



May 19, 2011

AS REVISED BY THE BOARD OF DIRECTORS ON MAY 29, 2011

CITE EXECUTIVE COMMITTEE RESPONSE TO THE FINANCIAL REVIEW COMMITTEE REPORT ENTITLED "REVIEW OF THE CANADIAN INSTITUTE OF TRANSPORTATION ENGINEERS FINANCIAL STATEMENTS", DATED APRIL 21, 2011

This report summarizes the Executive Committee response to the above-captioned report of the Financial Review Committee (FRC). This response, which was approved by the CITE Board of Directors for release on May 19, 2011 and ratified at its meeting on May 29, 2011, is structured in three parts:

1. Replies to the four specific issues raised by the FRC in its report.
2. Comments on the seven recommendations made by the FRC, all of which we agree in principle with, and what we have done and propose to do in response.
3. Rebuttal to a statement contained in the report that we feel could leave the membership with the wrong impression of the Executive Committee's role and actions in this matter.

Response to Specific Issues

1. Excessive Outstanding Accounts Receivable (A/R)

Over the past year, we have taken several steps to address the outstanding A/R situation, including:

- *Revising the process for administering job posting requests.* Previously, the Career Store Coordinator (Dave Twaddle) issued the invoices and received the payments, but would only remit the funds collected on an intermittent basis. He was also not tasked with pursuing delinquent payments. Upon discovery that Dave was not responsible for this activity, the current Secretary-Treasurer asked that all cheques be routed directly to CITE, and identified and pursued outstanding A/R. We have further improved the situation with the introduction of the on-line CITE Career Store. This has eliminated the need to invoice for job postings and ensures that fees are paid before services are rendered.
- *Instituting the on-line registration system for the Annual Conference.* With the District taking a more active role in conference delivery, specifically in financial matters, we

have better control over the timing and collection of revenue. Previously, the Local Arrangements Committee (LAC) for the conference had responsibility for this task and in some case would take quite some time to remit net revenue (in excess of expenses) and return seed money.

- *Assigning the task of issuing invoices for Transportation Talk advertisements to the Communication Coordinator / Newsletter Editor (Sandy Rempel).* This step has improved the collection and timeliness of receivables, as the Newsletter Editor has been actively pursuing outstanding payments and will not publish future ads if funds are outstanding.
- *Closing the CITE Bookstore.* This action has alleviated the need for invoicing.
- *Reissuing outstanding invoices.* The CITE Secretary-Treasurer is reissuing invoices for outstanding collectables from the 2007 to 2009 period, with an explanation that payment has never been received from the individual or firm.

At year-end 2011, we will reassess the outstanding A/R situation and make a recommendation to the Board on whether to write off any remaining amounts to more accurately reflect the financial worth of the organization.

2. Outstanding Conference Seed Money

According to the FRC report, a total of \$51,000 in conference seed money had been issued at year end 2009, with \$47,000 of this amount attributed to the 2009 CITE Annual Conference that was held in Montreal. We can report that the LAC has returned \$44,165.76 of the seed money, resulting in a net loss of \$2,834.24 for the conference.

We note that it has been common practice for LACs to return seed money in the year(s) subsequent to the conference. This issue has been addressed with the District now taking a more active role in conference delivery, thus negating the need to issue the local Sections seed money.

3. Refund of Federal Goods and Services Tax (GST) Payments

Our GST submissions in 2007 and 2008 were based on information provided by the previous bookkeeper. If CITE is due a refund, we will submit revised claims to secure this outstanding amount.

4. Outstanding TD Chequing Overdraft Amount

In February 2008, CITE transferred its banking from TD Canada Trust to Scotiabank. At the time, it was decided that the old account would be maintained for a period of time to allow outstanding cheques to clear. Once all outstanding payments were made, a cheque was written on July 14, 2008 to transfer the remaining funds to the new Scotiabank account, as noted in the FRC report. The current CITE President, who was responsible for closing the

TD Canada Trust account, sent a letter to the bank requesting closure, but was advised that all signatories on the account had to sign in person, which protracted the process for a further four months. The CITE President paid the resulting overdraft amount from his own funds to rectify the situation.

Response to FRC Recommendations

FRC Recommendation	Executive Committee Response
<i>That CITE prepare a policy document for review and approval by the membership that clearly spells out the financial procedures and policies of the Canadian District.</i>	Agreed. The current Executive Guidelines will serve as the basis for the update. A Financial Management Policies Review Committee has been struck to complete the update by November 2011.
<i>That CITE retain Ms. Janeen Wetzstein of Dynamic Bookkeeping to serve as the new bookkeeper for the organization.</i>	Agreed, in principle. Dynamic Bookkeeping has been engaged to prepare the 2010 financial statements. We will revisit this situation annually to ensure it remains the best approach for the organization, given past experience.
<i>That the bookkeeper use a recognized financial accounting package to maintain the books, preferably QuickBooks.</i>	Agreed, in principle. To a certain degree this will depend on the bookkeeper and evolution of the software, which we have no control over. Notwithstanding, we will request the use of QuickBooks henceforth.
<i>That the bookkeeper prepare interim financial statements every four months for review by the CITE Executive Committee.</i>	Agreed, in principle. Initially, reporting will occur on a quarterly basis, beginning with Quarter 3 of 2011. We will revisit the reporting interval periodically to ensure it remains the best approach for the organization.
<i>That the year-end financial statements be reviewed by an external accountant.</i>	Agreed. At present, the Executive Guidelines state that the financial statements are to be reviewed by a member in good standing. An amendment to the guidelines, or possibly the District By-laws, will be required to implement this recommendation. It is noted that this provision will have financial implications for the organization, as funds for such review have not been budgeted in the past. However, the amount is not anticipated to be significant and has been budgeted for 2012 to finance this expenditure.

FRC Recommendation	Executive Committee Response
<p><i>That CITE's year-end financial statements be sent to the membership a minimum of thirty (30) days prior to the annual meeting.</i></p>	<p>Agreed, qualified. This provision is set out in the Executive Guidelines, but not in the District By-laws. Section 4.02(c) of the by-laws state that the Secretary-Treasurer "shall prepare and present a financial statement to the Executive Committee by April 1 for the preceding year and shall present a report to the District Annual Meeting". The by-laws will be amended to enshrine this requirement.</p> <p>We note that the past practice of distributing the financial statement 30 days prior to the Annual General Meeting (AGM) has not been observed since 2005. Due to other client commitments, the previous bookkeeper was unable to produce the financial statements at the required time to allow distribution in advance of the AGM. We hope this situation will be rectified with the new bookkeeper.</p>
<p><i>That CITE undertake a review of the roles and responsibilities of each of the Executive Committee members.</i></p>	<p>Agreed. Given the recent changes in the District's financial administration processes, including the introduction of the on-line payment system, hiring of a new bookkeeper, appointment of a new Secretary-Treasurer and update of the financial management policies, the current roles and responsibilities will be maintained at this time. A. Vandertol has agreed to assist the new Secretary-Treasurer and bookkeeper during the period of transition and to ensure the recommendations of the FRC are appropriately implemented. Mr. Vanderol will report back to the Executive Committee before the end of 2011 as to whether changes to the roles and responsibilities are still required.</p> <p>The Executive Committee will also explore the merit of hiring a Financial Administrator by January 1, 2012. Duties, responsibilities, compensation and candidate availability will be assessed during this period.</p>

Response to Specific Statement

We wish to comment on the following statement in the FRC report:

*“The accountant's reaction, based on a quick overview of the financial statements, was that CITE has a significant problem on their hands. He agreed with the FRC suggestion that, **assuming nothing nefarious has taken place** (emphasis added), CITE should draw a ‘line in the sand’ and go forward from that point.” (p. 2)*

We note emphatically that the FRC did not identify any nefarious activity in its detailed review of the financial records. As well, the manner in which the organization carried out financial business would make it difficult to engage in such behaviour, since:

- Funds could only be withdrawn from the CITE bank account by cheque signed by two Executive Committee members;
- The District processed virtually no cash; and
- All payments received prior to this year were made by cheque payable to CITE.

The recent introduction of on-line payment for most of CITE's activities has only helped to further reinforce this situation.