

Audit Committee Findings

Date

To the Wardens and Vestry
Parish
Location

Subject: Review of _____ Financial Records for the Calendar Year _____

During the course of the above inspection, the following items pertaining to internal control and other operation matters were noted. The first group includes prior year review recommendations; the second group includes the resulting action taken on the prior year recommendations; and the third group includes comments and recommendations of the current year review committee.

1. Prior year review committee's recommendations:

2. In regard to prior year recommendations:

3. Comments and recommendations of current year review committee:

Sincerely,
Members of the Review Committee

The Internal Control Evaluation Checklist

Audit Year:

Church Name:

Church Location:

The following Internal Control Questionnaire is intended to provide a checklist for periodic review of an existing system. The questionnaire is also designed to assist a congregation's internal audit committee. The format is a series of questions, most of which refer to some recommended internal control. Usually the answer to a question will be *yes*. A *no* response suggests an area of the system that could be strengthened.

<p>General: The following are intended to provide general information to aid understanding of the overall accounting and internal control system. Answer <i>Yes</i>, <i>No</i>, or <i>N/A</i> on the attached worksheet. If the answer is <i>No</i> or <i>N/A</i>, note the reason and suggested corrective action in the <i>Notes</i> section provided</p>	
1. Are prior audits and completed internal control checklists and prior reports on internal controls available?	
2. Have the recommendations of prior reports been implemented?	
3. Is a complete and current chart of accounts, listing all accounts and their respective account numbers available?	
4. Is there an up to date accounting policy and procedure manual?	
5. Is the church treasurer elected by the Vestry? If yes, note how often below	
6. Is an accounting software package in use? If yes, note which kind below	
7. Has the vestry elected an assistant treasurer who is familiar with the church accounting and bookkeeping system?	
Notes:	

Budget: The development and use of a budget is a critical management tool that will aid in the stewardship and administration of church resources and program.	
1. Is the budget approved by the vestry and recorded in the minutes?	
2. Are all budget changes authorized by the vestry and recorded in the minutes of the meeting?	
3. Is there a periodic review of the budget by the vestry?	
Notes:	

Reporting: The best accounting system is of little value unless it communicates the information it contains to those responsible. Certain minimum standards exist to assure adequate communication of the financial information.	
1. Is the treasurer's report consolidated to include all church organizations and the activity of the discretionary fund, and submitted monthly?	
2. Does the report include both the operating and non-operating income and disbursements in accordance with the instructions of the annual Parochial Report	
3. Does the report compare current values with the approved budget?	
4. Are all liabilities noted in financial statements to the Vestry?	
5. Is there periodic reporting (at least quarterly) of all other funds, including designated, restricted and investment funds?	
Notes:	

Cash Receipts: Clearly stated policies and procedures regarding the handling of cash and other receipts help not only to protect from loss, but assure that all receipts are properly recorded in the records.	
1. Are there safeguards to prevent offerings from theft or misplacement from the time of receipt until the time the funds are counted and deposited?	
2. Are there at least two unrelated persons responsible for counting and they are rotated on a periodic basis?	

3. Is there a clear policy that the pledge recorder shall not handle, count or deposit funds?	
4. Is there a clear policy that the treasurer shall not handle or count funds unless teamed with another counter?	
5. Do the counters have a standardized form for recording the offering figures?	
6. Does the form include both operating and non-operating income?	
7. Are all the pledge envelopes and memoranda retained?	
8. Are all the retained envelopes and memoranda that are retained reconciled to the counter's breakdown sheets?	
9. Is there a control prohibiting the cashing of checks from currency received?	
10. Are all cash receipts recorded and deposited into the general checking account on a timely basis and verified the deposit equals the counter's tally sheet?	
11. Are all checks immediately endorsed "for deposit only" with the church's general checking account information?	
12. Are personal giving statements, including the amount and actual date of contribution provided to the donors? If yes, note how often	
13. Do acknowledgements of all contributions include, where appropriate, the phrase "In accordance with the Internal Revenue Code we certify that we did not provide any tangible goods or services in consideration of your contribution"?	
14. Do individual contributions of \$250.00 and above receive an acknowledgement letter with the IRS statement (at least annually)?	
15. Do you have a donor giving 10% or more to annual budget?	
Notes:	

Cash Disbursements: The following procedures will assist in assuring that all payments are properly approved, recorded and supported by appropriate documentation:	
1. Are all checks pre-numbered and used in sequence?	
2. Is there a clearly defined written approval process for all disbursements?	
3. Are checks signed only with supporting documentation?	
4. Check signing:	
a. Is the signed of blank checks prohibited?	

b. Is the use of a signature stamp prohibited?	
c. Are all account signers authorized by the vestry?	
d. Is more than one signature required for any check?	
d1. If not, do checks more than \$500 require more than one signature?	
5. Are voided checks properly cancelled and retained?	
6. Are checks made payable to specified payees and not to cash?	
7. Are all but small petty cash disbursements made by check?	
8. Are all disbursements requiring special approval of the vestry properly documented in the vestry minutes?	
9. Are there adequate controls and segregation of duties regarding electronic transfers?	
10. Are the parish credit cards used?	
a. Is there a policy?	
b. Do you obtain all receipts?	
c. Who has parish credit cards? Note below	
d. What are the credit cards used for? Note below	
Notes:	

Bank Account Reconciliation: The monthly reconciliation of ALL bank accounts is a primary tool for assuring the proper recording and accounting for cash account activity.	
1. Are all bank accounts reconciled within 10 days of receipt of statement?	
2. Are account reconciliations completed or verified by someone other than the bill payer or book keeper?	
3. Does the reconciliation provide for:	
a. Verification of all bank debit and credit memos?	
b. Review of all checks outstanding for more than 90 days?	
c. The monthly recording of all bank charges and interest?	
d. Comparison between the bank statements and cash receipts journals and check registers?	
e. Are bank transfers traced to determine if both sides of the transaction are recorded?	
4. Are all bank accounts included on financial reports to the vestry?	
Notes:	

Journal Entries: Journal entries offer a special opportunity to adjust accounting records. The general journal is an equally important book of original entry as the cash receipts and cash disbursements journals.	
1. Is there an appropriate explanation accompanying each journal entry?	
2. Are all journal entries approved by a knowledgeable authority other than the person initiating the entry?	
3. Is adequate documentation maintained to support each journal entry?	
Notes:	

Petty Cash: The following controls are intended to provide a timely recording of cash expenditures in the accounting system.	
1. Is there a petty cash fund at the church? If the answer is <i>no</i> , skip questions 2 through 7	
2. Is the responsibility for the petty cash fund assigned to only one person?	
3. Are petty cash funds maintained on an imprest basis? i.e., the total amount of vouchers paid (since the fund was restored to its full value) plus the cash on hand always equals the established value of the fund?	
4. Is the petty cash fund reimbursed or at least checked monthly?	
5. Is an adequate review made of documentation before the petty cash fund is reimbursed?	
6. Is the actual petty cash protected from theft or misplacement?	
7. Are the various payments from petty cash accounted for in the appropriate expense categories of the general ledger?	
Notes:	

Investments: Procedures for proper recoding and control of all investment instruments will help assure that all assets and related income are accounted for and properly reported.	
1. Are all investment instruments held in the name of the church only?	
2. Are investment incomes, dividends and interest recorded as received?	
3. Is the authorization for sale or purchase of investments provided for by the Vestry?	
4. Is there a written investment policy?	
5. Are all investment accounts included in Financial Reports to the Vestry?	
6. Are investments in accordance with UPMIFA Rules for nonprofits? (Uniform Prudent Management of Institutional Funds Act)	
Notes:	

Property and Equipment: Certain procedures involving the physical assets of the church will aid in detecting, identifying and preventing losses.	
1. Is vestry approval required for all property and equipment additions and dispositions?	
2. Is a detailed description maintained for all property, furniture fixtures and equipment including date acquired, cost and funding restrictions?	
3. Are copies of this inventory kept in a safe place apart from the inventoried property?	
4. Is a periodic review conducted to verify inventory?	
5. Are real estate deeds and other permanent legal documents kept in a safe place?	
6. If there is a safe deposit box, is there an inventory of contents?	
Notes:	

Insurance: All churches in the Diocese of Western Michigan should be covered under the Diocesan policy for property, liability and works comp.	
1. Are invoices from Church Insurance Corp paid in a timely fashion?	
2. If there is at least one employee (clergy or lay), is there a separate billing for workers comp?	
3. Is there a policy related to sexual misconduct?	
4. Is a periodic review conducted to ensure adequate insurance coverage?	
Notes:	

Liabilities and Other Debt: All liabilities and other debt must be clearly reported and all provisions or restrictions complied.	
1. Is all borrowing authorized by the vestry and the diocesan Standing Committee?	
2. Are there periodic reviews to determine compliance with any debt/lease provisions?	
3. Are all loan agreements and/or lease agreements in writing and properly safeguarded?	
4. Are all Liabilities noted in Financial Reports to Vestry?	
Notes:	

Restricted Gifts and Income: Gifts restricted by the donors are not handled in the same manner as other contributions. Procedures are necessary to assure that these gifts are recorded properly and all restrictions observed.	
1. Are records maintained of all bequests, memorials, endowments and any other restricted gift to include:	
a. Date, amount, and the donor of the gift?	
b. Any restrictions or limitations?	
c. Are written acknowledgement issued for whom they are required?	
2. Is the use and investment of all restricted gifts and grants approved by the Vestry or other authorized body?	
3. Is the Discretionary Fund:	

a. In the name of the church and not the rector?	
b. Identified by the church's federal tax ID number?	
c. Used only for appropriate, non-operating expenses as described in chapter V Section B of the <i>Manual of Business Methods in Church Affairs</i> ?	
Notes:	

Payroll: The application of policies and procedures involving the employment of individuals assure compliance with payroll tax reporting to the various government entities. It is strongly recommended that payroll be processed by a professional service.	
1. Are personnel files maintained to include the following:	
a. Employment applications and/or letter of employment?	
b. Authorizations of pay rates and effective dates?	
c. Internal Revenue Service Form W-4?	
d. Department of Homeland Security Form I-9?	
e. State and/or city tax withholding forms?	
f. New hire reporting to the State of Michigan?	
2. Are there adequate records to:	
a. Show actual hours worked by hourly wage employees?	
b. Show computation of gross pay?	
c. Account for all deductions from gross pay?	
d. Support payroll withholding returns and deposits?	
3. Are federal and state tax forms and deposits filed on a timely basis?	
4. Are employees (both lay and clergy) receiving form W-2?	
5. Are forms 1099-MISC provided for all individuals who are not employees and for unincorporated entities paid \$600 or more annually?	
6. Are Form W-2 wages reconciled to the general ledger accounts and quarterly payroll tax returns?	
7. Are clergy housing allowances recorded in the vestry minutes on/prior to the effective year or effective starting date?	
Notes:	

Financial Test Checklist	
<u>Income and Disbursements</u>	
1. Is the checking account(s) reconciled to the accounting records and checkbook, using unopened year-end bank statement(s) or an independently received bank confirmation?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
2. Have paid checks been examined for authorized signatures?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
3. Have the checks been compared to the disbursements journal for payees and amounts? (suggest 10-minimum to 20)	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. Randomly selected from file by committee members?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
4. Have all voided checks been accounted for?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
5. Has the subsequent January statement been reviewed?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
6. Are disbursements supported by vouchers approved by authorized party other than check signer? (Suggest 15)	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. Randomly selected by committee members	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
7. Are two signatures required on checks for \$500 or more?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
8. Is the bank notified immediately of all changes to authorized check signers?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
9. Are cash journal totals tested for accuracy?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. If applicable	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
10. Are receipt records compared with bank deposits for full year?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. May also do so monthly as alternate	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
11. Are all transfers between accounts traced?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
12. Does an authorized party other than a check-signer approve journal entries, and are they adequately documented?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

<u>Pledges and Other Gifts:</u>	
1. Do the records of total receipts per individual pledge agree with the amounts recorded and reported in the cash receipts journal?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. Suggest monthly	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
2. Have the postings and arithmetic on individual pledge records been tested?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. Quarterly	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
3. Number of individual pledge records sampled: _____	
a. Suggest 10% of records	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
4. Is there budgeting of contributions that can be reasonably estimated?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
5. Are contribution budgets periodically compared to actual, and are significant differences investigated?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
6. Are records kept and periodically reviewed of gifts, such as bequests, which are contingent on future events?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
7. Are future bequest and gift files, such as proceeds from life insurance policies or sale of property willed to a congregation, maintained on a current basis?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
8. Are individuals designated to be responsible for assuring compliance with the terms and conditions of all grants, restricted contributions, endowments, etc. received?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
<u>Securities (If applicable)</u>	
1. Verify the securities list against subsidiary ledger accounts, validating serial numbers against purchase records of gifts?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
2. Is the name verified in which securities are registered?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
3. In the case of coupon bonds, are unmatured coupons intact?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
4. Is the market value of securities established at the date of the examination?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
5. Are securities examined or confirmed if held by depository or transfer agent?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
6. Were security purchases or sales authorized by appropriate Vestry action and recorded in the minutes?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

7. Have cash receipt records of dividends and interest been compared with record of securities held?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Trust and Endowment Funds	
1. Review the list of trust and endowment funds, including their terms and locations of the investments.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
2. Examine the deed of trust or agency agreement for each trust and endowment fund.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
3. Review the agency accounting records to determine whether or not the terms of the trust or endowment funds are being properly followed.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A