



**The Royal Canadian Legion
Ontario Provincial Command**

FINANCIAL REVIEW COMMITTEE HANDBOOK

1. PURPOSE

Section 616 of the General By-Laws of The Royal Canadian Legion (GBL) and Section 1201-1203 of the General By-Laws for Branches Ontario Command (GBLB) specifies that a Branch must have a Financial Review Committee to examine the accounts of the Branch. The Financial Review Committee plays an important role in the financial operations and controls within the Branch.

Where the Branch accounts are not audited by an external audit and are only subjected to a review engagement - the Financial Review Committee of the Branch must certify the validity of the financial statements and a copy of the certified statement shall be retained on the Branch files.

Many Branches assume that the preparation of the statements under a Review Engagement with an external accountant meets this requirement – but the Financial Review Committee should be doing regular reviews throughout the fiscal year to ensure that the financial operations are on track (a paper trail review).

By-Laws on this subject have been in place for a very long time – nothing has changed except they are now being strictly enforced, because many Branches have found themselves in serious financial problems due to poor management, mishandling of funds and yes in quite a few cases, unscrupulous members who have taken advantage of loopholes in systems, to steal money or items from their Branches. Money that has been hard worked for by volunteers.

The main role of the Financial Review Committee is to ensure that adequate control systems are in place and are being followed accurately by everyone. Examine those systems and recommend additional controls to the Executive be put into place as required to protect the Branch from mismanagement or any possible fraud, theft etc. and to ensure the Branch is not consistently spending more than it is making. Once your reports and recommendations are submitted to the Executive and General Meetings, your responsibility is completed, and it will be up to the Executive to follow up on your recommendations.

The complete Financial Review does not have to be done all at once!

By meeting monthly, or at least quarterly, the Committee can complete one or more sections at a time then, by the end of the fiscal year (31 May) (30 September for Poppy Trust Funds) the Review will be complete together with the required Certification sign-off.

The FRC Chairman will report to the General Meeting at least quarterly and be prepared to respond to any questions from members either directly, or by directing them to the Officer that can answer the questions.

The Financial Review Committee will only be held responsible for the Review Procedure. Any discrepancies in the Branch financial control systems are the responsibility of the Executive and Treasurer. The Financial success of the Branch is the responsibility of its members, administered through the Executive Committee. Financial Reviews done regularly will promptly alert the Branch Executive to any discrepancies that can be addressed right away. This cannot be left to just an annual review when discrepancies may be too old to correct effectively or problems may have compounded.

2. THE COMMITTEE

To comply with the Dominion and Provincial By-Laws - the Branch President appoints the Financial Review Committee (FRC) as designated by the Branch Regulations with the approval of the Executive and General Meetings. It is strongly recommended these appointments be ratified at the first General Meeting of the new term in June in order to receive proper orientation and begin the ongoing and regular review from the start of the Fiscal Year.

3. QUALIFICATIONS

The Chairman and Committee Members need not be Chartered Accountants and may or may not be a member of the Legion. They shall not be members of the Branch Executive Committee or employees of the Legion. It is strongly recommended that family members are not appointed. The FRC Chairman should have a reasonable basic knowledge of bookkeeping and financial reporting and the committee will become knowledgeable of Legion Branch Operations through training and experience.

4. RESOURCES

Training is available through the Zone Branch Advisory and Leadership Development Committees. The Branch Treasurer will be available to provide assistance in locating source documents and other records that comprise the Branch Financial Management and provide orientation to the committee about Branch Financial Policies and Procedures. The Branch Regulations, Legion Officer's Manual, Provincial By-Laws/General By-Laws for Branches, AGCO Lottery Policies, the Legion's Poppy Manual plus this handbook are all good sources of information to assist the FRC.

5. TERM OF OFFICE

The term of office is one year.

6. WHAT YOU WILL NEED

To perform a successful Review - the FRC must receive the following:

- Branch Financial Statements for all accounts monthly.
- Copy of the Branch Regulations to know the financial parameters the Branch Executive is governed by.

- Copy of the monthly meeting Minutes to check that spending decisions are properly approved.
- Copy of the monthly Bank Statements and Bank Reconciliations for all accounts.
- Listing of Accounts Receivable monthly
- Listing of Accounts Payable monthly
- Copy of monthly bar inventory report.
- Copy of the HST remittance documents
- Access to payroll and employee time sheets.
- Copy of the current issue of the Poppy Manual
- Copy of the completed annual Branch Poppy Status report and Breakdown Sheet
- Copy of the Poppy Financial Review Certificate
- Copy of current Lottery Licenses
- Copy of municipality approved Lottery Fund eligible use percentage
- Copy of the AGCO policies for Raffles, Bingo and Break Open Tickets as applicable.

7. WHAT HAPPENS NEXT?

One of the simplest ways to plan your Financial Review of the Branch accounts is to break it down into Monthly or Quarterly segments - whichever you chose your schedule to be - to review each segment. You only need to review each segment once in the year, unless there are issues of concern – have them corrected then review again before year end.

Check that Branch policies, procedures and control forms are in place for the following items and test them to make sure they are being followed by randomly checking each step of the procedure with actual documents and cash processing using the checklist that follows – **reporting on all negative responses in your Committee Report...**

Make sure the person responsible is present when doing the check (e.g. bar steward) to show you where documents are, and to answer any questions you might have. Recommend new procedures to the Executive in your report - where none are in place or control is inadequate. Do not accept verbal answers as evidence of compliance – say “show me”. So here are the essential segments that need to be reviewed...

Online Banking: Review the authorization procedure that the branch has in place to pay accounts online and randomly check a transaction

Are Automatic withdrawal payees authorized by the Executive?

Yes No.

Has the Branch appointed an Administrator (Financial Security Measures)?

Yes No

Are there adequate controls in place for online access, Access Cards, passwords, Yes No

Financial Statements: Do all Financial Statements have a proper identifying heading showing the Name and Number of the Branch and the title of the Report?

Yes No

Petty Cash: Randomly check Petty Cash that it balances to the authorized amount between cash and receipts. Make sure there is an appropriate control log and reimbursement process in place.

Are Petty Cash funds independently counted and reconciled with vouchers at least monthly? Yes No

Are Branch Regulations observed with respect to maximum amount allowed in cash payments? Yes No

Are Petty Cash Amounts recorded as a cash asset on the Financial Balance Sheet of the account they are issued from Yes No

Floats: These are specific amounts of cash provided to those who provide a service involving sales. A Float provides start-up cash in various denominations for making change. Such as Bar Stewards, Fundraising events, Food services etc. The opening Float and closing Float remain the same. Purchases of items must **not** be made from a Float

Are all cash floats recorded as a cash asset on the Financial Balance Sheet of the account they are issued from? Yes No

Is there a Policy that prevents Cash Floats from being used to make purchases Yes No

Is there a provision for a temporary float to be issued, then returned at the end of the event and is that recorded on the Balance Sheet under cash assets?

Yes No.

Cash Receipts: There must be a control procedure for bar cash receipts and cash receipts from member events through Event Reports. This includes signed cash count sheets to accompany the cash. Randomly check receipt of the cash from all sources and ensure that it is processed through to the bank, along with appropriate control records.

Are all cash receipts verified, recorded, and deposited promptly? Yes No

Is control maintained over cash sales and other counter receipts through cash register tapes and pre-numbered receipts? Yes No

Cash Disbursements:

Does the system prohibit the cashing of payroll or other Branch cheques through bar cash or floats? Yes No

Does the system prohibit persons from making purchases using bar cash or floats? Yes No

Are all payments (except Petty Cash) made by cheque in accordance with the policy contained in the Branch Regulations Yes No

Does the Executive always obtain General Meeting approval for expenditures according to their authorized limits? Yes No

Are all cheques pre-numbered and cheque numbers accounted for in numerical sequence? Yes No

Are cheques completely filled out and accompanied by approved vouchers and source documents when presented for signature? Yes No

Are there two signatures on all cheques (verify with cashed cheques copies received with Bank Statements) Yes No

Are the signatories on all accounts in accordance with the authority contained in the Branch regulations? Yes No

Does the system prohibit the drawing of cheques payable to "cash"?
Yes No

Bank Reconciliation: Make sure the person reconciling the bank is not the same person who authorizes cheque payments, or that the reconciliation is checked by someone else.

Are bank reconciliations done monthly? Yes No

Are they initialed after review? Yes No

Accounts Receivable;

Are aging accounts receivable reports examined regularly. Yes No

Are reasons for overdue accounts receivable examined by the Treasurer and reported to the Executive. Yes No

Is there a policy regarding NSF cheques or other bad debts? Yes No

Fixed Assets: Your Insurance Company should arrange appraisal of fixed assets through its renewal process – they have staff experienced to do this and knowledge of current market values.

Accounts Payable and Purchases: Randomly test the accounts payable process from receipt of invoice, approval for payment, recording payment and writing of cheque and bank reconciliation, especially government payments. Establish how regularly accounts are paid - taking into account bank charges, cash flow etc. Paying all accounts every two weeks is a good economic policy, except those that require a more timely payment deadline schedule.

Are all accounts paid regularly to avoid penalties, including and especially those owing to Canada Revenue Agency, WSIB etc. Yes No

Are all invoices received checked as to price, extensions and freight or other charges? Yes No

Are all invoices marked paid by attaching cheque stub or writing of cheque number and date paid information? Yes No

Are invoices approved and coded by the Treasurer before payment?
Yes No

Notes payable and long term debt: (loans, line of credit etc.) Make sure the Branch has plans in place to ensure prompt payments are made to dispose of loans according to terms, or better. Randomly test to ensure payments are made promptly. Check to ensure that loan repayments are part of the Annual and long-term Budget for the Branch and that all loans/lines of credit are approved by the Branch membership and the Provincial Headquarters in writing.

Is all borrowing properly authorized by General Meeting and Provincial Headquarters approval? Yes No

Payrolls: (Executive authority only) - Include properly signed and approved time sheets from employees. Randomly test a time sheet through to pay-cheque being issued and that all deductions are accounted for and promptly paid.

Are payroll records kept in sufficient detail separate to personnel files and in a secure location? Yes No

Are payrolls checked for clerical accuracy before cheques are signed?
Yes No

Mortgaging, Leasing, Property Sale or Renovations:

Is every property sales, renovation, leasing or mortgaging of the Branch property approved by Provincial Headquarters? Yes No

Poppy Trust Fund: Follow the above procedures as applicable for the Poppy Trust Fund and make sure the Poppy Manuals are being followed. Examine Minutes for approvals for expenditures. Strict confidentiality must be observed. The Poppy Trust Fund is not Branch Money, but its management is entrusted to authorized Branch committee members.

Is the Poppy Bank Account named as a TRUST Account? Yes No

Are all transactions processed in compliance with the Poppy Manual Do's and Don'ts? Yes No

Are copies of Provincial Headquarters approved Special Use Forms attached to their paid invoices Yes No

Lottery Trust Fund: Follow the above procedures as applicable for the Lottery Trust Fund and check that the AGCO and Legion regulations are present and being followed. Examine Minutes for approvals for expenditures. The Lottery Trust Fund is not Branch Money, except for an allowed percentage for Branch use as authorized by the local municipality which must also be checked. The licensee shall have the option of: (1) Opening and maintaining one designated lottery trust account to administer all lotteries conducted by the licensee; or (2) Opening and maintaining separate designated lottery trust accounts for each type of lottery conducted by the licensee.

Where only one designated lottery trust account is maintained, the licensee shall

maintain ledgers outlining financial details of each lottery event conducted, including proceeds derived from each, expenses paid in the conduct of the event, and a list of how the proceeds have been distributed. There can be no transfer of monies from the designated lottery trust account (s) into an operating or general account

Is the Lottery Trust Account(s) in compliance with the above requirements?
Yes No

Is the Bank Account named as a **Trust** Account? Yes No

Is Lottery accounting checked for accuracy and compliance to ensure that lottery funds are only used in accordance with the license issued or special approvals given by the licensing authority in writing? Yes No

Are all withdrawals or payments from the designated lottery account made by cheque for payment of expenses incurred in the operation of the lottery or for the distribution of net proceeds for the stated charitable purposes, less the amount awarded in cash prizes? And for eligible use amounts allowed to the Branch Yes No

Does the system prevent cash withdrawals? Yes No

Does the system prevent cheques payable to 'cash'? Yes No

Does the system ensure that any interest accrued on the lottery account(s) is used for the charitable purposes of the lottery? Yes No

Physical Inventory Count Check List

1. Review the inventory count instructions to ascertain if the instructions are complete so that:
an accurate physical inventory can be taken
 - a) How often is inventory taken on the following items:
 - b) Bar Stock: _____
 - c) Canteen Items _____
 - d) Kitchen Items _____
 - e) Draw tickets _____
 - f) Break Open tickets _____

2. Can you confirm that no inventory was missing this year? Yes No
If no, how much? \$ _____

THE FOLLOWING CERTIFICATE IS TO BE ATTACHED TO THE FRC REPORT FOR EACH ACCOUNT... (Note: This certificate is also available online www.on.legion.ca in a .pdf fillable format, under Forms & Manuals/Leadership Development. There is also one for the Poppy under Forms & Manuals/Poppy.)

FINANCIAL REVIEW CERTIFICATION

We the undersigned appointed by the membership at the general meeting on _____ (date) to conduct the annual financial review of the Branch do hereby attest and declare that the completed financial review has been done in accordance with the guidelines and that we have conducted sufficient tests of those accounting records which are susceptible to testing to satisfy ourselves that the financial statements for the period June 1, _____ to May 31, _____ present fairly and reasonably the financial position of the Branch.

COMMENTS/RECOMMENDATIONS: (continue on separate page if necessary)

Branch Number: _____ **Branch Name:** _____ **Date:** _____

Financial Review Committee Chairman: **Name:** _____

Signature: _____

Committee Member: **Name:** _____

Signature: _____

Committee Member: **Name:** _____

Signature: _____

Attach Year End Financial Statement

POPPY TRUST FUND FINANCIAL REVIEW CERTIFICATION

We the undersigned appointed by the membership, of Branch _____ at the General Meeting held on _____ (m/d/y) to conduct the Annual Poppy Trust Fund Financial Review of the Branch, do hereby attest and declare that the completed financial review has been done in accordance with the guidelines and that we have conducted sufficient tests of those accounting records susceptible to testing to satisfy ourselves that the financial statements for the period from September 30, _____ to October 1, _____ present fairly and reasonably the financial position of the Poppy Fund of the Branch. The Year End Financial Statement is attached for submission.

COMMENTS/RECOMMENDATIONS: (continue on separate page if necessary)

Branch Location: _____

Date: _____

Poppy Trust Fund Financial Review Committee:

Please print name on top line, and sign below

Chairman Name: _____

Signature: _____

Committee Member Name: _____

Signature: _____

Committee Member Name: _____

Signature: _____

Attach Year End Financial Statement