

# Annual Audit



**From NSDAR Website: <https://www.dar.org/members/state-chapter-finances/state-chapter-finances#Audit>**

Each chapter and state organization must have its financial statements audited annually. Generally, state organizations and chapters that are required to file a Form 990 or Form 990EZ with the Internal Revenue Service (IRS) and chapters that own a chapter house should have a review or an audit of the financial statements made by an outside (independent) CPA or public accounting firm. For chapters and state organizations that are required to file Form 990N with annual gross revenue of \$50,000 or less, the annual financial statements can be reviewed by a committee appointed by the regent. The form of the audit (whether by an independent CPA/accounting firm or a regent-appointed committee) must be specified in the chapter or state bylaws.

The composition of the audit committee must also be specified in the bylaws. The committee should consist of at least two members, with three members recommended for larger chapters. Neither the chapter regent nor the chapter treasurer should serve on the audit committee. No member of the audit committee shall have signing authority on the chapter's or state organization's bank or other financial accounts. No member of the audit committee shall have the authority to approve disbursements of the chapter or state organization or have the authority to approve disbursements.

The treasurer should prepare the financial statements for audit as soon as possible after the close of the fiscal year. She shall cooperate fully with the independent auditor or audit committee. She must provide a copy of the organization's financial records (whether in accounting software, spreadsheet, or on paper), a copy of the financial statements (Statement of Receipts and Disbursements, Statement of Net Assets, and Statement of Fund Balances, if the organization has restricted funds. She must be available to answer any questions from the independent auditor or audit committee.

The audit should commence shortly after the treasurer sends the financial statements and financial records to the audit committee. It should be completed in a timely and efficient manner.

The audit requires undertaking the following steps:

1. obtain all records from the treasurer including a copy of the approved budget;
2. compare each receipt and each disbursement transaction in the financial records provided by the treasurer with the bank statements to ensure that they match;
3. ensure that each expenditure is authorized by the appropriate approver, such as the adopted budget, the regent within her authority to approve, or the chapter or state organization;
4. ensure that each expenditure also is properly documented with an invoice or receipt for the expense, email or signed approval from the regent, adopted budget, or minutes noting the approval of the chapter or state organization;
5. ensure that no check was made payable to the signer of the check; and
6. compare total revenues and expenses from the previous year to total revenues and expenses for the current year to determine if there is any unusual activity that must be investigated.

Upon completion of the audit, the audit committee issues a report to the executive board stating that it has reviewed the financial statements and supporting financial records of the treasurer and then indicates the conclusions of its review. The audit committee report must be signed by all committee members. The audit report must be presented and accepted at a regular meeting of the chapter or state organization.

The chapter treasurer is responsible for forwarding the audited financial statements, the audit report, and the proof of Form 990 filing to the state treasurer.