



# **Financial Review Checklist For Churches**

Prepared by Office of General Assembly

<http://www.pcusa.org/stewardship/pdfs/financialreviewguide-complete.pdf>

## **Important Disclaimer**

This checklist is provided to assist churches in fulfilling the requirement of *Book of Order* provision G-10.0400, 4, d. The *Book of Order* does not require that the annual review of the financial records of a congregation be conducted by a professional accountant or attorney. Completion of this checklist should satisfy the requirement of the *Book of Order*. The Office of Stewardship is not rendering legal, accounting, or other professional services. If accounting or legal advice is necessary or required, the services of a competent professional advisor should be sought.

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## INTRODUCTION

This document is intended as a guide to assist Presbyterian churches with their compliance with the minimum standards of financial procedure specified in the Constitution of the PC(USA), Part II, known as the *Book of Order*.

Section G-10.0401 of the *Book of Order* outlines the church finance responsibilities and required financial procedures. Items 4a, 4b, and 4c discuss minimum standards for daily operations, record keeping and financial reporting throughout the year. Item 4d requires the local church to carry out the following:

A full financial review of all books and records relating to finances once each year by a public accountant or public accounting firm or *a committee of members versed in accounting procedures*. Such auditors should not be related to the treasurer (or treasurers).

Terminology in this section is meant to provide general guidance and is not intended to require specific audit procedures or practices as understood within the professional accounting community.

As the *Book of Order* states,

**"Such auditors should not be related to the treasurer (or treasurers)."**

This document presents guidelines for such *a committee of members* as described above. It is assumed that some churches are able and do hire professional accountants to conduct a formal audit of the churches' finances. These auditors are well versed in the procedures that are necessary. It is the congregation not able to hire a professional that this document primarily addresses (though it may be useful and serve as a guide for any church no matter its size.) For the congregations that use it, this document discusses the many aspects of planning, carrying out, and documenting a financial review as required by the *Book of Order*.

The financial review of a congregation, regardless of the size of its membership or budget, would typically include, *but not be limited to*, the steps included in this guide.

## **Nature of the Review**

The purpose of the review is not to catch someone in the act of misusing or stealing funds. Though it may protect a congregation and treasurer from these things, the primary purpose of the review is to insure good financial procedures and to help the congregation have confidence and trust in the stewardship of their contributions. A financial review includes becoming familiar with every aspect of the church's financial procedures. The committee should evaluate the church's financial operations, reports, policies, and procedures. The committee should use interviews and firsthand observations to determine, to the best of its ability, the answers to the following questions. The answers received and the judgment of the committee will then affect the sample size of transactions and documentation selected for examination and independent verification.

The checklist is a way of identifying areas that are strong and those that need attention. An explanation of the items in the checklist appears at the end. It is expected that the checklist be used before the instructions and explanation section is consulted. This sequence speeds up the process and increases efficiency. The section on instructions and explanations is not designed to be exhaustive.

# FINANCIAL REVIEW CHECKLIST

PRESBYTERIAN CHURCH

For the Fiscal Year Ended \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
*Committee Member's Signature*

|  | <u>Date Completed</u> | <u>Initials</u> |
|--|-----------------------|-----------------|
| <b>Reconciliation of Bank &amp; Investment Accounts</b>            |                       |                 |
| Operating bank account # _____                                     |                       |                 |
| Month _____  |                       |                 |
| Bank account # _____   |                       |                 |
| Month _____  |                       |                 |
| Bank account # _____   |                       |                 |
| Are bank accounts balanced monthly?                                |                       |                 |
| Verification of beginning and ending year balance                  |                       |                 |
| <br><b>BANK &amp; INVESTMENT</b>                                   |                       |                 |
| Account signatories verified                                       |                       |                 |
| Telephone or other transfer verified                               |                       |                 |
| Safe deposit box access checked                                    |                       |                 |
| Account balances confirmed by Bank/Company<br>(see attached forms) |                       |                 |
| Name _____ Confirmation Sent & Returned                            |                       |                 |
| Name _____ Confirmation Sent & Returned                            |                       |                 |
| Name _____ Confirmation Sent & Returned                            |                       |                 |
| Name _____ Confirmation Sent & Returned                            |                       |                 |

**A. INCOME**

Date Completed

Initials

Offering counted by two unrelated persons

\_\_\_\_\_

\_\_\_\_\_

Funds deposited in timely fashion

\_\_\_\_\_

\_\_\_\_\_

Financial secretary's and treasurer's

records compared against deposits

\_\_\_\_\_

\_\_\_\_\_

Transactions checked against postings to GL

\_\_\_\_\_

\_\_\_\_\_

Other income processes verified

\_\_\_\_\_

\_\_\_\_\_

Designated funds directed to restricted accounts

\_\_\_\_\_

\_\_\_\_\_

Pledges recorded on donor records

\_\_\_\_\_

\_\_\_\_\_

Confirmations sent to donors

#sent \_\_\_\_\_ (Keep a list)

\_\_\_\_\_

\_\_\_\_\_

# returned \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Differences researched & cleared

\_\_\_\_\_

\_\_\_\_\_

Finance secretary's records reviewed

\_\_\_\_\_

\_\_\_\_\_

Finance secretary's records agree with general ledger

\_\_\_\_\_

\_\_\_\_\_

NOTES:

**B. DISBURSEMENTS**

|   | <u>Date Completed</u> | <u>Initials</u> |
|---|-----------------------|-----------------|
| Invoices properly approved  | _____                 | _____           |
| Canceled checks examined to verify that disbursements<br>were actually paid to the proper parties | _____                 | _____           |
| Check number and date noted   | _____                 | _____           |
| All checks, used and voided, accounted for  | _____                 | _____           |
| Purchase order system, if applicable, functioning<br>appropriately                                | _____                 | _____           |
| Accounts to charge noted on invoice   | _____                 | _____           |
| Any invoices to vendors over 30 days in arrears   | _____                 | _____           |
| Per capita and mission apportionments<br>paid per session direction                               | _____                 | _____           |
| Interest & service charges recorded   | _____                 | _____           |
| General ledger balances equal daily transaction   | _____                 | _____           |
| A procedure in place to account for restricted gifts  | _____                 | _____           |
| Procedure in place to distribute gifts regularly<br>(Confirm with receiving agency in Presbytery) | _____                 | _____           |
| Designated gifts paid out on a timely basis<br>(Confirm with receiving agency in Presbytery)      | _____                 | _____           |
| Canceled checks matched to invoice<br>for appropriateness   | _____                 | _____           |
| Disbursement of petty cash funds given<br>proper approval   | _____                 | _____           |
| Reimbursements to the petty cash fund<br>properly made  | _____                 | _____           |
| Maximum figure for individual approval of payments<br>established and followed                    | _____                 | _____           |

NOTES:

**C. REPORTS**

Date Completed

Initials

- Complete financial picture provided by reports
- Reports made helpful to committee members
- Approved budget included in reports
- Over-budget expenditure approvals in order
- Controls for over expenditures provided
- Policies for restricted funds reviewed
- Restricted funds used according to policy
- Regular reports provided on pledge giving to  
finance committee and pastor
- Reports provided in timely fashion
- Reports distributed to the appropriate people
- Both a balance sheet and a statement of income  
and expense prepared

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

NOTES:



**D. GENERAL LEDGER**

Date Completed

Initials

Restricted funds separated appropriately  
Internal controls for receipts reviewed  
(see separate document for understanding of internal controls)  
Internal controls for disbursements reviewed  
Other asset accounts reviewed  
(equipment, buildings, contracts, etc.)  
Accounts payable reviewed  
Accounts receivable reviewed  
Prepaid expense account reviewed  
Any related party/employee loans noted  
Unearned Income account reviewed  
Fund balance from prior year correct  
Correct fund balance carried into next year

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

NOTES:

**E. ADMINISTRATIVE**

Date Completed

Initials

|  |       |       |
|--|-------|-------|
| Church Employer Identification Number obtained         | _____ | _____ |
| File for EIN and tax filings safeguarded               | _____ | _____ |
| Deed to church property and/or mortgage safeguarded    | _____ | _____ |
| Insurance policies safeguarded                         | _____ | _____ |
| Insurance coverage appears to be adequate              | _____ | _____ |
| Prior year insurance policies safeguarded              | _____ | _____ |
| Church has separate bond for persons<br>handling money | _____ | _____ |
| Where and how documents are safeguarded noted          | _____ | _____ |
| Persons with access noted                              | _____ | _____ |

NOTES:

**F. PAYROLL**

|  | <u>Date Completed</u> | <u>Initials</u> |
|--|-----------------------|-----------------|
| Personnel files kept on individuals  | _____                 | _____           |
| Personnel files safeguarded and confidential _____   | _____                 | _____           |
| Salaries paid according to approval  | _____                 | _____           |
| Tax forms issued to clergy persons, employed<br>persons, and government                        | _____                 | _____           |
| Payroll tax deposits and timely remittances<br>to government made                              | _____                 | _____           |
| Time sheets filed and approved <small>(not by treasurer)</small>                               | _____                 | _____           |
| Employee benefits paid and current<br>pension _____ other _____                                | _____                 | _____           |
| Any salary reduction plans noted _____   | _____                 | _____           |
| Session/committee approval noted and<br>written documentation in file                          | _____                 | _____           |
| Amount paid to persons on contract/<br>honorarium verified                                     | _____                 | _____           |
| Proper 1099 filing of approvals for persons paid<br>for over \$600 paid on contract/honorarium | _____                 | _____           |
| Other  | _____                 | _____           |

NOTES:

# REPORT OF THE ANNUAL FINANCIAL REVIEW

The Session is required to provide for an annual audit of the records of all financial officers, including the financial secretary and/or church business manager and/or treasurers of the church and all its organizations and shall report to the Session.

\_\_\_\_\_ Church  
 \_\_\_\_\_ Presbytery

For the period beginning \_\_\_\_\_,  
 and ending \_\_\_\_\_.

## I. RECEIPTS, DISBURSEMENTS, AND BALANCES

|  | (a)<br>Balance<br>at Beginning<br>of Period | (b)<br>Cash<br>Received &<br>Recorded | (c)<br>Total<br>Disbursements<br>for Period | (d)<br>For<br>Transfers<br>+(-) | (e)<br>Balance<br>at End<br>of Period |
|--|---|---------------------------------------|---|---------------------------------|---------------------------------------|
| <b>Local Church Funds</b><br>(Use those applicable to your church) |   |                                       |   |                                 |                                       |
| General Fund   | \$  | \$                                    | \$  | \$                              | \$                                    |
| Benevolence Fund   |   |                                       |   |                                 |                                       |
| Building or Improvement Fund                                       |   |                                       |   |                                 |                                       |
| Board of Trustee's Fund  |   |                                       |   |                                 |                                       |
| Presbyterian Women   |   |                                       |   |                                 |                                       |
| Presbyterian Men   |   |                                       |   |                                 |                                       |
| Church School  |   |                                       |   |                                 |                                       |
| Other Fund Organizations   |   |                                       |   |                                 |                                       |
| Name:  |   |                                       |   |                                 |                                       |
| Name:  |   |                                       |   |                                 |                                       |
| Name:  |   |                                       |   |                                 |                                       |
| Name:  |   |                                       |   |                                 |                                       |
| Name:  |   |                                       |   |                                 |                                       |
| Total amount of cash in<br>ALL treasuries of the church            | \$  | \$                                    | \$  | \$                              | \$                                    |

# THE FINANCIAL REVIEW CHECKLIST

## *INSTRUCTIONS and EXPLANATIONS*

### **A. Confirmation**

After the books are closed for the year but before the financial review begins, the committee should prepare confirmations for banks, insurance companies, and donors. Those confirmations are essential for providing independent confirmation of bank account balances and authorized signatures, the coverage level(s) and related premiums(s) for all insurance policies, and, on a test basis, donor contributions.

#### *1. Bank Confirmations*

For each bank and investment account, request the balance as of year end and a list of person(s) authorized to sign on each account. *(See items on Checklist, under Bank and Investment.)*

#### *2. Insurance Company Confirmations*

Request the confirmation of the policy number, the level of coverage and the anniversary date and premium. *(See insurance items on Checklist, under (E.) Administrative.)*

#### *3. Pledge and Donation Confirmations*

On a test basis (a representative sample), confirm the amounts received from donors and the period for which the donation is to be booked. Copies of year-end statements may be used to facilitate this process. *(See items related to donors on Checklist, under (A.) Income.)*

These confirmations constitute an essential piece of the reviewing process. Second requests may be required if confirmations are not responded to in a timely fashion. The responses should be sent directly to the reviewer(s), not in care of the church.

## B. Cash

Two categories of cash need to be audited at year end: bank or savings accounts held in the name of the church, and any petty cash accounts held in the office of the church. At this time the reviewer must have the list of all bank accounts and person(s) authorized to sign on each, a copy of all the financial statements for each month being reviewed, and the bank account statements and reconciliations for that same period. (*See items on Checklist, under (A.) Income*)

- \$ Review the bank confirmations to see that the ending balance as stated by the bank is the same figure used in the last statement of the fiscal year, then check to see that the current authorized signers as listed by the bank are the same names listed within church records. If the lists fail to match, inform the treasurer, who should investigate any differences.
- \$ Review all bank reconciliations to see that the beginning balance of one month is the same as the ending balance of the previous month. Note whether the book balance as listed on the bank reconciliation is the same balance presented on the financial statements.
- \$ Pick a month and actually perform a bank reconciliation for each account using the original books of entry, the financial secretary's records and any subsidiary journals. If you find a discrepancy between your reconciliation of the month and the reconciliation provided by the treasurer(s), research the discrepancy to find an explanation or an error.
- \$ The reviewer should do an independent count of all petty cash accounts. This count should tie to the books. Review expense types for their appropriate charging to program area or administrative accounts. Ascertain suitability and adherence to policies.

## C. Income/Receipts

Determine if the deposits as listed by the financial secretary and the treasurer match those listed on the bank statement. Verify, on a test basis, the deposits for Sundays during the calendar year. *(See items on Checklist, under (A.) Income.)*

- \$ Test (a random sample, not to exceed 10 items) the counter's documentation versus the Sunday receipt deposit slips and bank statements. Review original book of entry for correct posting of Sunday deposits.
- \$ Using the donor confirmations, determine whether the amount paid as reported by the donor is the same as recorded and received by the financial secretary. If there is a difference, research for a timing difference, inaccurate recording, or some other explanation.
- \$ Review the original books of entry to determine if other income has been recorded accurately (i.e., appropriate account, correct amount, unrestricted or designated vs. restricted, etc.). Trace the entries to the financial statements.

**D. Disbursements** *(See items on Checklist, under (B.) Disbursements.)*

- \$ Review the Finance Committee and other committee minutes, as appropriate, for actions concerning disbursements, including benevolent and per capita payments. Reconcile those actions with any actual payments made.
- \$ Test to ensure that all of the disbursements have been properly authorized.
- \$ Review the original books of entry and disbursements journal to ensure that all disbursements have been recorded appropriately.
- \$ For the insurance premium disbursements, check to see whether the amount disbursed is the same as that listed by the insurance company as premiums due.
- \$ Verify that income designated for special mission purposes has been distributed or allocated accordingly.

If there is a purchase order system in conjunction with disbursements, note whether the purchase orders have been authorized and approved by the appropriate person(s) and matched against the actual disbursement or invoice.



**E. Payroll and Tax Records** *(See items on Checklist, under (B.) Payroll)*

- \$ Reconcile all payroll with tax records and tax payments made.
- \$ Verify that the appropriate amounts have been reported on the 941s, W-2s and 1099s and that the forms have been transmitted to the federal, state and local tax authorities on a timely basis. Also verify the existence of current W-4s and I-9s for all staff. The church may not do Social Security withholding for clergy but can make voluntary income tax withholding pursuant to a W-4 form, at the pastor's request.
- \$ Test that the appropriate amount of taxes have been deducted from the paychecks and can be tracked back to the W-4 as submitted by each staff person.
- \$ If the church is not using an accountable reimbursement plan for clergy, or other staff, the appropriate allowances need to be recorded on the W-2 form (or 1099 form, if it is still being used) issued by the church to the clergy.
- \$ Track the payroll and tax records to the actual disbursements made and recorded with the original books of entry.
- \$ If irregularities exist, research to determine (error) or cause.
- \$ If there are Tax Deferred Annuities (TDAs), Section 125, or other salary reduction agreements, verify existence of signed agreement and proper tax withholding applied.
- \$ Verify pension contribution with pension board. If there is a salary reduction agreement, review documents for accuracy and verify that agreements have been approved by Session.
- \$ Verify that housing allowance resolutions are in place and have been properly applied to reduce clergy's reportable 941 and W-2 income.

## I. RECOMMENDATIONS

The Auditors/Auditing Committee (*circle one*) has examined the accounts listed on the front side, reviewed procedures of counting and accounting under the current ***Book of Order G-10.0401d***, reconciled receipts and disbursements with bank deposits and bank balances, and has found the balances displayed correctly, presented fairly, with proper procedures, and records properly kept, except as noted below:

Signed: \_\_\_\_\_ Date \_\_\_\_\_  
*Financial Review Committee Chair or Auditor*

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THE MODERATOR OF SESSION, CLERK OF SESSION, AND ALL SESSION MEMBERS,  
COMMITTEE ON FINANCE AND/OR BOARD OF TRUSTEES***