

To: Executive Committee, IEEE Rochester Section
From: 2010 Audit Committee
Subject: Report of 2010 Audit Committee
Date: January 24, 2011

General Findings

The 2010 Audit Committee reviewed the procedural and financial transactions of the IEEE Rochester Section for the calendar year 2010 according to the IEEE "General Audit Program Steps for Audits of Geographic Units" handout from IEEE (attached). *The committee determined that Section transactions were in compliance with applicable IEEE Policy and Procedures and were adequately supported with documentation.* The 2010 Treasurer, William Fowlkes, is to be commended for his outstanding service to the Section. Detailed findings are included below followed by a few specific recommendations and the list of committee members.

Specific Audit Program Steps

1. Budget compared to actual. Overall, the actual income (\$14,504.72) was greater than the budget (\$10,100) while the net expenses (\$37,129.66) were lower than the budget (\$55,413.70). In most categories, the expenses were lower than amounts budgeted. A number of Societies/subunits of the Section did not expend their budgeted funds with some not having spent any money at all in 2010. There were a few which exceeded their budget. PACE was one where a travel to a meeting had not been included in the budget. The student chapters spent a little more. The Joint Chapters Meeting (JCM) had an unexpected projector rental that had not been budgeted for.
2. Review of meeting minutes. ExCom meeting minutes were reviewed and all budget and financial decisions were appropriately discussed and approved at the meetings.
3. Verification of banking documents. This step was not applicable since all banking is done through IEEE HQ and their concentration banking mechanism.
4. Review of banking deposit documentation. Spot checks were made to insure timeliness and accuracy of deposits for three examples: an income of \$ 540 from the June Annual Meeting billed on June 1 was deposited in IEEE concentration banking on June 8 and recorded by IEEE on 6/11/10; an income of \$1100 (money order) from the JCM dated 5/4/10 was deposited in IEEE concentration banking on 5/9/10 and recorded by IEEE on 5/12/10; an income of \$500 from the Image Processing Workshop dated 9/14/10 was deposited in IEEE concentration banking on 10/4/10 and recorded by IEEE on 10/8/10; an income of \$360 from the Power Engineering Symposium (source date not available) was deposited in IEEE concentration banking on 8/22/10 and recorded by IEEE on 8/27/10. The timeliness and documentation accompanying these deposits were reviewed and found to be satisfactory.

5. Review of banking account reconciliations. Spot checks were made to insure agreement between IEEE concentration banking statements and Section financial reports. One example was the correct reporting and tallying of \$35.82 of interest in the account. It was noted that monthly reconciliations were done as soon as the information was received from IEEE Headquarters. There were no service fees. Month-by-month entries were also available. The reconciliations were found to be satisfactory.
6. Region 8-10 account ledgers. Not applicable.
7. Review of non-IEEE bank accounts. Not applicable.
8. Review of Section-sponsored conference financial reports. The only Section-sponsored event to which this applies was the Joint Chapters Meeting held on March 31, 2010. Income and expenses associated with this event were reviewed and found to be properly reported.
9. Review of record keeping for loans and/or advances made to conferences. Not applicable.
10. Review of all disbursements of \$3000 and greater and representative sampling of those less than \$3000. There were two disbursements of \$3000 or greater; \$3000 (Ck#6523 dated 3/14/10) paid to the Rochester Engineering Society for two Scholarships and \$4991.66 Ck# 6545 dated 6/8/10) to the EE Department at RIT for the JCM. It was noted that the scholarships are funded not by monies provided by IEEE headquarters but by the Section itself from its long term investments built on the past surpluses from Section sponsored conferences (CICC and ASIC).

A representative sampling of smaller disbursements were reviewed and found to be satisfactory. For the chosen sample of transactions the documentation (receipts, invoice, budget as applicable) was reviewed and verified against the Section Treasurer records. The tally of individual expenses on the submitted was checked against the total and the trail was followed through the bank records and validated. The disbursements sampled included the following. (i) William Finney (Ck# 6608, \$181.91 dated 12/31/10) for the student officers transition meeting (ii) William Dorney (Ck# 6598, \$582, dated 12/18/10) for student travel (6 students from RIT and 3 students from Alfred University) to Region 1 meeting (iii) D. Joshi (Ck# 6588, \$100 dated 12/3/10) for the purchase of Barnes and Noble gift certificates for the Signal Processing award in the Western NY Image Processing Workshop (iv) RIT (Ck# 6578, \$187.88 dated 11/22/10) for the EDS/CAS Workshop, (v) Paul Lee (Ck#6568, \$45.15 dated 10/5/10) for the Nominating Committee Meeting at Wegman's. In this review the Committee found all disbursements had proper documentation.

11. Verification of W-9 forms for payments in excess of \$600. Not applicable.
12. Verification of approval for awards, etc. greater than \$5000. Not applicable.
13. Testing of mathematical accuracy of annual financial reports. The Section Treasurer uses electronic spreadsheets for Section financial record keeping and the L50 report to IEEE, thus providing high confidence in the mathematical accuracy. However, as a check, the Audit

Committee manually verified the total amounts of the following categories: the sales, cost basis of investments reported on L50 Schedule V, total expenses and the checking account end balance.

14. Review all transactions to determine if they involved any separate legal entities. All financial transactions were reviewed and none were determined to have formed or otherwise invested in any separate legal entities.
15. Miscellaneous items. None reported.
16. Documentation of committee findings and recommendations. This report documents our findings and recommendations.

Recommendations

The following specific recommendations are provided to the ExCom for consideration.

1. Expenditures went up sharply this year (\$35K in 2008, \$28K in 2009 and \$44K in 2010). In 2011 this trend will continue (due to the San Francisco based Section Congress this year). So far, it has been OK because our investments have recovered nicely from the crash 3 years ago. As a result our overall balance sheet has increased from \$199K in 2008 to \$238K at the end of 2010. We just need to watch this carefully, especially if the market begins to decline again and be prepared to adjust our spending accordingly.
2. Income payments (awards, grants, scholarships, etc.) are supposed to be reported to the IEEE so that they can provide that information to the IRS and recipient (using the 1099 form). This is a new requirement, and starting this year we need to request name, address and SSN or TIN for any recipients of awards of greater than \$100.

2010 Audit Committee Membership

Jayanti Venkataraman, Chair
Alex Loui
Paul Lee
William Fowlkes
David Krispinsky
George Sotak

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General Audit Program Steps for Audits of Geographic Units

1. Review the annual budget and compare it to annual financial reports. Evaluate differences that exceed plus or minus 10% of the budget for a particular line item.
2. Review meeting minutes for any decisions relating to Geographic Unit finances, including conferences, investment of surplus funds, etc.
3. Verify that original bank statements are submitted for all geographic unit bank accounts and identified under the appropriate name of the involved IEEE unit, and a copy of all bank signature cards are on file at IEEE Headquarters for all such accounts. Also verify that, in addition to two geographic unit officer signatures, the IEEE Staff Director of Financial Services appears as an alternate signatory on all bank accounts.
4. Review bank deposit documentation for timeliness of deposits by comparing the dates on individual deposit slips. Where possible, the date appearing on checks that were deposited should be compared to the date the deposit was received by the bank, per the monthly statement.
5. Review bank account reconciliations for timeliness and accuracy. Verify that interest earned and service fees charged are correctly recorded in the unit's books of account and carried forward to monthly and annual reports.
6. For geographic units in Regions 8 –10, where applicable, agree Custody Account balances, appearing on the Annual Financial Reports (L50) to the balance, appearing in the IEEE general ledger.
7. Review other accounts, e.g., savings and investment, to assure that they are:
 - Placed in approved investment instruments (i.e., FDIC insured savings accounts, IEEE Investment Funds or other investments that have been approved by the IEEE Executive Committee),
 - Properly administered (i.e., savings account balances do not exceed the FDIC \$100K limit)
 - Earnings are properly recorded in the unit's books of account.Agree L50 balances to bank statements, IEEE Investment reports or other 3rd party investment reports, as applicable.
8. If the Geographic Unit sponsors or co-sponsors conferences, trace conference revenues and expenses, reported in the conference's final financial reports, where applicable, to the amounts shown in the geographic unit's L50 report.
9. Review record keeping for loans and advances made and repaid to conferences and others, significant Furniture and Equipment purchases and sales, etc., to assure that it is in accordance with the Financial Operations Guide.
10. Review all disbursements of \$3,000 or greater and every tenth transaction of less than \$3,000 for adequate supporting documentation, appropriate signatures and, where applicable, inclusion in the annual budget. This will include verification that billing received is in compliance with applicable contracts, purchase orders, lease agreements, etc. (For repetitive monthly payments in excess of \$3,000, e.g., rent payments, if any, we will review support for only one of the months' payments.)
11. Where applicable, verify that W-9 forms have been completed for all individuals and unincorporated businesses that receive payments in excess of \$600 for rents, services (including parts and materials), prizes, awards and any other income payments. Assure that 1099s were requested and prepared for these payments.
12. Verify that all awards, grants, prizes or scholarships in excess of \$5000 have been approved by the IEEE Executive Committee. Contributions of less than \$5000 are to be reviewed and approved by the appropriate Major Board Vice President or President

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13. Test the mathematical accuracy of the annual financial reports. Assure that Subsection, Chapter and Affinity Group financial transactions, where applicable, are included in Section L50s. Test the roll up of monthly results to the annual reports before any year end adjustments. Review such year end adjustments for reasonableness and appropriateness.
14. Review all geographic unit financial transactions to determine whether they have formed or otherwise invested in any separate legal entities.
15. Review such other miscellaneous items that discussions with the geographic unit's representatives and completion of the above tests indicate are warranted.
16. Document findings and recommendations, prepare draft audit report, incorporate responses to findings from the geographic unit's representative and issue final report to management.