REPORT OF THE AUDIT COMMITTEE

Grand Council, August, 2015

The following consists of the current state of finances for the International Office as of June, 2015.

The financial review was conducted on June 19-20, 2015. The work of the audit committee was overseen by Grand Regent Gupta who was present for the exit conference. Over the course of the visit the financial records of the fraternity were extensively reviewed.

A personal visit was made to Chase Bank to verify the balances [Operating Account, GCC Account and Savings Account] on deposit matched up with the balances shown on the most recent statements as balanced.

The remainder of the Fraternity assets include 2 CDs are maintained at the 1st National Bank of Weatherford, OK.

The Central Office occupies office space in Richardson, Texas and pays rent for this space that includes all utilities except telephone and internet access. Executive Director Porter provided all of the records of the operation of the office and freely answered all questions that were posed regarding income and expenses. The office is staffed by 2 full time and 1 part time clerical employees. There are currently 2 credit cards issued in the name of the fraternity, Chase Visa cards. Additionally, there are debit cards for both the Operating Account as well as the GCC Account. This card is in the possession of the Executive Director who is the only authorized user and is utilized for travel as well as other operations of the Central Office. This minimizes the need for additional checks to be paid for expenses.

A random sample of both Collegiate and Graduate Chapters from all provinces was conducted to verify that dues notices and Risk Management fees matched check or credit card payments and that the monies received were actually deposited into the operating account. The Check register was reviewed to account for all checks and compared to the bank statements for checks processed to verify the dollar amounts of each check and account for all checks. Expense reports were validated for compliance with the fraternity’s policy on reimbursement. All reimbursements were within policy and contained appropriate receipts.

We also verified contributions for various functions had been received, payment stubs retained and deposits made to the bank.

All in all, the financial records of the fraternity appear to be in good order and appropriate controls exist to ensure that funds received are accounted for properly and funds expended are supported by appropriate documentation. Additionally, there were no financial transactions between members of the Executive Committee and the Central Office.

An exit conference was held with Executive Director Porter and attended by the members of the Audit Committee (Robert Nunan and myself) as well as Grand Regent Gupta. The following recommendations were presented and discussed:

1. Hard copy archival/storage of irreplaceable documents [M Cards and other documents] utilizing appropriate document imaging. This process is currently underway but is very time consuming. Brother Porter will investigate the cost of outsourcing this process and report back to the Executive Committee when he has the estimate.
2. The current computerized records of the fraternity are backed up on the AT&T servers, and the Quick Books accounting records are also backed up remotely by our accounting firm.
3. Evaluate the most efficient means of shipping depending on the need for timely delivery. If someone requests expedited shipping this cost is borne by the requester.
4. Request that a new procedure be in place that either the Executive Director or Grand Regent must approve in advance all travel for which the individual would request reimbursement from the Fraternity. This can be handled via e-mail and be attached to the Expense report justifying the expense. As per fraternity policy, any rental car expense must be approved in advance. The estimate of costs must be requested. Items to be reviewed include: car size, additional insurance, as well as refueling costs.
5. Requesting an explanation of the payroll fees charged from the payroll vendor.
6. Based on insurance recommendation, perform an Annual Property Control photographic inventory of all equipment in the Central Office. Provide an estimated replacement value and include this in the annual budget preparation.
7. With expense reports, the actual hotel bill should be attached. Itemized expense report for description, category, etc. Lump sum items are not acceptable as well as a credit card statement. Actual receipts must be attached
8. Individuals submitting expense reports should eliminate extraneous information (Spanish version, non-essential paperwork, etc.). Only 1 event should be reported on an expense report.

Action items from prior audits have been addressed to the satisfaction of the Audit Committee.

If there are any questions of the Executive Committee, please contact me for clarification.

Respectfully submitted,

Paul S. Knecht

Robert Nunan