

Steps for Completing an Audit

Step 1: Audit Prep Checklist

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

Collected	Item
	A copy of the last audit report;
	Current bylaws and standing rules;
	Originals of checkbook register and canceled checks (including voided checks);
	Originals of bank statements, bank book and deposit slip;
	Cash receipts;
	Authorizations for payment;
	Itemized statements and receipts of bills paid;
	Monthly Treasurer's Reports;
	Original treasurer's books/ledgers;
	Annual Financial Report;
	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;
	Committee reports from chairmen (e.g., fundraising, membership, etc.);
	Any other information requested by the auditor;
	Copy of AFFILIATE- required Workers' Compensation annual Payroll Report form;
	Copies of all required state and federal report forms if AFFILIATE hires employee(s);
	Copies of all required federal report forms if AFFILIATE hires independent

	contractor(s);
	Copies of the most recently filed IRS Form 990, if required;
	Affiliates must also include copies of the State Form 199 and RRF-1.

Step 2: Performing the audit checklist

Audit each account separately. Check off items in red ink as they are reviewed. Do not correct errors. Ask the responsible financial officer to correct errors after presenting the report. After errors have been corrected, and the auditor is satisfied that the financial accounts are correct, draw a double line across the ledger and checkbook register where the audit concludes and sign and date using red ink, "Audited by (name) on (date)."

The auditor ensures that the association's financial records are accurate:

Complete	Task
	Check to be sure all financial materials requested are available.
	If the AFFILIATE has more than one account, audit each account separately.
	Include bank name, bank address, type of account and the account number on each report.
	Check off items in red ink as reviewed. Make sure additions/subtractions are correct in all instances.
	Do not correct errors. Make notes as to how to correct errors and include in the report.
	Start audit with records posted after the last audit. Check to see if the amount shown on the first bank statement (adjusted for outstanding checks and deposits) corresponds to the starting balance recorded in the checkbook register, ledger, and treasurer report, and the ending balance

	<p>of the last audit.</p> <p>Check to see that the ending balance of the last bank statement, checkbook register, ledger and treasurer report agree.</p>
	<p>Confirm reconciliation of each month's bank statement to the checkbook register by someone other than the treasurer. Make sure every check is substantiated with an authorization for payment with reason for disbursement, appropriate payee and a receipt or bill. If no authorization can be found, verify it was a transfer payment, such as council dues. Note missing checks. (Void checks are filed.)</p>
	<p>Check that all bank charges and interest earned are recorded in the checkbook register, ledger and treasurer reports.</p>
	<p>Ensure that checks (see bylaws) and authorizations are signed by approved officers.</p>
	<p>Reconcile each deposit slip with bank statement and checkbook entries. Ensure money was deposited promptly.</p>
	<p>Ensure collection process is in place for returned checks that includes reimbursement of applicable bank charges. A returned check is treated as reverse income and reimbursed bank charges are treated as reverse expenses.</p>
	<p>Reconcile checkbook register to the ledger. Check each month's ledger entries for error, and cross-check against checks issued and receipts posted. Cross-reference checkbook register with checks issued.</p>
	<p>Verify that all income and expenditures are allocated into the same categories that constitute the approved budget.</p>
	<p>Make certain that the number of memberships agrees with membership</p>

	chairman’s report, and verify that membership monies collected correspond to membership monies forwarded.
	Ensure payment for insurance premiums.
	Make certain the money collected for a specific purpose (special projects, Founders Day, scholarship funds, council dues, etc.) has been so disbursed.
	Check association and executive board minutes to see if expenditures were authorized. No motion is required for payment of transfer funds – per capita, Founders Day freewill offering, and insurance premiums.
	Check event reports to verify receipts and expenditures.
	Check all cash receipt slips issued, and verify proper entry in ledger.
	Ensure that Cash Verification Form (Forms 389) is being used and two people are counting money.
	If an advance has been given, ensure that advance amount matches the approved expense.
	Compare figures on monthly treasurer and annual financial reports against ledger for accuracy.
	Ensure proper tax returns have been filed, if necessary.
	<p>Prepare copies of written report, including recommendations, to the Foundation. When called upon, read only the statement “The auditing committee has/I have examined the records of the treasurer of _____ AFFILIATE and find</p> <ul style="list-style-type: none"> - them to be correct, or - them to be substantially correct with the following recommendations, or - more adequate accounting procedures are needed so

	<p>that a more thorough audit report can be given, or</p> <ul style="list-style-type: none"> - them to be incorrect.
	<p>Verify that the AFFILIATE-required Workers' Compensation Annual Payroll Report form has been filed.</p>
	<p>Verify that all required state and federal report forms have been filed if AFFILIATE hires employee(s) or independent contractor(s).</p>
	<p>Verify that all tax forms have been filed, if required.</p>
	<p>Verify that the AFFILIATE has filed the required State Forms 199 and RRF-1. Each committee member must sign the report. If questions are raised by the membership, the president should state that a committee has been appointed to look into any problem, and that the members will report back to the association at the next meeting. The audit report is adopted by the association with the motion "I move that the audit report be adopted."</p>
	<p>Ask the responsible financial officer to correct errors after presenting the report.</p>
	<p>After any errors have been corrected and all are satisfied that the financial accounts are correct, draw a double line across the ledger and checkbook register where the audit concludes and sign and date using red ink "Examined by (name) on (date)."</p>

Step 3: Preparing the audit report

Prepare a written report to include the following:

Included	Content
	Report should include bank name and address ,type of account, account number, EIN, beginning balance (ending balance from last audit), a total of all expenditures, all deposits, outstanding checks, outstanding deposits, and an ending balance (Audit Report Form , Forms 385) .
	Include a statement at the bottom of the report to be read upon presentation of the report, "The audit committee has/I have examined the records of the treasurer of ____ AFFILIATE and find - them to be correct, or - them to be substantially correct with the following recommendations, or – more adequate accounting procedures are needed so that a more thorough audit report can be given, or – them to be incorrect." Each member of the committee or the auditor should sign the report.
	Attach any recommendations to the report. List errors in arithmetic or posting. List unpaid bills and payments authorized, but not paid.
	Present the audit report with recommendations to the executive board, and attach the report to the executive board minutes.
	Present the audit report to the association, and read the statement given on the report (from the form).
	Formally adopt the audit report with a motion: "I move that the audit report be adopted," and record the action in the association minutes. Any AFFILIATE member may make a motion to adopt the audit report.
	Attach a signed copy of the audit report to the association minutes.
	Forward copies of adopted audit to the next level AFFILIATE. If there are questions raised by the membership, the president should appoint a committee to look into the problems and report back to the association at the next meeting (Mismanagement of Funds/Embezzlement 5.4.7, 230).

If assistance is needed, contact the council or district AFFILIATE. At any time during the process, the California State AFFILIATE also may be contacted for information and assistance.

For more information on audit procedures, see National AFFILIATE *Annual Resources for Affiliates*, Money Matters.