



STATE EMPLOYEES ASSOCIATION OF NORTH CAROLINA, INC.

April 11, 2015

To the General Membership of SEANC:

We are now in receipt of the audit conducted by Bond Beebe, a respected national accounting firm retained by SEIU to conduct a thorough investigation of our financial systems and processes. On behalf of the SEANC Executive Committee, I am providing the audit executive summary for your review.

The results of the audit are clear: Our former Executive Director, Mr. Dana Cope, grossly misused SEANC credit cards and misappropriated SEANC funds for personal gain during the period of October 1, 2012 and February 16, 2015. Despite clear and established policies and procedures designed to prevent the use of SEANC funds and credit cards for personal reasons, Mr. Cope did so willingly and often, accumulating a total of \$494,043.06 in unjustified appropriations and credit card charges.

An effort to recoup all of these funds is well underway. In the meantime, we have instituted several important changes to our financial systems, many of which were instituted well in advance of this audit report. They are as follows:

- SEANC's Treasurer, Gloria Evans, now personally signs all checks issued by SEANC.
- A manual check process has been implemented:
 - The SEANC Treasurer must be notified by email with a request to have a manual check processed, which will require use of the Treasurer's signature stamp on the requested check.
 - The email must contain a scanned copy of the Check Authorization Form/Purchase Order Request and copy of the invoice associated with the check request.
 - The Treasurer must email back his approval for the finance staff to process the manual check, which will be attached to the check documentation.
 - Upon the next onsite visit by the Treasurer, the manual check copy and all the correspondence will be made available for the Treasurer's review and signature.
 - All manual checks require signature by the Executive Director or his designee.
- The Executive Director must review and approve all wire (ACH) payments.
- No check can be issued without an approved Check Authorization Form/Purchase Order Request explaining fully the purpose for payment, regardless of amount.
- No purchase of \$1,000 or more can be approved without three bids as mandated by SEANC's Operations Manual.
- Credit card assignments have been reviewed and reassigned only if authorized to use a SEANC credit card. Each card and account number is assigned to one person.
- A credit limit of \$5,000 has been set on each credit card.
- Credit card charges are limited to fuel and hotel expenses unless approved by a supervisor.
- Employees are not permitted to charge purchases on another employee's credit card.
- Division directors are required to review each employee's credit card statement on a monthly basis to ensure proper documentation.
- Credit card receipts must be filed with the credit card statements instead of filing them with an expense statement.

Additionally, we agree with all 14 recommendations offered by the Bond Beebe audit team and intend to implement policies or stress renewed emphasis on existing policies to effectuate the recommendations.



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Based on my observations over the last few weeks and upon review of this audit report, these findings stem from a culture of submissiveness, deliberately built over time by Mr. Cope, and maintained for his own financial benefit. As a result, established financial controls were compromised, transparency thwarted and the truth denied.

In summary, Mr. Cope's misconduct left an unfortunate cloud of suspicion hovering over SEANC and its members – many of whom are good and honorable volunteers that help lead an organization with an important mission. Fortunately, this report and the actions we have taken and will soon take will lead to a swift and meaningful change in our management culture so that together we can deliver on our mission to protect and defend the interests of retired, current and future state employees without delay or distraction.

As always, we will update you with developments when appropriate.

Sincerely,

A handwritten signature in black ink that reads 'Mitch Leonard'. The signature is written in a cursive, flowing style.

Mitch Leonard
Executive Director

April 7, 2015

Mary Kay Henry, International President
Service Employees International Union
1800 Massachusetts Avenue, NW
Washington, DC 20036

Dear President Henry,

We have completed a special review of the State Employees Association of North Carolina ("SEANC"), Raleigh, North Carolina. This final report summarizes our procedures and findings from this review.

Our review began on February 16, 2015 at SEANC. Our review included the available books and records provided to us by multiple SEANC staff primarily consisting of Tom Harris, Chief of Staff/General Counsel and Rex Foster, Finance Director. The staff at SEANC cooperated with our requests promptly, despite the poor condition of the available books and records of the association. Many of SEANC's original records could not be located and our work consisted of reviewing scanned copies of many records where available. Many of these scanned documents were not imaged well and their legibility was difficult at best. We understand that many documents were removed from the SEANC office, others were shredded and at least one computer hard drive was removed from the SEANC office. In addition to our findings, we have also prepared a listing of best practice recommendations for SEANC to adopt to improve their internal controls and to become compliant with IRS regulations.

The scope of this engagement was to focus primarily on the following:

1. Review all documents and transactions referenced in the News and Observer ("N&O") article to determine if the accusations made were legitimate SEANC expenses or of a questionable nature.
2. Review cash disbursements made for the period October 1, 2012 to February 16, 2015 to various vendors.
3. Review all expense reimbursements for the period October 1, 2012 to February 16, 2015 paid to SEANC management staff. In addition, we selected a sample of expense reimbursements paid during the period October 1, 2008 to September 30, 2012.
4. Review all expenses incurred by Dana Cope and Tom Harris on SEANC credit cards for the period October 1, 2012 to February 16, 2015.
5. Review expenses paid by SEIU International on behalf of Dana Cope for SEIU International travel to ensure SEANC was not reimbursing Dana Cope for the same expenses.

6. Prepare a listing of best practice recommendations for SEANC to adopt.

During the course of the engagement our scope expanded to include the following:

7. Review all disbursements made via electronic transfer (wire) for the period October 1, 2012 to February 16, 2015.
8. Review a sample of expense reimbursements for the period October 1, 2012 to February 16, 2015 paid to SEANC management staff.
9. Review a sample of expenses incurred by SEANC management staff on SEANC credit cards for the period October 1, 2012 to February 16, 2015.
10. Review of calendar year 2014 payroll transactions for a sample of SEANC management staff.
11. Review transaction activity of four bank accounts that were alleged by former officers to be "off the books" and "beyond the review of the Board of Governors".

Findings

Review All Documents and Transactions Referenced in the News and Observer ("N&O") Article:

1. Disbursements made to date for the building renovation to WS Builders/Tree 2 Key agrees with the contract signed on September 18, 2014. We are unable to verify the bid proposal comments presented by Dana Cope to the Executive Committee during the September 16, 2014 meeting without reviewing the other competitive bid which SEANC staff told us they no longer possess. However, the costs outlined in the contract signed by Dana Cope appear to be reasonable for these services.
2. Disbursements made to Rainy Days Irrigation appear to be for legitimate SEANC purposes.
3. The disbursement made to Perspective Concepts, LLC totaling \$18,987.50 was written to pay a member portal database invoice that was later learned to be fabricated by Dana Cope. We were informed that Dana Cope later stated this disbursement was for irrigation repairs at SEANC's headquarters and he produced another invoice from Perspective Landscaping Concepts for the same amount. We were unable to verify that this work was ever performed. We did speak with the employee responsible for building maintenance who stated that she had no knowledge of the work that was claimed to have occurred. We verified that this check was deposited and endorsed by Perry Pope, owner of Perspective Landscaping Concepts, LLC.

Three other disbursements made to Perspective Landscaping Concepts, LLC/Perry Pope totaled \$89,616.00. Attached as documentation for one payment was an e-mail request from Dana Cope to Accounts Payable Specialist Kisha Robinson ("Robinson") instructing her to make a payment to Bryson Trexler, however, the check was actually made payable to Perspective Landscaping Concepts, LLC. We also noted two undocumented credit card transactions to Bryson Trexler, Perspective Landscaping Concepts employee, which totaled \$6,615.00. Based upon all the documents reviewed and our discussions with SEANC staff, we conclude the proposal SEANC received from Perspective Landscaping Concepts, LLC totaling \$14,095.00 most closely represents the work that was actually performed at the SEANC's building and the additional payments of \$94,508.50 appear excessive.

We identified one additional disbursement to Perspective Landscaping Concepts, LLC totaling \$475.00 that appears to be for a legitimate SEANC purpose and it was not considered in our calculation of excessive activity above.

4. The disbursement to Maupin Travel totaling \$14,708.55 does not appear to be for valid SEANC business. We obtained information from Trevor Smith (President of Maupin Travel) confirming that these funds were used, in part, to purchase airfare for Melinda, Lawson and Lydon Cope for a trip to Asia for \$4,867.00 + \$35.00 service fee each. We did not see any evidence that Dana Cope reimbursed SEANC for this cost.

SEANC has since recovered \$18,677.26 that was on deposit in Dana Cope's account with Maupin Travel.

5. Two check disbursements were made to Blue Line, LLC totaling \$21,400.00. These payments were made as deposits for flying lessons for Dana Cope; therefore, there were no supporting documents accompanying these disbursements. We also identified an additional 16 charges using the SEANC credit card to Blue Line Aviation totaling \$9,945.89. Based upon our discussions with SEANC staff and review of the Executive Board minutes, only Dana Cope was aware of the nature of these expenses until the N&O article questioned the economic value and personal nature of these payments. Further, we question the economic benefit claimed as the motivation for these costs.

Review of Expense Reimbursements

6. Fifteen direct check reimbursements, consisting of 200 individual expenses, were made to Dana Cope during the period October 1, 2012 to February 6, 2015 for a total of \$26,524.36. For purposes of reporting our findings, we categorized expenses into two groups:
 - a. Undocumented expenses - expenses that were reimbursed without a receipt:
 - i. We noted 70 instances where expenses were undocumented totaling \$5,675.10.

ii. The five largest undocumented expenses were:

<u>Vendor /Nature of Disbursement</u>	<u>Check #</u>	<u>Reimbursement Date</u>	<u>Account Line Charged</u>	<u>Amount</u>	<u>Bond Beebe Comment</u>
Executive Director Discretionary Fund	9558	10/2/2012	Executive Directors Discretionary	\$2,000.00	We feel this should be considered compensation and taxed to the Executive Director
Time Warner Cable	11940	10/2/2013	Office Telephone	\$289.68	Appears to represent telephone, internet and cable TV services for October
Staff Travel	11452	7/29/2013	Subsistence - Staff	\$287.68	No receipt
Time Warner Cable	9558	10/2/2012	Office Telephone	\$200.00	Appears to represent a portion of telephone, internet and cable TV services for October
Executive Committee	10531	3/19/2013	Subsistence-Executive Committee	\$168.50	No receipt

b. Expenses reimbursed that have no apparent SEANC purpose (All of these questionable charges had receipts of some kind):

- i. We noted 33 instances where expenses had no apparent SEANC purpose totaling \$11,593.92.
- ii. The five largest expenses without an apparent SEANC purpose were:

<u>Vendor /Nature of Disbursement</u>	<u>Check #</u>	<u>Reimbursement Date</u>	<u>Account Line Charged</u>	<u>Amount</u>	<u>Bond Beebe Comment</u>
Marriot Marquis – 5 Night Stay	10960	5/31/2013	Legislative	\$4,696.14	Includes \$1,072.50 in limo charges and \$582.09 in room service.
American Airlines- Raleigh to Seattle	11064	6/11/2013	American Healthcare	\$1,423.20	First Class Airfare
The Mayflower Renaissance Washington, DC	10960	5/31/2013	American Healthcare	\$1,346.01	Includes \$27.76 in room service and \$15.23 in mini bar charges.
Nadeau Imports	12577	1/16/2014	Building Needs	\$834.79	Furniture store-no detail for what was purchased.
Africa Banquet Tix	99993	12/18/2012	American Healthcare	\$750.00	Receipt contains no detail of the nature of the expense.

7. Our review of management staff's expense reimbursements revealed consistent, broad, and systematic internal control failures as a result of not following SEANC's written policies and procedures. Disbursements reviewed shared certain common deficiencies such as:

- a. Expenses lacking documentation

- b. No apparent SEANC purpose
- c. Lack of management review
- d. Unsubstantiated mileage reimbursement.

Review of Credit Card Disbursements

8. Monthly credit card statements were reviewed for cards provided to Dana Cope, consisting of 2,045 individual charges, during the period October 1, 2012 to February 6, 2015 for a total of \$404,948.65. For purposes of reporting our findings, we categorized expenses into two groups:

- a. Undocumented charges - paid without a receipt provided by Dana Cope:
 - i. We noted 1,343 instances where charges were incurred where a receipt was not provided for a total of \$295,048.79 (net of credits posted to credit card). Please note: the credit card statement is evidence of the amount paid to the credit card company, but it does not provide any substantiation for individual charges placed on the card.
 - ii. A categorized listing of undocumented charges incurred by Dana Cope is as follows:

<u>Category</u>	<u>Amount</u>
Hotel	\$25,273.45
Airline	\$55,756.44
Restaurant	\$14,219.07
Fuel	\$9,249.23
iTunes & On-line Gaming	\$1,998.10
Clothing, Accessories and Jewelry	\$6,224.58
Best Buy	\$15,465.04
Lowes / Home Depot	\$1,473.64
Office Depot/Office Max/Staples	\$9,349.59
BJ's Wholesale Club	\$9,435.77
Garner TV and Appliance	\$10,908.00
Amazon	\$3,102.75
Overstock.com	\$2,838.38
Hertz Rental Car	\$2,058.98
Museums	\$10,220.42
Intex Design	\$8,617.77
Other	\$108,857.58
Subtotal	\$295,048.79
Less Cope reimbursements	(\$1,837.49)
Total	\$ 293,211.30

iii. The ten largest undocumented charges were:

<u>Vendor</u>	<u>Transaction Date</u>	<u>Account Line Charged</u>	<u>Amount</u>	<u>Bond Beebe Comment</u>
Kensington Tours	10/7/14	American Healthcare Travel	\$16,709.26	This charge is for a tour package. There is an additional charge on 10/20/14 for \$3,780 for the same vendor charged to Legislative. There is also a credit from this vendor for \$9,757 which is the same amount Cope claimed to have paid Maupin Travel for his family's travel to Asia.
Garner TV & Appliance	6/22/13	Membership Promotion	\$9,249.00	Electronics and appliance store.
Intex Design	10/4/13	Legislative	\$5,700.00	Raleigh-based interior design firm specializing in Residential and Commercial window coverings.
Best Buy	8/17/13	Membership Promotion	\$5,258.00	Electronics Store
American Airlines	9/19/14	American Healthcare Travel	\$5,117.90	Airline
Summer Classics	10/16/13	American Healthcare Travel	\$3,191.83	Outdoor & Patio Furniture Store
Summer Classics	7/15/13	American Healthcare Travel	\$3,191.83	Outdoor & Patio Furniture Store
Harrison Fence, Inc.	9/25/13	Legislative	\$3,008.67	Fencing Company
US Airways Preferred	12/20/13	Subsistence- Staff	\$2,999.00	Airline
Intex Design	11/22/13	American Healthcare Travel	\$2,917.77	Raleigh-based interior design firm specializing in Residential and Commercial window coverings

- b. Credit card charges with no apparent SEANC purpose (we deem an expense to have no apparent SEANC purpose based upon the nature of the vendor's purpose or the amount of the charge relative to the purpose. All charges had some form of receipt):
- i. We noted 408 instances where expenses had no apparent SEANC purpose totaling \$67,731.23 net of reimbursements from Dana Cope.

- ii. A categorized listing of charges with no apparent SEANC purpose is as follows:

<u>Category</u>	<u>Amount</u>
Hotel	\$2,160.57
Airline	\$ 7,186.35
Restaurant	\$17,593.76
iTunes & On-line Gaming	\$ 181.43
Clothing, accessories and jewelry	\$5,129.93
Best Buy	\$4,542.69
Lowes / Home Depot	\$ 2,182.47
BJ's Wholesale Club	\$1,326.47
Hertz Rental Car	\$211.22
Other	\$31,878.48
Subtotal	\$72,393.37
Less Cope reimbursements	\$(4,662.14)
Total	\$67,731.23

- iii. The ten largest charges with no apparent SEANC purpose were:

<u>Vendor</u>	<u>Transaction Date</u>	<u>Account Line Charged</u>	<u>Amount</u>	<u>Bond Beebe Comment</u>
Blue Line Aviation	9/15/13	Supplies- Leadership Development	\$5,576.46	Flight lessons for Cope, fuel, fees
AA Vacations	4/16/14	American Healthcare Travel	\$4,565.83	Receipt lacking support for location of travel- shows Cope as "lead traveler" but no dates of travel or number of travelers
Glen' Custom Tailors- Hong Kong	5/4/13	Legislative	\$4,544.62	Tailor
Bryson Trexler	6/7/14	Legislative	\$4,150.00	Landscape associated with Perspective Landscaping Concepts
Best Buy	6/7/14	New Office Equipment	\$3,613.70	Sound equipment, various speakers, cables, 3 channel mixing board
Da Qin Tao Yong Xi'an	11/25/14	Political Affairs	\$3,584.81	Unknown – receipt written in Chinese
China Eastern A Shanghai	11/22/14	Political Affairs	\$2,620.52	Airline
Wells Fargo Foreign (exchange for 14,164 Yen)	10/17/14	Legislative	\$2,499.95	Cash withdrawal (exchange) dollars for Yen
Flinks	5/9/13	Legislative	\$2,205.53	Art Store purchase - receipt has no detail as to what was purchased
Colonial Houses- Williamsburg	4/27/14	American Healthcare Travel	\$1,355.36	Friday to Saturday hotel stay/No business purposes noted on Cope's calendar

Summary of Dana Cope Expenditures with no apparent SEANC purpose:

<u>Nature of Expenditure</u>	<u>Amount</u>
Landscaping Related Expenditures	\$101,123.50
Maupin Travel Expenditure	\$ 14,708.55
Direct Reimbursements to Cope Missing Receipts	\$ 5,675.10
Direct Reimbursements to Cope for Questionable Charges	\$ 11,593.92
Credit Card Charges by Cope Missing Receipts	\$293,211.30
Credit Card Charges by Cope for Questionable Charges	\$67,731.23
Total	\$494,043.60

9. Our review of management staff's credit card activity revealed consistent broad systematic internal control failures as a result of not following SEANC's written policies and procedures. Credit card transactions shared certain common deficiencies such:
- a. Expenses lacking documentation with no apparent SEANC purpose
 - b. Lack of management review.

We also noted several instances where there was no documentation or the charges had no apparent SEANC purpose. A categorized listing of these charges is as follows:

<u>Category</u>	<u>Amount</u>
iTunes	\$260.03
Apple Store	\$893.50
Car Washes	\$255.84
College Basketball Tickets	\$735.27
Presidential Limo	\$84.00
Women's Accessories	\$122.80
Brookstone	\$837.93
Travel Website- Jetsetter.com	\$3,537.00
Cash Advances	\$52.00
Total	\$ 6,778.37

SEIU International Travel Expenses

10. Expenses paid by SEIU International on behalf of Dana Cope were reviewed to look for potential abuse whereby Dana Cope had both organizations pay for the same expenses to his benefit.

During our review of all of Dana Cope's direct expense reimbursements, we did not note any reimbursements that were for items paid for by SEIU International. However, there were occasions where SEIU International purchased airline tickets for Dana Cope and we noted similar airline purchases on the SEANC credit card. We are unable to conclude if the SEANC purchases were for his family members to travel with Dana Cope when he went on SEIU business travel or if they were flights for other purposes. Almost all airline charges made by Dana Cope lacked supporting documentation stating the passenger or destination traveled.

We noted occasions where multiple flights were purchased using Dana Cope's credit card on the same day for the same amount making these questionable transactions.

11. We selected 80 disbursements from SEANC's check disbursements ledger for the period October 1, 2012 to February 16, 2015 totaling \$845,245.37. Included in this sample size were several transactions mentioned in other portions of this report including employee expense reimbursements and questionable charges to vendors identified in the N&O article.

During this review, we were provided sufficient supporting documentation and explanations to conclude that the expenditures, other than those mentioned in other sections of this report, appeared to be for legitimate SEANC business. However, as a result of this review, we noted several material weaknesses in SEANC's internal controls. We will address these internal control issues and our recommendations for improvement later in this report.

12. We selected all electronic wire transfers made during the period October 1, 2012 to February 16, 2015. There were four wire transfers made for a total of \$331,095.02.

Two of the wire transfers were payments made to Tree 2 Key for the contracted amount in connection with the building renovations that we mentioned earlier. The other two transfers were for robo calls and direct mailing services both of which appeared to be properly supported and approved by Kevin LeCount.

Payroll

13. We reviewed the 2014 calendar year end payroll documents prepaid by SEANC's outside payroll vendor, Paychex, to verify there was no override of internal controls in payroll. We reviewed the salary amounts for Dana Cope, Tom Harris, Toni Davis, Rex Foster and Kevin LeCount and agreed them to the salary survey prepared by Evergreen Solutions (provided to us by Tom Harris) and adopted by the Executive Committee at the September 16, 2014 meeting.

All salaries tested agreed to the salary survey provided.

14. We reviewed the transaction activity of four bank accounts that were alleged by former officers to be “off the books” and “beyond the review of the Board of Governors”. We were able to identify all of the bank accounts in question and confirmed their balances and activities are included in SEANC’s books and records. The nature and use of these accounts are as follows:
- a. Account 1 - This bank account is used to deposit money received for dues including PAC Fund contributions. We did not identify any check disbursements written out of this account during the period 10/1/13 to 2/3/15. All funds are transferred to the disbursement account (which is the main checking account), PAC account or a money market account as needed.
 - b. Account 2 - This bank account is used to deposit money received for dues that do not include PAC Fund contributions, and, all other miscellaneous receipts. We did not identify any check disbursements written out of this account during the period 10/1/13 to 2/3/15. All money is transferred to the disbursement account (which is the main checking account) as needed.
 - c. Account 3 - This bank account is used to deposit receipts collected for theme park ticket sales from the State Employees Credit Union (SECU). We did not identify any check disbursements written out of this account during the period 10/1/13 to 2/3/15. All money is transferred to the disbursement account (which is the main checking account) as needed.
 - d. Account 4 - This bank account is in essence a savings account that maintains a very small balance - \$70 at the end of 2014. SEANC staff informed us that this account was opened when the checking account was created, but is not regularly used. There were no deposits or withdrawals from this account during 2014.

Recommendations for Improvement

We previously provided SEANC with the following Preliminary Recommendations for Improvement or Changes to Existing SEANC Financial Practices during the initial stages of our review:

1. SEANC should transition to a culture of transparency in its financial affairs for its employees, Executive Committee members and Board of Governors.
2. SEANC should issue a standing “do-not shred, destroy, remove or otherwise deface any SEANC documents” policy. All records should be maintained and preserved including all electronic records pursuant to a written records retention policy.
3. SEANC should adhere strictly to the existing credit card use policy (Section 4, Page 4.1) in the SEANC Operations Manual, which provides that the use of cards is limited to official SEANC business use only. Violations in usage should result in the removal of charging privileges for the employee/officer. SEANC must initiate a comprehensive review to identify and collect promptly all amounts due to the organization for all previously incurred personal charges on the SEANC credit cards.

4. SEANC should require complete substantiation for any and all payments made by SEANC. Complete documentation includes invoices, vouchers and other evidence that supports the payment and describes the item(s) acquired.
5. SEANC should not allow any override of its financial disbursement controls. There should be an independent approval of all expenditures. All expenditures should be coded and charged to the appropriate budgetary area. Requests for disbursements should not be processed simply with an email or handwritten request; an Expenditure Authorization Request (Section 4, Page 5.1) should be used for all disbursements, whether by check or wire. For items over \$1,000, a Purchase Order should be completed.
6. The use of signature stamps should be eliminated unless used exclusively by the person whose signature the stamp replicates. Use of these stamps should not be delegated to anyone.

During our review, we identified additional areas where financial practices should be modified and we have expanded our recommendations that were mentioned during the preliminary recommendations.

Check Disbursements:

SEANC has policies in place to provide a functioning internal control system, however, there is a culture in place where the policies are not required to be followed or enforced. Each employee in the disbursement process needs to be professionally skeptical of the expenditure they are approving including directors, accounts payable clerks, finance directors and finally the check signers themselves.

All disbursements for vendors and employee reimbursements must contain supporting invoices or receipts. The SEANC purpose for the disbursement or reimbursement must be clear. Disbursement requests submitted that lack proper supporting and approved invoices or receipts should not be processed or paid.

When reimbursing an employee for a meal charge, the individuals attending the meal must be identified on the receipt, along with the SEANC purpose for the meal; otherwise, the charge should not be reimbursed.

When reimbursing an employee for business miles traveled in their personal vehicle, SEANC should require all employees to submit a mapping from a website documenting the starting point and destination traveled to support the miles claimed. Business mileage reimbursement requests should not be reimbursed if supporting documentation noting the starting point and destination are not provided with the expense reimbursement form.

Upper management needs to embrace a culture of transparency and a commitment to prohibiting anyone from overriding established controls. SEANC staff and employees should be trained on these policies and an internal fraud prevention protocol should be established to facilitate the reporting of suspicious activity.

Wire Disbursements:

SEANC should develop a formal written policy to cover procedures to ensure proper internal controls exist surrounding wire transfers. Wire transfers should be subject to the same approval process that is used to generate check disbursements.

Credit Card Disbursements:

SEANC has policies in place to provide a functioning internal control system for credit card charges, however, like the check disbursement process, these policies are not consistently followed or enforced. SEANC should adopt a "no tolerance policy" for the personal use of the SEANC credit card and failure to provide adequate supporting receipts should not be tolerated. Violations of the policy should result in eliminating the employee's privilege to have an SEANC credit card. No personal charges should be permitted on SEANC credit cards.

SEANC should enhance its review process for credit card charges. There should be a clear understanding of what the directors, accounts payable, finance directors and check signers roles are in the process.

SEANC should review the current list of individuals who have been issued a SEANC credit card. Currently this includes Officers, Executive Director, Chief of Staff, Directors and certain field staff. Limiting access to SEANC credit would provide for better internal controls to prevent any unauthorized disbursements of SEANC funds.

Signature Stamps:

SEANC should eliminate the use of signature stamps unless used exclusively by the person whose signature the stamp replicates. Use of these stamps should not be delegated to anyone.

In the event SEANC needs to generate a check on a day the Treasurer is unavailable to sign a check, a designated individual should review the supporting documentation and initial on the check and initial and date the supporting documents to indicate their review took place. The designated individual should not be anyone involved in the check disbursement process or have access to SEANC's general ledger system. The Treasurer should also subsequently review and initial and date that they reviewed the documents for which their stamp was used after the disbursement was transmitted.

Recording Invoices in the General Ledger and Budget Reports:

Our review revealed dozens of cases where disbursements were purposely miscoded in the financial records to achieve a desired outcome which was inconsistent with the actual nature of the expenditure. SEANC should cease the practice of posting expenses to line item budget categories that are not legitimate given the nature of the expenditure. All reports provided to the Board and SEANC membership should reflect the actual results of the organization and not be manipulated to reflect a budgetary result desired by management.

Personal Use of SEANC Owned Vehicles:

SEANC should adopt policies to properly reflect the personal use of an SEANC owned vehicle as taxable income to the employee. All employees with SEANC vehicles should maintain mileage logs documenting all miles traveled and segregating them between personal and business use, remembering commuting miles are deemed personal.

Discretionary Fund for the Executive Director and President:

If payments from these budgeted line items continues in the future, we recommend that SEANC should consider any unsubstantiated payments made to the Executive Director and President as wages (Form W-2) and not independent contractor payments (Form 1099) subject to employment taxes and payroll withholdings.

Executive Committee Transparency:

SEANC staff should provide the Executive Committee with additional documentation to allow the Committee to more closely monitor the financial affairs of the organization. Reports, such as summaries by employee of monthly credit card activity and check/wire disbursement listings, should be provided to the Committee for their review. This transparency is vital for effective oversight by the Committee.

The Executive Committee should consider creating an audit committee comprised of a few Executive Committee members assigned to interact with the SEANC's auditors. This audit committee should have discussions with the auditors prior to and subsequent to each audit. The audit committee should inquire of the auditor what internal control related matters they found and recommendations identified for improvement. The audit committee should also be responsible for ensuring that the auditor for SEANC is experienced in servicing employee associations.