



NAOC Policy 2016-002 – Financial Audit Guidance

February 18, 2016

1.0 PURPOSE

- 1.1 The purpose of this document is to provide guidance for conducting financial audits. The objective of an audit is:
 - 1.1.1 To confirm that the finances have been reported accurately, and properly reflect the financial status of the association AND
 - 1.1.2 That pertinent reports and records (as described in paragraph 6.6) have been maintained accurately.
- 1.2 The Treasurer is responsible for maintenance of this document. Approval authority rests with the NAOC BOD. This document is not a static document and is intended to be revised as circumstances change by the industry or this association.

2.0 REFERENCES

- 2.1 District of Columbia Official Code (D.C. Code) 29-413.20 Financial Statements for members
- 2.2 NAOC Articles of Association (Revision 8)

3.0 BACKGROUND

- 3.1 The NAOC is incorporated in the District of Columbia as a Nonprofit Corporation.
- 3.2 The NAOC Articles of Association under Article VI Section 5 require that

“The Treasurer shall maintain all funds of this Association and all pertinent records associated therewith; and for conducting all business normally associated with his or her duties as Treasurer. He or she shall be responsible to the Board of Directors and will be required to undergo an audit upon transition to a new Treasurer or at the direction of the Board of Directors, of all Association funds by an independent auditor to be selected by the Board of Directors.”

4.0 OPEN RECORDS

All books and records maintained by the Treasurer shall be open and available for inspection to all Members upon reasonable written (at least 15 days) notice at any meeting location of the Board of Directors or at the address of the Association’s Treasurer. This does not mean that the Treasurer shall be obligated to reproduce such records for the benefit of a requesting member, nor to travel to that requesting Member’s location to accomplish this “open records” provision.

5.0 TYPE OF AUDITS

- 5.1 Annual Reports – Provided by the Treasurer as an annual presentation to the Board of Directors and Membership that includes a summary of the overall financial condition of the Association; current cash balance; dues collected; outstanding dues; and expenses versus budgeted expenses. (Progress

financial reports also may be provided at Board of Director meeting throughout the year.)

- 5.2 Management Review – Executed by personnel assigned by the Board of Directors to conduct a review when transferring responsibilities to an incoming Treasurer or as necessary.
- 5.3 Audit by an Independent Certified Public Accountant (CPA) – Executed by a CPA not directly associated with the NAOC. This is a rigorous and costly audit. It is normally only used when significant issues are believed to exist in the Association accounting process.
- 5.4 Uniform Administrative Requirements, Cost Principals, and Requirements Audit (Formally A-133 Audit) – Only required if the Association accepts Federal Grants. Compliance is the most rigorous and costly type of audit.

6.0 MANAGEMENT REVIEW PROCEDURES

- 6.1 Objectives
 - 6.1.1 To confirm that the finances have been reported accurately and properly reflect the financial state of the Association.
 - 6.1.2 That the pertinent reports and records have been maintained accurately.
- 6.2 Frequency
 - 6.2.1 As directed by the Board of Directors or when there is a change in the Treasurer.
 - 6.2.2 At a minimum, a management review will be performed every other year if there is no change in the Treasurer.
 - 6.2.3 When there is a change in the Treasurer after the Annual Membership Meeting, the audit will occur during the Treasurer Transition period and be completed prior to 31 December of that year.
- 6.3 Guidelines for the selection of the audit team
 - 6.3.1 Team Leader who has not been a signer on the bank account.
 - 6.3.2 Team Member(s) (minimum of one) who have not been a signer on the bank account.
- 6.4 Documentation the outgoing Treasurer should have available for review
 - 6.4.1 Copies of approved budgets
 - 6.4.2 Treasurer's reports
 - 6.4.3 Bank statements (and reconciliation records)
 - 6.4.4 Physical/digital records of incoming funds and corresponding deposit records
 - 6.4.5 Physical/digital records of outgoing funds, checks written, credit card authorization, bills, receipts, and approval for payment.
 - 6.4.6 Any voided checks
 - 6.4.7 Tax returns
 - 6.4.8 Business license
 - 6.4.9 Liability insurance
- 6.5 Main tasks to perform during the audit
 - 6.5.1 Review deposits – primarily consists of dues from member companies and sponsorships. Any additional deposits should be well documented with justification.

- 6.5.2 Review payments and payment approval records.
- 6.5.3 Review approved budget and actual budget are within reason (not over or under estimating by a significant amount).
- 6.5.4 Check that reported fiscal health is as stated in treasurer reports at time of transition is accurate.
- 6.5.5 Check that taxes were filed.
- 6.5.6 Check that business license was renewed.
- 6.5.7 Check that liability insurance was renewed.

7.0 AUDIT REVIEW REPORT REQUIREMENTS

- 7.1 The final report should be submitted to the Board of Directors for review and approval at a Board of Directors Meeting.
- 7.2 The final report should include the following information:
 - 7.2.1 Opinion – To the manner in which the records have been maintained.
 - 7.2.2 Statement of Compliance – Indicating the financial statements reviewed were prepared on the basis of generally accepted accounting principles.
 - 7.2.3 Findings – Condition of financial records.
 - 7.2.4 Discrepancies – If any and recommended corrective actions.

Attachment: Sample Management Review Letter

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Signature - President

Signature - Secretary or Witnessing Officer