

## **SUGGESTIONS ON HOW TO CONDUCT INTERNAL AUDIT**

As unfriendly as it might seem, the auditors must presume the possibility of dishonesty at various levels within the organization. As you review the financial records, you must consider how fraudulent activity could be perpetrated and concealed.

1. Get Minutes from Board meeting during the two years being audited and review for any financial decisions/authorizations that were made; were they carried out? Is there evidence that periodic review of budget vs actual occurs at the Board level?
2. Review any contractual financial obligations; were they documented and paid appropriately?
3. Consider economic conditions or developments during the time period which may have affected the financial operations, eg, interest rates, inflation, governmental regulations. Are there either incentives or pressures to intentionally misstate financial statements or misappropriate assets?
4. Review any relevant policies regarding reimbursement of Board members' expenses; were they properly followed?
5. Are mandated filings with the state and federal government accomplished in a timely manner?
6. Review previous audit reports; were suggestions carried out? If not, are there still problems that need to be addressed? Review previous year-end financial reports; do the years being audited seem in synch with previous financial reports?
7. Are funds properly accounted? Is there proper documentation of both income and expenses? Are the treasurer's records in agreement with bank statements? Is there any evidence of fraud or misappropriated funds?
8. Finally, based on the understanding obtained of the organization's financial accounting and reporting systems, does it appear that the records provide reasonable assurance that the records are complete and include all significant transactions?