



2014-2015

Finance Officer

HOW-TO GUIDE

FINANCE OFFICERS DUTIES AND RESPONSIBILITIES

“You are the keeper of the moneys, and in you is reposed the financial policy of the post. To you is given charge of the year’s budget, and to you is given the duty of the payment of all obligations when proper authorization has been given for such payment. Your position is an important one, demanding integrity and honesty. Your election to this office signifies your comrades have implicit trust in you. Guard well that trust.”

"CHARGE FROM INSTALLATION CEREMONY"

INTRODUCTION

New Finance Office, this manual "**HOW-TO-GUIDE**" is written to help guide you through your new journey as the Finance Officer of your Post. The information that is contained in this manual has been compiled from various Post, District, Area and Department Finance Officer experiences as well as many American Legion Manuals. In no way does this manual supersede any Legion Manual that may have changed since this has been written, we hope that this manual is very helpful in your term as Post Commander and we appreciate any feedback you may have.

Please use this Manual in conjunction with the Department "Finance Officer Book-Camp" Guide which has instructions on how to fill out appropriate Federal and State Forms and Certificates. Congratulations and Good Luck in your endeavors. For a more indebt look at the entire American Legion please refer to *The American Legion's Officers Guide and Manual of Ceremonies and The American Legion Post Operations Manual* (current issue).

WHAT IS A FINANCE OFFICER?

If this is your first time as a Post Finance Officer, and you are not quite sure what the job entails, don't feel alone! You're not! Every year over 14,000 Legionnaires across the nation are elected to the position of Post Finance Officer and very few have experience. As a Post Finance Officer you have a unique opportunity to help The American Legion work and in turn to **"HELP AMERICA WORK."** Your term in the office of Finance Officer can be one of the most rewarding and satisfying experiences of your life.

RESPONSIBILITY

In many ways the Post Finance Officer is one of the most important Legionnaires in The American Legion. As the keeper of all moneys you set the financial policy of the post. You are in charge of the new year's budget, and the duty of all payments and obligations of the Post as well as the proper city, state and federal documents, certificates and tax forms.

Chapter 1. Documents and Certificates

As a Post Finance Officer in the State of Florida your Charge is simple as read above and given to you at your installation and a lot more that is unwritten. There are certain items that a Post ***MUST HAVE*** to exists and other items that a Post ***MUST HAVE*** if they do certain things, it's your responsibility along with the Post Commander to ensure that all are current and accurate.

VERY IMPORTANT CERTIFICATES AND DOCUMENTS

- FEIN # - Federal Employee Identification Number - A Federal Tax ID, also known as an Employer Identification Number (EIN), is a nine-digit number issued by the Internal Revenue Service for banking, tax filing, and other business purposes. The various forms, directions and methods for filing are freely available from the IRS, and you can obtain, file, and receive your Tax ID (EIN) for no charge by researching and correctly filing for it by yourself. However, the requirements to prepare the SS-4 form to apply for a Tax ID vary depending on the circumstances. Different fields on the form are required, the same fields require different types of information in different cases, and the form is filled with terms you may not understand.

- The IRS's own estimates for preparing and filing the SS-4 is over an hour. So you can do that on your own, you can wait in line or on hold for help from IRS agents, you can even try navigating the IRS website, or you can choose our value-added Tax ID service to do it on your behalf in minutes. **MUST HAVE (Copy to Department)**

- a. You must apply as a 501C (19) which identifies your Post as a NON-Profit Organization (private veterans club) that is Chartered by Congress. **MUST HAVE (Copy to Department)**
- b. **FORM 990** - A Form 990 must be filed every Year no matter how much income your Post makes. If your Post does not make much money you may be able to file the fast and simple 990N form which takes less than 5 minutes on the IRS website. For all inquires on filing your Post's Income Tax Return FORM 990 please check with a Licenses Tax preparer, your Department headquarters and www.irs.gov website. **MUST DO EVERY YEAR. Tax deadline is May 15th of every year!**
- c. **State Incorporation Certificate** - Must be filed as an Incorporation by the State of Florida (www.sunbiz.org) for the calendar year January - December. For the new year you must renew your incorporation papers with the state as they currently give you through March to do so, after April 1st the State imposes currently a *\$300 penalty*. If your Post is NOT Incorporated every member of your Post can be open to a lawsuit; God forbid something did happen to someone. **(Copy to Department)**
- d. **Insurance** - Every Post must have some type of liability Insurance. This also covers your members to and from a meeting if you didn't even have a home.
- e. **Tax Exempt** – filed with the State of Florida. To obtain go to www.MyFlorida.com. Good to Have, if you purchase things and don't want to pay taxes on it (Copy to Department)
- f. **Restriction of Post Property form** – Call Department Headquarters for this form.
- g. **Liquor License** - If you do serve alcohol. For more information please go to:

www.myfloridalicense.com

- h. **Food License** - If you intend to serve Food. For more information please go to: www.myfloridalicense.com
- i. **Food Handlers Certificates** - If you do serve food, you need qualified food handlers (1 day training) and their certificates must be on display.
- j. If you have **employees**:
 - 1. **Federal Forms** - W-2 Wage and Tax Statement, W-3 Transmittal of Wage and Tax Statement, 1099 MISC Income, 940 Employer's Annual Federal Unemployment (FUTA) Tax Return, 941 Employer's QUARTERLY Federal Tax Return and other Federal Forms that may apply to your Post.
 - 2. **State Forms** - UCT-6 Florida Department of Revenue Employer's Quarterly Report, DR-15 Monthly Sales and Use Tax Return and other City or State Forms that may apply to your Post.
- l. Items that should be **safeguarded**.
 - 1. Property Deeds of ALL Real Property
 - 2. Insurance for Post
 - 3. Previous Years Tax information (7 or more years)
 - 4. Checking & Savings accounts - Authorized signatures as per your Post Constitution & Bylaws'.
 - 5. If your Post requires members DD-214's on file should be under lock and only limited officers access, recommend that all SSN's be blackened out and double locked (cabinet & door to office).
 - 6. Any Papers or information's that your Membership feels worth safeguarding.

CHAPTER 2. - ACCOUNTING PROCEDURES SCOPE OF CHART OF ACCOUNTS

Leger -VS- Computer Software

First off your Post needs to decide if you will be doing your accounting on a Leger or Computer Software. If your Post does a minimum of 100 checks or less per year doing all your finances on a ledger would be no problem, anymore of that we suggest a computer program.

There are many Computer programs that you can use and most come with a "**NON-PROFIT**" Version so at the end of the year you can utilize the software to submit your Post Tax form 990. A computer program has many advantages as you can utilize many different checking, savings, CDs and Money Market accounts in one ledger while using the same Chart of Accounts (see below) for all financial accounts. Each Post is unique and different and below is a Starter Post / Small Post Chart of Accounts and a larger Post Chart of Account.

A **Chart of Accounts** is to effect some internal control over the various facilities of a Post, the Chart of Accounts has been prepared, providing for a segregation of each separate functional activity of the Post. A chart of accounts provides for the segregation of assets, liabilities, revenues, and expenditures into separate groups for accounting purposes.

CASH AND ACCRUAL ACCOUNTING

There are some Posts, which use a cash accounting method. Such a system leaves much to be desired. It excludes good internal controls, proper safeguards and does not always produce accurate information.

A cash accounting method may not properly reflect the true operation of the Post. For instance, for the proper distribution of Post revenues, such as prepayment of membership dues, these revenues should be allocated to the subsequent year, rather than to the Post year in which paid, since the dues actually apply to the subsequent year. The same criticism of the cash method applies to prepaid expenses, such as insurance, which should apply to future fiscal years.

In the accrual method of accounting all revenues and expenditures are allocated to the period to which they are properly applicable. This system will properly reflect the result of operations during any given fiscal period by including only the revenue and expense applicable to that period of operation.

It is respectfully suggested that all of the Posts adopt the accrual method of accounting.

CONTINUITY IN ACCOUNTING

By maintaining some uniformity in accounting procedures in the Post, many benefits will result. Such procedures will materially assist in the development of sound financial statements, properly reflecting the financial condition of the Post. It is of utmost importance that either interim or annual financial and operating statements, furnished to the administrative management, should be based upon comprehensive and dependable, consistent information.

Eventually, it is hoped, that by adoption of accounting procedures being proposed, a great deal of meaningful statistical data will be forthcoming, which should prove valuable to all Posts. There are many facets in Post operations where accurate statistics will be of valuable assistance for comparative purposes.

A qualified accountant should review your present accounting system and suggest any necessary changes required. In the selection of any accountant, investigation should be made to select the one best suited for the job required and has a back ground in non-profit organizations.

Smaller Posts which do not maintain trained clerical assistance capable of handling the accounting procedure may wish to employ a public accountant to do the installation and bookkeeping. Such an arrangement could be on a monthly, semi-monthly, or quarterly basis, whichever is most suitable. It will be found that charges for such services are nominal. The final result will be of inestimable value to the Post and its officers. A cash receipt book in duplicate should be maintained for all monies received. Cash Receipts, Disbursements and General Ledgers are necessary.

PAYROLL PROCEDURAL SUGGESTION

Where a Post provides various services and depending upon the number of employees involved, it is practical to have a separate Payroll Checking account. This account serves as a clearing account for the issuance of all payroll checks. All payrolls are thereby consolidated in a single account.

Once adopted, the details to maintain it are quite simple. Each operation would issue a single check, payable to the Payroll Account, on or about the date that payrolls are disbursed. The check would cover gross wages, and in addition thereto, the applicable payroll taxes chargeable as an expense item to such operation.

After issuance of the payroll checks, it is necessary to post the individual transactions, to a payroll record form, which, at the proper time, can be prepared, Federal Form W2 and, in those instances where local law requires it, forms showing wages paid and other pertinent information. Some Finance Software programs will do the necessary forms to submit for payroll deductions and the end of the year W2 form. The above suggestion centralizes payroll procedures. It minimizes the detail work involved in maintaining separate payroll records for each operation.

BUDGET PREPARATION AND CONTROL

Each Post should adopt an annual budget. Adoption of an annual budget requires good administrative planning, and careful consideration must be given to every detail of revenue and expenditure. As an aid in the administration of the budget, a system of informative reporting is essential if the budget program is to be of value to those in charge of the administrative affairs of the Post. It is advisable to pattern the budget along the same lines as your Chart of Accounts. This way, comparisons are made very simple.

CHAPTER 3. - ACCOUNTING CHART OF ACCOUNTS

ACCOUNTING PROCEDURES FOR NEW POSTS

During the formulative period of the organization of a new Post, procedure for accounting of funds received is comparatively simple. During this formulative period a Post Adjutant is appointed or elected to carry out certain functional requirements. The adjutant should be appointed or elected immediately at the organizational meeting, and he is responsible for accounting for any funds received. Accounting for the receipt of funds is usually restricted to two items as follows:

1. Monies received to cover incidental expenses, during the period of organization. A simple cash receipts and disbursements record will suffice for the proper accounting of such funds.
2. Payments received to cover membership dues. National and State dues should be deposited in a separate bank account, separate from other sums and on a restricted basis.

Incidental expenses incurred during the organization period might be covered in the nature of cash contributions by the potential members of the new Post. To augment such receipts,

other fund raising functions are customarily engaged in such as dances and similar activities.

A Post Records Cash Record Book (Item No. 74540) is available from National Emblem Sales, which would be helpful in keeping a record for the receipt of funds by the Post. This system is in loose-leaf form, with cash receipts, checks drawn and bank balance sheets, you can **add or delete to all that apply to your Post.**

CHART OF ACCOUNTS FOR PROPOSED NEW & SMALL POSTS

Current Assets - 100

- 101 — Cash on Hand
- 102 — Cash in Bank - Regular Account
- 103 — Cash in Bank - Trust Fund
- 104 — (State & National Dues)- Cash in Bank - Charity Fund
- 105 — Deposits
- 106 — Prepaid Rent
- 107 — Other

Current Liabilities - 200

- 201 — Accounts Payable
- 202 — Accrued Payroll Taxes (if any)
- 203 — Other

Restricted Funds - 300 – Dues

- 301 — Department and National Dues
- 302 — Charity Funds
- 303 — Other

Net Worth – 400

- 401 — Retained Earned Income

Income – 500

- 501 — Contributions (other than Charity)
- 502 — Meals
- 503 — Dances
- 504 — Other Fund Raising Projects

Expenses – 600

- 601 — Rent
- 602 — Meals Expenses
 - Purchases
 - Other Expenses
- 603 — Dance Expenses

- Purchases
- Other Expenses
- 604 — Other Fund Raising Projects
- 605 — Utilities

CHART OF ACCOUNTS FOR A TYPICAL AMERICAN LEGION POST

It is the intent of this manual to suggest a standard Chart of Accounts. The exact account numbers and classifications as shown in the following Chart of Accounts will not be applicable to all Posts. However, the same format suggested earlier can be used by the smallest Post and be amplified for use by the larger Posts who have other recreational facilities such as swimming pools, golf courses, etc; add or delete to all that apply to your Post.

The basic Chart of Accounts is as follows:

- 100 Series Assets
- 200 Series Liabilities & Equity
- 300 Series Post Income
- 400 Series Post Expense
- 500 Series Social Quarters
- 600 Series Dining Room
- 700 Series Other
- 800 Series Other
- 900 Series Other

Monthly financial statements should be prepared as quickly as possible and presented to management for their thorough study. It is recommended that a **Balance Sheet and Statements of Income and Expense** be prepared similar to those as presented in the facsimile of the audit report and this should be presented to the General membership at every Post meeting. Separate operating statements should be made for the Post, social quarter, dining room, etc. These statements should include percentages where applicable, and the annual budget shown thereon.

The **Chart of Accounts** allows a Post better control over this type of income. An example might be: Account 103.1 entitled “**Accounts Receivable**” (Non-Sufficient Funds Checks). It is extremely important that this item be controlled, therefore, separated from Accounts Receivable by using the subheading 103.1. This method of record keeping allows this item to be controlled and efforts made to collect these NSF checks.

It is the intent of this section that it be used by an accountant, finance clerk and the Post officers as a guide in the establishment of an accounting procedure. The use of this section by an American Legion Post is dependent on the size and scope of its operation. It is not the intention of this section to suggest that every Post adopts this method. It is hoped that this will be used as a guide to the Post officers and accountant.

SUGGESTED CHART OF ACCOUNTS

Current Assets

- 101 — Cash on Hand
- 102 — Cash on Deposit
 - Commercial Account
 - Charity Fund
 - Restricted Funds
 - Savings
 - Other
- 103 — Accounts Receivable
 - Non-Sufficient Fund (NSF) Checks
- 104 — Interest Receivable
- 105 — Notes Receivable
- 106 — Inventory
 - Dining Room
 - Gift Case
- 106.3 — Social Quarters
- 106.4 — Other
- 107 — Prepaid Expense
 - Insurance
 - License
 - Taxes
 - Other

Fixed Assets

- 125 — Land
- 126 — Building
- 126A — Allowance for Depreciation
- 127 — Furniture & Fixtures – Post
- 127A — Allowance for Depreciation
- 128 — Furniture, Fixtures & Equipment – Social Quarters
- 128A — Allowance for Depreciation
- 129 — Furniture, Fixtures & Equipment – Dining Room
- 129A — Allowance for Depreciation

Other Assets

- 150 — Stocks
- 151 — Bonds
- 152 — Other Investments

Current Liabilities

- 201 — Accounts Payable
- 202 — Contracts Payable
- 203 — Notes Payable (Short Term)
- 204 — Accrued Compensation Insurance
- 205 — Accrued Income Tax
- 206 — Accrued Interest

- 207 — Accrued Payroll Taxes
- 208 — Accrued Property Tax
- 209 — Accrued Sales Tax

Long Term Liabilities

- 221 — Contracts Payable
- 222 — Notes Payable
- 223 — Mortgage Payable

Restricted Funds

- 241 — Charity Funds
 - .1 — Charity Post Receipts
 - .2 — Bequeaths
 - .3 — Contributions
 - .4 — Charity Ball
 - .5 — Special Fund Raising Activities (Separate Account Number for each)
 - .50 — Aid to Legionnaires
 - .51 — Aid to Veterans
 - .52 — Christmas Baskets
 - .53 — Christmas Kiddies Party
 - .54 — Contributions to Community & Civic Programs
 - .55 — Contributions to Organized Charities
 - .56 — Crippled Children's Program
 - .57 — Easter Kiddies Party
 - .58 — Child Welfare Foundation
 - .59 — Flowers & Cards
 - .60 — Scholarships
 - .61 — Scouts
 - .62 — Department Projects
 - .63 — Thanksgiving Baskets
 - .64 — Entertainment
 - .65 — Youth Activities
- 242 — Children & Youth
- 243 — Major Projects Funds
- 244 — Attendance Drawing Fund
- 245 — Bowlers Fund
- 246 — Drill Team Fund
- 247 — Golf Team Fund
- 248 — Past Commanders Fund
- 249 — Rifle Team Fund

Deferred Income

- 261 — Unearned Dues
- 262 — Unearned Fees
- 263 — Unearned Rent
- 264 — Deposits

Post Equity

281 — Retained Equity

Post Income

301 — Membership Dues

311 — Dividends

312 — Interest

313 — Bequests

314 — Contributions

315 — Rents

316 — Royalties

321 — Post Activities (Separate Account Number for each activity)

Post Expenses

401 — Accounting

402 — Audit

403 — Badges & Pins

404 — Bulletin

405 — Card Key Expenses

406 — Cash Over & Short

407 — Convention Expenses

— National

— State

408 — Data Processing

409 — Depreciation

410 — Employees Welfare

411 — Insurance

412 — Interest

413 — Janitorial Expense

413 — Legal

414 — Supplies

415 — Loss on Bad Checks

416 — Music – Organist

417 — Maintenance & Repairs

418 — Miscellaneous & Unassigned Expenses

419 — Office Expenses

— Auto Allowance

420.2 — Postage

— Stationery & Printing

— Supplies

421 — Officers Expenses

422 — Per Capita Dues

423 — Photographs & Publicity

424 — Rent

425 — Ritual Expenses

426 — Salaries

— Doorman

— Janitorial

— Office

- Secretary
- Security
- Other
- 427 — Subscriptions
- 428 — Taxes
 - Payroll
 - Property
 - Other
- 429 — Utilities

Post Activities

- 451 — Americanism
- 452 — Band
- 453 — Baseball
- 454 — Billiards
- 455 — Birthdays
- 456 — Blood Bank
- 457 — Bowling
- 458 — Campers Club
- 459 — Choir
- 460 — Christmas Party
- 461 — Civil Defense
- 462 — Dances
- 463 — Drill Team
- 464 — Entertainment
- 465 — Legionnaire of Year
- 466 — Father & Sons
- 467 — Fishing
- 468 — Memorial Day
- 469 — Food
 - After Post
 - Members
 - Officers
 - Special Events
 - Visitors
 - Other
- 470 — Funeral
- 471 — Golf
- 472 — Government Relations
- 473 — Greeters
- 474 — Hunting
- 475 — Installation Ball
- 476 — Indoctrination , Initiation, etc.
- 477 — Legion Birthday
- 478 — Membership
- 479 — Memorial Service
- 480 — Mother's Day
- 481 — New Year's Eve
- 482 — Old Timer's Night
- 483 — Picnic

- 484 — Pistol Team
- 485 — Refreshments
 - Members
 - Officers
 - Special Events
 - Visitors
 - Other
- 486 — Sick Visitations
- 487 — Visitations
 - At Home
 - Away

SOCIAL QUARTERS

- 501 — Liquor Sales
 - Members & Guests
 - Public
- 502 — Cigarettes
- 503 — Sundries
- 511 — Card Room
- 512 — Facilities Rental
- 513 — Machine Income
- 514 — Other
- 531 — Purchases
 - Liquor
 - Beer & Wine
 - Bar Supplies
 - Cigarettes
 - Sundries
- 551 — Advertising
- 552 — Alarm Service
- 553 — Accounting
- 554 — Audit & Legal
- 556 — Card Room Expenses
- 557 — Lounge Expenses
- 558 — Cash Over & Short
- 559 — Cleaning Supplies
- 560 — Decorations
- 561 — Depreciation
- 562 — Employee's Welfare
- 563 — Equipment Rental
- 564 — Ice
- 565 — Insurance
- 566 — Janitorial
- 567 — Laundry & Linens
- 568 — Licenses
- 569 — Machine Service
- 570 — Meals Furnished to Employees
- 571 — Miscellaneous & Unassigned Expenses
- 572 — Music & Entertainment
- 573 — Rent

- 574 — Repairs & Maintenance
- 575 — Replacements
 - Glassware
 - Other
- 576 — Salaries & Wages
 - Direct Labor
 - Management
 - Office
 - Other
- 577 — Taxes
 - Payroll
 - Property
 - Sales
 - Other
- 578 — Telephone
- 579 — Uniforms
- 580 — Utilities

DINING ROOM

- 601 — Food Sales
 - Members & Guests
 - Public
- 631 — Food Purchases
- 651 — Advertising
- 652 — Alarm Service
- 653 — Accounting
- 654 — Audit & Legal
- 655 — Auto Expenses
- 656 — Dining Room Supplies
- 657 — Kitchen Supplies
- 658 — Cash Over & Short
- 659 — Cleaning Supplies
- 660 — Decorations
- 661 — Depreciation
- 662 — Employee's Welfare
- 663 — Equipment Rental
- 664 — Ice
- 665 — Insurance
- 666 — Janitorial
- 667 — Laundry & Linen
- 668 — Licenses
- 669 — Menus & Printing
- 670 — Meals Furnished to Employees
- 671 — Miscellaneous & Unassigned Expenses
- 672 — Music & Entertainment
- 673 — Rent
- 674 — Repairs & Maintenance
- 675 — Replacements
 - Dinnerware
 - Glasses

- Kitchen Utensils
- Silverware
- Other
- 676 — Salaries & Wages
 - Kitchen
 - Waitresses
 - Management
 - Office
 - Other
- 677 — Taxes
 - Payroll
 - Property
 - Sales
 - Other
- 678 — Telephone
- 679 — Uniforms
- 680 — Utilities

CHAPTER 4. - POST AUDITS

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 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 “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 an 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 coverage, 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"

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.



THE AMERICAN LEGION

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