Compliance Readiness: A Pre-Audit Checklist for Nonprofits

Audits don't have to be stressful. Preparation creates confidence.

Use this checklist as a high-level readiness tool to identify documentation, policy, and internal-control areas that may need attention before your next audit.

Governance & Organizational Records

- ☐ Articles of Incorporation and current bylaws are readily available
- ☐ Board roster is current and includes officer roles
- ☐ Board meeting minutes are complete and approved
- ☐ Conflict-of-interest disclosures are collected annually
- ☐ Major organizational policies have been formally approved
- ☐ Required registrations, licenses, and corporate filings are current
- ☐ Organizational chart and key leadership responsibilities are documented

TSG Tip: Auditors often look for consistency between what your governing documents require and what the organization actually practices.

Financial Records

- ☐ Bank reconciliations are completed regularly
- ☐ General ledger records are current and organized
- ☐ Revenue and expenses are properly categorized
- ☐ Accounts payable and accounts receivable records are current
- ☐ Supporting documentation exists for significant transactions
- ☐ Credit card statements and receipts are maintained
- ☐ Payroll records reconcile with financial reports
- ☐ Restricted and unrestricted funds are properly tracked
- ☐ Prior-year financial statements are accessible

Watch for: Missing receipts, unexplained journal entries, inconsistent coding, or transactions without clear approval.

Budget & Financial Oversight

- ☐ An annual budget has been approved
- ☐ Actual spending is regularly compared with budget
- ☐ Significant budget variances are reviewed and explained
- ☐ Leadership receives recurring financial reports
- ☐ Cash flow and available reserves are monitored
- ☐ Financial responsibilities are clearly assigned

TSG Tip: A budget should function as an active management tool, not simply as a document approved once per year.

Revenue, Grants & Restricted Funding

- ☐ Grant agreements and award letters are centrally maintained
- ☐ Grant expenditures are tracked separately when required
- ☐ Supporting documentation is retained for grant-funded expenses
- ☐ Grant reporting deadlines are monitored
- ☐ Donor restrictions are documented and followed
- ☐ Contributions and other revenue are recorded consistently
- ☐ Documentation supports significant donations or funding sources

TSG Tip: Funding requirements can vary significantly by grantor. Internal processes should make it easy to trace funds from award to expenditure.

Payroll & Personnel Records

- ☐ Employee files are complete and secure
- ☐ Compensation approvals are documented
- ☐ Payroll registers are retained
- ☐ Timesheets or time records are maintained where required
- ☐ Employee and contractor classifications have been reviewed
- ☐ Reimbursements are supported by documentation
- ☐ Changes in pay or employment status are appropriately approved

Purchasing & Vendor Management

- ☐ Vendor records are organized and current
- ☐ W-9s are maintained where applicable
- ☐ Purchasing approval requirements are documented
- ☐ Competitive quotes or bids are retained when required
- ☐ Contracts are centrally maintained
- ☐ Vendor invoices match approved purchases
- ☐ Payments are reviewed and authorized appropriately

TSG Tip: Repeated exceptions to purchasing procedures may signal a larger internal-control issue.

Internal Controls

- ☐ No single employee controls an entire financial transaction from beginning to end
- ☐ Spending authority and approval limits are clearly defined
- ☐ Bank access is limited to authorized individuals
- ☐ Check signing and electronic payment permissions are controlled
- ☐ Cash-handling procedures are documented
- ☐ Sensitive financial systems use appropriate access restrictions
- ☐ Former employees' access is removed promptly
- ☐ Significant adjustments or unusual transactions receive additional review

TSG Tip: Ask whether one person can initiate, approve, process, and reconcile the same transaction. If so, that area deserves closer review.

Policies & Procedures

- ☐ Financial management
- ☐ Procurement and purchasing
- ☐ Expense reimbursement
- ☐ Conflict of interest
- ☐ Whistleblower protection
- ☐ Records retention
- ☐ Cash handling
- ☐ Credit card use
- ☐ Travel and reimbursement
- ☐ Gift acceptance
- ☐ Information security and confidentiality

TSG Tip: Having a policy is only the first step. Staff should also understand when and how it applies.

Documentation & Record Retention

- ☐ Records are stored in an organized, consistent manner
- ☐ Supporting documents can be located without extensive searching
- ☐ Record-retention expectations are documented
- ☐ Confidential records are appropriately protected
- ☐ Electronic records are backed up
- ☐ Document naming and filing practices are consistent

TSG Tip: One of the simplest ways to reduce audit stress is to make requested information easy to retrieve.

Prior Audit Findings

- ☐ Prior audit reports have been reviewed
- ☐ Management-letter comments have been addressed
- ☐ Corrective actions have been documented
- ☐ Repeat findings have been investigated
- ☐ Leadership understands any unresolved issues

TSG Tip: A repeated finding generally deserves more attention than an isolated documentation mistake.

Before the Audit Begins

- ☐ Identify one primary audit contact
- ☐ Review the auditor's request list carefully
- ☐ Create a secure folder for requested documents
- ☐ Assign responsibility for each requested item
- ☐ Confirm deadlines
- ☐ Review records for missing documentation
- ☐ Discuss unusual transactions or significant organizational changes in advance
- ☐ Make sure key staff know their role in the audit process

Quick Readiness Check

If you answered “No,” “Not Sure,” or “We Need to Find That” several times, your organization may benefit from a more detailed readiness review before the audit begins.

A checklist can identify potential gaps. It does not determine whether the underlying documentation, controls, or processes are adequate.

READY TO STRENGTHEN YOUR COMPLIANCE READINESS?

Tiered Solutions Group helps nonprofits organize documentation, review operational controls, identify process gaps, and prepare for audit requests with greater confidence.

Smarter Systems. Stronger Organizations. Lasting Impact.

Schedule a Compliance Readiness Assessment