

Verifying The Club Books

Treasurer's Notes

by [Herb Barnett](#)

As part of its normal operation, an investment club should establish a Verification Committee to conduct an annual verification of the records. The purpose is to confirm that the club's books agree with the bank and broker statements. If the club participates in the NAIC Fidelity Bond insurance, it must certify that the books have been verified.

To prepare, the Treasurer should make certain that all transactions have been entered for the period to be audited. The Treasurer should also utilize the Audit utility in the software before printing the necessary reports.

The following reports should be printed. Set the parameter dates for the period to be verified:

1. Complete Journal/Ledger
2. Cash Journal
3. Cash Contributions Report
4. Transactions Summary (put a check mark in the box Subtotal Tax. Distrib's.) This groups transactions on a stock-by-stock basis to make it easier to verify the DRP statements. It also simplifies the task of double-checking the dividend totals against the 1099s received in January or February.)
5. Individual Investment History for each stock owned during the period
6. Individual Valuation Units Ledger for each member
7. End-of-period Valuation Statement
8. Petty Cash Journal, if the club uses the Petty Cash Account

In addition to the NAIC Club Accounting Software reports, the following documents should be collected for review by the committee:

1. All broker statements and transaction statements
2. All bank statements
3. All deposit slips, if available
4. All canceled checks
5. All Dividend Reinvestment Plan statements
6. All 1099-DIV and 1099-INT statements
7. All stock certificates in the possession of the club

NOTE: The documents collected should include every statement issued during the period to be verified plus the last statement prior to the start of the period. This facilitates verification of the beginning balance. Sort each group of documents in date sequence to simplify the work of the committee.

Verification Procedure

The committee should:

Check the bank and broker statements to verify that every entry matches the club's books, including the dates.

Verify that the club's books show the same number of shares and dividend totals for each stock as the broker and DRP statements.

Verify that each member's payments have been properly recorded as Payments, Fees, or Petty Cash Contributions, as appropriate.

Cross-check the check register, bank statement and club books.

Verify the beginning and ending balances for all accounts, and the Valuation Statement.

Complete the Annual Verification Report

If the club wants to be extremely cautious, the Treasurer could print the Individual Valuation Units Ledger for each member and ask the members to verify their payment record before the Verification Committee meets.

When two or three people divide up the tasks, it takes only a couple of hours to complete the annual verification.

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