

Instructions and explanations

The **purpose** of the review is to meet the financial review requirements in the Book of Order. Each member of the review team should read section G-10.0401 before beginning the review.

The **objective** is for a team of members of our church to perform a review of the various financial processes in order to confirm compliance with appropriate policies and procedures and ensure that all transactions are recorded within a reasonable margin of accuracy. Reviewers should become familiar with the current processes used by St Andrews through interviewing the Church Treasurer and the Business Administrator. It is recommended that these be separate interviews. When no written procedures are available, the team should consider documenting the process to encourage consistency and to serve as guidelines for future review teams. Using these interviews, direct observation and examination of appropriate supporting documentation, the team will evaluate the church's financial operations, reports, policies and procedures.

The checklist is provided as suggested guidelines for the review. It is intended to allow flexibility on the part of the review team. Some items may require extensive investigation while others only minimal examination. In most areas the use of test samples is appropriate and encouraged. Where warranted, reviewers should attach additional documentation or information by identifying the item with the letter and number of the checklist item. **Any specific recommendations for amending the current process or for future review procedures should be drafted and submitted to the Team Chairperson.**

To ensure all areas are regularly inspected and to reduce the annual burden on church staff and the review team, some lower risk areas are designated to be performed on an alternating year cycle. These have been noted as odd or even years to be determined by the calendar year of the review. (For 2010 (the year this process is being initiated) we have agreed to perform only the most high risk areas. These are income, expense and some bank account confirmations.)

The **deliverable** from this review will be a summary report that will serve as both documentation of the current period review and as a starting point for future reviews. Any recommendations for improvement should be documented and submitted to the chairperson of the review team. The recommendation will be considered by the full review team and discussed with the staff. After review and discussion if necessary, policy or procedures should be amended. In some cases, the policies will also need to be submitted to the session for approval. The chairperson of the committee will be responsible for all communication with the session.

A: Bank and Investment (some items are performed in odd years only)

Determine how many bank or deposit accounts are held in the name of the church. For each account, review at least one month's bank reconciliation in detail. Confirm that any outstanding items or issues were resolved timely. Confirm that proper reconciliations are performed by appropriate personnel.

If there are cash amounts on hand, perform a count of all cash balances and confirm that the balance ties to accounting records.

B: Income

Determine that bank deposits are made timely and that the amounts on the bank statements match those listed by the accounting reports. Confirm that the counter's documentation supports the deposit as reflected in the accounting reports.

Confirm on a test sample that donor confirmations agree to the amounts recorded in the accounting records. If there is a difference, determine if it is a result of timing, inaccurate reporting or some other reason. Determine if the process for correcting errors has been followed.

Review the process for recording income from other sources and determine if it has been followed. Trace material items to the financial reports.

C: Disbursement

Select a sample of invoices paid during the period under review. Test to ensure that all disbursements were properly authorized. Confirm that payments agree to the amount reflected on the accounting records.

Confirm that the practice for making payments is in accordance with the purchase order policy of the church.

Confirm that per capita assessments and benevolent payments were properly authorized and paid in accordance with session direction.

Verify that special offering disbursements are made timely and accurately.

Perform an independent review of petty cash. Confirm that all payments from the fund are appropriately documented and that replenishments are properly recorded. Ensure the fund is managed properly.

D: Reports (even years only)

Review the reports prepared by the Business Administrator and the Church Treasurer to confirm that the reports accurately reflect the financial activity of the period under examination.

Confirm that whenever extraordinary transactions exist, there is an appropriate reflection of the event in the report.

E: General Ledger (odd years only)

Review the process for general ledger maintenance and confirm that it is appropriately followed.

Confirm that the General Ledger accurately reflects the results of all transactions.

Confirm that major asset and liability balances are accurately reflected.

F: Administrative: (even years only)

Confirm that church legal documents and records are properly stored. Can they be retrieved in the event of an emergency?

Review coverage under insurance policies and determine if it is adequate.

G: Payroll (odd years only)

Reconcile payroll reporting with accounting records of the church. Confirm that W-2s and 1099s agree with the quarterly payroll reports filed with the IRS. Confirm that Forms W-4, G-4 and I-9 are on file for all employees.

Test the withholding on one or more payroll payments.

Confirm that proper payments are made for pension and other benefit plans with third parties.

Confirm that required W-2s and 1099s were issued in a timely manner.