

Conducting an Audit:

Review of Chapter Financial Records



Why Conduct An Audit:

- ❖ The audit of a Chapter's accounting records must be held annually at a minimum (a chapter could elect to do it more often).
- ❖ There are certain steps you can take to prepare for an audit.
- ❖ First of all...take a deep breath...an audit is not a reflection on the competence or integrity of the Chapter Treasurer. Rather it is a routine procedure designed to protect both the members and your nonprofit status.



Why Conduct An Audit:

- ❖ Second...you need to know what your audit should accomplish.
- ❖ An audit should:
 - Independently verify the reports of the treasurer(s);
 - Follow the funds and see if proper steps are being taken in handling them;
 - Document that donated funds have been used as stipulated by the donors.



Why Conduct An Audit:

- ❖ Third...in addition to tracking the cash through the system, an auditor typically will evaluate:
 - Accounting controls (systems that reduce the possibility of loss or errors);
 - Segregation of duties (assurances that more than one person is involved in critical steps in handling money so that there can be checks and balances);
 - Reasonableness of systems and procedures in the light of all factors, including the size of the chapter and its budget;
 - Adequacy of insurance coverage;
 - Records that show donors' stipulations for the use of contributions made to your organization.



Why Conduct An Audit:

- ❖ Now that you know what your audit should accomplish...let's look at what kind of information the auditors are going to need to conduct the audit. There are certain documents and their supporting documentation that need to be available. They are:
 - Check Register
 - Expense Reimbursements/Invoices
 - Deposit Slips
 - General Ledger or Summary of Accounts
 - Bank Statements
 - Petty Cash Fund (if used) (**STRONGLY** recommended to not have)
 - Budget



Audit Procedures:

- ❖ The Audit Committee shall be composed of at least 2 members (it is better to have 3 members) appointed by the outgoing Chapter President.
- ❖ The outgoing President and Treasurer are not a member of the audit committee since it's their books being audited. They should be available to answer any questions.
- ❖ The outgoing Treasurer is responsible for bringing the following items to be audited:
 - All bookkeeping records including check register, invoices and reimbursement vouchers, deposit details, monthly detail general ledgers or detail spreadsheets and summary of accounts.
 - Reconciled bank statements
 - Budget vs. actual report
 - If there is a petty cash fund, it should also be brought to the audit (**STRONGLY** recommended to not have).



Audit Procedures:

The Audit Committee will perform the following steps:

1. Using the check register, two checks for each month will be chosen at random.
 - a. The copy of the canceled check will be traced to the bank statement and the payee and amount will be verified against the Check Register.
 - b. Verify that the payee and endorsement are consistent.
 - c. Review the invoice or reimbursement voucher supporting the payment, verify the payee, assure that all appropriate receipts are attached and that the item is marked paid with the correct check number.
 - d. Verify that the check has been properly expensed in the general ledger or summary of accounts.



Audit Procedures:

2. Using the General Ledger or summary of accounts, two cash/check/ACH receipts for each month will be chosen at random.
 - a. The deposit detail will be reviewed for the correct amount and compared to the bank statement.
 - b. Verify that the voucher is appropriately detailed.
 - c. Verify that the income has been properly recorded in the general ledger or summary of accounts.
3. Two bank statements will be chosen at random.
 - a. The reconciliation will be reviewed for accuracy, assuring that all checks shown as outstanding have not cleared on that month's statement and that any deposits shown in transit promptly appear on the following month's statement.



Audit Procedures:

4. Count Petty Cash Fund, if used (**STRONGLY** recommended to not have).
 - a. The petty cash fund should be counted, and any discrepancies reported. It should then be given to the next guardian (Treasurer) of the fund recording the dollar amount given.

The most up-to-date budget should also be reviewed for any overage or shortage in either income or expense.

At the request of Audit Committee Members, the Treasurer will provide detailed information about the contents of any such overage/shortage from supporting vouchers or other such detail as may be contained in the records.



Audit Procedures:

WHEN THIS COMMITTEE HAS FINISHED AUDITING, a written statement should be prepared and sent to the Chapter President with a copy retained in the Treasurer's files. It might say, "The Audit Committee has studied the Chapter records for fiscal year _____ and found them to be in good order." You might then make whatever recommendations necessary for the future of the chapter. In addition, an oral report on the findings of the Audit Committee shall be given at the next board meeting following the audit so it appears in the board minutes.





Audit Procedures:

- ❖ The audit should be conducted within 30 days after the close of the NAWIC year and before the financial records transfer to the next treasurer.
- ❖ It's also a great time to file the appropriate 990 which is due before February 15th of the year following.
 - Refer to page 14 of the Chapter Treasurer's handbook for instructions to file the 990.
 - Once the 990 has been filed, keep a copy of the filing receipt with the Chapter records.





Audit Procedures:

- ❖ **Remember...**the purpose of audit procedures is to ensure that the chapter's system of internal controls is operating as intended. Also remember... conducting an audit is not a symbol of distrust...it is a mark of responsibility.
- ❖ For more information refer to the Chapter Treasurer's handbook located on the National website.
 - [Treasurer Handbook](#)



Questions: Contact treasurer@nawic.org



"Did you get any feedback on that audit report?"

