U.S. COAST GUARD AUXILIARY

FIFTH DISTRICT

SOUTHERN REGION

AUDIT COMMITTEE GUIDE

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AUDIT COMMITTEE GUIDE

# INTRODUCTION

The accounting year for Auxiliary units is a calendar year. Accordingly, the unit audit should be completed as soon after 31 December as possible so that it can accompany the financial statement. This is transmitted to the unit commander who must report to the Fifth District Southern Region.

The purpose of the Audit Committee is to examine and audit the financial records of the unit Finance Officer, Materials Officer and, at the District level, the Materials Center (District Store) to confirm that (a) the financial reports are free of material misstatement, (b) Auxiliary and District procedures were followed, and (c) Unit Standing Rules were followed.

The typical audit is not intended to verify every transaction, nor is it designed to absolutely detect fraudulent transactions. Such transactions may nonetheless come to light during the audit. A sampling of transactions is reviewed to assure compliance with internal control factors such as required approvals and segregation of functions.

While the unit’s management team (District, Division and Flotilla) is not large, there are opportunities to separate functions. For example, the bank statement could be received from the bank by the unit’s senior elected officer, who would examine it for any unusual or unauthorized transactions and then forward it to the finance officer for reconciliation with the account’s books.

To effectively and properly complete their assigned purpose, the Audit Committee must be organized and apply standard accounting procedures. The **Audit Program** (see pages 4-6 below) is intended to provide guidance to the Audit Committee members to complete their assignment.

# Composition of the Audit Committee

The Audit Committee should consist of no more than three (3) members including the committee chair. The unit leader, FC, DCDR or DCO as appropriate, shall, per the unit’s Standing Rules, appoint the chair and members of the Audit Committee.

No member of the committee shall be anyone who is connected with the approval, receipt, or disbursement of unit funds.

# Unit Records required to be available

The Audit Committee must be provided with the details of the Unit financial activity, which will include:

1. Monthly bank statements;

Note: Many banks no longer return the actual cancelled check nor do they provide a copy with the bank statement. In such instances, a photocopy of the check must be attached to the invoice or reimbursement request.

1. Record of receipts and disbursements;
2. A copy of the year’s general ledger;
3. Certificates of deposit or saving account statements;
4. Approved monthly unit financial reports;
5. Check register;
6. Receipts and invoices to support transactions;
7. The Unit Budget and a copy of the meeting minutes reflecting the unit’s approval of the budget;
8. Form ANSC 7025 for both the current and previous year prepared by the finance officer;
9. Current and prior years’ Audit Committee Report.

U.S. COAST GUARD AUXILIARY

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UNIT FINANCIAL AUDIT

Unit designation: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_

# Audit Program

Records available for audit

 **YES** **NO**

 Monthly bank statements \_\_\_\_ \_\_\_\_

 Record of receipts and disbursements \_\_\_\_ \_\_\_\_

 Copy of general ledger \_\_\_\_ \_\_\_\_

 Certificates of deposit or saving account statements ­ \_\_\_\_ \_\_\_\_

 Cumulative monthly unit financial reports \_\_\_\_ \_\_\_\_

 Check register \_\_\_\_ \_\_\_\_

 Receipts and invoices to support transactions \_\_\_\_ \_\_\_\_

 Unit Budget \_\_\_\_ \_\_\_\_

 Current & prior years form ANSC 7025 \_\_\_\_ \_\_\_\_

 Current & prior years Audit Committee report \_\_\_\_ \_\_\_\_

**Cash Accounts** **Initials Date**

Verify that all bank accounts are reconciled to the

balances shown in the financial records. \_\_\_\_ \_\_\_\_

Verify existence of all savings accounts or certificates

and reconcile to the balances shown in the financial records \_\_\_\_ \_\_\_\_

Verify the authorized signers and the number

of signatures required on all accounts \_\_\_\_ \_\_\_\_

Verify that all checks are appropriately signed and all

receipts have been promptly deposited \_\_\_\_ \_\_\_\_

Correlate fund deposit with the event generating

the funds (e.g. unit dues, public education classes) \_\_\_\_ \_\_\_\_

**Revenues** **Initials Date**

Assess the reasonableness of income recorded

 Member dues (number of members times dues rate) \_\_\_\_ \_\_\_\_

Interest income (balance at interest times interest rate) \_\_\_\_ \_\_\_\_

Does recorded revenue appear reasonable \_\_\_\_ \_\_\_\_

**Expenditures**

Assure that all expenditures have been approved and are in accordance with (flotilla) (division) (district) Standing Rules.

 Examine the original invoice \_\_\_\_ \_\_\_\_

 Check or appropriate approvals \_\_\_\_ \_\_\_\_

 Compare cancelled check to invoice checking for:

 Amount \_\_\_\_ \_\_\_\_

 Authorized signatures \_\_\_\_ \_\_\_\_

**NOTE:** Many banks no longer return cancelled checks nor do they provide copies with the bank statement. In this case, a photocopy of the check must be attached to the invoice or reimbursement request.

Do categories and amounts of expenses appear reasonable? \_\_\_\_ \_\_\_\_

**Materials**

Generally, separate financial and accounting records associated with materials are maintained only at the District level. Transactions relative to their purchase and sale of materials to the membership at Division and Flotilla levels are included in the general financial records.

The following materials transaction checklist should be used when appropriate.

GENERAL

 Obtain a detailed listing of the year’s financial activity \_\_\_\_ \_\_\_\_

 Obtain monthly reports provided to the Finance Officer

 or the senior elected officer \_\_\_\_ \_\_\_\_

 Assure that materials transactions are included

 in the unit’s financial report \_\_\_\_ \_\_\_\_

**CASH ACCOUNTS**

 Confirm that all bank statements are reconciled to the

balance shown in the financial records \_\_\_\_ \_\_\_\_

Verify the authorized signers and the number

of signatures required \_\_\_\_ \_\_\_\_

Verify that all checks are appropriately signed \_\_\_\_ \_\_\_\_

Verify that all funds are promptly deposited \_\_\_\_ \_\_\_\_

**MATERIALS INVENTORY**

 Obtain detail of materials that are hand priced at cost \_\_\_\_ \_\_\_\_

 Test the accuracy of the listing by verifying the

existence and quantity of the items \_\_\_\_ \_\_\_\_

**Financial report**

Once the audit testing has been completed to the audit committee’s satisfaction, the Financial report of an Auxiliary Unit (ANSC form 7025) should be checked for completeness and accuracy

 Do beginning balances agree with the previous

year’s ending balances? \_\_\_\_ \_\_\_\_

Do categories of revenues and expenses agree

with the unit’s financial records? \_\_\_\_ \_\_\_\_

Is the form mathematically correct? \_\_\_\_ \_\_\_\_

Do ending balances agree with the reconciled accounts? \_\_\_\_ \_\_\_\_

# Audit Committee Report and Recommendations

Does the Audit Committee have any recommendations to the unit’s

 senior elected officer?

 YES or NO\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Are established procedures being followed?

YES or NO\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Are approvals completed properly?

YES or NO\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Are funds being deposited promptly?

YES or NO\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Summarize any recommendations in a letter to the unit’s senior elected officer.

The chairman of the audit committee should then sign the Financial Report and forward to the unit’s senior official for transmittal to the Director of Auxiliary.

# Audit Committee Report Templates

# Report with findings

To the Commander (list unit)

We have conducted our audit of the financial records of *(identify unit)* for the year ending *(identify year)* in accordance with the Fifth District Southern Region Audit Committee Guide and unit standing rules. An audit is not specifically designed to identify fraud or defalcations although they may be discovered while performing the audit.

The Audit Committee Guide and standing rules ensure that the audit obtains reasonable assurance about whether the financial records and financial statement is free of material misstatement.

 Findings:

 *(List any findings to be reported)*

 Recommendations:

 *(List any recommendations)*

In our opinion, when the above findings having been satisfactorily addressed, the financial report, Form ANSC 7025, of *(identify unit)* represents fairly, in all material respects, the financial position of the unit and the results of its financial activities for the year.

Respectfully submitted,

Audit Committee Chair

# Report with no findings

To the Commander (list unit)

We have conducted our audit of the financial records of *(identify unit)* for the year ending *(identify year)* in accordance with the Fifth District Southern Region Audit Committee Guide and unit standing rules. An audit is not specifically designed to identify fraud or defalcations although they may be discovered while performing the audit.

The Audit Committee Guide and standing rules ensure that the audit obtains reasonable assurance about whether the financial records and financial statement is free of material misstatement.

In our opinion, the financial report, Form ANSC 7025, of *(identify unit)* represents fairly, in all material respects, the financial position of the unit and the results of its financial activities for the year.

Respectfully submitted,

Audit Committee Chair