

TRES RIOS PRESBYTERY
RECOMMENDED PROGRAM FOR
INTERNAL EXAMINATION

CHURCH NAME AUDIT

YEAR ENDED GENERAL

PROCEDURES

1. Examine minutes of the Session and Finance Committee for the year to be certain all actions are being complied with. Are there copies on file for all meetings?
2. Look at the Session's annual statistical report.
3. Look at insurance policies to be sure they are current.
4. Are there copies on file of all the financial statements (or treasurer's reports) for the year? Were these made available to the congregation?
5. It is extremely important that the church is complying with all Federal and state reporting requirements. See details of required reports under "Payroll and Personnel" in this audit program.
6. Obtain a copy of the church budget and compare actual expenses to budgeted amounts.
7. Keep a record of all procedures and findings of this internal examination! A copy of your Report to the Session should be attached to the Session minutes as a permanent record.

GENERAL LEDGER

If the church has a formal general ledger:

1. Obtain a trial balance to see if it balances.
2. Scan the general ledger for anything unusual.
3. Any changes to fund balance? If so, look for Session approval.
4. Are there separate funds? Are they being tracked separately.

CASH IN BANK

1. Look at bank reconciliations for each account for any two months.

Check math of the reconciliation.

Compare bank balance on reconciliation to actual bank st

Account for all check numbers written during each test period and examine any voided checks.

If uncleared checks, look at next month to be sure they've cleared.

Look at all endorsements on cleared checks.

Check signatures on checks to see if authorized signers.

If more than one signature is required, look at each check for correct number of signers.

If any transfers between bank accounts, make sure they are on both statements.

2. Check that there are bank reconciliations for all months for all months for all accounts.

INVESTMENTS

1. Thoroughly examine investment documents.
2. Compare to last year. If any changes, were they authorized by Session and/or Trustees?
3. See if any interest, dividends, or other income are recorded on books for each investment.
4. Consider confirming balances directly with any financial institution.

CASH RECEIPTS

1. Compare any two months' cash received from original count sheet to church books (or treasurer's reports). There should be a written count, signed by someone other than the person who deposits the money.
2. Compare same two months' cash received to bank statements. Check to see if deposits were made on time.
3. Look at any miscellaneous cash received. Any restrictions? If so, are they being followed?
4. Look at giving statements to members. Does the total add up to the church books (or treasurer's reports)? Do they compare to the member's pledge?
5. Were there any donated items other than cash? (If the item is large and its value can be measured, it needs to be recorded on the books.)

CASH DISBURSEMENTS

1. Look at any two months' checks written (from checkbook or cash disbursements journal, if the church uses one). If too many, use a random sample.

Look at invoices, vouchers or other documents to show what the check was for. If the church uses a purchase order system, see if there is an approved purchase order for this expense.

Was it charged according to the church budget?

Are there any unpaid invoices? Items in dispute? Open purchase orders? If so, why?

2. For the whole year, look at all entries for Miscellaneous Expense to see if they should be classified to another budgeted amount.
3. Are payments being made on time to the Presbytery? To any other group the church has pledged money to?

PROPERTY AND EQUIPMENT

1. Were there any purchases or donations this year? Were they budgeted and/or approved by the Session? Look at invoices for any purchases. (If real estate, legal description should be included in the Session minutes.)
2. Were there any sales or retirements? If so, were any of the assets pledged as collateral on a loan?
3. Was permission obtained from Presbytery to sell, mortgage or lease any real property?
4. Is there a listing of all property and equipment?
5. Is depreciation being recorded?

LIABILITIES

1. Is there any debt? If so,

Look at authorization by Session.

Is any collateral pledged?

Is collateral still owned by the church?

Are payments being made on time?

If there are formal notes payable, be sure the church is complying with all of the provisions in the notes.

2. Confirm note balances with bank or other party to the note.

PAYROLL AND PERSONNEL

1. Do the personnel files have W-4s and I-9s for every employee?
2. Were payments made for contract labor? If so, be certain that they are not an employee by IRS standards. If they are truly contract labor, is there a W-9 on file from them which shows their social security number?
3. Do the wages paid agree with the budget? Are salaries separated in budget for professional staff?
4. Are payroll taxes being paid on time?
5. Are amounts being paid on time for insurance and other benefits?
6. Look at Federal and state payroll tax returns.

IRS forms 941 - all 4 quarters.

State unemployment forms - all 4 quarters (some small churches are not subject to this).

Annual Forms W-2 for all employees, W-3 to submit with them to IRS.

1099 forms for contract labor over \$600, Form 1096 to submit with them to IRS.

Do the totals of these agree with the church books (or treasurer's report)?

OTHER COMMENTS, DEFICIENCIES

RECOMMENDED REPORT TO SESSION

DATE:

TO: The Session of _____ Church

Dear Members of the Session:

In accordance with requirements contained in the Presbyterian Church (USA) Book of Order Section G-3.0113, and in compliance with the Session's directive, we have performed the annual internal examination of the books of _____ Presbyterian Church for the year ended _____. We used Tres Rios Presbytery's Recommended Program for Internal Examination as a guideline for our procedures.

We believe the books and records of the church are in good order and that the financial statements (or treasurer's report) fairly represent the financial position of the church as of _____, with the following exceptions:

We also have the following recommendations to the Session to further strengthen the record-keeping system of the church:

Respectfully submitted,

(Names and Signatures of All Audit Committee Members)