

Internal Control Questionnaire

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

1. Are prior internal control questionnaires and auditors' recommendations available? Yes No
2. Have recommendations of prior reports on internal controls been implemented? Yes No
3. Is a complete and current chart of accounts, listing all accounts and their respective account numbers, available? Yes No
4. Is there an accounting policy and procedure manual? Is it up to date? Yes No
5. Is a current edition of this manual available? Yes No
6. Is the accounting system using a double-entry bookkeeping method? Yes No
7. Have the findings of external auditors been reported to the Vestry? Yes No

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.

1. Is the budget approved by the Vestry? Yes No
2. Are all changes to the budget authorized by the Vestry and recorded in the minutes of the meetings? Yes No
3. Is there a periodic review of the budget by the Vestry? Yes No

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.

1. Is a Treasurer's report submitted to the Vestry or accounting committee each month? Yes No
2. Is the Treasurer's report presented in sufficient detail to inform the reader about the nature of the various income and disbursement items? Yes No
3. Does the report present the current actual financial data compared with the approved budget? Yes No
4. Is there periodic reporting, at least quarterly, of all other funds and activities, including designated or restricted funds? Yes No

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

1. Are there safeguards to protect the collections from theft or misplacement from the time of receipt until the time the funds are counted and deposited? Yes No
2. Are the collection receipts counted and deposited so that the deposit equals the entire amount of receipts on a timely basis, i.e., at least weekly? Yes No
3. Are there at least two unrelated persons responsible for counting and depositing the collections? Yes No

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| 4. Are the persons responsible for counting receipts rotated on a periodic basis? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 5. Do the counters have a standardized form for recording the deposit information? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 6. Are the counters' sheets retained and reconciled with actual deposits, and are all discrepancies investigated? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 7. Is there a control prohibiting the cashing of checks from the currency received? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 8. Are all of the pledge envelopes or other memoranda retained and reconciled to the recorded amounts? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 9. Are all other cash receipts recorded and deposited on a timely basis? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 10. Are all checks received restrictively endorsed "for deposit only" immediately upon receipt? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 11. Are all cash receipts deposited into the general operating checking account? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 12. Are there procedures that will highlight, or bring to someone's attention the fact that all receipts or income have not been received or recorded? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 13. Are periodic statements provided to donors of record (i.e. at least quarterly)? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 14. Do acknowledgments of contributions in excess of \$250 include a receipt from the recipient organization which states that it is 'the contemporaneous acknowledgment required by the Internal Revenue Code, and states that, in accordance with Section 170(F)(8)(B), any goods or services provided consist solely of intangible religious benefits'? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 15. Are all discrepancies investigated? | Yes <input type="checkbox"/> No <input type="checkbox"/> |

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

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| 1. Are all disbursements made by check, except for small expenditures made from petty cash? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 2. Are all checks pre-numbered and used in sequence? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 3. Is there a clearly defined approval process for all disbursements? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 4. Are all voided checks properly cancelled and retained? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 5. Are all checks made payable to specified payees and not to cash or to bearer? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 6. Are all disbursements supported by original documentation? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 7. Is the original vendor's invoice or other documentation cancelled at the time of signature to prevent duplicate payment? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 8. Check signing: | |
| a. Is signing blank checks prohibited? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| b. Is using a signature stamp or pre-printed signatures prohibited? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| c. Does all supporting documentation accompany checks presented for signature? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| d. Are all account signers authorized by the Vestry? | Yes <input type="checkbox"/> No <input type="checkbox"/> |

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- e. Is more than one signature required for any check? Yes No
- f. If not, do checks for more than \$500 require more than one signature? Yes No
- g. If signature imprint machines are used, are the keys kept under lock and key except when in use? Yes No
- 9. Are all disbursements requiring special approval of funding sources or the Vestry properly documented in the Vestry or Finance Committee minutes? Yes No
- 10. Are there adequate controls and segregation of duties regarding electronic funds transfers? Yes No

Journal Entries: Journal entries offer a special opportunity to make adjustments to accounting records. The general journal is an equally important book of original entry as the cash receipts and cash disbursements journals.

- 1. Is there an appropriate explanation accompanying each journal entry? Yes No
- 2. Are all journal entries approved by a knowledgeable authority other than the person initiating the entry? Yes No
- 3. Is adequate documentation maintained to support each journal entry? Yes No

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

- 1. Are all bank accounts reconciled within 10 days of receipt of bank statement? Yes No
- 2. Do two different people perform the tasks of opening and reconciling the bank statement? Yes No
- 3. Does someone complete the bank account reconciliations other than the person who participates in the receipt or disbursement of cash? Yes No
- 4. Do the reconciliation procedures provide for:
 - a. Comparison between the bank statement and the cash receipts journal of dates and amounts of deposits? Yes No
 - b. Investigation of bank transfers to determine that both sides of the transactions have been recorded? Yes No
 - c. Investigation of all bank debit and credit memos? Yes No
 - d. Review of all checks outstanding more than 90 days? Yes No
 - e. Are checks more than 180 days outstanding voided during the year-end reconciliation? Yes No
 - f. Is the bank immediately notified of all changes of authorized check-signers? Yes No
- 5. Are all journal entries for bank charges and bank account interest recorded Yes No

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routinely?

6. Are all bank accounts included on financial reports to the Vestry? Yes No

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

1. Is the responsibility for the petty cash fund assigned to one person? Yes No
2. Are all petty cash funds maintained on an imprest basis, i.e., the total amount of vouchers paid or disbursed, plus cash, always equal the amount of the fund? Yes No
3. Is adequate review made of documentation before the fund is reimbursed? Yes No
4. Is the petty cash fund reimbursed at least monthly? Yes No
5. Are check cashing and making loans to employees prohibited? Yes No
6. Is the actual petty cash protected from theft or misplacement? Yes No

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

1. Are all investment instruments held in the name of the church only? Yes No
2. Is authorization for the sale and/or purchase of investments provided for by the Vestry or authorized investment committee? Yes No
3. Are all investment instruments adequately protected from fire, theft, or misplacement? Yes No
4. Is the income/dividends/interest recorded? Yes No
5. Are all investment accounts included in financial reports to the Vestry? Yes No

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

1. Is formal approval of the Vestry required for all property and equipment additions and dispositions? Yes No
2. Is a detailed inventory of all property, furniture, fixtures, and equipment maintained showing:
 - a. Date acquired? Yes No
 - b. Detailed description Yes No
 - c. Cost or fair market value at time of donation? Yes No
 - d. Any funding source restrictions Yes No
3. Is a periodic review conducted to compare the actual property, furniture and fixtures, and equipment with the recorded inventory listing? Yes No
4. Is there a safe deposit box? Yes No

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- a. Is there an inventory of its contents? Yes No
- b. Who is authorized to enter it? _____
5. Are permanent records such as articles of incorporation, if applicable, by-laws and real estate deeds kept in a safe place? Yes No
6. Are they up to date? Yes No

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

1. Is a periodic review conducted to ensure the adequacy of the insurance coverage for:
- a. Property? Yes No
- b. Liability? Yes No
- c. Fidelity bond? Yes No
- d. Sexual misconduct? Yes No
- e. Directors and officers liability? Yes No
- f. Workers' compensation? Yes No
2. Is there a policy related to sexual misconduct? Yes No
3. Is a periodic review conducted to ensure that adequate controls are in place to prevent loss? Yes No

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

1. Does the Vestry and the appropriate diocesan board or committee authorize all borrowing or indebtedness? Yes No
2. Are all loan agreements and/or lease agreements in writing and properly safeguarded? Yes No
3. Are there periodic reviews conducted to determine compliance with any debt/lease provisions? Yes No
4. Are all liabilities noted on Financial Reports to Vestry? Yes No

Restricted Gifts and Income: Gifts restricted by 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 are observed.

1. Are records maintained of all bequests, memorials, endowments, or any other restricted gifts to include:
- a. Date, amount and donor of gift? Yes No
- b. Any restrictions or limitations? Yes No
2. Does the Vestry or other authoritative body approve all restricted gifts and grants? Yes No

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3. Are the income and other transactions periodically reported to the Vestry? Yes No
4. Are written acknowledgments issued for whom they are required? Yes No

Payroll: The application of policies and procedures involving the employment of individuals assures compliance with payroll tax reporting to the various governmental entities.

1. Are personnel files maintained to include:
 - a. Employment application and/or letter of employment? Yes No
 - b. Authorizations of pay rates and effective dates? Yes No
 - c. Internal Revenue Service Form W-4? Yes No
 - d. Department of Justice Form I-9? Yes No
 - e. State Withholding Forms? Yes No
 - f. New hire reporting? Yes No
2. Is there a written record of hours worked, approved by a supervisor when applicable? Yes No
3. Are there adequate records to:
 - a. Show computation of gross pay? Yes No
 - b. Account for all deductions from gross pay? Yes No
 - c. Support payroll tax returns and Forms W-2? Yes No
4. Are payroll tax returns filed on a timely basis? Yes No
5. Are payroll tax deposits made on a timely basis? Yes No
6. Are all employees, clergy and lay, receiving a Form W-2? Yes No
7. Are Forms 1099 being provided for all individuals who are not employees, and for all unincorporated entities paid \$600 or more annually? Yes No
8. Are Form W-2 wages reconciled to the general ledger accounts, and all four quarterly payroll tax returns? Yes No
9. Are clergy housing allowances recorded in the minutes of the Vestry no later than the first meeting of the year? Yes No
10. Has a South Carolina Terms of Employment Notice been completed and on file for each employee? Yes No

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

1. Are current or duplicate copies of the operating system and programs maintained off premises? Yes No
2. Are the files backed up daily and the backups maintained off premises? Yes No
3. Is access to the computer and computer programs limited to authorized persons? Yes No
4. Is there adequate documentation, including user manuals, available on-site for all computer programs? Yes No
5. Is a printed copy retained of all journals, general ledger, financial Yes No

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statements and any other computerized records?

6. Is there a plan for recovery of data and continuation of operations in the event of a disaster? Yes No
7. Is a virus control system used and updated with new definitions on a weekly or bi-weekly basis? Yes No