

Reviewing the ARMTA Provincial Books: A Background and Instructions

Intention of this document:

The intent of this document is to assist those ARMTA members who volunteer to check the ARMTA Provincial books at year end to help them conduct a successful review of the books. This document provides the steps that should be undertaken to complete the review. Additional steps may be required if those undertaking the review have concerns or find issues that require further investigation.

Background

There are many parts in a financial record. In the review of ARMTA's records, most transactions will involve receipts or payments and will therefore have a corresponding transaction in the bank account. Comparing the bank records to the recorded financial transactions will accomplish most of the review. However, in addition to making sure transactions have been recorded in the books, you will want to check that transactions have been recorded correctly. It is also important to check to see if there are transactions that should be recorded that have not been. The review should always be done with active help from the Admin/Treasurer as there will always be questions. The review will also take some time. Count on around four hours.

How to Conduct a Review of the Books

There are three things a person should look for in reviewing an organization's financial records.

You want to know that:

- All income and expenses are included in the financial statements.
- The balance sheet correctly reflects the assets and liabilities of the organization.
- All payments are properly documented and authorized.

Step 1: Gather Financial Documents

Contact the Admin/Treasurer to arrange to access the documents you will need for the review. Many of these documents will be available electronically and can be provided in a digital format. Depending on your comfort with using computers, you can perform most of the review steps using your computer.

Documents required for the review:

From the Bank

Bank Statements for each month

Investment statements (if applicable)

Generated by ARMTA's Treasurer/ Admin

Income Statement (income & expense with comparison to budget and prior year)
Balance Sheet
Bank account reconciliation (for the final month of the fiscal year)
Bank statements confirming GIC investments and amounts.
MembershipWorks (all transactions from April 1-March 31)
Stripe: (all transaction details from April 1-March 31) plus the monthly report for the complete fiscal year.
Listing of membership dues from Quickbooks.
General ledger listing of all receipts and payments.
Invoices & Receipts (as selected for review)
ATB Bank or Chequing statements for each month.
Meeting minutes for the preceding year
Reconciliation documents
Continuity schedules for any committed/segregated funds held by the organization.

Step 2: Look at the Record-Keeping process

Look into ARMTA's record-keeping practices and check to ensure records are being stored properly. Ask questions to gain a basic understanding of how monies are received and expenses are paid. Note any process concerns you may have and discuss these with the Admin/Treasurer to learn how those issues are addressed. ARMTA should keep an electronic record of all membership receipts, all banking transactions, all cancelled checks, all invoices and authorization for all payments, plus any other relevant financial documentation until the end of the current accounting period. Make sure that archived records can be accessed quickly to shed light on any potential issues that arise. If you identify any process concerns, include these in your review report.

Step 3: Begin the Review

A. Are all transactions included in the financial statements?

1. Bank Statement review

All bank deposits and withdrawals must have a corresponding entry in the financial system. Review the bank statements along with the transaction listing (listing of receipts and payments). Verify that all banking transactions have been recorded in the financial system by matching them all. If there are bank entries without a corresponding financial system entry, note those transactions and review them with the Admin/Treasurer.

2. Bank Reconciliation Review:

Agreement between ARMTA's Ledger & the Bank Statements

A reconciliation should be prepared to balance the bank account to the ATB chequing (cash) account in the financial statements. Review this reconciliation to ensure that it explains all differences between the bank balance for the year end and the chequing account balance shown in the financial statements. Usually this is a straight-forward process. Here are some typical reasons why the bank statement(s) and ARMTA's own financial records may not match:

- Cheques issued by ARMTA may not yet be cleared through the bank. Look at the list of outstanding ARMTA cheques.
- ARMTA's ledger notes a deposit but this hasn't shown up yet in the bank. Perhaps the cheque(s) were still in the treasurer's hand at month end but recorded in the ledger.
- Bank charges can cause some differences between ARMTA's ledger and the bank statements. Often bank charges have not been noted in the ledger.

3. Membership income review

For the membership income, have the Admin/Treasurer provide a listing of all the membership dues paid to ARMTA. Check to confirm that this matches the membership revenue. If not, flag this as an issue and discuss it with the Admin/Treasurer to understand why there would be a difference. If you have found a significant difference between current year and prior years membership income, ask the treasurer about what has changed (ie. less members, different rates, etc). A change that cannot be explained will require further investigation.

4. Non-Membership Income

Review project or event income by comparing the amount deposited to the amount invoiced or provided by the event organizer. Also compare the reported actuals to the budgeted amount. If actual results are significantly different, ask the Admin/Treasurer why the results are different to confirm that something has not been missed. If the income is related to cash received from an event, this has the highest potential for error or manipulation. Ask the Admin/Treasurer about controls around the receipt and deposit of cash. If you have any concerns, ask the member who organized the event if they have a record of how much cash was received and compare that to the amount reported in the financials. Any discrepancies should be followed up.

5. Expenses review

Select about 5% of the expense transactions at random. Next find the invoice or authorization document for the payment. Ensure that the payee and amount on the

invoice or authorizing document matches the cheque and that the expenditure was properly authorized. If you find payments that were not properly authorized by the executive, two further steps are required.

First, discuss these undocumented or unauthorized payments with the Admin/Treasurer to see if documentation is available. If documentation is available, review and verify the transaction.

Second, increase the number of expense transactions you review by another 5% to see if the problem is more pervasive.

If documentation is not available, include this finding in your review report to the executive and the membership. If payment has been made to the Admin/Treasurer or a member of the executive without documentation, this matter should be reported to the ARMTA Provincial president.

6. Check the minutes of the board of directors for honorariums or special items.

As you become accustomed to seeing the patterns of deposits and expenses, you may see some expenses that look different or higher than others - so check with treasurer and with boards' notes to clarify what these were for. Approved special payments or deferred payments recorded in meeting minutes can also be a source of error in financial reporting. These amounts will not necessarily have a receipt or invoice and no bank transaction may have yet occurred, but they still need to be recorded in the current period financial statements.

7. Comparison to Budget

The budget is prepared and approved by the ARMTA provincial executive. Because of this, the budget represents a meaningful control document for the organization. The Executive is expected to operate within the budgeted amounts and would require additional approval by the entire executive to spend funds significantly above the budgeted level. Reviewing the financial statement comparing actual revenues and expenses to budgeted amounts is thereby an important step. Identify significant variances and discuss these with the Admin/Treasurer to identify the reason for the variance. This process can potentially identify income or expenses which have not yet been recorded. Significant over expenditure may also indicate a lack of control or even inappropriate payments. Significant over expenditure, without additional approval, should be included in your review report.

B. Assets

Another area to look at is any assets that ARMTA may have, such as computers, furniture, trademarks or intellectual property. Ask if ARMTA has any of these items used by the organization and discuss them with the Admin/Treasurer to determine if they

should be recorded as an asset. If you have any concerns, include them in your review report.

C. Liabilities

In performing this part of the review, you should look for potential liabilities that may not have been recorded in the financial statements. These would likely include:

1. Receipt of goods or services that have not been invoiced, or invoices that have not been processed. Review the invoice documents provided and verify that those with the most recent dates have been recorded in the financial system. Ask the Admin/Treasurer if there are any invoices which have been received but not processed. Review the last year's meeting minutes for evidence of events that have occurred that would have associated income or expenses. Verify that these receipts and expenses have been recorded. Ask the Admin/Treasurer if there are expense claims for events that have not been submitted. If you find any of the preceding items, include them in your review report as unrecorded items.
2. Promises or commitments to provide financial support to organizations or individuals. Review the past years meeting minutes to identify if ARMTA has made a commitment to provide funds to another organization or individual. If so, confirm that this has been recorded in the financial system. If it has not been recorded, discuss this with the Admin/Treasurer to determine if the amount should be included in the current period financial statements or if it is a future commitment that will be part of next year's budget. Any missed commitments should be included in your review report.
3. Unearned revenue or segregated funds. ARMTA receives membership dues from individuals for the coming fiscal year prior to the end of the current year. These funds will be included in ARMTA's chequing account balance but these amounts have not yet been "earned" because they belong to the next year. As such, these amounts need to be segregated and specifically identified in the financial statements. They represent a liability in the current year that will be earned in the next year. These amounts are identified on the balance sheet in two forms. The branch fees collected are shown by branch in the amounts collected that will be remitted in the following year. The deferred income balance is the provincial portion of the fees that will become income in the following year.
 - a. To verify this, review the reports from MembershipWorks and Quickbooks that identify the amounts collected related to the coming year. The reports will break down the dues by region. Calculate the branch and provincial portion and compare those amounts to the balance sheet amounts to confirm that they are the same. If they do not match, discuss this with the Admin/Treasurer to identify the discrepancy. If you are not able to resolve why there is a difference, include this discrepancy in your review report.

Step 4: Review your findings with the Admin/Treasurer

Now that the review is completed, you should meet with the Admin/Treasurer to review any items that you have found. If these items are simple errors or missed entries, you can point them out to the Admin/Treasurer who will likely acknowledge them and revise the financial statements accordingly. If there are numerous errors or something significant was missing, you should arrange to have a member of the ARMTA executive meet with you to discuss your findings and what steps might be taken to improve the accuracy of the financial reporting. If the meeting with the Admin/Treasurer results in changes to the financial statements, confirm the changes before issuing your review report.

Step 5: Prepare the Review Report

Now that the review is completed, you need to prepare a report on the findings of your review. The report is just a simple statement of the review activity and the findings. You just need to report to the membership that you have completed the review of the financial statements and financial practices and have found:

- A. All is in order, and you believe that the financial statements accurately reflect the financial position of ARMTA as of the year end date. ARMTA has a template letter that you should use to provide this report, which you will be required to sign.
- B. If you found a number of errors or missed entries that have a significant value and the Admin/Treasurer is not willing to correct the financial statements, then you should report that you do not believe the financial statements accurately reflect the financial position of ARMTA and then list the reasons why. Obviously, this is a very unlikely scenario. Typically, any errors or missed entries found would be added by the Admin/Treasurer and updated financial statements would be provided. If however there is a disagreement that you are not able to reconcile, then you are obligated to include your findings in your report so that the readers can judge.

That's it!! You are done.