

Guidelines for Church Financial Review

Catawba Presbytery - October 2016

The following are suggested procedures to be used by churches when they have their financial review to meet Presbytery/ Synod's directives. Some churches may not need to complete all aspects; however these guidelines should assist in keeping your church aware of its responsibilities and accountability to the congregation.

Conducting a Financial Review is a mark of Responsibility; Good Stewardship demonstrated for all to see; and a message to the church donors that you care about their gifts.

The purpose for a Financial Review is:

To protect the person(s) the local church elects to office of financial responsibility from unwarranted charges of careless or improper handling of funds;

To build trust and confidence of the financial supporters of the church in the way their money is being accounted for;

There will be a continuity in accountability when there is a change in personnel

To assure gifts to the church with special conditions attached are consistently administered in accordance to the donor's instructions;

To provide checks and balances for sums received and expended.

Reviews of financial reports require that individuals performing the review have a reasonable familiarity with terms, concepts, and practices of the financial world. For the review to be useful and effective, the person or persons performing it must do so in an objective and impartial fashion, and with the highest degree of integrity.

A Review should include examination of all of the funds of the Church, not just the operating accounts; Capital and other special funds, endowment and trust funds, assets of the church, organizations, investments, discretionary funds, and any other assets, liabilities, revenues, and expenses of the church.

Planning stage of the review:

Planning involves understanding of the church's financial operations and assembling the various documents that are needed for the review.

Obtain a copy of the previous audit if available along with the Management's letter which details past review findings and provides suggestions on how to improve the church's financial operations.

Obtain a copy of the annual financial statements

Review procedures which are being used to account for church money. Identify individuals with responsibility for financial operations and decisions and verify with them all funds of the congregation have been included in the statements.

Identify all bank accounts and authorized check and withdrawal signers.

Request that all accounting records of all funds be presented together including:

Organization Chart

- Chart of accounts
- General Ledger
- Cash Receipts Journal
- Cash Disbursements Journal
- Bank Statements including canceled checks
- Check Register
- Blank checks are accounted for
- Paid invoices
- Individual payroll records including Forms W-4 and I-9
- Federal and State payroll withholding reports
- Passbooks and evidence of other investments
- Pledge records by individual and total

Perform a preliminary analytical review of financial statements. This may consist of comparison of the current records to the previous year balances and to budget amounts. If needed, arrange a meeting with the Treasurer to review any variances, or clarifications.

Review internal controls: policies, procedures, and commitment to reasonably prevent material errors and irregularities from occurring or going undetected.

Internal Control Questionnaire:

GENERAL:

This will provide general information for an understanding of the overall accounting and internal control system.

Circle the appropriate answer of YES, NO, N/A

- | | | | |
|--|-----|----|-----|
| 1. Are prior internal control questions available? | YES | NO | N/A |
| 2. Have recommendation of prior reports been implemented? | YES | NO | N/A |
| 3. Is a complete and current chart of accounts available? | YES | NO | N/A |
| 4. Is the accounting system using a double entry bookkeeping method? | YES | NO | N/A |

BUDGET:

- | | | | |
|--|-----|----|-----|
| 5. Is the budget approved by the church? | YES | NO | N/A |
| 6. Are all changes to the budget authorized by the Deacons and | | | |

recorded in their minutes?	YES	NO	N/A
7. Is there a periodic review of the Budget?	YES	NO	N/A

REPORTING:

8. Is a Treasurer’s detail report submitted to the Deacons monthly?	YES	NO	N/A
9. Does it present actual to budget information?	YES	NO	N/A
10. Is there a quarterly report of all other funds and activities?	YES	NO	N/A

CASH RECEIPTS:

11. Are there safeguard to protections collections from time collected, counted, and deposited?	YES	NO	N/A
12. Are collection receipts and deposits receipts made Weekly?	YES	NO	N/A
13. Are there at least two unrelated persons responsible for counting and depositing funds?	YES	NO	N/A
14. Are persons counting receipts rotated periodically?	YES	NO	N/A
15. Are there standardized forms for counting?	YES	NO	N/A
16. Are counters sheets retained and reconciled with actual deposits?	YES	NO	N/A
17. Is cashing of checks prohibited?	YES	NO	N/A
18. Are Third party checks returned to donors?	YES	NO	N/A
19. Are Pledge envelopes or other memoranda retained and reconciled to recorded amounts?	Yes	no	n/a
20. Are other cash receipts recorded and deposited on a timely basis?	Yes	no	n/a
21. Are all checks received restrictively endorsed “for deposit only” immediately upon receipt?	YES	NO	N/A
22. Are there procedures which will highlight or identify the fact that some receipts/income has not been received or recorded?	YES	NO	N/A
23. Are periodic statements provided to donors of their contributions at least quarterly?	YES	NO	N/A

24. Do acknowledgements in excess of \$250 include a receipt from the organization describing itself as “any goods or services provided consist solely of intangible religious benefits?	YES	NO	N/A
25. Are discrepancies investigated?	YES	NO	N/A

CASH DISBURSEMENTS:

26. Are all disbursements made by check, except for small expenditures made by petty cash?	YES	NO	N/A
27. Are all checks pre-numbered and used in sequence?	YES	NO	N/A
28. Are all voided checks clearly canceled and retained?	YES	NO	N/A
29. Are all checks made payable to specified payees and not to cash or bearer?	YES	NO	N/A
30. Are all disbursements supported by original documentation?	YES	NO	N/A
31. Is the original vendor’s invoice or other documentation marked at time of signature to prevent duplication?	YES	NO	N/A
32. Is the signing of blank checks prohibited?	YES	NO	N/A
33. Is the use of a signature stamp or preprinted signatures prohibited?	YES	NO	N/A
34. Does all supporting documentation accompany checks for signature?	YES	NO	N/A
35. Are all account signers authorized by the church?	YES	NO	N/A
36. Is more than one signature required for any check?	YES	NO	N/A
37. If not, do checks over \$500 require more than one signature?	YES	NO	N/A
38. If signature imprint machines used, are the keys kept under lock and key except when in use?	YES	NO	N/A
39. Are all disbursements requiring special approval of fund sources properly documented in the church committee minutes?	YES	NO	N/A

JOURNAL ENTRIES:

40. Is there an appropriate explanation accompanying each journal entry?	YES	NO	N/A
41. Are all journal entries approved by a knowledgeable person of authority other than the person initiating the entry?	YES	NO	N/A
42. Is adequate documentation maintained to support each journal entry?	YES	NO	N/A

BANK ACCOUNTS:

43. ARE ALL BANK ACCOUNTS RECONCILED WITHIN 10 DAYS OF RECEIPT?	YES	NO	N/A
44. Are the task of opening and reconciling the bank statements performed by two different people?	YES	NO	N/A
45. Are the bank account reconciliations completed by someone other than the person who participates in receipt or disbursement of cash?	YES	NO	N/A
46 . Does the reconciliation procedures provide for:			
A. comparison of dates and amounts of deposits as shown on the bank statement with cash receipts journal?	YES	NO	N/A
B. Investigation of bank transfers to determine that both sides of the transactions have been recorded?	YES	NO	N/A
C. Investigation of all bank debit and credit memos?	YES	NO	N/A
D. Review of all checks outstanding over 90 days?	YES	NO	N/A
E. Voiding of outstanding checks during the year-end reconciliation?	YES	NO	N/A
F. Is the bank immediately notified of all changes of authorized check signers?	YES	NO	N/A

PETTY CASH:

47. Is the responsibility for petty cash fund assigned to only one person?	YES	NO	N/A
48. Are all petty cash funds maintained on an imprest basis? (the total amount of the vouchers paid or disbursed, plus cash, will always equal the amount of the fund).	YES	NO	N/A
49. Is there adequate review of the documentation before the fund is reimbursed?	YES	NO	N/A
50. Is the petty cash fund reimbursed at least monthly?	YES	NO	N/A
51. Is the cashing of checks and loans to employees prohibited?	YES	NO	N/A
52. Is the actual petty cash protected from theft or misplacement?	YES	NO	N/A

INVESTMENTS:

53. Are all investment instruments held in the name of the church only?	YES	NO	N/A
54. Is authorization for sale and /or purchase of investments provided			

for by the authorized committee/church?	YES	NO	N/A
55. Are all investment instruments adequately protected from FIRE, THEFT, OR MISPLACEMENT?	YES	NO	N/A
56. Are interest, dividends, and unrealized gains or losses recorded?	YES	NO	N/A

PROPERTY AND EQUIPMENT:

57. Is formal approval required for all property and equipment additions and dispositions?	YES	NO	N/A
58. Is a detail inventory of all property, furniture, fixtures, and Equipment maintenance showing:			
A. Date Acquired?	YES	NO	N/A
B. Detail description?	YES	NO	N/A
C. Cost or fair market value at time of donation?	YES	NO	N/A
D. Any funding source restrictions?	YES	NO	N/A
59. Is a periodic review conducted to:			
A. Compare the actual property, furniture, and fixtures and equipment to the recorded inventory listing?	YES	NO	N/A
B. Ensure the adequacy of the insurance coverage?	YES	NO	N/A
C. Improve loss prevention?	YES	NO	N/A

LIABILITIES AND OTHER DEBT:

60. Is all borrowing or indebtedness authorized by the appropriate committees?	YES	NO	N/A
61. Are all loan agreements and/or lease agreements in writing and properly safeguarded?	YES	NO	N/A
62. Are there periodic reviews conducted to determine compliance with any debt/lease provisions?	YES	NO	N/A
63. Are all liabilities noted on Financial Statements/Reports to the appropriate committee?	YES	NO	N/A

RESTRICTED GIFTS AND CONTRIBUTIONS:

64. Are records maintained of all bequest, memorials,

endowments, or other restricted gifts to include:

A. Date, amount, and donor of Gift?	YES	NO	N/A
B. Any restrictions or limitations?	YES	NO	N/A
65. Are all restricted gifts and grants approved by the appropriate body?	YES	NO	N/A
66. Are the income and other transaction periodically reported to the appropriate body?	YES	NO	N/A
67. Are written acknowledgements issued for all contributions other than pledges?	Yes	no	n/a

PAYROLL:

68. Are personnel files maintained to include:			
A. Employment application and /or letter of employment?	YES	NO	N/A
B. Authorization of pay rates and effective dates?	YES	NO	N/A
C. IRS FORM W-4?	YES	NO	N/A
D. Department of Justice Form 1-9	YES	NO	N/A
E. State Withholding Forms?	YES	NO	N/A
69. Is there a written record of hours worked and approved by a supervisor when applicable?	YES	NO	N/A
70. Are there adequate records to:			
A. Show computation of gross pay?	YES	NO	N/A
B. Account of all deductions from gross pay?	YES	NO	N/A
C. Support payroll tax returns filed on a timely basis?	YES	NO	N/A
71. Are payroll tax returns filed on a timely basis?	YES	NO	N/A
72. Are payroll tax deposits made on a timely basis?	YES	NO	N/A
73. Are all employees, clergy, and lay receiving a Form W-2?	YES	NO	N/A
74. Are Forms 1099 being provided for all individuals who are not employees, and for all unincorporated entities paid \$600 or more annually?	YES	NO	N/A
75. Are Forms W-2 wages reconciled to the general ledger			

accounts, and all four quarterly payroll tax returns?	YES	NO	N/A
76. Are Clergy housing allowances recorded in the minutes of the appropriate committee no later than the first meeting of the year?	YES	NO	N/A

COMPUTER SYSTEMS:

77. Are current or duplicate copies of the operating system and programs maintained off premises?	YES	NO	N/A
78. Are files backed up at least weekly and the backups maintained off premises?	YES	NO	N/A
79. Is access to the computer and computer programs limited to authorized persons?	YES	NO	N/A
80. Is there adequate documentation, including user manuals, available on-site for all computer programs?	YES	NO	N/A
81. Is a printed copy retained of all journals, general ledger, FINANCIAL STATEMENT AND ANY OTHER COMPUTERIZED RECORDS?	YES	NO	N/A

FOLLOWING ARE SUGGESTED GUIDELINES/PROCEDURES FOR THE DETAIL REVIEW

CASH RECEIPTS AND BALANCES:

1. Obtain a list of dates of Sundays and other services during the year at which collections were taken.
2. From this list choose a representative sample of dates. For each date chosen, obtain the documentation prepared by the counters.
3. Verify by addition the total amount recorded on the count sheet for each date. Note the amounts designated as pledge income and loose offering income.
4. Trace these amounts into the accounting records as cash receipts and note any discrepancy.
5. For each date, trace the total amount collected to a bank deposit slip and to the next subsequent bank statement. Note any discrepancy.

6. Obtain a summary of collection amounts by week, and verify by addition the yearly total of all weekly collections. Compare this total to the total pledge and loose offering income in the annual financial reports. Investigate and significant discrepancies.
7. Obtain a summary of restricted or designated contributions by week, and verify by addition the yearly total of all weekly contributions. Compare this total to the total recorded in the annual financial reports or alternately trace a sample of weekly amounts to the accounting records.
8. Obtain or prepare a list of all bank accounts owned by the church and compare to last year's list, noting any changes. Trace any openings or closures to the minutes of the church governing body.
9. Obtain year end statement for all savings accounts and determine the fiscal year- end balance. Compare this balance to the balance listed in the annual financial report and investigate any differences. Optionally, request a confirmation of closing bank account balances for each account and compare these balances to those recorded in the financial report.
10. For each checking account, obtain the year-end bank reconciliation and the bank statements for the last month of the year and the first month of the new fiscal year. Trace the "bank balance" from the reconciliation to the bank statement.
11. Trace any normal reconciling items such as deposits in transit or outstanding checks to the first bank statement of the new fiscal year, looking for any undue delays in clearing.
12. Investigate any unusual or non-recurring reconciling items, obtaining documentation of legitimacy. If such items exist, examine prior months' reconciliations to see if the items have been carried forward from month to month.
13. Once reconciling items are verified, compare the "book balance" from the reconciliation to the balance in the accounting records as of the fiscal year-end and to the balance reported in the annual financial reports.
14. Count the petty cash fund and determine that the fund is intact.
15. Choose one prior reimbursement of the fund and examine the documentation in order to establish the validity of items and amounts expended from the fund.

CASH PAYMENTS:

1. Obtain a list of all bank accounts used to make payments and a list of persons authorized to sign checks or make withdrawals for each account. Compare the list to that from prior years and verify the authorized check signers with the church governing body.
2. Obtain the cash disbursements journal or other listing of all disbursements for the year and choose a sample of disbursements for examination.
3. For each item chosen, obtain all supporting documentation and the canceled check.
4. Examine supporting documents for evidence that the item is a legitimate obligation of the church, and for evidence of approval for payment.
5. Examine the canceled check noting the authorized signature and the payee, and determine that the endorsement is consistent with the payee.
6. Determine the appropriate account to be charged for each item and trace each item to an entry in the accounting records to determine that the correct account was charged.

7. Scan the numerical sequence of checks issued during the year. Investigate any missing numbers.
8. Examine all checks listed as "Void" in the checkbook or disbursements journal.
9. Scan cancelled checks for irregularities (i.e. second endorsements).
10. Investigate and ensure financial statements reflect long-term commitments such as leases and contingencies such as lawsuits.

PAYROLL:

1. Choose one or more employees and compare actual rates of pay with authorized rates from the church governing body.
2. Examine withholdings and deductions from pay checks of chosen individuals and examine documents authorizing any voluntary deductions.
3. Examine payroll tax returns and compare amounts reported thereon for one or more employees to the amounts reported on the employee's T-4 form. Investigate any discrepancies.

INVESTMENTS:

1. Obtain copies of the church's approved investment policy, investment statements, and a copy of the minutes from investment committee meetings.
2. Verify that the balances on the investment statements match those recorded in the accounting records and the balance reported in the annual financial reports.
3. For one or more transactions chosen, analyze the investment to ensure that it meets the criteria of the investment policy that the decision to buy or sell the investment was appropriately documented within the minutes and that the transaction was authorized appropriately.
4. For one or more transaction chosen, trace the correct recording of capital and interest in the accounting records.

PROPERTY, INSURANCE & MISCELLANEOUS:

1. Obtain a master list of all real and personal property owned by the church and compare to last year. Determine that any additions or disposals were properly authorized.
2. For any new items on the list, examine the items to determine that they are present. Spot check older items to be certain they are present.
3. Examine current insurance policies for dates and amounts to determine that adequate coverage exists.
4. Obtain year-end statements for any mortgages or loans and determine the correct year-end balance. Trace this amount to the annual financial report.
5. Determine for all mortgages and loans that payments are up to date.

Prepared By:

T. C. S. Lever, Jr, Treasurer

Catawba Presbytery