

Lodge Guide for Conducting Annual Audits

Adapted from a document of the Grand Lodge of California

for use in Wisconsin Lodges

July 2012

The following functions should be performed by the Lodge Finance Committee as part of its audit of the Lodge’s books after election of a Treasurer and before he takes office. If the incumbent is elected to hold over, the audit should still be completed between election and installation each year.

Not all items listed below may apply to every lodge situation. The Finance Committee should file a written report with the lodge after completion of the audit. The report should indicate completion of the annual audit process and indicate that no issues were noted or make clear any issues that require correction.

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.
   1. Select at random twenty disbursements.
   2. Look at the cancelled check (many banks no longer return cancelled checks) 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?
   3. Look at the invoice or receipts for each such disbursement was approved. Have the receipts been initialed by the members of the Finance Committee who reviewed them or is a summary document available indicating review?
   4. 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? If a summary review document is used, that total should match the entry in the lodge minutes.
   5. 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? (These entries may be made into a computer program such as Quicken. Verify entries were made to match the approved expenditures including budget category).
3. Review the receipts.
   1. 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.
   2. 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? (These entries may be made into a computer program such as Quicken. Verify entries were made to match the receipts including budget category).
   3. Select five other cash receipts. Are these recorded as entries on the Lodge records?
   4. Check to see that the Treasurer is issuing receipts to the Secretary for all funds received from him.
   5. 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 (if any) for the calendar year just completed.
   1. If required, 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.
   2. Are the bank accounts reconciled at regular intervals?
   3. 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.
   4. 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.
   1. 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?
   2. 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. These reports should not include balances under the control of the lodge Trustees. Such funds should be reported separately.
   3. Review the records of the life membership account, if any, 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 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.
   1. Add up all of the columns of figures on those reports. Is the addition correct?
   2. 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?
   3. 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, fund balance, or Lodge equity in one report equal the opening balance for such item in the next following report?
   4. 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?
   5. Have each of the Treasurer’s and Secretary’s reports been made in as required by your Lodge’s Bylaws?
   6. 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?
   7. Has a copy of each report been sent to the Grand Lodge as required?
7. Review all Lodge revolving funds. 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.
   1. Have all petitions been read and referred to committee for investigation if required?
   2. Have all applications been either voted upon, declared by the Master to be rejected or withdrawn as required by Masonic Code?
   3. 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.
   4. 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 (Master Masons at time of Raising).
10. Check to see if the latest version of the Masonic Code and its current supplements are available to the Master, Wardens, and Secretary. Format can be hard copy or electronic download from Grand Lodge Web site.
11. Are payroll records, if any, maintained, proper taxes withheld and documents submitted to the proper authorities? All employees are subject to income tax withholding.