

# **IEEE Sections Congress Geo Unit Financial Management - Relationship with IEEE Business Processes**

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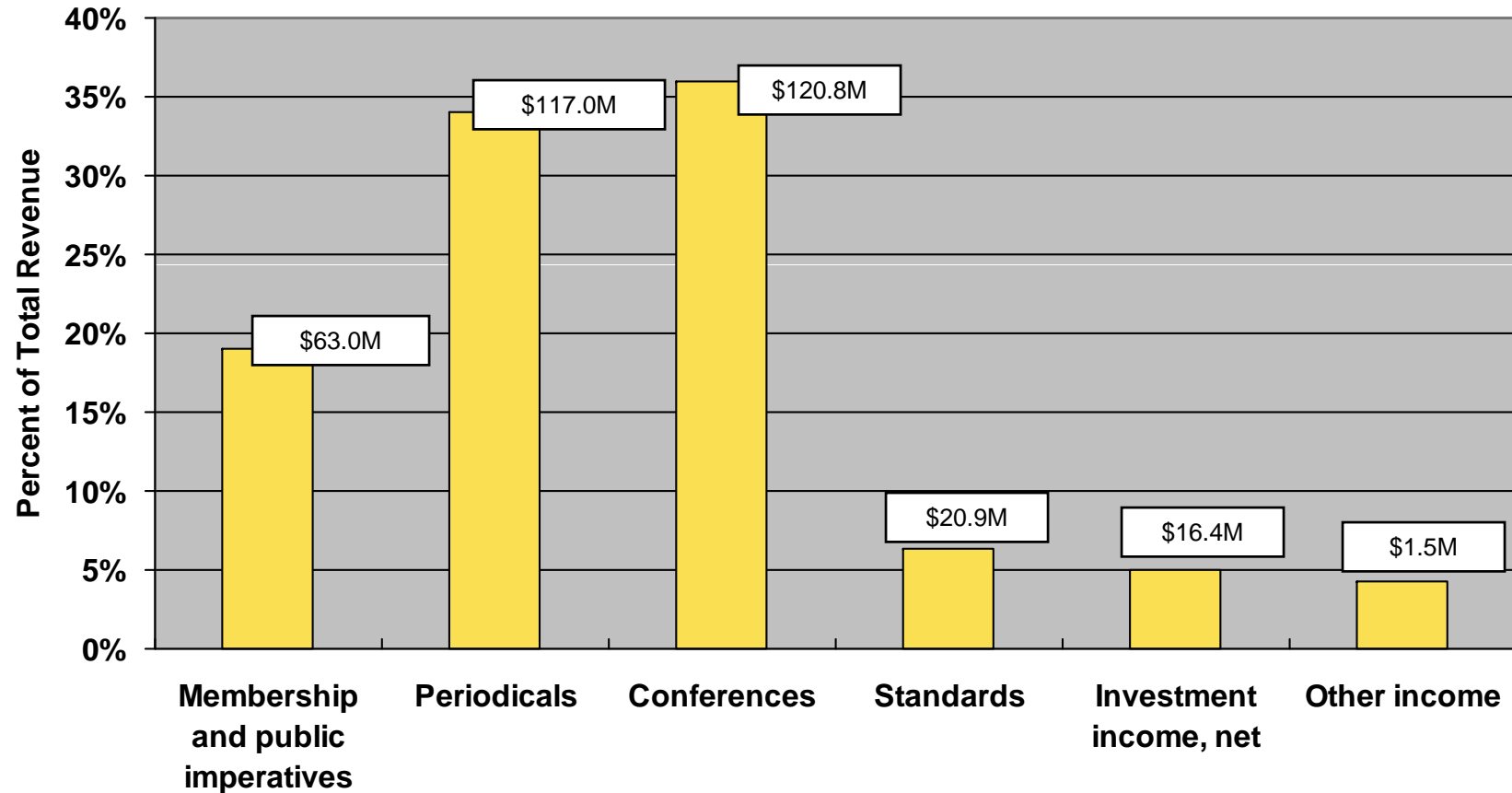
# IEEE Financial Overview

## 2007 Actuals

■ Revenue (Includes investment returns)	US\$339.6 million
■ Expenses	US\$305.8 million
■ Net Surplus	US\$ 33.8 million
■ Change in accounting principle (pension & related benefits other than net periodic pension cost)	US\$ 3.5 million
■ Net Assets (Reserves)	US\$246.7 million

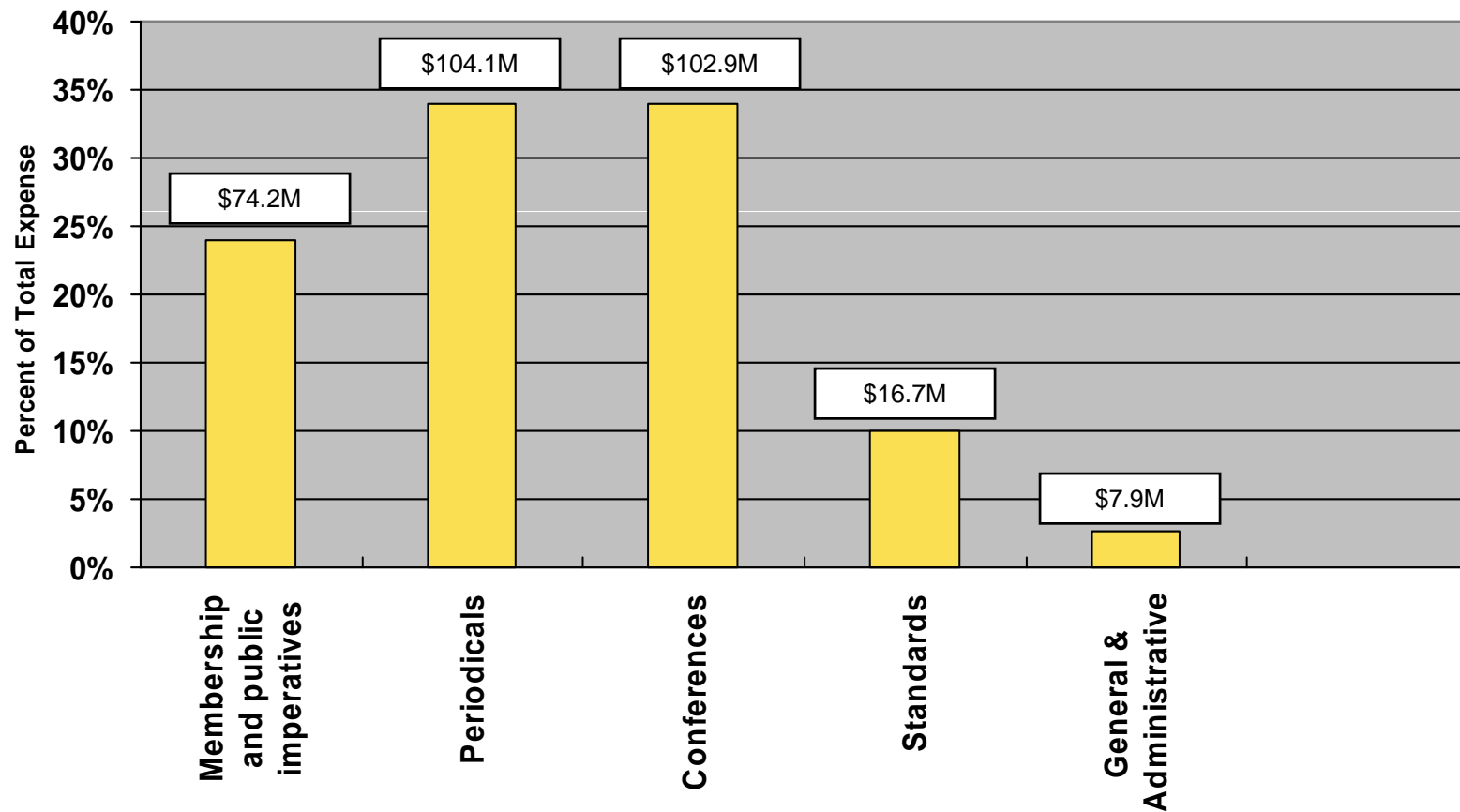
# 2007 IEEE Revenue

US\$339.6M Total



# 2007 IEEE Expenses

US\$305.8M Total



# IEEE Financial Management

- IEEE is responsible for maintaining records for all
  - units worldwide
- Compliance with IEEE Policies is important; in particular to IEEE maintaining the Institute's nonprofit tax-exempt status in the U.S.
- IEEE is incorporated in New York State & must
  - comply with both State & U.S. regulations
- IEEE's Fiscal Year is the calendar year (1 January through 31 December)
- Controls are established to ensure that the interests of the IEEE, its units and their officers are protected

# IEEE Financial Management

- Funds for geographic unit activities come directly & mostly from member dues.
- Treasurers & Section leaders make significant contributions to IEEE's financial management by maintaining appropriate records & timely annual financial reporting.
- IEEE Geographic Units are not independent Organizations, but instead are essential components of IEEE.
- Subsections, Chapters & Affinity Groups are sub-units of Sections & their financial activities should be incorporated in the Section's financials (L-50).
- Geographic unit operations & reporting are based on the calendar year.

# Exemption from U.S. Federal Income Tax

- The IRS has determined that IEEE is exempt from U.S. Federal income tax as an organization, described in Section 501(c)(3) of the Internal Revenue Code.
- In a group ruling, the IRS has determined that IEEE's U.S. geographic units qualify for federal income tax exemption.
- No IEEE Geo Unit should separately apply to the IRS for exemption from U.S. Federal Income Tax.
- Should any IEEE Geo Unit be requested to apply by the IRS, contact the IEEE Tax Compliance Staff immediately

# Managing Section Assets

## Where is the Money?

### *IEEE Concentration Banking Program*

- Checking accounts in local banks
- Custody Accounts (Regions 8-10)
- IEEE Investment Fund
- There are 1,041 accounts for 707 Geographic Units:
  - 615 local bank accounts, cash & investment
  - 426 *IEEE Concentration Banking* accounts
  - 71 Geographic Unit participants in the IEEE Investment Fund

# *IEEE Concentration Banking Program*

- Wachovia Bank is the banking partner
- Local unit retains control of funds
- No monthly service charges or “per-check” fees
- 6-month CD rate paid on daily account balances
- Access monthly statements & cancelled checks online
- Custody accounts maintained for non-US units
- Units not required to submit bank statements with their annual financial report (L-50) for these accounts

# *IEEE Concentration Banking*

## CB Card Program

- The CB Card is a MasterCard with debit features that allows Treasurers to make payments wherever MasterCard is accepted
- Each transaction is deducted directly from unit's *IEEE Concentration Banking* Account in USD
- All CB Card activity is posted to your statement and includes all payment details
- Application and service are coordinated through the Procurement Department, which can be contacted at [pcard-admin@ieee.org](mailto:pcard-admin@ieee.org)
- Currently 300 Operating Units participating in Concentration Banking are also using CB Cards
  - 73 Conferences (39 U.S. and 34 non-U.S.)

# *IEEE Concentration Banking* Canadian Program Pilot

- Partnering with JPMorganChase U.S. & Toronto branch
  - Canadian Dollar account established in Toronto
  - Deposits through Bank of Montreal branches
  - Checks written on JPMorganChase Toronto branch
- Oracle system programming was necessary in order to accept Canadian dollar transactions
  - Worked through the process with IT assistance to develop Canadian CB Program
- Online reporting available through CBRS
  - Check images – coming in April 2009
- Pilot program with Region 7 account and two IEEE Conferences in Canada

# Unit Local Bank Accounts

- Must be opened in the legal name “Institute of Electrical and Electronics Engineers, Incorporated \_\_\_\_\_ Section (or Chapter)”
- Accounts must never be opened in the name of an individual
- IEEE policy specifies that 2 local volunteers must be authorized signers on each account plus the IEEE Staff Director, Financial Services as an alternate signatory
- Exemptions can be filed with MGA where local laws do not allow for IEEE Staff Director on accounts
- Units submit signature/bank account card, signed by all authorized unit officers to the IEEE Member & Geographic Activities Department
- IEEE MGA Staff will secure the signature of Staff Director, Financial Services & forward the card directly to the bank, with copies to authorized signers

# Custody Accounts

- Used in countries in Regions 8-10 to address where there are:
  - difficulties in exchanging currency
  - high fluctuations in exchange rates
- Rebate is deposited directly into the Section's custody account
- At the Section's request, IEEE pays membership & renewal fees from this account, based on membership forms submitted by the Section
- Accounts earn interest on the monthly balances
- 74 active custody accounts

# Geographic Unit Funding

# Section Rebate Program

- Each Section receives US\$2,000 plus
  - \$3 / member (including Students, Associate Grade members)
  - \$4 / Senior Member & Fellow
  - \$1.50 / Affiliate
  - \$200 / eligible Chapter & Affinity Group
  - \$500 / eligible Subsection
  - 10% bonus for reporting on time (Feb)
  - Activity bonus possible
- Unit & subunits must comply with activity & annual reporting requirements

## Additional Funding Sources

- Region - Section Support Via Regions (SSVR)
- Societies - Each Society has its own programs to support Section / Chapter activities
- Workshops / Tutorials / Conferences
- Other IEEE Units (IEEE-USA, Life Members Committee) & programs
- External Sources (industry support)

# Appropriate Use of IEEE Funds

- Technical, Non-Technical & Administrative meetings
- Newsletters
- Student Branch support
- Distinguished Lecturers
- Subsection, Chapter & Affinity Group support
- Recognition Supplies (banners, plaques, pins, certificates)
- Donations, with prior authorization from the IEEE Executive Committee

# Inappropriate Use of IEEE Funds

- Electioneering of any kind
- Personal or commercial loans
- Purchase of real estate, without prior authorization from the IEEE Executive Committee
- Investment of surplus funds in any investment vehicle other than the IEEE Investment Fund

# Contract Administration

- Contracts in excess of US\$5,000 & less than U.S.\$25,000 can be executed (signed) locally with a copy sent to IEEE Procurement Department.
- All contracts with a stated or expected value at or above U.S.\$25,000 ... negotiated & approved locally, executed (signed) at the Operations Center, after review by subject matter experts.
- Review by subject matter experts:
  - Staff, Legal, Volunteers (as appropriate)
  - [www.ieee.org/contractsonline](http://www.ieee.org/contractsonline)
  - [contracts@ieee.org](mailto:contracts@ieee.org)

# Unit Financial Reporting

- All units must prepare & submit an annual Financial Report (L-50)
- Electronic submittal recommended (use Excel spreadsheet)
  - <http://www.ieee.org/units> or
  - Hard copy submittal allowed
- Account for all financial activity associated with the unit (revenue & expenses)
  - Include all unit & subunit data
  - Consolidated L-50 preferred
- For questions: [financial-report@ieee.org](mailto:financial-report@ieee.org)

# Protection of Funds

# Increased Focus on Corporate Financial Activities

- Evidence of this is in the news weekly, even daily
- Major changes in corporate financial management processes have been made in response
- IEEE is a large corporation & annually must consolidate all of its units' financial activities into a single financial report
- IEEE retains an external auditor to audit its annual financial activities...IEEE'S external auditor is Ernst & Young (E&Y)
- IEEE consolidates all Section financial activity; Section reserves for 2007 totaled U.S. \$19.2 million

## How does IEEE Address this for Geographic Units?

- IEEE wants to ensure that the corporation, its organizational units & unit officers are protected
- To do this, we must ensure that all IEEE Organizational Units are empowered & expected to follow a set of sound financial practices
- A Volunteer & Staff team in MGA developed and implemented a series of best business practices that are used in many organizations worldwide
- These practices were presented at SC'05, although many of the practices may have already been a part of the Sections' on-going financial management processes

# Member & Geographic Activities Budget Management Philosophy

- Keep the funds as close to the member as possible
- The Budget is managed by Volunteers
- Member & Geographic Activities Finance Committee reviews and endorses
  - Region Treasurers are corresponding members of the MGA Finance Committee
- Member & Geographic Activities Committee Chairs provide oversight and endorsement of items included in the MGA Budget
- 10 Region Directors / IEEE Board members elected by the membership endorse the budget
- Maintain metrics to ensure effective processes

## Asset, Fund & Cash Controls

- Review unit expenses - check register
- Review monthly account activity
- Submit original bank statements
- Bank account signature cards
- Annual audit process
- Continuity / Volunteer transition

## Review Unit Expenses - Check Register

Treasurer presents the Section / Chapter check register to the Section Executive Committee on a periodic basis for review

- Should be done at least 2 times per year
- Check register includes: name, date, amount, budget line & purpose for each transaction (for example, expense reimbursement, services provided, etc.)

Why?

- Independent review of expenses
- Ensures Section Executive Committee is informed & approves unit expenses

# Review Monthly Account Activity

- Section Chair & Treasurer should periodically review the original monthly statements of account & compare to recent financial report
  - Treasurers should be reconciling account activity each month
- Chair / Treasurer should receive a reminder from IEEE Member & Geographic Activities Department in mid-November
- Why?
  - Good practice for unit leaders to review account activity
  - Emphasizes that more than one person has oversight of the financial records

# Submit Original Bank Statements

- Original bank statements for all local accounts (Sections, Chapters, Affinity Groups) must be submitted with the annual financial report (L-50)
- Section officers may be asked to provide assistance in securing verification of account balances by E&Y or IEEE staff
- Why?
  - To protect the integrity of the bank account information reported annually
  - Independent confirmation (verification) is required for annual IEEE Audit
- Note: Not required for IEEE Concentration Banking & IEEE Investment Fund participant accounts



# Bank Account Signature Cards

- Units submit signature/bank account card, signed by all authorized unit officers, to IEEE Membership & Geographic Activities Department for the required staff signature...and then Staff will send the card directly to the bank
- Why?
  - Ensures that appropriate authorized signers & accurate signatures are on all accounts
  - Protects IEEE assets
  - Protects unit Treasurer, Chair & ExCom

# Annual Financial Audit

- IEEE Policy Section 11 and Financial Operations Manual (FOM) FOM 2.E1&2, require that geographic units conduct local audits on an annual basis
- Units that have \$100K or more in revenue or expense are required to have an Independent Audit conducted for their financial activities.

## Annual Financial Audit

- Units may be audited as part of the IEEE corporate audit process
- E&Y may confirm account balances in local banks used by Sections for financial transactions
- Why?
  - Required for annual IEEE corporate audit
  - Protection of unit Treasurer, Chair & ExCom

# Annual Financial Audit

- Independent Auditor Requirements:
  - Experience:
    - Working as, or in, an environment with Certified Public Accountants (CPA), Certified Internal Auditors (CIA), Government Auditors, or Bank Examiners/Auditors
    - Completion of financial statement audits and related supporting documents
    - Compliance audit experience with Generally Accepted Auditing Policies and procedures, laws, and government regulations
    - Proficiency in auditing, with experience in specialized areas such as international business, financial audits of banking, cash accounting operations on Internal Control Process audits.

# Annual Financial Audit

- Independent Auditor Requirements (*continued*):
  - Education: Degree in Accounting/Auditing
  - Certification: Not required, but considered a plus are Certified Internal Auditor (CIA), Certified Public Accountant (CPA), or Certified Bank Auditor (CBA) certification.

# Continuity & Volunteer Transition

- Both outgoing & incoming Section Chairs / Treasurers review and sign off on annual L-50 financial Report
- Why?
  - Ensures the smooth transition of officers & mutual understanding of the unit's financial status by both sets of officers
  - Protection for both outgoing & incoming Volunteer Officers

# Summary

- Bi-annually:
  - Review check register
- Monthly:
  - Review accounts
- Annually:
  - Review & update bank signature cards
  - Conduct local Section audit
  - Assist in IEEE Audit if requested

Consider IEEE Concentration Banking program / custody account

- Easiest way to be compliant with most of the IEEE processes & policies
  - Both outgoing & incoming Section Chairs / Treasurers review and sign off on annual L-50 Financial Report
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- Why?
    - Ensures the smooth transition of officers & mutual understanding of the unit's financial status by both sets of officers
    - Protection for both outgoing & incoming Volunteer Officers

# Assistance is Available

- IEEE Treasurers' Handbook
  - <http://www.ieee.org/treasurers>
- IEEE Policy Manual
  - <http://www.ieee.org/policies>
  - Section 11 addresses financial management issues to be addressed by Chairs & Treasurers
- ▣ IEEE Financial Operations Manual
  - <http://www.ieee.org/about/whatis/policies/finopsmanual.pdf>
- [financial-report@ieee.org](mailto:financial-report@ieee.org)

# Insurance

- General Liability
- Certificates of Insurance

# Liability Insurance

- Coverage is extended to IEEE's Organizational Units, and to sponsored and co-sponsored activities.
- Provides coverage in the event of liability due to bodily injury, personal injury, or damage to the property of others.
- Volunteers are included as additional insureds while acting within the scope of their duly authorized duties.

# Certificates of Insurance

- Serves as evidence of insurance coverage for a third party (e.g. meeting venue) and is available upon request.
- Certificates must be prepared by IEEE's insurance broker...turnaround for routine requests is 1-2 business days.
- Contact [ieeeinsurance@ieee.org](mailto:ieeeinsurance@ieee.org) with the following information:
  - Name / description of IEEE-sponsored event, venue name and address, contact information, and any insurance requirements outlined in the venue agreement.

# Resources

- IEEE Insurance Summary for Organizational Units available at:  
[http://www.ieee.org/web/geo\\_activities/units/Resources/insurance.html](http://www.ieee.org/web/geo_activities/units/Resources/insurance.html)
- Contact [ieeeinsurance@ieee.org](mailto:ieeeinsurance@ieee.org) or  
+1.732.562.5541



Questions?