

# Appendix B- Audit Policy and Procedures

## Purpose

The Leonardtown Band Boosters Inc. are committed to maintaining accurate financial records and transparent financial practices. This policy establishes the procedures for conducting an annual internal financial review/reconcile of books (audit) to verify that:

- All revenues and expenditures are properly recorded and authorized.
- Internal controls are followed and functioning as intended.
- The organization complies with applicable laws, bylaws, and IRS 501(c)(3) regulations.

## I. Frequency of Review

A financial review (internal audit) may be conducted:

- Annually, at the close of each fiscal year.
- Whenever there is a change in Treasurer or authorized check signers.
- When requested by the Executive Board or membership.

## II. Audit Committee

The Audit Committee is responsible for conducting an independent review of the organization's financial records of a designated period to help ensure accuracy, transparency, and accountability and shall consist of:

- At least three (3) members approved by the Executive Board.
- May NOT include past board members during the period being audited, any check signers, or anyone related to them.
- The treasurer may be present solely for the purpose of locating documents requested by committee
- Individuals with financial or bookkeeping experience are preferred but not required
- Verify and document that all funds have been properly received, recorded, and disbursed.
- Ensure that internal controls and reporting procedures are being followed.

## III. Audit Preparation – Step 1: Gather Financial Documents

- Copies of all written financial policies and procedures
- Copies of all Treasurer's reports for the period under review
- List of all bank and investment accounts, including all authorized signers
- Copies of all bank statements and reconciliations for the period
- Cash tally sheets or receipts journal for events and fundraisers
- Invoices, receipts, and reimbursement forms for all disbursements
- Deposit slips and supporting documentation for all income
- Documentation of any restricted funds or donor-designated gifts
- IRS Determination Letter recognizing 501(c)(3) tax-exempt status
- IRS Form 990-N, 990-EZ, or 990 for the most recent filing
- IRS letter assigning the organization's EIN (Employer Identification Number)

## IV. Audit Procedures – Step 2: Review Financial Documents and Processes

- Verify that the EIN on bank and financial accounts matches the IRS-assigned EIN (not the school's).
- Compare authorized signers listed in meeting minutes/bylaws with those on bank records.
- Confirm that bank reconciliations are complete, correct, and sequential.
- Randomly select one month and independently perform a bank reconciliation to verify accuracy.
- Count petty cash (if applicable) and verify that the count agrees with records.

## V. Step 3: Review Income and Receipts

- Match deposits listed on Treasurer's reports to deposits shown on bank statements.
- Confirm that cash tally sheets and event income reports match the amounts deposited.
- Verify that all deposits were made promptly and in full.
- Ensure that all income is categorized to the correct account (general fund, uniform fund, etc.).

## VI. Step 4: Review Disbursements

- Confirm that all disbursements were properly authorized by budget approval or board vote.
- Match invoices and receipts to each payment.
- Verify that check amounts and payees match supporting documentation.
- Confirm that checks are signed by authorized signers only.
- Verify that all checks are accounted for in numerical order with none missing.
- Review reimbursements for proper documentation and signatures.

## VII. Step 5: Review Tax and Compliance Records

- Verify that the two (2) most recent IRS Form 990-N, 990-EZ, or 990 was filed timely.
- Confirm that the organization's 501(c)(3) status is active and current.
- Confirm that the organization's Maryland Charitable Registration is current .

## VIII. Step 6: Review Internal Controls and Financial Systems

- Evaluate whether duties are properly separated to prevent misuse of funds.
- Ensure that at least one other officer reviews bank statements monthly.
- Confirm that cash is counted by at least two people and recounted by the Treasurer before deposit.
- Ensure financial reports are complete, accurate, and presented regularly to the Board.
- Verify that records are retained in accordance with the record retention policy.

## IX. Step 7: Reporting

- Prepare a written report summarizing the audit period and documents reviewed.
- Include verification of current cash balances and reconciled accounts.
- List findings or discrepancies and corrective recommendations.
- Have all Audit Committee members sign and date the report.
- Present the report to the Executive Board for acceptance and file it in the permanent records.

## X. Step 8: Follow-Up

- Notify the President and Executive Board of any discrepancies immediately.
- Address and document corrective actions for any findings.

## XI. Audit Timeline- 60 day after requested by board

The annual audit should be completed within 30 days after the close of the fiscal year. The audit must be approved by the Executive Board and reviewed by the new Treasurer before assuming responsibilities.

## XII. Record Retention

All materials reviewed by the Audit Committee Checklist and Reports shall be:

- Retained according to the organization's record retention policy.
- Copy secured with the Treasurer or stored in the organization's shared digital archive.

Created and Adopted: February 2026