Last year was one of transitions for financial oversight at the APS. In the middle of the year, the APS’s auditor, Price Waterhouse Coopers (PWC), declined to perform the 2006 audit, citing their gradual exiting of the business in mid-size not-for-profits. This was not an unwelcome event since the audit committee commented on the suitability of PWC as APS’s auditor in last years’ report. The Committee had suggested, however, that such a change should be deferred until the successor to Treasurer Tom McIlrath was named, but Joe Serene’s steady hand has made fears of instability unfounded. In November, the Committee interviewed three firms vying for the APS account, and BDO Seidman LLP was chosen. On March 27, 2007 the audit committee reviewed BDO’s 2006 audit and the APS’s Business Continuity Plan (BCP). The committee was favorably impressed with the seamless continuity of financial oversight which is a credit to Michael Stephens and his staff.

Present at the March 27, 2007 meeting at APS’s Washington offices were the full Audit Committee (see above), Joe Serene (APS), Michael Stephens (APS), and Bill Eisig and Laurie Rocha of BDO Seidman. The meeting consisted of several closed sessions: BDO/Audit/APS, BDO/Audit, Audit/APS, and Audit executive session. The Committee also heard reports from Tracy Alinger at APS in Greenbelt and Mark Doyle at APS in Ridge reporting on the Business Continuity Plan in case of a disaster at either location.

BDO provided the Committee with an Audit of APS financial statements; an Audit of the Schedule of Expenditures of Federal awards in accordance with OMB circular A-133; and a Report to Management and a presentation to the Committee. The audit was completed with procedures and scope generally consistent with planned audit strategy and an unqualified opinion was issued, dated March 20, 2007. Unadjusted differences were insignificant. **No material weaknesses in the internal control system noted during the course of our audit.** Internal control observations and recommendations to assure more timely and accurate recognition of revenues were discussed with management. Management replies were made available to the Committee and prophylactic measures to address the issues were considered more than adequate.

The BCP for journal operations and headquarters groups was reviewed. The Committee was pleased with the thoroughness of the publication plan, which anticipates virtually uninterrupted mirroring of all publication activities in a few sites around the country. However, the Committee questioned whether or not the mirroring of Ridge publication continuity capability should be extended to the ACP offices in Greenbelt. In the case of a disaster at Ridge, the physical office reconstitution in Greenbelt would augment the already-developed cyber-office mirroring. Ridge and Greenbelt representatives will look into the logistics of this issue.

The above BCP illustrates a possible weakness in the financial oversight systems of the APS stemming from the existence of two distinct IT groups located in Ridge and Greenbelt. It is understood that, in addition, there exist two IT groups at Greenbelt itself, one dedicated to the APS, and another servicing the ACP’s tenants more generally. It is suggested that the
Treasurer’s office study possible efficiency and security outcomes of merging the APS-dedicated groups.

In the course of the meeting, an issue arose regarding the health of the journals, which of course impacts the financial health of the APS. It is believed by many that the value of the journals ultimately derives from the refereeing process, which is performed at no cost by APS members in service to our society. Any legislation that interferes with this compact might adversely impact the financial health of the APS. At issue is the current Cornyn/Lieberman bill to require open access to all federally-funded research, an issue that comes from the direction of biomedical research. Joe Serene commented that the APS already complies with the goals of the bill by allowing published articles to be posted on publicly-accessed web-sites. A consequence of the bill, however, could be a requirement of posting of work prior to refereeing. In order to comment on the efficacies of such legislation, the Audit Committee believes it is imperative that the APS measure the importance of refereeing. As a start, the APS could initiate a benchmarking study among the different subgroups at APS in order to assess the real value of refereeing prior to public posting. In addition, we note that that two thirds of APS and AIP journal articles originate from overseas. It might be a mistake for our government to compromise U.S.-originated research, by subjecting it to a standard that weakens its intellectual impact. It is felt that the APS should assume a leadership role in this issue, both for the health of our society as well as the economic health of our nation.

Overall the Committee was pleased with BDO’s performance, as well as that of the APS financial team. In particular, BDO seems to understand the special relationship between APS and AIP. Finally, the interactions between BDO, APS, and the Committee were effective.