

Internal Audit Checklist

November 2021 edition

Adapted from Second Unitarian Church of Omaha
With assistance from UUA Compensation Consultants

Auditors:

Sample months used by auditors:

I. Financial

Auditor:

A. Payroll expenses	Detail	Recommendation
A1. Review payroll information for selected time periods. Verify that the amount paid can be tracked to authorized time sheets for hourly employees and contracts for monthly employees. Verify that each time sheet contains a valid supervisory signature.		
A2. Identify federal and state withholdings for the selected pay periods. Using IRS Form 941 and State Form 941N verify that the withholding payments were recorded correctly, and then verify that they were paid in a timely manner.		
A3. For the same time periods, verify Board authorization for any benefits or voluntary withholdings provided other than FICA match. Verify that these payments were recorded correctly and then verify that they were paid in a timely manner.		
A4. If any manual payroll checks were prepared outside of the Paychex system, examine the paperwork and authorizations		
A5. Verify that W2 forms exist for all employees. Recalculate one employee for each audited year.		
A6. Examine all 1099 payments. Work with Treasurer to verify that all necessary 1099s were issued.		
A6. Is State of Nebraska notified of all new hires?		

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B. Bank statements and check register	Detail	Recommendation
B1. For the selected sampling periods, compare the bank statement balance to the cash balance on the monthly balance sheet. Using bank reconciliation reports, Identify timing differences and other discrepancies		
B2. Pull 3 deposit slips for each month and track the detail per the deposit slip to records in Power Church. Identify discrepancies.		
B3. Review check register for entire audit period, paying special attention to any voided, missing or reissued checks. Ask for clarifying information as required.		
B4. Identify any checks made payable to members of the Board or non-payroll checks made payable to church employees. Pull documentation for all such checks over \$500, and random sample others.		

C. Determine accuracy and adequacy of Treasurer's reports.	Detail	Recommendation
C1. Review checks written. Match the checks from a selected sample month to the checks reflected on the monthly income statement. Do the totals match? Spot check the individual items. Is a check present for the proper amount and in the proper expense line?		
C2. Examine the notes from the Treasurer's reports for any activity that needs follow up. Are there items not resolved?		
C3. Determine reason(s) for significant variances of actual spending over budgeted amounts, both for individual line items and for program groups which are often subtotaled.		
C4. Inspect the general ledger. Investigate any checks made payable to "Cash." Does everything appear to be in order?		
C5. Examine restricted vs. unrestricted funds as noted on balance sheet. Recalculate for the sample months		

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D. Determine if income and expenses are properly recorded.	Detail	Recommendation
D1. Review monthly financial reports that compare budget projections to actual spending. Are written explanations provided for line variances significantly over or under projections?		
D2. For the months being sampled, compare investment balances per the Income Statement against monthly investment records.		
D3. Determine a sampling of payments being made. Compare each invoice, date received, check written, and date paid. Are any bills being held or paid late?		
D4. Look for duplicate Accounts Payable payments by scanning the general ledger check amount column. For each repeating amount verify there is an appropriate invoice.		
D5. Examine Minister's Discretionary Fund for adherence to Board and IRS policy. If any checks were made to employees of the church, verify that the amounts were included in employees' W2s for the year. If unable to examine the records directly, ask for written statement from minister.		
D6. Examine VISA bank cards for minister, DRE, Office Administrator and others with cards issued directly to them. Look for unusual activity and adherence to Policy		

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II. Documents

Auditors

A. Check that documents have been filed as required	Detail	Recommendation
A1. Verify timely, accurate filing to government entities of: Nonprofit Corporation Biennial Report to the State of Nebraska, Nebraska Sales Tax-Exempt Status Letter, and certificates to maintain tax-exempt status on church-owned property		
A2. Review employment documents including employment contracts, current W4s and I-9s		
A3. Review documents in the safe deposit box and inspect signature cards.		
A4. Examine and verify that properly executed signature cards exist for safe deposit box, checking account and money market accounts		
A5. Verify that safe deposit box keys are in the possession of the Board Chair and the Treasurer.		
A6. Examine Letter of Credit or mortgage payments for authorization by the Board		
A7. Key procedures		

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III. Records

Auditor:

A. Verify records are being properly maintained and secured.	Detail	Recommendation
A1. Review copies of letters sent to those who pledge or contribute to the church. Randomly call or write a few members asking them to verify that the information sent is accurate. Also verify pledged amount.		
A2. Check policies manual of the congregation for any policies added. Verify consistency between Board policies and meeting Minutes.		
A3. Verify rental agreements are being charged in accordance with policies and that payments are current.		
A4. Examine actual records retention vs. the policy guidelines.		
A 5. Current policy requires file cabinets to be locked when not in use, and office computer to be password protected.		
A6. Are network files backed up regularly with data stored offsite?		

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IV. Processes

Auditors:

A. Verify there is proper authorization for expenditures.	Detail	Recommendation
A1. Are the policies regarding invoice authorization and approval being followed? Do the owners of each budget line provide written approval of the expense?		
A2. Trace a sample of approved invoices to the ledger and to canceled checks showing payment. Are the amount, date, check number, and payee the same?		
A3. Trace a sample of canceled checks to the expense ledger and to approved invoices.		

B. Verify cash receipt process is documented, complete, and adequate.	Detail	Recommendation
B1. Observe the process for counting the plate collection and documentation for deposits. Are any discrepancies explained?		
B2. Review the procedures for counting cash and check collections. Are the procedures clear and complete?		
B3. Review the forms used to record the count. Can all cash be properly accounted for and classified?		
B4. Are any funds received which do not go through the counting process? Do all funds collected flow through this process?		
B5. Review the list of accounting personnel and compare it to the group of record-keeping people to ensure that none of the people counting funds are also doing record-keeping.		

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C. Policy checks. The auditors should check that Board policies and motions are being carried out, in this case, in the financial area and review the budgeting process for adequacy.	Detail	Recommendation
C1. Read Board Minutes, annual meeting Minutes, and special meeting Minutes to look for any policies that affect the financial area.		
C2. Check that expenditures are being made in accordance with policies and resolutions of the Board and congregation.		
C3. Is the current budget development process adequate with representation of both the Finance Coordinating Council and the Board?		

D. Electronic Transactions	Detail	Recommendation
D1. Check for appropriate segregation of duties and roles/responsibilities.		
D1. Check who can authorize electronic transactions.		
D2. Check who has login and password information on online accounts.		
D3. Are passwords periodically updated? Who is responsible?		
D4. Is there a current list of electronic accounts listing who has access?		

E. Endowments	Detail	Recommendation
D1. Are withdrawals from endowments consistent with purpose?		
D2. Are endowment investments consistent with policy?		

F. Insurance and Bonding	Detail	Recommendation
F1. Is there adequate insurance and/or bonding for directors, officers, and those who handle money?		

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G. Transitions	Detail	Recommendation
G1. Is there a clear set of instructions for what needs to be changed when those who handle financial issues and/or accounts change - the treasurer, bookkeeper, congregational administrator, and others?		
G2. Are there clear instructions for key financial and security processes (payroll, benefits, year-end process, etc.) so the new incumbent can perform their job?		

H. Payroll and Benefits Administration	Detail	Recommendation
H1. Are benefit plans being administered consistently with Plan rules?		
H2. How are appropriate staff and lay leaders trained regarding key benefit plan information, including eligibility, enrollment windows, and payroll and tax implications?		
H3. Who is making use of UUA resources, including the Pay Administration Checklist, Benefits Administration Checklist, and Benefits Tune-up Workbook? (See Legal Requirements on https://www.uua.org/leadership/library/uua-compensation-standards)		