

Northwest Texas Conference  
Audit Program Template

The Finance Committee "shall make provisions for an annual audit of the financial statements of the local church and all its organizations and accounts." (BOD 258.4d)

Area	Description	Completed	Notes/Reference
<b>Scope</b>			
1	An audit is to be conducted for the local church and ALL its organizations and accounts (e.g. using the same employer tax identification number as the church):		
	a. Local Church		
	b. Trustees		
	c. Memorial Fund		
	d. UMM and/or UMW		
	e. Pastor's Discretionary Fund		
	f. Youth Fund		
	g. Sunday School Class(es)		
	h. Other		
<b>General</b>			
1	Obtain and review all copies of all church policies and procedures related to finance and treasury functions		
2	Obtain and review all minutes from the finance committee, the trustees, the administrative board/council		
3	Obtain list of all bank and investment accounts including the names of the persons authorized to sign on each		
	a. Names of persons authorized to sign on each account		
	b. Bank and investment account statements for each month, plus December of prior year, and January of subsequent year		
	c. Bank reconciliations for the same periods for all bank and investment accounts		
4	Obtain and review all financial statements for each month of the year, plus December of prior year, and January of subsequent year (14 months)		
5	Access to original books of entry		
	a. For computerized books, access to general ledger and subsidiary ledgers and journals		
	b. Comparative trial balance for current year-end and prior year-end		
6	Access to all supporting documents for the 14-month period		
	a. Paid invoices including 1099s		
	b. Payroll data including quarterly and annual payroll returns		
7	Access to Financial Secretary's records and other income records for the same periods		
<b>Internal Controls</b>			

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1	Treasurer and Financial Secretary should not be the same person or members of the same immediate family		
2	Counting team (not Treasurer and/or Financial Secretary) consisting of two or more unrelated persons count offering and document totals		
3	Offerings safeguarded until deposited		
4	Offerings and other income deposited intact on day of receipt or next banking day		
5	At least two persons (not including person who reconciles the bank account) should be authorized signatures on each account		
6	Financial policy and authority guidelines should be written and approved		
7	Appropriate support and approvals (by other than signators) should accompany all payments and other transactions		
8	All bank and investment accounts should be reconciled monthly by person(s) other than Treasurer, Financial Secretary and account signators, AND reviewed by Finance committee or designees at least semi-annually		
9	W-2s must be issued for all employees, including clergy, and 1099s issued for non-employee compensation		
10	Payroll tax deposits and employer tax returns must be made and filed in accordance with the schedules established by the IRS		
11	Church assets must be adequately protected and insured		
12	Computer records backed-up regularly and back-ups stored off-site		
13	Financial statements consisting of balance sheet (statement of financial position), income statement (statement of activities) and statement of cash flow prepared and distributed periodically (at least semi-annually but preferably quarterly or monthly)		
14	Giving statements prepared and distributed periodically (preferably monthly but at least quarterly), and year-end contribution statements sent to all donors		

**Audit Procedures**

1	<b>Trace balances on financial reports (current as well as prior year) to general ledger</b>		
2	<b>Review trial balance</b>		

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	a. Look for large variances year-to-year		
	b. Look for unusual balances (negative or credit balances in assets and expense accounts; negative or debit balances in liability, capital and revenue accounts)		
<b>3</b>	<b>Review bank reconciliations</b>		
	a. Look at outstanding checks (determine check cleared the bank in subsequent month or, for old checks determine payee and possible reason check has not been cashed; determine if check should be voided)		
	b. For outstanding checks, select 15 checks from the following month's bank statement that have dates on or before the date of the end of the bank reconciliation being tested. Agree the amounts of selected checks to the corresponding outstanding checks list.		
	b. Look at deposits-in-transit (determine that receipt applies to the current year; look to see that deposit cleared the bank in the subsequent month)		
	c. Trace balance-per-bank amounts on reconciliations to bank statements		
	d. Obtain an explanation of any other recociling items used in the bank reconciliations		
	e. Obtain a listing of all bank accounts from local banks to determine all bank accounts have been disclosed and are shown on the financial statements. Determine all accounts opened or closed were approved by the Finance Committee		
	f. Determine if any cash balances are restricted as to use		
<b>4</b>	<b>Investments</b>		
	a. Trace balances on investment statements to general ledger and financial statements		
	b. Determine if investment accounts are restricted as to use		
	c. Choose a test period and trace five withdrawal transactions at random. Agree the proceeds from each to corresponding deposits in the church's cash accounts		
	d. Choose a test period and trace five deposit transactions at random. Agree the deposits from each to corresponding withdrawals in the church's cash accounts		
<b>5</b>	<b>Church property</b>		
	a. Obtain a listing of all property owned or occupied by the church		
	b. Request the title and/or deed		

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	c. Determine whether insurance is in place and the amount thereof. Discuss with the trustees the risks associated with each and whether the insurance coverage is adequate		
	d. Determine if property is recorded in the general ledger and accurately reflected in the financial statements		
<b>6</b>	<b>Liabilities</b>		
	a. Even if the church is on the cash basis of accounting and liabilities are not recorded in the general ledger, review disbursements for months subsequent to year-end to determine the amount of unpaid invoices at year-end		
	b. Determine if invoices are being paid on or before the due date		
	c. If the church has credit cards for use by church staff obtain copies of credit card statement(s) as of the end of a selected test period. Determine that all card balances were paid in the subsequent month and randomly test five transactions to determine they were reasonable and appropriate		
<b>7</b>	<b>Cash receipts</b>		
	a. Select 6 Sundays as a test period (they do not have to be consecutive). Obtain a copy of the counting sheet prepared by the counters for that Sunday and trace the amounts received to the bank deposit, the general ledger entry and the posting to the donors' giving records		
	b. Randomly select 12 credit entries in the church's various revenue accounts in the general ledger and trace these transactions to deposits in the bank statements		
	c. Randomly select 5 journal entries (not cash receipts) and determine the nature of the transaction and trace these entries to supporting documentation		
	e. Look at other income. Determine that income from rental and royalty properties (see 5 above) are being received and recorded		
	f. Determine that other income is not of an amount and nature that it might trigger unrelated business income tax		
	g. Randomly select 15 donors and trace entries on their year-end giving statement to the counters' sheets, bank deposits and general ledger entries		
	h. Determine if there have been any material non-cash donations or donations in-kind, and how they were documented and recorded		

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<b>8</b>	<b>Cash disbursements</b>		
	a. Randomly select 25 expenditures recorded in the general ledger		
	b. Randomly select 15 debits or disbursements shown on bank statements		
	c. Verify that the 25 entries recorded in the general ledger appear in a bank statement		
	d. Verify that the 15 disbursements shown on the bank statements are recorded in the general ledger		
	e. For salary or wage payments selected, trace the pay rate to the appropriate supporting documents. Recalculate the pay based upon the authorized pay rates		
	f. For payroll tax or benefit payments recalculate the amount of expense recorded and the payment made based upon approved tax or benefits rates		
	g. For expenditures paid using a church credit or procurement card, determine the appropriateness of the charge and the accuracy of the entries in the church's books		
	h. For expenditures paid using church-issued checks, trace the amount of the expenditures to the supporting documentation looking for proper approval and accuracy in recording the transaction and appropriateness of the expenditure		
	g. For all expenditures, review the vendors and trace vendor names and addresses to normal business databases (e.g. phone book, web pages).		
	h. Determine that 1099s have been issued for all non-employee compensation to unincorporated entities		
	i. Obtain and review a list of all vendors and randomly select 10 vendors to review with church management to make sure all vendors are independent and have been properly authorized		
	j. Obtain and review all W-2s for employees and determine that all employees are identified and their hire was properly approved.		
	k. Determine that all non-employee compensation was paid to independent contractors and these vendors are not, in fact, employees		
<b>9</b>	<b>Other</b>		

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Area	Description	Completed	Notes/Reference
	a. Review insurance policies and premium payments to make sure all insurance is in force		
	b. Ensure bonding is in place for the church treasurer (and others handling cash receipts and disbursements)		