

The Internal Control Checklist for the Diocese of Vermont

Parish Town: _____ Parish Name: _____ **For the Audit Year: 2010**

“The following Internal Control Questionnaire is intended to provide guidance for setting up an accounting system and a checklist for periodic review and evaluation of an existing system, This Questionnaire is designed also to assist a congregations internal audit committee, The format is a series of questions , most of which refer to a some recommended internal control. The normative answer to a question will be positive. A negative response suggests an area of the system that could be strengthened.” The Manual of Business Methods in Church Affairs page 27

It is highly recommended that if there is a negative answer, the audit committee should write a summary of the issue and a recommendation to the vestry for possible remedial action in their memoranda to the audit report.

General: The following are intended to provide general information to aid understanding of the overall accounting and internal control system.

1. Does the church have an active audit committee consistent with diocesan policy? Yes No NA
2. Are prior audits and completed internal control checklists and prior reports on internal controls available? Yes No NA
3. Have the recommendations of prior reports been implemented ? Yes No NA
4. Is a complete and current chart of accounts, listing all accounts, and their respective account numbers available ? Yes No NA
5. Has the vestry developed a written accounting policy and procedure manual ? Yes No NA
6. Is the church treasurer elected by the Vestry on an annual basis ? Yes No NA
7. Has the vestry elected an assistant treasurer who is familiar with the church accounting software and bookkeeping system? Yes No NA

Budget: The development and use of a budget is a critical management tool that will aid in the stewardship and administration of church resources and program.

8. Is the budget approved by the vestry and recorded in the minutes? Yes No NA
9. Are all budget changes authorized by the vestry and recorded in the minutes of the meeting ? Yes No NA
10. Is there a periodic review of the budget by the Vestry Yes No NA

Reporting: The best accounting system is of little value unless it communicates the information it contains to those responsible. Although there may be variations, certain minimum standards exist to assure adequate communication of the financial information.

11. Is the treasurer’s report consolidated to include all parish organizations and the activity of the Discretionary Fund submitted to the vestry every month? Yes No NA
12. Is the report of sufficient detail to include both the operating and non operating income and disbursements for necessary financial analysis? Yes No NA
13. Does the report compare current values with the approved budget? Yes No NA
14. Are all liabilities noted in financial statements/reports to the vestry? Yes No NA
15. Is there periodic reporting, at least quarterly, of all other funds, including investment funds ? Yes No NA

Cash Receipts: Clearly stated policies and procedures regarding the handling of cash and other receipts not only protect from loss but assure that all receipts are properly recorded in the records.

16. Are there safeguards to prevent the collections from theft or misplacement from the time of receipt until the time the funds are counted and deposited.? Yes No NA
17. Are there at least two unrelated persons responsible for the counting rotated on a periodic basis? Is there a clear policy that the pledge recorder shall not handle, count or deposit funds? (If not, explain vestry-approved procedure) Yes No NA
18. Do the counters have a standardized printed form for recording the offering figures that includes both operating and non operating income? Yes No NA
19. Are all pledge envelopes and memoranda retained for the audit committee in order to reconcile the counters breakdown sheet with the bank statements Yes No NA
20. Is there a control prohibiting the cashing of checks from currency received ? Yes No NA
21. Are personal giving statements, including the amount and actual date of contribution provided to donors of record at least semi-annually? Yes No NA
22. Do acknowledgments of all contributions include, where appropriate, the phrase "In accordance with the Internal Revenue Code we certify that we did not provide any tangible goods or services in consideration of your contribution"? Yes No NA
23. Do individual contributions of \$250.00 and above receive a separate contemporaneous acknowledgment letter with the IRS statement ? Yes No NA
24. Is there a clear policy that the treasurer shall not handle or count funds unless teamed with another counter or have current vestry approval to do so? Yes No NA
25. Are all cash receipts from all sources including gifts for the Discretionary Fund first deposited into the regular checking account? Yes No NA

Cash Disbursements: The following procedures will assist in assuring that all payments are properly approved , recorded and supported by appropriate documentation.

26. Are all checks pre-numbered and used in sequence? Yes No NA
27. Is there a clearly defined written approval process for all disbursements? Yes No NA
28. Are checks signed only with supporting documentation? Yes No NA
29. Check signing:
- a. Is the signing of blank checks prohibited? Yes No NA
 - b. Is the use of a signature stamp prohibited? Yes No NA
 - c. Are all account signers authorized by the vestry? Yes No NA
 - d. Are two signatures required for checks in excess of \$500.00 unless authorized by the vestry or unless they are for approved budget items such as salaries, insurance, diocesan assessments, etc? Yes No NA
30. Are voided checks properly cancelled and retained? Yes No NA
31. Are checks made payable to specified payees and not to cash? Yes No NA
32. Are all but small petty cash disbursements made by check? Yes No NA
33. Are all disbursements requiring special approval of the vestry properly documented in the vestry minutes? Yes No NA

34. Special Offerings

a. Are the special offerings the special offerings for ERD, UTO and Theological Education made known and transmitted without delay ? Yes No NA

b. Is the open plate offering on the day of the bishop's visitation transmitted to the Bishop's Discretionary Fund without delay Yes No NA

Bank Account Reconciliation: The monthly reconciliation of ALL bank accounts is a primary tool for assuring the proper recoding and accounting for al cash account activity.

35. Are all bank accounts reconciled within 10 days of receipt? Yes No NA

36. Are bank account reconciliations completed or verified by other than the Treasurer? Yes No NA

37. Does the reconciliation provide for:

a. Verification of all bank debit and credit memos? Yes No NA

b. Review of all checks outstanding for more than 90 days? Yes No NA

c. The monthly recording of all bank charges and interest? Yes No NA

d. Comparison between the bank statements and check registers Yes No NA

Petty Cash: The following controls are intended to provide a timely recording of cash expenditures in the accounting system.

38. Is the responsibility for the petty cash fund assigned to only one person? Yes No NA

39. Are petty cash funds maintained on an impress basis, i.e., the total amount of vouchers paid (since the fund was restored to its full value), plus cash on hand, always equals the established value of the fund (e.g., \$100)? Yes No NA

40. Is the petty cash fund reimbursed or checked at least monthly? Yes No NA

41. Is an adequate review made of documentation before the petty cash fund is reimbursed? Yes No NA

42. Is the actual petty cash protected from theft or misplacement? Yes No NA

43. Are the various payments from petty cash accounted for in the appropriate expense categories Yes No NA

Investments: Procedures for proper recoding and control of all investment instruments will help assure that all assets and related income are accounted for and properly reported.

44. Are all investment instruments held in the name of the church only? Yes No NA

45. Are investment incomes, dividends, and interest recorded as received? Yes No NA

46. Is there a written record for each investment showing date of receipt, name of donor, and purpose of the gift, if any? Yes No NA

47. Is vestry approval required for all property and equipment additions and dispositions? Yes No NA

48. Is the authorization for sale or purchase of investments provided for by the Vestry Yes No NA

Property and Equipment: Certain procedures involving the physical assets of the church will aid in detecting, identifying and preventing losses.

49. Is vestry approval required for all property and equipment additions and dispositions? Yes No NA
50. Is a detailed description maintained for all property, furniture, fixtures and equipment? Yes No NA
51. Are copies of this inventory kept in a safe place apart from the inventoried property? Yes No NA
52. Is the inventory current? Yes No NA
53. Are real estate deeds and other legal documents kept in a safe place? Yes No NA
54. If there is a safe deposit box, is there an inventory of contents? Yes No NA

Insurance: Insurance should be maintained that is adequate to protect against all reasonable risk of loss.

55. Is there a periodic review conducted to ensure the adequacy of the insurance coverage for
- a. Property
 - b. Liability
 - c. Sexual Misconduct
 - d. Director and Officers Liability
 - e. Workers Compensation

Liabilities and Other Debt: All liabilities and other debt must be clearly reported and all provisions or restrictions complied.

56. Is all borrowing authorized by the vestry and diocese? Yes No NA
57. Are there periodic reviews to determine compliance with any debt/lease provisions? Yes No NA
58. Are all loan agreements in writing and properly safeguarded? Yes No NA

Restricted Gifts and Income: Gifts restricted by the donors are not handled in the same manner as other contributions> Procedures are necessary to assure that these gifts are recorded properly and all restrictions observed.

59. Are records maintained of all bequests, memorials, endowments and any other restricted gift, to include:
- a. Date, amount, and donor of the gift? Yes No NA
 - b. Any restrictions or limitations? Yes No NA
60. Is the use and investment of all restricted gifts and grants approved by the vestry? Yes No NA
62. Is the Discretionary Fund:
- a. In the name of the church and not the rector? Yes No NA
 - b. Identified by the church's federal tax ID number? Yes No NA
 - c. Used only for the non-operating expenses of the church? Yes No NA

Payroll: The application of policies and procedures involving the employment of individuals assure compliance with payroll tax reporting to the various government entities. It is strongly recommended that payroll be processed by a professional service.

- 63 Are personnel files maintained to include the following:
- a. Employment applications and/or letter of employment? Yes No NA
 - b. Authorizations of pay rates and effective dates? Yes No NA
 - c. Internal Revenue Service Form W-4? Yes No NA
 - d. Department of Justice Form I-9? Yes No NA
 - e. Vermont State Withholding Form? Yes No NA
 - f. Vermont New Hire Reporting Form? Yes No NA

64. Are there adequate records to:
- a. Show actual hours worked by hourly wage employees? Yes No NA
 - b. Show computation of gross pay? Yes No NA
 - c. Account for all deductions from gross pay? Yes No NA
 - d. Support payroll withholding tax returns and deposits? Yes No NA

65 Are federal and state payroll tax forms filed on a timely basis? Yes No NA

66. Are employees (both clergy and lay) receiving form W-2? Yes No NA

67. Are forms 1099-MISC provided for all individuals who are not employees and for all unincorporated entities paid \$600.00 or more annually? Yes No NA

68. Are Form W-2 wages reconciled to the general ledger accounts and quarterly payroll tax returns? Yes No NA

69. Are clergy housing allowances recorded in the vestry minutes prior to the effective year or effective starting date? Yes No NA

Computer systems: The use of computers creates a need for additional procedures to safeguard the system and data.

70. Are the files backed up regularly and the backups maintained off premises? Yes No NA

71. Is access to the computer and computer financial programs limited to authorized persons? Yes No NA

72. Does the church own and provide for the accounting program and adequate documentation for all computer programs? Yes No NA

73. Are printed copies of all current financial records maintained? Yes No NA

Note Monthly finance statements may be destroyed 2 years after the current year. Annual reports are permanent