

Ugandan North America Association (UNAA)

Audit Report: Period-2015 -2017

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EXECUTIVE SUMMARY

In accordance with Article eleven, Section 11.5, of UNAA Constitution and by-laws, MK. Accounting Firm, LLC has conducted an audit of activities of the Ugandan North America Association (UNAA) for the period 2015 through 2017 (October 1st, 2014 to October 1st, 2017).

The objectives of our audit were to provide a detailed analysis of historical expenditures documenting how funds were spent and identify potential errors, irregularities, and questionable expenditures. We also performed an internal control review identifying potential internal control deficiencies and recommendations for correcting them. Lastly, we identified and provided potential efficiencies and procedures that would lead to cost savings for UNAA.

We executed this performance audit in accordance with Generally Accepted Auditing Standards (GAAS) issued by the American Institute of Certified Public Accountants (AICPA's) Auditing Standards Board. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

This audit was to ensure that UNAA has control systems in place to safeguard its assets. Our audit revealed how lack of adequate controls can lead to an abuse of a nonprofit agency's assets. The audit shows possible questionable expenditure findings totaling at least \$78,000.

Schedule.1		Questionable Expenditures		
	Location	Description		Amount
1	Finding 3-Pg.21	Money Embezzled by former UNAA Official		\$ 23,744
2	Observation-Pg.14	Unaccounted funds-From Boat Cruises		18,804
3	Observation-Pg.15	UNAA paid taxes they were not supposed to pay		12,687
4	Finding 5-Pg.26	UNAA paid for "No Show" hotel rooms		3,936
5	Finding 5-Pg.26	Hotel double charge for Ugandan MPs		8,064
6	Finding,Pg.27	Ugandan Musicians Owe UNAA		7,600
7	Finding 10-Pg.33	Missing computers		1,776
8	Finding 10-Pg.33	Double charge for computers		2,078
Total of Questionable Transactions				\$ 78,689

The audit provides a significant recommendation that the Executive Committee (UNAA Management) the Ugandan North America Association Board of Trustees (UNAABOT), and UNAA Council need to improve. UNAABOT, UNAA Council, and UNAA Management need to be more vigilant and implement effective internal controls to prevent and detect fraud and abuse. Simple measures such as properly separating duties so that no one employee handles an entire transaction from start to finish, providing oversight of financial activity by Board and Council members, doing a thorough and accurate audit of all purchases, doing the periodic audits required by UNAA by-laws, and requiring that adequate books and records be maintained and presented for periodic inspection, could go a long way toward preventing fiscal malfeasance.

UN AUTHORIZED DRAFT AUDIT REPORT:

The draft reports meant to provide a clear understanding of the work in progress were inadvertently issued to UNAA members. These draft reports were in sole custody of members of UNAABOT and members of the BOT were clearly instructed by the Auditor not to issue the reports to anyone, except UNAABOT and UNAA Executive Committee-(UNAA Management). The draft reports were written in anticipation of confirmation of facts as UNAA Management review the content of the report. The information presented in the draft reports was insufficient as more work needed to be done and was not authorized by Auditors. Note that, only this final report dated February 9th. 2018 has documented significant findings or issues, and actions taken to address them (including any additional evidence obtained after the release of the four draft reports).

We issued the following draft reports:

- Draft Report#1-Issued on November 1st, 2017
- Draft Report#2-Issued on November 26th, 2017
- Draft Report#3-Issued on December 12th, 2017
- Final Draft Report-Issued on January 30th, 2018.
- **Final Report-Issued on February 9th, 2018**

Again, the draft reports were issued for the sole purpose of clarifying facts, and as we continued receiving additional information, it was incumbent on us to revise the Audit report.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page.16-19	<i>Lack of Accountability for Funds Donated by the Government of Uganda.</i> (1) Criteria set for distribution of these funds was not followed.
Recommendation Page.18&19	(1) A strong board oversight is a must for such large amounts of money. (2) UNAA should only issue funds to organization that have completed a full application and that have met the criteria as established.
Finding 2 Page.19&20	<i>UNAA Accounting Records don't Match up with the Bank Records.</i> We found that UNAA accounting records were not accurate and were affected by possible manipulations. A former Director of Finance resigned due to possible manipulation of UNAA financial records.
Recommendation Page.20	UNAA should keep accurate records at all times. Keeping accurate accounting records is the first step to preventing fraud or misuse.
Finding 3 Page.21&22	<i>Embezzlement and Fraud.</i> (1) A former treasurer admitted to stealing more than \$23,000 that he collected from convention registration but never turned it over to UNAA. UNAA management reported embezzled money as a loan, and then decided to write it off as a bad loan the following year. (2) A former Director of Finance recorded in UNAA Accounting records that \$8,460 was received from 182 UNAA members, however only \$2,380 was deposited in the bank.
Recommendation Page.22	The theft of \$23,744 should be referred to law enforcement for further investigation. UNAABOT needs to be more vigilant and improve their internal controls to prevent fraud and abuse from occurring. UNAA officials in charge of nonprofits have a fiduciary duty to protect their nonprofits' assets. If these officials don't do enough, they have breached their duty, and that could prompt their attorney general to act.
Finding 4 Page.22-25	<i>Purchases that Lack Sufficient Documentation.</i> (1) 7 out of the 22 transactions totaling \$6,268 did not have adequate support. (2.) Some transactions on the card of the secretary could not be verified by the treasurer. (3.) There were no limits on the amounts that could be charged on UNAA debit cards. One transaction totaling \$160,000 was charged on one card to pay for hotel related expenses.
Recommendation Page.25	The key control to ensuring that unallowable expenditures are caught early needs a strong board review and approval process to be implemented.
Finding 5 Page.25&27	<i>Wasteful Spending.</i> UNAA spent over \$5,040 between 2016-2017 renting vehicles to transport people from the airport to hotels. For the Boston Convention, the distance from the airport to the hotel was less than five miles, UNAA paid \$3,300.
Recommendation Page.27	UNAA should always contract with vendors that provide the required services at a lower cost. Otherwise, lack of frugality will always cause UNAA to suffer persistent deficits. Also, about 200 wristbands went missing from the Boston Convention.

Finding 6 Page.27&30	<i>Lack of controls around Cash Collections.</i> Adequate controls were not in place to safeguard the receipting, recording, depositing, and transfer of cash collected from the conventions
Recommendation Page.30	A record of cash collected must be maintained by the person responsible for accepting cash. This could be in the form of a cash log book, a pre-numbered receipts book, etc. The record should be compared to the actual cash on hand.
Finding 7 Page. 30&31	<i>Questionable Transactions-Missing Wristbands.</i> UNAA did not have an actual number of what was issued and did not have an actual inventory of what was left in stock. This will help UNAABOT verify what was exactly collected.
Recommendation Page.31	UNAA should keep records of wristbands they issue and what is left, and should be able to reconcile wristbands issued to amount collected.
Finding 8 Page.32	<i>Lack of Policies and Procedures</i> . Our audit found that UNAA has no written policies and procedures in place to govern its operations.
Recommendation Page.32	UNAA should develop written policies and procedures to govern all areas of its operation. Simple things, like properly separating duties so that no one person handles an entire transaction from start to finish.
Finding 9 Page.32	<i>Activities at Post Bank in Uganda.</i> Three withdrawals totaling \$6,031 that the treasurer refused to sign off due to lack of adequate documentations, but the withdrawals were made anyway.
Recommendation Page. 32	UNAABOT should increase monitoring of transactions at Post bank. The person ordering the transaction should not be involved in the approval process.
Finding 10 Page.33	<i>Missing Computers</i> . No records for recently purchased computers could be found, and auditors couldn't verify the existence of these computers. UNAA paid more than \$4,000 for these computers.
Recommendation Page.33	UNAABOT should follow up and see if these computers exist and if they are used for UNAA purposes.
Finding 11 Page.33&34	<i>Insufficient Board Oversight.</i> One of the primary reasons for the significant loose controls at UNAA, is the lack of oversight required by the Board.
Recommendation Page.34	UNAA should appoint board members that will prudently manage the organization's funds in furtherance of the organization's stated purpose.

OVERVIEW OF AUDITED ENTITY

UNAA is a registered Massachusetts non-profit organization recognized by the Internal Revenue Service as a 501.c.3 tax-exempt organization that is eligible to receive tax-deductible charitable contributions.

UNAA was founded in 1988, as a community organization for Ugandans and friends in North America, with emphasis on stimulating and encouraging nationwide acquaintance and fellowship among members in North America, United Kingdom and Uganda.

UNAA's mission is to provide a platform on which its members can network, share and experience Ugandan culture and the abundant opportunities in the countries they have immigrated.

UNAA's objectives are; to encourage business relationships and interaction, to promote unity and friendship, to support and foster social, cultural, economic and philanthropic activities.

UNAA has accomplished the following since its inception:

- UNAA has increased its funding sources significantly. The sources include corporate sponsors, Government Agencies, membership fees, and revenues from its programs.
- UNAA brings Ugandans together every year to network and share in business opportunities that they have created in the diaspora and Uganda.
- The numbers of people that attend UNAA conventions has steadily increased.
- UNAA has become a recognized force in the diaspora and Uganda as it has consistently provided a platform for all Ugandans to meet and discuss what affects their lives.
- UNAA's 3-4 days conventions held in various America cities every year have attracted attention from American local leaders as Ugandans spend thousands of dollars to boost the local economies.
- Due to its unique programs, UNAA has been able to secure large donations. Every year the Government of Uganda donates \$100,000 which is distributed equally between UNAA and UNAA affiliated organizations.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

Scope

In accordance with Ugandan North America Association By-Laws and Constitution MK. Accounting Firm LLC has conducted a performance audit of activities of UNAA for the period 2015 through 2017 (October 1st, 2014 to October 1st, 2017). UNAA total revenue during 2015 to 2017 was \$932,269 compared to total expenditures of \$851,524.

Objectives

The objectives of our audit were to provide a detailed analysis of UNAA historical expenditures documenting how funds were spent and identify potential errors, irregularities, and questionable expenditures. We also performed an internal control review identifying potential internal control deficiencies.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1 Did UNAA have adequate controls over its financial operations, including reasonableness of operating expenses, cash controls, and the administration and oversight of expenditures.	No-See Findings 1-9
2 Did UNAA have adequate documentation for all its expenditures?	No -See Finding 4
3 Did UNAA have adequate controls over cash collection?	No- See Finding 6
4 Did UNAA have written policies and procedures over revenue collection and procurement of goods and services?	No-See Finding 8
5 Did UNAA have adequate controls over its equipment? Could they account for the existence of the recently purchased computers?	No- See Finding 10
6 Did UNAABOT and UNAA Council provide adequate financial oversight over UNAA financial activities?	No-See Finding 11
7 Did UNAA comply with the Department of Treasury Internal Revenue Service and State's financial reporting requirements?	No-See Page.14

Methodology

Our audit was conducted in accordance with Generally Accepted Auditing Standards (GAAS) issued by the American Institute of Certified Public Accountants (AICPA's) Auditing Standards Board. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

To achieve our audit objectives, we gained an understanding of, and tested, the relevant internal controls for financial operations, operating and administrative expenses, property and equipment, and the procurement process. We further conducted audit testing in the following areas:

➤ We reviewed UNAA's by-laws and interviewed several UNAA personnel to gain an understanding of significant processes and controls in place over the processing of transactions. At the completion of each interview, the processes and key internal controls, as described by the person interviewed, were summarized. Observations related to potential internal control recommendations were also documented. Of these interviews, approximately 20 interviews were conducted with UNAA officials and vendors. Interviews were conducted with the following individuals:

- ✓ 7 UNAABOT members
- ✓ Treasurer
- ✓ Current president
- ✓ Previous president
- ✓ Executive secretary
- ✓ Registration personnel
- ✓ Current Ambassador-Ugandan Embassy Washington, D.C

- We performed a detailed analysis of historical expenditures in spending, by utilizing data provided by the current UNAA treasurer that included bank statements and UNAA expenditure reports for the period October 1, 2014 through October 1, 2017.
- Various sampling techniques were used to further analyze the data, reviewed supporting documentation, performed inquiries and observations, and identified potential questionable expenditures. We started with a detailed historical expenditure analysis for 2015, 2016, and 2017 in accordance with procedures identified in the engagement letter.
- We performed a review of individual expenditures and supporting documentation to assess whether expenditures were reasonable, made preliminary assessments, and then granted UNAA an opportunity to provide additional information and support.
- We reviewed expenditures that were made during our audit period for appropriateness.
- As part of the review of each process, we performed walkthroughs by inquiry, observation and by a review of a sample of transactions and related supporting documents.
- Potential recommendations identified during the procedures were documented.
- We reviewed all travel-related expenses for reasonableness.
- We reviewed cash collection practices to verify if UNAA prepared timely bank reconciliations, and if deposits were made.
- We compared bank statement activities and UNAA accounting records to verify if all money collected was deposited in the bank.
- We reviewed contributions and grants received to determine whether they were spent in accordance with donor stipulations, or UNAA guidelines.
- We tested procedures for property and equipment and determined the adequacy of UNAA's controls to protect, and account for its assets.
- We examined UNAA records to determine whether UNAA had followed and filed all its tax returns.

- We reviewed UNAA's approved operating budget for fiscal year 2015-2017 and compared it to actual expenditures. We also reviewed line-items and total amounts to ensure that they were within budgetary limits.
- We obtained revenue and expenditure information generated from UNAA accounting system. We compared this information with source documents and conducted information-security tests to determine the reliability of data. We determined that the data was sufficiently reliable for the purposes of this report.
- Whenever sampling was used, we applied a non-statistical approach, and as a result, we were not able to project our results to the population.
- We compiled UNAA income statement (Statement of Activities) for the period October 1st, 2014 to October 1st, 2017. To compile the Statement of Activity we used information from the bank statements and UNAA accounting records and tested over 50% of the items for the following attributes;

For revenue we tested revenue collected to determine:

- ✓ If revenue was recorded properly in UNAA accounting systems
- ✓ If cash collected was deposited promptly
- ✓ If revenue collected and reported in UNAA accounting system reconciles to what was deposited in the bank
- ✓ If donor directed funds were used for the intended purpose

For expenditures we tested money spent by UNAA to determine:

- ✓ If expenditures were evidenced by proper documentation
- ✓ If expenditures were reasonable
- ✓ If expenditures were allowable
- ✓ If expenditures received proper approvals.

Note:

The report has 10 tables. All the numbers and amount presented in the tables were obtained from UNAA accounting records and bank statements.

Table 1. below shows UNAA total revenue during 2015 to 2017 was \$932,269 compared to total expenditures of \$851,524.

Note

Net income shown at the bottom of the page don't equate to what is in the bank as UNAA never reconciled its book balances to bank balances.

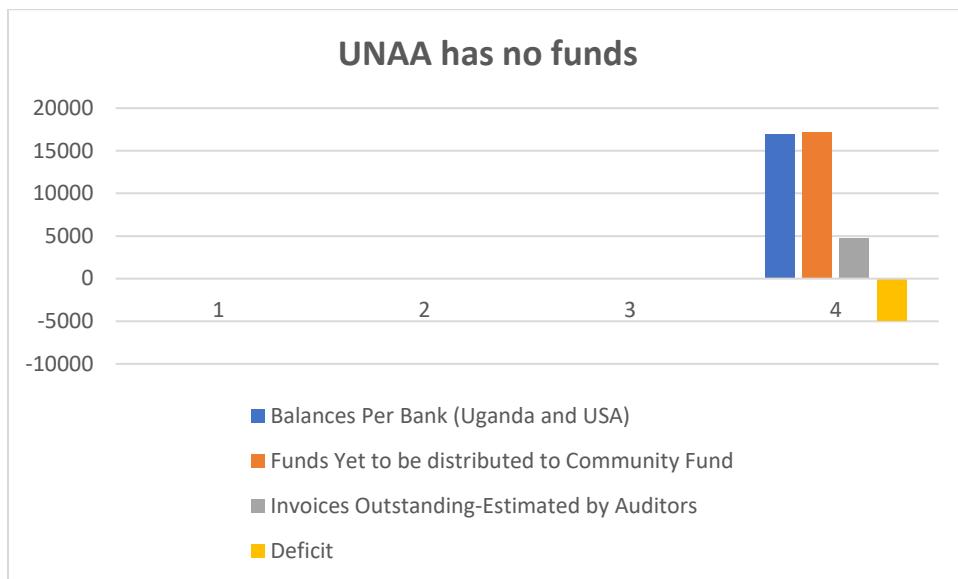
Table.1		Statement of Activities or Income Statement		
		Ugandan North American Association		
		Statement of Activities		
		October 01, 2014-October 01, 2017		
		2015	2016	2017
Support and Revenue				
Income-Convention Registration		\$ 83,475	\$ 149,400	\$ 131,969
Income-Hotel Rebates/Credits		9,640	23,034	10,324
Income-Boat Cruise Dinner		28,480	52,569	36,828
Income-Sponsorship from Corporate Partners		27,500	42,500	15,500
Income-Vendor Exhibition Fees		8,250	12,260	5,860
Income-Trade & Investment		1,000	1,700	400
Income-Uganda Government Grant		50,000	100,000	100,000
Income-Annual Membership Fees		7,100	3,900	30,580
Total Revenue		\$ 215,445	\$ 385,363	\$ 331,461
				\$ 932,269.00
Expenses				
Advertising and Promotion		\$ 6,000	\$ 7,311	\$ 6,755
Audio and Visual for Convention		12,500	10,550	15,000
Bank Fees		4,208	4,729	4,705
Boat Cruise Dinner		31,475	66,132	45,417
Commissions and Fees		413	5,000	0
Dues and Subscription		4,311	6,241	6,290
Office Expenses and Supplies		1,233	9,768	7,181
Electoral Commission-UNAAEC		4,040	0	5,313
Hotel Payments:				
UNAA Dinner and Other Meals		65,615	107,087	116,368
Hotel rooms for Sponsors, Uganda guests and Other		21,076	52,457	34,719
Legal and Professional Fees		5,800	0	8,258
Performers Travel and Performing Fees		15,580	17,582	12,206
Registration Company/Registration Materials&Supplies		15,357	4,023	0
Program Books		5,620	4,960	3,137
Security		2,080	2,000	2,400
Transport: Guests From Airport		2,000	3,588	1,740
UNAA Sponsorship to Ugandan Community		900	49,999	32,400
Total Expenses		\$ 198,208	\$ 351,427	\$ 301,889
Net Income or (Loss)		\$ 17,237	\$ 33,936	\$ 29,572
				\$ 851,524.00

OBSERVATIONS

UNAA has no Cash Left

Our audit noted that UNAA has about \$17,000 left in the bank. These funds have already been allocated for payments of the Uganda Community Development Fund. Therefore, since the funds are already designated to be distributed, UNAA has no funds left to run its daily operations.

We noted that about \$5,000 is in outstanding invoices, but we recommend UNAA officials to review all invoices outstanding to determine the exact deficit.



Convention and Boat Registrations

Table.2. Convention and Boat Registrations				
	Estimated Number of People Registered for the Convention	Amount Paid	Estimated Number of People Registered for the Boat Cruise	Amount Paid
2015	383	\$ 83,475	400	\$ 28,400
2016	651	\$ 149,400	629	\$ 52,569
2017	442	\$ 131,969	450	\$ 36,828
Totals	1476	\$ 364,844	1479	\$ 117,797

Table 2 above shows the number of people that registered for the convention. Between 2015 and 2017, the number of people that registered for the convention was 1,476 for a total cost of \$364,844. The number of people that registered for the boat cruise in the same period was about 1,479 and UNAA collected \$117,797.

Boat Cruise Payments and Costs

Table.3 Boat Collections Vs Boat Costs			
Item	2015	2016	2017
Boat Collections	\$ 28,480	\$ 52,569	\$ 36,828
Payments to Boat Company	(31,475)	(66,132)	(45,417)
Profit/Loss	\$ (2,995)	\$ (13,563)	\$ (8,589)

One of the major events for the UNAA annual convention is the dinner boat cruise which is usually held on the second day of the four-day convention. This is a gourmet dinner that costs an average of \$99 per person. For the 2015 convention, the charge was reduced to \$89. Table 3. above shows that UNAA spends more than what it collects for this event. The largest deficit was recorded from the Boston Dinner Cruise where UNAA collected \$52,569 but spent \$66,132 resulting in a deficit of (\$13,563). The Miami boat cruise had a deficit of (\$8,589), and the Louisiana boat Cruise, a deficit of (\$2,995).

We noted that a large portion of the dinner boat cruise payments was done on site including cash payments. Our audit discovered several issues during the review of the boat cruise activity which included the following:

- ✓ The number of people recorded in UNAA accounting records as having paid for the boat cruise was different from what UNAA officials told us. During the 2016 conventions, UNAA accounting records show 408 people that paid for the boat cruise, however UNAA officials said about 629 people boarded the boat. The money collected from this event was recorded at \$52,569, however, our calculation indicated that \$60,291 should have been collected. The officials could not explain why there was a discrepancy between their count and UNAA records.

- ✓ For the Miami convention, UNAA accounting records show 332 people that paid \$36,828. Again the officials said the actual number that paid should be 450. Also, about 50 people were left behind due to overbooking. There was no clear explanation given for the overbooking; one official blamed the size of the boat, that the boat could only take 400, another official indicated that the overbooking was done intentionally by other UNAA officials to damage his reputation. We also noted that there was no record that UNAA has refunded people that were left behind.
- ✓ The current members of the executive committee (secretary, treasurer, former director of finance) accused each other of mismanagement of the boat cruise. UNAA treasurer indicated that there have been several instances where members of the executive committee have picked up wristbands for the boat cruise without any accountability.
- ✓ The major problem our audit encountered was that there was no sufficient documentation to provide proper accountability for the boat cruise collections, and it was impossible for us to determine the exact revenue UNAA should have collected. However, we estimated that for the 2015, 2016 and 2017 boat cruises, UNAA should have received a total of \$136,681 but only recorded \$117,778. Our estimation indicated that UNAA should have collected \$18,804 more than what they collected.

Table.4 Boat Cruise Funds				
	Number of People that boarded	Amount Collected	Auditors Calculation	Unaccounted Funds
Louisiana	400	\$ 28,480	\$ 33,820	\$ (5,340)
Boston	629	52,569	60,291	(7,722)
Miami	450	36,828	42,570	(5,742)
Totals	1479	\$ 117,877	\$ 136,681	\$ (18,804)
Note				
Auditors calculation includes DJs and sponsors that were complimentary.				

Hotel Rooms Paid for by UNAA

Table 5 below shows rooms that were paid for by UNAA. These rooms are given out to sponsors, UNAA officials, and Ugandan Government officials. Our audit noted that there were little

guidelines and no board oversight in place regarding the allocation of these rooms. One person, the current secretary was left to determine how these rooms should be allocated.

Table.5 Hotel rooms paid by UNAA			
	Hotel rooms paid for by UNAA	Amount paid by UNAA	
2015	43	\$ 21,076	
2016	80	52,457	
2017	34	34,719	
Totals	157	\$ 108,252	

During the Boston event, UNAA paid for 80 rooms totaling \$52,457, but also paid \$1,572 for meals charged to those rooms. The charge of meals to the rooms is an unallowable expenditure and should have never been paid by UNAA. The secretary explained that, the room meals were part of the contract for Ugandan artists however, there was no contract provided to verify that. We also noted some rooms that were a one-day charge, which were mostly no-shows. One UNAA official explained that “no-shows” are usually from the Uganda delegation. They ask UNAA to make a reservation for them, and then don’t show up.

Questionable Hotel Payments-\$8,000 over Charge

Our audit found that during the 2016 Boston Convention UNAA paid about \$8,000 for hotel rooms for which they should not have paid. See detailed discussion in finding#5, page.25& 26.

UNAA paid over \$12,000 in taxes they were exempted from.

Table.6 State Sales- Taxes UNAA Paid			
	Hotel Rooms Sales	Boat Cruise Sales	Total Sales
	Taxes Paid	Taxes Paid	Taxes Paid
2015	\$ 3,595	\$ 1,774	\$ 5,369
2016	7,309	0	\$ 7,309
Totals	\$ 10,904	\$ 1,774	\$ 12,678

UNAA paid \$12,678 in State sales taxes they should have never paid. UNAA is registered as a non-profit organization that is exempt from taxes. To qualify for these taxes, UNAA must apply in advance to the state in which they are conducting business. Although there was evidence to show

that UNAA applied for tax exempt certificates, it was not clear why they never got these taxes waived.

Unfiled Taxes or Report

We checked with the Office of the Massachusetts Attorney General (MAGO) to see if UNAA is keeping up with all its filings. MAGO did not have any records for the annual public charities filing from 2015 through 2017. The last filing was done by the former president, for fiscal year 2014.

We also noted that if a charity has a financial interest in or signature authority over a foreign financial account, such as a bank account with the aggregate value in the account exceeding \$10,000 at any time, then the charity may be required to file Form 90-22.1, popularly known as FBAR (Report of Foreign Bank and Financial Accounts). Our review of the IRS website noted that failure to file an FBAR when required to do so may result in civil and criminal penalties. UNAA officials could not provide any evidence to show that this was ever done, yet UNAA has an account in Uganda that at times holds over \$10,000. We recommend UNAA to file this form without delay.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE.

1. Lack of Accountability for Funds donated by Uganda Government

During our audit period we noted that UNAA worked with the Ugandan community in North America by distributing funds to UNAA Chapters and Affiliates (Organizations) listed in table.7 below. These funds were in form of a grant to UNAA from the Government of Uganda. Every year the Ugandan Government gives \$100,000 that is distributed equally, \$50,000 goes to UNAA Convention and the other \$50,000 goes towards various communities using a distribution formula determined by UNAA. The formula seems to award more money to those organizations with more members.

Our audit examined the \$50,000 distributed to UNAA affiliated organizations. The distribution of the \$50,000 is done on the following basis; Organizations applying for funds must submit a complete application which must include proof that the organization is legally registered in North

America, and that the organization has a minimum of 10 paid members if a UNAA affiliate and 15 paid members if a UNAA Chapter.

To qualify, organizations are required to submit proof of their legal status, a constitution, leadership structure, and must show how funds will be used for community development.

On an annual basis, these organizations are required to submit accountability of funds received and must demonstrate how these funds were used.

The Ugandan Government has so far provided \$100,000 for 2015 and 2016. This money has been distributed as shown in table 7 below. Out of \$100,000 received, a total of \$82,799 has been paid to communities leaving a balance of \$17,201 yet to be allocated.

Note

The Embassy has not released the \$50,000 meant for Chapters and Affiliates for calendar year 2017 as they are waiting for a communication from UNAA.

Table.7		Uganda Government Contribution to UNAA (for UNAA Chapters and Affiliates)			
	Organization that Received Funds	Organization submitted a complete application	Organization showed how the money was used	Amount paid in 2016 for 2015 Grant	Amount paid in 2017 for 2016 Grant
1	Ugandan North American Association of Dallas	NO	YES	\$ 6,107	\$ 5,000
2	North America Masaba Cultural Association	YES	YES	5,852	3,000
3	Uganda American Association of Austin Texas	NO	NO	5,725	
4	Ugandan North American Association of Houston Texas	NO	NO	5,725	
5	Lango Community of North America	NO	YES	4,580	3,000
6	Pacific Northwest Uganda American Association	NO	YES	4,962	4,400
7	Ugandan North American Assoc.of Greater NY	NO	NO	4,580	-
8	Ugandan North America of Greater Chicago	YES	NO	4,580	2,160
9	Uganda Community in Illinois	NO	N/A		2,440
10	Ugandan Community in Los Angeles	YES	YES	4,071	4,400
11	Twegaite International Convention	YES	N/A		4,000
12	Ugandan Atlanta Chapter	NO	NO	3,817	
13	Uganda Community of Greater DC	NO	N/A		4,400
Total Amount Paid				\$ 49,999	\$ 32,800

Note

Funds received in 2017, did not require accountability until 2018. Our audit only considered accountability for organizations that received funds in 2016.

Our Audit found that the criteria set by UNAA for distribution of funds donated by Ugandan Government were not followed:

- ✓ Nine out of 13 organizations received a total of \$54,736 for 2015 and 2016 without submitting a complete application as required by UNAA established guidelines.
- ✓ Five out of 10 organizations that received the 2015 grant did not submit accountability for the money. Also, the organizations that did submit accountability provided inadequate documentation as there were no accompanying receipts to determine if funds were used for the intended purpose.
- ✓ One organization, the Uganda Community of Greater DC was created on June 30th, 2017 by a UNAA former director of finance, received \$4,400 a few days after its formation. We noted that, its formation was incomplete, as it only received a Tax ID; there was no record of a Federal determination letter or a State registration. In its organization's by-laws there were no leaders listed but indicated positions will be filled. Even with all the shortcomings, UNAA gave them the grant.
- ✓ Another organization, the Uganda North American Association of Dallas informed us that the former president that was elected on 7/29/17 stole \$4,837.54 meant for the Community fund immediately after his election. UNAA had transferred \$5,000 for the Community fund on 8/11/17, thievery by this individual begun on 8/14/2017 until 9/6/2017.

Recommendation

We recommend that UNAA management should develop and implement internal controls including, but not limited to, making sure that, the distribution of funds is done after an organization has submitted all the required documentation. We also recommend the following:

- A significant oversight from the board should be a must in transactions with high dollar amounts. The board should request that:
 - ✓ Organizations receiving the grant must demonstrate that they have controls and leadership in place to manage the use of the money.
 - ✓ Money fraudulently received be returned to UNAA.
 - ✓ Organizations that receive these funds provide proper accountability of how they used the money. Accountability should include receipts and other documentation to

demonstrate that these funds were used for the intended purpose. Organizations that fail to provide a detailed accountability should not be considered for future grants.

2. UNAA Accounting records don't match up with the bank records

Our audit noted that UNAA did not always perform bank reconciliations and there was no policy in place to ensure that reconciliations are performed. We found that UNAA accounting records were not accurate, as UNAA balances (Funds left after paying Expenses) don't match up with bank balances. UNAA accounting records should mirror what is in the bank. Money received, and money spent is recorded in UNAA financial accounting software-QuickBooks, however we noted that this was not always the case as there were major discrepancies between balances at bank and balances per UNAA books. Table 8 below shows that during 2015 (October 01, 2014 to October 01, 2015) UNAA had a balance of \$68,940 vs bank balances of \$6,213. Also, during 2017 (October 01, 2016 to October 01, 2017) accounting records show a loss of (\$75,842) vs a positive balance of \$22,232 reported at bank.

Table.8. Balances per Bank Vs. Balances per UNAA Records			
	Balances Per UNAA Accounting Records	Balances Per Bank Statement	Variances between Bank and UNAA Records
2015	\$ 68,940	\$ 6,213	\$ 62,727
2016	43,684	35,730	7,954
2017	\$ (75,842)	\$ 22,232	\$ (98,074)

Our inquiries regarding these discrepancies disclosed that during 2015, most expenses were never entered in accounting records resulting in UNAA showing more money on its books than what is in the bank. For 2017 discrepancy, UNAA did not record all revenue resulting in a huge negative balance on its books than what is in the bank.

Our major concern is that when bank statements are not monitored and reconciled, the potential for undetected loss is high. We noted that poor records and lack of reconciliation will provide an environment where people are able to embezzle thousands of dollars over time. Reconciling bank statements will help prevent losses and may uncover a potential problem in the accounting system.

Our audit found that though UNAA shows a positive balance at the bank of about \$17,000 as of October 01, 2017 its financial picture is very different. UNAA has spent all its available cash and has an operating deficit that could not be determined at the date of this report. We have requested UNAA officials to compile all outstanding invoices to assess the exact deficit.

Major Concerns with UNAA Accounting System-

During our meeting with the treasurer, he informed us that the recording of transactions in the Accounting System (QuickBooks) is done by all members of the Executive Committee. The Treasurer, President, Secretary, and Director of Finance, can all enter transactions, including their own transactions. By doing this, any of these officials could place a purchase order, authorize payment for the order, and then enter this transaction in QuickBooks.

We noted that this practice of allowing multiple people to enter their own transactions could expose UNAA to fraudulent transactions and overpayments and affect the reliability of information in its financial system.

During our fieldwork, we were informed that a former Director of Finance was asked to resign due to making false entries in accounting records. This individual entered information in UNAA accounting records that he received more money from UNAA members than what was deposited in the bank. See discussion in finding#3, Page.21.

Recommendation

We recommend that UNAA Management should perform monthly reconciliations of revenue collected for money deposited in the bank accounts including the relevant Uganda bank accounts. Any discrepancies should be immediately brought to the board's attention. In addition, UNAA should review all banking activities in comparison with its accounting records to make sure all activities were entered accurately. We also recommend that UNAA should keep accurate records always, as keeping accurate accounting records is the first step to preventing fraud or misuse.

3. Embezzlement and Fraud

A former UNAA treasurer admitted to stealing more than \$23,00 which he collected from the 2013 convention registration payments but never turned it over to UNAA. This individual used his position as the treasurer and directed people from Uganda to send money directly to his MoneyGram account. This individual allegedly admitted to the embezzlement and promised to pay the money back, but never did. We noted that he was able to do this due to lack of internal controls at UNAA. There was no segregation of duties, so he was able to collect, record, and deposit money in the bank.

Note

The former UNAABOT decided to treat the fraudulent transaction as a loan to the individual that stole the money. There was no immediate explanation why UNAABOT decided to do things this way. Also, during the 2014 tax filing the loan was declared as a bad debt and was eventually written off. Our audit questioned the rationale for declaring the loan as uncollectible immediately after this individual was requested to pay. Our requests to see board minutes, and the loan agreement between UNAA and this individual went unanswered. We also asked to see if UNAA attempted to collect this money, there was no indication to show that UNAA tried to get this money back.

We noted another incident that involved entries that were entered in UNAA accounting records which showed more people were issued receipts for payments than what was deposited in the bank. The treasurer explained that this was done by the former Director of Finance (DOF) who oversaw all financial transactions. Further testing confirmed that about \$8,460 was recorded as received from 182 UNAA members, however only \$2,380 was deposited in the bank. When we talked to DOF, he informed us that these were mere mistakes; he did not receive any money but just entered wrong information. He could not explain why he repeatedly entered the wrong information more than 100 times.

Also, during the Miami convention, auditors observed people complaining about money paid to one UNAA official, but the official never recorded or deposited the money to UNAA accounts. The treasurer informed us that this UNAA official was the former director of finance. These

people demanded to be issued tickets for entrance to the Convention; they were eventually issued tickets without any proof of payment.

Recommendation

We recommend that UNAA Management and UNAABOT improve their operations. UNAABOT needs to be more vigilant and implement effective internal controls to prevent and detect fraud and abuse. Simple measures, such as properly separating duties so that no one person handles an entire transaction from start to finish, or providing oversight of financial activity by board members, doing a thorough and accurate audit of all claims, doing the periodic audits required by the by-laws, and requiring that adequate books and records be maintained and presented for periodic inspection, will go a long way towards preventing fiscal malfeasance.

- We also recommend that the theft of \$32,000 should be referred to law enforcement for further investigation.
- We further recommend UNAA to communicate a zero-tolerance policy for fraud. UNAABOT should ask all its executive committee to sign a written Code of Conduct that outlines expectations and specifies that the consequence of engaging in fraudulent behavior will be referred to law enforcement. Also, UNAA should have a written policy that clearly spells out in advance that it will pursue criminal charges against any person who engages in fraud.

4. Purchases that Lack Sufficient Documentation

Our review of purchases made by current UNAA Executive Committee disclosed the following: The treasurer, the secretary, and the president were issued UNAA credit/debit cards. Expenses charged on these cards had to be a UNAA related expense approved by the Executive Committee. The treasurer informed us that the cards are sometimes used without any approval. Even when the treasurer rejects a purchase, he has been overruled. The treasurer also stated that some expenditures charged on the cards were for personal expenses, but further tests confirmed that most of these were reimbursed to the organization.

Several expenditures could not be justified due to lack of documentation. For instance, we tested 22 transactions totaling \$14,128 that were charged on the secretary's card and noted these exceptions:

- ✓ Seven out the 22 transactions totaling \$6,268 did not have adequate support. The secretary provided explanations for each transaction but failed to provide documentation and stated that "UNAA has not been good at keeping receipts. He also indicated that most of the receipts and contracts were lost when his computer crashed.
- ✓ Some transactions on the card of the secretary could not be verified by the treasurer. Since the secretary did not provide receipts for them, the treasurer was asked to provide confirmations. In all cases, the treasurer could not recall and referred us to meeting minutes that were not provided. The secretary stated that most of the purchases were discussed by the president and the director of finance so there was no need for the treasurer's approval. We noted that UNAA constitution empowers the treasurer with oversight responsibilities of the financial affairs of UNAA and excluding him from the purchasing decisions is a significant breakdown in internal controls.
- ✓ One transaction was a cash withdrawal of \$300 and \$500. The secretary stated this was to pay for registration of UNAA in Texas, and yet, UNAA is officially registered in Massachusetts. The treasurer did not agree with the transaction, but the secretary went ahead and did it anyway.
- ✓ Five transactions totaling \$745 were related to a Twegaite Convention that took place in Washington DC. The secretary and other members of the Executive Committee had agreed for each to pay their own away, however the secretary used his UNAA issued card anyway. One of the transactions included a cash withdrawal of \$203. When asked, the secretary explained that this was for his boat Cruise and registration at Twegaite. Again, there was no documentation to verify these expenditures.
- ✓ We asked to review the job description of the secretary, and we could not find anything in the description stating that the secretary should be part of the purchasing process.

We reviewed 28 transactions totaling \$10,830 charged on president's UNAA bank card and noted

the following:

- ✓ A total of \$7,309 was charged as travel related expenses of which \$4,974 was used to book Air tickets to bring a Ugandan music group Radio and Weasel that refused to show up. \$2,335 was used in travel expenses to various cities where the president attended various functions. There was no evidence of pre-approval however the president explained these were approved by the executive committee in the meeting minutes, but since the computer with the minutes had crushed, they could not be provided.
- ✓ A charge of \$2,078 was for four computers that were already charged on the secretary's card. We were told that this was an error and have asked for a refund from the computer company-Dell. We noted that it has been several months that this purchase took place, and a refund should have been effected by now.
- ✓ Five transactions totaling \$745 were related to a Twegaite Convention that took place in Washington DC. The secretary and other members of the Executive Committee had agreed for each to pay their own away, however the secretary used his UNAA issued card anyway. One of the transactions included a cash withdrawal of \$203. When asked, the secretary explained that this was for his boat Cruise and registration at Twegaite. Again, there was no documentation to verify these expenditures.

We also reviewed 24 transactions totaling \$23,659 which were charged on the treasurer's card. No exceptions were noted. The treasurer was able to provide documentation for all his card expenses.

Cash Withdrawals

A cash withdrawal of \$1,500 was done on 7/18/2016, but it was not clear by whom. The secretary explained that this was for marketing black weekend. "We had a black weekend where registration was reduced and UNAA organized the outreach in Boston, MA". There was no documentation to verify how the money was used. Another cash withdrawal of \$1,500 was done on 9/23/2016 in Texas, again no supporting documentation was provided to show why a withdrawal was done. However, the secretary explained that \$1,000 was paid to him as an appreciation to bring a new sponsor, and \$500 was used to pay a Ugandan entertainer.

Bank Debit Cards with No Spending Limit

The president, treasurer, and secretary had no limits on the amounts that could be charged on their cards. There was an instance where the secretary's card was charged over \$160,000 in one transaction, and treasurers card was charged over \$20,000 to pay for expense related to the Boston Convention. We noted the weak internal control environment at UNAA included not having a policy to provide guidance for establishing an appropriate span of control over purchasing.

Recommendation

We recommend that UNAABOT implement a review and approval process to ensure that unallowable expenditures are caught early. In addition, there must be a system in place to approve and confirm cardholder transactions for legitimacy and compliance with UNAA policies.

We also recommend the following:

- UNAA should design policies that will limit a few purchases that will be allowed for card holders per month.
- UNAA should limit the number of card holders to the treasurer and the president, or the secretary.

5. Wasteful Spending

UNAA spent \$10,728 between 2015-2017 renting vehicles to transport people from the airport to hotels and boat cruises. Out of \$10,728, five thousand three hundred twenty-eight dollars (\$5,328) was spent on transporting people from the airport to hotels, for the Boston Convention, the distance from the airport to the hotel was less than five miles, but UNAA paid \$3,588. Auditors interviewed one of the Vendors for Limousine Services identified below, but he failed to verify the number of trips he drove and could not remember how many people he took. We compared prices that UNAA should have paid by using a regular cab or Uber; the prices for a taxi were incredibly low. A regular taxi or Uber would have cost UNAA about \$800 vs \$5,328 paid for three Conventions.

Transport of UNAA Guests			
Year	Vendor Name	Description of Services	Amount Paid
2017	AD Studios	Airport to Hotel/Convention	\$ 1,060
2017	Van Rental	Airport to Hotel	680
2016	Victorious Transport, Inc.	Limousine Services in Boston	3,588
2016	Joseph's Transport	Hotel to Boat Cruise	3,400
2015	Shuttle Van	Shuttle Van Rental	2,000
Total Paid for Limousine and Taxis			\$ 10,728

When we asked for the rationale of paying such a high cost, the secretary explained that it was necessary since UNAA can only keep their sponsors by providing the best of services. The problem with this explanation is that there were other means of transportation that should have been considered which would have been more cost effective. Also, the secretary could not provide documentation to show the number of trips and people transported for the Limousine Services used in Boston.

UNAA Paid for “No Show” Hotel Rooms

UNAA paid \$3,936 for hotel rooms for people that didn't show up. People who booked these hotel rooms through UNAA failed to show up and UNAA ended up paying the bill.

UNAA Paid for Empty Hotel Rooms		
Location	Number of No Show Rooms	Amount Paid for No Show Rooms
Boston Convention	10	\$ 2,270
Miami Convention	4	696
Lousian Convention	5	970
Total	19	\$ 3,936

Questionable Hotel Payments-\$8,000 over Charge

Our audit found that during the 2016 Boston Convention UNAA paid for hotel rooms for which they should not have paid. About 18 Ugandan members of parliament were included on UNAA's hotel bill for a total of \$8,064. Further discussions with the UNAA secretary, who oversaw the Boston convention, confirmed that UNAA was likely double charged. He also stated the following: “There is no way in the world that I can give members of Parliament free room, registration or boat cruise. They all pay and pay at the higher rate most of the time.”

\$6,600 Paid for Artist that never showed up

UNAA contracted with a booking agent who they paid \$6,000 to bring a Ugandan music group Radio and Weasel. This group refused to travel to attend the Miami convention after reaching at Entebbe Airport and found out that their tickets were not booked in first class. UNAA had purchased economy class tickets. It was unclear if UNAA will be able to recoup this money.

Artist owes \$1000

Another Ugandan artist owes UNAA \$1,000 that he has refused to pay. This artist attended the Boston convention. It was not clear why he has refused to pay.

We also noted that from 2015-2017 UNAA paid over \$45,368 to artists from Uganda. In some conventions, UNAA has featured more than 4 groups. No explanation was given for featuring these many groups.

Recommendation

We recommend UNAA to develop written policies and procedures to govern all areas of its operation and procurement process. We also recommend the following:

- UNAA should seek reimbursement from the people that failed to show up
- UNAA should limit the personnel that are able to authorize purchases. The wasteful situation was caused by the fact that too many people could authorize any purchase at any time.
- UNAA should always contract with vendors that provide the required services at a lower cost. Otherwise, their lack of frugality will always cause UNAA to suffer persistent deficits.
- UNAA should consider a fair bidding process, were all contracts should be subject to at least three bids and approved by a manager uninvolved in the transaction.
- Large contracts should be reviewed and voted on by the board.

6. Lack of Controls around Cash Collections.

Adequate controls were not in place to safeguard the receipting, recording, depositing, and transfer of cash collected from the conventions. In every convention UNAA has cash collection

on site for all events; registration, boat cruise, Sunday dinner etc. Our review of cash collection found the following:

- ✓ About \$15,000 to \$20,000 is collected from each Convention. We requested to see records of cash collections from the three conventions (Louisiana, Boston, and Miami). Our expectation was to see a log that has amount paid, who paid, and what they paid for. There were no such records, but the treasurer told us that cash collection was done through square and quick books, however we noted that the amounts entered in square were not accompanied by who paid.
- ✓ We noted that some of the cash collected was used to pay vendors on site, like artists from Uganda who prefer their payments to be done immediately. However, for the 2015 Louisiana convention, there was no proof to show that the payments were made to them, and how much was paid. We expected to see acknowledgment of payments, or receipts, and invoices, but there was none.
- ✓ From the Louisiana convention, about \$13,000 was collected and \$10,000 was paid out to various vendors. Again, there were no proper documentation to support all payments, however, the former president provided emails, contracts and explanations. He also said, "We were severely understaffed in New Orleans 2015 – We did not have a Treasurer, Executive Secretary and Director of Finance On Site who all could not attend for various reasons; so while we have acknowledgement of cash payments from major vendors like the hotel, boat cruise companies who issue receipts, we do not have the same from individual performers like say a DJ, an MC, or an Artiste, but we do have the contracts and can ask them to verify this."
- ✓ The former director of finance (DOF) who was part of the registration desk during the Boston Convention indicated that, the treasurer did everything including verifying and depositing money in the bank. DOF also said that every evening, the treasurer took a safe box to his room. When asked, the treasurer explained that it was kept in the safe at the hotel. We noted that the collection, verification, depositing of cash by one individual demonstrates complete lack of segregation of duties. A situation where one person

oversees collecting cash will not guarantee that all cash will reach the bank. With proper separation of duties, no single person should have control over the entire cash process.

Note

The treasurer provided explanations that he was not the only person who did everything as other people were also involved. We were able to talk to staff from the registration desk who confirmed the treasurer's statements.

Auditor's note

The problem with this explanation is that, the documentation provided could not substantiate who did what. We expected to see logs with initials or signatures of individuals that were involved in the cash collection process, but there was none.

Note

- ✓ The current treasurer said the following "This issue of separation of duties needs to be addressed beyond just the sole responsibility of the treasurer and the registrants; for this to happen there must be cooperation and commitment from other members of UNAA. Despite the limitations, we did the best to take reasonable precautions to protect UNAA funds. It was also a failure on part of the DOF if he was overseeing "all financial operations" that he was not involved in the verification and depositing of funds. The DOF was not present at the end of the day to assist with verifying and depositing the funds, neither were other members of the executive. This burden was placed on the treasurer and the people at registrations."
- ✓ During the Miami convention, we observed the cash collection process, and took a picture of the list that was kept by the registration desk. The record was sloppy and not detailed as some names did not show amount received and other names did not have a reason for the payment. Also, we noted that there was no adequate monitoring as the treasurer who was supposed to be monitoring the collection was not always present as he was doing other things due to shortage of staff. He left everything over to the person collecting the money.

Recommendation

We recommend UNAA to minimize cash collection at the convention and request all payments to be done online or by credit card. We also recommend the following:

- Cash handling duties should be divided into four stages: receiving, depositing, recording, and reconciling. Ideally, all four stages should be performed by different individuals.
- A record of cash collected must be maintained by the person responsible for accepting cash. This could be in the form of a cash log book, a pre-numbered receipts book, etc. This record must be compared to the actual cash on hand.
- Cash collections must be reconciled on the day it is collected to the cash log to ensure the completeness of receipts. A UNAA official who does not collect funds must reconcile deposit slips to general ledger accounts to ensure that all amounts were properly deposited and reconcile general ledger balances to bank records to ensure that deposits were appropriately credited by the bank.
- For every convention, UNAA should plan with a local bank to get an overnight deposit box.

7. Questionable Transactions-Missing Wristbands

We found discrepancies in the number of wristbands issued versus the number of registrants in UNAA accounting records. Wristbands are used by UNAA to easily identify paid or subsidized customers. For both the Boston and Miami conventions about 3,500 wristbands were ordered.

What we found:

- ✓ UNAA didn't keep track of the number of wristbands issued or leftover inventory. The secretary, treasurer, and the former director of finance, each gave a different count of what was issued but could not provide specifics; for general registration, boat cruise, or complimentary wrist bands. For the complimentary wrist bands, we were told, only the secretary decided who should receive these. When we asked for how many are in stock, the treasurer was not sure as they never counted what was left over. The treasurer explained that due to events on going after the convention, he was unable to provide us with the

starting and closing numbers, however the numbers were ultimately provided during the audit.

- ✓ The treasurer informed us that during the Boston and Miami conventions, the boxes of wristbands presented to the registration desk did not have the expected number of wristbands. The treasurer indicated that when wristbands were picked up from the former director of finance's room, about 200 were missing for Boston and 20 for Miami. The treasurer also indicated that during the conventions the secretary and former director of finance picked up wristbands from the registration crew without any accountability. The people at the registration desk confirmed this
- ✓ With this level of mismanagement and lack of detail and given that the treasurer had already informed us of the possible manipulation in the accounting records, followed by the fact that they did not reconcile what was issued to the money collected, it was impossible for us to determine the exact revenue that should have been collected.

Note:

- ✓ The secretary stated the following "This year's plan was to reconcile everything after the convention but when you wake up on a Monday after the convention and find out that your company card was cancelled without even being told and the person who cancelled it saw you struggle to check in people but refused to say anything, you end up using your own money to check in the DJs, the last thing on my mind was UNAA"

Recommendations

- We recommend UNAA Management to keep accurate records of all wristbands issued for each category. The actual number of wristbands issued should be reconciled to the accounting records.
- We also recommend that all collections should be accompanied by adequate documentation. UNAA management should ensure every person that attends any of the convention events has adequate proof that they paid.
- We recommend an immediate reconciliation be performed a day before the boat cruise for people paid and people registered.

8. Lack of Policies and Procedures

Our audit found that UNAA has no written policies and procedures in place to govern its operations. This lack of written policies and procedures provided an environment for people to do what they want. We noted that various people could purchase or withdraw any amount of money from UNAA accounts at any time without any restriction.

Recommendation

We recommend UNAABOT and UNAA Management develop written policies and procedures to govern all areas of operations. Simple things, like properly separating duties so that no one person handles an entire transaction from start to finish or providing oversight of financial activities by Board members should be considered.

9. Activities at Post Bank in Uganda

UNAA holds a bank account at Post Bank in Uganda. This account is specifically used to receive money from the people who register to attend a convention. The account is also used by UNAA officials to withdraw money to do UNAA business. We noted the following regarding the activities from this account:

- ✓ Three people are recognized as signatories, however only two are needed to authorize a withdrawal.
- ✓ UNAA by-laws require the treasurer as the principal signatory making his signature a requirement for all transactions done through this account, however in numerous transactions the president was the principal signatory which is in direct contrast with UNAA requirements.
- ✓ We noted that during 2017, there were 3 withdrawals totaling \$6,031 which the treasurer refused to sign off due to lack of adequate documentation, but still the withdrawals were made anyway.

Recommendation

We recommend UNAABOT to increase monitoring of transactions at UNAA's Post bank account. UNAABOT should ensure that the person ordering the transaction should not be involved in the approval process.

10. Missing Computers

UNAA Executive Secretary purchased four computers for \$4,445; these computers were originally budgeted for \$1,200. The computers were charged on both the president and secretary's card for a total of \$4,445 (\$2,367 and \$2,078 respectively). The explanation for the double charge was not sufficient, they said it was an error, but it was unclear why UNAA has not been refunded for the additional charge. After repeatedly asking evidence to determine if these computers exist, UNAA officials could only provide evidence for one computer. It was unclear why they could not verify the existence of the other three computers.

Recommendation

We recommend the following:

- UNAABOT should follow up and see if the recently purchased computers exist and if they are used for UNAA purposes.
- UNAABOT should follow up to see what happened to the money that should have been refunded to UNAA for a double charge on the computers.
- All UNAA assets should be tagged as UNAA property.
- An inventory log should be kept with who the asset is assigned to and where it is located.

11. Insufficient Board and UNAA Council Oversight

One of the primary reasons for the significant, loose controls at UNAA is lack of oversight required by the UNAABOT (Board). Per UNAA Constitution the Board is mandated to provide oversight over the Executive Committee, the Board must also ensure that all elected representatives and leaders are accountable to the members of the Association. Our review of the Board minutes found no evidence of consistent oversight by the Board for the expenditures incurred. Evidence provided to us was insufficient for us to determine if the board has a good grip on the activities of the Executive Committee that perform most of the procurements.

UNAA Council

Per UNAA Constitution, UNAA Council is assigned the responsibility of approving the operating budget. The president who is the Chief Executive Officer of the Association present an annual budget and any other proposed supplemental budgetary expenditures to UNAA Council for

approval. In addition, the president also presents quarterly and annual financial reports to the Council. Our interview of the UNAA Council member disclosed the following:

- ✓ Although they review the budget, the Council does not get to see the specifics of the budget. For instance, the Council does not get to see the number of hotel rooms UNAA pay for, or the amount of money spent on car hires.
- ✓ When financial reports are presented to the Council, the Council only ensures that expenses match with revenue. There was no evidence to show that the Council question wasteful expenditures as identified in this report.

Recommendations

We recommend that UNAA appoint Board and Council members that will prudently manage the organization's assets in furtherance of the organization's stated purpose. UNAA should communicate to its members that:

The Board has a fundamental responsibility to provide oversight and accountability for the organization. This oversight should be exercised through implementing effective policies and procedures.

- The Board and UNAA Council will have hands-on oversight of the executive committee.
- The Board together with UNAA Council will review financial and other business records and scrutinize all expenses to ensure the organization's policies, procedures and mission are followed, and that hard questions will be asked on things that might not seem right.

We also recommend that:

- At least one Board and Council member should have relevant financial experience.
- UNAA should consider a seasoned lawyer as a Board member, as well as members with nonprofit sector expertise.

Conclusion

Our audit revealed an organization whose financial management practices are in disarray. Internal controls in UNAA are insufficient. This lack of an internal control system places UNAA at risk of loss, theft, misuse of its assets and of misreporting its financials to the public. The audit included an evaluation of the internal controls over the collection, deposit, and reporting of revenues. We found that UNAA is unable to accurately measure its financial position or effectively manage its fiscal operations. In addition, UNAA has chronically paid a series of unsupported or questionable payments both to vendors and to grant recipients. As part of this audit report, we made 11 recommendations to strengthen controls over UNAA's operations. Our recommendations, if implemented, should improve the internal controls in these areas.

Official Response of UNAA to MK. Accounting Firm Audit Report

Finding#1. *Lack of Accountability for Funds Donated by the Uganda Government.* Our audit found that the criteria set for distribution of funds donated by the Ugandan Government were not followed.

UNAA's Response

All the associations that received money for the second time in 2017, had to provide accountability showing how they spent the funds received in 2016.

Auditor's-Response

The accountability and certifications provided by the five organizations mentioned were not accompanied by any supporting documentation, so we could not determine if these funds were used for their intended purpose.

Finding#2. *UNAA Accounting Records Don't Match up with the Bank Records.* Our audit noted that UNAA did not always perform bank reconciliations and there was no policy in place to ensure that reconciliations are performed. We found that UNAA accounting records were not accurate, as UNAA balances (Funds left after paying Expenses) don't match up with bank balances.

UNAA's Response

We need to improve our controls and the quality of data in QuickBooks and limit access”.

“We were severely understaffed in New Orleans 2015 and after – We did not have a Treasurer, Executive Secretary and Director of Finance - On Site to keep track of all these expenses and input them into the QuickBooks recordkeeping system - who all could not attend for various reasons; and this necessitated us using an external company ExpoLogic, Inc. which ended up not being compatible with UNAA’s systems.”

Finding#3 *Embezzlement and Fraud.* A former UNAA treasurer admitted to stealing more than \$23,000 which he collected from the convention registration but never turned it over to UNAA. Also, another former UNAA Director of Finance recorded that he received more money than what was deposited in the bank. Further testing confirmed that about \$8,460 was recorded as received from 182 UNAA members, however only \$2,380 was deposited in the bank.

UNAA's Response

- ✓ *“Give kudos to PostBank being well organized and the fact that the reason for opening Postbank account in 2015 is to prevent the occurrence of the MoneyGram situation with a detail of who paid and when they paid. Just need to increase control by the UNAABOT,”*
- ✓ *A former UNAA director of Finance indicated the following “With regards to the many statements that have circulated around on social media that I collected money from UNAA members, but only deposit a portion of money, that is outright false. I have never received any funds from anyone personally. All payments for the convention were deposited directly to the UNAA Bank of America Account. Didn’t not deposit the money, that I would say it’s false. I have never received or collected any money from a member at any point. I have always followed the process by directing them to go and deposit the funds to the UNAA account and then forward me the receipt from the bank to be register. I followed the same process always.*

Finding#4. *Purchases that Lack Sufficient Documentation.* Our Audit identified several expenditures that could not be justified due to lack of documentation.

UNAA's Response

No responses provided

Finding#5 *Wasteful Spending.* UNAA spent over \$5,000 between 2016-2017 renting vehicles to transport people from the airport to hotels. We compared prices that UNAA should have paid by using a regular cab or Uber; the prices for a taxi were incredibly low. A regular taxi or Uber would have cost UNAA about \$800 vs \$5,000 which was paid for the Conventions.

UNAA's Response

The secretary explained that it was necessary since UNAA can only keep their sponsors by providing the best of services.

Auditor's-Response

The problem with this explanation is that there were other means of transportation that should have been considered which would have been more cost effective. Also, the secretary or treasurer could not provide documentation to show the number of trips and people transported.

Finding#6. *Lack of Controls around Cash Collections.* Adequate controls were not in place to safeguard the receipting, recording, depositing, and transfer of cash collected from the conventions. on site for all events; registration, boat cruise, Sunday dinner etc.

UNAA Response

- ✓ *We can improve on all the 4 steps. In Boston 2016, the process was more automated, we used Square systems. In Miami, it was different; the iPad couldn't work so we resorted to using QuickBooks, where the transaction was made. However, I was under staffed as my DOF had resigned, there was an election and I also had spent some time being interviewed by the BOT and Auditor which took away from my supervision.*
- ✓ *Estimation of sources: The Registrants recorded the names on the registration forms that might have had some names. which going forward we can have a pre - serial receipt book. Also, at the end of the day we counted the wristbands and the cash and confirmed the amounts collected.*
- ✓ *Claim by Michael Kimbugwe about the treasurer not segregating and taking cash to the room: This is not true. The registrants collected the money and put it in the safes. And at the end of the day we would count to verify how much and how many wristbands were issued and how many are left. The times I would dual act would be the times I would help to register while in the booth. And then at the end of the day, I went with the registrants, that time the DOF is quoting and put it in the hotel safe. The very next morning based on the materials I had, we would recount and head down to the registration booth or at times I would carry it down and we would double check the numbers. In fact, before depositing the money collected in Boston, I had the former President as one of the volunteers help me verify at the Bank.*
- ✓ *The statement about treasurer doing other things and leaving the Registration volunteers to collect money; I believe under the circumstances, they did their best. Some of these are very committed and have been with us, some since, New Orleans, others repeat from Boston and we had new comers. They had instructions and they did their best to follow. We can have serial receipts in Seattle. I was understaffed because the DOF had resigned. The rest of the Executive members were campaigning, and I was being*

interviewed by the BOT and the Auditor which took a way time for my supervision. I appreciate the registration volunteers giving their services

- ✓ *The names have amounts but not reason, I can easily tell what they paid for though, also the rest of the names are just people registered because they were writing on top of)names did not have a reason for the payment. Also, we noted that there was no adequate monitoring as the treasurer who was supposed to be monitoring the collection was ENGAGED IN OTHER UNAA BUSINESS AND THE DOF HIS ASSISTANT HAD RESIGNED! due to shortage of staff. The responsibilities were designated to the Lead Registrant to monitor on behalf.*
- ✓ *It also is a failure on part of the DOF if he was overseeing "all financial operations" that he was not involved in the verification and depositing of funds. The DOF was not present at the end of the day to assist with verifying and depositing the funds, neither were other members of the executive. This burden was placed on the treasurer and people at registrations.*

Auditor's-Response

- *No documentations provided to verify that various people were involved in the cash collection process. We expected to see logs with initials and signatures of those people that were involved, but they were none.*

Finding#7 Mismanagement of Wristbands and Registration *We found discrepancies in the number of wristbands issued vs the number of people that were entered in UNAA accounting records (QuickBooks). We found that UNAA didn't keep track of the number of wristbands issued or kept the inventory of what remained. Wristbands are used by UNAA to easily identify paid. or subsidized customers.*

UNAA Response

No clear response provided. The treasurer, the secretary and former director of finance all provided varying explanations.

Finding#8. Lack of Policies and Procedures *Our audit found that UNAA has no written policies and procedures in place to govern its operations.*

UNAA Response

No response

Finding#9. Activities at Post Bank in Uganda *UNAA hold a bank account at Post Bank in Uganda. We noted that during 2017, there were 3 withdrawals totaling \$6,031 which the treasurer refused to sign off due to lack of adequate documentation, but still the withdrawals were made anyway.*

UNAA Response

No response

Finding#10. Missing Computers *UNAA Executive Secretary purchased 4 computers for \$2,400; these computers were originally budgeted for \$600. Auditors asked to see evidence of the purchase and if all these computers exist. No records could be found, and auditors couldn't verify the existence of these computers.*

UNAA Response

Computers were purchased and given to the Electro Commission. The extra charge will be refunded by Dell.

Finding#11. Insufficient Board and UNAA Council Oversight One of the primary reasons for the significant loose controls at UNAA, is lack of oversight required by the UNAABOT and UNAA Council.

UNAA Response

The reason this is the case is because all tools of control, social media, website, bank accounts are vested with the Executive Committee

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Institute of Certified
Public Accountants
(AICPA)

February 9, 2018

Board of Trustees
Ugandan North American Association (UNAA)
1337 Massachusetts Avenue #213
Arlington, MA 02476

Dear UNAA Board of Trustees:

We have completed a performance audit of the Ugandan North America Association (UNAA) for period 2015 to 2017 (October 1st, 2014 to October 1st, 2017) and have issued our report thereon dated February 9, 2018.

We conducted this audit in accordance with Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Our audit revealed an organization whose financial management practices are in disarray. Internal controls in UNAA are insufficient. This lack of an internal control system places UNAA at risk of loss, theft, misuse of its assets and of misreporting its financials to the public. The audit included an evaluation of the internal controls over the collection, deposit, and reporting of revenues. We found that UNAA is unable to accurately measure its financial position or effectively manage its fiscal operations. In addition, UNAA has chronically paid a series of unsupported or questionable payments both to vendors and to grant recipients.

As part of this audit report, we made 11 recommendations to strengthen controls over UNAA's operations. Our recommendations, if implemented, should improve the internal controls in these areas.

This report is intended solely for the use of UNAA management and others within UNAA and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation and courtesy extended to us by all UNAA personnel during this Audit. Please do not hesitate to contact us if there are any questions regarding the audit.

Sincerely,



Michael Kiyaga, CPA