



Internal/Soft Audit Procedure

2024 Treasurer's Training

1. Control for Audit Process: Select two member volunteers who are not involved with financial processes within the organization. The Treasurer or President should not be involved. These volunteers will give about two hours of their time each year to perform the internal audit.
2. Review the financial policies and procedures. Analyze if these were used in practice.
3. Ensure the ending bank balance from the end of the previous fiscal year matches the beginning bank balance for the beginning of the audit year.
4. Establish a threshold for outgoing payments and randomly select transactions to analyze. Or, if there are very few, analyze all transactions.
 - a. Were proper controls used?
 - b. Were the policies and procedures followed?
5. Outstanding check review.
6. Compare expenses with the established budget- were transactions within the budget? If there were line items over budget, was this due to an event or associated with an individual?
7. Analyze the transactions from two directions:
 - a. Using the back-up documents for deposits and expenditures, trace the transactions to the bank statements.
 - b. Using the bank statements, trace the transactions to the back-up documents (receipts, deposit slips, etc.).
 - c. Investigate any discrepancies.
8. Analyze grant funds by reviewing the funder's MOU (memorandum of understanding).
 - a. Were the funds tracked properly and utilized in a timely manner?
 - b. Where the funds restricted? Conditional?
 - c. Were the conditions/restrictions met?
 - d. Is there a right of return for unused funds?
9. When applicable, review board meeting minutes to determine if board approval was attained when necessary.
10. The auditors will provide a signed and dated document that shows the fiscal year reviewed, a list of reviewed transactions, the procedures performed, and any recommendations and/or comments. This will be provided to the Treasurer and retained with all financial statements. The audit should be reviewed with the audit committee or with the local president and comments/suggestions considered.

**Additional information for internal audits is available in the NEA Guide for Best Financial Practices for Local Leaders.*