

## Auditor or Internal Auditing Committee

*(Excerpt from Chapter Regent's Manual & Parliamentary Procedure Guide, Doc #OSG-4000)  
Revised May 2025*

The books and records of the treasurer should be internally audited or reviewed annually and always before a new treasurer assumes office. The audit may be made by a professional auditor, Certified Public Accountant, or by an Internal Auditing Committee. Chapter bylaws generally authorize the chapter regent to appoint all committees except the Nominating Committee. The bylaws may also specify an officer to serve as chair of the Internal Auditing Committee or specify the number of committee members. Action should never be taken on the treasurer's reports. You may ask if there are any questions, then the report is filed for internal audit or review.

There are three steps to auditing—proving the ACCURACY, checking the AUTHORIZATION, and making the REPORT. First obtain all necessary records: copy of previous audit report, Treasurer's reports, bank statements and canceled checks, check book, cash receipt and disbursement records, copies of the budget and the secretary's minutes.

**Accuracy** – To prove the accuracy:

Beginning Balance (last audit)	\$xxx.xx
Add receipts for entire period (receipts, deposit slips and entries checked)	xxx.xx
EQUALS THE TOTAL FUNDS AVAILABLE	xxx.xx
Subtract all disbursements	(xxx.xx)
BALANCE ON HAND AT END OF PERIOD	\$xxx.xx

This balance should agree with the balance the treasurer shows on the financial report and the bank balance plus any cash on hand. Saving accounts and CDs should be verified by number and location.

Reconciling the bank statement is next:

To—Balance from last statement	\$xxx.xx
Add—Outstanding deposits	xxx.xx
Subtract outstanding checks	xx.xx
Result is adjusted BANK BALANCE	\$xxx.xx
From checkbook balance	\$xxx.xx
Subtract any bank charges	x.xx
Result is adjusted BOOK BALANCE	\$xxx.xx

The adjusted book balance and bank balance must agree and this balance plus any cash on hand is the same as your balance on hand from calculations above. If they do not agree, look for your error or an error in the treasurer's books.

**Authorization.** From the minutes, bylaws, warrants, etc., determine that all disbursements were authorized. The listing of an item in the budget does not authorize expenditure. All disbursements should be supported by bills or receipts. Check to see that endorsements on checks are identical to authorized payee. Determine all checks signed by authorized signer.

**Report.** State what your review included, what you found, your opinion of the balances and any recommendations you may have. Prepare a detailed statement of Income, Expenses (disbursements as compared to budget), Receivables and Payables. Make your own audit—the treasurer’s figures may be in error. When you are satisfied that the report is correct, you may certify the fact at the bottom of the report. It may be as brief as “Examined and found correct.” It should be signed by the auditors officially, their title being written underneath or on the right. 41

**Action.** As soon as the auditors’ report is read, the chair says, “The question is on the adoption of the auditors’ report. As many as are in favor of adoption say aye.... Those opposed say no.... The ayes have it and the report of the auditor is adopted.” Thus being adopted, the chapter has endorsed the report of the auditor, which certifies that the Treasurer’s Report is correct. The chair need not wait for such a routine motion, it may be assumed by the chair. This relieves the treasurer of financial responsibility for the time covered by his report, except where fraud exists.

If the treasurer’s report has not been audited and there is an Internal Auditing Committee, the chair as soon as the report is read says, “The report is referred to the Internal Auditing Committee.” If there is no Internal Auditing Committee, the chair says, “The Treasurer’s report should be audited. A motion to appoint such a committee is in order.” Usually the committee consists of two members. As soon as the committee is appointed, the regent says, “The Treasurer’s Report is referred to the Internal Auditing Committee. The committee will report back at the next meeting.”