



## Certified Public Accountants

Board of Directors and Audit Committee  
Green Valley Recreation, Inc.  
Green Valley, Arizona

In planning and performing our audit of the financial statements of Green Valley Recreation, Inc. (GVR) 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 GVR's internal control over financial reporting (internal control) as a basis for designing our auditing 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 GVR's internal control. Accordingly, we do not express an opinion on the effectiveness of GVR'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 material weaknesses.

*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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in GVR's internal controls to be material weaknesses:

### **Cash receipts**

1. When a company receives payments for revenues that are expected and have been invoiced and recorded as accounts receivable, risk that funds could be misappropriated or lost prior to being deposited is mitigated by the fact that checks that were cashed but not applied to the customer's account would be identified when the company contacts the customer about the overdue balance. However, when a company receives unexpected payments, such as program revenue or access card fees, there are no mitigating controls to detect the loss. During our review of internal controls surrounding cash receipts, we noted the following:
  - There was no evidence of dual custody of cash receipts during the mail-opening process. In order to mitigate the risk of misappropriation of cash receipts, we recommend that all mail be opened by two people together, separating member dues payments from funds received for all other purposes, and that they contemporaneously complete a cash receipts log listing all non-member dues funds received, with both individuals initialing or signing the log as evidence of dual custody of cash receipts during the process. This is a repeat comment.

*Management response: This recommendation will be considered.*

- There was additionally no evidence that the cash receipts log was reconciled to the actual deposits on the bank statement. We recommend that the original log, maintained by a person without access to checks and cash awaiting deposit, be reconciled to deposits per the bank statement by an individual independent of the cash receipts process, and that the reconciliation be documented. This is a repeat comment.

*Management response: The cash receipts log is reconciled to the deposits by the Accounts Payable staff, who is independent from the deposit procedures. Management will ensure that the deposit is signed or initialed by the Accounts Payable staff to document the reconciliation.*

2. During our testing of 25 cash receipts, we noted three instances in which a check was received but never deposited into the bank account. It was represented to us by management that if a check is received from a member with no outstanding balance, the check is mailed back to the payee and never deposited. To mitigate the risk of skimming, that is diversion of GVR's revenues prior to entry in the records of the organization, it is crucial that all funds received be deposited. If the payment was received in error, we recommend that GVR issue a refund check rather than mailing the original payment back to the payee.

*Management response: This recommendation will be considered.*

### **Payroll**

3. During our testing of 40 payroll transactions, we noted the following:

- For five transactions, there was no direct evidence of the employees' approved rate of pay. We recommend that all employee files contain approved documentation of the employee's pay rate as of the date of hire and for any subsequent changes. This is a repeat comment.

*Management response: We believe that all pay rates are approved. We will strive to better document approved rates in the employee files.*

- For fifteen transactions, the amount paid to the employee per the payroll register did not agree to the approved rate in the employee's file. The total potential overpayment was less than 1% of the approved rate in the aggregate for all amounts paid using rates that did not agree to the approved pay rates. We recommend that all employee files contain approved documentation of the employee's pay rate as of the date of hire and for any subsequent changes.

*Management response: We believe that all pay rates are approved. We will strive to better document approved rates in the employee files.*

- Time sheets were not documented as reviewed and approved by management as required by GVR's internal controls for nine transactions. We recommend that all time sheets be reviewed and approved in accordance with GVR's policies, and that documentation of the review and approval be maintained.

*Management response: Earlier in 2021, it was possible to pay employees without timesheet approval. However, employees cannot be paid in the current Paycom system unless the timesheets have been approved, and we therefore believe the issue has been resolved.*

We also became aware of certain matters that are opportunities for strengthening the internal controls and the operating efficiency of GVR. The recommendations have been communicated to you in a separate memo dated May 25, 2022. We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

*HBL CPAs, P.C.*

**HBL CPAs, P.C.**

May 25, 2022