



# Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

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To Management and the Board of Trustees of  
The Society of the Four Arts, Inc.  
Palm Beach, Florida

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of The Society of Four Arts, Inc., (the "Society") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America we considered the Society's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the Society's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

## **Definitions Related to Internal Control Deficiencies**

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Our Responsibilities**

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be a material weakness. However, as discussed below, we identified a matter for your further consideration, and provide the current status of comments made in the previous year.

***Identified matter for further consideration:***

*Pension Benefits*

Through our examination of audit evidence in the employee benefits area we did not find formal approval for the discretionary 401(k) plan employer contribution, 457(b) plan employer contribution, or supplemental benefit plan. We are satisfied with the overall propriety of the transactions through the Society's approved budget, historical practice, and periodic transaction approval, but suggest that the appropriate governance body (e.g., executive committee) reaffirm the annual extent of such plan benefits in meeting minutes.

Management's response: All pension benefits will be approved and documented in an executive committee meeting.

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**PRIOR YEAR COMMENTS**

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*Other Assets*

During the prior year audit we noted that certain other assets ("inventory"/"give-away" items) were stored in a common area open to the public. Although the individual value of such items may not reach a material threshold, we recommended that any items on hand considered "inventory" or "give-away" be kept in a secure location at all times to prevent possible theft.

Management's response: The inventory was moved off premises to the secure storage locker.

Status: Noted inventory stored in a secure location.

*Membership Dues*

We noted during the prior year audit that it would be helpful to the accounting department if Library management tracked the number of members according to their "Palm Beach" or "Non-Palm Beach" residency, and to provide this information to the accounting area at or near year end. This will enable you to conduct relevant analytics related to membership dues for the library.

Management's response: Complimentary library memberships were not factored into the year-end analytical review. Going forward we will conduct the fiscal year-end review for all categories of membership: Palm Beach, Non-Palm Beach, and Complimentary.

Status: Per inquiry of management, this item remained open as of year-end.

Credit Card Approval/Secondary Signatures

During our prior year test of credit card transactions, we noted that there was an instance of missing approval for certain credit card purchases. Additionally, we noted that there was one instance where the second signature was missing for a check amount greater than what is required for just one signature.

We understand that the accounting department has procedures established to examine credit card activity, and simply reinforce the need for departmental scrutiny and express indication of the review process to be noted on the documentation. We also recommended that every effort be made to obtain secondary signatures for required amounts. Furthermore, in an effort to preserve the integrity of your established controls over credit cards, we recommended that overall credit card activity be reviewed by a person who does not report to the credit card user.

Management's response: The accounting department has a system that is usually effective to obtain double signatures on checks of \$15,000 and over. Once in a while, however, we miss affixing these alerts to the checks, which happened in this single, isolated case. We will heighten our surveillance and segregate into a separate folder checks that need a second signature. Also, the department managers are required to submit their expense reports to the President for approval, however during the summer months something might be missed. The accounting department will continue to review the expense reports. As a new procedure we will stamp/initial next to the supervisor signature to indicate that the expense report purchase was reviewed for reasonableness.

Status: Per testing procedures performed during current year, it appears that management has improved controls surrounding credit card approval and secondary signatures.

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We have previously discussed our observations and suggestions with organization personnel and would be pleased to discuss them in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendations to the extent our independence is not impaired.

This communication is intended solely for the information and use of management, those charged with governance and others within the Society and is not intended to be and should not be used by anyone other than these specified parties.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
December 10, 2013