

MEMORANDUM

DATE: February 28, 2011

TO: Sal Lucido; REACO Chapter President

FROM: Michael Enright; Audit "Committee" *MWE*

SUBJECT: PRELIMINARY FINDINGS OF AUDIT OF CHAPTER'S
FINANCIAL RECORDS AND RECOMMENDATIONS

I've completed my review of the financial records that were provided to my by Dave Lopez, Chapter Secretary, plus the information available on the California Secretary of State's website and the IRS website.

AUDIT FINDINGS

1. Monthly record keeping of the Chapter's income and expenses has not been done since December 2009.
2. Review of check stubs indicates that a number of payments have been made for expenses that were not authorized by the Chapter's membership or pre-authorized as expected expenses.
3. California Secretary of State lists our organization as active.
4. Federal IRS does not list our Chapter as a Non-Profit Organization on their website.

1. Record Keeping

One of the Treasurer's responsibilities is to maintain a record of the Chapter's income and expenses. According to the files in the Treasurer's briefcase, the last monthly record that I found was for December 2009. There were bank statements and check stubs for the period after December 2009 but no itemization or tabulation of expenses and income. See attachment A for copy of last monthly income and expenses statement on file.

RECOMMENDATIONS –

- a) Now - Reinstate monthly record keeping and related documentation.
- b) Now – Report at each month’s meetings of payments made and income received during the month that was not related to the monthly business meeting dues and expenses.
- c) Future – Ensure that the outgoing Treasurer informs the incoming Treasurer about the reporting and record keeping requirements for the Chapter and that the appropriate forms are used each month.

2. Payment for Expenses

Review of check stubs indicates that a number of checks were issued for payments for purposes that were not in a pre-approved expense category per chapter guidelines, approved by the Chapter for reimbursement or potentially ineligible for reimbursement. See Attachment B for list of payments that do not appear to be consistent with Chapter guideline / policy.

RECOMMENDATIONS –

- a) Now - Request Chapter take action on approving or denying the payments that were made without prior approval by the Chapter. If denied, then person who received payment would have to reimburse Chapter.
- b) Future - Notify Chapter of estimated expenses or activity that requires reimbursement and obtain approval prior to distributing funds.
- c) Future - Update Chapter guidelines / policies for what is considered an eligible expense, maximum amount that can be approved by the President or Treasurer without a Chapter vote and the requirements for reimbursement.

3. California Secretary of State Status

The State’s website indicates that our Business Entity status is active. The “agent” address is not the current address. Based on our Chapter’s level of income, we are required to file every two years. The filing fee is \$20. The filing form can now be filed on-line but that requires a credit card payment. See attachment C for on-line information.

RECOMMENDATION –

Place a reminder notice in the Secretary and Treasurer briefcase that lists the last date of filing and the next required date of filing.

4. IRS Status

I searched the IRS website listing of non-profits for Redwood Association of Code Officials, REACO and Redwood Empire ICBO. None of those names came up in searching for Santa Rosa or Sonoma County. That does not mean that we are specifically in violation of any requirements but we may be in danger of losing any tax exempt status. It also means that if anyone gave a donation to our chapter, it would not be considered a tax deductible donation for them according to the IRS.

Tax-exempt organizations are required to file an annual statement. Our Chapter's gross receipts are less than \$50,000 (\$25,000 prior to the 2010 Tax Year) annually so the form that needs to be filed is the 990-N (and / or e-postcard). Filing must be done by the 15th day of the 5th month after the close of the organizations fiscal year. That would be May 15 for REACO. See attachment D for IRS information.

RECOMMENDATIONS –

- a) By May 15 – direct the Secretary to file the 990-N form for the 2010 Tax Year.
- b) Future – Place a reminder notice in the Secretary's briefcase that includes a copy of the most recently filed 990-N form and the due date for the next filing.

5. CONCLUSION

The Chapter has had a more drastic changeover of Board members in recent years. It appears that the transition of duties from the outgoing person to the incoming person has not always been successful for conveying the duties and responsibilities of the position. The Chapter President should check in with each officer at the start of the year to make sure that they are aware of what is expected of them. If necessary, the "red binder's" list of duties should be updated.

I hope that the above has met your criteria for an Audit Report. Let me know if there is any information that you want researched further and added to the report or potential clarifications about the information presented in the report. I will provide the Audit Report in a Final Report version

ATTACHEMENTS

- A. Copy of the last monthly income / expense summary on file
- B. List of expenditures that may be questionable
- C. Secretary of State information
- D. IRS information

REDWOOD EMPIRE CHAPTER
OF
I C B O

TREASURER'S DUTIES AND PROCEDURES

I. INCOME:

- A. All income to be deposited within 24 hrs. of receiving.
- B. Collect money and issue receipts for luncheons and when required at other functions.
- C. Check book balance to be updated within 24 hrs. of activity.
- D. Yearly billing of dues in December and issuance of membership cards to members upon payment of dues.

II. CHAPTER REPORTS:

- A. Monthly statements of financial activity to membership at monthly meetings.
- B. Yearly statement of financial activity to membership at annual business meeting in January.
- C. Submit check book, financial record books, and any other pertinent materials to Audit Committee for Annual Audit.

III. GOVERNMENTAL REPORTS:

- A. Complete STATEMENT BY DOMESTIC NON PROFIT CORPORATION and file with the Secretary of State by February 29th each year.
- B. Complete form 199 and file with State Franchise Tax Board by May 15th each year if required (when annual gross receipts exceed \$25,000).
- C. Complete applicable Federal forms when required and by the required date.

IV. BOOK-KEEPING:

- A. Maintain financial record books as required.
- B. Use services of retained business advisor for Annual Audit (see item II.B. above) and when required for advise in book-keeping or filing of governmental forms.

V. MISC:

- A. Obtain Bank of America signiture cards (TEL-7-81 and TEL-502) and have appropriate officers sign to transfer checking signature to new treasurer.
- B. Show new treasurer book-keeping procedures, check book balance method, and discuss other material noted in items I thru V above.
- C. Sale of Chapter Pins: quantities of 1 to 4 are \$1.00 each. Quantities of 5 or more are .80 ¢ each.
- D. Treasurer's Budget: by motion on February 5, 1992, the treasurer has a yearly allowance of \$200.00 for the purchase of supplies, postage, etc.

LANG & ASSOCIATES
Business Services

Rosalie Lang

415/897-9653

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ATTACHMENT B – List of Expenditures that may be questionable

DATE	PAYEE	AMOUNT	PURPOSE
5/6/08	Glenn Schainblatt	\$172.80	Training / copies
1/13/09	Glenn Schainblatt	\$58.54	BSW expenses
1/13/09	Dave Lopez	\$79.69	BSW expenses
12/18/09	Glenn Schainblatt	\$250.61	ICC Codes Cd
4/28/10	Sal Lucido	\$62.35	Executive Meeting
5/18/10	Steve Pantazes	\$389.36	CASp Training
5/18/10	Dave Lopez	\$218.98	CASp Training
6/22/10	Glenn Schainblatt	\$245.00	Meeting in Sacramento
6/30/10	Glenn Schainblatt	\$35.52	Committee Lunch
6/30/10	Daryl Phillips	\$47.14	Committee Lunch
7/13/10	Daryl Phillips	\$71.72	Committee Lunch
8/25/10	Sal Lucido	\$53.06	Executive Meeting
9/13/10	Sal Lucido	\$546.32	REACO Meeting
12/1/10	Olive Garden	\$93.08	Executive Meeting
1/3/11	Olive Garden	\$70.98	Executive Meeting
1/28/11	Mac's	\$56.00	Executive Meeting
2/18/11	Café Mocha	\$61.41	Executive Meeting

Some of the above expenses may have been for expenditures specifically authorized by the REACO Chapter but I did not find any information about it being authorized.

ATTACHMENT C - Secretary of State Information

Business Entity Detail

Data is updated weekly and is current as of Friday, February 18, 2011. It is not a complete or certified record of the entity.

Entity Name:	REDWOOD EMPIRE ASSOCIATION OF CODE OFFICIALS, INCORPORATED
Entity Number:	C1681413
Date Filed:	02/13/1991
Status:	ACTIVE
Jurisdiction:	CALIFORNIA
Entity Address:	1007B W COLLEGE AVE #326
Entity City, State, Zip:	SANTA ROSA CA 95401
Agent for Service of Process:	SAL LUCIDO
Agent Address:	100 STONY POINT ROAD SUITE 290
Agent City, State, Zip:	SANTA ROSA CA 95401

* Indicates the information is not contained in the California Secretary of State's database.

- If the status of the corporation is "Surrender," the agent for service of process is automatically revoked. Please refer to California Corporations Code section 2114 for information relating to service upon corporations that have surrendered.
- For information on checking or reserving a name, refer to Name Availability.
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to Information Requests.
- For help with searching an entity name, refer to Search Tips.
- For descriptions of the various fields and status types, refer to Field Descriptions and Status Definitions.

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State of California Secretary of State

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Statement of Information

(Domestic Nonprofit, Credit Union and Consumer Cooperative Corporations)

Filing Fee: \$20.00. If amendment, see instructions.

IMPORTANT – READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

1. CORPORATE NAME

This Space for Filing Use Only

Due Date:

Complete Principal Office Address (Do not abbreviate the name of the city. Item 2 cannot be a P.O. Box.)

2. STREET ADDRESS OF PRINCIPAL OFFICE IN CALIFORNIA, IF ANY	CITY	STATE	ZIP CODE
		CA	

3. MAILING ADDRESS OF THE CORPORATION, IF REQUIRED	CITY	STATE	ZIP CODE
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Names and Complete Addresses of the Following Officers (The corporation must list these three officers. A comparable title for the specific officer may be added; however, the preprinted titles on this form must not be altered.)

4. CHIEF EXECUTIVE OFFICER/	ADDRESS	CITY	STATE	ZIP CODE
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5. SECRETARY	ADDRESS	CITY	STATE	ZIP CODE
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6. CHIEF FINANCIAL OFFICER/	ADDRESS	CITY	STATE	ZIP CODE
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Agent for Service of Process (If the agent is an individual, the agent must reside in California and Item 8 must be completed with a California street address (a P.O. Box address is not acceptable). If the agent is another corporation, the agent must have on file with the California Secretary of State a certificate pursuant to California Corporations Code section 1505 and Item 8 must be left blank.)

7. NAME OF AGENT FOR SERVICE OF PROCESS

8. STREET ADDRESS OF AGENT FOR SERVICE OF PROCESS IN CALIFORNIA, IF AN INDIVIDUAL	CITY	STATE	ZIP CODE
		CA	

Davis-Stirling Common Interest Development Act (California Civil Code section 1350, et seq.)

9. Check here if the corporation is an association formed to manage a common interest development under the Davis-Stirling Common Interest Development Act and proceed to Items 10, 11 and 12.

NOTE: Corporations formed to manage a common interest development must also file a Statement by Common Interest Development Association (Form SI-CID) as required by California Civil Code section 1363.6. Please see instructions on the reverse side of this form.

10. ADDRESS OF BUSINESS OR CORPORATE OFFICE OF THE ASSOCIATION, IF ANY	CITY	STATE	ZIP CODE
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11. FRONT STREET AND NEAREST CROSS STREET FOR THE PHYSICAL LOCATION OF THE COMMON INTEREST DEVELOPMENT (Complete if the business or corporate office is not on the site of the common interest development.)	9-DIGIT ZIP CODE
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12. NAME AND ADDRESS OF ASSOCIATION'S MANAGING AGENT, IF ANY	CITY	STATE	ZIP CODE
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13. THE INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

DATE _____ TYPE/PRINT NAME OF PERSON COMPLETING FORM _____ TITLE _____ SIGNATURE _____

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Instructions For Completing Form SI-100

Where to file: For faster processing, the required statement for most corporations can be filed online at <https://businessfilings.sos.ca.gov/>. Alternatively, statement forms are available on the Secretary of State's website at www.sos.ca.gov/business/be/statements.htm and can be viewed, filled in and printed from your computer. Completed forms along with the applicable fees can be mailed to Secretary of State, Statement of Information Unit, P.O. Box 944230, Sacramento, CA 94244-2300 or delivered in person (drop off) to the Sacramento office, 1500 11th Street, Sacramento, CA 95814. If you are not completing this form online, please type or legibly print in black or blue ink. This form is filed only in the Sacramento office.

Every domestic nonprofit, credit union and consumer cooperative corporation must file a Statement of Information with the California Secretary of State, within 90 days after filing of the initial Articles of Incorporation, and biennially* thereafter during the applicable filing period. The applicable filing period for a corporation is the calendar month during which the initial Articles of Incorporation were filed and the immediately preceding five calendar months. A corporation is required to file this statement even though it may not be actively engaged in business at the time this statement is due. Changes to information contained in a previously filed statement can be made by filing a new form, completed in its entirety. * Credit unions and consumer cooperative corporations are required to file annually instead of biennially.

Legal Authority: Statutory filing provisions are found in California Corporations Code sections 6210, 8210, 9660, or 12570 and California Financial Code section 14101.6, unless otherwise indicated. All subsequent statutory references are to the California Corporations Code, unless otherwise stated. Failure to file this Statement of Information by the due date may result in the assessment of a \$50.00 penalty (Sections 6810, 8810, 9690, or 12670; California Revenue and Taxation Code section 19141).

Every domestic nonprofit corporation formed to manage a common interest development under the Davis-Stirling Common Interest Development Act (for example, a homeowners' association) must also file a Statement By Common Interest Development Association (Form SI-CID) together with the biennial Statement of Information (California Civil Code section 1350, et seq.). Both forms are available on the Secretary of State's website at www.sos.ca.gov/business/be/statements.htm.

Fees: The fee for filing the Statement of Information is \$20.00. Checks should be made payable to the Secretary of State. If this statement is being filed to amend any information on a previously filed statement and is being filed outside the applicable filing period, as defined above, no fee is required.

Copies: The Secretary of State will endorse file one copy of the statement if an exact copy is submitted along with the statement to be filed. Copies submitted with the statement to be filed can be certified upon request and payment of \$8.00 per copy.

Complete the Statement of Information (Form SI-100) as follows:

- Item 1.** Enter the name of the corporation **exactly** as it is of record with the California Secretary of State.
- Item 2.** Enter the complete street address, city and zip code of the corporation's principal office in California, if any. Please do not enter a P.O. Box or abbreviate the name of the city. Note: a credit union must enter the street address of the corporation's principal office, if any, whether the office is located in or outside of California.
- Item 3.** Enter the mailing address of the corporation, if different from the street address of the principal office in California or if the corporation has no principal office in California.

Items 4-6. Enter the name and complete business or residential address of the corporation's chief executive officer, secretary and chief financial officer. Please do not abbreviate the name of the city. The corporation must list these three officers. Any number of offices may be held by the same person unless the articles or bylaws provide otherwise, except, in the case of a nonprofit *public benefit* or *religious* corporation, neither the secretary nor the chief financial officer or treasurer may serve concurrently as the president or chair of the board (Sections 5213 or 9213). Please note, unless the articles or bylaws provide otherwise, the president, or if there is no president, the chair of the board, is the chief executive officer of the corporation. Additionally, unless otherwise specified in the articles or the bylaws, if there is no chief financial officer, the treasurer is the chief financial officer of the corporation. A comparable title for the specific officer may be added; however, the preprinted titles on this form must not be altered, except in the case of a consumer cooperative corporation, which may include the name and address of its general manager in lieu of the name and address of its chief executive officer (Section 12570(a)).

- Item 7.** Enter the name of the agent for service of process in California. An agent is an individual (director, officer or any other person, whether or not affiliated with the corporation) who resides in California or another corporation designated to accept service of process if the corporation is sued. The agent **must** agree to accept service of process on behalf of the corporation prior to designation.

If an individual is designated as agent, complete Items 7 and 8. If another corporation is designated as agent, complete Item 7 and proceed to Item 9 or Item 13, as applicable (do not complete Item 8).

Note: Before another corporation may be designated as agent, that corporation must have previously filed with the California Secretary of State, a certificate pursuant to Section 1505. **A corporation cannot act as its own agent** and no domestic or foreign corporation may file pursuant to Section 1505 unless the corporation is currently authorized to engage in business in California and is in good standing on the records of the California Secretary of State. In addition, a **credit union** must name an **individual** to act as agent for service of process. There is no statutory authority for a credit union to designate a corporation as agent.

- Item 8.** If an individual is designated as agent for service of process, enter a business or residential **street** address in California (a P.O. Box address is not acceptable). Please do not enter "in care of" (c/o) or abbreviate the name of the city. If another corporation is designated as agent, leave Item 8 blank and proceed to Item 9 or Item 13, as applicable.

Common Interest Development Corporations: Corporations formed to manage a common interest development under the Davis-Stirling Common Interest Development Act (for example, a homeowners' association) must complete Items 9-12. In addition, the corporation must file a Statement by Common Interest Development Association (Form SI-CID).

- Item 9.** Check the box only if the corporation is formed to manage a common interest. If the corporation is not formed to manage a common interest development, do not check the box and proceed to Item 13.
- Item 10.** Enter the complete address, city, state and zip code of the business or corporate office of the association, if any. Please do not abbreviate the name of the city.
- Item 11.** If the business or corporate office is not on the site of the common interest development, enter the name of the front street and nearest cross street for the physical location of the common interest development, including the nine-digit zip code.
- Item 12.** Enter the name and complete address of the association's managing agent, if any. Please do not abbreviate the name of the city.

ATTACHMENT D - IRS Information

Format for Upcoming Nonfiler Automatic Revocation List - Windows Internet Explorer

http://www.irs.gov/charities/article/0,,id=236554,00.html

File Edit View Favorites Tools Help

Norton Cards & Log-ins

Format for Upcoming Nonfiler Automatic Revocation List

Home | Change Text Size | Contact IRS | About IRS | Site Map | Español | Help

IRS.gov

SEARCH

Advanced Search Search Tips

Individuals | Businesses | Charities & Non-Profits | Government Entities | Tax Professionals | Retirement Plans Community | Tax Exempt Bond Community

Charitable Orgs | Churches and Religious Orgs | Contributors | Other Non-Profits | Political Orgs | Private Foundations

Format for Upcoming Nonfiler Automatic Revocation List

Charities & Non-Profits Topics

- Life Cycle
- Search for Charities
- A-Z Site Index
- StayExemptIrs.gov
- EO Newsletter
- EO Tax Law Training
- Calendar of Events
- Exempt Organizations FAQs
- More Topics ...

Most tax-exempt organizations, other than churches, must file a yearly return or notice with the IRS. If an organization does not file as required for three consecutive years, the law provides that it automatically loses its tax-exempt status. Loss of exempt status means an organization must file income tax returns and pay income tax, and its contributors will not be able to deduct their donations.

The IRS will soon publish and begin maintaining a list, updated monthly, of organizations that have had their federal tax-exempt status revoked. The Nonfiler Revocation List will be available in two formats, Adobe Acrobat and Microsoft Excel. The list will be divided into separate lists for each state, the District of Columbia, and all other territories and countries. The list will provide, for each revoked organization, the name, Employer Identification Number (EIN), organization type (subsection code), last known address provided to the IRS by the organization, and the effective date of revocation. The effective date of revocation is the original filing due date, without regard to extensions, of the third annual required return or notice that was not filed.

In addition, a single list of all revoked organizations on the Nonfiler Revocation List will be available in ASCII delimited text format.

Page Last Reviewed or Updated: February 24, 2011

IRS Resources

- Compliance & Enforcement
- Contact My Local Office
- e-file
- Forms and Publications
- Newsroom
- Frequently Asked Questions
- Taxpayer Advocate Service
- Where To File

Accessibility | Freedom of Information Act | Important Links | IRS Privacy Policy | USA.gov | U.S. Treasury

Internet 100%

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Form 990 Series - Which Form to File (Filing Phase-In) - Windows Internet Explorer

http://www.irs.gov/charities/article/0,,id=184445,00.html

File Edit View Favorites Tools Help

Norton Cards & Log-Ins

Form 990 Series - Which Form to File (Filing Phase-In)

Charitable Orgs | Churches and Religious Orgs | Contributors | Other Non-Profits | Political Orgs | Private Foundations

Form 990 Series - Which Form to File (Filing Phase-In)

Most tax-exempt organizations are required to file an annual return. Which form an organization must file generally depends on its financial activity, as indicated in the chart below. The chart also shows the transition period for exempt organizations required to file a redesigned annual return beginning with 2008 tax years (returns filed beginning in 2009).

Charities & Non-Profits Topics

- Life Cycle
- Search for Charities
- A-Z Site Index
- StayExempt.irs.gov
- EO Newsletter
- EO Tax Law Training
- Calendar of Events
- Exempt Organizations FAQs
- More Topics...

IRS Resources

- Compliance & Enforcement
- Contact My Local Office
- e-file
- Forms and Publications
- Newsroom
- Frequently Asked Questions
- Taxpayer Advocate Service
- Where To File

2007 Tax Year (Filed in 2008 or 2009)	Form to File	Instructions
Gross receipts normally ≤ \$25,000 Note: Organizations eligible to file the e-Postcard may choose to file a full return.	990-N	n/a
Gross receipts < \$100,000, and Total assets < \$250,000	990-EZ or 990	Instructions
Gross receipts ≥ \$100,000, or Total assets ≥ \$250,000	990	Instructions
Private foundation	990-PF	Instructions

2008 Tax Year (Filed in 2009 or 2010)	Form to File	Instructions
Gross receipts normally ≤ \$25,000 Note: Organizations eligible to file the e-Postcard may choose to file a full return.	990-N	n/a
Gross receipts < \$1 million, and Total assets < \$2.5 million	990-EZ or 990	Instructions
Gross receipts ≥ \$1 million, or Total assets ≥ \$2.5 million	990	Instructions
Private foundation	990-PF	Instructions

2009 Tax Year (Filed in 2010 or 2011)	Form to File	Instructions
Gross receipts normally ≤ \$25,000 Note: Organizations eligible to file the e-Postcard may choose to file a full return.	990-N	n/a
Gross receipts < \$500,000, and Total assets < \$1.25 million	990-EZ or 990	Instructions
Gross receipts ≥ \$500,000, or Total assets ≥ \$1.25 million	990	Instructions
Private foundation	990-PF	Instructions

2010 Tax Year and later (Filed in 2011 and later)	Form to File (Coming Soon)	Instructions (Coming Soon)
Gross receipts normally ≤ \$50,000 Note: Organizations eligible to file the e-Postcard may choose to file a full return.	990-N	n/a

Done

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Due by the 15th day
of the 5th month
after end of accounting
period

D-2/2