

INTERNAL FINANCIAL REVIEW FOR UU CONGREGATIONS

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CAUTION: *This material does not replace the need for an outside audit by a CPA firm, but is offered as a starting point to assist Treasurers and Finance Officials in carrying out their fiduciary responsibilities regarding church financial operations.*

INCOME

Objective: To determine if the cash-receipts process is documented, complete, and adequate.

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| 1.1.1 | Review the procedures for counting cash & check collections. Are the procedures clear and complete? | Yes | No |
| 1.2 | Review the forms used to record the count. Can all cash be properly accounted and classified? | Yes | No |
| 1.3 | Are any funds received which do not go through this same counting process? Discuss the accounting of all funds with the Treasurer, Minister, Lay Leaders, and Finance Committee Chairpersons. Do all funds collected flow through this process? | Yes | No |
| 1.4 | Review the list of counting personnel and compare it to the group of record-keeping people to ensure that none of the people counting are also record-keeping people. This review promotes a separation of duties. Is everyone counting the collections excluded from the list of people involved in keeping the records for the collections? | Yes | No |
| 1.5 | Review deposit dates and amounts on bank deposits and compare to reported dates and amounts. Selecting a sample of deposits, are these dates and amounts the same? | Yes | No |

EXPENSES

Objective: To determine whether there is proper authorization for expenditures.

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| 2.1 | Review the invoice authorization process. Inquire how bills are distributed to responsible parties for approval. Does this approval process appear to be adequate? | Yes | No |
| 2.2 | Are bills routinely approved by the person responsible for the respective line items in the budget? | Yes | No |
| 2.3 | Review a sample of invoices paid during the past year. Based on actual practice, are people in compliance with this process and | | |

	does this approval process still appear to be adequate?	Yes	No
2.4	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?	Yes	No
2.5	Trace a sample of canceled checks to the ledger and to approved invoices. Again, are the amount, date, check number, and payee the same?	Yes	No

Objective: To determine if assets are properly safeguarded.

2.6	Obtain a copy of the signature-authorization cards for all bank accounts and review the list. Are these people the proper people to be authorized to sign checks, etc.?	Yes	No
2.7	Determine where blank checks are kept. Are they being kept in a secure place?	Yes	No
2.8	Regarding payments to any Board member, staff member, or key financial members, check to ensure that such payments are adequately documented and seem to be reasonable. Does everything appear to be sufficiently substantiated and in order?	Yes	No
2.9	Review a physical inventory list or a list of the congregation's physical assets. Is this list current and complete?	Yes	No

Objective: To verify that salaries, wages, and related payroll taxes are disbursed properly.

2.10	Add figures in payroll worksheets across the lines/rows and down the columns to find any errors. Then compare the sums to canceled payroll checks. Next recompute salaries and taxes, and compare the results to the amounts on the payroll checks. Does everything appear to be in order?	Yes	No
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RECORD KEEPING

Objective: To determine if bank statements are properly reconciled.

3.1a	Are bank reconciliations performed on a regular basis? Do the reconciliations appear to be complete and thorough?	Yes	No
3.1b	Inspect bank reconciliations and identify outstanding checks. Investigate reconciling items. Does everything appear to be in order?	Yes	No
3.2	Recalculate a sample of bank reconciliations. Does everything appear to be in order?	Yes	No

3.3 Review check-number sequences at year-end. Check dates to determine the month expenses were paid. If check numbers are out of sequence, inquire why. Does everything appear to be in order? Yes No

Objective: To determine if all necessary documents are on file and safeguarded.

3.4 Inspect all legal documents on file, including employment contracts, Board minutes, mortgages, Treasurer reports, and tax information (e.g., W-2's, 1099's etc.). Does everything appear to be in order? Yes No

3.5 Review documents in the safe deposit box and inspect signature cards. Does everything appear to be in order? Yes No

3.6 Inspect mortgage payments for reasonableness and for consistency with published reports. Does everything appear to be in order? Yes No

Objective: To determine if all necessary tax forms have been properly filed.

3.7 Review IRS forms 941 for proper submission of income and FICA withheld.

3.8 Review check register to see that taxes were paid in a timely manner. Yes No

Objective: To review the system used to file invoices.

3.8 Inspect the filing system for orderliness and completeness. Does everything appear to be in order? Yes No

Objective: To determine if income and expenses are properly recorded.

3.9 Inspect the general ledger. Recalculate a sample of items. Investigate any checks made payable to "Cash". Does everything appear to be in order? Yes No

3.10 Compare totals to the Treasurer's report. If they are not the same, inquire why. Does everything appear to be in order? Yes No

3.11 Trace interest and dividend income from statements to the ledger. Does everything appear to be in order? Yes No

Objective: To determine if salaries and wages were paid in accordance with contracts.

3.12 Compare compensation per employees' contracts with actual payments. Does everything appear to be in order? Yes No

3.13 Compare wages authorized by the Board to actual payments to employees. Does everything appear to be in order? Yes No

REPORTING

Objective: To determine the accuracy and adequacy of the Treasurer's reports.

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| 4.1 | Recalculate a sample of the Treasurer's reports.
Does everything appear to be in order? | Yes | No |
| 4.2 | Determine the reason(s) for significant variances of actual spending over budgeted amounts, both for individual line items and for program groups which are often subtotaled, such as Religious Education. In some instances, there is not a problem if an individual line item has spent more than what was budgeted, as long as the subtotal for that group has not overspent what was budgeted.

To determine significant variances, use 10 percent of the budget or \$1,000, whichever is greater.
Does everything appear to be in order? | Yes | No |
| 4.3 | Verify that the reported bank balances are the same as, or can be reconciled to, the bank balances on the statements received from the bank.
Does everything appear to be in order? | Yes | No |
| 4.4 | Consider information that may be helpful that is not currently included in the reports and possibly should be included.
Does everything appear to be in order? | Yes | No |

Objective: To review the budgeting process for adequacy.

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| 4.5 | Inquire about the budget process and how the budget is compiled.
Are all appropriate people currently included in the budget formulation process? | Yes | No |
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Objective: To determine if computer records are adequately safeguarded.

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| 4.6 | Are important records on the church computer backed up on a regular basis? Are the backup files stored off-site at another location? | Yes | No |
| 4.7 | Are the church offices locked when not in use?
Is the computer locked or password protected? | Yes | No |

5. CONCLUDING THE REVIEW

Objective: To reach closure, communicate the results, and provide a road map for future improvements

5.1 Does your report include the following:

- A review of the auditing / review process Yes No

- Information on the detailed findings and possible corrective actions for each finding Yes No

- Documentation to support the findings Yes No

5.2a Have you submitted a report to the proper organizational body and have you kept a copy on file for future reference? Yes No

5.2b Have you provided a briefing / presentation and an executive summary to the appropriate parties? Yes No

Again, completing this questionnaire is not a substitute for an outside audit by a CPA firm, but is offered as a starting point to assist Treasurers and Finance Officials in carrying out their fiduciary responsibilities regarding church financial operations.

The services of an experienced full-charge church bookkeeper may be helpful in a review of this nature if the congregation has not budgeted for the expenses of an audit by an accounting firm.