



## Independent Volunteer-Led Financial Review

### Scope

Perform an independent volunteer-led review of the Chapter's financial records for the year and submit the review report to the Chapter Board and NAIFA.

### Planning

1. Obtain the documents from Chapter officers (or staff):
  - a. Prior review report from the last review or audit. Review the material and determine if there were any corrective actions in the report. Determine if corrective actions, if any, were taken.
  - b. All financial records from the Treasurer including:
    - i. Statement of Activities (Income Statement)
    - ii. Statement of Financial Position (Balance Sheet)
    - iii. Approved Budget for the Review Year
    - iv. Full Year General Ledger
    - v. If the financials are on a cash basis, obtain a pro forma of receivables and payables and any assets and liabilities not recorded on the books.
    - vi. Bank statements (and reconciliation reports) for the year you are reviewing, plus the first month of the next year.
    - vii. A list of authorized signers on each of the Chapter accounts.
    - viii. Prior Year 990
    - ix. Investment Policy
    - x. Have signer on bank accounts complete the Form to Confirm Bank Account Balance (found in Chapter Playbook) and send to the Chapter's bank(s) for any accounts in excess of \$50,000.
  - c. Minutes of Chapter meetings (including board and executive committee) from the Secretary. Read and summarize relevant actions to trace to financial statements. (Examples might be approval of the budget, changes to approved budget, release of monies from fund balance, new contract approved with Lobbyist or management, approval of reimbursements or stipends for state or national events, etc.)
  - d. Current bylaws, financial policies/procedures and new or updated contractual agreements.
  - e. List of board members and officers with contact information.

## Review

1. Inquire of the President and Treasurer about any unusual or related party transactions during the current year. (Sale of assets, transfer of assets from a related organization, conflicts of interest, etc.)
2. Review policies/procedures and assess the adequacy of internal controls including the following:
  - a. Is there a segregation of duties? (See list of Financial Internal Controls in Chapter Playbook.)
  - b. Account authorization and signatories on Chapter accounts are up-to-date and reflect current responsibilities.
  - c. A budget was prepared and approved by the Board.
  - d. Is the budget compared to actual income and expenses on a regular basis?
  - e. Are the bank and investment accounts reconciled and then reviewed by a party different than the reconciler?
  - f. Chapter assets are reconciled to a listing of assets owned. Verify that proper procedures were utilized for any disposition of an asset.
  - g. Reconcile non-cash assets and liabilities reports/documentation to Balance Sheet.
  - h. If cash is accepted, is there a procedure in place to limit Chapter's exposure and the security of the cash?
3. Review bylaws as they relate to finances to assure compliance.
4. Review the Investment Policy and verify compliance in investment account statements.
5. Review the annual financial statements and supporting schedules and perform the following procedures:
  - a. Verify the mathematical accuracy of the financial statements and any financial activity reports prepared as of year-end.
  - b. Reconcile the annual change in net assets on the Statement of Financial Position (Balance Sheet) to the Statement of Activities Total YTD Surplus/(Shortfall) to make sure they match. (If they don't match, usually a new General Ledger Account number has been added that isn't being picked up in the Statement of Activity and will require further investigation, correction and issuing of a revised Statement of Financial Activity.)
  - c. Ensure prior year-end asset (from last review/audit report OR prior year's year end statement of financial position (Balance Sheet)) and liability account balances match current year beginning balances.
  - d. Compare Statement of Financial Position (Balance Sheet) to back-up documents, such as AP & AR Reports and Balance Sheet Schedule.
  - e. Compare the budget to actual amounts on the Statement of Activities. Inquire about any variance that exceeds 10% of budget or the previous year's figure.
6. Test bank accounts by performing the following procedures:
  - a. Use bank statements to trace ending balances on the bank reconciliation to bank statement balances for two months to ensure accuracy.
  - b. Review bank's response on Form to Confirm Bank Account completed in planning phase.
  - c. Have Treasurer (someone other than accounts payable staffer) verify that all unused check stock is accounted for and verify next unused check agrees sequentially with last check written.

- d. Use bank statements from the first month of the following fiscal year to verify ending reconciliation balance and to trace year-end outstanding items to bank statements to identify any in transit transactions.
    - e. Examine reconciliation report for the final month of the year under review for outstanding checks that are older than 30 days. Do checks need to be reissued?
7. Test a representative sample of at least 10 expense items to verify authorization and valid supporting documentation using the following criteria:
  - a. 100% of related-party transactions. (Example between PAC or Foundation)
  - b. Always review Lobbyist & management fee payments in comparison to the contract.
  - c. Always review major event Invoices.
  - d. Review any expense that exceeds 20% of revenue if not included in aforementioned categories.
  - e. If 10 item minimum has not been reached, use your judgment to select additional items.
  - f. Where applicable, review a sample of cancelled checks for proper signature. Also, determine if two signatures are present when required for checks exceeding certain amounts if required in financial policies.
  - g. For payments issued through online banking, verify proper authorization.
8. Test income streams:
  - a. Compare membership report (dues disbursement), received from NAIFA to bank accounts and trace to the general ledger.
  - b. Additionally, select one program to validate that attendance records (registration lists with payment amounts) reconcile to payments received, and to ensure all cash and checks received were deposited.
  - c. Test any other income stream, such as sponsorships, by reference to supporting documentation and bank records. (If a trade out of a sponsorship was made, was it reported as a barter on tax returns? Best to report the revenue and the offsetting expense at the value of the sponsorship level.)
9. Review previous year's 990 Schedule C to ensure that lobbying activities are properly reported. Is there a carryover amount that needs to be included in report to NAIFA for non-deductible portion of dues? (This step is not necessary if a Lobbyist is not engaged by the Chapter.)

## **Report**

1. Document findings and provide recommendations for improvement to the Board. Report to include:
  - a. Name of the reviewer or review committee members.
  - b. Contact information for reviewer or committee chair.
  - c. Date of review.
  - d. Confirmation that an internal control review was performed.
  - e. Send copy to NAIFA.
2. Update the permanent file for the next volunteer/reviewer. Ensure the update includes bylaws, policies and procedures, relevant contracts and agreements, authorized signature documentation and notes/lessons learned for next year's financial review.

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3. If financial statements have to be restated, after any necessary adjustments have been reflected in the financial statements, the Treasurer and volunteer reviewer should approve the updated Balance Sheet and/or Statement of Activities Report.