

## KITSAP AUDUBON SOCIETY

### AUDIT POLICY

In the event an Internal Audit is deemed necessary per the **BY LAWS, ARTICLE V: FINANCIAL REPORTING AND REVIEW, Sections 6 & 7**, the Board of Directors will appoint a committee of 3 non-Board members in good standing to perform the audit, using the following as a guide.

1. Kitsap Audubon Society's ordinary dues, donations, and fund-raising income is recorded when cash is received. Cash receipts for Life Memberships, however, are deposited in the checking account for ready use, but the income from Life Memberships is amortized annually over a 10 year period.
2. Interest on bank accounts is recorded monthly from bank statements.
3. Expenses are recorded when paid. Gains and losses from investments are recorded quarterly based on statements from investment fund managers.
4. Therefore, the Checking, Savings and Investment accounts are the primary sources of financial activity; with electronic and hard-copy records such as bank reconciliations, budgets, Board meeting minutes, paid invoices/receipts, and check copies when appropriate, providing supporting documentation.
5. **When auditing bank account activity**, it is rarely necessary to check every transaction. **Large amounts should always be examined, as well as credit/debit card transactions, and reimbursements to individuals.** The President and Treasurer are the Officers entrusted to sign checks and incur financial obligations on behalf of Kitsap Audubon Society. Any reimbursements to either Officer should be verified and the check signed by the other. **Invoices and receipts should always accompany any request for payment, whether it is external or internal.**
6. **Questions an auditor should ask:**
  - a. Do all cash accounts reconcile with corresponding monthly bank statements?
  - b. Do income and expenses for the audit period meet Budget expectations?
  - c. Are expenses either routine/budgeted, or Board-approved?
  - d. Are the amounts and frequency of expenses within expectations?
  - e. Are transactions verifiable electronically or with hard-copy documents?
  - f. Have goods and services for payments made, actually been received?
  - g. Are vendors familiar, and if not can they be verified as legitimate?
  - h. Do reimbursements to individuals have documentation and approval?
  - i. Has the Board followed Bequest & Endowment Policy (see Bylaws) on any transactions involving investment accounts?
  - j. Do donations to outside organizations and causes have Board approval?
  - k. Has all required State and Federal reporting been filed in a timely manner?
  - l. Has the Board been made aware of any potential financial problems?
7. On completion of the audit, the Audit Committee should present their findings and any recommendations to the Board of Directors at either a regular Board meeting or special meeting called expressly for that purpose, and issue an Audit Letter (see sample) signed by committee members verifying that the audit has taken place.

Updated 2/8/19

# Sample audit letter

Date:

Board of Directors  
Kitsap Audubon Society  
P.O. Box 961  
Poulsbo, WA 98370

Let it be known that we have examined the financial records of the Kitsap Audubon Society for the period: July 1, 20\_\_ through June 30, 20\_\_.

We found the records complete and in good order, and conclude that the records fairly present the financial position of the Kitsap Audubon Society for the above referenced fiscal year ending 6/30/20\_\_.

All reports required by the Internal Revenue Service and State of Washington were filed in a timely manner.

Suggestions (if appropriate): (example - For those expenses that do not have invoices, or receipts for verification, an email or written request/authorization should be required before a check is written).

Comments on implementation of previous year's suggestions (if appropriate).

Sincerely,

Internal Audit Committee:

Name: Printed name

\_\_\_\_\_  
(signature)

Name: Printed name

\_\_\_\_\_  
(signature)

Name: Printed name

\_\_\_\_\_  
(signature)

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