

Sample Chapter Financial Review/Audit Policy

The chapter will conduct an annual financial review or audit, to be completed within 120 days of the fiscal year's end. At any time where a change in the chapter administration of the finances occurs, a review/audit will be conducted.

The (*title of officer or Audit Committee*) is responsible for ensuring that the financial review/audit is conducted.

A report on the results of the review/audit will be sent to AFP by the date required per the Affiliation Agreement**. The President-Elect reports the results of the financial review/audit to the membership at the Annual Meeting, conducted in (*month*).

****Note:** At this time, chapters are not required to do an audit, but an annual audit is an effective financial practice. AFP will notify chapters well in advance of any policies that require a chapter audit.

Important information to consider when formulating your audit policy:

- The purpose of conducting timely financial reviews/audits is to protect the assets of the Chapter, thereby limiting the liability of the Board members. The greater the assets, the greater the need for professional review.
- Each chapter has signed an affiliation agreement with AFP. Item 5 in the Agreement: *Annual Report and Chapter Audits*. Chapter agrees to file an annual report and audit (or financial review) with AFP, consistent with AFP policies and procedures, on or before the date specified by AFP, which report shall include any changes in the articles and bylaws, together with such other information as AFP shall in its sole discretion require. **Note:** At this time, chapters are not required to do an audit, but an annual audit is an effective financial practice. AFP will notify chapters well in advance of any policies that require a chapter audit.
- Financial reviews check for consistency in the general ledger, that bank deposits have been reconciled, and that the appropriate parties have received payments. Donors with gifts of greater than \$5000 (used for the 990) must also be maintained with correct contact information. Audits go into greater depth and breadth on assets and procedures. In lieu of CPA services, a volunteer audit committee, with financial expertise, may conduct a financial review.
- CPA Audits typically cost 4 times that of a CPA financial review. Possible scenario: The largest chapters may opt for full CPA audits every year, large chapters may conduct CPA financial reviews with a CPA audit occasionally, and the smallest chapters may opt for a CPA financial review every 3 years with volunteer audit committees in the intervening years.
- Consider the President-Elect as the Officer responsible for ensuring the review/audit, if the Chapter Treasurer is the sole manager of the finances. Consider the Treasurer only

if the chapter is supported by outside management administration services. If an Audit Committee exists, it is the responsible party. Example: the Greater NY Chapter's Audit Committee is chaired by a non-board member and is composed of both board and non-board members as well as the chapter administrator. The committee selects and works with the auditing firm, oversees the process, and reviews the statements before presentation to the full board.

- For US Chapters: Federal 990 and State Tax Filing Forms are due by May 15. There may also be a filing required by the local state for incorporation and/or registering as a charitable trust. Filing dates could be used to determine review/audit completion dates. If CPA services are utilized for filings, the chapter could roll in a financial review or audit at the same time.
- The American Institute of Certified Public Accountants offers an audit committee toolkit for nonprofit organizations on its website at www.aicpa.org/audcommctr/homepage.htm. Included is a sample RFP for CPA services.