BACKGROUND:
This guide is meant to supplement the “Instructions for Internal Audit of Chapter/State Financial Statements” document TG-1008, revised December 2005 issued by the NSDAR, which can be found at this site:

http://www.dar.org/darnet/forms/TG-1008.PDF.

From this, it is noted that “Each Chapter/State’s Bylaws may detail the type of audit required.” At this time, the Iowa Society does not require internal audits, but are strongly recommended. As such, these guides were created to assist Chapters to organize, target risk areas and in general provide a structure for the audit based on their individual financial structure to ensure their audit is as efficient and effective as possible. Chapters can choose which audit steps to complete, based on what they feel is necessary and/or applies. For the most thorough review, each step should be completed.

A Chapter may choose the timing of the audit, but aligning it with the fiscal year of the Chapter may be simplest. In this way, the Audit Committee can lend credibility to financial statements and/or reports released to the State attesting to their accuracy.

Please note: Audit Committees may not include the Chapter’s Treasurer. The Treasurer should be present during the audit to answer any questions, and present any documentation requested, but the Treasurer should not be party to the audit sign-off.

WHAT TO KNOW BEFORE THE AUDIT:
Each Committee Member and Chapter Treasurer should be familiar with the “Guide for Chapter Treasurers and Chapter Registrars” which can be found at this site: http://www.dar.org/darnet/forms/OSG-2000.PDF.

In addition, the Chapter’s bylaws should be reviewed to become familiar with any duties, specific to the Chapter, not outlined in the above NSDAR document.

WHAT TO BRING: COMMITTEE MEMBERS
Each Committee member should bring along a few writing utensils, a calculator and a positive frame of mind. This is not an inquisition. This is simply due diligence performed to ensure the records are free from error. If impropriety is suspected, the internal audit is not the place to raise these concerns. Instead, a quorum should be reached amongst the Committee to escalate the issue, and involve the appropriate parties. Impropriety is very rare.

WHAT TO BRING: CHAPTER TREASURER
A Treasurer should bring any and all evidence that supports the financial activities of the Chapter. This could include Chapter Meeting Minutes. In addition, it is important to bring an open mind. Committee members are not questioning the Chapter Treasurer’s integrity. They are simply verifying the numbers to ensure they are free from accidental error, and that the reports made represent the activities of the Chapter. Respond to requests with a willingness to help. Some Committee Members may not have a strong financial or accounting background. It may require extra explanation to get them to understand the bookkeeping duties and/or methods. The more everyone understands, the better the audit results.
AUDIT CHECKLIST

ACTIVE MEMBERSHIP ROSTER TESTING – FIRST STEP:

☐ Ensure all members listed in the membership book for the year in review are also listed as members on the National and State Dues invoices. Seek explanation for any variances. This works best with two people.

BANK STATEMENT TESTING:

☐ Discretionary: Review copy of signature card on file with bank. Ensure appropriate current officers are on account based on Chapter bylaws.

☐ Discretionary: Note EIN listed on each bank statement (if listed), verify is same EIN expected per IRS filings, and ties to number on file with NSDAR and ISDAR.

☐ Tie beginning bank statement balance to the ending bank statement balance of the last audit period to ensure starting with same figure, and be sure this ties to the number on the last period’s financial statements (plus or minus outstanding banking transactions claimed in last report). This ensures all are starting from same spot.

☐ Look at each bank statement, and be sure the ending balance ties to the beginning balance for the subsequent bank statement. Some banks list both checking and savings on one statement, be sure to do this for both types of accounts if necessary. For CD’s – bank statements might not be practical. Activity listings from a bank-provided print-out may be needed for testing.

☐ For CD’s – determine that all are in existence, and of expected values since last audit. If a rollover occurred, be sure to trace old value to new value to ensure expected value rolled over to new CD.

DUES TESTING:

☐ Ensure each member’s receipt for their appropriate level of dues was properly recorded in the dues receipt log.

☐ If any dues are uncollected, determine status and next steps to recover and/or revoke membership. Document so that next audit committee can follow up.
CASH RECEIPTS:

☐ Add up all deposit activity in bank statements, and tie to the cash receipts listed in the financial report for the year. If they don’t tie, obtain explanation and/or make correction to financial report. Ensure all revenue items are properly categorized on financial report before moving onto disbursements. This can be done by one auditor jotting down how much of each deposit was for what type of revenue, then adding them up – and tying to financial report.

☐ If cash deposits for the year exceed dues payments, inquire about donations received. If donations were received for specific purposes, tie to the designated or specific use funds log kept by the Treasurer. If the log doesn’t exist, encourage the use of one. It is a requirement for 501(c)(3)’s to track and spend designated funds in the manner intended by the donor. If for magazine subscriptions, ensure during disbursement testing that subscription payments were sent to DAR Magazine for those paying for subscriptions.

DISBURSEMENT TESTING:

☐ Go through each bank statement, and for each outgoing payment, obtain a receipt or invoice that supports the disbursement. As a best practice, these should be initialed by the Chapter Regent as approved, or noted as approved in the Chapter Minutes.

☐ If check copies are received, or images are inside the bank statement, verify that only authorized signers per the signature card at the bank signed checks.

☐ Cash disbursements should be very rare. Inquire about them if they arise.

☐ Add up all cleared payments moving through bank, and tie to the expenses listed in the financial report for the year. The only differences should be outstanding checks that came through in the current period that were on the last audit, or those that are outstanding at the end of the period under current review. For those, get a listing by check number, and keep as a follow up item for next year’s audit. Just like receipts, have someone jot down each check, and the type of expense it went to in the financial report to be sure these tie.

☐ Verify all check numbers are accounted for, including voided checks (if a check was voided, a mutilated copy should be on hand for viewing)

☐ If transfers were made between accounts, be sure the outgoing payment ties to the incoming deposits. Transfers between accounts are not typically considered income or expenses on a financial report, and may be the source of some variances between income and expenses shown in the bank statements versus income and expense shown on the Chapter Financial report.
CERTIFICATES OF DEPOSIT

☐ Verify that calendar year interest for each CD ties to the 1099 received, do this by taking the CD value times the rate of interest. Don’t forget that if interest is re-deposited into the CD, it may be a new updated value each time interest is provided (typically quarterly, but may vary).

☐ If interest is disbursed, be sure it was received in the checking or savings account expected.

☐ If any CD is no longer listed, be sure this was an approved activity documented in the Chapter Meeting Minutes, and the funds were deposited in a Chapter account for the exact amount of the matured CD, typically supported by a cashier’s check copy.

BUDGET VS SPENDING TESTING:

☐ Review the financial report versus the budget prepared for the year

☐ If any large variances exist, seek explanation

☐ If variances are not properly documented in the Chapters Meeting Minutes as approved deviations, consider proposing this as a typical topic during such meetings, and discuss with the Chapter Regent. The budget is created by, and approved by the Chapter or Committee of the Chapter. Anything above the approved amounts, should be approved separately to ensure all spending is approved overall, not just by Regent approval or Treasurer disbursement, similar to the original budget.
REPORT TESTING – LAST STEP

☐ Be sure, now that all receipts and disbursements are reviewed, that each line of the financial report has been tested, and represents the expected amounts, and that the correct period is listed on the report.

☐ If any detail or supplemental schedules are attached to the financial report to support certain activities reported, be sure these reports tie to each other. For example, if a supplemental schedule details the exact type of expenses inside of the category “office expense,” then the total of the office expenses shown on that detailed report should be the same total shown on the summary financial statement for the line item “office expense.”

☐ If QuickBooks or some other program was used to produce the reports, be sure that inside the program – you prove out that what is on the printed paper, is what is listed in software without variation.

☐ If the financial report was created in Excel, or by hand – recalculate the figures to be sure the report does not contain a mathematical error.

☐ Compare current reports to prior year reports for reasonableness. Seek answers for unusual items or amount changes.