

POST AUDIT GUIDELINES

APPOINTMENT OF THE POST AUDITING COMMITTEE

This committee is one of the most important committees of the post. Its function is to oversee the accounting procedures and methods of internal control as a means of conserving the financial interest of the post at every level. This committee should be thoroughly familiar with the accounting system.

Much care should be taken by the officers of the post in the appointment of a chairman for the Auditing Committee. The chairman should be either appointed by the Executive Committee or be a member of the Executive Committee. It is possible that the post officers might want the Auditing Committee to function as a sub-committee of the Executive Committee during the entire year. The post finance officer should serve as an advisor and consultant to this committee since he handles the financial records of the post.

The members of this committee should be qualified individuals with a knowledge of accounting and the procedures inherent to the knowledge. Experience has shown, where qualified members are appointed to this committee and their duties and assignments are fulfilled, that they can be of immeasurable assistance to those in charge of the administrative affairs of the post.

SELECTION OF A "QUALIFIED PUBLIC ACCOUNTANT"

Much care should be taken in the selection of a "Qualified Public Accountant" to examine the post's accounting records and render an audit report from such an examination. He should be versed in fraternal accounting. A "Qualified Public Accountant" is one who holds himself out to the public generally full time, for the performance of accounting services. Many states require the accountant to be licensed by the State Board of Accountancy. In these states, an unlicensed accountant is not considered "qualified" to perform the annual audit. Since the intent is to have reasonably independent auditing service, it is deemed inappropriate, even though otherwise qualified, for an officer, or member of the auditing committee to perform the audit. A member of the post, properly "qualified", can be engaged to audit the books.

DUTIES OF THE AUDITING COMMITTEE

1. Engage a "Qualified Public Accountant, " who should have the approval of the majority of the post. If this method is chosen it should be done in enough time to allow the auditor to arrange this time in order that the report can be submitted at the end of the post's fiscal year.
2. The Auditing Committee should recommend to the Executive Committee the name of a "Qualified Public Accountant." The Executive Committee should then secure the approval of the membership and the final report should be addressed to the chairman of the Executive Committee.
3. The report should be carefully reviewed by the auditor and the chairman of the Auditing Committee. Questions in connection with the report should be fully clarified.
4. The final report of the auditor should be presented to the post for approval. The chairman of the Auditing Committee should be in a position to explain any portion of it to the post.

The work of the Auditing Committee is very important and a integral part of post activities. Their duties should be strictly adhered to for the information and protection of all the members of the post.

In many instances the auditor will include in a "Management Letter" his recommendations to the Executive Committee unless these recommendations are pertinent to the presentation of his Audit Report. This "Management Letter" refers to changes in operations or systems, suggestions for internal procedures and recommendations for increased control. The Audit Report is usually reserved for presentation of financial data with such footnotes as required for full disclosure of financial facts.

This management letter is usually comprehensive and meaningful. It is the result of the accountant's experience and knowledge, and is only offered when there is a real need for corrective procedure. In some circumstances, these comments generally go unheeded because the Audit Report is not studied and proper consideration is not given to his suggestions. The Audit Report should be carefully scrutinized and personally discussed with the auditor submitting the report. Then, due consideration should be given to any recommendations made, and if feasible, corrective action taken to carry out such suggestions.

It is found that the management letter covers a wide area. Weaknesses in accounting procedure are covered. Lack of proper internal control of the post's funds are pointed out. Many other worthwhile suggestions can be found in the management letter.

SUGGESTED SCHEDULES TO BE INCLUDED IN THE AUDIT REPORT

Valuable information in connection with post operations of importance and for the sole benefit of the members and officers of a post, that are not usually revealed in an Audit Report, are a necessity. Therefore, it is suggested that the Audit Report should reveal and include such additional information as follows:

Insurance analysis schedule outlining in detail the names of insurance companies, policy numbers, date of policies, term of policy, details of coverages, amount of insurance in each category, and premiums paid. The post's Auditing Committee should examine this schedule very closely to determine that sufficient insurance coverage is maintained to amply protect the post's investment in its fixed assets and fidelity bonds as well.

A budget schedule and summary for the year under examination should be prepared. It should include a comparison of actual income and expenditures to the adopted budget.

SUGGESTED GUIDELINES IN THE PREPARATION OF THE ANNUAL REPORT BY THE "QUALIFIED PUBLIC ACCOUNTANT"

REQUIREMENTS

The examination and audit should include all facilities, Building Association, each and all Corporations or entities of the post, as well as the post operation, and should be made in accordance with generally accepted auditing standards. The auditor shall disclose one of the following:

1. Express an unqualified opinion.
2. Express a qualified opinion and reason for such limitation.
3. Disclaim an opinion on the statement taken as a whole.

4. Disclose that the statements have been prepared without audit.

In addition, the auditor should:

A. Disclose any material fact known to him as to any contingent asset or contingent liability that may have come to his attention during the examination and not appearing on the balance sheet.

B. Disclose any information coming to his attention that materially affects the results of the statements as submitted in the audit.

C. Where applicable, all comments by the accountant should be included in the "Management Letter" to the Executive Committee.

D. It is recommended that Financial Statements include a comparison of like income and expenses from the prior year's activities when and where appropriate.

SCOPE

1. The verification of all cash, including the examination of all bank accounts and statements, stocks, bonds, and other tangible assets.

2. Examine the internal control of the accounting procedure of the post, lounge, and any other facilities of the post. Recommendations for any corrective procedure to appear in the Comment Section.

3. Reconciliation of the membership rolls and data, with dues and other fees collected, with a provision for the allocation of prepaid dues applicable to subsequent periods.

4. The exhibits included in the audit report shall consist of, but not be limited to, a balance sheet of all posts funds, assets and liabilities. A separate statement for any other facility or entity of the post. All to be combined in a consolidated balance sheet.

5. Operating statements and/or profit and loss schedules or exhibits are to be separately provided for the lounge and restaurant operations.

6. Method used in verification of all inventories appearing in the separate or consolidated balance sheet. See following pages of this section for a suggested inventory certificate.

7. If additions are made to the fixed assets of the post or any of its facilities, verification should be made and examined as to proper approval covering such expenditures. Amounts involved covering such additions should be clearly set forth in the report.

8. If additions, or disposal of investment funds of the post, or any of its facilities, are disclosed during the course of the examination, proper verification and disclosure should be made as to due approval of such transactions.

9. Other comments should be disclosed in accordance with regularly accepted accounting procedures.

10. Footnotes should be used to set forth any special item appearing in the balance sheet or operating statements that require a detailed explanation.

11. The internal control, and the accounting system in use, should be carefully examined. If inadequate, any corrective recommendations should appear in the Management Letter.

12. The fixed asset account should be examined to determine as to the method of evaluation used, whether cost or otherwise.

13. Any bad debts written off during the period under examination should be explained.

14. In the event that prepaid expense items appear on the balance sheet and are considered as a consequential item, remarks relative thereto should be included in the Management Letter.

15. The suggested chart of accounts, as outlined elsewhere, provides for restricted funds to cover sums collected for a specific function or charitable purpose. Examination should be made that proper reserves are maintained covering such items.

16. An examination of the minutes to both the Post and Board of Trustees should be made, when found necessary to conform to certain requirements of this "Scope" and in particular to Section (7).

INVENTORY CERTIFICATES

In circumstances where it is impossible for the auditor who has been selected to make the annual examination to be present on the date selected for inventory, to personally supervise and/or observe the actual counting of the inventory of merchandise on hand, as a substitute procedure the attached certificate should be completed and furnished to him.

Substantiative detail records should be retained, therein indicating quantities on hand and pricing methods used, in arriving at the total inventory valuation. The auditor can then check quantities and prices used and verify the totals, for any possible mathematical errors in the extensions arrived at.

Current valuation of inventories become a very important factor in ascertaining accurately the cost of goods sold in each and every category. This enables correct results in dollars, as well as in percentage, of the cost of goods sold. This is a very important functional detail, as the correct ultimate determination of net profit in each category can be adversely affected by improperly stating the amount of the various inventories.

The inventory should be taken under the supervision of the chairman of the post's Auditing Committee and assisted by no less than two additional members of the Committee. The certificate should be executed in duplicate. The original copy furnished the auditor and the remaining copy to be retained by the Auditing Committee in the files of the post.