Agreed Upon Procedures for the Year Ended and as of December 31, 2022/ Local Church Audit Guide Recommended Procedures
Report Prepared by Carol Craig
Date 9/20/23

Procedure	Auditor	Comments/WP Reference
1. Obtain a copy of (1) the previous year end's balance sheet (statement of financial position) and "statement of income and expenses" (statement of activities) for the year then ended and (2) the balance sheet and year-to-date statement of income and expenses available as of the end of the current year (the "Test Period"). For both sets of statements, agree each amount on such financial statements to the corresponding amounts in the church's general ledger.	C. Craig August 2023	All FS balances agreed to G/L
2. Using the balance sheet as of the end of the Test Period, identify any "credit" account balances included in the "Assets" section of the church's balance sheet or "debit" balances included in the "Liabilities" or "Equity" or "Net Assets" sections of the balance sheet. For all such balances identified, obtain an explanation from the church's accountant of the nature of the account and why it has a "credit" (for asset accounts) or "debit" (for" liability" or "net assets" accounts) balance. Summarize such explanation(s) in your report to the finance committee.	C. Craig August 2023	Building Fund money Market ($28,377.14) balance @ 12/31/22 & Building Fund Net Assets ($113,131.17) @12/31/22 – per CUMC Treasurer, this sometimes occurs and interfund transfers can cover
3. If the balance sheet at the end of the Test Period reflects an accumulated deficit, ask the church's accountant to explain the source or sources of the funding for that deficit, and provide the explanation in the final report to the Finance Committee.	C. Craig August 2023	
4. Cash balances - Obtain copies of the monthly bank statements and corresponding bank reconciliations for each church bank account for the end of the Test Period and for one other month end during the Test Period, and perform the following:	C. Craig August 2023	Tested June & December 2022
a. Agree the "balance per bank" from the reconciliation to the corresponding ending balance of the bank statement, and the "balance per books" (or general ledger) to the corresponding amount in the church's general ledger.	C. Craig August 2023	Balance per bank agreed Balance per books was different between G/L & Rec but accountant indicated ok if cash agreed in aggregate
b. If any bank statement cash balance exceeds $100,000, obtain written confirmation of such balances directly from the bank or banks.	C. Craig August 2023	Due to passage of time, did not send bank confirmations out

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c. If there are deposits in transit included in the bank reconciliations, agree such amounts to the following month's bank statements. If such deposits are not recorded by the bank in the church's bank statements in the following month within three business days following the preceding month end, obtain an explanation for the delay from the church's accountant, and include that explanation in the final report to church's Finance Committee.	C. Craig August 2023	Items marked on bank rec as Deposits in Transit were really balancing entries for cash/fund accounting and were resolved in subsequent month
d. If there are outstanding checks included in the reconciliations, select fifteen checks from the following month's bank statement(s) that have dates on or before the date of the end of the bank reconciliation tested. Agree the amounts of selected checks to the corresponding outstanding check amounts included in the list of outstanding checks included in the bank reconciliation being tested.	C. Craig August 2023	Note: This is too high of sample couldn't even find 15 to test so consider a smaller sample size in future audits.
e. Prove the mathematical accuracy of the total dollar amount of outstanding checks included in the bank reconciliation(s) by adding the list(s) of outstanding checks and agreeing that amount to the total amount used in the bank reconciliation(s).	C. Craig August 2023	Completed
f. Include a listing of outstanding checks that have been outstanding more than six months in your final report to the Finance Committee.	C. Craig August 2023	No checks older than 6 months.
g. Obtain an explanation of any other reconciling items used in the bank reconciliation(s), and include the explanation of any significant reconciling items (those in excess of $3,000) in the final report to the Finance Committee.	C. Craig August 2023	Reviewed all items >$3000 and nothing unusual noted
h. Agree each General Ledger cash balance as of December 31 of the prior year to the corresponding year-end cash amount included in a copy of the church's signed "cash" report filed with the Conference office.	C. Craig August 2023	Complete- used NIC Statistical Table as "cash report" provided by church office

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5. Investments – Obtain a listing of individual investments comprising the balance or balances of any investments included in the church's balance sheet as of the end of the December of the previous year and as of the end of the Test Period, and perform the following procedures as of the end of the Test Period (It would be unusual if the church has no "investment" account(s)). At least a small number of members in larger churches sometimes give stocks or bonds to their churches in lieu of or in addition to cash gifts due to the tax advantages associated with such gifts. However, if the Church does not have such account or accounts, skip this step.):	N/A	
a. Add the individual investment amounts comprising each investment account included on the Church's balance sheet, and agree each such amount to the corresponding amount in church's balance sheet.	N/A	
b. Agree the amount of each individual investment on the listing to the corresponding amount on the appropriate reports received from the investment custodian(s) or trustee(s) used by the Church.	N/A	
c. If investment balance(s) as of the end of the Test Period exceed(s) $100,000, obtain written confirmation of all investment balances from the investment custodian(s) or trustee(s), including the number of shares or bonds held for each security, the cost basis for each security, and the market value for each security as of the end of the testing period.	N/A	
d. Select five "withdrawal" transactions at random from the monthly or quarterly investment reports received from the investment trustee(s) or custodian(s) for the Test Period. Agree the proceeds from such withdrawals to corresponding deposits recorded in the church's cash account(s).	N/A	
e. Understand where invested funds are held (i.e., the custodian) and ensure that a Service Organization Control report is received from the custodian, or some other assurance is provided that the funds are accounted for accurately and the custodian has adequate and effective internal controls.	N/A – Morgan Stanley is temporary holding place	
6. Church Property – Obtain a listing of all property owned or occupied by the church and perform the following:		

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a. Request the title and/or deed to the land, building and vehicles.	C. Craig August 2023	
b. Determine and report where the title and deeds are maintained. c. Determine through discussions with management whether insurance is in place for all of the identified assets. Report the amount of coverage and the type of insurance.	C. Craig August 2023	Per Hunter, title/deeds held at conference office; reviewed minimum insurance requirements and insurance policies and coverages good
7. Church Credit/Purchasing Cards – Some churches provide credit cards to staff and certain committee chairpersons or members to use to purchase products and services for the church. If the church uses such credit cards, perform the following:	C. Craig August 2023	
a. Obtain a copy of the credit card statement(s) as of the end of the Test Period and for one other month-end during the period. Using the statements provided by the card issuer, confirm the any card balance(s) from the previous month(s) were paid in the statement months. If not, confirm that the unpaid balances were reflected in the appropriate church balance sheet, and include any such unpaid balances in your report to the Finance Committee.	C. Craig August 2023	Feb 2022 & Aug 2022;
b. Additional credit and procurement card transaction testing should be performed as part of 11.c. below.		
8. Tithes and offerings received:		
a. Select six Sundays from the Test Period. For each Sunday selected, obtain a copy of the summary counting sheet prepared by the counters for that Sunday. Agree the amounts received as shown on the counting sheet to the corresponding amounts recorded in the church's general ledger for that Sunday.	C. Craig August 2023	All agreed

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b. Select twelve "credit" entries from the church's various "revenue" accounts recorded in the General Ledger or Cash Receipts Journal (or similar accounting record) during the Test Period. Agree the amounts selected into the corresponding bank deposit recorded in the church's bank statements and to giving records of the church. (Note: the amount selected will likely be one of several entries that together add to the total deposit reflected in the bank statement. If that is the case, agree the specific general ledger entry from the general ledger to the list of entries that comprise the total deposit, and prove the arithmetic accuracy of the listing to ensure the total of the list of entries agrees with the total deposit reflected in the bank statement.)	C. Craig August 2023	All agreed
c. Verify with the church's accountant (i.e., the staff person responsible for maintaining the general ledger and other accounting records for the church) that he or she has no ability to record entries in or otherwise alter the individual giving records of the church or distribute annual or interim individual giving statements provided to members or others who contribute money or other gifts to the church. Also, confirm such individual does not participate in counting the Sunday offerings.	C. Craig August 2023 with B. DeGeer	Verbally confirmed
d. Verify that the church's financial secretary (the person responsible for maintaining the individual giving records of the church used to provide church members with annual giving statements at year-end) that he or she has no ability to record entries in the accounting records (general ledger, payroll ledger, and other subsidiary accounting records other than the individual records of the church) or otherwise alter such records. Also, confirm such individual does not participate in counting the Sunday offerings.	C. Craig August 2023 Verified via email with M. Schirmer 9/21/23	
e. Select five (5) journal entries in the general ledger recorded to revenue accounts during the Test Period from sources other than cash receipts or cash disbursements. Agree the amounts of such journal entries to supporting documentation, and determine the propriety of such journal based on the supporting documents reviewed. Include in your report a description of any journal entries for which supporting documentation was not available, or where you could not conclude entries were appropriate and necessary.	C. Craig August 2023	All agreed; inquired about church policy for recording donated stock and was satisfactory; JE support was adequate

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9. Other income – If the church has other sources of income (e.g., child care or preschool tuition and fees, property rentals, and such amounts exceed ten (10) percent of the church's total revenues for any of the preceding three years, develop limited procedures to test the completeness and accuracy of such amounts, and describe the procedures performed and the results of such procedures in the final report to the Finance Committee. (Note: Any such procedures should be reviewed with and approved by the Finance Committee or its designee prior to any such procedures being performed.)	C. Craig August 2023	2018 = 4% 2019 = 3% 2020 = 1% 2021 = 3% 2022 = 4%
10. Donations – For significant donations to the church (to be determined based on the size of each church), confirm with the donor the amount and intended purpose of the donation. Review to ensure the donation is being used in accordance with its intended purpose and has been accounted for completely and accurately.	C. Craig August 2023	Due to the passage of time, opted not to send donor confirmations during audit
11. Church expenses/expenditures and cash disbursements – Judgmentally select twenty-four (24) expenditures recorded during the Test Period from the general ledger (if individual cash disbursements are recorded directly in the general ledger) or from the cash disbursements journal or register and payroll register or records (if the church posts a summary of expenses from such journals or registers.) In addition, judgmentally select 18 cash disbursements selected from bank statements covering the Test Period. (Note: Care should be taken to select a wide variety of expenditures for testing, and at least one entry for each month of the Testing Period.) For each individual expenditure or cash disbursement selected, perform the following:	C. Craig August 2023	Note: Sample sizes too large
a. For salary or wage payments selected, agree the pay rate used to determine the payment to the applicable schedule of salaries and pay rates approved by the Staff Parish Relations Committee. Recalculate the salary or wages paid based on such approved salary and wage rates and if applicable, the approved time card or sheet (or similar record) approved by the employee's supervisor.	C. Craig August 2023	Complete
b. For payroll tax or benefit payments, recalculate the amount of expense recorded and payment made or remitted based on approved tax or benefit rates in effect at the time of the payment.	C. Craig August 2023	Complete

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c. For expenditures paid for using a church credit or procurement card, agree the charge to a copy of the supplier receipts submitted as support for the charge, and determine the appropriateness of the specific expense account to which the charge was recorded. Confirm the credit card charge was approved for payment in accordance with the established practices of the church.	C. Craig August 2023	Complete
Also, agree the charge for the month to inclusion in the monthly credit card statement received by the church and used as a basis to pay the monthly credit or procurement card charge.	C. Craig August 2023	Complete
d. For expenditures paid using church-issued checks, agree the amount of the expenditure selected to the supporting documentation (typically, this will be an invoice issued by the supplier of the products or services purchased or a supplier contract). Recalculate the charges on the invoice based on the quantities and unit costs listed on the invoice. Confirm the purchase was approved for payment in accordance with the established practices of the church. Agree the appropriate details (dollar amount of the purchase and the supplier's name) to the cancelled check or appropriate details provided in the bank statement received from the bank.	C. Craig August 2023	
e. For all expenditures, determine the account in which the expenditure was recorded was appropriate given the nature of the expenditure and consistent with the established practices of the church.	C. Craig August 2023	
12. Review all insurance policies in effect (according to church leadership) and ensure adequate types and levels of coverage are in place for local church needs. If minimum requirements for coverage are set by the annual conference, ensure policy levels comply with these minimum levels.	C. Craig August 2023	reviewed minimum insurance requirements and insurance policies and coverages good

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13. In accordance with Book of Discipline ¶258.4.b, review to ensure bonding is in place for the church treasurer. Further, review the bond amount with church leadership to ensure the bonding is appropriate for the assets held by the church. Review the current policy and payment information to ensure the bonding policy is current.	J. Donaldson July 2022 C. Craig August 2023	Recommendation: Church leadership should clarify this. The audit program mentions it being required in Book of Discipline but in policy received from council office said bonding of church personnel is not required.