

# **Financial Review/Audit Committee Guidelines**

for Fraternal Units

## **Information about the Fraternal Unit Financial Review/Audit Process**



This booklet presents accounting and tax information that may or may not be right for your specific Fraternal Unit. In view of the complex, individual, and specific nature of tax situations, this booklet is not intended to replace professional accounting or legal advice. Moose International expressly disclaims any responsibility for any loss or risk incurred as a consequence of the application of the contents of this booklet. Moose International advises each Fraternal Unit to seek the advice of their own legal or tax professional.

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## ***INTRODUCTION:***

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This information guide is intended to assist the Financial Review/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 financial review/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
- Officers' and Committeemen's Handbook
- WOTM Handbook
- WOTM Officer's Handbook
- WOTM Recorder's 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 Financial Review/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 FINANCIAL REVIEW/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 a Financial Review/Audit Committee. The three (3) members of the committee shall serve for one (1) year. (See Appendix A for suggested responsibilities.)

**Chapter:** Each year the Senior Regent shall appoint one person to serve on the Progressive Audit Committee of three (3) members, a Chairman and two (2) Committee members, to compile the monthly financial reports for the each month. Any co-worker in good standing shall be eligible to serve on the Audit Committee except an Elected or Appointed Officer, Chairman of a Chapter Development, Standing or Special Committee, Ritual Director or Escort, except where dispensations have been requested and granted to very small Chapters.

**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 financial reviews/audits when requested by the Board of Officers.
- \*Conduct monthly financial review of House Committee records.
- Verify Membership information.

\*Indicates House Committee activity only.

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

### ***The Financial Review/Audit Program:***

The Financial Review/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 financial review/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 financial review/audit objectives could be developed:

<b>Financial Statement Assertion</b>	<b>Financial Review/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 Financial Review/Audit Committee must be attentive to the adequacy or inadequacy of internal controls. Lack of good internal controls can make the financial review/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 Financial Review/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 Financial Review/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’s Handbook.

### ***Available Reports:***

At the monthly financial review/audit it would be helpful if the Chairman of the Financial Review/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 Financial Review/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 financial review/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 financial review/audit and make recommendations to the Board and the Fraternal Unit as to what is needed to comply.



## **APPENDIX A – FINANCIAL REVIEW/AUDIT COMMITTEE CHECKLIST**

<b>Monthly Responsibilities</b>	✓
Verify all investments, CD's, and savings accounts are safe and secure	
Ensure cash received by the Administrator and/or Administrative Assistant from all sources are receipted and deposited in gross weekly.	
Verify deposits from Moose International (member dues) and credit card deposits, if applicable, are recorded in QuickBooks	
Verify credit cards are used for purchases <b>ONLY – NO</b> cash advances	
Verify deposits from <b>all income sources</b> are on bank statements and entered in QuickBooks: This verification includes totals from the weekly House Committee Envelope, raffles, vending, gaming, hall rentals, membership dues, etc.	
Verify the current Administrator, Governor, and Treasurer are the only officers with proper check signature cards on file with the bank for all checking accounts	
Verify all checks written have two (2) signatures and canceled checks match QuickBooks entries, checkbook stubs and bills	
Verify ACH payments match bills, and recorded in QuickBooks/checkbook	
Review and investigate checks written for cash (see Section 43.4 of General Laws pertaining to cash and cash expenditures). Verify a “ <b>Cash Purchases Journal</b> ” is kept and filed for information <b>Note: This does not apply to Women of the Moose except for Bingo</b>	
Verify all licenses and permits are current	
Verify all insurances, payroll, real estates, and sales taxes are remitted on time and are current	
Verify there are three (3) consecutive years of 990 Federal Tax returns and the present fiscal year 990 is current	
Verify monthly QuickBooks reconciliation and reconciliation balance match monthly bank statements	
Review and verify the monthly financial statement is successfully transmitted to Moose International	
Board of Officers and Membership meeting minutes are accurate (following agendas), complete, approved and signed by the Administrator, Governor, or presiding officer	
Ensure all new applicants are entered in the body of minutes with sponsor and voted on for acceptance	
Verify all new applicants are transmitted and enrolled	
Ensure Lodge Guest Book is being used properly.	
Ensure there is an Incident Log Book behind the bar	
Review Committee to file a written report of their review to the Board of Officers and the membership monthly. Report to contains suggestions when applicable	
A copy of this checklist and Financial Review Report(s) to be filed in a safe location and kept for seven (7) years	
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	
Submit in writing to Moose International any concerns with the Financial Report.	

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**APPENDIX A – FINANCIAL REVIEW/AUDIT COMMITTEE CHECKLIST**

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Additional Requirements	Date	✓
Verify physical inventory of all lodge assets. <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.