

Internal Controls in Churches Agreed Upon Procedures

The Committee recommends that all churches consult with an independent auditor regarding the extent of procedures to be completed.

The Committee recommends that the following procedures be completed at a minimum:

- (1) A review of the internal control structure relating to receipt and disbursement of funds.
- (2) Mail negative confirmation requests to contributors asking them to confirm the amounts shown on their yearly statement of giving to the Church.
- (3) Confirm bank balances.
- (4) Obtain and check reconciliation of all bank accounts from the bank statement balances to that shown on the books of the Church. Reconcile receipts and disbursements recorded on bank statements to amounts recorded on the books.
- (5) Select checks written for a month in respective year and compare to cash disbursements record, noting payee, amount, endorsement, etc.
- (6) Select a sample of 40 disbursements for local church expenditures and inspect supporting documentation, such as invoices properly approved and cancelled. Ascertain that the expenditure was an item included in the budget approved at the beginning of the year or that was subsequently approved.
- (7) Amounts paid for clergy compensation and staff salaries and support will be totaled and compared to the approved budget for respective year.
- (8) Reconcile salaries reported on the payroll tax returns to that recorded in the financial statements of the Church to ascertain proper reporting of salaries to taxing authorities.
- (9) Review minutes of the administrative council and related committees for matters relating to internal control and accounting procedures.
- (10) Confirm notes payable with lenders.
- (11) Inspect insurance policies for coverage, premiums and expiration dates to ascertain that coverage is in force and premiums paid.
- (12) Review credit card billing statements to determine that the Church policy regarding credit cards is being followed.