

## **AUDIT COMMITTEE GUIDE**

The accounting year for Auxiliary units is a calendar year; therefore, the audit of unit funds should be completed as quickly as possible after 31 December of each year so as to be finalized in sufficient time to submit the requisite financial statement to the unit commander who must submit the report according to the Fifth District (NR) policy.

To be effective and to properly complete their assigned purpose, the Audit Committee must use an organized approach and should apply standard procedures.

The typical audit is not intended to check and verify every transaction nor is it designed to absolutely detect fraudulent transactions although they may come to light during the course of the audit. A sampling of transactions is tested to assure compliance with the internal control factors established by the unit such as required approvals, segregations of duties, etc.

While the management team within the organizations (District, Division and Flotilla) is not extensive, there are still opportunities to provide some segregation; for example, the bank statement could be received from the bank by the Senior Elected Officer of the unit who would examine it for any unusual or unauthorized transactions and then forward it to the finance officer for reconciliation with the books of account.

The following audit procedures and program is intended to provide guidance for Audit Committees at all levels of the Auxiliary organization – District, Division and Flotilla.

### **Audit Procedures and Program Checklist**

#### **General**

1. Obtain a detail of the financial activity for the year; the form may be:
  - a. Record of receipts and disbursements (FIN-1)
  - b. General ledger (usually at District level only)
  - c. Monthly financial statements

These items should have been prepared by the finance officer.

2. Obtain a completed copy of ***Financial Report of an Auxiliary Unit*** (Form ANSC Form 7025 prepared by the finance officer).
3. Remember that net revenues from public education classes
  - a. **Can not** be used for unit social activities.
  - b. **Can** be used for flotilla supplies and other educational supplies.

**Audit Program**

**Initials & Date**

**1. Cash Accounts**

- a. See that all bank statements are reconciled to the balances shown in the financial records. \_\_\_\_\_
- b. Verify the existence of all savings accounts or certificates and reconcile to the balances shown in the financial records \_\_\_\_\_
- c. Determine the authorized signers and the number of signatures required on all accounts \_\_\_\_\_
- d. Are all checks appropriately signed \_\_\_\_\_
- d. Are receipts being timely deposited
  - i. Correlate deposit of funds with the event generating them (unit dues, public education classes, etc. ) \_\_\_\_\_

**2. Revenues**

- a. Check the reasonableness of income recorded
  - i. Member dues  
(Number of members times dues rate) \_\_\_\_\_
  - ii. Interest income  
(Balance at interest times interest rate) \_\_\_\_\_
- b. Does recorded revenue appear reasonable \_\_\_\_\_

**3. Expenditures**

- a. Assure that all expenditures have been approved
  - i. Examine original invoice \_\_\_\_\_
  - ii. Check for appropriate approvals \_\_\_\_\_
  - iii. Compare cancelled check to invoice checking for:
    - 1. Amount \_\_\_\_\_
    - 2. Authorized signatures \_\_\_\_\_

- iv. Do categories and amounts of expenses appear reasonable? \_\_\_\_\_

**4. Materials**

Generally, separate financial and accounting records associated with 'materials' are maintained only at District level. Transactions relative to the purchase and sale of materials to the membership at Division and Flotilla levels are included in the general financial records.

The following checklist relative to 'materials' transactions should be used as appropriate and applicable.

a. General

- i. Obtain a detail of financial activity for the year. \_\_\_\_\_
- ii. Monthly reports provided to the Finance Officer or the Senior Elected Officer \_\_\_\_\_
- iii. Assure that 'Materials' transactions are included in the financial report for the unit \_\_\_\_\_

b. Cash Accounts

- i. See that all bank statements are reconciled to the balance shown in the financial records \_\_\_\_\_
- ii. Determine the authorized signers and the number of signatures required \_\_\_\_\_
- iii. Are all checks appropriately signed \_\_\_\_\_
- iv. Are all receipts being timely deposited \_\_\_\_\_

c. Materials Inventory

- i. Obtain a detail of materials on hand priced at cost \_\_\_\_\_
- ii. Test the accuracy of the listing by verifying the existence and quantity of the items \_\_\_\_\_

## 5. Financial Report

- a. Once the audit testing has been done to the satisfaction of the audit committee, the Financial report of an Auxiliary Unit (ANSC Form 7025) should be checked for completeness and accuracy
- i. Do beginning balances agree with the prior years ending balances? \_\_\_\_\_
  - ii. Do categories of revenues and expenses agree with the unit financial records? \_\_\_\_\_
  - iii. Is the form mathematically correct? \_\_\_\_\_
  - iv. Do ending balances agree with the reconciled accounts? \_\_\_\_\_

## 6. Recommendations

- a. Does the Audit Committee have any recommendations to the unit Senior Elected Officer?
- i. Are established procedures being followed? \_\_\_\_\_
  - ii. Are approvals properly completed? \_\_\_\_\_
  - iii. Are funds being deposited timely? \_\_\_\_\_
- b. If recommendations are to be made, prepare a letter to the unit Senior Elected Officer summarizing those recommendations \_\_\_\_\_
- c. The “lead” member of the audit committee should then sign the Financial Report as appropriate and forward to the Unit Senior Official for other required signatures and transmittal to the Director of Auxiliary by the due date \_\_\_\_\_

It is important to note that these audit procedures are the minimum for an adequate audit of unit funds and should be adjusted or added to as circumstances dictate.