

Denton County Master Gardener Association

Financial Audit Procedures

February 28, 2017

Objective

- Verify the accuracy of the financial records of DCMGA.
- Assure the DCMGA members that funds are properly managed per DCMGA procedures.
- Ensure DCMGA's Liability Insurance monthly accounting requirements are fulfilled.

Overview

- Auditing involves following financial transactions through the records to ensure that disbursements, deposits, and records are handled properly.
- The audit includes all DCMGA accounts.
- Auditing is a joint responsibility of the DCMGA Board of Directors (BoD) and the Audit Committee.
 - The BoD has a monthly responsibility to verify
 - The Bank Reconciliation
 - Determine if there are undeposited receipts
 - Expenditures do not exceed the authorized budget amounts.
 - The Audit Committee is responsible for verifying the accuracy of the Treasurer's records.
- The Audit committee comprises at least three members appointed by the President.
 - No one who is a DCMGA bank account signatory may serve on the committee.
 - The outgoing and incoming treasurers may not serve on the committee but must be available to provide information and assistance in locating records.
 - The incoming treasurer should attend the audit as a witness.

Timing

- Complete Audits by the Audit Committee
 - Annually –the previous year's audit and report should be completed by January 30 so that the President can include the audit report in the annual President's 1/31 report to the extension agent.
 - When any authorized check signer is added or deleted on any bank account.
- Abbreviated Reviews by the Audit Committee
 - After the first quarter of a new Treasurer's term, ensure that the Treasurer follows adequate procedures.
- Treasurer's Report Reviews by the BoD
 - Monthly (at the BOD meetings)

Preparation for the Annual Audit

- The outgoing treasurer is responsible for putting the Treasurer's financial records in order and bringing them to the audit for the committee. Including:

1. The adopted budget as amended for the audit period.
 2. Checkbooks, electronic check records, and unused checks for all accounts.
 3. A computer with DCMGA's Quicken records and software
 4. Monthly Treasurer's reports and supporting documents: bank statements, transaction reports, and reconciliation reports.
 5. Disbursement records and supporting documents.
 6. Deposit receipts and supporting documents.
 7. Bank account numbers and signature authority verification.
- The President, Treasurer, and Audit Committee Chairman should ensure the following documentation is available for the audit:
 1. Treasurer procedures, including those outlined in the bylaws and handbook.
 2. The last audit report.
 3. Minutes for the audit period.

Conduct the Monthly Treasurer's Report Review by the BoD

- The BoD's monthly review of the Treasurer's Report should verify the following:
 - The monthly bank reconciliation
 - The Treasurer is using the approved annual budget
 - Income and expense entries are allocated to the proper budget categories and are within budget or any authorized variance.
 - All expected receipts are deposited.
 - The Treasurer has paid/filed on time the following annual bills/forms
 - Federal 990
 - State Sales Tax
 - State Floral License
 - Liability Insurance
 - TMGA Dues

Conduct of the Annual Audit by the Audit Committee

The audit committee will address the topics listed below. The Audit Committee is authorized to address each topic by sampling records, inspecting all records, or any combination at their discretion.

2. Records:
 - Verify that the Treasurer's documentation is maintained in an organized, audit-ready manner.
 - Verify that the Treasurer is using Quicken software to record all transactions.
 - Verify that the Treasurer's electronic records are adequately backed up.
3. Monthly Reports:
 - Verify that a Treasurer's report has been completed for each month and includes the following:
 - Treasurer's Report, including beginning and ending balances.
 - Bank statements.
 - Transaction Report.
 - Evidence of reconciliation.

- Verify that the first month's beginning balances agree with the ending balances of the prior period.
 - Verify that an annual representation of the Treasurer's Report is included.
4. Disbursements:
- Verify that the Treasurer's expense transaction records include all checks, transfers, cash withdrawals, electronic payments, etc.
 - Verify that expense transaction records include supporting documentation: receipts/invoices, check request forms, or other summaries showing check number, date, amount, requestor, payee, budget allocation, and expense rationale.
 - Verify that expense transactions listed on bank statements can be found in the treasurer's records.
5. Deposits:
- Verify that the Treasurer's deposit records include all physical and electronic deposits and transfers.
 - Verify that the Treasurer's deposit records include supporting documentation: spreadsheets showing the origin of funds received, budget allocations, and financial institution deposit documents.
 - Verify that deposit transactions on bank statements can be found in the treasurer's records.
 - Verify that deposits are made in a timely manner.
6. Irregularities:
- If the audit committee finds no substantial irregularities (misrepresentation, major omissions, etc.), the Audit Report should state, "No irregularities were found."
 - If the audit committee finds irregularities but determines that they are "minor" and there is no substantial misrepresentation or omission, then the audit can be completed satisfactorily with "No Irregularities" found. These "minor" irregularities can be listed as "exceptions" in the details of the Audit Report.
 - If the audit committee finds substantial irregularities in the records of the treasurer, take the following steps:
 - Contact the treasurer to secure additional records or information, as needed to resolve the issue.
 - If the issue cannot be settled to the committee's satisfaction, contact the President to determine what additional steps should be taken.
 - If the audit cannot be satisfactorily completed due to substantial irregularities, or inadequate or unavailable records, report this to the Board.
 - The audit committee and the Board should develop and adopt corrective steps.
7. Audit Report:
- Once the committee is satisfied with the financial records, committee members should create, sign and date the audit report. The audit report should address each of the major audit committee conduct topics.
 - The audit report should be immediately sent to the board and reported to the membership by a member of the audit committee at the next general membership meeting after the audit.
 - The membership should adopt/approve the report at that time.

- A copy of the report should be maintained permanently by the treasurer.
- A copy of the report should be placed in the minutes.

Sample Audit Report

Audit Committee Report

Month Day, Year

The DCMGA Audit Committee met on <date> with Treasurer <name> to conduct an audit of DCMGA financial records. The committee examined both deposit and expenditure records in accordance with the DCMGA audit procedures.

The committee found no irregularities. The following items were of note:

- The records were complete and in good order. Treasurer <name> uses Quicken software and maintains an adequate backup of electronic records. <exceptions, if any, listed>
- Monthly Treasurer's Reports were completed and supported by appropriate documentation, including bank statements, transaction reports, and evidence of reconciliation. <exceptions, if any, listed>
- All disbursements were properly handled and are supported by proper documentation. <any exceptions listed>
- All deposits were properly handled, made in a timely manner, and supported by proper documentation. <exceptions, if any, listed>

Based on our examination, the DCMGA Audit Committee considers the financial statements for the period January 1, <year> through December 31, <year> to be an accurate summary of transactions conducted during that period.

Audit Committee members: <name>, <name>, <name>

Respectfully submitted,

<Signature>

<Typed name>

Audit Committee Chairman

DCMGA Bylaws Concerning the Treasurer/Finances

Section 4. The Treasurer shall:

- A. With the President, develop an annual budget to be approved by the Board of Directors and general membership,
- B. Deposit all monies paid to the association into the Corporation's Board designated bank institution(s),
- C. Assure collection of annual membership dues,
- D. Disburse funds from the corporation's banking institution for approved DCMGA expenses,
- E. Maintain a full and accurate account of all receipts and disbursements along with appropriate hardcopy backup to maintain an audit-ready position of the Corporation's finances,
- F. Provide a monthly financial cash position report to the Board with beginning and ending monthly balances and detailing all receipts and disbursements with budget comparison. Provide a copy of the monthly bank statements to the Board,
- G. At the end of each fiscal year, provide the annual cash position financial report and present the financial records to the audit committee,
- H. File, as necessary, any annual reports of documents as required by the Secretary of State or Internal Revenue Service,
- I. Keep an inventory of corporation-owned capital assets and their value,
- J. Work with the Board designated CPA as required,
- K. Attend a minimum of nine (9) monthly Board Meetings.

ARTICLE VIII.

Section 1.

The general membership must approve the annual DCMGA budget.

Section 2.

Any budget or non-budget item that requires funds exceeding the budgeted amount over \$25 up to \$499 must have prior approval by the Board. Any amount in excess of \$499 must have general membership approval.

DCMGA Handbook Items Concerning the Treasurer

ARTICLE IV Board of Directors

Section G: The Treasurer

The Treasurer deposits and disburses funds for the organization. The Treasurer provides financial statements for the membership and files appropriate government filings. A member requiring funds should make a written request to the Treasurer with an explanation for the money requested and where this expenditure would have been included in the budget. See Attachment 1 for further explanation of duties.

ARTICLE XII. COMMITTEES AND SUB-COMMITTEES RESPONSIBILITIES

Section J: AUDIT

The audit committee consists of a chairperson and three (3) members. The committee reports to the President. Two (2) committee members must be selected from the general membership. The remaining committee members may be selected from the general membership or any position on the Executive Board, except Treasurer.

- The committee shall conduct an audit of the financial records in January. The Treasurer shall be available to answer any inquiries of the committee.
- The committee shall report the results to the general membership at the next general meeting after the audit.
- A written report of the audit and results will be provided to the Treasurer for retention in the organization's financial records.

The audit committee shall review the financial records after the first quarter of a new Treasurer's term to ensure correct accounting records. The results of this review shall be reported to the Board for further action.

ATTACHMENT 1 — Treasurer's duties:

1. Quicken Home & Business software is the vehicle of choice to maintain the corporation's financial records.
2. The newly elected Treasurer and President must secure current signature cards with the banking and financial institutions for all financial accounts no later than the day of the first Board meeting of the new fiscal year. Note: A signed copy of the approved 'Minutes of the Board, which lists the elected officers, must be presented to complete the paperwork. Additionally, change passwords for online access to financial accounts. (January)
3. The Treasurer or the President must sign the check sent to be negotiable documents. (Ongoing)
4. Request for funds and/or reimbursement of expenses must be made in writing (i.e., email, letter, expense reimbursement form), clearly stating the reason for the request and providing the budget category from which the expenses are to be charged. As appropriate, further, documentation may be required, i.e., paid receipts, vendor invoices, etc. All documentation must be maintained in an organized, audit-ready fashion. (Ongoing)
5. The monthly financial (cash) reports must have the beginning and ending monthly balances with details of all receipts and disbursements during that period and must be supported by bank statements. (Monthly)

6. Membership Dues:
 - Collect membership dues. The status of dues payments will be reported to the Member at Large. If dues are not received in a timely manner, the Member at Large will follow up with individual members. (February)
 - Pay yearly dues to TMGA, based upon the number of members, in time to be received no later than 03/01.
7. The year-end annual report to the membership is available on the website.
8. File any annual reports as required by Federal, State, or Local Governments, these include
 - State Sales Tax no later than 01/20
 - 990-N IRS Form no later than 05/15.
9. Renew the state-issued floral certificate to license the corporation's fundraising plant sales. (September)
10. Renew the Liability Insurance policy for the association. (May)
11. As required, prepare the necessary reports/paperwork for the Board-designated C.P.A. to be provided to them no later than 02/15 for the tax return to be prepared/submitted no later than 05/15. Work with the C.P.A. as required, meeting this deadline.
12. As required, update the Expense and State Tax Exempt forms and provide them to the Web Master for uploading to the website.

DCMGA Insurance Policy Items Concerning the Treasurer

Excerpts from the Coverages page

Effective Date 4/14/2016

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Bonding Plus Limit \$50,000

... no coverage will be provided unless we install and maintain the required accounting procedures at inception and throughout the coverage period.

....

Memorandum Number AD&D NPOAM0028811

a. There will be no pre-signing of blank checks.

b. There will be a monthly bank reconciliation (re-balancing of the checkbook) performed by an organization officer other than that officer (usually the Treasurer) normally responsible for banking functions (this forces discovery of deposits which should have been made but have not been made).