FINANCIAL REVIEW WORK PLAN

1. “Audit” Directed by Chapter Bylaws:

7. Treasurer shall
7.5 At the close of the business year, submit books for audit by a qualified person approved by the chapter Board.

2. The National Council of Nonprofits

NCofNP has some good information, including a 50-state chart that outlines any requirements in the 50 states. Most NCAR chapters would not need actual audits; all you need is a "financial review."

3. Conduct the Financial Review

Step #1: Gather financial documents, including:

- Copies of all written financial policies
- Copies of treasurer's reports for the year (or another period) to be reviewed
- List of all bank and investment accounts, including names of persons authorized to sign on each account
- Copies of all bank and other financial statements for the period to be reviewed.
- Copies of all bank and investment account reconciliations for the period to be reviewed Cash tally sheets / Cash receipts journal
- Invoices, receipts, and other documents
- Documentation of any restrictions on the use of any particular funds or donor gifts
- IRS letter documents, including the most recent Form 990, IRS letter recognizing tax-exempt status, and IRS letter assigning an EIN (employer identification number) to the organization.

Step #2: Review financial documents and processes.

- Check the organization's EIN (employer identification number) as assigned by the IRS against the
- EIN used on the organization's bank and other financial accounts.
- Check names of persons authorized to (a) approve transactions and (b) sign checks against:

- Persons authorized to conduct these activities in the organization's minutes; and,
- Bank records indicating who is authorized as a signatory.
- Check to ensure that the same person(s) who sign checks are not the same/or only persons reviewing monthly bank statements.
- Check all bank reconciliations to determine that the beginning balance of one month is the same as the previous month's ending balance. Also, note whether the balance listed on financial statements is the same as the balance listed on the treasurer's reports presented to the organization.
- Pick one month and perform a bank reconciliation using the original records. If you find a discrepancy between your reconciliation and the reconciliation provided by the person who performed the original reconciliation, research the discrepancy to find the error or explanation.
- Count all cash in petty cash accounts to ensure that the count agrees with the books.
- Check to see if the organization carries fidelity bond coverage on people handling the organization's funds; if insurance is not held, propose that the organization consider obtaining bonding coverage.

Step #3: Review income and receipts.

- Determine if the deposits listed on the financial reports provided to the organization match deposits listed on bank statements.
- Check to see if cash tally sheets match the amount of cash reported as received from an event on financial reports and the deposit indicated on bank statements.

Step #4: Review disbursements.

- Test to be sure that payments made were authorized correctly – by a line item in the approved budget, an approved amendment to the budget, or an appropriate vote authorizing the expenditure.
- Test purchase orders to ensure they were approved correctly and match the actual disbursement or invoice.
- Review records to ensure that there is an invoice, receipt, or other appropriate written documentation for each disbursement and that the amounts match.

Step #5: Review Tax/information returns.

- Review financial records to ensure that appropriate federal (IRS Form 990) and state income tax/information returns have been timely filed.

Step #6: Review financial control systems.

- Although it can be difficult for small organizations to separate financial duties, specific separations are essential for appropriate controls. These separations protect both organizations and the individuals handling the finances.
- Individuals with signature authority should NEVER approve the transactions/disbursements they sign. All expenditures should be approved in an annual budget, as initially approved or amended, or by a vote of the board or membership as appropriate. All disbursements should be documented by an invoice, receipt, or other appropriate written documentation.
- The individual(s) with signature authority may reconcile bank statements. However, at least one additional officer or director should review monthly bank statements, or bank statements may be included with the treasurer's report to the board/membership.
- Finances should be reviewed annually by an audit committee that consists of two or more individuals who do not routinely handle the organization's finances, such as by being a signatory on the accounts.
- Cash should always be counted by at least two persons at/near the time received and then recounted by the treasurer or other individual before deposit.

Step #7: Review reporting systems to ensure adequate information for the organization and its officers/directors to make reasonable decisions.

- Are reports from the treasurer timely and complete?
- Are financial policies, including the separation of financial controls, being followed?
- Are all records being gathered (invoices, receipts, cash records, checks and disbursement records, bank records, treasurer's reports) so they can be reviewed as needed and discarded following the organization's record retention guidelines?

Step #8: Write a report.

The financial review/audit report should document at a minimum:

- Steps taken in the financial review
- Current fund(s) balance and balance sheet
- Comments, if any, on any concerns or discrepancies found and the audit committee's recommendations to correct these concerns or discrepancies.