

# ***Audit Committee Guidelines***

for Fraternal Units

Information about

the Fraternal Unit

Audit Process



June 2006

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This information guide is intended to assist the Audit Committee to perform a limited review of its organization's financial strength and policies. This guide should help the Board control financial activities until an additional audit might be deemed necessary. It emphasizes the importance of internal controls in safeguarding the Fraternal Unit's assets.

**Definitions:**

Any time reference is made to a Fraternal Unit within this or any other materials it refers to all three fraternal units together - Lodges, Chapters *and* Moose Legions.

**References:**

- The General Laws
- Official Office Manual for Moose Lodges
- Forward in the Good, Onward in the Right
- WOTM Handbook
- WOTM Officer's Handbook
- WOTM Recorder/Audit Handbook
- Moose Legion Code of Rules

**Special Note:**

Lodges and Chapters may now do all of their banking on-line (electronically) providing they have received authorization, in writing or electronically, from the General Governor or Grand Chancellor's office respectively. If your Fraternal Unit decides to do its banking on-line you should know there are **some** banks that do not send out monthly statements to those customers. The statements can be reviewed on-line, (the Administrator, Recorder or Moose Legion Secretary should print out the statement for the Fraternal Unit's records). So, if the Audit Committee is reviewing the Fraternal Unit's books and records and needs to see the bank statements a copy will be in the file. No password should be given to anybody other than the Administrator, Recorder or Moose Legion Secretary, because they are responsible for all of the Fraternal Unit's books and records.



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## **FRATERNAL UNIT AUDIT COMMITTEE SUGGESTED GUIDELINES**

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### **Committee Members:**

**Lodge:** At the first regular meeting after being installed, the Governor shall appoint two (2) members of the Lodge (one of whom shall be chairman) to serve with the Prelate on an Audit Committee. The three (3) members of the committee shall serve for one (1) year. (See Appendix A for suggested responsibilities.)

**Chapter:** The Senior Regent shall appoint an Audit Committee of three (3) members, namely a Chairman and two (2) Committee members, to compile the monthly financial report. Any good standing co-worker shall be eligible to serve on the Audit Committee except the current Board of Officers.

**Moose Legion:** At the first regular meeting after being installed, the President shall appoint two (2) good standing members, one of whom shall be chairman, to serve on the Audit Committee. The Chaplain shall be the third member of the committee. No other member of the Board of Directors shall be a member of this Committee.

The President shall demand and receive from the Board of Directors and each Committee Chairman of the Moose Legion, all stocks, bonds, notes, accounts and records of the Moose Legion required by the Audit Committee to make a full and correct report.

### **Committee's Activities:**

The Committee members should be concerned with the following:

- Familiarizing themselves with the reporting process and internal controls.
- \*The adequacy of internal controls (the system used to create and verify various records required by the House Committee, Moose International, and the various state and local administrations.)
- \*The accuracy of records and reports to the House Committee, Governmental offices and Moose International.
- The proper authorization of activities and expenditures.
- The verification of the physical existence of assets (including inventories excluding House Committee).
- A review of tax-exempt status and identification of any activities that could endanger it.
- Ensure that payroll taxes, licenses, sales taxes, and any other taxes and the Fraternal Unit's reports are properly filed as required by respective governing authorities.
- Reviewing Moose programs and understanding their financial relationships.
- Audit required financial reports and statements, and attest to their accuracy.
- Attest and assure that financial reports are read at Fraternal Unit's meetings.
- Conduct special audits when requested by the Board of Officers.
- \*Conduct monthly audit of House Committee records.
- Verify Membership information.

\*Indicates House Committee activity only.

The Audit Committee must establish in their own minds that the controls required by the organization, the Fraternal Units, House Committee, and governmental bodies are being followed. It must perform substantive testing to verify that transactions were properly recorded. Testing must include, but is not limited to: bank statement reconciliation, review of minutes, review of receipts, and comparisons of current and previous financial statements. The results of these and other testing will provide evidence to the completeness of the financial accounts and statements.

The Audit Committee should review the items found deficient in the previous audit to assure that the indicated items were addressed and no longer continue to be deficient.

### **The Audit Program:**

The Audit Committee should develop a written plan for each account, function, or class of financial transactions it has selected for the examination. The plan should indicate the relationship to the financial statement assertions and audit objective. An example would be to verify the purchases of small games of chance against the control sheet. Games in must equal games out.

The following are examples of how audit objectives could be developed:

<b>Financial Statement Assertion</b>	<b>Audit Objective</b>
Existence of Assets	<ul style="list-style-type: none"> <li>• Verify inventories included on the balance sheet physically exist.</li> </ul>
Accuracy of the Fraternal Unit Assets Verify Expenditures	<ul style="list-style-type: none"> <li>• Verify inventory quantities include all products, materials and supplies on hand.</li> <li>• Inventory listings are accurately compiled in the inventory accounts.</li> </ul>
Savings and Investments	<ul style="list-style-type: none"> <li>• Verify that the savings accounts match deposits and withdrawals.</li> <li>• Proper authorizations for withdrawals are documented in the meeting minutes and a dispensation received from the General Governor's office for Lodges. This is not a requirement for the Women of the Moose.</li> <li>• All transfers from one account to another are complete and accurate.</li> </ul>
Verification of Membership	<ul style="list-style-type: none"> <li>• Verify all applications received since the last report have been entered and transmitted to Moose International.</li> </ul>

### **Internal Controls:**

The Audit Committee must be attentive to the adequacy or inadequacy of internal controls. Lack of good internal controls can make the audit task very difficult, if not impossible. When reviewing internal controls, the committee should use common sense as its guide. There are some very good reasons for internal controls including:

- Preventing loss by theft.
- Safeguarding the assets of the Fraternal Unit.
- Assuring that transactions are authorized and properly recorded.
- Preventing mistakes by an employee.

Additionally, the internal controls should be reviewed for compliance with the laws of each Fraternal Unit, the General Laws, the WOTM Handbook and the Moose Legion Code of Rules as well as any regulatory agencies. Test these controls by assessing the activities performed by the employees and specific transactions for compliance.

**Verification of Assets:**

The Audit Committee shall make its primary objective to verify bank balances, count of securities, savings account balances, as well as fixed and saleable inventories. The committee shall examine statements and compare them to documented records agreed to by the Boards. There should be evidence that checking accounts are reconciled each month.

**Certification that Returns and Reports are filed:**

Even though the Fraternal Unit is classified as a Not-for-Profit organization (501(C)-(8)), it is still required to file tax returns, complete various regulatory forms and/or reports. Failure to comply could result in fines, loss of its Not-for-Profit status, or loss of its charter. The Audit Committee shall make a list of these documents during the planning phase and verify that the Fraternal Unit complies. The list might include the following:

- Payroll Taxes
- Sales Tax and licenses
- Form 990 (including Schedule B)
- Various Fraternal Reports

For further information on Taxes refer to the handout "Understanding Tax: Exemptions, Forms and Filing Requirements for Fraternal Units" and the Women of the Moose Recorder/Audit Handbook.



### **Available Reports:**

At the monthly Audit it would be helpful if the Chairman of the Audit Committee has computer experience and has read the LCL.net and Quick Books Pro Tutorials, which should be maintained in the Administrator's, Recorder's or Moose Legion Secretary's office. The following reports should be printed from Quick Books or LCL.net and available for the Audit Committee.

The following reports are found in Quick Books

- A Chart of Accounts
- Reports
  - Company & Financial
    - ❖ Profit & Loss Standard
    - ❖ Profit & Loss Detail
    - ❖ Income by Customer Detail
    - ❖ Expenses by Vendor Detail
    - ❖ Balance Sheet Detail
- Banking
  - Missing Checks
  - Vendors & Payables
    - Unpaid Bills Detail

The following reports are found in LCL.net under the Go To menu selection:

- Monthly Reports
- Member Status Reports
- Arrears Report
- Applicants Reports

### **Final Report:**

Upon conclusion of the audit, the committee chairman must prepare a written report and present it to the Board of Officers. The report must detail the findings of the audit and make recommendations to the Board and the Fraternal Unit as to what is needed to comply.



## APPENDIX A - AUDIT COMMITTEE CHECKLIST

The following reports should be filed with the office copy of the Certified Financial Report.

<b>Monthly Responsibilities</b>	✓
Cash Receipts are issued for all transactions.	
Review of expenses for proper account classification.	
Review of proper dispensation for required purchases.	
Minutes are accurate, complete, approved and signed by the respective authorities.	
Ensure all applicants are entered and transmitted.	
Review blank checks and/or checkbook stubs.	
Verify that the checks and bills match.	
Review canceled checks and/or checkbook stubs that no checks are made out to cash.	
Ensure & Review monthly bank reconciliation.	
Ensure NSF Check procedure is in place and enforced.	
Verify deposits are made weekly.	
Bank deposits are verified.	
Incidental Expenses are current. (Petty Cash) This does not apply to the Women of the Moose except for Bingo	
Quick Books are balanced monthly and accurately maintained.	
Review all books and Computer reports.	
Membership changes are current.	
*House Committee Profit & Loss suggestions.	
*Complete Monthly House Committee Report.	
*Physical inventory of merchandise is done.	
*Physical inventory of merchandise is priced correctly.	
Recommendation to Board on accounting changes or practices.	
Review Audit findings with Board.	
*Indicates House Committee activity only.	

**APPENDIX A - AUDIT COMMITTEE CHECKLIST**

<b>Additional Audit Committee Responsibilities</b>		✓
Proper records & files maintained.		
Review Financial Reports prepared by the Administrative Officer.		
Securities are safe and secured.		
Review all investment documents.		
Review notes receivable, if any.		
Review open accounts payable in Quick Books.		
Review Moose indebtedness is current and correct.		
All cancelled checks (if applicable) after bank reconciliation are filed numerically and available for the audit.		
See that all required reports were completed and submitted.		
Quarterly taxes remitted timely (SS, withholding, real estate, sales or other taxes).		
Insurance report is complete.		
Ensure deceased members have been reported.		
Review of all life memberships.		
*Ensure Lodge Guest Book is used properly.		
*Verify that a "cash purchases" book is kept and filed for information.		
Submit in writing to Moose International any concerns with the Financial Report.		
*Indicates House Committee activity only.		
<b>Additional Requirements</b>	<b>Date</b>	✓
Annual new officers list is sent to Moose International. <b>(as needed)</b>		
Verify physical inventory of all lodge assets. <b>(yearly)</b>		
A budget is prepared by the administrator and reviewed by the board. <b>(yearly)</b>		
Verify tax reports filed properly (940,941,944,1096,1099, W-2, I-9, W-4). <b>(yearly)</b>		
Verify 990 or 990T (if applicable) completed and submitted on time. <b>(yearly)</b>		
Proper check signature cards on file with the bank for both checking and savings accounts. <b>(as needed)</b>		
Are all Risk Pool, Officers Bond Premium, and other insurance and Liquor License paid. <b>(yearly)</b>		

Note: If any of the above items are not performed properly, they are to be brought to the attention of the Board of Officers for proper action and corrections.

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## APPENDIX B - AUDIT COMMITTEE QUICK LIST

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1. Total up Dues recorded from Lock Box statement and transfer fees and check to see that the totals recorded in the Fraternal Unit's checkbooks and deposits are the same.
2. Check deposits on bank statements to see that the deposits in Quickbooks match.
3. \*Check daily or weekly House Committee envelopes to see that the same amount has been deposited on the bank statements.
4. Check off all cancelled checks against the Fraternal Unit's Quickbooks to see that Quickbooks has the same amount as the bank statements, and mark outstanding checks.
5. Add up all receipts for the month or audit period and see that they total the same as the bank statement total deposits.
6. Total all checks as shown in the books and total all debits on the bank statement.
  - The total debits on the bank statement PLUS the outstanding checks should equal the total of the checks listed in the Administrative books.
  - When adding totals of the bank statement deduct the outstanding checks from last month.
  - Be sure to count in all checks written to the last day of the bank statement regardless of what day was used as last day of financial report.
7. Now take the balance from the last report, add all credits on bank statements, subtract debits (don't use outstanding checks from beginning of audit period) this total must be the same as the ending balance on the bank statement.
8. Now take the ending balance on bank statement and subtract the outstanding checks, this balance and the checkbook balance should be the same.

If checkbook has a different balance, check to see if all Bank charges or N.S.F. checks, etc. on bank statement have been deducted from the checkbook. Also, be sure to check if any bank Credit Memos or check reversals on statement have been added to the checkbook as well as Quickbooks.

If there is a difference, which you can't find, always check how much the bank paid for the check not how much the check was written for. What the bank paid is the computer amount printed on the lower right corner of the checks, this may differ from amount check was written for.

9. In the Administrator's, Recorder's or Secretary's checkbook all totals should be already in balance. If these do not balance with the bank statements find out why.
10. Any questions raised by the Audit Committee shall be submitted with the report to Moose International. (For further information see Sec. 43.5 of the General Laws, Sec. 63 of the WOTM Handbook or Chapter 23.2 of the Moose Legion Code of Rules).

\*Indicates House Committee activity only.