

MGA Finance Overview Region 2 Meeting: 21-23 April 2017 Wilmington, Delaware

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21-23 April 2017

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IEEE Governance Organization



MEMBERS

Assembly

Board of Directors

PSPB

Educational
Activities Bd.

Standards
Assoc. Board

IEEE-USA
Board

Member &
Geo Activities

Regions &
Sections

Technical
Activities

Tech

Societies & Tech.
Councils

MGA and Geo Unit Financial Team Collaboration

MGA

- MGA Treasurer – Chairs MGA Finance Committee, member of IEEE Finance Committee
- MGA Chair (VP)
- Managing Director, MGA
- Senior Director, MGA Finance & Admin
- Staff Support to:
- Volunteer Finance & Operations Committees
- Ad Hoc Support

Region

- Region Treasurer – participates in calls with MGA Treasurer
- Region Directors Optional
- Budget/ Audit/ Finance Committees –to address financial matters

Section

- Section Treasurer – HQ staff communicate to each about IEEE requirements.
- Section Chair
- Finance/ Management/ or Ex-Com to address financial matters

Flow of Funds to the Geo Units

MGA Funding

- Member Dues
- Online Products (IEL, Conference Proceedings/Potentials Revenue, Subscriptions)
- IEEE TV Advertising and Donations for Sections Congress in SC Year

Member Dues to MGA

- 12% Dues Allocation for Geo units
- Member Dues funds balance of approved budget

12% of Dues to Geographic Unit Allocations and Rebates

- Region Allocations & Section Rebates
- Student Branches

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, which includes financial, officer and meeting reports. Financial due date is 28 February



Section Rebates and Reserve Rules

- Rebates: Calculation;
http://www.ieee.org/societies_communities/geo_activities/required_reporting/rebate_schedule.html (see slide 7)
- Reserve Spending Rules
 - 1% Rule: 1% of Reserves on a 3 year average can be used for Projects
 - 50% Rule: 50% of prior year operating surplus can be used in Current Year Forecast
 - MGA has \$8.0M in reserves and Geo Units have \$22M in reserve and
 - Region 2 has approx. \$300K and the R2 Sections have approx. \$2.3M
 - MGA and Geo Units can utilize reserve funds towards initiatives, projects and current year forecast if approved by MGA Board with MGA Fin Com endorsement. Projects must be completed in current year
 - 2018 – IEEE Goal is to have Revenue Less Expenses = 2.5% to the bottom line. Work in Progress with Fin Com.

Additional Funding Sources and Uses

- ❖ Region: may have Section Support programs in place.
- ❖ Societies - Each Society has its own programs to support Section / Chapter activities.
- ❖ Workshops / Tutorials / Conferences (registration receipts)
- ❖ Other IEEE Unit Support, i.e., IEEE-USA, Life Members Committee & related programs
- ❖ External Sources (industry support)
- ❖ Contributions
- ❖ Rebates and Assessment Income



Additional Uses of Funds

- ❖ Region and Sections – may use funds for items such as these, but Geo Budget approval will drive the expenses
 - ❖ Local events
 - ❖ Chapter Support
 - ❖ Student Branch Support
 - ❖ Affinity Group Support: PACE, WIE, YP
 - ❖ Life Members, Sections Congress
 - ❖ Scholarships, Grants, Awards, Distinguished Lecturers (see policy)
 - ❖ Publication and Advertising expense
 - ❖ Travel, related to meetings and events



IEEE Policies

- **IEEE Policies: Section 11 – IEEE Financial Matters**
 - Established to ensure volunteers and staff have a clear understanding of and shall carry out their responsibilities regarding the functions and administration of the financial aspects of the IEEE.
 - Initially approved by the IEEE Board of Directors
 - All revisions are implemented by the IEEE Finance Committee and shared with the IEEE BoD.
 - Operational policies and procedures of the respective IEEE OU's shall not conflict.
- **Finance Operations Manual (FOM)**
 - In accordance with IEEE Policies related to financial operations.
 - Supports IEEE Policies Section 11.
 - All revisions are developed and approved by the various Standing Committees, approved by the IEEE Finance Committee, and shared with the IEEE BoD.



IEEE Procurement and Contracting Operational Procedures (continued)

- Contract Approvals, Signature Authority, and Retention:
 - Oracle iProcurement is the system for revenue and expense contract approvals and retention.
 - Requisitions are submitted by staff before commencement of contract and before an order is placed.
 - Threshold requirement total value >\$1,000.
 - Exception: Sole Proprietors are required to follow the Independent Contractor Qualification Process. The threshold is \$0.
 - Exception: "Technology" contracts. \$0 threshold. IT staff review for IT security and support compliance. Hardware is tagged.
 - Following a fully approved requisition, the contract is sent to the appropriate signers then a PO is issued.
 - All applicable documents are retained in iProcurement. (i.e., executed agreement/SOW, approval from Legal staff, correspondence, etc.)

Managing Section Assets

Where is the Money?

- ❖ IEEE Concentration Banking Program
- ❖ Checking / Saving Accounts with local banks
- ❖ Custody Accounts in Regions 8-10 (US \$ Accounts)
- ❖ IEEE Investment Fund



Treasury Operations

IEEE Concentration Banking Program (CBRS)

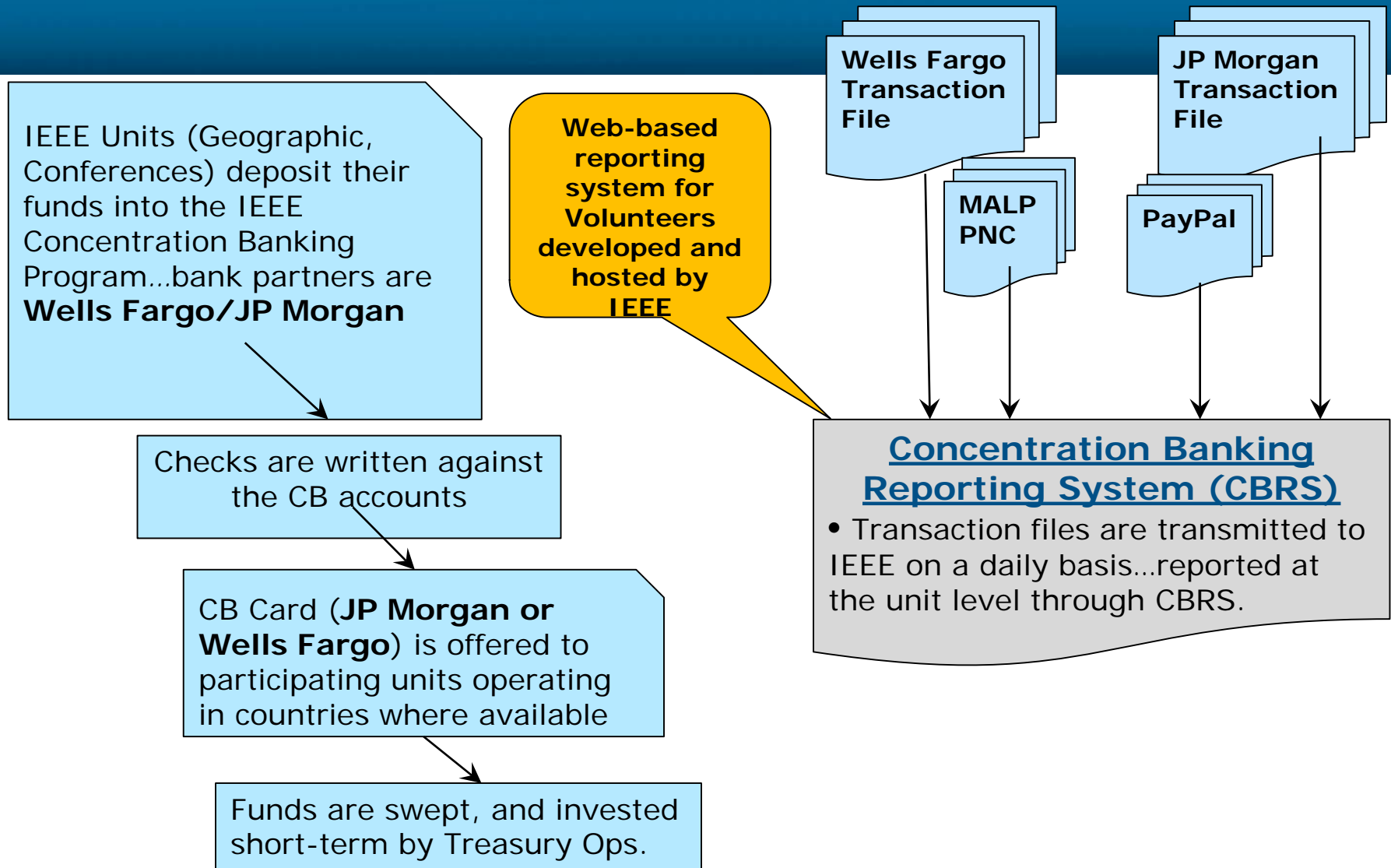
- \$U.S. and \$CAD denominated, Oracle-based business checking account
 - No Checks over \$25K are permitted (wire or A/P)
- Centralized service provider for over 1,000 accounts—IEEE is the Bank!
- CB Card is available to Units with a CB Account
 - Signature cards to be completed
- Web-based credit card processing platform through integration of v.Tools/PayPal, and Merchant Account Lending Program (MALP)
- Web-based reporting through (Reporting System)
- ¹³Interest paid on daily balances

Treasury Operations

IEEE Concentration Banking Program Benefits

- ❖ 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.
- ❖ Staff can assist on all items over \$25K
- ❖ VALUE and BENEFIT: Units are not required to submit bank statements with their annual financial report in NetSuite, as for these accounts, HQ has view access to the statements.

IEEE Concentration Banking Program



IEEE Concentration Banking Program ...participation as of Q4 2016 Region 2



59 CB Accounts
in:
Region 2 and
all Sections,
Chapters



14 Local Non CB
Accounts in:
Sections & Chapters
within Region 2
With 2 Volunteers and
Thomas Lynch (Senior
Director) as signers



0
Non
Compliant
Local
Accounts

Supplemental Information Sample CB Account Bank Statement



**CBRS REPORT FOR IEEE Atlanta Section
For October 2013**

Account: 300300

IEEE Atlanta Section

Project Code: R3005

Currency: USD

ACCOUNT SUMMARY

Opening Balance:	67,097.15
Paypal Gross Activity	3,552.00
Deposits	1,000.00
Interest Paid	14.89
Paypal Fees Activity	(111.56)
IEEE CB Card	(505.02)
Checks Paid	(27,330.94)
IEEE Transfers	(3,388.88)

Closing Balance: 40,327.64

Interest Rate:	.27%
Interest Eamed:	13.56

ACCOUNT DETAIL

<u>Date</u>	<u>Transaction Type</u>	<u>Check Number</u>	<u>Sub Group</u>	<u>Daily Opening Balance</u>	<u>Change</u>	<u>Daily Closing Balance</u>
01-OCT-13	Paypal Activity		Paypal Gross Activity	67,097.15	15.00	67,112.15
01-OCT-13	Paypal Activity		Paypal Fees Activity	67,112.15	(0.63)	67,111.52
01-OCT-13	Paypal Activity		Paypal Gross Activity	67,111.52	23.00	67,134.52
01-OCT-13	Paypal Activity		Paypal Fees Activity	67,134.52	(0.81)	67,133.71
01-OCT-13	Paypal Activity		Paypal Gross Activity	67,133.71	15.00	67,148.71
01-OCT-13	Paypal Activity		Paypal Fees Activity	67,148.71	(0.63)	67,148.08

Created On: 14-NOV-13



Geo 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 Senior Director, Financial Services as an additional / alternate signatory.
- ❖ Exemptions can be filed with MGA where local laws do not allow for IEEE Senior Director to be named on accounts (regions 8-10).
- ❖ 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 Senior Director.
- ❖ Financial Services will forward the card directly to the bank, with copies to the authorized signers.

Signature Card Policy (CB and Local)

- IEEE Policy 11.3.A.3
 - All IEEE Geographic Units and IEEE Conference bank accounts must have the IEEE Senior Director-Financial Services as an authorized signer thereon.
 - Procedures for handling bank account signatures shall be maintained in the FOM.
- IEEE Finance Operations Manual (FOM 3.3 Bank Account Signatures)
 - Senior Director - Financial Services + at least 2 Volunteer signers; 1 Volunteer as the primary signer, and 1 additional Volunteer as an alternate.
 - Signature card administration will be managed through the IEEE Operations Center.
 - IEEE Organizational units are encouraged to use Concentration Banking accounts as their only bank account.
 - Audits are required for all 10 Regions and for those Sections with \$250K or more in revenue or expenses. Additionally, Judgmentally selected Sections are selected by Region below the threshold to gain coverage overall for MGA.
- Also noted in the MGA Operations Manual.

Geographic Organizational Unit (Geo Unit) Budgeting

- Geo Units – Regions, Sections, Subsections, Councils, Chapters, Affinity Groups, Student Branches, Student Chapters, and Student Affinity Groups
- IEEE fiscal year is a calendar year. Staff estimates Geo Budgets based on prior year actuals. IEEE is seeking a 2.5% bottom line in 2018 (revenue – all expenses)
- Prepare and approve the annual budget of the Geo Unit for the following year in the last quarter of the present year (request)
- Evaluate projected revenues from IEEE and outside sources and projected expenses for the Geo Unit
- Provide the Geo Unit budget (Region) to IEEE MGA in the first quarter of the new year. Large Sections if available

Rationale for Geographic Unit reporting?

- ❖ 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
- ❖ Consolidated Financial Statements are prepared with Geo Unit Data and Audits are performed by both IEEE external auditors and IEEE Internal Audit Department

Annual Reporting Process & Timeline

Volunteers have custody as stewards



Key Deliverables:

1. COI/POBC (Conflict of Interest and Principles of Business Conduct)– **31 January**
2. Net Suite Financial Reports – **28 February with Bonus Date in mid February (use CB and Bank Uploads)**
3. Audits required by **30 June for Units noted earlier**

Year End Financial & Compliance Summary Highlights for Region 2

- 100% Compliance with all 37 Geo Units and all 73 Bank Accounts in Region 2 with NetSuite. All sections will receive both the Rebate & Bonus
- Bank Uploads used and all reports were received
- COI / POBC : 62 Submitted and 35 Are Pending. A list was sent to Regional Leadership
- 2016 Audit List per Internal Audit
 - Region 2 (annually)
 - Philadelphia Section (required)
 - Columbus Section (random)
 - Cleveland Section selected but requested a waiver which was granted

Additional Compliance & Control Requirements

- COI / POBC required: Conflict of Interest / Principles of Business Conduct. Submit during reporting cycle. 35 are pending
- 1099 Requirements for IRS / Tax reporting – tax reviews based on name or SS # and combines as needed.
- Bank Account Balance Confirmations – requested by Internal and or External Auditors for independent balance verification (balance sheet)
- Monthly and Year End Bank Statements for Financial Statement validation / verification
- Audit Process (see next slide)

Annual Financial Audit to Protect Volunteers

- ❖ IEEE Policy Section 11 and Financial Operations Manual (FOM) FOM 2.E1&2, require that geographic units conduct local audits on an annual basis – may be audited as part of External Audit as well
- ❖ Units that have \$250K or more in revenue or expense are required to have an Independent Audit conducted for their financial activities.
- ❖ Judgmental Audits are performed as are audits on all 10 Region Offices on an annual basis. Audit rating system implemented.
 - ❖ Satisfactory, Partially, Unsatisfactory (above 6 issues) with a process improvement plan
- ❖ Bank Balances will be confirmed independently by IEEE Audit Firm
- ❖ On Line Financial Reporting used via Net Suite
- ❖ Various Compliance Documents collected from each Geo Unit Leadership Team
- ❖ Audits are also recommended in the case of Leadership Transition or upon request. Internal or approved 3rd Party audit firms allowed

Good Practice: 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 all unit leaders to review account activity.
 - ❖ Emphasizes that more than one person has oversight of the financial records

Good Practice: Review of Geo Unit Expenses

- ❖ Treasurer presents the Section / Chapter check register to the Section Chair and or 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 and Chair are informed & approves unit expenses



Phishing Communication

- ❖ We are aware of phishing attempts targeting IEEE volunteers and especially those in leadership positions, and we have been working with legal and those impacted to address the individual cases.
- ❖ The IEEE email system was not hacked, nor compromised and it is operating as expected. Some individual email accounts have been compromised or email addresses have been spoofed, which have then been used to execute phishing attempts against our volunteers and staff. Attackers research information about organizations (such as IEEE) to understand their leadership structure, gather names and contact information. This information is then used to spoof email addresses and the content of a phishing message to make it more realistic to manipulate the intended victim to get access to money or credentials. Today, hacking email accounts is easy and the "how to" is readily available on the web. Among the most common techniques attackers use to gain access to information are:
 - ❖ The use of malicious links within email or websites that encourage intended victims to provide credential, sensitive of financial information. Leverage the use of malicious software (a.k.a. malware) to gather information from an infected system for fraudulent purposes. This software may be attached to email or may be available at a malicious or compromised website.
 - ❖ Leverage the use of automated password cracking tools to guess end user passwords (especially in cases where people are not using strong passwords).
 - ❖ Since we have seen an increase on the number of phishing attempts, I believe that it is time to proactively increase awareness among our volunteer to reduce potential exposures and reduce risk.
 - ❖ The IT security team developed a security brochure and a set of recommendations that can be used to improve the understanding of IEEE volunteers regarding phishing and to emphasize importance of protecting their credentials (see attachments below). I have been sharing and distributing the tri-fold brochure over the last 9 months at the board meetings and by email to some regional directors but the reach was limited.
 - ❖ I recommend that you forward my email to the volunteers you work with to raise their awareness, and encourage them to reach out to the IT security team (Gil Santiago) if they have questions and or concerns.

Phishing Communication (continued)

- ❖ Brochures for Reference from the IT Security Team

- ❖ Additional Communications



Tips against
Phishing



Phishing
Brochure

Corporate Insurance Program

Types of coverage maintained:

- Property
- Business Automobile Liability
- General Liability Omissions
- Workers' Compensation
- Umbrella & Excess Liability
- Fiduciary Liability
- Global Travel Accident
- Business Crime
- Specialty Errors & Omissions
 - Media Errors &
 - Directors' & Officers' Liability
- Employment Practices Liability
- Difference in Conditions



Corporate and Liability Insurance

- ❖ General Insurance – Certificate Required
 - ❖ Serves as evidence for the 3rd party we are engaged with
 - ❖ Prepared by IEEE Insurance staff – 1-3 day process time
 - ❖ Name, address, event, description etc., will be needed
- ❖ Liability - 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 insured while acting within scope of authorized duties.
- ❖ Contact ieeeinsurance@ieee.org or +1.732.562.5541

Assistance is Available

- ❖ Financial Reporting via NetSuite
 - ❖ <http://www.netsuite.com/portal/home.shtml>

- ❖ IEEE Treasurers' Handbook and Center for Leadership Excellence
 - ❖ <http://www.ieee.org/treasurers>
 - ❖ <http://ieee-elearning.org/outreach/course/view.php?id=82>

- ❖ 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/documents/mga_operations_manual.pdf

Questions and Contacts

QUESTIONS and CONTACTS:

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