Report of the Audit Committee

The Audit Committee of the AAA had two telephone conference call “meetings” in 2007, a pre-audit conference on February 16 and a post-audit conference on May 9. Present on the telephone at both of these meetings were the following individuals: Peter Allen (Chair), Steve Darr and Ted Hamann (Committee members), Suzanne Mattingly and Elaine Lynch (AAA staff), and Tom Raffa and Stephanie Gerard (representing Raffa and Associates, the auditing firm). At the February meeting Tom Raffa reported that there were new reporting standards for the year that would affect both the audit and the AAA tax return. He and Stephanie Gerard described work to date and the schedule for the audit. They also discussed SAS #99 fraud requirements, SAS #112 standard which deals with internal controls, and SAS #103 standard which modifies the report dating. Tom and Stephanie also reviewed the Pension Act of 2006 requiring the public disclosure of Form 990T (previously only Form 990 was subject to public disclosure). Preparatory work for the audit to this point included a letter to the AAA from Raffa in December, 2006 and some preliminary fieldwork in January, 2007, focusing primarily on OMB compliance regarding the large federal grant. OMB A-133 in new this year and is required because the AAA had grant expenses in excess of $500,000. The AAA staff exited the conference and further discussion of SAS#99 ensued.

Final audit fieldwork was conducted between February 26 and March 2. At the May conference Tom reviewed the objectives of the audit of which the main one is to render an opinion on the 2006 AAA financial statements and make comments and recommendations regarding internal procedures. Key areas of focus where internal control assessment and testing (including OMB compliance testing); payroll and cash disbursements; substantiation of membership dues, grants, contributions, and publications revenues; and substantiation of cash and investments.

An assessment of the draft financial statements (provided electronically just a few days previously) by Stephanie included the information that assets increased by $987,000 (from grants and increases in the investment portfolio), liabilities increased by $341,000 (due mainly to an increase in accounts payable from grant activity), and thus net assets increased by $646,000. Overall revenues increased by $1.9 million over 2005 and expenses by $1.5 million, both largely due to grant activity.

The AAA incurred a “significant deficiency” as a result of invoices relating to the end of 2005 which were not properly accrued. This was an oversight on the part of the AAA staff and although it constitutes a “significant deficiency,” it does not rise to the level of a “material weakness” and does not have a negative effect on the overall audit which gives the AAA a “clean opinion.” Steve Darr raised several issues with the auditors which were generally dealt with favorably.

Several other small deficiencies were noted including the fact that a grant report was turned in late and a report from UCP had not been submitted, but once again it was noted that these are minor matters not affecting the overall clean opinion rating.
Assurances were given by the staff that they would pay closer attention to accounting procedures re the grants and that they would strive to meet deadlines and get all required reports from UCP and other vendors. The audit was accepted unanimously by the committee with minor changes.

Respectfully submitted,

Peter S. Allen, Chair
24 August, 2007