

Congregational Internal Control Review

(Legal Name of Congregation)

(Street Address)

(City, State and ZIP Code)

Enter the year or period of time of the financial review _____ 20 _____

Date review completed _____ 20 _____

The Financial Review Committee:

General Information

Bank Accounts (list all accounts including auxiliaries):

Name of bank _____

Address _____

Account number _____

List the name(s) of the authorized signers on the account:

How many signatures are required? _____

Name of bank _____

Address _____

Account number _____

List the name(s) of the authorized signers on the account:

How many signatures are required? _____

Name of bank _____

Address _____

Account number _____

List the name(s) of the authorized signers on the account:

How many signatures are required? _____

Does the congregation rent a safety deposit box? _____

List name of authorized signers _____

Name of bank _____

Address _____

Who is the custodian of the key(s)? _____

What are the contents? _____

How many signatures are required to enter? _____

Important Document Inventory

List on this page all evidences of ownership and liabilities of the congregation and its auxiliaries.

Description/ID No.	Location of Document (Financial institution, safe deposit box, vault)	Original Cost	Date Acquired/ Issued	Date of Disposal
Cash, CDs, Investments:				
Loans and Accounts Receivable:				
Land and Buildings – (Title and Deeds):				
Personal Property, Vehicles (titles):				
Liabilities & Loans and Mortgages Payable (loan and mortgage documents):				
Administrative Documents:				
Sales Tax Exemption Certificate				
Federal Income Tax Exemption				
Nonprofit Corporation Report				
Articles of Incorporation				
Constitution including amendments				
Bylaws				
Voter's minutes				
Insurance Policies				
Trust and Endowment Agreements				

Insurance

Date of Expiration	Company	Coverage	Annual Premium

Enter the date of the last insurance review for adequacy of coverage with the agent _____.

Cash Receipts

Each "no" answer is a possible weakness in internal control.

Write a brief description of the procedure for handling cash from the time of collection plate passing to making the bank deposit. Be certain to note the number of people involved in each step. It would be better to include a flow chart and timetable for both receipts and disbursements.

Cash Receipts:

	Yes	No
1. Is cash counted immediately following the worship service? If not, how is it stored and secured? _____	_____	_____
2. Do two or more individuals count cash?	_____	_____
3. Is the bank deposit prepared as part of the counting procedure?	_____	_____
4. Is the treasurer denied a position as a counter?	_____	_____
5. Do two or more people take the deposit to the bank immediately following the count?	_____	_____
6. Is a copy of the deposit slip kept as a permanent part of the financial records?	_____	_____
7. Is the person who posts the contributions to the individual contributors' ledger denied being a part of the counting process?	_____	_____
8. Are quarterly individual contribution records sent to individual congregation members?	_____	_____
9. Is a count sheet used as part of the counting process?	_____	_____
10. Is the count sheet reconciled to the bank deposit?	_____	_____
11. Are signatures required at the bottom of the count sheet as to who prepared it?	_____	_____
12. Are the counters bonded?	_____	_____
13. Are questions from congregational members about differences between congregational individual giving records and their own records handled by someone other than the treasurer?	_____	_____
14. Do weekly contribution envelopes agree with the weekly tally sheets?	_____	_____
15. Do contribution statements contain proper disclaimers required by IRS?	_____	_____
16. Are "quid-pro-quo" contributions acknowledged within the time frame required by IRS?	_____	_____

Cash Disbursements

Each “no” answer is a possible weakness in internal control. Write a brief description of the procedure for handling cash disbursements from the time an order is placed, received, and prepared for payment right through to the mailing of the check. Again, note the people involved in each step.

Cash Disbursements:

	Yes	No
1. Is someone responsible for counting and signing for the receipt of goods and services?	_____	_____
2. Is the treasurer given proof of the receipt of goods and services?	_____	_____
3. Is a voucher system used?	_____	_____
4. Are blank checks kept in a secure place?	_____	_____
5. Are purchase orders used?	_____	_____
6. Is a budget used?	_____	_____
7. Are all checks reviewed by two or more people?	_____	_____
8. Is a bank reconciliation prepared on a timely basis for all bank accounts by someone independent of the receipting and disbursing process?	_____	_____
9. Are checks prepared for payment only from documentation that is approved by an authorized official?	_____	_____
10. Are all checks properly filled out prior to being signed?	_____	_____
11. Is more than one signature required on a check?	_____	_____
12. Is the invoice marked paid with a date and check number to prevent duplicate payment?	_____	_____
13. Are all check numbers accounted for?	_____	_____
14. Are paid invoices filed in a logical manner including all supporting documentation and authorizations?	_____	_____
15. Are voided checks defaced and permanently retained?	_____	_____
16. Is a copy of the check kept in numerical sequence?	_____	_____
17. Does the treasurer have term limits?	_____	_____
18. Are all invoices or services (other than petty cash items) paid for by check?	_____	_____
19. Is a list prepared for each council meeting that reports all unpaid invoices, dates, and amounts?	_____	_____
20. Is care exercised that discounts are taken on invoices when offered?	_____	_____
21. Were Social Security or taxpayer identification numbers obtained prior to making taxable disbursements to individuals or organizations?	_____	_____
22. Are IRS Form 1099 Information Returns prepared and distributed in a timely manner?	_____	_____
23. Is petty cash controlled by one custodian who logs all activity for recording and replenishment?	_____	_____
24. Does the treasurer review and approve the petty cash log prior to posting to the general ledger?	_____	_____

Journal Entries

Each “no” answer is a possible weakness in internal control.

General Journal Entries:

	Yes	No
1. Are journal entries approved by someone other than the preparer?	_____	_____
2. Are general journal entries kept on file?	_____	_____
3. Are the explanations for the entries adequate?	_____	_____
4. Are journal entries properly indexed and referenced in ledgers and journals?	_____	_____
5. Are standard journal entries used for monthly closings?	_____	_____

Payroll and Personnel

Each “no” answer is a possible weakness in internal control.

Write a brief description of the procedure of adding an individual to the payroll and how an individual is deleted from the payroll. Take care to identify when forms are filled in for Concordia Plans, withholding (if applicable), housing allowance, tax-sheltered annuity, and other payroll information. Where is this information filed, and who has the responsibility to keep it updated? Who authorizes employment? How are rates of pay determined?

Payroll:

	Yes	No
1. Is a payroll journal prepared and balanced?	_____	_____
2. Are all payroll disbursements made by check?	_____	_____
3. Are employee time records kept and reviewed by a supervisor?	_____	_____
4. Are all pay rates authorized by the governing board of the church and in compliance with Federal or State minimum wage laws?	_____	_____
5. Is housing allowance approved annually by the governing board of the church in advance of the payment to the worker?	_____	_____
6. Is payroll confidentiality maintained?	_____	_____
7. Are payroll taxes withheld and paid in a timely manner to the various taxing authorities?	_____	_____
8. Are all deductions from pay for TSAs, loan payments, etc., authorized in writing by the employee?	_____	_____
9. Are all the payroll tax forms filed on time?	_____	_____
10. Has Form W-2 been used to report all the worker's wages and compensation?	_____	_____
11. Does the individual worker receive a schedule explaining the computation of the amount reported on Form W-2?	_____	_____
12. Is a personnel file maintained for each employee?	_____	_____
13. Are records maintained of earned and used vacation?	_____	_____
14. Does a personnel policy manual exist?	_____	_____
15. Are records maintained of sick or personal days earned and used?	_____	_____
16. Is there an enforced policy that requires all workers to take a vacation?	_____	_____
17. Do you inform the prospective employee in advance of his/her employment that the church is not a participant in unemployment tax? (i.e., He/she would be denied a claim for unemployment in the event he/she resigns or is terminated, and is that understanding verified in writing?)	_____	_____
18. Is a separate bank account used for payroll?	_____	_____
19. Does the annual payroll journal agree with Form W-2s?	_____	_____
20. Are gifts, bonuses, honoraria, etc., approved by the governing board?	_____	_____
21. If a separate payroll account is used, is it reconciled by someone other than the person who prepares payroll?	_____	_____
22. Have new hire reports been submitted?	_____	_____

GENERAL Financial Review Program

(Legal Name of Congregation) _____

(Street Address) _____

(City, State and ZIP Code) _____

Enter the year or period of time of the financial review _____ 20 _____

Date review completed _____ 20 _____

The Financial Review Committee

Prepare a summary of exceptions to all of the following tests.

Performed by: _____

Date: _____

General

	Yes	No
1. Are all individuals who handle cash or checks bonded?	_____	_____
2. Has a budget been adopted by the governing board?	_____	_____
3. Are actual results compared against budgeted amounts on a periodical basis?	_____	_____
4. Does the congregation follow a numeric chart of accounts?	_____	_____
5. Do individuals such as the treasurer, bookkeeper and counters have complete job descriptions?	_____	_____
6. Are monthly financial statements prepared including a balance sheet that lists all assets, liabilities and equity, as well as a statement of activities that lists all sources of revenue and all expenses?	_____	_____
7. Are all financial and budgeting decisions clearly documented in the governing board's minutes?	_____	_____
8. Is documentation accompanying restricted gifts retained?	_____	_____

Loans Receivable

	Yes	No
1. Are loans granted to individuals approved by the governing board or voters assembly?	_____	_____
2. Are there signed promissory notes for all loans receivable including interest rates and repayment terms?	_____	_____
3. Are all loans adequately secured with a registered mortgage, deed of trust or lien?	_____	_____
4. Does a responsible official monitor monthly balances to ensure prompt payments?	_____	_____
5. Is proof of insurance required designating the congregation as the loss payee?	_____	_____

Loans Payable

- | | Yes | No |
|---|-------|-------|
| 1. Are all loans payable approved by the governing board or voters assembly? | _____ | _____ |
| 2. Are loan balances per the general ledger periodically reconciled with statements from lenders? | _____ | _____ |

Land, Buildings and Equipment

- | | Yes | No |
|--|-------|-------|
| 1. Does the congregation maintain a fixed asset ledger listing all land, buildings, autos and equipment owned and recorded at historical cost? | _____ | _____ |
| 2. Are inventories periodically taken to ensure this ledger has included/excluded all items? | _____ | _____ |
| 3. Are records kept of any items removed from the church property? | _____ | _____ |
| 4. Has the governing board adopted a policy whereby all items purchased with a cost in excess of \$_____ and a useful life in excess of _____ years will be capitalized (Congregation should determine a capitalization policy)? | _____ | _____ |
| 5. Is depreciation properly calculated and recorded in the proper expense accounts | _____ | _____ |
| 6. Is the sale or other disposal of property approved by the governing board? | _____ | _____ |
| 7. Are all fixed assets registered to the congregation? | _____ | _____ |
| 8. Is insurance coverage reviewed annually to insure: | | |
| a. All properties owned or rented by the congregation are listed? | _____ | _____ |
| b. Adequate replacement coverage is in force? | _____ | _____ |
| c. Adequate liability coverage is in force? | _____ | _____ |

Investments

- | | Yes | No |
|--|-------|-------|
| 1. Has a written investment policy been adopted establishing guidelines, objectives and limitations? | _____ | _____ |
| 2. Are detailed records of investments maintained in a secure place and reconciled to the general ledger periodically? | _____ | _____ |
| 3. Are all investments recorded in the name of the congregation? | _____ | _____ |
| 4. Are investment income, gains and losses posted to the general ledger when statements or checks are received? | _____ | _____ |
| 5. Are any marketable securities stored in a secure vault? | _____ | _____ |

Investments:

1. Prepare a schedule of investments listing opening balances, purchases, redemptions and ending balances for all individual investments.
2. Trace ending balances to the general ledger.
3. Count and examine all securities or statements for the period and:
 - a. Determine all investments are registered in the name of the congregation.
 - b. Determine the market value of all investments and determine whether investments have been written up or down to market.
 - c. Determine total interest and dividend income and compare these to amounts recorded in the general ledger.
4. Determine if any accruals of investment income at the end of the period have been recorded as receivables in the general ledger.

Electronic Data Processing (EDP) Controls

Congregation Name _____
Financial Statement Date _____

COMPUTER INFORMATION

Type of Hardware _____

Type of Software _____ Version and Date Purchased _____

- General Ledger _____
- Word Processing _____
- Other _____

Review:

	Yes	No
1. Does a written policy and procedure manual exist?	_____	_____
2. Review procedures in place for the evaluation and approval of computer equipment and software packages prior to acquisition and implementation?	_____	_____
3. Do user manuals exist for all applications and include a description of the application, procedural requirements, sample reports, source documents required, etc.?	_____	_____
4. Do current computer operating instructions contain set-up instructions, operating system requirements, restart, recovery, and emergency procedures, and a listing of program messages, responses, etc.?	_____	_____
5. Are hardware components covered by a maintenance contract?	_____	_____
6. Is insurance coverage adequate to replace the computer system at the current market value?	_____	_____
7. Is the computer area accessible only to authorized personnel?	_____	_____
8. Does the terminal sign-off after a period of inactivity?	_____	_____
9. Are power surge protectors being used?	_____	_____
10. Is data backed up on a regular basis?	_____	_____
11. Is a disaster recovery plan in place?	_____	_____
12. Are personnel authorization accesses reviewed for reasonableness?	_____	_____
13. Is the listing of all passwords kept secure?	_____	_____

Prepared by: _____

Reviewed by: _____