

## **VAST AUDIT GUIDELINES**

[Last revised 5/31/2020 by Carol Rowley, Outgoing Treasurer]

Thank you for agreeing to serve on the VAST Audit Committee for the VAST Fiscal Year 2019 (this fiscal year is so named by the IRS and runs from 6/1/2019 to 5/31/2020).

Committee Members:

Linda Creagh

Kimberly Karl

Veva Vonler

Pam Livingston, FY 2020 Treasurer, Observer

Ex Officio: Outgoing Treasurer Carol Rowley

### **PROCESS:**

From the VAST Amended & Restated 2015 Bylaws:

Article IX, Section 2 states that "The books of the Organization shall be balanced and audited as of September 1 of each year by an internal committee from the Membership or where possible a Certified Public Accountant." NOTE: Since 2013 VAST has had an internal audit by an appointed Audit Committee composed of both VAST board members and VAST members.

**TREASURER'S NOTE TO AUDITORS** - Please have your **AUDIT LETTER** written, signed by all auditors and ready to be presented to the VAST President by the **FALL VAST board of directors meeting** generally held in **August** each year.

### **TIMELINE FOR FULFILLING IRS OBLIGATIONS REGARDING CURRENT FISCAL YEAR:**

VAST must file information with the IRS on its annual income whether or not income taxes are due. The long form for large non-profits is called Form 990. Currently VAST is eligible to file a "postcard form" called the Form 990-N because it's gross income for the fiscal year was under \$50,000 and it's cash assets are under \$50,000.

**VAST must file IRS FORM 990-N by OCTOBER 15 after the end of its fiscal year.**

**NOTE:** All forms 990-N are permanently and electronically filed in the Google Drive of the VAST Treasurer's gmail account (currently a free account), [VASTArtsTreasurer@gmail.com](mailto:VASTArtsTreasurer@gmail.com) and access to view the folder there can be granted upon request by the Audit Committee. Note further that the IRS Form 990-Postcard for the VAST FISCAL YEAR UNDER AUDIT is filed in this location as well.

### **EMPLOYMENT TAXES AND THE IRS -**

If and when VAST hires an employee in an executive director position or any other paid employee position, it will need to file employment taxes on this employee AND pay half of the employee's FICA and Medicare taxes.

Currently the policy of the VAST Board of Directors is to hire services on an **independent contractor basis** (workshop presenters, program presenters, web work, legal work, financial work, etc.). VAST must file an IRS Form 1099 on all independent contractors who are paid \$600 or more a year. This includes any exhibit award winners whose winnings, either from a single VAST exhibit or from two VAST exhibits, equals or exceeds \$600.

The VAST auditors should review the paperwork for such filing for the **CALENDAR YEAR ending in the middle of the VAST fiscal year**. For the 1099s filed for Jan 1 to Dec 31 during the FISCAL YEAR UNDER AUDIT, the 1099s will be filed in January expense folder for the fiscal year.

#### **IRS REQUIREMENTS REGARDING CONTRIBUTIONS MADE TO VAST -**

VAST has an obligation to provide all donors of \$250 or greater a specific letter to the donor stating that VAST has received the donation and the donor has not received any goods or services for the donation.

In situations where the donor has given over \$75 in cash for a donation and received in exchange an item (for VAST this would be the Merging Visions Catalog), VAST must provide a receipt that tells the donor the cash value of the item received and that only the amount above the cash value of the received item[s] is deductible on the donor's tax return.

The VAST auditors should check for a statement to be sure that either a director, officer or committee person has carried out this responsibility for VAST during the fiscal year under audit. A letter stating that this has been done from the person or persons responsible is sufficient. These are often referred to as thank-you's. Please contact the Corresponding Secretary and/or the Secretary for such a letter.

#### **TIMELINE FOR THE AUDIT COMMITTEE AND TREASURER:**

1. VAST Treasurer and Executive Committee are advised to appoint an audit committee by the fall of the audit year (or no later than March 1 of the audit year) of at least three VAST members who are willing to conduct an audit after 5/31 (end of fiscal year).
2. Once provided materials by the Treasurer for the fiscal year in question, the appointed committee communicates amongst themselves to arrange meeting[s] and division of labor and/or tasks if applicable. The committee needs to decide on ONE person (who may be called the "Chair of the Audit Committee") who will communicate questions to the treasurer or appropriate party and who will oversee the actual writing of the Audit Letter.
3. The audit committee reviews the financial data and, **if the committee wishes**, any of the operations policies of VAST that any officer sets forward for his/her successor. However, specific to the Audit, a current "Treasurer's Policies" document is available on the Google Drive of the VASTArtsTreasurer@gmail.com. Access to view the folder on Google Drive will be granted upon request by the Audit Committee to the Treasurer.
4. The Audit Committee may expect and receive any of the VAST materials it deems appropriate for the audit from the treasurer and other officers and/or directors. The over-riding purposes of the audit are to ensure that finance records reflect accurately the income and expenses of VAST and the budget the Board approved to operate under, and any areas of VAST that in the opinion of the auditors need annual or periodic reviews.
5. In its report, the committee is free to analyze ANY problem areas for VAST and make suggestions and comments in the Audit Letter, but most particularly in regard to financial matters.
6. The audit committee will prepare and deliver to the President of VAST for presentation at a Board of Directors meeting a **written audit report for the fiscal year under review** that has the **signatures of all audit committee members**.

ITEMS TO BE EXAMINED IN THE AUDIT:

1. The committee will refer as needed to the audit letter of the previous fiscal year to see if any suggestions were made by the previous auditors and if these suggestions were followed in the current fiscal year. Access to view the folder on Google Drive where previous years' audits are stored will be granted upon request to the Audit Committee by the Treasurer  
\_\_\_\_\_ (check that last year's audit was received and reviewed).
2. The committee will view the bank records of the signers of all financial (banking) accounts that VAST owns for the AUDIT YEAR (NOTE: VAST has a checking account and a savings account at Wells Fargo Bank). As current banking law requires that all signers on an account be authorized by the Board of Directors through a motion seconded and approved to allow the signers authority over the financial accounts, the Audit Committee's job will be to view the bank signature records to verify that the signers on the account for the AUDIT YEAR were the appropriate responsible officers.  
\_\_\_\_\_ (check that bank signature records were viewed and were authorized officers).
3. The committee will review the current treasurer's (or accounting/financial policy) of VAST and make any suggestions for changes that they feel are needed. Typically, the policy states how vendors/people are paid with VAST funds, how reimbursements are made to members for expenses, and when/if a requirement for two signatures on a check is needed, how cash is handled prior to deposit, etc.  
\_\_\_\_\_ (check that Treasurer's Policies were viewed/reviewed).
4. The committee will review all financial reports given to the Executive Committee and/or the Board of Directors to ascertain that **regular monthly reports** that show income/expenses each month and how **income/expenses compare to the adopted budget** of VAST have been prepared. It is the policy of VAST to present these statements to the Executive Committee and/or Board of Directors each month.  
\_\_\_\_\_ (check that Financial Reports were viewed/reviewed)
5. The committee will review all **printed bank account statements** for each month from the financial institution [WELLS FARGO] to make sure such documents are in the records of VAST and marked "reconciled" with the Quickbooks software.  
\_\_\_\_\_ (check that bank statements were viewed and marked reconciled)
6. The committee will determine if "restricted" funds were properly recorded as received by VAST during the fiscal year, or continuing from the previous fiscal year, or used for the restricted purpose during the fiscal year (NOTE: restricted funds may be restricted by the donor to a specific purpose, or the Board of Directors may restrict the receipt of special donations for specific restricted purposes by board vote).  
\_\_\_\_\_ (check that restricted funds were properly accounted for)
7. The committee will determine that minutes are in existence for each Executive Committee meeting and each Board of Directors meeting and that such minutes have been appropriately approved. [NOTE: Minutes of meetings are the responsibility of the Secretary. Ask the Secretary for the fiscal year in review to send an email verification that records of the approved minutes have been kept and are available upon request to parties requiring legitimate access.]  
\_\_\_\_\_ (check that the committee received verification of storage of the minutes)

8. The committee will determine if there are any loans made by VAST, and if so, that such loans have been approved by the directors in minutes and that appropriate documents have been maintained on any loan. [TREASURER'S NOTE: VAST has **not** made any loans to any person/entity nor has it gotten loans from any person/entity. This item is included because it is standard to ask and answer this question during an audit. – Carol Rowley, 5/31/2020]

\_\_\_\_\_ (check that Treasurer verified)

9. The audit committee will randomly select from the checking account register[s] 10% of expenses and 10% of deposits and verify that (a) expenses have appropriate invoices and paperwork present and that these expenses agree with data entered into the electronic bookkeeping records, and that (b) deposits have copies of items deposited and agree with the data entered into electronic bookkeeping records.

\_\_\_\_\_ (verified by the Audit Committee)

10. The audit committee will verify that items sold by VAST (in fundraising or other activity) are appropriately handled – that is, that items for sale are inventoried and sales of the items, especially Texas State taxable sales, are recorded. NOTE: VAST's major fund-raising activity is the sales of Calendars each fall for the next calendar year. A sales report from the Treasurer Quick Book records will be in the audit package.

\_\_\_\_\_ (viewed/verified by Audit Committee)

11. The audit committee will verify that at least one officer of VAST has an inventory list of VAST assets (of a "capital nature") maintained and that such list includes the location (and if appropriate) the "key" or "password" to access the asset.

[NOTE: THE MOST RECENT INVENTORY OF VAST PHYSICAL ASSETS WILL BE IN THE TREASURER'S AUDIT MATERIALS.]

\_\_\_\_\_ (viewed/verified by Audit Committee)

12. The audit committee will verify that an insurance policy was in place for Directors and Officers Insurance for the fiscal year.

\_\_\_\_\_ [Verified – yes or no].

13. If you have ever served as an auditor, MANY THANKS!!!

**VAST Ad Hoc Audit Committee**  
**for VAST FISCAL YEAR 2019 (6/1/2019 – 5/31/2020)**

**Date:** DATE COMPLETED AUDIT LETTER TO BE SENT TO PRESIDENT OF VAST

**From:** **The Ad Hoc Audit Committee, whose members include**  
[NAME OF AUDITORS 1, 2, 3, etc.]

**To:** The VAST President and the Board of Directors

**Subject:** Audit Results for **[INSERT FISCAL YEAR INFO]**

The appointed, all volunteer VAST Ad Hoc Audit Committee has completed its examination of the **FISCAL YEAR 2019** financial and management records of VAST - the Visual Arts Society of Texas. In our work, members of the committee relied upon audit instructions provided by the VAST treasurer, the examples of previous year's audits, and our own experiences of management within the organization. Our examination of the records should not to be construed as an "Audit and Opinion" as might be rendered by a Certified Public Accountant in her/his capacity as such.

**Findings**

The committee used the audit guidelines, documents, and materials provided to examine expenses and income to ascertain whether they were accurately recorded in VAST's books and in financial reports to the Board of Directors. We also ascertained the current situation and location of the physical assets of VAST.

The committee found that the financial records examined were accurate and with no evidence of fraud or systematic errors that would allow or lead to fraud. Our examination compared bank statements, accounting software statements, and financial reports to directors for accuracy relating to income, expenses, and restricted accounts.

**Current Status of Prior Year's Audit's Recommendations to the Board of Directors:**

Either written here or if longer space is required, attached as Statement#1. (Note: Statement 1 will say that the prior year's recommendations were accepted and enacted by the board, only partially enacted, or that they were discussed and deemed unnecessary by the board.)

**Audit Committee Recommendations for Items to be Addressed by the Board During the Current Fiscal Year:**

See Statement[s] #2 [through # attached] IF APPLICABLE. If not applicable, state that the committee has no future recommendations for the board in this audit.

Respectfully submitted:

Signed Auditor Name \_\_\_\_\_

Signed Auditor Name \_\_\_\_\_

Signed Auditor Name \_\_\_\_\_

STATEMENT #1

STATEMENT #2

ETC.