

REPORT OF THE COMMITTEE ON AUDIT REVIEW
TO THE
BOARD OF DIRECTORS

Members of the Board of Directors serving on the 2004-2005 Audit Review Committee are listed below:

Dr. John (Jack) Sommer, Chairman
Dr. Millicent Goldschmidt
Dr. William Little

The Committee met on Monday, September 26, 2005 to review the Sigma Xi Financial Statements and the Auditors' Report for fiscal year 2005. Joining the Committee in the meeting were Dr. Patrick Sculley, Executive Director, Dr. Evan Ferguson, Deputy Executive Director and Ms. Jasmine Shah (Director of Budget & Finance) representing Sigma Xi management and Mr. Walter Davenport (Partner), Ms. Susan Miller (Senior Manager) and Mr. Jonathan Kraftchick (Senior Manager) of the auditing firm of Cherry, Bekaert and Holland, L.L.P. Copies of the financial statements and associated documents were sent to all participants for their review prior to the meeting.

Committee members asked for clarification of some entries in the financial statements. Dr. Sculley, Ms. Shah and the auditors satisfactorily answered all questions that were raised. The Committee had subsequent closed sessions with the auditors and with management of Sigma Xi.

A management letter with following recommendation was issued by the auditors:

1. Data Security – It was recommended that the VNC software either be removed from the Director of Budget and Finance's computer or password protected. The password protection would require the Director of Budget and Finance to initiate the use of the VNC on her computer, enabling her to know when it is active and to not have confidential information accessed at that time.

The management has since removed the VNC software from the entire Budget and Finance department staff. The password of the Budget and Finance staff has also been changed and only five staff members have access to the passwords.

2. Journal Entry and Bank Reconciliation Review

- It was recommended that all journal entries and bank reconciliations have an independent second person review.

The Committee was informed that Dr. Patrick Sculley, the Executive Director will sign off on all journal entries and bank reconciliations from now on and the Accounting Assistant will post it to the accounting system.

In addition to the above recommendation, several other recommendations were made to the Audit Review Committee members that will be taken into consideration. Audit Review Committee members also made some suggestions to the management.

The Committee members unanimously agreed to accept the recommendation made by the auditors.

The Committee was pleased to receive an unqualified opinion on the financial statements from the Auditors. The auditors reported that there were no material errors or irregularities and no material weaknesses in the accounting or financial activities of the Society. The high level of openness, availability and cooperation of the Society's financial managers with the auditors was noted. The Auditors also assured the Committee that there were no significant adjustments or reclassifications recorded or significant changes in accounting policies.

In sum, the Auditors offered the opinion that: "... the financial statements referred to above present fairly, in all material respects, the financial position of Sigma Xi, The Scientific Research Society, Incorporated as of June 30, 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America." The Committee on Audit Review unanimously accepted this judgment by the Auditors.

Respectfully submitted,
John (Jack) Sommer, Chairman
Committee on Audit Review