

AUDIT PROCEDURES

Units should conduct audits annually; at the conclusion of their year-end or at a minimum with a change of treasury. It is suggested to have two parties assigned to the task.

An audit is a formal examination of the financial books and records of the financial officers of the unit. It serves to certify that receipts and expenditures, as authorized in the minutes, are in conformity with Bylaws, Standing Rules, and budget limitations.

Purpose of an Audit

An audit determines the accuracy of the books, detects inconsistencies or errors, provides recommendations for corrective action, protects the financial officers, verifies that funds were sent through channels as appropriate, and assures the membership that the unit's resources were managed in a businesslike manner within the regulations established for their use.

The person(s) conducting the audit should always be impartial and not be related by blood or marriage nor reside in the same household as the president or other financial officers or any chairmen handling funds.

The auditor(s) are often members of the unit, but is never the one authorized to sign checks. It is permissible to hire a professional to conduct the audit at the unit's cost.

The auditor may be an elected officer, appointed individual or committee, or a professional hired by the unit in accordance with the procedures listed in the Bylaws or a vote enacting such. The president, treasurer, financial secretary, secretary, or committee chairmen handling funds may not audit the finances but can be called upon as necessary when questions arise.

Auditor(s) Duties

Audit the books and financial records of the unit annually.

Prepare a report.

Prepare and present written reports to the executive board in the months stipulated in the bylaws or as requested.

Preparation for an Audit

Collect all financial books, records and reports from the treasurer, including:

- A copy of the last audit report(s);
- Current bylaws and standing rules;

- Originals of checkbook register;
- Originals of bank statements, bank book and deposit slips;
- Cash receipts;
- Authorizations (check/deposit requests for payment);
- Itemized statements and receipts of bills paid;
- Monthly Treasurer's Reports;
- Original treasurer's books/ledgers as necessary;
- Annual Financial Report or a budget
- Copies of board, executive committee and association minutes, which would include an adopted budget, any amendments that were approved during the year, approval of expenditures, and ratification of payments;
- Any other information requested by the auditor;

Audit Procedure

The audit is done via a random sampling of items. Audit each account separately if there are multiples (ie checking and savings). Check off items in red ink if they are reviewed. At the conclusion of the audit, sign and date, "Audited by (name) on (date)." The auditor ensures that the unit's financial records are accurate.

- Check to be sure all financial materials requested are available, check book, register, laptop etc.
- Include bank name, bank address, type of account and the account number on each report..
- Start audit with records posted after the last audit or beginning of fiscal year. Insure a starting balance is recorded.
- Confirm a reconciliation of each month.
- Check that all bank charges earned are recorded in the checkbook register.
- Ensure that checks and authorizations are signed by two approved officers if required by your unit.
- Choosing of sampling, between 5-10 deposits, ensuring money was deposited accurately.
- Ensure a returned check is treated as reverse income and reimbursed bank charges are treated as reverse expenses.

- Ensure checks are written in chronological order if referring to paper copies. Insure no missing checks are noted via electronic copies.
- Choosing a sampling, between 5-10 checks, insuring a check request is provided for the check written if applicable.
- Choosing a sampling, between 5-10 checks, insuring taxes have not been paid to the requestor.
- Ensure payment for insurance premium(s) if applicable.
- Ensure proper tax returns have been filed, as necessary.
- Ensure monthly meetings have transpired with minutes recorded denoting voting approval of alteration to budgets as per the guidelines set forth by the unit.
- Prepare copies of written report, including recommendations, for president, secretary and, financial officers. When called upon, read only the statement "The auditing committee has/I have examined the records of the 20__/_ year and find them to be correct, OR more adequate accounting procedures are needed so that a more thorough audit report can be given, OR the books to be incorrect.

If unanswered questions are raised by the membership, the president should state that a committee has been appointed to look into any problem, and that those members will report back to the unit at the next meeting. The audit report is adopted by the unit with a motion.

AUDIT REPORT CHECKLIST

- Prepare written report with lines items stating what was checked
- Report should include bank name and address, type of account, account number, beginning balance (ending balance from last audit), a total of all expenditures, all deposits, outstanding checks, outstanding deposits, and an ending balance for that fiscal year.