

Prince Hall Grand Chapter, Order of the Eastern Star, Rite of Adoption, Hawaii and its Jurisdictions Inc.
Basic Audit Procedures for All Chapters

Audit Committee

The Audit Committee requires three members and is appointed annually by the Worthy Matron. It is beneficial to retain at least one member from the previous year for continuity.

It is the responsibility of the Audit Committee to audit all books and records of Treasurer, Secretary and all fund raising committee (s) handling Chapter funds. It is the responsibility of the Committee to report findings and make applicable recommendations to the Chapter. In addition, the Committee is responsible for analyzing funds due to the Chapter; such as, membership dues, ticket sales and fines.

Audit Procedures

In accordance with, the Constitution and By-Laws of Prince Hall Grand Chapter, Order of the Eastern Star, Rite of Adoption, Hawaii and its Jurisdictions Inc., each Chapter must have its books and records audited twice each year. The audit should commence at the close of the May and November meetings. The report of the Audit Committee must be in writing and given June and December (before election of officers at the December meeting).

The purpose of an audit is to ensure the policies and guidelines are being met, identify any discrepancies so that proper corrective action(s) can be taken in a timely manner.

Guidelines for Auditing

Entrance Meeting

The entrance meeting with the Secretary and Treasurer is to outline audit plans and/or procedures to be used during the audit. It also provides the officers an opportunity to explain any known discrepancies, and any new processing procedures.

Review the Checklist to ensure that all records have been turned over to the Audit Committee. Note any discrepancies and/or incomplete data prior to starting the audit.

Performance of Audit

Use a checklist to assure all required records are available.

Records Required from Treasurer

Receipt Book(s)

Treasurer receives from Secretary all monies paid into the Chapter and gives the Secretary a receipt at the end of each meeting or whenever the Secretary turns over funds to her.

Treasurer receives monies from fundraising committees, if Secretary is not available, and gives receipt therefore to ensure timely deposit and safeguard of all funds. (Treasurer must use a separate receipt book if receiving money from fundraising committees)

Deposits Slips

All funds must be deposited in the Chapter account(s) within 72 hours in bank(s) designated by the Chapter. Duplicate copies of the deposit slip and/or bank deposit receipts should be given to the Secretary.

Drafts/Warrants/Vouchers

These supporting documents are used to ensure a true and accurate account of all monies paid out on behalf of the Chapter. Funds are paid out "only" upon vote of the Chapter and after a proper draft; warrant or voucher has been properly signed by the Secretary and countersigned by the Worthy Matron. These documents should be maintained in numerical order.

Checkbook

Cancelled checks should be attached to the check stubs in checkbook. They may also be filed in numerical order in a file case. In cases where checks are not returned by banks, keep all bank statements on file. Bank statements will be used to reconcile books/balances with the bank statements.

The Treasurer should include itemization received from bank in cases where cancelled checks are not returned.

Record Book/Computer Ledger/Journal

The postings should include a true and accurate account of all monies received and paid out including bank entries; i.e., interest and other bank charges.

Records must include:

- Balance Brought Forward

- Receipts:

- Deposits

- Interest

- Disbursements:

- Payee, Date Drawn, Check Number, and Amount

- Other Transactions:

- Credit Backs, and Returned Checks

- Ending Balance

- Bank Reconciliation

- Escrow and/or Earmarked Funds

Bank Statements

You should balance bank statements with books immediately upon receipt of the bank statement. The statements should be maintained for historical purpose and presented as part of the audit records.

Income Tax Annual Electronic Notice: All Chapters are required to file Form 990-N (e-Postcard) the 15th day of May each year. The Treasurer must maintain a copy of the receipt which shows the date that Form 990-N was filed with IRS.

Records Required from Secretary

Members Ledger/Binder: Membership ledger sheets are required for each member.

Roster: Up-to-date listing of all members.

Receipt Book: Receipts must be written in duplicate. The original to individual giving money to Secretary and duplicate kept for verification purposes.

Treasurer's Receipts: Maintain in folder or some type of file in date order.

Draft/Warrant/Voucher: Upon vote of the Chapter, this document is written for each disbursement and given to the Treasurer who writes the check and retains request for disbursements (draft, warrant, and vouchers). The Secretary maintains the stubs or duplicate portion of the disbursement order.

Journal: Cash ledger book to list monthly activities in detail by account:

- Receipts
- Disbursements
- Items reflected on Bank Statement
- Interest
- Bank Charges
- Earmark Funds

Minute Book: A bound record book in which the minutes of all Chapter meetings (regular and special) are recorded.

Reports: Election Report, Annual Membership Report, Annual Returns, Audit Report, Fundraising Committee Reports and supporting documentation for all committees handling funds.

Bonding: Documentation indicating that all fiscal officers are bonded in accordance with the Constitution and By-Laws of Prince Hall Grand Chapter, Order of the Eastern Star, Rite of Adoption, Hawaii and its Jurisdictions Inc.

Copy of Tax Exempt Status: A copy of your Tax Exempt Status from Internal Revenue Service's must be kept with your permanent records.

Inventory Listing: Detail list of all items/paraphernalia belonging to the Chapter.

Exit Meeting

An agenda should be prepared in order to discuss the results of the audit. The Worthy Matron, Treasurer and Secretary are given the opportunity to respond prior to making the final report to the Chapter.

Examples of Improprieties

Required signatures were not on checks: Check Numbers 123, 128, 132, and 133 were not signed by the three required officers. **No discussion required – This is a requirement of the Grand Chapter.**

Bank Reconciliation: The Treasurer does not show to her ledger book reconciliation of the Bank Statement with her records. **Response:** “I will begin this process as of the last bank statement. The reconciliation will be completed by _____”.

Missing Membership Ledger Sheet: The Secretary does not have membership ledger sheets for the Sisters initiated three months ago. **Response:** “The ledger sheets are on back order. I did not include the order form with my records”.

Bank Deposits Maintained by Secretary and not Treasurer: It is not convenient for the Treasurer to attend fund raising events; therefore, the Secretary is making the deposits in order to meet the 72 hour depositing requirement. This is done on a regular basis due to the distance the Treasurer would have to travel. **No discussion required – It is a requirement of the Grand Chapter Constitution and By-Laws that is a duty of the Treasurer to be the custodian of all funds, including fund raising.**

Interest or Bank Charges not shown on Secretary Report: The Treasurer did not pass on this information to the Secretary “In the future all transactions from the bank will be given to the Secretary as soon as Bank Statements are received”.

Returned Checks not shown on Secretary Records: The Treasurer notified the writer of the check only and did not notify the Secretary. “The Secretary must be notified on all returned checks since she is the keeper of the records for dues and assessments of the membership”.

The Audit Process

Signatures as Required

Check the Treasurer’s files to verify that the required signatures are on file for all accounts opened under the name of the Chapter. The Treasurer may secure a copy from the bank and make it a part of her records.

Financial Reports: Compare the Treasurer and Secretary’s reports – the ending balances should agree.

Receipts: Compare by month the receipts listed on Secretary’s report to the following:

- Individual Membership Ledger
- Journal – Cash Ledger Book (Secretary)
- Record Book/Ledger (Treasurer)
- Receipt Book (Secretary/Treasurer)
- Treasurer’s Report
- Deposit Slips
- Bank Statement (Make sure posting is within 72 hours of meeting date or from receipt of funds)

Checks: Review all cancelled checks to ensure they are signed by the Treasurer, Secretary, and the Worthy Matron. Compare Checks to the following:

- Approved Budget
- Minutes for motion to write draft, if not approved Budget
- Cash Ledger (Secretary)
- Record Book/Ledger (Treasurer)
- Bank Statements

Interest/Bank Fees: Compare by month the interest and bank fees on Treasurer's Report in the following:

- Cash Ledger (Secretary)
- Record Book/Ledger (Treasurer)
- Secretary Reports
- Bank Statements

Bank Reconciliation: Bank current balance less outstanding checks plus deposits and shown on statement must agree with the book balance. Verify reconciliations of Treasurer's balance to the Bank Statement (This should appear on the bottom of the current month posting page or on the next page and also on the Treasurer's Report.

All outstanding checks should be noted – including date, payee and amount. Make a note of all outdated checks (check outstanding more than 90 days).

Membership Ledger: Review to include the following:

- Ensure there is a ledger page for every member
- Beneficiary is current and specifically named
- Dues are current
- Compare data reported on Annual Report
- Exempt members
- Positions held each year
- Compare any delinquent members to those reported by the Secretary

Minute Book: Compare receipts of the day with receipts reported to Treasurer and deposited. Minutes are complete and recorded in full. Ensure minutes are signed by the Secretary and Worthy Matron.

Fundraising Committee (s) Reports: Review reports for content relating to funds raised and reported. Disbursements are to be made by checks not cash. Compare receipts reported to posting to Secretary's records. If funds are earmarked verify balance.

Earmarked Funds: Funds are earmarked for various items and/or committees. Records must be maintained by both the Treasurer and Secretary. The following example or something similar should be used when reporting balances of earmarked funds from working fund of the Chapter:

Book Balance, as of _____
Less Earmarked Account _____

Total Earmarked
Available Chapter Balance

Inventory: An inventory of all items belonging to the Chapter should be conducted to verify the presence and condition of the property.

These procedures must be used by all Chapters belonging to Prince Hall Grand Chapter, Order of the Eastern Star, Rite of Adoption, Hawaii and its Jurisdictions Inc. when conducting an Audit.