



**ERVIN
& COMPANY**
Certified Public Accountants, P.A.

September 11, 2009

Anita Davis, et al
Springdale, AR

Re: FOI Request of Springdale Chamber of Commerce

Dear Ms Davis:

We have perused certain documents in connection with your Freedom of Information request of the Springdale Chamber of Commerce. The information that was provided included the following:

American Express Statements	2006-2009
Arvest Bank Monthly Statements	2006-2009
Reviewed Financial Statements	FYE 2003, 2004, 2005, and 2007
Audited Financial Statements	FYE 2006
Internally Generated Financial Statements	2008
Various Board and Committee Minutes	

Our engagement was limited in scope and extended solely to the documents that were provided under your FOI request. As such, we did not make inquiries of Chamber personnel regarding internal procedures and processes, nor did we make inquiries or confirm any information with third parties. We did not perform all of the procedures that would normally be performed in an audit, review, or agreed-upon procedures engagement. Consequently, we offer no opinion or report of that nature. Also, it is possible that the Chamber may have other documentation in existence that provides additional information with regard to the documents we were provided. The suggestions and considerations we have addressed below are based solely on the limited scope of our engagement and if additional information were made available to us our recommendations might be different. The recommendations that follow are provided to assist the Chamber in increasing transparency and improving its internal controls.

In analyzing the financial statements and reviewing correspondence from the Chamber's independent accountant we noted that monies received from the City of Springdale, the Springdale Advertising and Promotion Board, and the Springdale Industrial Development Commission were recorded in the Chamber's general ledger as Contractual Income, yet were reported and expended as unrestricted funds.

Unrestricted funds imply that funds are available for any use the receiving organization deems. Unrestricted uses typically include salaries and wages, travel, repairs and maintenance, advertising, meals, entertainment, or any other expenditure incurred by the entity. Yet, contractual income would imply that the funds were received under a contract and are to be used for a specific purpose or goal with measurable results. It appears that there were no separate accounting requirements or documentation with regards to how these funds were used. These monies appear to have been comingled with other Chamber revenues and expended as necessary to meet ongoing operations.

4257 Gabel Drive Suite 2A
Fayetteville, AR 72703

Office: (479) 442-8546
Toll Free: (800) 500-1271
Fax: (479) 442-5637
www.ervincpa.com

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The accounting system of the Chamber, as it is currently designed, is not sufficient to adequately track a fund-based accounting and reporting system. We recommend a review of the system, procedures, and software.

We would recommend that the Chamber take steps necessary to identify the deliverables of the contractual income, account for it in a fund-based system, and report progress and results to the City and related entities on a periodic basis. In addition, we would recommend that the deliverables be defined in a written document to support the basis for the contractual arrangement. Such protocol is typical when governmental entities outsource services to non-for-profit entities. In addition, periodic reporting to the City increases the transparency of the transaction and reduces additional scrutiny by the public.

In reviewing the board minutes of the Chamber we were not able to find documentation approving the transactions or agreements with the City. Accurate board and committee minutes are fundamental to proper operation of not-for-profit entities. We would recommend that minutes of board and committee meetings follow a parliamentary format, be sufficiently adequate to document approval of contracts and agreements with outside entities, and reflect approval of significant transactions related to Chamber operations. Board and committee minutes written in a narrative format are insufficient.

The purpose of the Chamber is to be a voice for the business community, promote economic growth and community interaction, as well as other beneficial public activities. As such, the Chamber incurs significant expenses for travel, lodging, meals, entertainment, dues, advertising, events, gifts, computers, consulting, music, telephone, postage, travel agents and photography.

We looked at the Chamber's American Express monthly statements and coding of the expenses for distribution to the various general ledger accounts. We were not able to determine the person responsible for coding the charges nor provided any other document supporting the charges. In addition, we did not find any procedure in place to approve the charges for subsequent payment.

Due to the nature and volume of these kinds of expenses, we recommend the Chamber institute an approval process that specifically approves the charge before it is incurred, that the expense meet the goals and purposes of the Chamber, determine the expense is within approved budgetary guidelines, and provide evidence that the subsequent payment has been approved.

The policy of the Chamber has typically been to retain outside accountants to perform a review of their year end financial statements. A review consists primarily of analytical procedures to determine if the entity's financial statements comply with generally accepted accounting principles and standards. A review is substantially less in scope than an audit. An audit, however, includes procedures that examine underlying transactions, gathering documentary evidence, and inquiries of outside parties to allow the auditor to render an opinion as to the fair presentation of the financial statements. In addition, an audit includes a consideration of the entity's accounting environment and internal control. A review does not. The Chamber has not followed a policy of auditing their year end financial statements. We believe that in order to ensure consistency, transparency, and generate public confidence, we recommend the Chamber retain auditors to annually audit their year end financial statements.

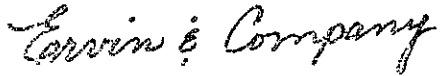
We believe that the above recommendations would increase the Chamber's transparency, strengthen their internal control, and restore public confidence.

The focus of this FOIA request concerns expenditures over a three year period that aggregate approximately \$768,154. These expenditures include \$306,175 for travel, \$144,388 for dining, \$70,178 for entertainment, \$78,295 to other chambers, \$53,726 for the Springdale Tomorrow Fund, and \$115,392 for other sundry purposes. The evidentiary information provided to us was insufficient to support any conclusions by us regarding these expenditures. Further detailed examination of the underlying source

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documents would be required to determine the nature of the expenditures, the purpose for which the expenditure was incurred, and the relationship of the expenditure to the overall goals and community objectives of the chamber.

Sincerely,

A handwritten signature in cursive script that reads "Ervin & Company".

Ervin and Company CPAs, P.A.