

# Friendly Audits

*Guidance for Those Asked to Review  
Quaker Accounts and for Those Who  
Keep Them*

BY ELIZABETH MUENCH

254.8  
M948F  
2002

# Friendly Audits

The Records in General.....	4
Receipts .....	5
Expenditures .....	6
Bank accounts.....	6
In Conclusion.....	7

## Friendly Audits

You have been asked to check the accounts of a Monthly Meeting to see that they are in good order and are being properly kept. After a little arm twisting, you have hesitantly agreed. Now what do you do? The following pages are designed to help you with that question.

To start with, let's define what we mean by in *good order*. First and foremost, it means that the accounts must be *understandable*. The basic purpose of a set of accounts is to convey information. You should be able to arrive at a general understanding of the accounts and financial condition of a meeting of moderate size (50 members or less), without property in less than an hour. A larger meeting or a meeting that owns property may take longer. The accounts of a meeting with both property and endowment funds should probably be reviewed by a professional accountant.

Neatness and legibility are, of course, part of what makes a set of accounts understandable, but they should also seem *logical*. Do the categories (accounts) into which receipts and expenditures are grouped seem appropriate? Are the names of the different accounts in the budget unambiguous and do they make sense as a whole?

What? No budget? Stop right there. The accounts are not in good order because the meeting has not given its treasurer any guidance as to what is a proper outlay of money and what is not. About all you can do is to see whether the bank and the books agree on how much money there should be in the checking or savings account, whether the total of the money coming in to the bank matches the treasurer's figure for receipts, with any differences explained, and whether the total of the money going out of the bank matches the total expenditures, again with any differences explained. Actually, this may be all that very, very small groups need. Nevertheless, suggest they make up a budget next year anyway because

## Friendly Audits

they need to learn how to do it right for when they're larger.

This *beginning balance plus receipts less expenditures equals ending balance* is the basic equation for checking any account or set of accounts. This should always be the first thing you examine. If that equation is not correct, the books are not in good order and someone needs to find out why.

One of the reasons for having accounts checked periodically by an outsider is that doing so encourages procedures that keep a set of books in good order. When you accept the responsibility for saying whether or not a set of books is in good order you are being asked to say not that they appear to be in good order but that that appearance is based on reality. Many of us have had the experience of asking a child to put his or her room in order and returning a short time later to find the child has apparently done so in a miraculously short time; until you look in the drawers, or the closet, or under the bed.

The following specific questions are intended to help you look into the drawers, etc. and be sure that the appearance of good order is real.

### ***The Records in General***

Does the way in which they are kept provide for the efficient accumulation of entries and avoidance of unnecessary or duplicate work?

Are they kept up to date, with entries made soon after events occur?

Is the arithmetic accurate? Do sub-totals actually add up to the grand totals in the records and financial reports?

Are financial reports prepared and presented often enough to catch any abnormalities while there is hopefully still time to do something about them?

## Friendly Audits

Does the treasurer keep a special file of the minutes that relate to the meeting's financial affairs: i.e., budget approvals; budget changes; general financial policies; opening and closing bank accounts; accepting earmarked contributions; etc., so that they can be easily referred to?

Are the records kept in a safe place? How long are old records kept and where? Has the yearly meeting set up a central archive for important records and are key financial records sent there after an appropriate period?

If the meeting has property, furniture or equipment, is there an inventory listing all the assets of significant value and stating briefly when and how they were acquired and what their value was at the time of acquisition? Is this inventory kept with the rest of the financial records and updated annually?

### ***Receipts***

Are all checks and cash received recorded promptly and deposited in their entirety?

Most unprogrammed meetings do not "pass the plate" on a weekly basis but instead receive individual contributions in one or more annual installments. Is there a confidential, detailed listing of these contributions as they are received? Does the treasurer acknowledge them by means of annual letters or individual receipts? If the records are not in order it may be necessary to check with individuals to be sure that contributions have been properly recorded and attributed.

In the case of meetings that do pass a collection plate or otherwise receive multiple cash contributions, are such receipts always counted and deposited by a committee, not by one person alone, and does the membership of this committee rotate two or three times a year?

How are earmarked contributions and funds handled? How does the meeting assure that they are spent for the

## **Friendly Audits**

purpose for which they were contributed? If the treasurer is authorized to receive contributions for transmission to another organization this needs to be minuted by the meeting. Has this been done?

### ***Expenditures***

Are all expenditures made in accordance with an approved budget? Has the meeting minuted its approval, preferably beforehand, for any expenditures not budgeted?

Are all expenditures, except small ones from petty cash, made by check? Are all expenditures from petty cash funds supported by written vouchers?

Are expense accounts submitted promptly; adequately supported; and if necessary, approved by a committee clerk before payment?

Are supporting documents (bills, etc.) for checks marked in some way to avoid duplicate payments and facilitate identifying which check paid which bill?

### ***Bank accounts***

Are personal funds and meeting funds kept strictly segregated from each other?

Are all checks prenumbered and all numbers accounted for?

Are all checks recorded when issued?

Are all unused checks kept in a safe place?

Are all voided checks retained and mutilated?

Are bank reconciliations prepared whenever a statement is received? Differences between the bank balances and the book balances should be infrequent and promptly resolved.

Are there many outstanding checks? If so, why? Checks that have been outstanding for six months should probably be voided and those outstanding for a year

## Friendly Audits

certainly should be.

When a check is voided is a corresponding adjustment made in the expenditure accounts?

Look at the backs of the returned checks: have they been cashed by the person or business that they were made out to? If not, why not?

Are meeting bank accounts provided with alternate signers in case of illness or vacations?

Do at least two of the meeting's officers have an up-to-date list of all the meeting's bank accounts, with the names and addresses of the authorized signers? Are all changes of authorized signers or the opening and closing of bank accounts made only after being properly minuted by the monthly meeting?

What taxpayer identification number is used on the meeting's bank accounts? If the meeting doesn't have its own number, should it?

### ***In Conclusion***

No meeting will have their records in perfect order. There will always be room for improvement. However, once records are correctly put in order it takes surprisingly little work to keep them there, usually less than straightening out the messes resulting from carelessness. If the system is properly designed, the treasurer of the "typical" meeting should not have to spend more than about two hours a month to maintain it and handle the meeting's financial affairs.

# Friendly Audits



## *Quaker Press*

of Friends General Conference

1216 Arch Street, 2B, Philadelphia, PA 19107

To order more copies of this publication  
or other titles from the *QuakerBooks* catalog  
call 1-800-966-4556

e-mail: [bookstore@fgcquaker.org](mailto:bookstore@fgcquaker.org)

or visit us on the internet at [www.quakerbooks.org](http://www.quakerbooks.org)

ISBN 1-888305-59-2

1990, reprint 2002

\$2.00