

ASEA CHAPTER AUDIT GUIDE

The Financial Standards Code, in Article XI, provide for annual audits of affiliates by Trustees who are “officers elected for that purpose...” or an audit committee of the chapter. The Trustees are thereby charged with the responsibility to see that an audit of the funds of the chapter is performed. It is then their **duty to report any findings** to the membership and to the Chapter Executive Board. The Trustees must also see that the President completes and files the Annual Report.

The findings must be reported to the membership and Executive Board. The Audit Report must be attached to the Executive Board and membership meeting minutes of the meeting at which the report was presented. The minutes and attached reports then become a permanent part of the chapter’s records.

The following is a suggested series of steps to aid in the review of the chapter’s financial activities. If a significant number of transactions are involved, a **sampling**¹ or testing procedure may be used for all steps described in the following sections.

FINANCIAL RECORDS

Before beginning the audit, the following records must be provided to the Trustee or audit committee for the year or period being examined:

- Cash Book or Cash Receipts/Disbursements Journal (A manual Cash Book does not need to be maintained by chapters using automated accounting systems that provide information comparable to that found in the Cash Book.)
- Printouts from automated accounting systems as detailed in Article III, Section 1, A of the Financial Standards Code.
- Bank statements and canceled checks for all chapter bank accounts
- Bank reconciliations for all chapter bank accounts
- Other supporting documentation for transactions in all accounts
- Duplicate deposit slips
- Checkbook and check stubs
- Paid bills
- Expense reports
- Minutes of membership and Executive Board meetings
- Monthly financial reports and financial statements
- Lease agreements and any other contracts
- Evidence of ownership of investments
- Inventory/equipment owned (e.g., furniture, computer, fax machine, filing cabinets, etc.)
- Annual Chapter Financial Report

¹ A sample is a small part of all transactions, intended as representative of the whole. Auditors/Trustees may audit random transactions to be sure all of the proper steps are followed. If discrepancies are found in the samples, additional samples are then audited.

RECEIPTS

The Financial Standards Code requires that all money received be deposited directly in an insured bank account, in the name of the chapter. Deposits should be recorded in the Cash Book, indicating date received, from whom and for what. Deposit and date of deposit should be recorded in the checkbook. Duplicate deposit slips and copies of the receipt transmittal documents (e.g., copies of deposited checks) should be retained.

- Compare amounts listed in Cash Book to duplicate deposit slips and amounts shown on bank statements.
- Review supporting documentation for cash received
- Verify that the explanation of the type of receipt agrees with entry in the Cash Book or check register.
- Verify that totals are properly computed in the Cash Book or check register.
- Verify that deposits are properly recorded in the checkbook or check register.

DISBURSEMENTS

The Financial Standards Code states that union money can be spent only if required by law, by union constitution, to fulfill contractual obligations or as authorized by vote of either the membership or the Executive Board. Disbursements require signatures of two officers or their designees. At the time a check is issued, the date, amount, payee and purpose of the check should be recorded on the check stub, in the Cash Disbursements Journal or in the automated accounting system.

All disbursements should be substantiated by supporting documentation such as bills or invoices, expense reports, and agreements. The minutes of Executive Board or membership meetings should show authorization for these disbursements as outlined in Article V of the Code.

- Compare each canceled check to the bank statement to see that a canceled check exists for each paid check shown on the bank statement.
- Compare amounts on canceled checks to amounts in the Cash Book or automated accounting system and checkbook.
- Compare payee on check to payee listed in Cash Book, check register and checkbook.
- Examine the endorsement to verify that it agrees with the payee.
- Examine signatures on checks to verify they are signed by the officers authorized to do so under the affiliate's constitution.
- Compare the payee and amount on canceled checks to supporting invoices, expense reports, Per Capita Tax Reports, etc.
- Review supporting invoices, expense reports and PCT Reports to verify that the check number and dates of payment are properly shown on each document.
- Compare explanations in Cash Book or check register to supporting documentation to verify that expenses are properly classified.
- Verify that the Cash Book is properly totaled.
- Verify that the checkbook or check register is properly maintained in order to reflect the current balance at all times.

BANK RECONCILIATION

All bank statements, canceled checks and voided checks must be retained in the chapter's records by the chapter Treasurer. The canceled checks which are retained with any statement should be kept with that statement regardless of the date or number appearing on the check.

- Review monthly bank reconciliation to see that amounts shown for Cash Receipts and Cash Disbursements agree with totals in Cash Receipts and Cash Disbursements Book or check registers, and reconcile any differences.
- Compare cash balance on the financial statement to bank reconciliation balance and to checkbook or check register balance.
- Research any outstanding checks six (6) months or older for possible cancellation or stop payment.
- If applicable, obtain copies of missing checks from the bank or credit union. Compare copies to the entries in the Cash Book or check register.
- Obtain an explanation from the Treasurer for any unusual transaction reflected on the bank statement.
- Obtain an explanation and supporting documentation from the bank or credit union for any unusual transaction.

EXPENSE REPORTS AND REIMBURSEMENTS

Union Officers and members may be reimbursed for expenses relating to union activities. These expenses must be documented by a report showing payee, amount, nature of expense, specific union purpose and applicable original invoices or receipts. The expense report must be signed when submitted by the individual requesting reimbursement and approved by the appropriate chapter officer. The reimbursement must be authorized in the minutes.

- Review the expense reports for a) authorization, b) original supporting documentation, c) nature of expense, d) signature of individual submitting request for reimbursement and e) signature of approving authority.
- Compare for compliance with ASEA's policy for reimbursement of expenses, e.g., per diem, automobile mileage and other limitations and restrictions (ASEA P&P Article 5.00.000).
- Compare amount shown on voucher to actual check paid.
- Review the minutes to see that authorization is properly recorded, particularly for conventions, conferences, meetings, etc.
- Verify in each instance where meeting food and beverage are reimbursed, it is supported by a list of the names of the people attending, their relationship to the union, and the union business discussed.
- Verify that all costs paid directly by the affiliate, (e.g., direct hotel billings, charges incurred on the affiliate's credit card) have been properly reported on itemized expense reports.
- Verify that any authorized user of the affiliate's credit card has provided an itemized expense report accounting for each and every charge made with the credit card receipt and the itemized sales slip attached.

FINANCIAL REPORTING

Article IX of the Financial Standards Code requires a monthly financial statement be prepared and made available to the membership and the Executive Board. These reports should be attached to the minutes of the meeting at which they are presented and become part of the affiliate's records. Chapters that meet quarterly must provide a report reflecting each month of the quarter.

- Review minutes for indication that monthly (quarterly, if applicable) financial statements were presented to the membership and Executive Board.
- Compare total receipts and disbursements shown by monthly financial statement to Cash Receipts and Cash Disbursements Books.
- Review one or more months of disbursements to see that authorization exists in the minutes.

LOCAL UNION REPORTING

The ASEA Constitution requires that all Local Chapters file their annual financial reports with the ASEA Headquarters each year.

- Check to see that the Local Union Officers have prepared the "Local Chapter Annual Reporting Requirements" for the most recent fiscal year.
- Review the comments, if any, made by ASEA Headquarters and see that any recommended adjustments in record keeping have been made.

MAINTENANCE OF RECORDS

The records listed in this audit guide needed to perform the audit must be maintained for seven (7) years. Minutes should be retained longer if possible or if space permits.

- Are records of the chapter retained in for at least seven (7) years as required

AUDIT REPORT

An Audit report is a formal opinion. The results of an audit are to be reported to the Chapter Executive Board and the Chapter membership during a regular scheduled meeting. The audit report must be submitted with the Chapters end-of-year required reporting.

The audit report must contain the following:

- Date of the audit
- Audit Date range (e.g. Fiscal year ending June 30, 2015 or July 1, 2014 – June 30, 2015)
- Discrepancies (check amounts do not match or proper authorization not available, one signer, etc.)
- Findings (judgement/conclusion)
- Recommendations (process in place for proper authorizations to be verified prior to purchase)
- Audit committee or Trustees signatures