



June 4, 2015

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A PROFESSIONAL CORPORATION

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Dr. Ascuá, 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, 2015, 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 \$78,714 and increased the beginning net assets by \$157,337. The summary of these adjustments affecting net income is attached to this letter.

We noted that prior year audit adjustments were properly posted in ICSB's QuickBooks. We also noted several instances of income and expenses were not posted in the right period. In addition, we noted that prior year ending account balances had been changed.

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

As we reported last year, 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 monitor 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.

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. As we reported last year, 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.

Financial Reporting

ICSB's financial reporting system does not include the preparation of the statement of cash flows and notes to the financial statements required by generally accepted accounting principles. The current internal statements used for management information and board oversight 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. As we reported last year, 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.

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,

Renner and Company, CPA, P.C.

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

Helen Lee, CPA

International Council for Small Business
Summary of Proposed Adjusting Entries
Affecting Change in Net Assets
March 31, 2015

UNADJUSTED CHANGE IN NET ASSETS - NET INCOME	<u>\$ 27,407</u>
PROPOSED ADJUSTING ENTRIES DURING AUDIT	
To adjust begininng net assets	20,782
To recognize prior year prepaid expenses in current year	(2,444)
To defer 2015 expenses	3,250
To record additional special project expenses	(5,000)
To recognize JBSM deferred income	30,952
To record additional GW expenses	(75,035)
To defer 2015 annual conference income	(33,500)
To recognize additional income incorrectly posted	3,280
To record additional allowance for doubtful accounts	(20,000)
To reclassify exepnditure made from temp restricted fund	<u>(1,000)</u>
NET ADJUSTMENTS	<u>(78,714)</u>
ADJUSTED CHANGE IN NET ASSETS - NET LOSS PER AUDITED FINANCIAL STATEMENTS	<u><u>\$ (51,307)</u></u>