Policy on S/C/D Financial Reporting to the IRS and International Office

The following resolution was duly adopted by written consent by the Board of Directors of International Association of Electrical Inspectors (the “Organization”) on November 8, 2019.

General
International Association of Electrical Inspectors (the “Organization”) is responsible to monitor that the Sections, Chapters and Divisions report annually to the IRS their financial status in a timely manner as required by the IRS or as required by other Countries’ reporting requirements. The Sections, Chapters and Divisions as per the International Bylaws, Sections 2.10, 2.11 and 2.12 shall furnish annually to the International Office the latest financial and audit report.

The International Office will send instructions to all Sections, Chapters and Divisions with copies of IRS Form 990 or 990 EZ for filing of financial statements required by law.

The International Office will send instructions to all Sections, Chapters and Divisions with information regarding required documents to be submitted.

Sections, Chapters, Division IRS Reporting
IRS Form 990, 990EZ or 990N. As soon as practicable after the forms are available from the Internal Revenue Service, usually not later than February of each year, the International Office will send IRS reporting information to the Section, Chapter and Division secretaries. The Form 990, Form 990EZ or the Online Form 990N must be completed. Original paper forms must be mailed by the Section, Chapter, or Division secretary to the IRS by May 15 of each year.

If you choose to use the IRS form 990 or 990EZ, you must complete the form in its entirety. Forms with all zeroes will be considered non-compliant.

Each Section, Chapter or Division secretary is responsible to submit their own IRS Form 990, 990EZ or 990N to the IRS. The International office does complete or submit the IRS forms to the IRS.

Sections, Chapters, Division Reporting
A copy of the 990, 990EZ or 990N, accompanying financial report and audit report, shall be sent to the International Office by May 15th of each year. Those failing to submit the 990, 990EZ or 990N, the statement of financial position and the audit report to the International Office will not receive distributions for that reporting period. In addition, the Section Districts, Chapters and Divisions are to send a copy of this financial information to their respective Section secretary.

Auditing Financial Records
Audit Report. Each Section, Chapter and Division’s financial records shall be audited annually. The president of the S/C/D should appoint an audit committee to conduct the audit or a professional auditor
may be hired. An Audit Report form (see Appendix B) is provided by the International Office and must be submitted along with the IRS form and financial report to the Section and International Office.

Section, Chapter and Division Audit Committee Guidelines
All Sections, Chapters and Divisions must conduct audits at least annually. The audit committee shall ensure that the association’s financial records are accurate and protects the integrity of the financial officer(s).

Fiscal officers are responsible to safeguard the Section, Chapter or Division’s assets to prevent losses, disclose discrepancies and provide accurate financial information to the members. Theft, fraud or funds embezzlement at the local level in IAEI is usually due to fiscal officers not properly performing their duties and the lack of effective and regular financial record reviews.

Audit Committee Member Selection and Committee Duties
The purpose of the Audit Committee is to audit the books and financial records of the Section, Chapter or Division at least annually. The Audit Committee must prepare and present a written report to the Section, Chapter or Division Board of Directors and members.

The committee conducting the audit should always be impartial and not related to the president or other financial officers or any chairman handling funds. The president, treasurer, financial secretary, secretary, or committee chair handling funds may not audit the finances.

An audit committee member may often be a member of the budget, programs, or fundraising committees, but should never be the one authorized to sign the checks. It is permissible to hire a professional to conduct the audit.

Purpose of an Audit
An audit is a formal examination of the financial records of the Section, Chapter or Division. It serves to certify that receipts and expenditures as authorized in the minutes, conform to local bylaws and budget limitations. An audit determines the accuracy of the books, detects inconsistencies or errors, provides recommendations for corrective action if necessary, and assures the membership that the association’s resources were managed in a businesslike manner within the regulations established for their use.

Preparation for an Audit
Collect all financial books, records and reports from the secretary/treasurer including:
- A copy of the last audit report
- Originals of checkbooks register including voided checks (and canceled checks if available)
- Originals of bank statements, bank book and deposit slips
- Cash receipts
- Authorizations for payment (which include board and regular meeting minutes, adopted budget, documentation of any budget amendments that were approved during the year)
- Itemized statements and receipts of bills paid
- Any treasurer’s reports presented during the period being audited
- Original secretary/treasurer’s books/ledgers
- Reports from committee chairs (e.g., fundraising, membership, etc.)
- Copy of the most recently filed IRS form 990.

Audit Procedure
• Audit each account separately. If there is more than one operating account, you must audit each account separately.
• Include bank name, address, type of account and account number on each audit report.
• Check to be sure all financial materials requested are available.
• Check off items in red ink as they are reviewed.
• Do not correct errors. Prepare the Audit Report.
• After presenting the written report to the Board of Directors, if there were errors, ask the responsible financial officer to correct errors.
• After errors have been corrected, and the audit committee is satisfied that the financial accounts are correct, draw a double line across the ledger and checkbook register where the audit concludes and sign and date using red ink “Audited by (name) on (date).”

Audit Report Checklist

**Note:** Audit each account separately. Do not correct errors.
• Collect financial materials for each account as noted above in “Preparation for an Audit”.
• Review the last approved audit report and most recently filed IRS form 990, 990EZ or 990-N (e-card) to confirm beginning balances agree with checkbook registers, ledgers and treasurer’s reports.

Budget
Objective – ensure that a budget has been approved, properly documented and that the budget is adhered to during the fiscal year.
• Do you have a copy of the approved budget?
• Do you have a copy of the meeting minutes verifying the budget approval?
• Were there any budget amendments made during the year? If so, do you have a copy of the meeting minutes verifying approval of the amendment to the budget?

Receipts
Objective – to ensure that all cash/check receipts are deposited timely and each receipt is recorded accurately.
• Was a receipt written for all money received?
• Were monies deposited promptly?
• Reconcile each deposit listed with bank statement and registry (receipt book) entries.
• Were any receipts voided?
• Were any receipts missing? If so, an explanation should be provided.
• Add all receipts to get the gross receipts total.
• Compare the total gross receipts with the treasurer’ Statement of Financial Condition. If they do not match, note the discrepancy in the report.

Expenses
Objective – to ensure that all disbursements are approved, recorded and properly supported.
• Was each check made authorized by the budget or amended by the board?
• Was each check made out to the appropriate payee?
• Was each check accompanied by a receipt or bill?
• Were any checks voided? If so, is the actual voided check available?
• Were any checks missing? If so, an explanation should be provided.
• Add all checks to get the expenses total.

Bank Statements
Objective – to ensure the bank balances are accurate, that all accounts and balances have been disclosed and that bank reconciliations are being performed.

- Who are the authorized check signers on the account?
- Reconcile each month’s bank statement to the checkbook register or account ledger.
- Were any bank statements missing?
- Do the deposit slips match the numbers on the bank statements?
- Does the total amount for checks written match the bank statements?
- Have all bank charges and interest earned been recorded in the check register/ledger?
- Have all bank charges and interest earned been properly recorded on the treasurer’s report(s)?
- Determine if the treasurer’s reports accurately reflect statement balances.

Prepare Audit Report

- Prepare the Audit Report form or a detailed written audit report. DO NOT CORRECT ERRORS.
- Make notes as to how to correct errors and include those recommendations in the written report.
- Include any recommendations in the report. List errors in arithmetic or posting, bills unpaid, or unauthorized payments.
- Each Audit Committee member must sign the report and include their IAEI membership number.
- Present the written audit report with any recommendations to the Board of Directors.
- After the report has been presented, if there were errors noted, the responsible financial officer must make corrections after which the Audit Committee chair should draw a double line in red ink where the audit concludes.

The Section, Chapter or Division must officially adopt the audit report.

A copy of the complete Audit Report must be sent to the International Office along with the SCD Statement of Financial Position and the IRS form 990, 990EZ or confirmation from the IRS that the 990N has been filed.

**Reporting to the International Office**

All Sections, Chapters, and Divisions are required to submit annually on or before **May 15, 20XX** the following **TWO** items to the IAEI International Office:

1. Audit Report
2. Statement of Financial Condition

Deadline for submitting the Audit Report and Statement of Financial Condition is **May 15, of each year**. The International Office shall review the Section’s, Chapter’s, and Division’s financial reports and provide a report to the Finance Committee annually.

Failure to submit the required documents to the International Office for 2 consecutive years may result in the revocation of your Charter by the IAEI International Board of Directors. In addition, failure to submit financial reports to the International Office on or before the May 15, of each year’s deadline forfeits your bi-annual dues distribution.
Sections, Chapters, or Divisions unable to comply by the May 15th deadline, may submit a written request to the International Board of Directors for special dispensation. The Board will consider any request at the annual Board of Director meeting and notify the applicant of the board’s decision.

**Failure to Report to the International Office**

- The International Office (IO) will send instructions to all Sections, Chapters and Divisions with copies of IRS Form 990 or 990 EZ for filing of financial statements required by law in January of each year.

- Failure for S/C/D’s to comply with the May 15th deadline; The IO will notify by email the Treasure, Secretary/Treasurer of those S/C/Ds that are delinquent to determine cause for not reporting. This notice will be copied to the secretary next in the hierarchy. If it is the Section, the notice will be copied to the International Board of Directors. (1st Notice)

- Failure to comply within 15 days of receiving the first notice; The IO will send a registered letter to the Treasure, Secretary/Treasurer of the delinquent S/C/D as well as copies to their President and to the S/C/D Secretaries. If the delinquent party fails to file within 30 days of receipt of the letter, the International Board of Directors will take action to notify the President of the offending S/C/D to release the Treasure, Secretary/Treasurer from their duties unless filing is resolved. (2nd Notice)

- Failure to file within 30 days of the second notice; The International Board of Directors shall notify the Board of Directors the next level higher in responsibility that the offending S/C/D has not complied with the previous requests for filing. They shall be responsible for hiring an independent Certified Public Accountant (CPA) to review, audit and complete the required filing on the financials of the S/C/D as outlined in this policy. All ancillary costs associated with the reporting will be borne by the offending S/C/D. (3rd Notice)

- Failure to comply within 60 days of the third notice the International Board of Directors will exercise their authority under International Bylaws, Section 3.1 General Powers, Delegation, Board Officers. This may result in removal of Board members and/or dissolution of the offending S/C/D.

- Where a Section, Chapter or Division fails to file in a timely manner the tax returns and financial reports that are required, the dues distribution will not be distributed to that Division, Chapter or Section for the current fiscal year. Dues will be retained by the International Board of Directors, and if the offending S/C/D complies with the requirements for filing within the fiscal year, may appeal the decision of the International Board of Directors for the reinstatement of the dues distribution.

Secretary of the Board

David Clements