

A PROCESS FOR FINANCIAL REVIEWS

Financial Reviews are **NOT** audits. Therefore, the emphasis is on procedures. Were all the monies recorded in the right place? Did the Financial Secretary receive all incoming money first and record them in the Cash Book? Did the Treasurer record all income and expenditures in the right place? Were all expenditures authorized by the Court and recorded in the Recording Secretary's minutes? Were all bills and donations paid? Were all dues recorded in the Membership book and in the Cash Book? Do the deposits match the Cash Book and the Treasurer's Ledger? Does the checkbook balance with the bank statement and the Treasurer's Ledger?

Participants in the Financial Review include the three book officers (Treasurer, Financial Secretary, and Recording Secretary), three financial review committee members, and the District Deputy. Materials required include four red pencils/pens, a calculator, and scratch paper. In addition, all the book officer's books and records will be present including:

Recording Secretary	Minutes Treasurer's Reports
Financial Secretary	Cash Book Membership Ledger Financial Secretary's Receipt Book Financial Secretary's Copy of Treasurer's Receipts
Treasurer	Treasurer's Ledger Treasurer's Receipt Book Bank Statements & Deposit Slips Warrants & Bills

Refer to the attached schedule of roles and duties for the financial review. Each book officer will sit with one of the financial reviewers around a table. The financial reviewer will take the books as indicated in the schedule. The District Deputy is responsible for the bank statements and cancelled checks. Reviewers will place a small checkmark against each amount they verify in/on each of the records reviewed.

Step 1: Starting with the bank statement for the first month of the review period (April or October), the District Deputy read the first deposit.

- ❖ Reviewer 1 (Treasurer's books – ledger, receipt book and report) will verify the amount of the deposit to each record.
- ❖ Reviewer 2 (Recording Secretary – checkbook, deposit slips, and financial secretary's ledger) will verify the deposit to the checkbook and deposit slips).
- ❖ Reviewer 3 (Financial Secretary's books – cash book, receipt book, minutes, and warrants/bills) will verify the deposit to the cash book and to the receipt book.

Step 2: After all the deposits for the month are checked, the District Deputy will read each check cleared by the bank.

- ❖ Reviewer 1 will verify to the treasurer's ledger and the treasurer's report.
- ❖ Reviewer 2 will verify to the checkbook.
- ❖ Reviewer 3 will verify to the recording secretary's minutes and to the warrant sheets and bills.

Steps 1 and 2 will be repeated for each month of the review period, until all deposits and expenditures are verified to the books and records.

Reviewers will sign the back of the last entry in the Treasurer's Receipt Book, the Financial Secretary's Receipt Book, the last deposit slip for the review period, and the last page of the Cash Book for the review period. Reviewers will also sign the last page of the review period in the Treasurer's Ledger, the Checkbook and the Minutes.

Step 3: Reviewers 2 and 3 will verify that all dues entries shown in the Cash Book have been recorded in the Financial Secretary's Membership Ledger. Entries in the ledger should show by member the amount of dues paid and the period for which the dues have been paid. If it is a new member and a reception fee has been paid, that amount should also be shown in the ledger. Reviewers 2 and 3 should also verify all Addition, Deletion, and Transfer forms submitted during the period to the ledger. Ledger pages for deleted and transferred members should be removed to the back of the ledger in a separate section from active members. Reviewers 2 and 3 will then count the number of active members on the roles (dues paid or not) at the end of the review period (March 31 or September 30). The number of active members will be recorded on the Financial Review form.

Step 4: The District Deputy and Reviewer 1 will prepare the Financial Report to the State from the Treasurer's Ledger. Reviewer 1 will either verify or extract the following information from the Treasurer's Ledger and prior to the District Deputy to enter on the Report:

- ❖ Total charitable, religious, and educational contributions (includes portion of State Dues to Madonna Manor - \$2 per member paid during the review period). These amounts include donations to charitable, religious, and educational organizations and activities including donations for Priest appreciation day, birthday and Christmas gifts to the Court Chaplain, educational and poetry contest prizes, etc. It also includes donations to National and the State for their charitable projects.
- ❖ National Dues and Assessments
- ❖ Supplies, jewelry & gift items (ordered from National – should be supported by a bill from National)
- ❖ Paraphernalia (Robes, Banners & Flags)

- ❖ State Dues & Assessments (include the total bi-annual dues including the portion for Madonna Manor (total \$4.00/member for September 30, 2005; \$5.50/member thereafter).
- ❖ Fund Balance – Checking Account – from prior review
- ❖ Fund Balance – Checking Account – from current review
- ❖ Fund Balance – Savings Account – from prior review
- ❖ Fund Balance – Savings Account – from current review

DD will obtain the number of members on the rolls as of March 31 or September 30 from Reviewers 2 and 3.

The District Deputy will also review the Treasurer's Ledger to assure that the Treasurer is separately maintaining balances by general and charitable funds and is not co-mingling funds. The District Deputy will verify that the Court has not used charitable funds for the operation of the Court.

Note: Sometimes monies received in one month are not recorded and/or deposited until the next month and checks do not always clear the bank in the bank statement period, so committee reviewers may need to move back and forth from one month to another in order to review the books. The important thing is to find the amounts recorded. It is part of the District Deputy's duties and responsibilities to instruct the Court officers in their duties.

Common Problems:

1. The Treasurer shows a deposit for amounts not shown in the Cash Book. This occurs when monies are collected at meetings, or when the financial secretary is not available and someone acts for her. The Financial Secretary must record all amounts received regardless of the source or how small the amount. The Treasurer should not accept any monies from anyone but the Financial Secretary. The Treasurer should always issue a receipt for all monies received. In the event that the Financial Secretary is absent and someone is appointed to act for her, the Treasurer should issue duplicate receipts to the individual submitting the funds with a copy to the Financial Secretary. The Treasurer and the Financial Secretary should meet at least monthly to assure all monies are accounted for. If an amount is not shown in the Cash Book, the financial reviewer should enter the amount in the Cash Book in red and sign and date the entry.
2. The cash book shows amounts not shown in the Treasurer's ledger or on a deposit slip. Verify that the Treasurer gave the Financial Secretary a receipt for the amounts. If the total deposit matches but the Treasurer's ledger does not show an entry for the specific item, determine whether the Treasurer misclassified the amount as something else. If there is no receipt from the Treasurer, the Financial Secretary will need to account for the funds that are recorded but have not been deposited. If the Treasurer

issued a receipt for the monies, the Treasurer will have to account for the missing funds.

3. The Recording Secretary fails to record the bills in the minutes. If the bills are recorded on the warrants, the reviewer can annotate the minutes in red and initial and date the entry.
4. Either the minutes or the warrants or both do not include all expenditures of funds. If the minutes contain the information, the reviewer may annotate the warrants in red and initial and date. Sometimes a Court provides for certain payments to be made in their Standing Rules (e.g., birthday and Christmas gifts to the Court Chaplain) or certain mandatory expenditures are not shown (e.g., State and National dues). All expenditures, regardless of authorization process should be shown on the warrants. When these entries are missing and the reviewer has verified them to the Court's Standing Rules, the Reviewer should annotate the warrant and/or the Recording Secretary's Minutes to indicate the expenditures were made per the Standing Rules, and sign and date the document.
5. The Treasurer's Ledger, the Checkbook and the Bank Statement do not reconcile. The District Deputy should try to assist the Treasurer in identifying the error. If this cannot be easily done, the District Deputy should advise the Regent to appoint an independent member of the Court knowledgeable of the books to review with the Treasurer and Financial Secretary all entries made until the error is found and corrected. When the corrections are made, the Regent should notify the District Deputy, and the DD should confirm that correction is appropriate.