

**HOW TO DO AN
INTERNAL AUDIT
OF
COMPONENT ASSOCIATION
FINANCES**

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What is an internal audit?

An internal audit is a formal examination of the financial books and records of the component association to determine their accuracy and completeness, to detect and recommend correction of errors, and to assure the board and membership that the records are correct.

When should an internal audit be done?

All financial records shall be audited at the end of each year. In addition, the Board of Directors can request a special audit at any time, if deemed necessary, and an audit should be performed when there is a change in financial officers.

Who can do an internal audit?

An Audit Committee (consisting of at least 2 component association members) is appointed by the Board of Directors. An internal audit should be performed by an impartial person not related to the president or treasurer or any chairman handling funds and not by one authorized to sign checks.

What does an internal audit involve?

An audit should involve following all financial transactions through the records to be sure that receipts/bills have been properly accounted for and expenditures made as authorized by the Board of Directors and in conformity with the bylaws, policies and procedures, and budget limitations. Adequate explanation of expenditures is confirmed so that it can be understood by anyone looking through the records.

What is needed to do an internal audit?

All of the financial records shall be provided by the treasurer for the audit, including the checkbook register, bank statements, canceled checks, deposit slips, treasurer's reports, expense vouchers/warrants with bills/receipts, the annual treasurer's report, etc. The treasurer should be available to answer any questions or help explain the organization of the financial records. Bring calculators.

SAMPLE INTERNAL AUDIT POLICY AND PROCEDURE

An internal audit is a formal examination of the financial books and records of the component association to determine their accuracy and completeness, to detect and recommend correction of errors, and to assure the board and membership that the records are correct.

POLICY

All financial records shall be audited at the end of each year. In addition, the Board of Directors can request a special audit at any time, if deemed necessary, and an audit should be performed when there is a change in financial officers. The Audit Committee (consisting of at least 2 members) is appointed by the Board of Directors.

An internal audit should be performed by an impartial person not related to the president or treasurer or any chairman handling funds and, if possible, not by one authorized to sign checks.

PROCEDURE

An audit should involve following all financial transactions through the records to be sure that receipts have been properly accounted for and expenditures made as authorized by the Board of Directors and in conformity with the bylaws, policies and procedures, and budget limitations.

All of the financial records shall be provided by the treasurer for the audit, including the checkbook register, bank statements, canceled checks, deposit slips, treasurer's reports, expense vouchers/warrants with bills/receipts, the annual treasurer's report, etc.

After the audit is completed, mark the ledger (if there is one) and the checkbook register by drawing a double line across the sheet where the audit concludes and sign and date, using different color ink, stating "Examined and found correct by _____ (name) _____ on _____ (date) _____ .

STEP-BY-STEP GUIDE FOR AN INTERNAL AUDIT

1. Identify Audit Committee members.

At least 2 members; 4 members would speed up the procedure, 2 members to go through the expenditures and 2 members to go through the deposits. There should always be 2 people working together on one aspect of the audit procedure.

2. Choose a time and place for the internal audit and notify audit committee.
3. Notify the treasurer to have all the records available for the audit committee and to be available for questions or to help explain the organization of the financial records.
4. Have calculators available.
5. Use the Internal Audit Checklist as a guide.
6. Complete and sign the Audit of the Checking Account Balance Sheet. This should be verified by at least two people.

For a handwritten ledger, this involves verifying the total income and total disbursements with the use of a calculator.

7. Complete and sign the Internal Audit Report. This should be presented at the next board meeting. List any errors found or corrections made. It is not necessary to list details you have added to make explanations more complete. The entire audit committee should sign this report.
8. After the audit is completed, mark the ledger (if there is one) and the checkbook register by drawing a double line across the sheet where the audit concludes and sign and date, using different color ink, stating
“Examined and found correct by _____ (name) _____ on _____ (date) _____.”
9. Keep all audit paperwork with the financial records that were audited. Send a copy of the Balance Sheet and Internal Audit Report to the AAMT office and your component board partner.
10. The minutes should reflect that an audit (internal or external) has been done.

INTERNAL AUDIT CHECKLIST

WARRANTS/VOUCHERS

- _____ Written for all checks, including voided checks.
- _____ Amount on check matches amount on warrant/voucher.
- _____ Adequate explanation for all expenditures.

RECEIPTS/BILLS

- _____ The amount on the receipt/bill matches the amount on the check. _____ Receipts or bills for every check written.
- _____ Written and signed explanation for any missing receipts/bills.

CHECKS/DISBURSEMENTS

- _____ No missing checks.
- _____ Voided checks saved.
- _____ All checks recorded in check register.

BANK RECONCILIATION

- _____ No missing bank statements.
- _____ Ending balance agrees with last bank statement (adjusted for outstanding checks and deposits not posted to bank statement).
- _____ Bank charges and interest recorded in check register.

INCOME

- _____ Income received matches deposits.
- _____ Detailed record of all income received.
- _____ All deposits recorded in check register.

TREASURER'S REPORTS

- _____ Filed regularly.
- _____ Annual Treasurer's Report filed.

TAXES

Federal Form 990EZ with Schedule A
Need to file if **gross** receipts total \$25,000 or more. Gross receipts are the total amount received from all sources during the year. See General Instructions for Form 990 for more details.

Check your local state requirements.

**ASSOCIATION FOR HEALTHCARE DOCUMENTATION INTEGRITY-FLORIDA
ASSOCIATION FOR HEALTHCARE DOCUMENTATION INTEGRITY**

AUDIT OF CHECKING ACCOUNT BALANCE SHEET

January 1, 20__ through December 31, 20__

BALANCE ON HAND (date) _____		\$ _____
INCOME 01/01/____-12/31/____	(+)	\$ _____
DISBURSEMENTS 01/01/____-12/31/____	(-)	\$ _____
BALANCE ON HAND 12/31/____	*	\$ _____

LATEST BANK STATEMENT BALANCE 12/31/____		\$ _____
DEPOSITS NOT YET CREDITED BY BANK (List deposit amount and date)	(+)	\$ _____
CHECKS OUTSTANDING (List check#, amount, and date)	(-)	\$ _____
BALANCE IN CHECKING ACCOUNT 12/31/____	*	\$ _____

* These lines must match

Signature of Audit Committee Member

Signature of Audit Committee Member

Signature of Audit Committee Member

Signature of Audit Committee Member

**ASSOCIATION FOR HEALTHCARE DOCUMENTATION INTEGRITY-FLORIDA
ASSOCIATION FOR HEALTHCARE DOCUMENTATION INTEGRITY**

20__ Internal Audit Report

We have reviewed the financial records of the Association for Healthcare Documentation Integrity-Florida and find them to be accurate.

The Association for Healthcare Documentation Integrity-Florida is a not-for-profit organization that is exempt from income taxes under section 501 (c) (6) of the Internal Revenue Code.

The following is a list of errors found and corrections made, if any.

Audit completed: _____

Auditor's Signature: _____

