



## How to Conduct a Council Audit

All three sections of the Audit Report (#1295) are to be completed, with the exception of those councils using the online Member Billing application. Those users need not complete Schedule A, since Member Billing records reflect the figures maintained at the Supreme Council office. In such case, "Member Billing" should be noted in that section. The audit must be signed by the Grand Knight and at least two Trustees. If an entry is not applicable, the word "none" should be inserted on the line.

### WHO SHOULD CONDUCT THE AUDIT?

**The Trustees are responsible for conducting the Council Audit.** The report made to the council, District Deputy, State Deputy and the Supreme Secretary indicates that the trustees have examined the records of the Financial Secretary and Treasurer. If they have not done so, the Trustees cannot know that the figures thereon 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 the Laws for the protection of all concerned, including his own. This 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.

### RECORDS AND ITEMS NEEDED TO PREPARE THE AUDIT

#### FROM THE FINANCIAL SECRETARY

- Cash receipts
- Vouchers
- Receipts, Treasurer to Financial Secretary
- January 1 or July 1 Council Roster, as appropriate
- Council Statements for the audit period
- Cash and checks on hand, if any
- Bills or invoices requiring payment
- Copy of last council audit
- Member ledgers (or Outstanding Balance Report in Member Billing)

#### FROM THE TREASURER

- Treasurer's Cash Book (#1401)
- Check book, bank statements, cancelled checks and vouchers for the audit period
- All bank books, regardless of purpose of account
- All documents reflecting cash or liquid assets such as stocks, bonds, notes, etc.

#### FROM THE RECORDER

- Minute Book (#1403)



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### SCHEDULE A – MEMBERSHIP

A major objective of the semi-annual council audit is to reconcile local council membership records with those maintained by the Supreme Council Department of Membership Records. The sources for information necessary to complete Schedule A of the Audit Report are: (1) records the Financial Secretary maintains on Member Billing Member Ledgers or equivalent; (2) the January 1 or July 1 Council Roster, as appropriate for the audit period and (3) monthly Council Statements provided by New Haven. The latter is especially necessary for associate to insurance, insurance to associate, transfers out of the council and, in some instances, death transactions recorded as a result of insurance claims processing. All discrepancies between local council and Supreme Council records are to be reconciled, with any necessary membership transactions being submitted to the Department of Membership Records, or local council records being corrected as necessary to ensure agreement.

Only those members for which the applicable membership transactions have been reported are to be listed on the audit. If an addition or a deduction is being acted upon but as yet has not been submitted with sufficient time for processing, it is not to be indicated on the audit report. Each time a transaction is submitted to the Supreme Council office, it is the Financial Secretary’s responsibility to verify that it has been received and processed. This is accomplished by reviewing the monthly Council Statements for the audit period — August through January statements for the January audit, February through July statements for the July audit. Again, only those members for which transactions have been verified as received and processed in New Haven are to be listed on the audit as additions or deductions.

For the purpose of preparing the semi-annual audit only, inactive insurance members are excluded; they are not to be considered as insurance members of the council. If an insurance member is suspended or takes a withdrawal, he becomes inactive and is considered a deduction. Conversely, an inactive member reactivating his membership is an addition to be recorded on the Reinstatements & Readmissions line. Also, the Transfers — Assoc. to Ins. and Transfers — Ins. to Assoc. lines in the Additions and Deductions sections must agree. For example, an insurance addition as a result of an associate to insurance transfer is also an associate deduction.

ADDITIONS	INS.	ASSO.	TOT.	Comments/Instructions
Total members start of period				Should match the council roster (Supreme website)
Initiations				Should match those recognized by Supreme
Transfers from other councils				Should match those recognized by Supreme
Transfers – assoc. to insurance				Should match those recognized by Supreme
Transfers – ins. To associate				Should match those recognized by Supreme
Re-entries				Should match those recognized by Supreme
Total for period				Add Initiations through re-entries (5 lines above)
Minus deductions				The figures for Total Deductions in the Deductions section are to be placed here and must be subtracted from the figures for Total for Period to obtain the correct figures for Number Members at End of Period
Number members end of period				Should match the council roster (Supreme website)

DEDUCTIONS	INS.	ASSO.	TOT.	Comments/Instructions
Suspensions				Should match those recognized by Supreme
Deaths				Should match those recognized by Supreme
Withdrawals				Should match those recognized by Supreme



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Transfers – assoc. to insurance			Should match ADDITIONS line (reverse entry)
Transfers – ins. To associate			Should match ADDITIONS line (reverse entry)
Transfers to other councils			Should match those recognized by Supreme
Total deductions			Add all 6 lines above

### SCHEDULE B—CASH TRANSACTIONS FINANCIAL SECRETARY

All moneys should be received by the Financial Secretary (Not the Treasurer). Then, once it is documented in Report of Receipts, all moneys should be given to the Treasurer (and only the Treasurer).

FINANCIAL SECRETARY		Comments/Instructions
Cash on hand beginning of period	\$ _____	Should match the previous Audit Report showing Cash on Hand at End of Period
Cash received – dues, initiation	\$ _____	Accounting period totals from the Reports of Receipts <i>See note (below) on AUDITING DUES PAYMENTS</i>
Cash received from other sources; (Explain kind and amount)		Accounting period totals from the Reports of Receipts
Top Category \$ _____		
Second Category \$ _____		
All Other \$ _____	\$ _____	Sum of Top, Second & All Other.
Total Cash received	\$ _____	Sum of (1) Cash on hand at beginning of period, (2) Cash received – dues & initiation and (3) Cash received from other sources.
Transferred to Treasurer	\$ _____	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	\$ _____	Cash on Hand at End of Period will be amounts shown Paid to Treasurer subtracted from amount shown as Total Cash Received. Cash on Hand at End of Period should show a zero balance.

### AUDITING DUES PAYMENTS:

The procedure detailed below is recommended for use by auditors in determining that dues payments were receipted, entered on the appropriate member ledgers, turned over to the Treasurer, receipted by the Treasurer, and deposited in the council’s bank account. Conversely, it is effective in verifying that credits were not posted to member ledgers unless there is a record of payment having been received. In order to make these determinations, a representative number of accounts should be “spot checked.” Proceed as follows:

- Verify several entries on each Report of Receipts to determine if credit was given on the appropriate member ledger for the amount shown.
- Verify several member ledgers to determine, in reverse order, if credit given there was received and recorded on a Report of Receipts.
- Verify the totals on each Report of Receipts to determine that moneys were turned over to the Treasurer and his receipt was issued.
- Verify each Treasurer’s receipt to determine that the amounts shown were credited on bank statements as deposits.

### SCHEDULE B — CASH TRANSACTIONS TREASURER



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TREASURER		Comments/Instructions
Cash on hand beginning of period	\$ _____	Should match the figure shown on the previous audit from line Net Balance on Hand
Received from financial secretary	\$ _____	Should be the period total of the items in the Treasurer's Cash Book showing moneys received from the Financial Secretary. This should match the amount shown in the Financial Secretary's report on line Paid to Treasurer
Transfers from sav./other accounts	\$ _____	
Interest earned	\$ _____	
Total Cash received	\$ _____	
Disbursements		These should match the disbursements section of the Treasurer's Cash Book. <i>See note (below) on AUDITING CHECK REGISTER</i>
Per Capita Supreme Council	\$ _____	
State Council	\$ _____	
General Council Expenses		
Transfer to sav./other accounts		
Miscellaneous		
Total Disbursements		
Net balance on hand		

### AUDITING CHECK REGISTER

To determine if the Treasurer's check register is in balance with the balance shown on the end-of-period bank statement, the following procedure is suggested:

- 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.
- Compare the cancelled checks to the Report of Vouchers and indicate and initial audit results on the check register.



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### SCHEDULE C — ASSETS AND LIABILITIES

This section will provide insight as to 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 the Supreme Council office to obtain a true picture of the council's financial status.

ASSETS		Comments/Instructions
Cash		
Undeposited funds	\$ _____	Moneys in the possession of either the Financial Secretary or treasurer, or both.
Bank – Checking Account	\$ _____	Assets labeled Bank — General Acct. and Bank — Special Acct. will be the reconciliation of the Treasurer's checkbook(s) showing the net cash balance(s). Outstanding checks should be deducted from the bank statement.
- Savings Account	\$ _____	
- Money Market Accounts	\$ _____	
Due from _____ members		Obtained from the FS's member ledger records. One indicator of the financial condition of a council is the number of members in arrears and the amounts owed. Be certain to include these figures on the report. <i>See note (below) on DUES FROM MEMBERS</i>
Total current assets	\$ _____	Total Current Assets is the total of the five previous lines
Less current liabilities	\$ _____	Should match the figure for Total Current Liabilities and is subtracted from Total Current Assets to obtain Net Current Assets
Net current assets		If liabilities exceed assets, the Total Current Assets should be subtracted from Current Liabilities and the resulting figure shown in (parenthesis).
Other assets		<i>See note (below) on INVESTMENTS.</i>
Short-term CDs \$ _____		
Money Market \$ _____		
Mutual Funds		
Misc. assets \$ _____		
Total other assets		
Total assets		

#### DUES FROM MEMBERS:

This refers to dues owed and payable to the council. Such moneys are considered assets, but not yet collected. These moneys remain assets until such time as the member(s) are removed from the roles. If the Financial Secretary follows proper billing procedures, he will have sent the First Notices at least 15 days prior to the start of the period. Entries are not to be made for those members being billed for the following period. To avoid confusion, billing notices should be dated as of the first of the month of the start of the period (January 1 or July 1) not the date the bills are being prepared. However, should any portion of the bill remain unpaid into the next audit period, that portion is to be included on the ensuing Audit Report.

When a member is suspended or takes a withdrawal, the amount he owes appears on the Audit Report for the period in which he was suspended only. His ledger should be deleted from the council file on or before the end of the period in which he was removed. This procedure will help to ensure that a billing notice is not produced during the next billing



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period and eliminates the carryover from one period to another of uncollectible dues or other charges on members who have been removed from the roles.

### 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.

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

Figures showing the value of Real Estate and Furniture should be obtained from the secretary of the council home corporation.

Section 145 of the Order's Charter Constitution and Laws outlines the duties of the board of Trustees and its chairman, the Grand Knight. Each Trustee is required to be familiar with this section and its impact on the council's finances and obligations . . . and his duties.

Section 122 details 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. These bylaws are subject to approval by the Supreme Advocate in a manner consistent with the Charter Constitution and Laws and the Board of Directors.

LIABILITIES		Comments/Instructions
Due Supreme Council	\$ _____	Figures for the Liabilities section relative to the council's obligations to Supreme, state, as well as miscellaneous will be supplied by the Financial Secretary from his records and from unpaid bills in his possession. <i>See Note (below) on SUPREME PER CAPITA</i>
Per Capita	\$ _____	
Supplies	\$ _____	
Catholic advertising	\$ _____	
Other		
Due State Council	\$ _____	Advance payment of dues by members is to be included in Advance Payment by Members. For example, if a member pays dues in advance of the period billed, it is a liability because it represents dues payment not yet chargeable to the member.
Advanced payments by ___ members	\$ _____	
Misc. liabilities		
_____		
_____		
_____		
Total current liabilities		

### SUPREME PER CAPITA:

It appears that some councils are including as a liability the Supreme Council per capita levy for the period following the one for which the audit is being conducted. For example, if an audit is being made for the period ending December 31, then the Supreme Council levy for January of the following year should not be shown on the Per Capita line as a liability since the audit is for the period just completed. However, should that January levy not be paid by June 30, it would be included on the next audit.



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### DISTRIBUTING COMPLETED AUDIT

Upon completion of the audit report, the Grand Knight and each Trustee sign the audit form. The date on the audit form is the actual date the audit was completed and signed.

The audit report is due August 15 and February 15 yearly. It is critical that all reports be sent in early enough to meet the established deadlines.

At the next regular meeting following the audit, the Trustees shall make a formal report to the membership, giving details of the audit. A copy should also be made available for viewing by the membership.

Required audit distribution: See Forms Cheat Sheet for where/how to send the audit forms.

Many councils have been sending this form to the State Office ([stateoffice@mikofc.org](mailto:stateoffice@mikofc.org)). This is incorrect as the State Office doesn't have any responsibilities to act on these forms.

Council Audit forms should be sent to the following 4 places:

- Supreme Council – [Council.Accounts@kofc.org](mailto:Council.Accounts@kofc.org)
- State Deputy – [forms@mikofc.org](mailto:forms@mikofc.org)
- District Deputy – [DDxxx@mikofc.org](mailto:DDxxx@mikofc.org) (where “xxx” is the 3-digit District number)
- Council Files

Recommended audit distribution:

- Grand Knight
- Treasurer
- Financial Secretary
- Trustees (all 3)
- Recorder
- President, Building Association (if your council has a Building Association)