

ANNUAL LODGE AUDIT GUIDE

The following functions should be performed by the Lodge Audit Committee as part of its audit of the Lodge's books after the close of the Lodge accounting year on December 31:

1. Check that both the Treasurer's books and the Secretary's books balance and are in agreement with each other.
2. Review the disbursements of the lodge.
 - a. Select at random twenty disbursements.
 - b. Look at the cancelled check for each such disbursement. Is the payee on each such check the same person shown in the Lodge records? Did that person endorse the back of the check?
 - c. Look at the invoice or receipts for each such disbursement was approved. Have the receipts been initialed by the members of the Audit Committee who reviewed them?
 - d. Look at the minutes for the Stated Meetings at which these disbursements were approved. Can you find the record of the Lodge's approval of each of these disbursements in the Lodge's minutes?
 - e. Do the total of disbursements in each column of the Lodge records correspond to a total for the same item shown on the Secretary's report for the same period? If not, why not?
3. Review the receipts.
 - a. What is the total shown for dues income? Count how many dues receipts were issued during the year and multiply that number by your Lodges dues for the year. If the total does not equal the total shown for dues income, find out why not.
 - b. Select at random twenty dues receipts. Is the receipt of these dues recorded in the Lodge records? Is the amount of these dues part of a deposit which is reflected in the Lodge records and shown on a bank statement?
 - c. Select five other cash receipts. Are these recorded as entries on the Lodge records?
 - d. Check to see that the Treasurer is issuing receipts to the Secretary for all funds received from him.
 - e. Do the total of receipts in each column of the Lodge records correspond to a total for the same item shown on the Secretary's report for the same period? If not, why not?

4. Look at the bank statements and cancelled checks for the calendar year just completed.
 - a. Check that at least two members of the Lodge have signed all checks issued by the Lodge. Look at the checkbook. Make sure that the policy for two signatures is not being circumvented by having one of the members sign blank checks.
 - b. Are the bank accounts reconciled at regular intervals?
 - c. Check to make sure that the balances at the end of the bank reconciliations of all of the Lodge bank statements at the end of the most recently completed year equal the balances for such accounts as shown in the Treasurer's and Secretary's reports as of the end of that year.
 - d. Has all interest earned on all such accounts been properly reported on the Secretary's and Treasurer's financial reports to the Lodge?
5. Review all bank passbooks, brokerage statements, and other such evidences of account activity for the calendar year just completed.
 - a. Has all interest and dividend income earned on all such accounts been properly reported on the Secretary's and Treasurer's financial reports to the Lodge?
 - b. Check to make sure that the balances at the end of the year on all such books and statements equal the balances for such accounts as shown in the Treasurer's and Secretary's reports as of that date.
 - c. Review the records of the life membership account to ensure that any funds distributed to the lodge from the fund equal no more than the income earned by the fund.
6. Review the semi-annual and annual financial reports of each of the Lodge Secretary and Treasurer, as required by your Lodge's Bylaws, for the calendar year just completed and for the two preceding calendar years.
 - a. Add up all of the columns of figures on those reports. Is the addition correct?
 - b. On the statement which has listed the assets and liabilities of the Lodge, do the balances for each of the assets and liabilities equal the balances for each such item shown in the Secretary's books and the Treasurer's books?
 - c. On the statement which has listed the assets and liabilities of the Lodge, there should be a portion of the statement where capital or fund balance or Lodge equity at the beginning of the period is reconciled with such balance for the end of the period. The difference between the opening and closing balances is the income or loss for the period. Does the income or loss for the period equal what is shown on the statement of income for the period? Does the ending balance of capital or fund balance or Lodge equity in one report equal the opening balance for such item in the next following report?

- d. Is the total of Lodge expenditures for refreshment and the promotion of fraternal intercourse no more than thirty percent of Lodge receipts for dues, application fees and net income from investments? See California Masonic Code Section 21090.
 - e. Have each of the Treasurer's and Secretary's reports been made in February and August, as required by your Lodge's Bylaws?
 - f. Are all of the Treasurer's reports in the same format? Are all of the Secretary's reports in the same format? If not, why not?
 - g. Has a copy of each report been sent to the Grand Lodge?
7. Review all Lodge revolving funds. See California Masonic Code Section 21020. These might include \$500.00 for the use for refreshments, and \$500.00 for the use of the Secretary for incidental expenses. Does the total cash in each fund, plus the receipts held in the fund for reimbursement from the Lodge equal the total which should be in each such fund?
 8. Review the Lodge Minutes.
 - a. Have all applications been read and referred to committee for investigation?
 - b. Have all applications been either voted upon, declared by the Master to be rejected or withdrawn as required by Section 26140 of the California Masonic Code?
 - c. Verify that the Minutes show the time that the meetings were opened and closed. Check that the dates and opening times for Stated Meetings agree with the required date and opening time stated in the Lodge's Bylaws.
 - d. Verify that the Master and Secretary have signed all of the Minutes.
 9. Check the Lodge's Book of Bylaws to see that it is being signed by all new members.
 10. Check to see if the latest version of the California Masonic Code and its current supplements are available to the Master, Wardens, and Secretary. Format can be hard copy, electronic download from administrative Web site, or Online CMC on the administrative Web site.
 11. Are payroll records maintained, proper taxes withheld and documents submitted to the proper authorities? All employees are subject to income tax withholding.
 12. Review the Lodge tax filings for the last two years. Are all required tax forms being filed? A Lodge is required to file Federal Form 990 and California Form 199 for any calendar year in which its gross receipts exceed \$25,000.00.