasurer.

Although effective monitoring cannot be expected to identify and correct all internal control weaknesses before they occur, it should be expected to identify and correct them before they lead to material problems. We recommend that UCCI implement an effective monitoring program. Because internal control is an integrated process, the nature and extent of UCCI's monitoring activities will naturally depend on the control activities that are currently in place. UCCI's monitoring activities do not need to be overly complex. We recommend creating a list of all internal control activities and periodically having someone obtain documentation to ensure the controls are being performed. This could occur quarterly, annually, or haphazardly. The monitoring process should be documented as well.

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 following deficiency in UCCI's internal control to be a significant deficiency:

Monitoring Controls Over Cash Receipts

Due to the nature of UCCI operations, strict controls over the cash receipts are required to properly safeguard the organization. During our audit, we noted that only one employee was opening the incoming mail at each location. This system creates opportunities for the person handling the mail to misappropriate assets by taking the incoming checks, especially checks that are unsolicited donations to the organization or cash. We encourage UCCI to take measures to improve the controls over the cash receipts process by requiring two people to receive and open all incoming mail and creating a log of the incoming cash receipts. The log should be signed by the two individuals who opened the mail. Ideally, the bookkeeper is not involved in the cash handling process. All checks received should be restrictively endorsed for deposit only prior to being placed in the safe or deposit box. Periodically, information on the receipts log should be compared with the cash receipts information generated from the accounting system. If possible, accounting staff should not have access to cash or checks by themselves.

During our audit we became aware of the following matters, which we believe represent opportunities to strengthen internal controls and operating efficiency:

Develop a Credit Card Policy

UCCI has multiple employee credit cards, but we noted a lack of a documented credit card policy. To clarify expectations and guidelines for using a UCCI credit card, we recommend creating a policy that details rules and regulations concerning how and when the credit card should be used. The benefit of a policy is that it provides clear expectations for everyone involved and impartial guidelines for when issues or misuse arise. The policy should include information such as responsibilities of the cardholders, spending limits, monthly reconciliation expectations, receipt guidance, individual expense guidance, appropriate use of personal credit cards for points, and consequences for not following the policy.

Evaluate Scholarship Award Process

With the addition of a third site, we recommend revisiting the policies and procedures across the organization to streamline processes. Specifically, the process for awarding scholarships for campers and attendees. We recommend documenting the process and establishing criteria for awards to remove the subjectivity from the decision.

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

Sincerely,

Wegner CPAs, LLP

A handwritten signature in black ink, appearing to read "Scott R. Haumersen". The signature is fluid and cursive, with a prominent initial "S" and "H".

Scott R. Haumersen, CPA
Partner

United Church Camps, Inc.
Bank Statement Review

Bank Account: _____

Month & Year: _____

Check boxes for the following procedures performed.

- Received the original bank statement unopened or directly from the online banking website.
- Traced transfers to/from corresponding bank statements.
- Reviewed deposit slips for reasonableness.
- Reviewed ACH/EFT transactions for reasonableness.
- Examined cancelled/cleared check images for:
 - All check image pages are present.
 - Proper payee.
 - Reasonable amount.
 - Authorized signature(s) per established policy.
 - Reasonable endorsement, if image available.
- Requested and examined the supporting documentation for the following transactions:

I have completed the above procedures. The receipts and disbursements appear reasonable.

Reviewer, Title

Date