

**AMERICAN SOCIETY FOR ENGINEERING
EDUCATION AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
OMB CIRCULAR A-133 REPORTS**

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
American Society for Engineering Education
Washington, DC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the American Society for Engineering Education and Affiliates (the "Society"), which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audit 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 auditors' 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 entity'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 entity'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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Society as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, the consolidating statement of activities, and the consolidating statement of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The consolidating statement of financial position, the consolidating statement of activities, and the consolidating statement of functional expenses and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such 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 August 15, 2016, on our consideration of the Society'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 result 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 Society's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
August 15, 2016

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,505,787	\$ 4,635,303
Receivables:		
Federal Projects	9,633,154	5,064,138
Other	576,119	341,752
Total Receivables	10,209,273	5,405,890
Prepaid Expenses and Deposits	126,871	200,207
Total Current Assets	14,841,931	10,241,400
INVESTMENTS	1,435,839	1,315,592
PROPERTY AND EQUIPMENT, NET	924,968	1,438,518
Total Assets	\$ 17,202,738	\$ 12,995,510
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 9,164,774	\$ 2,575,543
Deferred Lease Incentive	55,285	55,285
Deferred Revenue:		
Projects, Including Federal Projects of \$4,924,194 and \$5,310,193 in 2014 and 2013, Respectively	5,395,062	6,406,884
Membership Dues	709,964	522,622
Other	-	188,950
Total Deferred Revenue	6,105,026	7,118,456
Total Current Liabilities	15,325,085	9,749,284
LONG TERM LIABILITIES		
Deferred Lease Incentives, Net of Current Portion	299,459	354,743
Deferred Rent	322,384	214,662
Total Long Term Liabilities	621,843	569,405
Total Liabilities	15,946,928	10,318,689
NET ASSETS		
Unrestricted Net Assets:		
Undesignated	(1,405,801)	386,359
Board Designated Awards	1,435,839	1,315,592
Board Designated BASS Accounts	1,224,067	973,165
Total Unrestricted Net Assets	1,254,105	2,675,116
Temporarily Restricted	1,705	1,705
Total Net Assets	1,255,810	2,676,821
Total Liabilities and Net Assets	\$ 17,202,738	\$ 12,995,510

See accompanying Notes to Consolidated Financial Statements.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
CHANGE IN UNRESTRICTED NET ASSETS		
Revenue:		
Government Funding	\$ 77,026,743	\$ 80,008,531
General Operations:		
Membership Services	1,272,621	1,240,969
Investment Income	122,292	144,877
Publication Services	981,082	999,371
Meetings and Conferences	3,105,529	2,881,939
Sponsorship	25,000	-
Tau Alpha Pi	20,605	17,053
Total General Operations	5,527,129	5,284,209
Non-Governmental Funding	2,832,564	2,695,431
BASS Accounts Revenue	250,902	239,334
Fee for Service Income	291,194	319,965
Development	7,548	137,339
Award Income	8,657	46,300
	85,944,737	88,731,109
Net Assets Released from Restrictions		
Satisfaction of Program Activities	-	79,687
Total Revenue	85,944,737	88,810,796
EXPENSES		
Government Programs	79,502,611	80,008,531
Non-Government Programs	2,345,894	2,735,303
Publication Services	1,602,544	1,559,176
Membership Services and BASS	788,481	909,128
Awards	45,382	23,282
Convention Services	2,061,201	2,722,769
Tau Alpha Pi	7,931	9,905
Other	1,011,704	846,455
Total Expenses	87,365,748	88,814,549
Change in Unrestricted Net Assets	(1,421,011)	(3,753)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Net Assets Released from Restrictions	-	(79,687)
CHANGE IN NET ASSETS	(1,421,011)	(83,440)
Net Assets - Beginning of Year	2,676,821	2,760,261
NET ASSETS - END OF YEAR	\$ 1,255,810	\$ 2,676,821

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,421,011)	\$ (83,440)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation and Amortization	522,619	350,365
Unrealized Gain on Investments	(97,208)	(116,207)
Changes in Assets and Liabilities:		
Receivables	(4,803,383)	(3,683,014)
Prepaid Expenses and Deposits	73,336	55,758
Accounts Payable and Accrued Expenses	6,589,231	2,006,236
Deferred Revenue	(1,013,430)	(1,660,048)
Deferred Lease Incentives	(55,284)	(55,285)
Deferred Rent	107,722	37,619
Net Cash Used in Operating Activities	(97,408)	(3,148,016)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(9,069)	(102,630)
Purchases of Investments	(23,039)	(28,134)
Net Cash Used in Investing Activities	(32,108)	(130,764)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	-	400,000
Principal Repayments on Line of Credit	-	(400,000)
Net Cash Provided by Financing Activities	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(129,516)	(3,278,780)
Cash and Cash Equivalents - Beginning of Year	4,635,303	7,914,083
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,505,787	\$ 4,635,303

See accompanying Notes to Consolidated Financial Statements.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 1 ORGANIZATION

American Society for Engineering Education

The American Society for Engineering Education ("ASEE") was founded in 1893 for the purpose of expanding and improving engineering education. 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

The ASEE Convention and Seminar Corporation ("ASEECS") was incorporated on September 25, 1991, pursuant to the laws of the State of Delaware. ASEECS was established for the purpose of sponsoring the annual convention of the American Society for Engineering Education. ASEECS 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.

Tau Alpha Pi of ASEE, Inc.

Tau Alpha Pi of ASEE, Inc. ("ASEE TAP") 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. ASEE TAP was incorporated on August 13, 1998, pursuant to the laws of the State of Delaware.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of ASEE, ASEECS, and ASEE TAP (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, revenue is recognized when earned and expenses when 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Any penalties for early withdrawal would not have a material effect on the financial statements, and as such they are considered as cash equivalents with carrying amounts approximating their fair value.

A large portion of the cash and cash equivalents is the result of cash received in excess of expenses incurred for various federal projects. Accordingly, these cash and cash equivalents must be used in compliance with the applicable federal project agreements.

Receivables

The receivables are stated at their net realizable value. The majority of the receivables are from federal projects. Receivables are considered past due after 30 days. Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against bad debt expense. Management has recorded an allowance for amounts which are unlikely to be collected and estimates that all remaining receivables are fully collectible.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statements of financial position.

Property and Equipment

Property and equipment are 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. Acquisitions of property and equipment greater or equal to \$1,000 are capitalized.

Net Assets

The Society classifies net assets into two categories: unrestricted and temporarily restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unrestricted net assets have been designated by the Board of Directors for specific purposes. Temporarily restricted net assets represent contributions with donor-imposed time and/or program restrictions. Temporarily restricted net assets are reclassified to unrestricted when the time restrictions expire or the funds are used for their restricted purpose and are reported in the consolidated statements of activities as net assets released from restrictions. However, revenue is recognized as unrestricted if the restrictions are satisfied in the same period as the revenue is recognized.

Revenue Recognition

Revenue from membership dues, subscriptions, advertising, government funding, 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.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Society categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access. Securities value Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange.

Level 2 – Inputs that include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Securities value Level 2 inputs include corporate bonds and government securities.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Income Taxes

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 the Society are deductible by the donor for federal income tax purposes, subject to statutory limitations on charitable contributions.

The Society follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The adoption of this standard had no impact on the Society's consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through August 15, 2016, the date the consolidated financial statements were available to be issued.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 3 CONCENTRATIONS

Credit Risk

Financial instruments that subject the Society to a concentration of credit risk consist of cash and money market funds placed with financial institutions. At certain times during fiscal year 2014, funds invested with financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) limits. Sweep accounts are in place to minimize risk from cash and money market funds in excess of federally insured limited.

Revenue and Accounts Receivable

A substantial portion of the Society's activities are supported by funds provided by Federal and non-federal grants. As of September 30, 2014 and 2013, the Society's revenues from grants were \$79,879,912 and \$82,703,962, respectively, which approximates 92.9% and 93.2% of total revenues, respectively. As of September 30, 2014 and 2013, the Society's receivables from grants were \$9,633,154 and \$5,064,138, respectively, which approximates 94.4% and 93.7% of total receivables, respectively.

NOTE 4 INVESTMENTS

Investments at September 30, 2014 and 2013, consist of one mutual fund that holds approximately 56% in equities, 37% in fixed income, and 7% in cash. Unrealized appreciation is included in investment income as a component of unrestricted net assets in the accompanying consolidated statements of activities.

Investment income consists of the following for the years ended September 30:

	2014	2013
Interest and Dividends	\$ 25,084	\$ 28,670
Unrealized Gain on Investments	97,208	116,207
Total Investment Income	\$ 122,292	\$ 144,877

The following table presents the Society's fair value hierarchy for those investments measured at fair value on a recurring basis at September 30:

	2014			Total
	Level 1	Level 2	Level 3	
Mutual Fund	\$ 1,435,839	\$ -	\$ -	\$ 1,435,839
	2013			Total
	Level 1	Level 2	Level 3	
Mutual Fund	\$ 1,315,592	\$ -	\$ -	\$ 1,315,592

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

	<u>2014</u>	<u>2013</u>
Furniture and Equipment	\$ 267,916	\$ 266,717
Computers and Software	2,956,998	2,418,934
Leasehold Improvements	843,911	843,911
Work in Progress	-	531,245
Total	<u>4,068,825</u>	<u>4,060,807</u>
Less Accumulated Depreciation and Amortization	<u>(3,143,857)</u>	<u>(2,622,289)</u>
Total Property and Equipment, Net	<u>\$ 924,968</u>	<u>\$ 1,438,518</u>

NOTE 6 BOARD DESIGNATED BASS ACCOUNTS

The Board designated unrestricted net assets for the BASS Accounts. This represents the accumulated excess revenue over expenses for the operating field units (BASS).

ASEE provides accounting services, referred to as the Banking and Accounting Services System (BASS), 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 of ASEE and Affiliates on the accompanying consolidated statements of financial position.

NOTE 7 RETIREMENT PLAN

ASEE sponsors a defined contribution plan. Under the terms of the plan, all employees who meet minimum service and age requirements are eligible to participate. Contributions are made by ASEE 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, 2014 and 2013, was approximately \$195,272 and \$192,000, respectively.

ASEE has a tax deferred annuity plan wherein employees can enter into a salary reduction agreement with ASEE. 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 CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 8 FUNCTIONAL ALLOCATION OF EXPENSES

ASEE and Affiliates present 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 is as follows for the years ended September 30:

	<u>2014</u>	<u>2013</u>
Government Programs	\$ 76,309,241	\$ 77,976,009
Non-Government Programs	2,265,586	2,605,248
Publication Services	1,009,936	970,064
Membership Services	594,053	656,672
Awards	45,382	23,282
Convention Services	2,061,201	2,124,149
Tau Alpha Pi	7,931	6,262
Other	<u>617,901</u>	<u>615,408</u>
 Total Program Services	 82,911,231	 84,977,094
 General and Administrative	 <u>4,454,517</u>	 <u>3,837,455</u>
 Total Expenses	 <u><u>\$ 87,365,748</u></u>	 <u><u>\$ 88,814,549</u></u>

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 9 COMMITMENTS

Operating Leases

During 2010, ASEE signed an amended lease to rent additional office space. This amended operating lease commitment for office space began on November 1, 2010 and expires on October 31, 2020. ASEE allocates to the Affiliates their proportionate share of office rent. The lease contains an escalation clause. Accordingly, deferred rent totaling \$322,384 and \$214,662 as of September 30, 2014 and 2013, respectively, is reflected in the accompanying consolidated statements of financial position. Additionally, the lease provided an allowance for leasehold improvements as an incentive. At the inception of the office space lease, \$552,847 in leasehold improvements were capitalized in fixed assets and the benefit of this incentive was deferred to be recognized over the life of the lease. As of September 30, 2014 and 2013, the deferred lease incentive was \$354,744 and \$410,028, respectively. Rent expense for the years ended September 30, 2014 and 2013, amounted to \$742,424 and \$731,069, respectively.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 789,660
2016	809,258
2017	838,309
2018	857,420
2019	878,855
Thereafter	<u>900,827</u>
Total	<u><u>\$ 5,074,329</u></u>

Hotel Agreements

AEECS has entered into several agreements with hotels providing for room accommodations for its meetings and conventions through the year 2020. Many of these agreements contain clauses whereby AEECS is liable for liquidated damages in the event of cancellation. At September 30, 2014, the maximum potential amount of liquidated damages was approximately \$2,000,000.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 10 FRINGE BENEFITS

Self-Funded Health Insurance Plan

ASEE maintained a self-insured level-funded health plan through May 31, 2014. In an attempt to limit its potential exposure, the Organization purchased insurance that covers each participant with an unlimited maximum claims liability (with the Organization responsible for the first \$30,000 in paid claims) along with an aggregate insurance plan that protects the Organization 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 ASEE to absorb any claims above and beyond the insured amount. As of June 1, 2014, ASEE was no longer self-insured; therefore ASEE recorded related liabilities of \$0 and \$89,241 as of September 30, 2014 and 2013, respectively.

Post Retirement Health Benefit

ASEE 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 ASEE for 15 years. Currently, one employee is receiving benefits and two are eligible.

NOTE 11 LINE OF CREDIT

ASEE has a \$1,000,000 line of credit that expires on May 29, 2015. The line of credit's variable interest rate is based on the Wall Street Journal Prime Index of 3.25%. The Interest is due monthly and the principal is due upon demand. There were no outstanding amounts at September 30, 2014 and 2013.

NOTE 12 CONTINGENCIES

The grantors providing federal awards to ASEE have the right to audit the use of such funds. Questioned costs that may arise from such audits would be expensed in the current period as disallowed.

ASEE has certain claims and legal proceedings incident to the ordinary course of business. ASEE's management, after consulting with legal counsel, believes the ultimate resolution of the proceedings will not have a material adverse effect on ASEE's financial position or change in net assets. Accordingly, no provision for any estimated loss is reflected in the accompanying consolidated financial statements.

**SUPPLEMENTAL INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2014
(SEE INDEPENDENT AUDITORS' REPORT)

	American Society for Engineering Education	ASEE Convention and Seminar Corporation	Tau Alpha Pi of ASEE, Inc.	Eliminations	Consolidated
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 4,355,776	\$ 150,011	\$ -	\$ -	\$ 4,505,787
Receivables:					
Federal Projects	9,633,154	-	-	-	9,633,154
Other	437,631	138,488	-	-	576,119
Due from Affiliates	-	444,252	77,690	(521,942)	-
Total Receivables	<u>10,070,785</u>	<u>582,740</u>	<u>77,690</u>	<u>(521,942)</u>	<u>10,209,273</u>
Prepaid Expenses and Deposits	82,344	39,787	4,740	-	126,871
Total Current Assets	<u>14,508,905</u>	<u>772,538</u>	<u>82,430</u>	<u>(521,942)</u>	<u>14,841,931</u>
INVESTMENTS	1,435,839	-	-	-	1,435,839
PROPERTY AND EQUIPMENT, NET	923,781	1,187	-	-	924,968
Total Assets	<u>\$ 16,868,525</u>	<u>\$ 773,725</u>	<u>\$ 82,430</u>	<u>\$ (521,942)</u>	<u>\$ 17,202,738</u>
CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 9,163,188	\$ 1,609	\$ (23)	\$ -	\$ 9,164,774
Due to Affiliates	521,942	-	-	(521,942)	-
Deferred Lease Incentive	55,285	-	-	-	55,285
Deferred Revenue:					
Projects	5,395,062	-	-	-	5,395,062
Membership Dues	709,964	-	-	-	709,964
Total Deferred Revenue	<u>6,105,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,105,026</u>
Total Current Liabilities	<u>15,845,441</u>	<u>1,609</u>	<u>(23)</u>	<u>(521,942)</u>	<u>15,325,085</u>
LONG TERM LIABILITIES					
Deferred Lease Incentives, Net of Current Portion	299,459	-	-	-	299,459
Deferred Rent	322,384	-	-	-	322,384
Total Long Term Liabilities	<u>621,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>621,843</u>
Total Liabilities	16,467,284	1,609	(23)	(521,942)	15,946,928
NET ASSETS					
Unrestricted Net Assets	(2,260,370)	772,116	82,453	-	(1,405,801)
Board Designated Awards	1,435,839	-	-	-	1,435,839
Board Designated BASS Accounts	1,224,067	-	-	-	1,224,067
Total Unrestricted Net Assets	<u>399,536</u>	<u>772,116</u>	<u>82,453</u>	<u>-</u>	<u>1,254,105</u>
Temporarily Restricted	1,705	-	-	-	1,705
Total Net Assets	<u>401,241</u>	<u>772,116</u>	<u>82,453</u>	<u>-</u>	<u>1,255,810</u>
Total Liabilities and Net Assets	<u>\$ 16,868,525</u>	<u>\$ 773,725</u>	<u>\$ 82,430</u>	<u>\$ (521,942)</u>	<u>\$ 17,202,738</u>

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014
(SEE INDEPENDENT AUDITORS' REPORT)

	American Society for Engineering Education	ASEE Convention and Seminar Corporation	Tau Alpha Pi of ASEE, Inc.	Eliminations	Consolidated
CHANGE IN UNRESTRICTED NET ASSETS					
Revenue:					
Government Funding	\$ 77,026,743	\$ -	\$ -	\$ -	\$ 77,026,743
General Operations:					
Membership Services	1,272,621	-	-	-	1,272,621
Investment Income	121,970	322	-	-	122,292
Publication Services	981,082	-	-	-	981,082
Meetings and Conferences	106,402	2,999,127	-	-	3,105,529
Sponsorship	25,000	-	-	-	25,000
Tau Alpha Pi	-	-	20,605	-	20,605
Total General Operations	<u>2,507,075</u>	<u>2,999,449</u>	<u>20,605</u>	-	<u>5,527,129</u>
Non-Governmental Funding	2,832,564	-	-	-	2,832,564
BASS Accounts Revenue	250,902	-	-	-	250,902
Fee for Service Income	291,194	-	-	-	291,194
Development	7,548	-	-	-	7,548
Award Income	8,657	-	-	-	8,657
Total Revenue	<u>82,924,683</u>	<u>2,999,449</u>	<u>20,605</u>	-	<u>85,944,737</u>
EXPENSES:					
Government Programs	79,502,611	-	-	-	79,502,611
Non-Government Programs	2,345,894	-	-	-	2,345,894
Publication Services	1,602,544	-	-	-	1,602,544
Membership Services and BASS	788,481	-	-	-	788,481
Awards	45,382	-	-	-	45,382
Convention Services	-	2,061,201	-	-	2,061,201
Tau Alpha Pi	-	-	7,931	-	7,931
Other	1,011,704	-	-	-	1,011,704
Total Expenses	<u>85,296,616</u>	<u>2,061,201</u>	<u>7,931</u>	-	<u>87,365,748</u>
CHANGE IN UNRESTRICTED NET ASSETS	(2,371,933)	938,248	12,674	-	(1,421,011)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS					
Net Assets Released from Restrictions	-	-	-	-	-
CHANGE IN NET ASSETS	(2,371,933)	938,248	12,674	-	(1,421,011)
Net Assets - Beginning of Year	<u>2,773,174</u>	<u>(166,132)</u>	<u>69,779</u>	-	<u>2,676,821</u>
NET ASSETS - END OF YEAR	<u>\$ 401,241</u>	<u>\$ 772,116</u>	<u>\$ 82,453</u>	\$ -	<u>\$ 1,255,810</u>

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2014
(SEE INDEPENDENT AUDITORS' REPORT)

	Government Programs	Non- Government Programs	Publication Services	Membership Services and BASS	Endowed Awards
Projects Participant Support	\$ 73,480,312	\$ 2,128,851	\$ -	\$ -	\$ 4,492
Salaries and Benefits, Net of Reimbursements	2,106,779	106,777	590,563	234,867	24
Printing and Graphic Design	19,708	5,415	113,046	17,414	-
Rent and Related, Net of Reimbursements	-	-	-	-	-
BASS Accounts Expense	-	-	946	263,013	-
Travel and Related	97,479	4,311	33,076	2,292	-
Depreciation and Amortization	-	-	-	-	854
Postage and Freight, Net of Reimbursements	22,161	200	55,712	27,927	-
Computer/Professional Services	196,187	6,175	201,150	15,743	-
Miscellaneous	6,778	-	101	-	3,000
Outreach/Marketing/Advertising	175,258	-	-	35	-
Mail Charges	2,568	-	-	8,328	-
Dues and Registration	11,365	320	5,584	-	-
AV, Bus Services and Facilities Rental	36,740	-	-	-	-
Telephone, Net of Reimbursement	21,113	61	373	162	8,800
Supplies, Net of Reimbursement	3,263	-	4,030	8,531	-
Repairs and Maintenance	14,256	3,261	1,628	1,859	2,462
Legal and Accounting	-	-	-	-	-
Catering	26,006	-	-	6,559	-
Photocopying	9,018	215	-	1,320	-
Recruitment and Staff Training	-	10,000	825	-	-
Honoraria	-	-	677	5,886	-
Subscriptions	80,250	-	-	-	-
Special Events	-	-	-	-	-
Bad Debt Expense	-	-	2,225	117	25,750
	<u>76,309,241</u>	<u>2,265,586</u>	<u>1,009,936</u>	<u>594,053</u>	<u>45,382</u>
Indirect Costs	3,193,370	80,308	592,608	194,428	-
Total	<u>\$ 79,502,611</u>	<u>\$ 2,345,894</u>	<u>\$ 1,602,544</u>	<u>\$ 788,481</u>	<u>\$ 45,382</u>

Convention Services	Tau Alpha Pi	Other	Total Program Services	General and Administrative	Total
\$ 9,678	\$ -	\$ -	\$ 75,623,333	\$ 1,425	\$ 75,624,758
556,202	209	307,114	3,902,535	2,300,315	6,202,850
43,496	-	8,381	207,460	11,261	218,721
142	-	-	142	832,747	832,889
-	-	-	263,959	568	264,527
208,380	-	10,754	356,292	64,498	420,790
71	-	-	925	521,694	522,619
18,094	425	2,535	127,054	3,227	130,281
86,656	235	44,998	551,144	151,351	702,495
106,982	378	93,017	210,256	193,763	404,019
590	-	1,202	177,085	3,488	180,573
-	-	1,933	12,829	68	12,897
13,609	347	10,603	41,828	75,855	117,683
445,705	-	47,689	530,134	903	531,037
13,729	-	261	44,499	35,060	79,559
31,245	6,337	6,723	60,129	34,946	95,075
454	-	593	24,513	40,900	65,413
-	-	39,875	39,875	64,011	103,886
438,286	-	195	471,046	18,944	489,990
2,557	-	152	13,262	21,644	34,906
-	-	125	10,950	69,427	80,377
9,652	-	-	16,215	1,530	17,745
1,212	-	251	81,713	6,892	88,605
19,281	-	-	19,281	-	19,281
55,180	-	41,500	124,772	-	124,772
<u>2,061,201</u>	<u>7,931</u>	<u>617,901</u>	<u>82,911,231</u>	<u>4,454,517</u>	<u>87,365,748</u>
-	-	393,803	4,454,517	(4,454,517)	-
<u>\$ 2,061,201</u>	<u>\$ 7,931</u>	<u>\$ 1,011,704</u>	<u>\$ 87,365,748</u>	<u>\$ -</u>	<u>\$ 87,365,748</u>

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2014**

Federal Grantor / Program Title	Federal CFDA Number	Grant / Agreement Number	Pass Through Grantor	Federal Expenditures
DEPARTMENT OF DEFENSE (12.XXX)				
Basic and Applied Scientific Research Program				
<i>Navy Research Laboratory and Other Postdoc Fellowship Program</i>	12.300	Various		\$ 3,216,281
<i>Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program</i>	12.300	Various		5,116,159
Total for the Basic and Applied Scientific Research Program				<u>8,332,440</u>
SMART Scholarship Program	12.631	Various		20,310,380
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-05-C-0059		302,647
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-11-C-0028		37,336,147
Air Force Summer Faculty Fellowship Program	N/A	FA9550-09-C-0114		260,175
Air Force Summer Faculty Fellowship Program	N/A	FA9550-14-C-0013		1,838,967
Army Research Office - Youth Science Cooperative Outreach Program SEAP/CQL and GEMS	12.630	Various	Virginia Tech	4,804,988
Subtotal Department of Defense				<u>73,185,744</u>
NATIONAL SCIENCE FOUNDATION (NSF) (47.XXX)				
NSF Small Business Postdoctoral Research Diversity Fellowship Program	47.041	IIP-1059286		1,355,471
NSF GRFP Engineering Innovation Fellowship Program	47.041	EEC-1059472		64,368
NSF Diversification Efforts in Engineering Education Meeting	47.041	EEC-1256000		196,440
NSF ASEE Summit on Transitioning Veterans to Engineering Related Careers	47.041	EEC-1262094		102,666
				<u>1,718,945</u>
NSF 2012 S-STEM PI Meeting	47.076	DUE-1219584		10,471
NSF 2013 and 2014 STEP Grantees Mtg	47.076	DUE-1241552		101,845
NSF Virtual Communities of Practice	47.076	DUE-1224217		259,856
NSF Transforming Undergraduate Education in Engineering - Phase 1	47.076	DUE-1256350		51,596
NSF I-Corps For Learning 2013	47.076	DUE-1355391		236,610
NSF Ideas Lab: Workforce Development in Geosciences	47.076	DUE-1420805		174,464
NSF Ideas Lab: Workforce Development in Engineering	47.076	DUE-1421784		193,232
NSF Ideas Lab: Workforce Development in Biology	47.076	DUE-1420809		172,907
NSF Transforming Undergraduate Education in Engineering - Phase II and III	47.076	DUE-1448876		3,720
NSF Transforming Undergraduate Education in Engineering - Phase IV	47.076	DUE-1451476		1,237
NSF I-Corps for Learning 2014	47.076	DUE-1450644		426
				<u>1,206,364</u>
NSF Graduate Research Fellowship Program	N/A	DACS 10C1109		960,692
Subtotal National Science Foundation				<u>3,886,001</u>
NATIONAL AERONAUTICS & SPACE ADMINISTRATION (43.XXX)				
NASA Aeronautic Space Program	N/A	NNH08CC19C		63,536
Subtotal National Aeronautics & Space Administration				<u>63,536</u>
Total Federal Awards				<u>\$ 77,135,281</u>

N/A Not Available

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**INDEPENDENT AUDITORS' 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**

Board of Directors
American Society for Engineering Education
Washington, DC

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 consolidated financial statements of the American Society for Engineering Education (the "Society") and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2014, and the related consolidated 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 August 15, 2016.

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 organization'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 schedules 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questions as 2014-001 to 2014-003 to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs as 2014-004 and 2014-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's consolidated financial statements are free of 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 Response to Findings

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



CliftonLarsonAllen LLP

Arlington, Virginia
August 15, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
American Society for Engineering Education
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited the American Society for Engineering Education's (the Society) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Society's major federal programs for the year ended September 30, 2014. The Society's major federal programs are identified in the summary of auditors' 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 each of the Society's major federal programs based on our audit of the type 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and 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 each major federal program. However, our audit does not provide a legal determination of the Society's compliance.

Basis for Qualified Opinion on the Youth Science Cooperative Outreach, Basic and Applied Scientific Research, and SMART Scholarship Programs

As described in the accompanying schedule of findings and questioned costs, the Society did not comply with requirements for Eligibility regarding CFDA #12.630, Youth Science Cooperative Outreach Program SEAP/CQL and GEMS, as described in finding number 2014-008. The Society also did not comply with requirements for Reporting regarding CFDA #12.300 and #12.631, Basic and Applied Scientific Research, *Research Laboratory and Other Post-doctorate Fellowship Program* and *Research Enterprise Intern Program/Science and Engineering Apprentice Program* and the SMART Scholarship Program, as described in finding numbers 2014-007 and 2014-009. Compliance with such requirements is necessary, in our opinion, for American Society for Engineering Education to comply with the requirements applicable to that program.

Qualified Opinion on the Youth Science Cooperative Outreach, Basic and Applied Scientific Research, and SMART Scholarship Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, The American Society for Engineering Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Youth Science Cooperative Outreach Program, SEAP/CQL and GEMS, Basic and Applied Scientific Research, *Research Laboratory and Other Post-doctorate Fellowship Program* and *Research Enterprise Intern Program/Science and Engineering Apprentice Program*, and the SMART Scholarship Program for the year ended September 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the American Society for Engineering Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-006 and 2014-010. Except as noted above, our opinion on each major federal program is not modified with respect to these matters.

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

Internal Control Over Compliance

Management of the Society is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Society's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 2014-006, 2014-007, 2014-008, and 2014-009 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-010 to be a significant deficiency.

The American Society for Engineering Education'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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.



CliftonLarsonAllen LLP

Arlington, Virginia
August 15, 2016

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2014**

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified Yes
- Significant deficiency identified that is not considered to be a material weakness Yes
- Noncompliance material to consolidated financial statements noted No

Federal Awards

Type of auditors' report issued on compliance for major programs:
Qualified for CFDA #12,300, CFDA #12.631 and CFDA #12.630 and Unmodified for Grant Numbers FA9550-05-C-0059 and FA9550-11-C-0028

Internal control over major programs:

- Material weakness identified Yes
- Significant deficiency identified that is not considered to be a material weakness Yes
- Known Questioned Costs \$673,324
- Likely Questioned Costs \$3,853,805

Any audit findings required to be reported under .510(a) of OMB Circular A-133? Yes

The major programs identified and tested are as follows:

Federal Grantor/ Program Title	Federal CFDA Number	Grant / Agreement Number
Department of Defense:		
Basic and Applied Scientific Research Program Navy Research Laboratory and Other Postdoc Fellowship Program	12.300	Various
Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program	12.300	Various
SMART Scholarship Program	12.631	Various
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-05-C-0059
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-11-C-0028
U.S. Army Research Office:		
Youth Science Cooperative Outreach Program - SEAP/CQL and GEMS	12.630	Various

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART I: SUMMARY OF AUDITORS' RESULTS (CONTINUED)

For the September 30, 2014 audit, the threshold used to distinguish between Type A and Type B programs was \$2,134,058.

The Society was not determined to be a low-risk auditee as defined in Section .530 of OMB Circular A-133.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS

Material Weaknesses

2014-001: Material Audit Adjustment

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: ASEE 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 ASEE, 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

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-002: Controls Over Payroll and Payroll Allocations

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: ASEE 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 APD agree to the general ledger, get automatically downloaded into the general ledger, and into the contracts and grants 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

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weaknesses (continued)

2014-003: Interim Financial and Budget Reporting and Communications

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 timelines for providing the proper financial reports to appropriate internal personnel as well as the organization's audit committee.

Corrective Action: ASEE Accounting management has worked with the Finance Committee, Executive Director, and Senior Management team members to develop a set of financial statements based on the concept of reporting financial results by "Line of Business". ASEE'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 ASEE's benchmark publication "Operation Ratio Report") of ASEE's financial picture on a monthly basis.

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.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS (CONTINUED)

Significant Deficiencies

2014-004: Review and Approval of Payroll Reports

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 ASEE Controller responsible for this process. HR will be initially reviewing the payroll material by September 1, 2016.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS (CONTINUED)

Significant Deficiencies (Continued)

2014-005: Preparation of the Schedule of Expenditures of Federal Awards

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 ASEE'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.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Material Weaknesses

2014-006: Eligibility Determination and Calculation of Benefit Payments; Eligibility and Allowable Costs

Department Of Defense

Basic and Applied Scientific Research, *Research Laboratory and Other Post-doctorate Fellowship Program and Research Enterprise Intern Program/Science and Engineering Apprenticeship Program*; – 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.

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.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Material Weaknesses (Contined)

2014-006: Eligibility Determination and Calculation of Benefit Payments; Eligibility and Allowable Costs

Corrective Action: ASEE'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 ASEE 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: ASEE is currently establishing the workflow of information that is required, to be fully implemented by October 31, 2016.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Material Weaknesses (continued)

2014-007: Documentation of Review of Grant Reports; Reporting

Department Of Defense

Basic and Applied Scientific Research, *Research Laboratory and Other Post-doctorate Fellowship Program and Research Enterprise Intern Program/Science and Engineering Apprentice Program*; – 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: ASEE has completed the hiring process for the Sponsor Program and Compliance officer position at ASEE, started on April 25, 2016. ASEE aims to have all contract and grant reporting compliance done by late November 2016.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Material Weaknesses (continued)

2014-008: Eligibility Determination and Calculation of Benefit Payments; Eligibility

U.S. Army Research Office, Passed through the Virginia Polytechnic Institute and State University

Youth Science Cooperative Outreach Program SEAP/CQL and GEMS – 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.

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 "ASEE's Sponsored Programs Report Approval and Submission Policy".

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Material Weaknesses (continued)

2014-008: Eligibility Determination and Calculation of Benefit Payments; Eligibility

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

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Material Weaknesses (continued)

2014-009: Documentation of Review of Grant Reports; Reporting

Department of Defense
SMART Scholarship Program - 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.

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: ASEE hired a Sponsored Programs and Compliance (SPC) officer in April 2016 with extensive experience dealing with government contacts 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, ASEE program manager, budget amounts, modification dates, contract type, award number, sponsor, ASEE's internal contract code) for each federally funded program. All federally funded program documentation will be retained in accordance with ASEE's "Document Retention Policy" and Privacy rules.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Material Weaknesses (continued)

2014-009: Documentation of Review of Grant Reports; Reporting

Anticipated Completion Date: ASEE has completed the hiring process for the Sponsor Program and Compliance officer position at ASEE, 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).

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Significant Deficiencies

2014-010: Internal Control over Reimbursement and Advance Payment Requests; Cash Management

Department Of Defense

Basic and Applied Scientific Research, *Research Laboratory and Other Post-doctorate Fellowship Program and Research Enterprise Intern Program/Science and Engineering Apprenticeship Program*; – 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: ASEE 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 ASEE'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 AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2014**

**PART IV: PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
2013-004: Documentation of Review of Reports for Grants; Reporting**

Department of Defense

Basic and Applied Scientific Research, *Navy Research Laboratory and Other Postdoctoral Fellowship Program; Naval Research Enterprise Intern Program/Science and Engineering Apprenticeship Program* – CFDA# 12.300

SMART Scholarship Program - CFDA# 12.631

Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program – CFDA# N/A; Grant# FA9550-05-C-0059 and Grant# FA9550-11-C-0028

Air Force Summer Faculty Fellowship Program – CFDA# N/A; Grant# FA9550-09-C-0114

U.S. Army Research Office

Youth Science Cooperative Outreach Program SEAP/CQL and GEMS – CFDA #12.630

Condition: The Society's internal controls over reporting do not include a formal documentation of review of the reports submitted for grants.

Recommendation: We recommend the approval be documented and dated to ensure the proper reports were approved prior to submission to granting agencies.

Current Status: Corrective action was properly taken with regards to reporting for the Youth Science Cooperative Outreach Program (CFDA #12.630). However, with regards to the Basic and Applied Scientific Research Program (CFDA #12.300) and SMART Scholarship Program (CFDA #12.631) noncompliance with regards to the reporting requirement was again noted as proper corrective action was not taken. See current year findings 2014-007 and 2014-009 for planned corrective action to remedy these findings.

2013-005: Incorrect Payment of Tuition; Eligibility

Department Of Defense

Basic and Applied Scientific Research, *Research Enterprise Intern Program/Science and Engineering Apprenticeship Program;* – CFDA# 12.300

Condition: Certain participants were paid as a new student when they should have been paid as a returning student, resulting in participants getting paid amounts less than they should have received.

Recommendation: We recommend an additional procedure be implemented where the participant's Acceptance of Use Form is cross checked and approved with amounts requested as stipend prior to payments being processed.

Current Status: Corrective action was not properly taken and this issue was not resolved. See current year finding 2014-006 for management's planned corrective action to remedy this finding.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
(CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART IV: PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-006: Documentation of Review and Approval of Payroll Registers; Allowable Costs

Department Of Defense

Basic and Applied Scientific Research, *Navy Research Laboratory and Other Postdoctoral Fellowship Program* – CFDA# 12.300;

U.S. Army Research Office

Youth Science Cooperative Outreach Program SEAP/CQL and GEMS – CFDA #12.630

Condition: The Society's internal controls did not contain proper review and approvals over payroll expenses and reports.

Recommendation: The Chief Financial Officer should review and sign off on the ADP payroll report each pay period in order to ensure that procedures are properly being followed and such reviews are being performed and documented.

Current Status: Corrective action was not properly taken and this issue was not resolved. See current year finding 2014-004 for management's planned corrective action to remedy this finding.

2013-007: Material Audit Adjustment, Allowable Costs

Department Of Defense

SMART Scholarship Program – CFDA# 12.631

Air Force National Defense Science Engineering Graduate (NDSEG) Fellowship Program – CFDA # N/A, Grant FA9550-11-C-0028

Condition: A material audit adjustment was necessary to properly reflect expenses in the proper period.

Recommendation: Procedures should be reviewed and updated to ensure all applicable costs are recorded in the proper period.

Current Status: Corrective action was properly taken, all tuition payments were properly accrued at year end.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
(CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

PART IV: PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-008: Documentation of Review of Journal Entries; Allowable Costs

Department of Defense

Air Force Summer Faculty Fellowship Program – CFDA N/A; FA9550-09-C-0114

National Science Foundation

NSF GRFP Engineering Innovation Fellowship Program – CFDA #47.041; EEC-1059472,

NSF Small Business Postdoctoral Research Diversity Fellowship Program – CFDA #47.041;

IIP-1059286

Condition: There was no documentation of review of journal entries performed for indirect cost and fringe benefit allocations.

Recommendation: We recommend that all journal entries be reviewed as part of the monthly close process or other periodic basis.

Current Status: Corrective action was taken to implement proper approvals over all journal entries. In the current year there were no issues noted with regards to the approval of journal entries.

PART V: CORRECTIVE ACTION PLANS

Findings: 2014-006, 2014-007, 2014-008, 2014-009, and 2014-010

Contact Person: Joseph Dillon, Chief Financial Officer

Correcting Action Plan: See Schedule of Findings and Questioned Costs Part III