

To Management and the Board of Directors

Rio Salado Sportsman's Club
3960 N. Usery Pass Road
Mesa, AZ 85207

In planning and performing our audit of the financial statements of Rio Salado Sportsman's Club, Inc. as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Rio Salado Sportsman's Club, Inc.'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and other deficiencies 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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiencies in Rio Salado Sportsman's Club, Inc.'s internal control to be material weaknesses:

Finding #1: Lack of documentation supporting cash receipts

We selected a sample of 28 cash receipting transactions from Division match and event income recorded in the general ledger detail revenue accounts. Of the 28 items tested, none had supporting documentation sufficient enough to support the completeness of the transaction.

Auditor Recommendation: We recommend that the Club update policies and procedures to ensure that all Club match and event income supporting documentation is obtained and kept by the accounting department. Although there are more ways than one to document match and event income. One recommendation would be to use the cash registers that are currently available at each range house and activity center for the collections of those revenues.

Finding #2: Lack of supporting documentation related to cash disbursements

We selected a sample of 138 cash disbursement transactions from the general ledger detail expense accounts. Of the 138 cash disbursements tested 81 cash disbursements did not have supporting documentation sufficient enough to support the existence of the transaction.

Auditor Recommendation: We recommend that the Club update policies and procedures to ensure that all Club expenses have supporting documentation. Currently, the Club has 22 bank accounts with more than 15 individuals authorized to expend Club funds. We recommend the Club create policies and procedures that will allow the Club to ensure that all expenditures are authorized and expended for the purposes authorized.

Finding #3: Segregation of Duties

The Club's segregation of duties over the custody of cash and the control and reconciliation of accounting records should be duties that are segregated. Currently the Club's accountant prepares deposits and records deposit detail into the accounting software and prepares account reconciliations.

Auditor Recommendation: We recommend that the Club address the segregation of duties over cash by having someone other than the Club's accountant, verify deposits and review and approve Club monthly bank account reconciliations. Reviews should be initialed and dated to document the review.

Finding #4: Shotgun range events

Clay targets are sold to customers through a card system. The clay targets are added to a customer card and the cash receipt is entered into the cash register. The card system count can be reconciled to the cash register on a daily basis. We discovered that large variances between the card system and the cash register are sometimes related to a few organizations that have prepaid for clay targets. The prepaid clay targets are not loaded on a card at the time of prepayment. The organizations have the Shotgun Range Manager load cards for an event and then informs the Shotgun Range Manager the amount of clays they have used. The Shotgun Range Manager does not have documentation to track the number of clays on balance with such organizations.

Auditor recommendation: We recommend the Club implement policies and procedures over prepaid clay targets. We recommend that all events at the Shotgun range be paid through the available cash register and that the cash register and the card system count be reconciled daily with any variances investigated and reported to the accounting department.

Finding #5: Club Accounting System

The Club maintains accounting records with 15 separate company files within the Club's accounting system. The Club was not able to provide a combined accounting record of the combined balances and details of balances through their accounting software. The Club's monthly accounting records and tax return was prepared with summary balances from the 14 divisions input into the Club's account by summary journal entries.

Auditor recommendation: We recommend the Club incorporate all the accounting into one accounting system company file so that accurate detailed records may be maintained.

Finding #6: Capital Asset Policy

The Club does not have a policy that determines the dollar threshold for which to capitalize an asset. In addition, due to the accounting records issues described in Finding #5, we found that assets purchased by the Divisions that should have been capitalized and depreciated, were not capitalized by the accounting department.

Auditor recommendation: We recommend the Club create and implement policies and procedures over the capitalization of assets. We also recommend procedure be put in place to review Division accounting records for capital asset purchases.

Finding #7: Inventory

The Club currently tracks inventory of clay birds and ammunition on spreadsheets. The accounting system does not track the inventory nor is there a system in place to reconcile inventory to purchases or sales.

Auditor recommendation: We recommend the Club acquire and maintain an inventory system that will integrate with the accounting software.

Finding #8: Grants

The Club has recorded deposits in the general ledger detail that indicate the receipt of grant funds from the Arizona Game and Fish Department as well as other granting organizations. The accounting department was unable to obtain grant agreements or other supporting documentation and is unaware of grant reporting requirements or restrictions. The financial records do not record grant restrictions if any.

Auditor recommendation: We recommend the Club accounting department maintain grant documentation including grant agreements and record any grant restrictions in the accounting records.

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

Colby J. Powell

December 6, 2019