

PHI MU ALPHA  AMONG MEN  
SINFONIA HARMONY

# **Chapter Financial Audit Workbook**

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# CONDUCTING AN AUDIT

The technical definition of the term “audit” is “the formal or official examination and verification of accounts.” The Fraternity requires every Chapter to go through a formal audit and have their financial records be examined at least once each year. Such an examination is for the benefit of the Chapter Treasurer as well as the Chapter since it is much better to catch those inevitable human errors in arithmetic or recording early – before the errors are compounded.

## National Bylaws Title III Chapter

### Article VII Finances

#### Section 4. Annual audit.

An accountant or auditing committee approved by the chapter President and Faculty Advisor must audit the chapter books and submit a report using the forms made available by the National Headquarters. The audit report must be submitted both to the chapter and National Headquarters at least once during each school year.

A separate, select Audit Committee should be appointed to conduct the Annual Chapter Audit. Members can include some members of the finance committee and the Faculty Advisor, but **should not include the Chapter Treasurer**. However, the Treasurer should make himself available to answer any questions from the Audit Committee. Records that will be needed are the chapter checkbook, journal, cash box, ledger, receipt book, and bank statements for the year. In addition, the current files of bills issued, bills paid, statements or receipts from the National Headquarters, and savings account statements should be available. Put simply, the purpose of this audit will be to check arithmetic and to verify that proper records have been kept.

## DOCUMENTS NEEDED FOR A CHAPTER AUDIT

Gather the following documents when preparing to do the chapter audit:

- Chapter Ledger
- Checkbook
- Individual Accounts Journal
- Receipt Book
- Returned Checks/Slips (if applicable)
- Disbursement Vouchers
- Receipts
- Bank Statements
- Treasurer Reports
- Cashboxes and any Related Documentation

# AUDIT PROCEDURES

## 1. Check the arithmetic in the ledger, checkbook, and journal.

Using a calculator, go through all of the available documentation to check for simple math errors. Any errors should be notated.

## 2. Reconcile the ledger/checkbook with the bank statements.

First, the ledger and checkbook register really serve the same function, but the ledger contains much more detail than the checkbook. Reconcile the ledger with the bank statement at four different periods (beginning, November, March, and end). The November and March periods usually have the largest amount of cash flow.

## 3. Analyze the ledger and journal for the appropriate level of detail.

Take a look at the entries in the ledger. All should be dated, have the amounts, and have a balance line. Deposits should include further detail on what made up the deposit. Example:

October 20, 20XX	Deposit (Dues Brother A, Brother B, etc.)	\$264.00	\$264.00
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The ledger should also include the budget category for all expenditures. The journal needs to record the form of payment received from members for their dues (cash, credit/debit card, check #, etc.).

## 4. Do a deposit audit for each semester.

A deposit audit is a quick check to see if money received was deposited into the chapter account. It is only a rough estimate but can illustrate a potential problem in the chapter account. Add up the total amount of dues received via cash or check for the semester. Then check this amount with the deposits (marked as dues) for the semester. The numbers should be fairly close. Chapters should also get out of the habit of crediting a member's account when they purchase things on behalf of the chapter. A check should be cut for this in order to keep the paper trail intact. Also, if the check cut for dues is significantly higher than the amount collected, this could be a signal of a chapter carrying its members—something that should be stopped.

## 5. Verify dues payments with the receipt book.

There should be a receipt for every dues payment listed in the journal.

## 6. Verify invoices or receipts submitted for every check issued.

There should be documentation for every disbursement of chapter funds. Preferably, a disbursement voucher was filled out in advance, and the purchase receipt was attached to it.

**7. Examine returned checks for proper endorsements and other items.**

Make sure all checks are accounted for. If you bank returns checks for accounts after deposit, audit them to ensure they have two signatures. This is also a good opportunity to take note of payments for trends and appropriateness (e.g., a check to “Bob’s Beer House” may warrant some additional questions).

**8. If the chapter has a petty cash account, verify and balance it.**

It is highly discouraged for chapters to hold onto cash for any reason. Their activities really do not require the liquidity of a petty cash account unless they are in the middle of a fundraiser that requires them to make change. The account should be for a set dollar amount, and the cash box should have a combination of money and receipts totaling that amount. Anything over the set dollar amount should have been deposited as revenue.

**9. Check the Treasurer’s reports for accurate information.**

Rather than just a bank balance, the Treasurer’s report should list outstanding obligations and anticipated expenses. This prevents a chapter member from thinking that the chapter has more money available for other projects than it actually does.

**10. Review any other financial policies or accounts.**

If the Chapter has a payment plan policy, make sure it doesn’t result in “carrying” members. If the chapter has a fine system, how are they tracked and assessed (invoices?). How are they doing with their budget? Is there a policy in place to control expenditures? If the chapter has any kind of investment account, check to make sure it can be accessed by current officers. In addition, make sure there is a procedure in place to transfer all accounts when new officers are elected.

The results of the audit should be documented on the *Chapter Audit Worksheets*, which can be found on the following pages. It should also be presented to the Chapter, the Faculty Advisor, the Province Governor, and should be filed with the Chapter’s other financial documents. In addition to the yearly audit, all Chapter members should be aware of how their funds are being handled and should request changes in procedures if they feel the Treasurer is not doing what he should. All Chapter books and records should be available for any Chapter member to review at any time. The Treasurer should realize that the money he handles is not his and that he has a responsibility to the members of the Chapter to keep all transactions current. The Treasurer will be assured the confidence and support of the Chapter if he does not try to keep money matters secret!



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# CHAPTER AUDIT WORKSHEETS

This form is to be used in conjunction with the *Chapter Financial Audit Workbook* when completing the actual audit. It should be signed by the members of the Auditing Committee when completed and should be presented to the Chapter as a part of the final Treasurer's report of the year.

Chapter \_\_\_\_\_ School \_\_\_\_\_ Province \_\_\_\_\_

1.  Check the arithmetic in the following documents:
- Ledger
  - Journal
  - Checkbook

2.  Reconcile ledger/checkbook with bank statements:

	Date	Ending Balance
<input type="checkbox"/> Beginning Statement		
<input type="checkbox"/> November Statement		
<input type="checkbox"/> March Statement		
<input type="checkbox"/> Ending Statement		

3.  Analyze ledger and journal for the appropriate level of detail.

Comments: \_\_\_\_\_

4.  Complete deposit audit for each semester.

	Cash/Check Dues per Journal	Dues Deposits per Statements	Difference
<input type="checkbox"/> Fall Semester			
<input type="checkbox"/> Spring Semester			

5.  Verify dues payments with receipt book.

Missing Receipts / Other Comments: \_\_\_\_\_

6.  Verify invoices or receipts for every check issued.

Check Number	Amount	Disbursement Voucher / Invoice	Receipt
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>

7.  Check canceled checks for proper endorsements and other items.

Check Number	Comments

8.  Verify and balance the petty cash account.

Petty Cash Threshold <i>(should be even amount, e.g. \$100)</i>	\$
Total Cash Currently in Fund	- \$
Total Amount of Receipts	- \$
Ending Balance of Petty Cash Fund <i>(should be \$0.00)</i>	\$

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

9.  Check Treasurer's reports for accurate information.

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

10.  Review any other financial policies or accounts.

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_