



June 10, 2014

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Dr. Alves, Dr. Franklin and Dr. Tarabishy:

In planning and performing our audit of the financial statements of International Council for Small Business (ICSB) as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered ICSB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ICSB's internal control. Accordingly, we do not express an opinion on the effectiveness of ICSB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of ICSB's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in ICSB's internal control to be material weaknesses:

MATERIAL WEAKNESSES:

Account Reconciliation and Adjustment

During our audit, we proposed several adjusting entries to reconcile and adjust the beginning net assets and current year account balances. The net of these adjustments decreased current year net income by \$81,435, total assets by \$113,578, and total liabilities by \$142,562 and increased the beginning net assets by \$116,089. The summary of these adjustments is attached to this letter.

The majority of these adjustments were related to balance sheet accounts, such as cash, accounts receivable, accounts payable, intangible asset and deferred income. We also noted several instances of current year income and expenses incorrectly being posted to balance sheet accounts as well as duplicate entries of income.

Without accurate account reconciliations and adjustments, the financial statements could be misstated. This represents a material weakness in ICSB's control over account reconciliation. Proper account reconciliations should be made in a timely manner throughout the year. We recommend that timely and accurate reconciliations and adjustments are made to the accounting records. The Board may consider engaging an outside CPA firm to assist with account reconciliations.

Segregation of Duties

During our audit, we noted that the Operations Manager receives incoming checks, deposits checks into the bank and also records the receipts into the accounting system. He also initiates and makes bank wires for payments which effectively gives him a check signing authority.

As you are aware, internal control procedures are the checks and balances built into an accounting system to safeguard assets and ensure the accuracy of the reporting of transactions. Optimum internal control requires separation of duties between the authorization, execution and recording of transactions. In ICSB, as in any organization with a small staff and a high concentration of duties performed by a few employees, it is often necessary for a few persons to perform many functions within the accounting and financial reporting systems. Thus, the capability of ICSB to achieve complete separation of duties is limited.

Without complete separation of duties, reporting errors or defalcations may occur and not be detected in the normal course of carrying out and recording transactions. We understand that the Executive Director monitors bank activities regularly. This is an important review procedure and should be continued. We also recommend that the Board continue to maintain an awareness of the limitations of the ICSB's system of internal controls and continue to act in an oversight capacity.

Financial Reporting

ICSB's financial reporting system does not include the preparation of the balance sheet, statement of cash flows and notes to the financial statements required by generally accepted accounting principles. ICSB currently prepares the income statement with comparison to the budget in an Excel file outside of the accounting system to be used for management information and Board oversight. These internal statements do not necessarily contain all elements required by generally accepted accounting principles. Without them, users of the internal financial statements may not be informed regarding the organization's cash flows, commitments, contingent liabilities and other matters. Under auditing standards, when management asks the auditors to prepare the statement of cash flows and notes to the financial statements, it is considered to indicate a material weakness in the organization's ability to present full financial statements in accordance with generally accepted accounting principles on its own.

We recommend that management and the Board discuss this aspect of the ICSB's financial reporting system and reach an agreement as to what measures are available to expand current reporting. We are pleased to continue preparing the statement of cash flows and notes to the financial statements for your approval, from the information you provide, if you wish to continue asking us to do so.

OTHER

Form 1099-MISC

During our audit, we noted that a form 1099-MISC was not issued for payments made to a student intern for her personal services. Companies including nonprofit organizations that make payments of miscellaneous income to individuals must give the payee Form 1099-MISC by the end of February of the year following the tax year in which the income was paid. If the organization fails to do so, the penalty against the organization varies from \$30 to \$100 per form depending on how long past the deadline the organization issues the form. If an organization intentionally disregards the requirement to provide a correct payee statement, it is subject to a minimum penalty of \$250 per statement. We recommend that ICSB carefully review all payments at year end to determine 1099s requirement.

Previous Year Form 990

As we described above, we proposed several material adjustments to prior year balances. The prior year form 990 was inaccurately prepared, and due to proposed audit adjustments, the return should be amended. As you are aware, the Board has responsibility to review and approve the organization's form 990 and the return should be prepared with the reconciled and adjusted financial information. Form 990 should be prepared after an annual audit is complete or proper account reconciliations have been performed. We strongly recommend that form 990 for FY 13 be amended as soon as possible.

This communication is intended solely for the information and use of management the Board of Directors, and others within ICSB, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in blue ink, appearing to read "Helen Lee".

Helen Lee, CPA
Renner and Company, CPA, P.C.