



**Audit Report
Of The
Nashville Area Command
Kentucky - Tennessee Division**

CONFIDENTIAL

Regular

**Period Covered
03/01/16 - 04/30/17**

**Auditors
Major Beatrice K. Boalt
Lou Brandon
Seth Coleman
Richard Lerner
Cheryl Moore
Daoud Safi**

**DATE OF AUDIT:
5/8/2017 - 5/11/2017**

Major Edward Lee

Area Commander

**By signing this audit report I attest that all pertinent
information, to the best of my knowledge, has been made
available to the auditors.**

Major James Arrowood

Divisional Commander

Board Review Stamp

Scope

Nashville Area Command

Accounts covered:

Operating Account Thrift Store Account

Period Covered:

03/01/16 - 04/30/17

Overview

Auditors of The Salvation Army Southern Territorial Internal Audit team recently conducted an audit of the Nashville Area Command. The audit focused on the controls in place at the unit for the period of 03/01/16 - 04/30/17. The auditors completed their fieldwork on 5/11/2017. The scope of this audit included the Operating Account and all associated subsidiary accounts.

The objective of the audit was to determine whether or not the internal controls in place were adequately designed and operating effectively.

We conducted our audit in accordance with the Standards for the Professional Practice of Internal Auditing. Our audit procedures included interviewing managers and personnel who work directly or indirectly with any aspect of the accounting function, as well as examining documents and records. The following procedures were used when examining documents:

- Accounts Payable / Receivable – All accounts payable and receivable were reviewed for accuracy.
- Cash Disbursements – 10% of all checks up to a maximum of 250 were selected for review.
- Cash Receipts – 10% of all deposits up to a maximum of 250 were selected for review. Additionally, a selection of subsidiary receipt books were also selected for review.
- Bank Reconciliations – All bank accounts were reviewed to ensure accuracy.
- Client Files – 10 client files were selected for review.
- Financial Statements – All reserve accounts held at Divisional and Territorial Headquarters were reviewed for accuracy.
- Journals – 10 journals were selected for review.
- Payroll – Three consecutive payroll cycles were selected for review. A paid holiday is included in one of the cycles that were reviewed. Additionally, a selection of exempt employees and nonexempt employees were also selected for review.
- Personnel Files – The personnel files of all employees hired during the audit period were reviewed. Additionally, the personnel files of a selection of employees who were terminated during the audit period were also reviewed.
- Time Cards – The time cards for the three selected payroll cycles were reviewed.
- I-9 Forms – The I-9 forms for all employees hired during the audit period were reviewed.
- Post Retirement Service Agreement – All post retirement service agreements that were in force during the audit period were reviewed.
- Petty Cash – All petty cash was reviewed.
- Officer's Allowance – All Officer's allowance calculations were reviewed.
- Mandated Vacation – The vacation usage of employees who come into contact with funds of The Salvation Army were reviewed.
- Safe – All safes were reviewed.
- Unit Grants/Contracts/Leases – All unit grants, contracts, and leases were reviewed to ensure that they were properly approved and executed.
- Unrecorded Accounts Payable/Receivable – All unrecorded accounts receivable and accounts payable were reviewed. The financial statements contained in the audit were adjusted accordingly.

An internal control system consists of many policies and procedures designed to provide management with reasonable assurance that organizational goals and objectives will be achieved. Please note that management is responsible for establishing and maintaining an effective system of internal control. Internal Audit is one of many monitoring tools available to assess the effectiveness of internal controls.

Net Position

Nashville Area Command

Accounts covered:

Operating Account
Thrift Store Account

Period Covered:

03/01/16 - 04/30/17

Net Position:

Department Dates:	Appointment 5/31/2013	Last Audit 2/29/2016	Current Audit 4/30/2017
Area Command	\$ 1,725,060.63	\$ 1,525,142.09	\$ -
Area Command Family Store		164,262.31	
	64,020.87	85,894.08	
	12,064.46	52,781.55	
	43,935.00	57,592.00	
	22,961.65	-	
Surplus (Deficit) per Audit Date			
Total	\$ 1,868,042.61	\$ 1,885,672.03	\$ -
Change from Appointment		\$ 17,629.42	\$ (1,868,042.61)
Change from Last Audit			\$ (1,885,672.03)
Disaster Department	\$ -	\$ -	\$ -
Disaster Total	\$ -	\$ -	\$ -
Surplus (Deficit) per Audit Date			
Total Command with Disaster	\$ 1,868,042.61	\$ 1,885,672.03	\$ -
Change from Appointment		\$ 17,629.42	\$ (1,868,042.61)
Change from Last Audit			\$ (1,885,672.03)

Management:

System Date: 6/12/2017
System Time: 1:33 PM

E9040 - Nashville Area Command
Financial Return
For the Seven Months Ending Sunday, April 30, 2017

Summary of All Units

Account Number / Description	Current Month	Current Year to Date	Prior Year to Date	Budget to Date	Annual Budget
1001 Cash in Bank	\$215,656.81	\$779,361.14	\$515,513.02		
1006 Individual Petty Cash			500.00		
1101 Emp Pension Reserve			806.63		
1104 Unrestricted Deposits held at THQ		643,528.69	740,318.13		
1111 Board Designated - Vehicle Deposits		23,339.95	17,705.05		
1112 Board Designated - Property Maintenance Deposits					
1201 Accounts Receivable	(1,357.13)	7,665.75	7,665.75		
1202 Accounts Receivable	115.94	39,462.49	28,778.91		
1203 Accounts Receivable DHQ		(53,363.23)	9,236.54		
1204 Other SA Units Accounts Receivable	1,410.54	169.04	169.04		
1403 Gift Cards		3,873.16	4,202.36		
1501 Prepaid Expenses and Deferred Charges		9,877.92	58,727.74		
1840 Furnishings and Equipment	585.76	2,928.41	3,243.46		
1841 Furnishings and Equipment		2,500.00	2,500.00		
1842 Furnishings and Equipment		51,928.35	51,928.35		
1843 Furnishings and Equipment		44,815.36	44,815.36		
1849 Accumulated Depreciation - Equipment		6,500.00	6,500.00		
Total Assets	215,284.94	1,471,291.23	1,414,838.30		
2001 Accounts Payable	(22,577.99)	(178,431.76)	(14,286.17)		
2002 Accounts Payable	(84,022.34)	56,068.53	(3,846.00)		
2006 Accounts Payable THQ	(3,562.29)	(11,948.70)	(3,502.31)		
2007 Accounts Payable DHQ	12,386.50		(3,818.16)		
2015 Support Service Payable	658.79		(29,378.51)		
2032 Employee Medical Insurance Premiums Payable	(2,965.68)	54,138.24	291.14		
2033 United Way Deductions Payable	(129.00)	(651.86)			
2035 Tax-Sheltered Annuities Payable	(25.00)	195.00	(455.00)		
2038 Insurance Premiums Payable	(478.38)	(533.88)	(317.69)		
2401 Personal Deposits Guests/Clients		(1,645.00)	(1,075.00)		
Total Liabilities	(100,715.39)	(82,809.43)	(56,387.70)		
3901 Current Period (Surplus)/Deficit	(114,569.55)	(241,452.19)	78,299.20	(154,509.47)	
3903 Accumulated Surplus/Deficit		(1,147,029.61)	(1,436,749.80)		
(Surplus)/Deficit To Date	(114,569.55)	(1,388,481.80)	(1,358,450.60)	(154,509.47)	
4001 Donations - General	(144,299.44)	(891,285.24)	(896,677.93)	(859,786.00)	(1,132,216.00)
4002 Seasonal Donations	(57,061.84)	(967,171.11)	(656,191.78)	(982,120.00)	(1,170,500.00)
4012 Restricted Donations - NOT Exempt		(1,000.00)	(2,000.00)	(101,000.00)	(155,500.00)
4050 Gifts-in-Kind - Exempt		(123,913.70)	(1,838,011.68)	(1,474,200.00)	(1,474,200.00)
4201 Special Fund Raising Events		(174,540.00)	(129,337.00)	(140,000.00)	(265,000.00)
4620 Grants from Area Commands		(9,590.95)	(32,412.30)	(24,305.00)	(44,070.00)

E9040 - Nashville Area Command
Financial Return
For the Seven Months Ending Sunday, April 30, 2017

Summary of All Units

Account Number / Description	Current		Prior Year		Budget		Annual	
	Month	Year to Date	To Date	To Date	to Date	to Date	Budget	Budget
4628 Reserves Transfers Fr THQ - NOT Exempt	(49,252.64)	(346,109.08)	(417,035.42)		(450,850.00)		(841,100.00)	
4629 Reserves Transfers Fr THQ - Exempt					(10,000.00)		(222,836.00)	
4638 Intracompany Grants Fr Other SA Units - Exempt								
4677 Grants from THQ - Exempt					(16,919.00)		(29,000.00)	
4701 Income From Unassociated Organizations	(11,207.00)	(85,427.50)	(1,977.94)					
5001 Public Funds/Agency Funds - NOT Exempt	(8,452.06)	(79,848.95)	(90,179.82)		(106,956.00)		(168,414.00)	
6201 Program Service Fees - NOT Exempt	(14,148.34)	(68,350.38)	(107,802.38)		(122,540.00)		(188,640.00)	
6403 Vending Machine - Canteen Sales	(43.39)	(119.68)	(70,227.38)		(64,991.00)		(106,900.00)	
6703 Gain/Loss of Sale Equipment			(163.06)		(171.00)		(270.00)	
6801 Interest Income		(323.83)	14,622.87					
6901 Sundry/Miscellaneous Revenue			(2,827.03)		(2,891.00)		(4,700.00)	
Total Income	(284,464.71)	(2,747,680.42)	(4,230,220.85)		(4,552,603.00)		(6,139,127.00)	
7001 Officers' Allowances and Grants	5,092.00	30,666.44	24,365.52		28,625.00		50,470.00	
7002 Salaries - Exempt Employees	35,234.95	267,327.91	359,503.41		378,345.53		655,782.00	
7003 Salaries - Non-exempt Employees	44,320.76	314,574.16	289,842.79		365,574.00		693,677.00	
7004 Salaries - Temporary/Seasonal Employees		50,071.74	9,844.45		105,176.00		116,425.00	
7101 Officers' Life/Accident Insurance			216.00		216.00		216.00	
7102 Employee Life/Accident Insurance								
7103 Employee Medical Insurance Premiums		41,536.00	127,260.77		178,423.00		1,950.00	
7104 Pension - Employees		24,566.84	24,803.22		38,709.00		305,856.00	
7108 Officers' Health Care Provision Assessments							64,487.00	
7109 Officers' Retirement Assessments		10,042.50	10,515.75		10,514.00		18,027.00	
7112 Employee Disability Insurance		2,895.00	3,860.50		3,864.00		6,618.00	
7201 FICA - Salvation Army Portion		1,140.00	1,140.00		840.00		840.00	
7203 Workers' Compensation Insurance	5,657.32	45,772.91	48,441.88		65,450.00		107,549.00	
8001 Professional Fees	2,050.47	14,353.29	14,280.64		18,783.00		31,176.00	
8008 Audit Fees	17,249.14	193,240.80	153,848.74		147,327.00		224,895.00	
8009 Data Processing Fees (Accounting, Payroll)		16,000.00	20,500.00		24,750.00		26,000.00	
8101 Medical Supplies		6,043.84	6,314.59		7,642.00		9,065.00	
8102 Uniforms		8.88	6.17					
8103 Educational, Recreational, and Craft Supplies		103.48			1,000.00		1,000.00	
8104 Food and Beverages		21.46	4,323.00		3,975.00		8,600.00	
8106 Office Supplies	1,887.88	12,474.35	20,889.12		24,461.00		41,660.00	
8107 Duplicating and Printing Supplies	834.37	10,253.25	14,078.88		20,731.00		27,525.00	
8110 Kitchen, Dining Room Supplies		3,423.42	3,058.99		3,728.00		5,919.00	
8111 Miscellaneous Supplies	80.63	825.06	1,235.20		1,235.00		1,900.00	
8201 Office Telephones		16.66						
8202 Cell Phones and Internet	2,801.82	19,924.04	20,846.77		23,627.00		37,930.00	
8203 Quarters Telephones	468.39	4,036.41	3,767.16		3,850.00		6,600.00	
	61.06	427.42	370.15		406.00		700.00	

System Date: 6/12/2017
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E9040 - Nashville Area Command
Financial Return
For the Seven Months Ending Sunday, April 30, 2017

Summary of All Units

Account Number / Description	Current		Current		Prior Year		Budget		Annual	
	Month		Year to Date		to Date		to Date		Budget	
8301 Postage and Parcel Post	2,717.55		52,224.13		46,982.83		55,889.00		66,050.00	
8401 Facility Rent	990.00		34,117.26		38,330.00		46,930.00		51,880.00	
8403 Building and Equipment Insurance	844.31		6,045.17		41,929.42		47,355.00		52,228.00	
8405 Utilities	9,289.09		69,013.55		71,408.34		76,387.00		129,350.00	
8409 Property Upkeep and Repairs	7,365.47		28,820.33		24,864.07		75,850.00		135,900.00	
8413 Janitorial Supplies	1,405.36		9,011.56		9,913.04		9,743.00		15,800.00	
8501 Rentals of Furnishings and Equipment	761.90		3,579.25		4,782.62		6,060.00		11,025.00	
8502 Repairs and Maintenance - Furnishings and Equipment										
8503 Purchases of Furnishings and Equipment	1,153.21		4,692.73		7,857.01		6,560.00		16,100.00	
8601 Printing and Other Media Preparation	8,593.74		20,340.62		15,798.23		9,053.00		24,500.00	
8606 Subscriptions			250,625.34		458,245.37		370,056.00		402,546.00	
8607 Purchase SA Periodical Pub (All but War Cry)					16.00		72.00		725.00	
8608 Advertising and Public Information Charges			704.00		588.50		581.00		1,000.00	
8701 Other Transportation and Meals	1,578.60		26,080.50		48,150.00		173,781.00		278,000.00	
8702 Salvation Army Vehicles - Operating Costs	750.32		1,931.23		628.05		1,236.00		1,950.00	
8704 Salvation Army Vehicles - Insurance	230.00		13,846.86		9,271.76		9,369.00		14,200.00	
8706 Leased Vehicles - Operating Costs			2,307.50		3,779.20		4,508.00		7,749.00	
8707 Auto Allowances - Employees, Officers and			1,249.71						1,400.00	
8801 Conference Attendance			200.00		585.32		1,288.00		2,200.00	
8802 Out-of-Town Travel			24,765.23		34,939.79		41,259.00		44,000.00	
8906 Specific Assistance to Individuals			3,301.83		1,069.02		2,398.00		4,300.00	
8916 Specific Assistance - Seasonal/Disaster	3,743.97		74,386.84		75,589.60		83,904.00		105,356.00	
8920 Interstate Services			171,959.82		1,508,445.20		1,242,200.00		1,242,200.00	
9001 Organization Dues	11.35		49,482.60		46,766.29		47,783.00		84,068.00	
9103 Scholarship Grants/Tuition Payments			928.00		2,810.67		3,397.00		4,200.00	
9401 Moving and Recruitment			1,500.00		6,350.00		5,250.00		10,500.00	
9402 World Services and Harvest Festival	114.05									
9410 Sundry Expense			50,000.00		50,160.70		52,669.00		52,669.00	
9610 Grants from DHQ - Exempt			67.95		199.85		150.00		300.00	
9613 Intercompany Grants Fr Other SA Units - Exempt					501.67					
9620 Area Command Appropriations to Units	13,423.74		304.95		2,547.19		330,897.00		567,250.00	
9692 Support Service to Headquarters	56.73		284,520.56		395,416.46		227,537.00		411,934.00	
9704 Furnishings and Equipment Depreciation	1,126.98		242,471.94		229,156.62		8,680.00		14,880.00	
Total Expenses	169,895.16		2,506,228.23		4,308,520.05		4,398,093.53		6,139,127.00	

Total Fund Balancing

E6040 - Nashville, TN Thrift Store
Financial Return
For the Seven Months Ending Sunday, April 30, 2017

Summary Of All Units

Account Number / Description	Current Month	Current Year to Date	Prior Year to Date	Budget to Date	Annual Budget
1001 Cash in Bank	\$28,654.47	\$108,197.59	\$56,948.60		
1008 Store Change Fund		800.00	400.00		
1111 Board Designated - Vehicle Deposits		7,980.37	5,922.13		
1840 Furnishings and Equipment		11,900.00	11,900.00		
1843 Furnishings and Equipment		98,796.23	98,796.23		
1849 Accumulated Depreciation - Equipment		(55,842.03)	(50,353.39)		
Total Assets	28,654.47	171,832.16	123,613.57		
2001 Accounts Payable	(6,280.27)	(8,305.78)	(11,612.23)		
2002 Accounts Payable	(16,610.35)	(7,850.56)			
2004 Other SA Units Accounts Payable	(549.01)	(649.01)	(952.14)		
2006 Accounts Payable THQ	(267.68)	(267.68)			
2007 Accounts Payable DHQ			(686.08)		
2014 Sales Tax Payable	(2,822.92)	(9,622.55)	284.68		
2015 Support Service Payable	(8,834.46)	(8,834.46)	(2,086.14)		
2032 Employee Medical Insurance Premiums Payable	(598.72)	7,351.23			
2033 United Way Deductions Payable		(35.00)			
2034 AFLAC	42.98	520.10			
2038 Insurance Premiums Payable	(80.78)	(607.90)	18.00		
Total Liabilities	(36,201.21)	(28,300.71)	(15,033.91)		
3901 Current Period (Surplus)/Deficit	7,546.74	(95,729.52)	85,246.09	(52,292.00)	
3903 Accumulated Surplus/Deficit		(47,801.93)	(193,825.75)		
(Surplus)/Deficit To Date	7,546.74	(143,531.45)	(108,579.66)	(52,292.00)	
4001 Donations - General	(39.80)	(8,503.46)	(64.72)	(91.00)	(150.00)
4620 Grants from Area Commands		(20,000.00)	(170,000.00)		
4628 Reserves Transfers Fr THQ - NOT Exempt		(120,000.00)	(22.67)	(120,000.00)	(120,000.00)
6431 Sales - Store	(46,956.41)	(286,063.66)	(105,984.40)	(359,331.00)	(616,000.00)
6433 Sales - Rags		(1,362.76)		(2,500.00)	(5,000.00)
6435 Sales - Junk	(81.00)	(360.57)	(112.50)	(140.00)	(200.00)
6436 Sales - Vehicles	(6,700.00)	(20,825.00)	(12,025.00)	(17,500.00)	(30,000.00)
6703 Gain/Loss of Sale Equipment			(14,622.87)		
6801 Interest Income		(60.06)	(110.13)	(105.00)	
6901 Sundry/Miscellaneous Revenue	4,288.39	4,434.98	670.86		(180.00)
Total Income	(49,488.82)	(452,740.53)	(303,271.43)	(499,667.00)	(771,530.00)
7002 Salaries - Exempt Employees			42,191.18		
7003 Salaries - Non-exempt Employees	16,246.76	115,633.31	87,539.13	165,394.00	286,660.00
7102 Employee Life/Accident Insurance					520.00
7103 Employee Medical Insurance Premiums		11,838.42	22,360.00	52,864.00	90,624.00

E6040 - Nashville, TN Thrift Store
Financial Return
For the Seven Months Ending Sunday, April 30, 2017

Summary Of All Units

Account Number / Description	Current Month	Current Year to Date	Prior Year to Date	Budget to Date	Annual Budget
7104 Pension - Employees					
7201 FICA - Salvation Army Portion	1,184.94	8,492.87	9,593.24	2,558.00	7,894.00
7203 Workers' Compensation Insurance				12,652.00	21,930.00
8001 Professional Fees	3,530.70	25,574.59	20,364.15	3,591.00	6,163.00
8009 Data Processing Fees (Accounting, Payroll)		764.38	1,282.63	3,984.00	6,500.00
8101 Medical Supplies			19.99	1,304.00	2,150.00
8102 Uniforms		203.26	328.29	42.00	57.00
8103 Educational, Recreational, and Craft Supplies		32.49	19.45	200.00	400.00
8104 Food and Beverages	293.51	293.51	552.58		
8106 Office Supplies	1,259.78	6,524.63	6,220.46		
8107 Duplicating and Printing Supplies			147.74	5,705.00	10,300.00
8108 Goods Purchased for Resale		8,000.00		250.00	300.00
8110 Kitchen, Dining Room Supplies	20.34	20.34	67.95		
8111 Miscellaneous Supplies		183.47	916.91		1,800.00
8201 Office Telephones	139.39	975.73	1,204.76	1,000.00	2,150.00
8202 Cell Phones and Internet	156.90	763.45	700.96	1,358.00	2,332.00
8301 Postage and Parcel Post		32.66	48.02	60.00	120.00
8401 Facility Rent	8,800.00	61,600.00	61,600.00	61,600.00	105,600.00
8403 Building and Equipment Insurance			19.95	2,480.00	2,480.00
8405 Utilities	2,390.56	19,231.65	14,120.57	15,250.00	27,000.00
8409 Property Upkeep and Repairs	3,108.32	5,891.12	10,470.48	6,964.00	12,138.00
8413 Janitorial Supplies	408.01	2,270.57	2,073.74	2,800.00	4,800.00
8420 Dump Fees	284.25	2,497.85	4,120.17	4,669.00	8,000.00
8501 Rentals of Furnishings and Equipment			88.31		
8502 Repairs and Maintenance - Furnishings and Equipment			459.90	250.00	1,500.00
8503 Purchases of Furnishings and Equipment	898.64	5,548.43	49,465.39	115.00	1,500.00
8601 Printing and Other Media Preparation			2,256.00	1,400.00	2,400.00
8608 Advertising and Public Information Charges	8,629.26	28,497.31	16,029.00	29,169.00	50,000.00
8702 Salvation Army Vehicles - Operating Costs	382.06	2,850.00	4,923.69	5,581.00	10,000.00
8704 Salvation Army Vehicles - Insurance	267.68	1,912.00	2,205.49	1,848.00	3,179.00
8920 Interstate Services	1,497.36	7,593.34	2,665.43	9,339.00	15,431.00
9620 Area Command Appropriations to Units	200.00	420.00	6,923.75	2,625.00	4,500.00
9692 Support Service to Headquarters	7,337.10	37,207.39	13,060.60	46,695.00	75,610.00
9704 Furnishings and Equipment Depreciation		2,058.24	4,477.61	4,375.00	7,492.00
Total Expenses	57,035.56	357,011.01	388,517.52	447,375.00	771,530.00

Total Fund Balancing (52,292.00)