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Auditing

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Why should this be done? How often should it be done? How about some guidelines for how to actually do it?

Audit -If you are on the audit committee, these are the things to look for, in order of their importance:

1. The Cash account on the Valuation Statement, or the amount of the Cash DR column on the Complete Journal Ledger should reconcile with the Cash balance on hand at the broker. The treasurer should reconcile with the broker each month. The audit committee should verify this at the beginning of their yearly audit.
2. The number of shares owned on the Valuation Statement must be the same as the quantities shown on the broker's statement. This is a primary item for the treasurer's monthly checkup, and the yearly audit.
3. The Total Value of the portfolio shown on the Valuation Statement should reconcile reasonably closely with the total account value of the broker's statement. It's not unusual for there to be some difference, as the broker statement and club valuation statement may not use exactly the same security prices.
4. On the Member Status report, the Total paid in should reflect what each person has actually paid in to the club in monthly dues and fees. Dues buy units, fees do not, but the total still counts on your tax basis when your account is liquidated.
5. On the Member Status report, Total Paid In Plus Earnings (PIPE) should

- equal Paid in by Members CR on the Complete Journal Ledger.
Individually, your Total PIPE represents your actual contribution (see 6), plus (or minus) each year's tax gain (or loss) reported on your K-1's.
6. The Transaction Summary report has check points that need to balance also. Under Dividends, this total for the year should equal the Dividend amount on the broker's income summary. The Dividend column here refers to Money Market cash dividend/interest, and should equal the amount shown on the broker's income summary.
 7. In addition the Dividends and Interest Received CR column should be the same as the total on the broker's Income Summary.
 8. If you use NAIC software, on the Individual Valuation Units Ledger, check to see that the number of units purchased for members varies each month. Except at the very beginning when there have been no expenses and no stock purchased, these values will change each month, unless there has not been a valuation saved in between, which should be corrected.

References and Further Reading

Barnett, Herb. (2004). [Verifying The Club Books](#).

Reed, Bruce. [Additional information about investment club auditing](#).

Comments:

From jcdolan769@msn.com [68.163.202.39]
- 2/14/07 1:01 PM

Nice, Thank you

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