

# **PENN STATE COOPERATIVE EXTENSION**

## **Annual Audit Guidelines for County Cooperative Extension Accounts**

The importance of conducting annual audits is to help ensure proper account management and maintenance procedures are in place for Extension supervised accounts. This document was designed to assist you with this process and help ensure a thorough review of the account(s) you will be auditing.

### **Materials You Will Need**

1. All bank statements for the fiscal period under audit.
2. A detailed general ledger report showing all account activity.
3. Account checkbook, including voided checks and checks that have cleared the bank.
4. Expenditure vouchers with attached supporting documentation.
5. Bank deposit slips with attached supporting cash receipts.
6. Cash receipt book and any other cash or inventory control logs that exist.
7. Detailed listing of individuals authorized to sign financial documents (vouchers and checks).
8. Copy of last year's audit report and year end balance.

## **Items To Review**

1. Review any prior year audit report. Ensure steps were taken to correct findings and implement recommendations.
2. Review prior year audited general ledger ending balance to ensure this amount was brought forward.
3. Review bank statements to ensure that written reconciliation's are being prepared each month. The general ledger should be reconciled to the bank balance each month and be documented on both.
4. Review the general ledger to ensure it is being kept current and accurately reflects financial transactions made during the fiscal year. Ensure year-end bank and general ledger balances equal.
5. Review transactions made between separate Extension office accounts to ensure they were not made to put the account under your audit in balance. Transactions between accounts should be kept at a minimum and when they occur be well documented.
6. Review the last bank statement of the fiscal year and the general ledger for outstanding checks. Checks should not be outstanding for more than three months. If there are, the bookkeeper should check the circumstances and consider stopping payment. Ensure all checks are accounted for.
7. Review vouchers and checks that have cleared the bank to ensure proper signature authorizations were obtained. Signature stamps are not permitted on any financial documents. Checks should not be pre-signed. Compare signature dates on vouchers and checks to vendor invoice dates to ensure pre-signing is not practiced. The individual who prepares the vouchers and checks should not be authorized to sign.

8. Review vouchers to ensure each expenditure is properly supported by a vendor invoice or receipt. Select a few and verify that goods were received or that services were rendered.
9. Review bank deposits to ensure they are properly supported by pre-numbered cash receipt slips. Deposits should be made when receipts equal \$100 or at the end of every week, whichever occurs first.
10. Verify that cash on-hand is properly supported by a pre-numbered cash receipt slip. It is recommended that a three-copy cash receipt system be in place. Verify that all cash receipts are accounted for by reviewing numeric sequence. Voided receipts should remain in the receipt book.
11. Review inventory control systems in place for "For Sale" items. Ensure systems accurately account for all inventory. An inventory log which is reconciled on a regular basis against sales and purchases is good practice.
12. Review control systems in place for workshop and seminar activities. Ensure systems accurately account for all program receipts. A participant sign-in log which is reconciled against pre-paid registrations and registration fees collected at the activity is good practice. Cash receipts should be prepared to support all registration fees collected.
13. Review expenditures to ensure they are allowable. Expenditures should be prudent, reasonable, and in the best interest of the County Extension program. Expenditures that are solely for the benefit of extension staff are unacceptable. (e.g. flowers, refreshments, cash bonuses, donations, club dues, office parties, gifts, awards, etc.)
14. Ensure provisions are being made to properly safeguard office cash. Cash should be safeguarded in a manner where it can not be easily removed from the office by using nominal effort and/or force.

15. If applicable, verify office petty cash fund balance. Cash on-hand plus receipts for reimbursed expenditures should equal the total amount of the fund at all times. Each expenditure must be in furtherance of approved Extension program and be supported by a receipt. Petty cash funds are used for minor purchases which individually do not cost more than \$50.00. This fund should not be used for making cash advances to employees or to cash employee checks.

## **Audit Report**

Document your audit findings and recommendations in writing to the County Extension Director. Indicate in your report the date(s) of your audit, the fiscal period audited, the name of the account audited, and any other information you feel pertinent. There is no standard report format you must follow.

You should report any findings involving the misuse or theft of funds directly and immediately to the College Business Office at (814) 865-6629.

**It is the responsibility of the County Extension Director to have all office accounts audited each year. The County Extension Director shall forward a copy of annual audit reports and a detailed general ledger report to Roger Martell in the College Business Office at 212 Ag Administration Building, University Park PA 16802. This process of annual financial reporting shall be completed by March 31st of each year.**

**Questions regarding the audit process should be forwarded to Roger Martell, , 212 Agricultural Administration Building, University Park, PA 16802, office phone (814) 865-6629.**