

**2012
SIUSA AUDIT REPORT
Posted March 27, 2013**

**Conducted February 1, 2013 in the New SIUSA Office from 9:00 am – 2:22 pm
111 K St NE, Floor 9
Washington, DC 20002-8110
202-898-4690**

**SIUSA AUDITORS:
Rick Adams – SI San Jose
David Barela – SI Colorado**

**ATTENDEES:
Tom White - President SIUSA
Carlos Banks - Vice-President Administration
Dick Knorpp - Vice-President Finance
Eric Braendel & Brandon Buchanan - SIUSA Administrators**

2012 Audit checklist submitted by email on March 13, 2013

Total Membership in SIUSA as of March 21, 2013

1,792	Active
51	Associate
180	Life
190	Retired
2	Honorary
34	Young Skal
3	Young Skal Associate
<u>2,252</u>	TOTAL MEMBERS in 55 CLUBS

1. PURPOSE OF THE AUDIT

We want to complete a very detailed audit to correct the problems created by the 2 previous (ED) Executive Directors. We cannot thank Carlos Banks, SIUSA Vice-President of Finance for 2 years, enough for the countless hours and lost sleep he has put into bringing our current books up to date with QuickBooks, so with our help, this will never happen again.

2. AUDIT PROCESS

The auditors and attendees flew into Washington, DC on Thursday, January 31, 2013 to stay at the Hilton Garden Inn for 3 nights. We walked 4 blocks, in the snow and wind to the office of our new SIUSA Administrator, ABA, American Bus Association. They are almost settled in with SIUSA inventory and data. We welcome them with open arms and amicale!

The actual audit started at 9 am, Friday, February 1, 2013 at the SIUSA Office with all the attendees listed above. We started with the first question on the blank Audit Checklist and we completed it at 2:22 pm.

3. FINANCIAL TAX RETURNS

- 2011 Tax returns were completed by ORIZON CPA's and filed by Carlos Banks, SIUSA VP-Finance, on November 15, 2012. SIUSA is not required to file Forms 940 and 941, since SIUSA has no employees.

STATE OF NEBRASKA

- **Corporate Income Tax** – Non Applicable
- **Annual Report to Secretary of State**

No Annual Report was filed. This is required every other year and was last filed March 16, 2011. The Auditors recommend the new SIUSA Administrators look into moving the incorporation papers from Nebraska to the SIUSA Office in Washington, DC, since SIUSA no longer has a presence in Nebraska. The Annual Corporate Report is filed bi-annually by Bradford E. Kistler, Kinsey, Rowe, Becker and Kistler, LLP in Lincoln, Nebraska. We recommend they continue as the SIUSA's Nebraska Corporate Registered Agent.

- **State Withholding Forms** – Non Applicable
- **Annual State Withholding Transmittal** – Non Applicable
- **Annual State Unemployment Tax Return** – Non Applicable
- **Other State/Local Business Taxes/License** – Non Applicable

4 INSURANCE POLICIES - Insured through (GGMIA) Gallagher Grace/Mayer Insurance Agency in Omaha, NE for the policy period of September 1, 2012 – September 1, 2013 for the SIUSA Organization and each local club, which has paid \$320 to participate each year. 44 out of 56 Clubs are currently participating.

1. **The main crime policy with Travelers Insurance will pay, SIUSA only**, a maximum of \$300,000 for a direct loss from damage to money, securities, and other property, directly caused by theft or forgery committed by an employee of SIUSA, like Eric Braendel or Brandon Buchanan. \$1,000 deductible per occurrence during the policy period listed above. We agree it is adequate coverage at a cost of **\$439.64** for SIUSA.
 2. **The secondary (crime, employee dishonesty) policy is also with Travelers Insurance** and has a maximum of \$30,000 for each individual club for a direct loss from damage to money, securities, and other property, directly caused by theft or forgery committed by the insured position listed on the policy, like the individual club's treasurer, secretary or some list their EST. \$500 deductible per occurrence during our policy period listed above. We agree it is adequate coverage for a cost of **\$2,566.94** for 44 Clubs.
 3. **Directors & Officers Liability Coverage is deemed adequate, with (RSUI) Relationships, Service, Underwriting, Integrity - Indemnity Company**, with a maximum of \$1,000,000 for each club and an aggregate limit of \$2,000,000 for the policy period listed above, which is on a claims-made basis during our policy period. \$10,000 deductible per claim. We agree it is adequate coverage for **\$9,447.69** for 44 Clubs.
 4. **Commercial General Liability Policy with Travelers Insurance** has a \$1,000,000 per occurrence with a \$2,000,000 maximum per policy period is deemed adequate for **\$1,592** for 44 Clubs.
- **Workmen's Compensation Coverage** – Not Needed
 - **Business Personal Property Coverage is adequate** – did not renew on 9/1/12 due to having the SIUSA laptop in Florida, which Travelers Insurance does not offer this coverage in Florida, but will reconsider Washington, DC.
 - **\$439.64 + \$2,566.94 + \$9,447.69 + \$1,592 = \$14,046.27** divided by the **44** participating Clubs = **\$319.23** per Club for all 4 coverage's. The Auditor's feel SIUSA and the 44 individual Clubs have adequate coverage.

CONTRACTS

- **Do any contracts need to be renewed or re-bid?** – NO

SIUSA President, Llana Smith and SIUSA VP of Admin, Tom White signed the contract on November 1, 2012 with the (ABA) American Bus Association. Peter Pantuso, President of ABA signed the contract on November 2, 2012. The ABA/SIUSA have taken over the duties of the (EST) Executive Secretary/Treasurer. The new contract has a clause, which allows either party may terminate the contract with a 90-day notice.

- There is currently a contract for Louisville Geeks, located in Louisville, KY to host the SIUSA web site. The new rate for hosting is \$50 per hour; this is a savings of \$150 per month over Jelcios. This contract allows SIUSA to save a significant amount and is working on correcting errors within the web site. SIUSA has paid for 20 hours of work to be performed at the cost of \$1,980 during the next year. The redevelopment of the current SIUSA website continues as a project in process being coordinated by Skalleagues Hans Van Doorne, SI Northern New Jersey and Dave Barela, SI Colorado. This project has been in process for approximately two (2) years and it appears there is a "light at the end of the tunnel". The site has been moved to the new server located in Louisville, KY and the corrections have begun.

LITIGATION

- **Is there any pending or threatened litigation?** – NO, the auditors were told there is no indication to pursue litigation against Michael Abbott, the former Executive Director at this time.

BALANCE SHEET (Checking and Savings Accounts)

- SIUSA has established their accounting system on QuickBooks. The SIUSA Administrators, VP Finance, and the SIUSA President each have access to the system, which is hosted at SIUSA headquarters. This allows crosschecks between each of these entities.
- **Are all bank statements reconciled on a timely basis?** – YES, with detailed supporting spreadsheets.
- **Accounts on a timely basis** – YES (verified by testing). Carlos Banks has been forwarding copies of reports to Auditors, Michael Dyrland and Rick Adams on a monthly basis.
- **Verify all checks received have been deposited promptly** – YES (deposits are made in the (GOA) General Operating Account at least weekly.
- The GOA is maintained with Wells Fargo Bank. Investment account is maintained with Omaha Federal Credit Union in Omaha, NE and our savings account is maintained at Wells Fargo Bank.
- Since SIUSA has established banking relationships in Washington, DC with Wells Fargo Bank, SIUSA will continue to use these financial institutions for banking services. SIUSA's interest total is \$697. \$174.95 on Interest from savings accounts and \$522.48 interest from CD. Omaha Federal Credit Union paying .65% and was renewed after it matured on 2-5-13 for 1 year at a rate of 1.50%, very competitive rate in today's market.

INVESTMENT FUNDS

- **Verify investments are in compliance with SIUSA Bylaws, MOI and BOD approvals** – YES.
- **FDIC Insurance Coverage – Be certain bank account balances do not exceed FDIC \$250,000 limit** – YES.
- The present FDIC and (NCUA) National Credit Union Administration insurance coverage is \$250,000 for each bank account. There is no expiration date on the increased FDIC coverage, which previously was to expire on December 31, 2013.
- **Review if funds are invested at maximum interest rate levels available** – YES they are. Omaha Federal Credit Union (CD) Certificate of Deposit renewed on February 5, 2013.

ACCOUNTS RECEIVABLE

- **Verify listing of current Accounts Receivable with General Ledger** – YES. We requested and reviewed a sample of (3) three clubs to determine the accuracy of the accounting procedures. These clubs were New York (large), San Francisco (medium), and Dallas (small). It was determined that all entries were consistent with acceptable account procedures and were posted in a timely fashion.
- **Identify Accounts Receivable, which may not be collectible** – YES. (6) Six clubs were identified to have charges that were not collectible. These charges are the result of the club not sending a representative to the 2012NAASC Conference. Each case was examined and in all 6 cases the clubs did not have the financial resources to pay the charge. We recommend waiving the 6 charges. It should be noted that Tom White, the 2013 SIUSA President, will bring this up at the SIUSA Board meeting on February 2, 2013. In 2012, Carlos Banks spent a considerable amount of time reconciling the large amount of discrepancies among all 56 clubs regarding membership numbers. Mr. Banks, along with the Regional VP's and individual club representatives, all worked together to determine correct numbers and credits were issued to bring each club in compliance. The accounts receivable, from all others, appear to be collectible – \$1,185.24.
- **Select a sample of Accounts Receivable and request verification.** – YES, see above.

INVENTORIES (Jewelry, Awards, Officer Pins, etc.)

- **Verify inventories on hand correspond with values shown in the General Ledger** – YES, Eric Braendel, SIUSA Administrator verified the inventory they had as of January 28, 2013. SIUSA reports 52 categories of inventory and 6,247 items worth \$13,202.47.
- Thank you to Llana Smith, immediate Past SIUSA President and her husband, John Rada for driving from Memphis, TN to Ft. Worth, TX to pick up the entire inventory from storage and drive it back to Memphis. Llana sent a sampling of pins, plaques, etc. to Martha McClintock, Region 4 VP, to handle all the orders for SIUSA from her home in Ponte Vedra, FL. Thank you, Martha, for all your help. Before February 1, 2013, the entire inventory in Memphis and Ponte Vedra had arrived in Washington, DC at our new SIUSA office. Thank you to the new SIUSA Administrators, Eric Braendel and Brandon Buchanan for the countless hours counting the entire SIUSA inventory!

FIXED ASSETS

- **Verify Fixed Assets correspond with values shown in the General Ledger** – YES. The only fixed asset identified is the laptop used by VP Finance, Carlos Banks, now the VP of Admin. The value, including software, is \$1,037.

INTANGIBLE ASSETS

- **SIUSA website** has a cost of \$26,660, which is being depreciated over a 5-year period, equal to \$5,332 per year, according to the Statement of Financial Position dated December 31, 2012. A real big Thank You to Skalleagues Hans Van Doorne, SI Northern New Jersey and Dave Barela, SI Colorado for the countless hours spent on fixing and updating the SIUSA Website!

OTHER ASSETS

- **Verify Other Assets correspond with values shown in the General Ledger** – YES. Accounts Receivable includes deposits of \$750.00 for the SI World Congress Cruise aboard Carnival Cruise Line, September 28 – October 5, 2013.
- Expenses equaling \$1,378.80 were prepaid for the SIUSA Winter Board Meeting held in Washington, DC on February 1-3, 2013.

ACCOUNTS PAYABLE

- **Verify listing of all current Accounts Payable with General Ledger and all items are valid payables** – YES.
- **Select a sample of Accounts Payable and request verification from vendor** – YES. There were no Account Payables at the end of 2012.

STATEMENT OF ACTIVITIES – REVENUE

- **Verify revenue trails and income shown in General Ledger are correct** – YES.

DISBURSEMENTS

- **Review all disbursements to verify they have been disbursed in compliance with approved contracts, By-laws, MOI, and BOD/Minute approvals** – YES.
- **Verify all disbursements have proper supporting documentation/receipts and approvals** – YES.
- **Verify VP-Finance is being provided with a copy or access to Monthly Disbursement Journal** – YES.
- The VP-Finance has generated these reports and confirmed he is distributing these documents to the Board of Directors and Auditors on a monthly basis for review.
- As a follow up from the 2010 Audit, we highly recommend continuing ORIZON CPAs and the SIUSA Audit Team to provide a monthly verification of disbursements and should be continued.

EXPENSE REIMBURSEMENTS

- **Verify that all expense reimbursements have been approved by VP-Finance and the President, and appropriate receipts are attached. Items without receipts should be reasonable amounts, i.e., gratuities, etc.** – YES.
- In the audit of 2010, it was recommended expenses needed to be submitted 30-days after the event. This needs to be enforced. The effect impedes the efforts of the VP-Finance to submit an accurate Statement of Activities.
- One former member of the Executive Board has not submitted documentation for reimbursement for travel expenses in over 9 months. Our recommendation is to issue the individual a Form-1099.
- **Verify that expense reimbursements have been made in accordance with By-laws, MOI and BOD approvals** – YES.

BOARD MEETINGS

- **Verification of correct number of room nights billed as approved by BOD and VP-Finance** – YES.
- Expenses at 2012 Board meetings in Reno, NV and St. Augustine, FL were mostly complimentary! Thank you, to Toni Koster in Reno and Martha McClintock in St. Augustine!

SIUSA (AGM) Annual General Meeting, NAASC AGM and SKAL INTERNATIONAL CONGRESS

- **Verify that excessive nights lodging have not been reimbursed** – YES.
- Several Board members attended the International Congress in Seoul, Korea. During the St. Augustine meeting, it was determined a pool of money be shared by the remaining SIUSA Board Members and any expenses above the allotted amount would be the responsibility of each individual Board Member. The Audit Team applauds the SIUSA Board for taking this positive action to control expenses.
- **Verify other expenses are appropriate (meals, gratuities, ground transportation, etc.)** – YES.

DAILY MEAL ALLOWANCE

- The Audit Team noted a couple instances when the reimbursement for meals exceeded the \$55 daily cap and there is evidence some meals are not being included at all in the \$55 daily cap.
- All meal expenditures of \$25 or more must be receipted in accordance with current policy. A receipt should be included with expense reports for meals under \$25, which do not have a receipt.
- Foreign currency reimbursements should be supported by a foreign exchange printout or copy of credit card statement for credit card transactions.
- The Audit Team also reviewed the SIUSA daily per diem with U.S. (GSA) General Services Administration approved reimbursement rates for fiscal year 2010 (M&IE) Meals and Incidental Expenses. The SIUSA reimbursement rate is in the middle of the GSA M&IE rate chart, which varies depending on the travel destination in the USA. The GSA M&IE breakdown for a \$56 per day per diem is \$9 for breakfast, \$13 for lunch, \$29 for Dinner and \$5 for incidentals. Although the daily cap on meals is \$55 per day, The Audit Team recognizes that an appropriate and reasonable increase in the daily cap on meals may be required for certain international destinations.

GRATUITIES

- **The SIUSA gratuity and tip guideline is 15%.**
- **Verify unauthorized expenses have not been reimbursed (i.e., shoe shines, massages, alcohol, excessive phone or internet charges, private limo transfers, etc.) – YES.**

AIRFARES

- **Coach fare is reimbursable; however, the airfare should be a promotional fare and not economy plus or full coach. Non-promotional airfares should be documented – YES.**
- Air tickets purchased should be supported by a copy of the airline E-Ticket receipt showing the confirmation number, flight itinerary, ticket number issued by the airline, form of payment, and ticket cost, attached to the expense report. Many Board Members absorb mileage charges, parking tolls, Internet fees, foreign transaction fees, meals, etc. again saving travel funds for SIUSA.

HOTEL ACCOMMODATIONS

- **Standard accommodations, not mini-suites or suites (exception may be approved by BOD for President at SIUSA/NAASC Congress and SKAL International Congress) – YES.**

MILEAGE

- **Verify that mileage reimbursements are for appropriate mileage for each trip. Rental cars may be less expensive – YES.** The Audit Team noted a number of trips in which it would have been more economical to rent a car versus mileage reimbursement. A Map Quest printout showing estimated distance and verification of mileage should support mileage reimbursement.

4. ADMINISTRATION

SKAL INTERNATIONAL FILINGS

- **Verify Form 3 was filed – YES.**
- **Verify annual dues payable to SKAL International have been paid on a timely basis to eliminate any penalties – YES.**
- SIUSA 2012 dues not paid until April 2012. SI did not charge penalty. New members were paid on quarterly basis. This was verified by a sample review of three clubs NYC, SFO and DAL. All data for each club was up to date.
- The Audit Team noted that the Articles of Incorporation of SIUSA require the following reports to be sent to the SKAL International General Secretariat within (4) four weeks of the AGM being held. The required reports are: Minutes of the Annual General Meeting; Income and expense statements; Balance sheet; and Budget.

FLORIMOND VOLCKAERT FUND

- **Separate ledger should be maintained for the fund – YES.**
- **Verify all receipts have been deposited and forwarded to Skal International – YES.** A separate bank account is not maintained for Florimond Volckaert Fund receipts; however, SIUSA maintains a separate General

Ledger accounts to account for fund receipts and disbursements. **Select sample of Club donations and verify the amount submitted to the FVF – YES.** Only 31 out of SIUSA's 58 Clubs donated to this FV Fund.

BUDGET

- **Review current year and proposed budget to determine if it seems to be realistic – YES.**
- The 2011 financial reports were sent to Skal International. SIUSA's accounting firm was finally able to close the 2011 books in November 2012.
- The Audit Team noted the revised 2012 budget, approved at the SIUSA AGM in Bermuda, was based on absence of the ED. These duties were conducted by the VP-Finance. This affects the Budget for 2012. The BOD did an extensive search to replace the ED and selected the ABA. The Contract with the ABA was signed on November 1, 2012.
- Because we have no SIUSA EST salary, the Financial Statement reflects a net income of \$36,913.56, as of February 13, 2013.
- The SIUSA Board will have to fine-tune the 2014 Financial Forecast in 2013.

BOARD MINUTES

- **Review all Board Minutes for any issues that could have financial impact – YES.** In the 2010 Audit, it was recommended the Board Meeting Minutes be posted on the SIUSA website on a timely basis and no later than 30-days after a Board Meeting. This was corrected and minutes are being posted.

EXECUTIVE DIRECTOR

- **Verify Executive Director is not holding the same position with another SKAL member organization – YES.** In 2012, SIUSA had no ED. The Contract with the ABA was not signed until November 1, 2012 and ABA does not hold this position with any other Skal organization.
- **Board has taken appropriate action on CPA recommendations – YES.** The 2011 audit, conducted by the Auditors, was incomplete, because the former ED had resigned.

OFFICIAL THANK YOUS!

Thank you to Past-President **Llana Smith**, the first person to be SIUSA President for 2 terms and the first woman President! If she and her husband, John Rada had not taken the time to drive from Memphis, TN to Dallas, TX and pick up everything the past EST person had left in storage in Ft. Worth, there is no telling what kind of mess we could have been in.

Thank you to **John Rada**, Past President Llana Smith's husband for all the time he spent escorting Llana around the country. He also helped Llana with the drive to Dallas in January 2012 and then to Charlotte, NC on January 10, 2013 to drop off 13 boxes and 1 trunk of SIUSA Inventory to Brandon Buchanan, with ABA to put on the ABA Bus going from Charlotte back to Washington, DC. It is our understanding; Past President Llana did not submit an expense report for John to fly him home 1-way from Charlotte. After all the work he has done for SIUSA, the BOD may want to reconsider an offer for him for his airfare.

Thank you to **Martha McClintock**, Region 4 VP, for volunteering to help organize some of our inventory and all the work she put in to help bring the Charlotte, NC Club back after 10 years of being suspended.

Congratulations to Charlotte, NC Club for being re-chartered after 10 years. Charlotte remains Club #365, which was founded June 23, 1972. They closed in 2003 and have come back with the required 15 members to be reinstated. As of this Audit, they are up to 21 members and growing! They are the only club that has closed and has been reinstated!

A Very Big Thank you to Skalleagues **Hans Van Doorne**, SI Northern New Jersey and **Dave Barela**, SI Colorado for the countless hours spent on fixing and updating the SIUSA Website! We know it's not completely fixed yet, but Rick Adams wants to make sure they are acknowledged and officially thanked! Thank you to **Lou Conkling** too, SI Louisville & ISC Councilor, for helping them find Louisville Geeks in his hometown of Louisville, KY.

This 2012 audit was completed in a timely fashion only because of the hard work by **Carlos Banks**, VP-Finance. The time spent on bringing the financial records up to date, the energy it took to coordinate between Skal International and

the individual Clubs did not go unnoticed by the auditors. In our opinion, SIUSA record keeping is now up to date and in good order! Thank you again for all the work Carlos did for and continues to do for SIUSA!

3 AUDITOR'S COMMENTS from Rick Adams and David Barela

1. The SIUSA Annual Audit Checklist, which was developed in 2007, was used to conduct the 2012 audit. It provides a systematic procedure to give complete attention to every required item for review and verification. Due to all the documented problems with Michael Abbott, Executive Director, and all the incomplete records he left, the audit was based on the rebuilt records of Carlos Banks, VP-Finance. This scenario has prompted SIUSA to establish a better set of checks and balances. Thank you again, Carlos!
2. We commend the action taken to have the corporate books available to a number of different officers, including the auditors. This provides for check and balances in case of emergencies.
3. Disclaimer: At the (NCM), National Committee Meeting, in St. Augustine, FL, in August 2012, the BOD decided to eliminate the ED title and change it back to EST. During this audit report, we may have referred to ED or EST by the wrong title, but they mean the same person or position.

14 ACTION ITEMS

1. We recommend there be some discussion with the (BOD) Board of Directors on the use of a corporate credit card for SIUSA and the individual clubs. Corporate credit cards can take advantage of rebates to help make more money from travel and restaurants, which will help offset some costs and/or make donations to the FV Fund!
2. We recommend the BOD continues to monitor the cost of bringing the SIUSA website up to date. There have been great strides in getting this problem fixed and we need to continue on this path.
3. We recommend more follow up on the depreciation of the SIUSA Website costs. We feel we have the best thing going right now with Louisville Geeks, but someone may have something better next year.
4. Rick Adams recommends the SIUSA Board look into helping Skalleague David Barela with the cost he is paying for the SIUSA convention in Sacramento for all the work he has done and will continue to do on our SIUSA Website.
5. Issue a Form-1099 to any Board Member who does not provide sufficient documentation for their expense reports.
6. We recommend a 1.5% fee be added to any financial transaction, which is more than 90-days past due.
7. We recommend a follow up during the 2013 audit as to the depreciation of the SIUSA Laptop and software, currently with Carlos Banks, VP-Admin. The current coverage has a \$1,000 deductible, so next year it may not be worth insuring.
8. Thank you Carlos Banks for signing up for Carbonite, an online backup system, to protect the information on our SIUSA Laptop. Make sure it is the best on the market for the cost we are paying, which is only \$59.00 per year.
9. We recommend the 12 Clubs without insurance coverage take advantage of our low cost opportunity provided by SIUSA, otherwise, this puts each officer and Club without coverage, personally at risk to litigation in the event of an incident. The cost is only \$320 per year.
10. We recommend all clubs update and keep up to date their contact information on the SI website. I wanted to send this Audit Report to all the Club Presidents, but only 1/3 of the 55 Clubs have updated their Form 2 information with SI and SIUSA from what took effect back on January 1st for those Clubs who have moved to a calendar year. All Clubs must have their membership list up to date, which will be past due on April 1 2013.
11. Help the clubs, who need help, file their tax returns. Only half the Clubs have filed them as of March 2013.
12. We recommend burning a CD with all the Audit Reports and not ship the Big Box all over the US anymore.

13. Discuss moving the NAASC Congress from May or June back to January during the annual ABA Convention?
14. Discuss the NAASC President. Officially, who is it? Does it rotate every 3 or 4 years? Should SIUSA pay, every 3 or 4 years, for the NAASC President to come to a SIUSA Meeting? Why do we have a NAASC President?