

**Consolidated Audited Financial Statements and
Supplementary Information and
Reports Required by Government Auditing
Standards and OMB Circular A-133**

**AMERICAN SOCIETY FOR ENGINEERING
EDUCATION AND AFFILIATES**

September 30, 2015

American Society for Engineering Education and Affiliates

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T A T E



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Independent Auditor's Report on the Financial Statements and Supplementary Schedule of Expenditures of Federal Awards Issued in a Single Audit

To the Board of Directors
American Society for Engineering Education

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the American Society for Engineering Education (the Society), which comprise the consolidated statements of financial position as of September 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements. The financial statements as of and for the year ended September 30, 2014, were audited by other auditors whose report thereon, dated August 15, 2016, expressed an unmodified opinion on those statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2015 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the American Society for Engineering Education as of September 30, 2015, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

2021 L STREET, NW

SUITE 400

WASHINGTON, DC

20036

TELEPHONE

202/293-2200

FACSIMILE

202/293-2208

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017 on our consideration of the American Society for Engineering Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the American Society for Engineering Education's internal control over financial reporting and compliance.

Tate & Tryon

Washington, DC
November 7, 2017

American Society for Engineering Education and Affiliates

Consolidated Statements of Financial Position

<i>September 30,</i>	2015	(as restated) 2014
Assets		
Cash and cash equivalents	\$ 3,782,918	\$ 4,505,787
Accounts receivable, net	5,617,768	11,368,956
Investments	1,466,337	1,435,839
Prepaid expenses and deposits	39,999	126,871
Property and equipment, net	672,729	924,968
Total assets	\$ 11,579,751	\$ 18,362,421
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 5,671,095	\$ 12,164,774
Deferred revenue	3,343,641	3,105,026
Deferred rent and lease incentive	626,019	677,128
Total liabilities	9,640,755	15,946,928
Net assets		
Unrestricted:		
Undesignated	(724,214)	(246,118)
Board designated awards	1,466,337	1,435,839
Board designated BASS Accounts	1,196,873	1,224,067
Total unrestricted	1,938,996	2,413,788
Temporarily restricted	-	1,705
Total net assets	1,938,996	2,415,493
Total liabilities and net assets	\$ 11,579,751	\$ 18,362,421

See notes to the consolidated financial statements.

American Society for Engineering Education and Affiliates

Consolidated Statements of Activities

Year Ended September 30,	2015	(as restated) 2014
Unrestricted activities		
Revenue and support		
Federal grants	\$ 64,641,350	\$ 78,186,426
Nonfederal grants	2,729,857	2,832,564
Meetings and conferences	2,702,995	2,362,363
Membership services	1,432,555	1,272,621
Publication services	982,072	1,126,921
Sponsorship	546,764	613,330
BASS accounts revenue	224,244	250,902
Fee for service income	167,004	291,194
Other	105,203	168,099
Net assets released from restrictions	1,705	-
Total revenue and support	73,533,749	87,104,420
Expense		
Government programs	64,202,658	77,135,281
Non-Government programs	2,680,854	3,053,961
Convention services	2,485,560	3,411,173
Publications services	2,051,021	1,671,389
Membership services and BASS	1,494,629	983,121
Other	947,791	1,022,592
Awards	135,526	75,105
Tau Alpha Pi	10,502	13,126
Total expense	74,008,541	87,365,748
Change in unrestricted net assets	(474,792)	(261,328)
Temporarily restricted activities		
Net assets released from restrictions	(1,705)	-
Change in net assets	(476,497)	(261,328)
Net assets, beginning of year	2,415,493	2,676,821
Net assets, end of year	\$ 1,938,996	\$ 2,415,493

See notes to the consolidated financial statements.

American Society for Engineering Education and Affiliates

Consolidated Statements of Cash Flows

Year Ended September 30,	2015	(as restated) 2014
Cash flows from operating activities		
Change in net assets	\$ (476,497)	\$ (261,328)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	275,161	522,619
Unrealized loss (gain) on investments	91,412	(97,208)
Changes in assets and liabilities:		
Accounts receivable	5,751,188	(5,963,066)
Prepaid expenses and other assets	86,872	73,336
Accounts payable and accrued expenses	(6,493,679)	6,589,231
Deferred revenue	238,615	(1,013,430)
Deferred rent	(51,109)	52,438
Net cash used in operating activities	(578,037)	(97,408)
Cash flows from investing activities		
Purchases of property and equipment	(22,922)	(9,069)
Purchases of investments	(121,910)	(23,039)
Net cash used in investing activities	(144,832)	(32,108)
Net decrease in cash and cash equivalents	(722,869)	(129,516)
Cash and cash equivalents, beginning of year	4,505,787	4,635,303
Cash and cash equivalents, end of year	\$ 3,782,918	\$ 4,505,787

See notes to the consolidated financial statements.

American Society for Engineering Education and Affiliates

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: American Society for Engineering Education (ASEE) was founded in 1893 for the purpose of expanding and improving education in engineering and engineering technology. ASEE serves its members through publications, projects, and awards. ASEE was incorporated on January 29, 1943, pursuant to the laws of the Commonwealth of Pennsylvania.

ASEE Convention and Seminar Corporation (C&S Corp) was established for the purpose of sponsoring the annual convention of the American Society for Engineering Education. C&S Corp also sponsors various seminars, technical conferences and panels and otherwise provides for the instruction of members of ASEE and the public concerning engineering and allied branches of science and technology. C&S Corp was incorporated on September 25, 1991, pursuant to the laws of the State of Delaware.

Tau Alpha Pi of ASEE, Inc. (TAPi) was organized for charitable, scientific and educational purposes, more specifically, to operate as an honor society for the engineering technology profession and to inspire engineering technology students to achieve scholarly excellence. Tau Alpha Pi was incorporated on August 13, 1998, pursuant to the laws of the State of Delaware.

Principles of consolidation: The consolidated financial statements include the accounts of ASEE, C&S Corp, and TAPi (collectively referred to as the Society). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Basis of accounting: The Society prepares their consolidated financial statements on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Income taxes: Each entity comprising the Society is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service. The Society is exempt from the payment of federal income taxes on their exempt activities pursuant to section 501(c)(3) of the Internal Revenue Code. Contributions made to ASEE are deductible by the donor for federal income tax purposes, subject to statutory limitations on charitable contributions.

Cash and cash equivalents: For consolidated financial statement purposes, the Society considers cash and cash equivalents to include certain certificates of deposit purchased with maturities ranging from twelve to forty-eight months or less.

American Society for Engineering Education and Affiliates

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and equipment: Acquisitions of property and equipment greater or equal to \$1,000 are capitalized and stated at cost, net of accumulated depreciation and amortization. Furniture and equipment and computers and software are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized using the straight-line method over a period of the lesser of the estimated useful lives of the improvements or the lease term.

Deferred revenue: Grants are recognized as revenue in accordance with their terms. Funds related to specific projects are deferred until the funds are utilized or the revenue has been earned

Revenue recognition: Revenue from grants, membership dues, subscriptions, advertising, and conferences is recognized in the year in which it is earned. Amounts received from these sources but not yet earned are recorded as deferred revenue.

The Society records contributions as unrestricted or temporarily support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net assets: For consolidated financial statement purposes, net assets are classified as follows:

Unrestricted: Unrestricted net assets include those net assets whose use has not been restricted by donors, even though their use may be limited in other respects, such as by board designation.

Designated funds have been established by the Board of Directors for specific purposes (see Note F).

Temporarily restricted: Temporarily restricted net assets represent funds limited by donor-imposed stipulations.

American Society for Engineering Education and Affiliates

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassifications: Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net income. Amounts reported in the September 30, 2014 consolidated financial statements were reclassified as follows:

	Previously Reported	2014 Reclassification	Currently Reported
Consolidated Statement of Financial Position			
Accounts payable and accrued expenses	\$ 9,164,774	\$ 3,000,000	\$ 12,164,774
Deferred revenue	6,105,026	(3,000,000)	3,105,026
Consolidated Statement of Activities			
Revenues			
Meetings and conferences	3,105,529	(743,166)	2,362,363
Publications	981,082	145,839	1,126,921
Sponsorships	25,000	588,330	613,330
Other		168,099	168,099
Development	7,548	(7,548)	-
Award income	8,657	(8,657)	-
Tau Alpha Pi	20,605	(20,605)	-
Investment income	122,292	(122,292)	-
Expenses			
Government programs	79,502,611	(2,367,330)	77,135,281
Non-Government programs	2,345,894	708,067	3,053,961
Convention services	2,061,201	1,349,972	3,411,173
Publications services	1,602,544	68,845	1,671,389
Membership services and BASS	788,481	194,640	983,121
Other	1,011,704	10,888	1,022,592
Awards	45,382	29,723	75,105
Tau Alpha Pi	7,931	5,195	13,126

Subsequent events: Subsequent events have been evaluated through November 7, 2017, which is the date the consolidated financial statements were available to be issued.

American Society for Engineering Education and Affiliates

Notes to the Financial Statements

B. CONCENTRATIONS

Credit risk: The Society maintains demand deposit accounts with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Society.

Market value risk: The Society also invests in a professionally managed portfolio of equity mutual funds. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the consolidated financial statements.

Revenue concentration: The Society received approximately 42% and 49% of its revenue from the Air Force National Defense Science and Engineering Graduate Fellowship program grant for the years ended September 30, 2015 and 2016, respectively. The absence of this grant would have a significant effect on the Society's ability to sustain its operations.

C. ACCOUNTS RECEIVABLE

Accounts receivables have been presented at the gross amount due to the Society less an allowance for doubtful accounts receivable. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Society's relationship with the customer, and the age of the receivable balance. As a result of these reviews, the Society has established an allowance for doubtful accounts receivable representing an estimate of the accounts receivables that may not be collected.

Accounts receivable consisted of the following at September 30,:

	2015	2014
Federal grants and contracts	\$ 5,011,898	\$ 9,900,525
Non-federal grants and contracts	416,463	1,264,355
Sponsorship	100,000	1,000
C&S	61,370	194,582
Survey	32,583	15,284
Publications	27,254	27,022
Advertising	26,401	25,225
BASS/other	8,125	8,039
Membership	3,457	2,708
	5,687,551	11,438,740
Less: allowance for doubtful accounts	(69,783)	(69,784)
	\$ 5,617,768	\$ 11,368,956

American Society for Engineering Education and Affiliates

Notes to the Financial Statements

D. INVESTMENTS

In accordance with generally accepted accounting principles, the Society uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments valued using Level 1 inputs consist of equity mutual funds.

At September 30, 2015 and 2014, investments totaled \$1,466,337 and \$1,435,839, respectively.

Investment income, included in other income on the consolidated statements of activities, consists of the following for the years ended September 30,:

	2015	2014
Interest and dividends	\$ 83,621	\$ 25,084
Unrealized (loss) gain on investments	<u>(91,412)</u>	<u>97,208</u>
Total investment income	<u>\$ (7,791)</u>	<u>\$ 122,292</u>

E. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30,:

	2015	2014
Computers and software	\$ 2,965,262	\$ 2,956,998
Leasehold improvements	849,817	843,911
Furniture and equipment	<u>275,035</u>	<u>267,916</u>
	4,090,114	4,068,825
Less: accumulated depreciation and amortization	<u>(3,417,385)</u>	<u>(3,143,857)</u>
Total property and equipment	<u>\$ 672,729</u>	<u>\$ 924,968</u>

American Society for Engineering Education and Affiliates

Notes to the Financial Statements

F. BOARD DESIGNATED BASS ACCOUNTS

The Board has designated unrestricted net assets for the Banking and Accounting Services System (BASS) accounts which represent the accumulated excess revenue over expenses for the operating field units (BASS).

ASEE provides accounting services for the benefit of seventy-two participating operating field units that are part of ASEE operations. The operations associated with these field units are combined and presented in the accompanying consolidated statements of activities. There are no restrictions on any transactions authorized by the operating field units. Field units are financially responsible for all ASEE membership services they provide, including travel, newsletters, general administration, and meetings. BASS account funds are combined with the cash and cash equivalents on the accompanying consolidated statements of financial position.

G. RETIREMENT PLANS

The Society sponsors a defined contribution retirement plan. Under the terms of the plan, all employees who meet minimum service and age requirements are eligible to participate. Contributions are made by the Society in an amount equal to 5% of salary expense for each participating employee under the age of 45 and 7.5% of each employee age 45 and over. Salary reductions for employee contributions are permitted. The retirement expense incurred for the years ended September 30, 2015 and 2014, was approximately \$166,439 and \$195,272, respectively.

The Society has a tax deferred annuity plan wherein employees can enter into a salary reduction agreement with the Society. Under the terms of the plan, a portion of the employee's compensation is applied on a before-tax basis to an annuity contract owned by the employee, rather than being paid directly to the employee. These amounts, together with any earnings, are not subject to federal income tax until they are paid to the employee (or beneficiary) in the form of benefits.

American Society for Engineering Education and Affiliates

Notes to the Financial Statements

H. FUNCTIONAL ALLOCATION OF EXPENSES

The Society presents expenses within the accompanying consolidated statements of activities on a fully allocated basis with respect to general and administrative expenses. Functional expenses by program and supporting services are as follows for the years ended September 30,:

	2015	2014
Program services		
Government programs	\$ 62,401,600	\$ 75,562,504
Non-government programs	2,599,949	3,012,323
Convention services	1,194,929	2,061,201
Publication services	986,026	1,009,937
Membership services	718,542	594,051
Other	455,648	617,901
Awards	65,154	45,382
Tau Alpha Pi	5,049	7,931
Total program services	68,426,897	82,911,230
General and administrative	5,581,644	4,454,518
Total expenses	\$ 74,008,541	\$ 87,365,748

I. COMMITMENTS AND CONTINGENCY

Operating leases: The Society maintains a lease for office space that originally expired October 31, 2020. Subsequent to the year ended September 30, 2015, the Society amended their lease to reduce the square footage maintained. Under the new agreement, the expiration date is September 30, 2028. The Society also allocates to the Affiliates their proportionate share of office rent. Rent expense is recognized on a straight-line basis over the lease terms, including any period during which the rent payments were abated. The excess of rent payments made over the straight-line rent expense is charged against deferred rent and lease incentive. Accordingly, deferred rent totaling \$344,989 and \$340,812 as of September 30, 2015 and 2014, respectively, is reflected in the accompanying consolidated statements of financial position.

Additionally, the lease included an allowance for leasehold improvements as an incentive. At the inception of the office space lease, \$552,847 in leasehold improvements were capitalized in property and equipment and the benefit of this incentive was deferred to be recognized over the life of the lease. As of September 30, 2015 and 2014, the deferred lease incentive was \$281,030 and \$336,315, respectively.

In addition, the Society has operating leases for copiers which expire March 2021.

Rent expense for the years ended September 30, 2015 and 2014, amounted to \$740,024 and \$742,424, respectively.

American Society for Engineering Education and Affiliates

Notes to the Financial Statements

I. COMMITMENTS AND CONTINGENCY - CONTINUED

Future minimum lease payments for all operating leases are as follows:

Year Ending September 30,	Amount
2016	\$ 819,622
2017	882,524
2018	715,863
2019	733,781
2021	752,116
2022 - 2028	<u>6,590,710</u>
	<u>\$ 10,494,616</u>

Hotel agreements: The Society has entered into several agreements with hotels providing for room accommodations for its meetings and conventions through the year 2023. Many of these agreements contain clauses whereby C&S Corp is liable for liquidated damages in the event of cancellation.

Employment agreement: The Society has an employment agreement with its an Executive Director. In certain circumstances, the employee may be eligible for severance payments under the term of the agreement.

Federal grants: The Society participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the Federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

J. FRINGE BENEFITS

Self-Funded Health Insurance Plan: The Society maintained a self-insured level-funded health plan through May 31, 2014. In an attempt to limit its potential exposure, the Society purchased insurance that covers each participant with an unlimited maximum claims liability (with the Society responsible for the first \$30,000 in paid claims) along with an aggregate insurance plan that protects the Society during the plan year if overall paid claims exceed 110% of what is expected. Although significant insurance coverage existed, there was a possibility that an extremely sick or injured employee or dependent could incur significant medical bills in one plan year in excess of total insurance coverage thereby forcing the Society to absorb any claims above and beyond the insured amount. As of June 1, 2014, the Society was no longer self-insured; therefore, the Society recorded related liabilities of \$0 as of September 30, 2015 and 2014.

Post-Retirement Health Benefit: The Society pays 100% of the Medicare/Gap insurance premiums to eligible retirees and 55% of the premiums for eligible spouses and dependents. To be eligible, employees must be 58 years old and be employed with the Society for 15 years. Currently, one employee is receiving benefits and two are eligible.

American Society for Engineering Education and Affiliates

Notes to the Financial Statements

K. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the year ended September 30, 2015, the Society's management identified tuition payments made that were not invoiced to the government for reimbursement as of September 30, 2014. Therefore, the September 30, 2014 consolidated financial statements have been restated to reflect this error correction. The impact of the restatement is as follows at September 30, 2015:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
September 30, 2014 net assets, as originally presented	\$ 1,254,105	\$ 1,705	\$ 1,255,810
Effect upon net assets due to correction of an error	<u>1,159,683</u>		<u>1,159,683</u>
September 30, 2015 net assets, as restated	<u>\$ 2,413,788</u>	<u>\$ 1,705</u>	<u>\$ 2,415,493</u>

	As Originally Presented	Error Correction	As Currently Presented
Accounts receivable	\$ 10,209,273	\$ 1,159,683	\$ 11,368,956
Federal grants	77,026,743	1,159,683	78,186,426
Change in unrestricted net assets	(1,421,011)	1,159,683	(261,328)

L. UNDESIGNATED UNRESTRICTED NET DEFICIT

For the year ended September 30, 2015, the Society has a deficit in undersigned unrestricted net assets of \$724,214. The Society plans to address this net asset shortfall in the following ways: (1) the Board of Directors voted in May 2015 to increase Institutional dues by a total of \$750,000, effective with the fiscal year starting October 1, 2016 and (2) the Board of Directors instructed the Society's Executive Director to decrease headquarters operating expenses by \$750,000, matching the Institutional dues increase amount.

T A T E



T R Y O N

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Independent Auditor's Report on the Supplementary Information

To the Board of Directors
American Society for Engineering Education

We have audited the consolidated financial statements of American Society for Engineering Education and Affiliates (the Society) as of and for the year ended September 30, 2015, and have issued our report thereon dated November 7, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities and consolidated schedule of functional expenses are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Washington, DC
November 7, 2017

.....
2021 L STREET, NW

.....
SUITE 400

.....
WASHINGTON, DC

.....
20036

.....
TELEPHONE
202/293-2200

.....
FACSIMILE
202/293-2208

.....
WWW.TATETRYON.COM

American Society for Engineering Education and Affiliates

Consolidating Statement of Financial Position

September 30, 2015

	ASEE	C&S Corp	TAPi	Consolidated
Assets				
Cash and cash equivalents	\$ 3,573,868	\$ 208,975	\$ 75	\$ 3,782,918
Accounts receivable, net	5,556,397	61,371		5,617,768
Investments	1,466,337			1,466,337
Due from affiliates	(1,272,675)	1,187,984	84,691	-
Prepaid expenses and deposits	1,798	33,461	4,740	39,999
Property and equipment, net	670,162	2,567		672,729
Total assets	\$ 9,995,887	\$ 1,494,358	\$ 89,506	\$ 11,579,751
Liabilities and Equity				
Liabilities				
Accounts payable and accrued expenses	\$ 5,573,691	\$ 97,188	\$ 216	\$ 5,671,095
Deferred revenue	3,299,691	43,950		3,343,641
Deferred rent and lease incentive	626,019			626,019
Total liabilities	9,499,401	141,138	216	9,640,755
Net Assets				
Unrestricted				
Undesignated	(2,166,724)	1,353,220	89,290	(724,214)
Board designated awards	1,466,337			1,466,337
Board designated BASS accounts	1,196,873			1,196,873
Total net assets	496,486	1,353,220	-	89,290
Total liabilities and net assets	\$ 9,995,887	\$ 1,494,358	\$ 89,506	\$ 11,579,751

American Society for Engineering Education and Affiliates

Consolidating Statement of Activities

Year Ended September 30, 2015

	ASEE	C&S Corp	TAPi	Consolidated
Unrestricted activities				
Revenue and support				
Federal grants	\$ 64,641,350	\$ -	\$ -	\$ 64,641,350
Nonfederal grants	2,729,857			2,729,857
Meetings and conferences	225,925	2,477,070		2,702,995
Membership services	1,432,555			1,432,555
Publication services	963,880	18,192		982,072
Sponsorship	407	546,357		546,764
BASS accounts revenue	224,244			224,244
Fee for service income	167,004			167,004
Other	62,819	25,045	17,339	105,203
Net assets released from restrictions	1,705			1,705
Total revenue and support	70,449,746	3,066,664	17,339	73,533,749
Expenses				
Government programs	64,202,658			64,202,658
Non-government programs	2,680,854			2,680,854
Convention services		2,485,560		2,485,560
Publications services	2,051,021			2,051,021
Membership services and BASS	1,494,629			1,494,629
Other	947,791			947,791
Awards	135,526			135,526
Tau Alpha Pi			10,502	10,502
Total expenses	71,512,479	2,485,560	10,502	74,008,541
Change in unrestricted net assets	(1,062,733)	581,104	6,837	(474,792)
Temporarily restricted activities				
Net assets released from restrictions	(1,705)			(1,705)
Change in temporarily restricted net assets	(1,705)	-	-	(1,705)
Change in net assets	(1,064,438)	581,104	6,837	(476,497)
Net assets, beginning of year, as restated	1,560,924	772,116	82,453	2,415,493
Net assets, end of year	\$ 496,486	\$ 1,353,220	\$ 89,290	\$ 1,938,996

**American Society for Engineering Education
and Affiliates**

Consolidated Schedule of Functional Expenses

Year Ended September 30, 2015

	Program Services								Supporting Services		
	Government Programs	Non-Government Programs	Convention Services	Publication Services	Membership Services and BASS	Other	Awards	Tau Alpha Pi	Total Program Services	General and Administrative	Total
Projects participant support	\$ 59,403,506	\$ 2,469,755	\$ 3,721	\$ 1,500	\$ 518	\$ 2,004	\$ 4,493	\$ 3,282	\$ 61,888,779	\$ 18,982	\$ 61,907,761
Salaries and benefits	2,129,984	120,800	397,184	628,795	333,935	93,199	24	290	3,704,211	2,596,227	6,300,438
Computer and professional services	321,520	2,360	111,989	93,290	2,007	23,500	3,000	258	557,924	697,519	1,255,443
Rent and related	-	-	2,898	-	-	-	-	-	2,898	829,809	832,707
Catering	898	-	275,039	-	4,506	103,311	-	-	383,754	315,832	699,586
Miscellaneous	27,230	(4,659)	34,566	48,417	6,899	26,889	44,861	-	184,203	342,566	526,769
BASS accounts expense	-	-	144	35	331,421	4,683	-	197	336,480	6,849	343,329
AV, bus services and facilities rental	48,150	794	246,062	-	-	15,690	8,800	-	319,496	17,950	337,446
Depreciation and amortization	-	-	254	-	-	-	-	89	343	274,907	275,250
Travel and related	119,688	8,505	34,916	9,034	5,804	17,902	854	-	196,703	8,394	205,097
Supplies	80,536	61	34,089	14,252	10,748	3,127	3,122	933	146,868	56,671	203,539
Printing and graphic design	19,709	920	31,096	55,952	5,274	58,029	-	-	170,980	4,116	175,096
Legal and accounting	-	-	-	-	-	55,497	-	-	55,497	110,370	165,867
Photocopying	-	-	688	97,765	1,725	481	-	-	100,659	36,297	136,956
Honoraria	83,500	-	-	-	-	35,950	-	-	119,450	-	119,450
Outreach, marketing and advertising	112,650	-	270	1,832	-	-	-	-	114,752	-	114,752
Postage and freight	29,472	1,412	6,894	18,104	14,547	11,385	-	-	81,814	22,648	104,462
Dues and registration	4,005	-	650	8,320	-	200	-	-	13,175	89,252	102,427
Special events	-	-	-	-	-	-	-	-	-	78,850	78,850
Telephone	20,752	1	13,957	887	162	3,551	-	-	39,310	38,819	78,129
Recruitment and staff training	-	-	-	6,829	996	250	-	-	8,075	17,629	25,704
Repairs and maintenance	-	-	-	36	-	-	-	-	36	15,957	15,993
Subscriptions	-	-	512	978	-	-	-	-	1,490	2,000	3,490
	62,401,600	2,599,949	1,194,929	986,026	718,542	455,648	65,154	5,049	68,426,897	5,581,644	74,008,541
Indirect costs	1,801,058	80,905	1,290,631	1,064,995	776,087	492,143	70,372	5,453	5,581,644	(5,581,644)	-
Total	\$ 64,202,658	\$ 2,680,854	\$ 2,485,560	\$ 2,051,021	\$ 1,494,629	\$ 947,791	\$ 135,526	\$ 10,502	\$ 74,008,541	\$ -	\$ 74,008,541

American Society for Engineering Education and Affiliates

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2015

Federal Grantor / Program or Cluster Title	Federal CFDA Number	Grant or Agreement Number	Federal Expenditures
<u>U.S. Department of Defense (12.XXX):</u>			
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-11-C-0028	\$ 27,067,387
SMART Scholarship Program	12.631	Various	17,252,347
Basic and Applied Scientific Research Program	12.300	Various	9,709,570
Air Force Summer Faculty Fellowship Program	N/A	FA9550-14-C-0013	80,920
<i>Pass-through programs from Virginia Polytechnic Institute and State University</i>			
Basic, Applied, and Advanced Research in Science and Engineering □	12.630	Various	5,596,513
<i>Pass-through programs from American Lightweight Materials Manufacturing Innovation Institute</i>			
Lightweight Innovations for Tomorrow	N/A	PO 0010	38,973
Total Department of Defense			59,745,710
Research and Development Cluster			
<u>National Science Foundation (NSF) (47.XXX)</u>			
Engineering grants	47.041	Various	1,980,050
<i>Pass-through programs from Syracuse University</i>			
Engineering grants	47.041	27560-03694	5,669
			1,985,719
Education and Human Services	47.076	Various	1,495,827
<i>Pass-through programs from University of Oregon</i>			
Education and Human Services	47.076	DUE-1143572	13,201
			1,509,028
NSF Graduate Research Fellowship Program	N/A	DACS10C1109	962,198
Total National Science Foundation			4,456,945
<u>National Aeronautics & Space Administration (43.XXX)</u>			
NASA Aeronautic Space Program	N/A	NNH08CC19C	3
Total Research and Development Cluster			4,456,948
Total Expenditures of Federal Awards			\$ 64,202,658

American Society for Engineering Education and Affiliates

Notes to the Schedule of Expenditures of Federal Awards

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of American Society for Engineering Education (the Society) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

B. EXPENDITURES

The expenditures reported in the SEFA follow the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. The cost principles indicate that certain types of expenditures are not allowable or reimbursements of allowable costs are limited as to reimbursement.

C. SUBRECIPIENTS

The Society provided federal awards to subrecipients as follows:

Federal Grantor / Program or Cluster Title	Federal CFDA Number	Amounts Provided
Education and Human Services	47.076	\$ 66,636
Engineering grants	47.041	31,750
		<hr/>
		\$ 98,386



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
American Society for Engineering Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the American Society for Engineering Education (the Society), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 7, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Society's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of prior year findings and questioned costs as 2014-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2015-001 to be significant deficiency.

Compliance and Other Matters

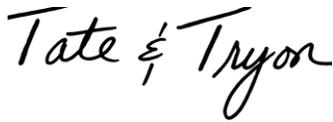
As part of obtaining reasonable assurance about whether the Society's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Society's Responses to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Society's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Washington, DC
November 7, 2017



Independent Auditor’s Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the OMB Circular A-133

To the Board of Directors
American Society for Engineering Education

Report on Compliance for the Major Federal Programs

We have audited the American Society for Engineering Education’s (the Society’s) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Society’s major federal programs for the year ended September 30, 2015. The Society’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Society’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Society’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Society’s compliance.

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2021 L STREET, NW

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SUITE 400

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WASHINGTON, DC

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20036

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TELEPHONE
202/293-2200

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202/293-2208

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Basis for Qualified Opinion

As described in Findings 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, 2014-001, 2014-006, 2014-007, 2014-008, 2014-009 and 2014-010 in the accompanying schedule of findings and questioned costs, the Society did not comply with requirements regarding the following:

Finding #	CFDA #	Cluster or Program Name	Compliance Requirement
2015-002	12.630	Basic, Applied, and Advanced Research in Science and Engineering	Other
2015-002	Various	Research and Development Cluster	Other
2015-003	12.300	Basic and Applied Scientific Research Program	Reporting
2015-003	12.630	Basic, Applied, and Advanced Research in Science and Engineering	Reporting
2015-003	12.631	SMART Scholarship Program	Reporting
2015-003	N/A	Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	Reporting
2015-003	Various	Research and Development Cluster	Reporting
2015-004	Various	Research and Development Cluster	Matching
2015-005	Various	Research and Development Cluster	Subrecipient Monitoring
2015-006	12.300	Basic and Applied Scientific Research Program	Procurement
2015-006	12.630	Basic, Applied, and Advanced Research in Science and Engineering	Procurement
2015-006	12.631	SMART Scholarship Program	Procurement
2015-006	N/A	Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	Procurement
2015-006	Various	Research and Development Cluster	Procurement
2015-007	12.300	Basic and Applied Scientific Research Program	Allowability/Allowable Costs
2015-007	12.630	Basic, Applied, and Advanced Research in Science and Engineering	Allowability/Allowable Costs
2015-007	12.631	SMART Scholarship Program	Allowability/Allowable Costs
2015-007	N/A	Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	Allowability/Allowable Costs
2015-007	Various	Research and Development Cluster	Allowability/Allowable Costs
2014-006	12.300	Basic and Applied Scientific Research Program	Eligibility
2014-007	12.300	Basic and Applied Scientific Research Program	Reporting
2014-008	12.630	Basic, Applied, and Advanced Research in Science and Engineering	Eligibility
2014-009	12.631	SMART Scholarship Program	Reporting
2014-010	12.300	Basic and Applied Scientific Research Program	Cash Management

Compliance with such requirements is necessary, in our opinion, for the Society to comply with the requirements applicable to that program.

Qualified Opinion on Research and Development Cluster, Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program, CFDA 12.631 SMART Scholarship Program, CFDA 12.630 Basic, Applied and Advanced Research in Science and Engineering and CFDA 12.300 Basic and Applied Scientific Research Program

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, the Society complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Research and Development Cluster, Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program, CFDA 12.631 SMART Scholarship Program, CFDA 12.630 Basic, Applied and Advanced Research in Science and Engineering and CFDA 12.300 Basic and Applied Scientific Research Program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Society is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Society's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

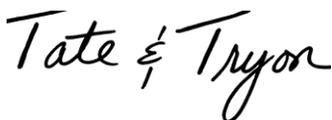
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-005 and 2015-006 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-003, 2015-004, 2015-007, 2014-006, 2014-007, 2014-008, 2014-009, and 2014-010 to be significant deficiencies.

The Society's responses to internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Society's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Washington, DC
November 7, 2017

American Society for Engineering Education and Affiliates

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of the American Society for Engineering Education (the Society) were prepared in accordance with U.S. GAAP.
2. One material weakness was disclosed during the audit of the consolidated financial statements as reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. Instances of noncompliance material to the consolidated financial statements of the Society, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. Two material weaknesses and nine significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the *Independent Auditor's Report on Compliance For Each Major Program and Report on Internal Control over Compliance Required by OMB Circular A-133 and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133*.
5. The auditor's report on compliance for the Society expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with section 510(a) of Circular are reported in this schedule.
7. The programs identified as major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Research and Development Cluster	Various
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A
SMART Scholarship Program	12.631
Basic and Applied Scientific Research Program	12.630
Basic, Applied and Advanced Research in Science And Engineering	12.300

8. The threshold used for distinguishing between Type A and B programs was \$1,926,080.
9. The Society was not determined to a low-risk auditee.

American Society for Engineering Education and Affiliates

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

SECTION II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS

Finding 2015-001: Preparation of the Schedule of Federal Expenditures (SEFA) – Significant Deficiency

Criteria: Maintaining an effective system of internal control over financial reporting that includes proper segregation of duties is essential to every organization.

Condition and cause: During our review of the SEFA, we noted the following:

- Subawards are not identified
- Grants are not properly identified as direct or pass-through
- Grants are not properly identified as a research and development grant as required by the OMB A-133

Effect: The Society did not maintain effective systems of internal control over financial reporting and compliance during the fiscal year ended September 30, 2015.

Questioned Costs: There were no questioned costs related to this finding.

Recommendation: We recommend that the Society establish policies and procedures to ensure:

- Subawards are identified
- Grants are properly identified as direct or pass-through
- Grants are properly identified as a research and development grant as required by the OMB A-133

Management's Response: Management concurs with the finding. In January 2017, the Society provided the auditors with a revised SEFA which identified whether awards were research and development grant as required by the OMB A-133. Information was provided to the auditors identifying the regulations for auditing for each grant and contract. With the hiring of a Director of Sponsored Programs and Compliance in April 2016, she reviewed all grants and contract, generating a monthly activity report which identifies various components used for tracking grants and contracts.

American Society for Engineering Education and Affiliates

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

SECTION III – MAJOR FEDERAL AWARD PROGRAMS FINDINGS

Finding 2015-002: Preparation of the Schedule of Federal Expenditures (SEFA) – Significant Deficiency

CFDA: 12.630 and Research and Development Cluster

Please see the full comment description for finding #2015-001 in Section II – Financial Statement Findings.

Finding 2015-003: Reporting – Significant Deficiency

CFDA: 12.300, 12.630, 12.631, Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program and Research and Development Cluster

Criteria: Organizations receiving Federal awards are required to evaluate and monitor the non-Federal entity's compliance with statutes, regulations, and terms and conditions of Federal awards.

Condition: During our audit, we noted that the Society did not have a consistent mechanism in place to ensure that all required financial and programmatic reports were completed, reviewed, and submitted to the appropriate agencies.

We also noted controls surrounding the preparation and review of the report were not evident based on our review.

Cause and Perspective: Currently, the responsibility for completing and submitting required grant reports is divided between the Society's program managers. There is not a centralized repository indicating the reports required and when they have been completed, reviewed, and submitted. As such, there is a risk that reports will be overlooked.

Effect: The lack of a centralized reporting repository can make it difficult for the Society to readily demonstrate its compliance with grant reporting requirements.

Questioned Costs: None

Recommendation: We recommend that the Society develop a process whereby a centralized repository of grant reporting is maintained. In addition, the roles of each operating unit in updating and maintaining the repository should be clearly outlined. In addition, we noted the preparation and review of the reports should be evident on each report.

Management's Response: Management concurs with the finding. The Sponsored Programs and Compliance Department has been established as the central repository of all grants and contracts. In 2014, the previous SPO developed a policy that was not implemented due to her separation of employment with the Society. Since May 2016, the current SPO has been working with the various Society departments to develop checklists, policies and procedures related to the review, approval and submission of all program and financial reports.

American Society for Engineering Education and Affiliates

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-004: Matching – Significant Deficiency

CFDA: Research and Development Cluster

Criteria: An effective system of internal controls should be established and maintained that provides reasonable assurance that transactions are properly recorded and accounted for and that transactions are executed in compliance with laws, regulations, and grant and contract agreements that could have a direct material effect on federal programs.

Condition: During our audit, we noted that the Society does not have a written policy over cost sharing for their federal awards. We also noted the Society does not have documented controls over the matching compliance requirement.

Cause: Lack of written policies over the matching compliance requirement

Effect: The lack of documented controls can make it difficult for the Society to readily demonstrate its compliance with the matching compliance requirement.

Questioned Costs: None

Recommendation: An element of an effective internal control system to maintain policies and procedures to ensure the proper segregation of financial duties which provides for a system of checks and balances such that the functions of one employee are subject to review through the performance of interrelated functions by a supervising employee. We recommend all controls surrounding the matching compliance requirement and documented and evident based on review of the supporting documentation.

Management's Response: Management concurs with the finding. The Society acknowledges one grant had a matching/cost sharing requirement for which the additional stipend payments received by the Host Company was not recorded as matching/cost share as required by the agreement. The Society is taking the necessary steps to record the cost share payments as host company revenue and record the associated stipend payments as cost share expenses. The Comptroller is responsible for the review of proposed cost share/matching expense and all expense to be recorded as matching/cost share, is subject to the final review of the Chief Financial Officer.

Finding 2015-005: Subrecipient Monitoring – Material Weakness

CFDA: Research and Development Cluster

Criteria: Per the 2015 Compliance Supplement, a pass-through entity is responsible for:

- Determining subrecipient eligibility
- Having a system in place to manage the award
- Identifying to the subrecipient all the required award information
- Monitor the activities of the subrecipient during the award, which also includes reviewing and obtaining the OMB Circular A-133 audit reports, if applicable

American Society for Engineering Education and Affiliates

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Condition: During our audit, we noted that the Society is not performing the required procedures under the subrecipient monitoring compliance requirement. In particular, we noted the following:

- There is no signed executed agreement with one subrecipient.
- No monitoring of the performance by the subrecipient which includes site visits or inquiring about OMB Circular A-133 audits
- Agreements with the subrecipients do not indicate the required award information such as Catalog of Federal Domestic Assistance name and number or research & development classification.

Cause: Lack of oversight to ensure compliance with subrecipient monitoring compliance requirements

Effect: The Society is not in compliance with the subrecipient monitoring compliance requirements.

Questioned Costs: \$98,386

Recommendation: We recommend the following:

- Signed agreements containing all the required information should be maintained for all agreements.
- The Society and its program managers should understand what is required as a pass-through entity.
- Controls are in place to ensure proper monitoring of the activities of the subrecipients.

Management's Response: Management concurs with the finding. The Director of Sponsored Programs and Compliance is in the process of reviewing all sub agreements for completeness and revising the policy for sub monitoring and implementing a plan for site visits.

Finding 2015-006: Procurement – Material Weakness

CFDA: 12.300, 12.630, 12.631, Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program and Research and Development Cluster

Criteria: As per OMB Circular A-110, subpart C section .43, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

In addition, as per OMB Circular A-110, subpart C section .44, recipients should have written procurement procedures.

Condition: Based on our testing, we noted the Society failed to perform the procedures to ensure open and free competition. We noted instances where the bidding process was not documented as having been performed and certain contractual information could not be located or was missing. We also noted the Society does not have written procurement procedures.

Questioned Costs: None noted.

Cause: Lack of specific controls and procedures to ensure compliance for this procurement requirement.

American Society for Engineering Education and Affiliates

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Effect: Without proper controls in place to ensure compliance with open and free competition, the Association is at risk of making a disallowed expenditure.

Recommendation: Establish controls and procedures to ensure the Society performs and documents the required open and free competition procedures.

Management's Response: Management concurs with the finding. The Society has a current procurement policy which states in part: Bids of \$10,000 or more must be obtained by three companies. A Small Business Plan was a requirement of the solicitation and incorporated into the contract. Based on Subpart 19.7, any contractor receiving a contract with a value greater than the simplified acquisition threshold must agree in the contract that small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns will have the maximum practicable opportunity to participate in contract performance consistent with its efficient performance. The Small Business Plan included in the proposal specified the percentage and companies to be used to satisfy the requirement.

When applicable of the \$10,000 threshold set in the Society's policy, the Society was requiring three bids before the selections were made.

Finding 2015-007: Allowability/Allowable Costs – Significant Deficiency

CFDA: 12.300, 12.630, 12.631, Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program and Research and Development Cluster

Criteria: As per OMB Circular A-110, subpart C section .21b7, the accounting records are to be supported by the source documentation.

Condition: Out of 360 disbursements tested for allowability/allowable costs, we noted the following conditions:

- We noted thirty-six instances of expenditures that were not properly approved by either the program manager or accounting
- We noted two instances of expenditures not properly coded to the appropriate general ledger account.
- We noted four instances when the amount paid did not agree to the support.
- We noted one instance that is missing documentation to support the increase in salary.
- We noted two instances that are missing the supporting invoice.

Questioned Costs: \$681.69

Cause: Lack of oversight to ensure compliance with allowability/allowable costs requirements.

Effect: Without proper controls in place for the review and approval of costs, the Society is at risk of making a disallowed expenditure for expenditures incurred.

Recommendation: We recommend that the Society follow its internal policies and procedures regarding the allowability of costs in that all expenditures are reviewed and approved by the appropriate individual in order to determine whether the expense amount is correct, properly recorded and properly supported by either an invoice or timesheet.

American Society for Engineering Education and Affiliates

Schedule of Findings and Questioned Costs *Year Ended September 30, 2015*

Management's Response: Management concurs with this finding. In August 2015, the Chief Financial Officer has been reviewing and updating accounting policy and procedures, staff duties, changes in accounting personnel, workflow and internal controls.

Please note the following findings were issued on August 15, 2016, subsequent to fiscal year ended September 30, 2015. The Society's written response (Management's response) to the following findings has not been subjected to the audit procedures applied in the audit and, accordingly, we express no opinion on it. As noted below, many of the prior findings were not properly implemented in the current reporting period. These reoccurring issues will be presented in the current status of these prior findings.

American Society for Engineering Education and Affiliates

Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Finding 2014-001 - Material Audit Adjustment – Material Weakness

Criteria: Management is responsible for establishing and maintaining internal controls over the financial reporting.

Condition: The Society's internal controls did not identify grant projects which had both receivable and deferred revenue balances and, as a result, accounts receivable and deferred revenue balances were both overstated by \$2,037,000.

Cause: Controls are not in place to ensure proper reporting and proper reconciling of grant activity and balances.

Effect: Accounts receivable and deferred revenue were overstated.

Recommendation: We recommend procedures be reviewed and updated to ensure all grant supported projects are reconciled to properly indicate whether the project has related receivables or deferred revenue but not both.

Corrective Action: The Society will update its procedures and monthly timing of reconciling contract code projects for contract and grant revenue to the deferred revenue balance, accounts receivable balance, and cash recording. Accounting has established a subsidiary Excel spreadsheet schedule for all activity related to the contracts and grants to record government invoicing, payments to participants, and payment from the government to the Society, including administrative expense costs.

Completion Date: Accounting has started some of the corrective procedures, hired a staff account devoted 80% to the contracts and grants management, will be fully in effect by October 1, 2016.

Current Status: Not implemented. Similar instance noted in the prior year finding occurred in the current reporting period.

Management's Response: During fiscal year 2016 both the Accounting updated the procedures and monthly timing of reconciling contract projects for contract and grant revenue to the deferred revenue balance, accounts receivable balance, and cash recording.

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Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Finding 2014-002 – Controls Over Payroll and Payroll Allocations – Material Weakness

Criteria: Management is responsible for establishing and maintaining internal controls over payroll and financial reporting, including ensuring that salary allocations per the general ledger are accurate and agree with supporting documentation.

Condition: The Society's internal controls did not ensure that all project and functional allocations per the general ledger agreed to the allocations per supporting timesheets and payroll reports. Specifically, we selected a sample of 68 employee payroll disbursements containing a total of 241 project/general ledger code allocations and noted the following:

- 58 salary allocations for which the allocation on the timesheet did not agree to the allocation per the payroll report and general ledger with total net difference of \$3,238.
- 14 salary allocations for which the allocation on the timesheet agreed to the allocation per the payroll report but for which we were unable to trace to the general ledger.
- 3 salary allocations for which the allocation on the timesheet did not agree to the allocation per the payroll report and which were unable to trace to the general ledger.
- 1 timesheet which did not contain a salary allocation on the timesheet. The Society has a default code in these situations, however we noted no salary amount allocated to the default code in the payroll report or general ledger.

Cause: Controls are not in place to ensure all salary allocations per timesheets are properly recorded and allocated in the general ledger.

Effect: Salary expenses were not properly allocated to general ledger codes and functional and project codes per the financials do not properly reflect payroll expenses for each program and/or function.

Recommendation: We recommend procedures be reviewed and updated to ensure all payroll disbursements are coded to the proper general ledger accounts and reconciled to supporting timesheets.

Corrective Action: The Society has updated the Payroll staff position with an accountant with ADP Payroll and time and attendance allocation experience. Accounting Department management is establishing payroll procedures to ensure that all "Time and Attendance" entries into APO agree to the general ledger, get automatically downloaded into the general ledger, and into the contracts and grants consolidated financial statements. The same procedures will be put in place for benefits and payroll taxes to be properly allocated on a per pay period basis.

Anticipated Completion Date: Accounting is in the process of establishing procedures and checklists to follow. The CFO and Controller are scheduled to have in place by September 30, 2016.

Current status: Not implemented. Similar instance noted in the prior year finding occurred in the current reporting period. Out of 60 participants which we selected for testing, we noted one item in which support was missing for the salary increase.

American Society for Engineering Education and Affiliates

Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Management's Response: The Society has updated the Payroll staff position with an accountant with ADP Payroll and time and attendance allocation experience. Accounting Department management is establishing payroll procedures to ensure that all "Time and Attendance" entries into APO agree to the general ledger, get automatically downloaded into the general ledger, and into the contracts and grants consolidated financial statements. The same procedures will be put in place for benefits and payroll taxes to be properly allocated on a per pay period basis.

Finding 2014-003 – Interim Financial and Budget Reporting and Communications – Material Weakness

Criteria: The Society is responsible for developing and maintaining adequate financial reporting policies and procedures to ensure the accuracy and completeness of all financial information and reports. Specifically, interim financial reporting and communication to all appropriate internal personnel as well as governance is a vital process in maintaining the integrity of financial reporting and improving organizational operations. The periodic review of budget to actual reports is also a key control in ensuring revenue and expenses are properly recorded and managed.

Condition: It was noted that during 2014 the Society did not provide department heads with periodic budget to actual reports to assist them in monitoring yearly budgets. It was also noted that the audit committee did not receive periodic financial reports, such as bank reconciliations, interim statements of activities, or budget to actual reports, during fiscal year 2014.

Cause: The Society did not have proper financial reporting procedures in place to provide the necessary financial reporting to appropriate personnel.

Effect: Internal personnel were unable to track the budget to actual status of departments or functions they were managing. Also, the audit committee was unable to carry out one of their key responsibilities of reviewing and monitoring organization financial information.

Recommendation: We recommend the Society reviews its procedures and develop a timeline for providing the proper financial reports to appropriate internal personnel as well as the organization's audit committee.

Corrective Action: The Society Accounting management has worked with the Finance Committee, Executive Director, and Senior Management team members to develop a set of consolidated financial statements based on the concept of reporting financial results by "Line of Business". The Society's department are divided into Core Mission related, Contract and Grant related, and General & Administrative department related. The annual budget will be presented in the monthly financial statement with variances from actual in dollars and percentages on a monthly basis, along with explanation notes for major variances from budget. Accounting has developed financial dashboard presentations that highlight certain key indicators (cash, net assets, summary of revenue, expense, net addition YTD and per month, and various ratio analysis compared to the Society's benchmark publication "Operation Ratio Report") of the Society's financial picture on a monthly basis.

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Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Anticipated Completion Date: Accounting has completed the revision of the financial statement to report operations by lines of business. The new financial statement format and methodology was presented to the Board of Directors and Finance Committee at the February 2016 meetings. Accounting will have the scheduled month end closing procedures in effect by September 1, 2016.

Current Status: The prior auditor recommendation was implemented during the year ended September 30, 2015.

Finding 2014-004 – Review and Approval of Payroll Reports – Significant Deficiency

Criteria: Management is responsible for establishing and maintaining adequate internal controls over payroll expenses.

Condition: The Society's internal controls did not contain proper review and approvals over payroll expenses and reports. During fiscal year 2014 there was no review in place of the payroll report to ensure all payroll expenses were proper and appropriate.

Cause: The Society did not have proper procedures in place to provide adequate internal controls over payroll.

Effect: Errors or fraud in payroll disbursements, such as amounts or payee, may not be detected.

Recommendation: We recommend the Society reviews its procedures and make changes as necessary to ensure there is a proper review of payroll reports and expenditures in place.

Corrective Action: Internal control over the payroll process has been adjusted to ensure that reconciliations are performed each pay period from the ADP Payroll reports and internal time and attendance reports to the general ledger allocations per activity and contract codes. Also, Accounting's payroll records are reconciled with the Human Resources reports and records for salary and withholdings on pay period basis. The payroll material from ADP Payroll Service will initially be delivered to the HR Department for their review, and then forwarded to Accounting.

Anticipated Completion Date: Accounting has completed this procedure with the new Society Controller responsible for this process. HR will be initially reviewing the payroll material by September 1, 2016.

Current Status: The prior auditor recommendation was implemented during the year ended September 30, 2015.

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Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Finding 2014-005 – Preparation of the Schedule of Expenditures of Federal Awards – Significant Deficiency

Criteria: Management is responsible for establishing and maintaining adequate internal controls over the preparation of the schedule of expenditures of federal awards.

Condition: The Society's internal controls did not identify the cost sharing portion of a grant program, resulting in the schedule of expenditures of federal awards being overstated by \$414,500 for that grant.

Cause: The Society did not have proper procedures in place to reconcile program expenditures and identify cost sharing portions which should not be included on the SEFA.

Effect: The schedule of expenditures of federal awards provided to the auditors was overstated by \$414,500 for that grant.

Recommendation: We recommend a separate general ledger account be created to record any cost sharing revenues received by corporations instead of recording the grant revenue and cost sharing revenue within the same general ledger code.

Corrective Action: A separate general ledger code has been established for this cost sharing activity. Also, Accounting will coordinate with the Society's Sponsor Program and Compliance Officer to ensure all cost sharing activity is properly coded in the general ledger.

Anticipated Completion Date: New account code has been established as of August 8, 2016. To be completed by not later than September 30, 2016.

Current Status: The prior auditor recommendation was implemented during the year ended September 30, 2015.

Finding 2014-006 – Eligibility Determination and Calculation of Benefit Payments; Eligibility and Allowable Costs – Material Weakness

CFDA: 12.300

Criteria: Management is responsible for designing and implementing proper controls over the process of determining program participant eligibility, including the retention of proper documentation, as well as determining that stipends paid to participants are calculated correctly and in compliance with the participant's Acceptance of Terms form.

Condition: During testing for compliance and internal control over compliance with regards to the Eligibility and Allowable Costs requirements there were instances where benefits paid to or on behalf of participants were incorrect as well as instances where management was unable to provide documentation supporting the eligibility determinations of participants.

Questioned Cost: We noted known questioned costs of \$4,644 and likely questioned costs of \$31,625 related to the incorrect benefit amounts paid to program participants.

American Society for Engineering Education and Affiliates

Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Context: Of the 60 participants which we selected for testing we noted the following:

- 3 participants were paid benefits which exceeded the calculated amounts per the program agreement.
- For 3 additional participants supporting documentation, including program applications and agreements, was not provided by the organization.
- For 1 additional participant transcript documentation supporting eligibility was not provided by the organization.

Cause: The Society does not have proper controls in place to ensure stipends paid to participants are consistent with those calculated in participant files. The Society also does not have proper controls in place to ensure all supporting documentation for the eligibility of program participants is retained.

Effect: Three participants were paid improper stipend amounts and we were unable to conclude on the proper eligibility of four additional participants. A lack of controls could also result in ineligible participants being served by the program.

Recommendation: We recommend additional procedures be implemented to ensure all participants' Acceptance of Use Forms are reconciled with amounts requested for stipends prior to payments being processed. We also recommend additional procedures be implemented to ensure proper documentation is on file for all participants.

Corrective Action: The Society's accounting department will reconcile with both the Fellowship and Research Opportunities department (federal programs) and Professional Services department (non-federal programs) to ensure that all participants in the programs are reconciled to the amounts and documentation for tuitions and stipends to the general ledger, and are paid to eligible participants. Refunds from the participants to the Society are properly recorded and reconciled. In addition, Accounting will provide our internal Sponsor Programs and Compliance Officer with all reconciliations for her review of compliance to the contracts.

Anticipated Completion Date: The Society is currently establishing the workflow of information that is required, to be fully implemented by October 31, 2016.

Current Status: Not implemented. Similar instance noted in the prior year finding occurred in the current reporting period. Out of 60 participants which we selected for testing, we noted the following conditions:

- We noted 5 of 60 instances in which the required terms/conditions form was not maintained for the selected participant.
- We noted 5 of 60 instances in which the participant file could not be located.

American Society for Engineering Education and Affiliates

Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Management's Response: Management concurs that the prior year recommendation was not implemented based on the understanding that testing was to be done if ASEE determines eligibility. As stated to the auditors, NDSEG was required to collect all application documents and ensure the data was in compliant with the terms and conditions of the contract for eligibility to participate in the program. It was further explained that the application documents were sent through a panel for review but the selection of the participants was the sole responsibility of the DoD.

Finding 2014-007 – Documentation of Review of Grant Reports; Reporting – Material Weakness

CFDA: 12.300

Criteria: Management is responsible for designing and implementing proper controls over the process of preparing and submitting required grant reports, including the retention of proper documentation.

Condition: During testing for compliance and internal control over compliance with regards to the Reporting requirement there were instances where documentation supporting the reports submitted was missing as well as instance where copies of the reports were provided but the entity was unable to provide support indicating a proper internal control was in place.

Questioned Cost: None noted.

Context: Of the 10 reports we selected for testing, the entity was unable to provide supporting documentation for 7 of them and none of the 10 reports contained evidence of a proper control in place.

Cause: The Society does not have adequate policies to ensure all reports are supported by proper documentation and a proper control is in place over reporting.

Effect: Lack of supporting documentation and proper controls could result in reports not being completed and submitted as required or erroneous or incomplete information included in grant reports.

Recommendation: We recommend that policies be revised to ensure that proper documentation is retained for all reports submitted, including copies of the actual report, and a review process be implemented where someone other than the preparer reviews the report prior to its submission and this review is documented.

Corrective Action: We recommend that policies be revised to ensure that proper documentation is retained for all reports submitted, including copies of the actual report, and a review process be implemented where someone other than the preparer reviews the report prior to its submission and this review is documented.

Anticipated Completion Date: The Society has completed the hiring process for the Sponsor Program and Compliance officer position at The Society, started on April 25, 2016. The Society aims to have all contract and grant reporting compliance done by late November 2016.

American Society for Engineering Education and Affiliates

Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Current Status: Not implemented. Similar instance noted in the prior year finding occurred in the current reporting period.

Management's Response: During fiscal year 2017 both the Accounting and Sponsored Programs and Compliance departments updated the procedures to ensure that proper documentation is retained for all reports submitted, including copies of the actual report, and a review process implemented where someone other than the preparer reviews the report prior to submission and documented.

Finding 2014-008 – Eligibility Determination and Calculation of Benefit Payments; Eligibility – Material Weakness

CFDA: 12.630

Criteria: Management is responsible for designing and implementing proper controls over the process of determining program participant eligibility, including the retention of proper documentation, as well as determining that benefit payments to participants are calculated correctly and in compliance with the program's requirements.

Condition: During testing for compliance and internal control over compliance with regards to the Eligibility requirement there were instances where supporting documentation was missing and for which testing was unable to be completed.

Questioned Cost: We noted known questioned costs of \$668,680 and likely questioned costs of \$3,822,180 related to the unsupported benefit amounts paid to program participants.

Context: Of the 60 participants which we selected for testing we noted the following:

- 16 participants did not have signed acceptance agreements on file.
- 16 participants did not have citizenship or legal resident documentation on file.
- 16 participants did not have transcripts supporting academic status on file.
- 42 participants had signed agreements, citizenship documentation, and transcripts, but were lacking documentation to determine the dates they entered and exited the program, proper benefit calculations, and proper discontinuation of benefits.

Cause: The Society does not have adequate policies to ensure all reports are supported by proper documentation and a proper control is in place over the eligibility determination.

Effect: Lack of supporting documentation and proper controls could result in participants being served who are not eligible for the program, benefits being improperly calculated, and/or benefits not properly discontinued when a participant exits the program or is no longer eligible.

Recommendation: We recommend that policies be revised to ensure that proper documentation is retained for all participants and a review process is implemented over the eligibility determination which includes verifying that all proper supporting documentation is on file.

American Society for Engineering Education and Affiliates

Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Corrective Action: Accounting department along with the Sponsor Programs and Compliance (SPC) officer are ensuring that all proper documentation related to participants is retained in the Fellowships department files and records (electronic and hard copies). This procedure is part of the SPC officer's checklist procedure, which includes verifying that eligibility in the program is met. This is outlined in "the Society's Sponsored Programs Report Approval and Submission policy".

Anticipated Completion Date: Procedures to reconcile and verify participants with the related documentation be fully implemented by October 31, 2016.

Current Status: Not implemented. Similar instance noted in the prior year finding occurred in the current reporting period. Out of 60 participants which we selected for testing, we noted the following conditions:

- We noted 1 of 60 instances in which the required terms/conditions form was not maintained for the selected participant.
- We noted 1 of 60 instances in which the required terms/conditions form was not signed but typed for the selected participant
- We noted 30 of 60 instances in which the participant's birth certificate or passport was not maintained for the selected participant.
- We noted 6 of 60 instances in which the participant file could not be located.

Management's Response: Management concurs with the finding as of September 30, 2015. For the year ended September 30, 2016, The Society's Program Manager, working with the Contracting Officer's Representative, along with the Society's Sponsored Programs and Compliance Officer are ensuring that all proper documentation related to participants is retained in the Fellowships department files and records, and participants' Acceptance of Use Forms are reconciled to requested amounts prior to payment. This procedure is part of the Sponsored Programs and Compliance Officer's checklist documentation, which includes verifying that eligibility in the program is met and maintained. This is outlined in "ASEE Sponsored Programs Report Approval and Submission" policy.

Finding 2014-009 – Documentation of Review of Grant Reports; Reporting – Significant Deficiency

CFDA: 12.631

Criteria: Management is responsible for designing and implementing proper controls over the process of preparing and submitting required grant reports, including the retention of proper documentation.

Condition: During testing for compliance and internal control over compliance with regards to the Reporting requirement there were instances where documentation supporting the reports submitted was missing as well as instance where copies of the reports were provided but the entity was unable to provide support indicating a proper internal control was in place.

Questioned Cost: None noted.

American Society for Engineering Education and Affiliates

Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Context: Of the 9 reports CLA selected for testing, the entity was unable to provide any supporting documentation for 4 of them and an additional 4 reports were supported by documentation of compliance but there was no evidence of a proper control in place.

Cause: The Society does not have adequate policies to ensure all reports are supported by proper documentation and a proper control is in place over reporting.

Effect: Lack of supporting documentation and proper controls could result in reports not being completed and submitted as required or erroneous or incomplete information included in grant reports.

Recommendation: We recommend that policies be revised to ensure that proper documentation is retained for all reports submitted, including copies of the actual report, and a review process be implemented where someone other than the preparer reviews the report prior to its submission and this review is documented.

Corrective Action: The Society hired a Sponsored Programs and Compliance (SPC) officer in April 2016 with extensive experience dealing with government contracts and grants. She has developed controls for submission, review, and approval of all new submissions and our current contract and grant monthly reports. The SPC position is working with the Fellowships and Accounting to develop checklists and procedures related to the documentation to ensure all contracts and grants are in compliance. Accounting is also maintaining all documentation related to contracts and grants in its files, along with a tracking system of data (start and close out dates, the Society program manager, budget amounts, modification dates, contract type, award number, sponsor, the Society's internal contract code) for each federally funded program. All federally funded program documentation will be retained in accordance with the Society's Document Retention Policy" and Privacy rules.

Anticipated Completion Date: The Society has completed the hiring process for the Sponsor Program and Compliance officer position at the Society, who started on April 25, 2016. The goal is to have all contract and grant reporting compliance done by late November 2016. Accounting has completed to process of re-organizing all contract and grant files (electronically stored and hard copies).

Current Status: Not implemented. Similar instance noted in the prior year finding occurred in the current reporting period. See finding 2015-003.

Management's Response: During fiscal year 2017 both the Accounting and Sponsored Programs and Compliance departments updated the procedures to ensure that proper documentation is retained for all reports submitted, including copies of the actual report, and a review process implemented where someone other than the preparer reviews the report prior to submission and documented.

American Society for Engineering Education and Affiliates

Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Finding 2014-010 – Internal Control over Reimbursement and Advance Payment Requests; Cash Management – Significant Deficiency

CFDA: 12.300

Criteria: Management is responsible for designing and implementing proper controls over the process of requesting federal funds, both in the form of reimbursements and advancements. Controls should include a review process for all request as well as procedures for retaining supporting documentation of all payment requests.

Condition: The Society was not able to provide proper supporting documentation, including the indication of review and approval, for all of the payment requests selected for testing.

Questioned Cost: None noted.

Context: Of the eleven drawdown requests for federal funds, consisting of six reimbursement requests and five advancements, the Society was unable to provide supporting documentation for one of the requests, therefore we were unable to test it or review for an indication of a proper internal control.

Cause: The Society does not have controls in place to ensure all requests are properly supported and reviewed.

Effect: The Society was not in compliance with the requirements over cash management. A lack of proper controls could result in the improper draw down of funds.

Recommendation: We recommend procedures be put in place to ensure there are proper internal controls over all requests for federal funds and that the performance of those controls is properly documented and retained.

Corrective Action: The Society Accounting department has implemented a report in the Abila accounting financial reports system that details all aspects of the administration of the various contracts (payment request from the Program Director, invoicing the government, payments to the participants, and cash payment from the government agency related to each contract and grant. All federally funded program documentation will be retained in accordance with The Society's "Document Retention Policy" and Privacy rules.

Anticipated Completion Date: This procedure was completed by Accounting and the Sponsored Program and Compliance officer in July 2016.

American Society for Engineering Education and Affiliates

Summary Schedule of Prior Year Findings Year Ended September 30, 2015

Current Status: Not implemented. Similar instance noted in the prior year finding occurred in the current reporting period. Out of 21 drawdowns/reimbursements tested for cash management compliance, we noted the following conditions:

- We noted one 1 of 21 instance in which the selected item had no supporting documentation for the drawdown/reimbursement as such we were unable to determine whether the Society is in compliance.
- We noted 2 of 21 instances in which the selected item had no program manager or accountant signoff.
- We also noted 2 of 21 instances in which the selected item had no senior accountant or program manager signoff

Management's Response: During FY 2017 procedures have been put into place to ensure that internal controls are in place over all requests for federal funds and to ensure that there is proper supporting documentation and the documentation is retained. Requests for federal funding reimbursements and advancements are processed by the accounting department senior accountant assigned to contracts and grants. The internal control review process verifies that the request is accompanied by all supporting documentation from the program manager, is signed off by the program manager and then reviewed and signed off by either the Controller or the CFO. All federal funding request documentation is retained in the accounting department under the accounts payable filing system in accordance with ASEE's "Document Retention Policy".