

# Investment Club Annual Audit Checklist



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*Each year, investment clubs should convene an Audit Committee of members who shall review the club's records to ensure accuracy and best practices. The following checklist, based on a worksheet developed by Herb Barnett, is designed to assist the treasurer and audit committee in carrying out the year-end club audit.*

## Documents Provided by Treasurer

- Most recent tax return(s) with delivery confirmation.
- Form 1099s for year(s) being audited.
- All bank, brokerage, and dividend reinvestment plan statements since last audit.

### Year-end club accounting reports:

- Valuation Statement for 12/31.
- Allocation of Income & Expenses Report for 12/31.
- Individual Security Ledgers for all current stocks.
- Individual Security Ledgers for all stocks sold since last audit.

### Reports covering entire period since last audit:

- All Valuation Statements.
- All Member Status Reports.
- Member Contributions Report.
- Transaction Summary Report with dividends sub-totaled by security.
- Cash Journal Report.
- Withdrawal Reports for all members withdrawn during audit period.

## Preliminary Tests

*If these tests are not met, the problems should be corrected by the treasurer before continuing with the audit.*

- If the club uses ICLUBcentral's Club Accounting 3 for the desktop, make sure the software is the most current version available to ensure adherence to tax laws. (See <http://www.iclub.com/support/CA3support.asp>.) Note: Users of Club Accounting Online at [myiclub.com](http://myiclub.com) always have the most up-to-date version.
- All securities and total shares of each on year-end brokerage and DRP statements must reconcile with year-end Valuation Statement.
- Total cash on year-end bank and brokerage statements must reconcile with year-end Valuation Statement.
- "Paid In" and "Paid In Plus Earnings" (PIPE) on year-end Member Status Report must not match (except in a new club that has not yet done its first Allocation of Earnings).
- A Valuation Statement has been created and saved on a consistent interval according to club's operating agreement (such as at end of every month, on the last market close before club meeting, etc.).
- An Allocation of Income and Expenses has been created and recorded at the end of the year.

# Conducting the Audit

*Previous Audit concluded with transactions ended: \_\_\_\_\_; this Audit begins with transactions beginning: \_\_\_\_\_. This Audit should begin on the ending date of the last completed Audit. Divide up and assign specific audit tasks to committee members, and mark any discrepancies on copy of reports or statements. Check off all items as they are completed on this form.*

## Cash Transactions

- The only dividends entered as "cash" are for a Money Market Fund.
- Any month-end "interest" in a brokerage account is entered as "interest."
- Any month-end "money-market dividend" received in a brokerage account is entered in the books as a cash dividend or money market dividend.
- All expenses were authorized and appropriate.
- Money transferred between bank, broker or company DRP plan is recorded as a "cash transfer" (not as offsetting expense and income transactions).
- Money paid in to the club by members is recorded as "member deposits" (not as "income").
- Penalties, late fees, etc., or reimbursement for bounced check charges paid in by members are entered as a "member fees" (not as income or member deposits).

## Security Transactions

- All stock splits, mergers, and spinoffs are properly recorded.
- All stock dividends are assigned to the proper security (not entered as cash transactions).
- The total dividends reported for each security under Cash and Reinvested Dividends on Transaction Summary Report match the amounts shown on Form 1099s.
- The security, date, and amount of all transactions on Transaction Summary Report reconciles with brokerage statements.
- For stocks that have been completely sold, no fractional shares remain on Individual Security Ledger.

## Member Transactions

- The value of one unit on the Valuation Statements changes from month to month.
- All member payments have been properly credited to the members.
- Members contributing the same amount in any one month are credited with the same number of units.
- For each full or partial member withdrawal, Valuation Statement reflects number of shares of stock (if any) that were transferred to the member.
- Withdrawal fees and cash values for each full or partial member withdrawal have been calculated and paid properly.
- No fractional units remain for fully-withdrawn member on Individual Valuation Ledger.

# Audit Committee Findings

We, the undersigned members of the Audit Committee, have reviewed the club's records and find that (*check one*):

- all records are complete and correct, *or*
- discrepancies were found and actions were taken to correct them, as detailed below:

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The members of the Committee have (circle one) no / the following recommendations for improving procedures:

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Submitted to the club this date, \_\_\_\_\_, by the following members:

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_____	_____
_____	_____