

SEMI-ANNUAL COUNCIL AUDIT REPORT

Section 145 of the Laws of the Order requires that the Grand Knight and the Trustees shall audit the accounts of the Financial Secretary and Treasurer at least every six months, and in January and July report thereon to their Council, District Deputy, State Deputy and Supreme Secretary upon forms approved by the Board of Directors and furnished by the Supreme Council. Under no circumstances should either the Financial Secretary or Treasurer prepare the audits, but each should be readily available to the Trustees to answer questions regarding the records. The Trustees are charged with this duty and in accepting office they are accepting the responsibilities the office entails.

Trustees who sign an audit prepared by the Financial Secretary or Treasurer are participating in a deception. The report made to the Council, District Deputy, State Deputy and Supreme Secretary indicates the Trustees examined the records of the Financial Secretary and Treasurer. In such a situation, the Trustees cannot know the figures provided are correct.

If the Trustees and Grand Knight cannot personally make the audit, they should arrange to have one made by a qualified member at the expense of the council. A responsible Financial Secretary will require that his records and accounts be examined periodically according to our Laws for the protection of all concerned, including his own. Protection of self interest of the Financial Secretary will also help to safeguard the financial affairs of the council. The Grand Knight and Trustees must arrange for the audit to be accomplished without depriving the Financial Secretary of his records for more than one week. The business records of any council can be properly examined within a week to assure accuracy and completeness.

The bonding company, which takes an active concern in audits, can refuse to honor the bond on either the Financial Secretary or Treasurer for the following reasons:

1. Failure of the Trustees to conduct the audit or signing an audit prepared by the Financial Secretary or Treasurer.
2. Failure to have on file at the Supreme Council office two consecutive audit reports for the year immediately past.

RECORDS AND ITEMS NEEDED TO PREPARE THE AUDIT:

A. To be obtained from the FINANCIAL SECRETARY

- Cash Receipts Records.
- Voucher Stubs.
- Treasurer's Receipts to Financial Secretary.
- Council Statement from Supreme Council for past 6 months.
- Cash and checks on hand, if any.
- Bills or invoices requiring payment.
- Last Audit of council.
- Member's Ledger Cards.

B. To be obtained from the TREASURER

- Check book and bank statements of past 6 months.
- All bank books, regardless of purpose of account.
- All documents reflecting cash or liquid assets such as Stocks, Bonds, Notes, etc.

C. To be obtained from the RECORDER

- Minute Book of Council's regular Business Meetings.

NOTE: Failure to complete all three sections of the Audit Report will necessitate return of the report to the Grand Knight, causing inconvenience and unnecessary effort to all concerned. ALL items in ALL columns must be completed. If no figures are required, then the word "none" should be inserted on the proper line(s).

SCHEDULE A — MEMBERSHIP

Figures showing additions and deductions of members during the audit period are obtained from the records the Financial Secretary maintains on Ledger Cards or Ledger Sheets in the old accounting system. These figures may also be obtained from the Council Statement received each month from the Supreme Office. On these billings are shown the additions, deductions, and transfers from associate to insurance or insurance to associate. To insure accuracy, the sum of the columns "Insurance" and "Associate" should equal the total in the columns marked "Tot."

Only those members listed on the Council Statement can be used in the Audit. If a newly initiated member is not indicated on the statement within 60 days, please notify the Supreme Council office Membership Department. The Ledger Card of a suspended member must remain in the active file until the name is removed from the monthly statement. The Ledger Card and/or council roster should be verified to determine that all members and candidates who have paid all or any part of their initiation fee are listed.

For the purpose of conducting the semiannual council audit, inactive insurance members are to be ignored.

The figures for "Total Deductions" in the "Deductions" section are to be placed on the line "Minus Total Deductions" in the "Additions" section and must be subtracted from the figures for "Total for Period" to obtain the correct figures for "Number Members at End of Period."

SCHEDULE B — CASH TRANSACTIONS THE FINANCIAL SECRETARY

"Cash on Hand Beginning of Period" will be the figure in the previous audit report showing "Cash on Hand at End of Period."

Figures for "Cash Received, Dues and Initiation" and "Cash Received from Other Sources" will be the six-month summary of Records of Cash Receipts or the six-month summary in the Financial Secretary's Cash Book where the old accounting system is in use. "Total Cash Received" will be the total of the three previous items.

Amounts for "Paid to Treasurer" will be the total of the figures shown on Receipts from Treasurer to Financial Secretary for moneys received during the period by the Treasurer from the Financial Secretary

"Cash on Hand at End of Period" will be amounts shown "Paid to Treasurer" subtracted from amount shown as "Total Cash Received." In most instances "Cash on Hand at End of Period" will show zero balance as most Financial Secretaries pay all moneys to the Treasurer before the end of the audit period.

RECORD OF CASH RECEIPTS

The purpose of this procedure is to determine that dues payment by members was receipted for, entered on the member's ledger, turned over to the Treasurer, receipted for by the Treasurer, and deposited in the Bank Account. Additionally, we should determine that no credit was posted on a member's ledger for which there was no record of payment being received. In order to make these determinations, a representative number of accounts should be "spot checked." The procedures are as follows:

- Verify a few receipts on each "Record of Cash Receipts" ledger to determine if the member was given credit on his ledger card for the amount shown.
- Verify a few members' ledger cards to determine, in reverse order, if credit given there was received and recorded on the "Record of Cash Receipts."
- Verify the totals on each "Record of Cash Receipts" sheet to determine that the money was turned over to the Treasurer and his receipt issued.
- Verify each "Treasurer's Receipt" to determine that the amounts shown was credited on Bank Statements as deposits.

SCHEDULE B CASH TRANSACTIONS — TREASURER

The "Cash on Hand Beginning of Period" will be the figure shown in the previous audit by the Treasurer on the line "Net Balance on Hand."

The item "Received from Financial Secretary" will be the six-month total of the items in the Treasurer's Cash Book showing moneys received from the Financial Secretary. This should agree with the amount shown in the Financial Secretary's report on line "Paid to Treasurer."

Under "Disbursements," the amounts for "Per Capita (State and Supreme)" payments and "General Account Expenses" will be the six-month total of payments by the council as shown in the disbursements section of the Treasurer's Cash Book.

RECONCILING BANK CHECKING ACCOUNT

The purpose of this procedure is to determine if the Treasurer's check register is in balance with the balance shown on the end of the period bank statement. Some other procedures are accomplished at this time; they are:

- Determine that an authorized voucher exists for each check issued and that the check was issued to the correct payee in the correct amount.
- Review the endorsements on the checks to determine that they are endorsed by the payee.

- Check the canceled checks to the Cash Disbursement Register and indicate and initial audit results on the Check Register.

SCHEDULE C — ASSETS AND LIABILITIES

This section will provide a capsule picture of the financial condition of the council. From audit period to audit period it will indicate the council's financial progress or lack of it — and where necessary will enable the Trustees, State and District Deputies and Supreme Office to obtain a true picture of the council's financial progress.

However, it is apparent that some councils are including figures that do not properly belong in the report for the period for which the audit is being made. This is particularly true relative to "Due Supreme Council: Per Capita" in the "Liabilities" column and "Due From....Members" in the "Assets" column.

It appears that some councils are including as owed the Per Capita *levy* for the period following that for which the audit is being made. This should not be done. (Example: If an audit is being made for the period ending December 31st, then the per capita levy for January should not be shown in the Per Capita" line. Should that amount charged in January not be paid, it would be shown in the next audit for the period ending June 30th.)

In relation to the "Due From ... Members" line, the Financial Secretary, if he is following the rules faithfully, bills his members at least 15 days prior to the start of a period. Some councils are entering on this line the amounts for which the members are being billed for the following period. Therefore, the Financial Secretary when billing, should date the bills as of the first of the month in which they come due (such as, January 1 or July 1) and the Trustees in making the audit for the prior period should disregard these figures. Any unpaid portions of these charges for the ensuing period will appear on the next Audit report.

ASSETS

"Un-deposited Funds" will be moneys in the possession of either the Financial Secretary or Treasurer, or both.

Assets labeled "Bank — General Account" and "Bank Special Account" will be the reconciliation of the Treasurer's checkbook(s) showing the net cash balance(s). Un-cashed checks outstanding should be deducted from the Bank statement.

The figure for "Due From — Members," both the number of members who owe and total amounts owed, may be obtained from the Financial Secretary's records, mainly from his Ledger Cards, or Ledger Sheets where the old system of accounting is in use.

NOTE: One criterion of the financial condition of a council is indicated by the number of members either paid in advance or in arrears and the amounts involved. Please be certain to complete this item in this section.

The Treasurer will furnish the amounts for "Savings and Investment Accounts" from his Cash Book which should show transfers of cash to savings accounts or purchase of investments. If the council owns stocks or bonds, the Trustees should make a count of the investments and determine that all earnings on investments are properly credited to the council accounts.

"Total Current Assets" is the total of the five previous lines.

LIABILITIES

Figures for the "Liabilities" section for the Council's obligations to State and Supreme Council and "Miscellaneous Liabilities" will be supplied by the Financial Secretary from his records and from unpaid bills in his possession.

Advance payment of dues by members should be included in "Advance Payments by—Members." It is a liability because it represents dues payment not yet chargeable to the members.

Charging off unpaid accounts when a member is suspended, the amounts he owes will appear in the Audit report for the period in which he is suspended. His card or ledger sheet should be removed from the council file on or before the end of the period in which he is suspended. Therefore, when the billing by the Financial Secretary is made for the next period, the amount he owes will no longer appear as there will be no charge made to this member. This eliminates the carryover from one period to another of uncollectible dues or other charges on members who have been suspended.

The figure in the space for "Total Current Liabilities" is to be entered in the "Assets" column in space designated "Less: Current Liabilities" and be subtracted from "Total Current Assets" to obtain figure for "Net Current Assets."

If liabilities exceed assets, the "Total Current Assets" should be subtracted from "Current Liabilities" and the resulting figure entered in red ink or circled.

INVESTMENTS

Trustees are to itemize investment assets on the appropriate lines provided for that purpose in the "Investments" section.

Figures showing the value of "Real Estate" and "Furniture" should be obtained from the Secretary of the Council Home Operation Committee.

In addition to the Audit, it is strongly recommended that an Annual Budget should be prepared in November or December of each year following guidelines the council had established, if one had been rendered previously. It is good and sound practice to transfer funds from the General account to the Savings account each year as a contingency fund. The funds should be transferred immediately following adoption of the budget, early in the calendar year.

Section 145 of the Order's Charter Constitution laws, outlines the duties of the TRUSTEES and its Chairman the Grand Knight. Every Trustee is required to be totally familiar with this section and its impact on the council's finances and obligations, and his duties. Section 122 spells out the manner in which the council manages its funds. Other sections dealing with the disposition of council moneys and funds are 139-1, 139-3, 140-1, 140-2, 140-3 and 140-4. Council By-Laws may also contain Laws and Rules governing the expenditure of moneys and approved by the Supreme Advocate in a manner consistent with the Charter Constitution Laws and the Board of Directors.

HOME CORPORATIONS

Council officers and members should be well acquainted with all phases of operations where Home Corporations are concerned. Regular and complete reports should be made by the Corporation Trustees to the council. There should also be a periodic review as to the manner in which various activities are conducted under the auspices of the Corporation Board.