

Section D. Internal Control Questionnaire

The following Internal Control Questionnaire provides guidance for setting up an accounting system and a checklist for periodic review and evaluation of an existing system. The questionnaire is designed also to assist a congregation's internal audit committee. The questions largely refer to some recommended internal control. The normative answer to a question will be positive. A negative response suggests an area that needs to be strengthened. Developing a narrative description is suggested to provide documentation of a current review and should be retained for reference in future evaluations.

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

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

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 <input type="checkbox"/>	No <input type="checkbox"/>
2. Are all changes to the budget authorized by the Vestry and recorded in the minutes of the meetings?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Is there a periodic review of the budget by the Vestry?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Reporting: The best accounting system is of little value, unless it communicates the information it contains to the staff 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 <input type="checkbox"/>	No <input type="checkbox"/>
2. Is the Treasurer's report presented in enough detail to inform the reader about the nature of the various income and disbursement items?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Does the report present the current actual financial data compared with the approved budget?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
4. Is there periodic reporting, at least quarterly, of all other funds?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

and activities, including designated or restricted funds?	
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Cash Receipts: Clearly stated policies and procedures regarding the handling of cash and other receipts help to prevent loss and assure that all receipts are properly recorded.

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 <input type="checkbox"/>	No <input type="checkbox"/>
2. Are the collection receipts counted and deposited so that the deposit equals the entire amount of receipts on a timely basis?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Are there at least two unrelated persons responsible for counting and depositing the collections?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
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. Are all the pledge envelopes or other memoranda retained and reconciled to the recorded amounts?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
8. Are all other cash receipts recorded and deposited on a timely basis?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
9. Are all checks received restrictively endorsed — "for deposit only" immediately upon receipt?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
10. Are all cash receipts deposited into the general operating checking account?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
11. Are there procedures that will highlight or call someone's attention to the fact that all receipts or income have not been received or recorded?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
12. Are periodic statements provided to donors of record (i.e. at least quarterly)?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
13. Do acknowledgments of contributions in excess of \$250 include a receipt from the recipient organization that states that it is "the contemporaneous acknowledgment required by the Internal Revenue Code and 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"/>
14. 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.

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"/>
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"/>
d. Does all supporting documentation accompany checks presented for signature?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
e. d. Are all account signers authorized by the Vestry?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
f. e. Is more than one signature required for any check?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
g. f. If not, do checks for more than \$2,500 require more than one signature?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
h. g. If signature imprint machines are used, are the keys kept under lock and key except when in use?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
7. Are all disbursements requiring special approval of funding sources or the Vestry properly documented in the Vestry or Finance Committee minutes?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
8. Are there adequate controls and segregation of duties regarding electronic funds transfers?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Journal Entries: Journal entries offer a special opportunity to adjust 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 <input type="checkbox"/>	No <input type="checkbox"/>
2. Are all journal entries approved by a knowledgeable authority other than the person initiating the entry?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Is adequate documentation maintained to support each journal entry?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

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 <input type="checkbox"/>	No <input type="checkbox"/>
2. Do two different people perform the tasks of opening and reconciling the bank statement?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Does someone complete the bank account reconciliations other than the person who participates in the receipt or disbursement of cash?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
4. Do the reconciliation procedures provide for:	Yes <input type="checkbox"/>	No <input type="checkbox"/>
1. Comparison between the bank statement and the cash receipts journal of dates and amounts of deposits?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2. Investigation of bank transfers to determine that both sides of the transactions have been recorded?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Investigation of all bank debit and credit memos?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
4. Review of all checks outstanding more than 90 days?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5. Are checks more than 180 days outstanding voided during the year-end reconciliation?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
6. Is the bank immediately notified of all changes of authorized check-signers?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5. Are all journal entries for bank charges and bank account interest recorded routinely?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
6. Are all bank accounts included on financial reports to the Vestry?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Petty Cash: The following controls 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 <input type="checkbox"/>	No <input type="checkbox"/>
2. Are all petty cash funds maintained on an imprest basis, i.e., the total amount of vouchers paid or disbursed, plus cash, always equaling the amount of the fund?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Is adequate review made of documentation before the fund is reimbursed?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
4. Is the petty cash fund reimbursed at least monthly?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5. Are check cashing and making loans to employees prohibited?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
6. Is the actual petty cash protected from theft or misplacement?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

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 <input type="checkbox"/>	No <input type="checkbox"/>
2. Is authorization for the sale and/or purchase of investments provided for by the Vestry or authorized investment committee?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Are all investment instruments adequately protected from fire, theft,	Yes <input type="checkbox"/>	No <input type="checkbox"/>

or misplacement?	
4. Are the income/dividends/interest recorded?	Yes <input type="checkbox"/> No <input type="checkbox"/>
5. Are all investment accounts included in financial reports to the Vestry?	Yes <input type="checkbox"/> No <input type="checkbox"/>

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 <input type="checkbox"/> No <input type="checkbox"/>
2. Is a detailed inventory of all property, furniture, fixtures, and equipment maintained showing:	
a. Date acquired?	Yes <input type="checkbox"/> No <input type="checkbox"/>
b. Detailed description?	Yes <input type="checkbox"/> No <input type="checkbox"/>
c. Cost or fair market value at time of donation?	Yes <input type="checkbox"/> No <input type="checkbox"/>
d. Any funding source restrictions?	Yes <input type="checkbox"/> No <input type="checkbox"/>
3. Is a periodic review conducted to compare the actual property, furniture and fixtures, and equipment with the recorded inventory listing?	Yes <input type="checkbox"/> No <input type="checkbox"/>
4. Is there a safe deposit box?	Yes <input type="checkbox"/> No <input type="checkbox"/>
a. Who is authorized to enter it?	Yes <input type="checkbox"/> No <input type="checkbox"/>
b. Is there an inventory of its contents?	Yes <input type="checkbox"/> No <input type="checkbox"/>
5. Are permanent records such as articles of incorporation, if applicable, by-laws and real estate deeds kept in a safe place?	Yes <input type="checkbox"/> No <input type="checkbox"/>
6. Are they up to date?	Yes <input type="checkbox"/> No <input type="checkbox"/>

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

1. Is a detailed inventory of all property, furniture, fixtures, and equipment maintained showing:	
Date acquired?	Yes <input type="checkbox"/> No <input type="checkbox"/>
a. Detailed description?	Yes <input type="checkbox"/> No <input type="checkbox"/>
b. Cost or fair market value at time of donation?	Yes <input type="checkbox"/> No <input type="checkbox"/>
c. Any funding source restrictions?	Yes <input type="checkbox"/> No <input type="checkbox"/>
2. Is a periodic review conducted to ensure the adequacy of the insurance coverage for:	Yes <input type="checkbox"/> No <input type="checkbox"/>
a. Property?	Yes <input type="checkbox"/> No <input type="checkbox"/>
b. Liability?	Yes <input type="checkbox"/> No <input type="checkbox"/>
c. Fidelity bond?	Yes <input type="checkbox"/> No <input type="checkbox"/>
d. Sexual misconduct?	Yes <input type="checkbox"/> No <input type="checkbox"/>
e. Directors' and officers' liability?	Yes <input type="checkbox"/> No <input type="checkbox"/>
f. Workers' compensation?	Yes <input type="checkbox"/> No <input type="checkbox"/>
3. Is a periodic review conducted to ensure that adequate controls are in place to prevent loss?	Yes <input type="checkbox"/> No <input type="checkbox"/>

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

1. Is all borrowing or indebtedness authorized by the Vestry and the appropriate diocesan board or committee?	Yes <input type="checkbox"/> No <input type="checkbox"/>
2. Are all loan agreements and/or lease agreements in writing and properly safeguarded?	Yes <input type="checkbox"/> No <input type="checkbox"/>
3. Are there periodic reviews conducted to determine compliance with any debt/lease provisions?	Yes <input type="checkbox"/> No <input type="checkbox"/>
4. Are all liabilities noted on Financial Reports to Vestry?	Yes <input type="checkbox"/> No <input type="checkbox"/>

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 observed.

1. Are records maintained of all bequests, memorials, endowments, or any other restricted gifts to include:	Yes <input type="checkbox"/> No <input type="checkbox"/>
a. Date, amount and donor of gift?	Yes <input type="checkbox"/> No <input type="checkbox"/>
b. Any restrictions or limitations?	Yes <input type="checkbox"/> No <input type="checkbox"/>
2. Does the Vestry or other authoritative body approve all restricted gifts and grants?	Yes <input type="checkbox"/> No <input type="checkbox"/>
a. Are the income and other transactions periodically reported to the Vestry?	Yes <input type="checkbox"/> No <input type="checkbox"/>
b. Are written acknowledgments issued for whom they are required?	Yes <input type="checkbox"/> No <input type="checkbox"/>

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:	Yes <input type="checkbox"/> No <input type="checkbox"/>
a. Employment application and/or letter of employment?	Yes <input type="checkbox"/> No <input type="checkbox"/>
b. Authorizations of pay rates and effective dates?	Yes <input type="checkbox"/> No <input type="checkbox"/>
c. Internal Revenue Service Form W-4?	
d. Department of Justice Form I-9?	
e. State Withholding Forms?	
f. New hire reporting?	
2. Is there a written record of hours worked, approved by a supervisor when applicable?	Yes <input type="checkbox"/> No <input type="checkbox"/>
3. Are there adequate records to:	Yes <input type="checkbox"/> No <input type="checkbox"/>
a. Show computation of gross pay?	Yes <input type="checkbox"/> No <input type="checkbox"/>
b. Account for all deductions from gross pay?	Yes <input type="checkbox"/> No <input type="checkbox"/>
c. Support payroll tax returns and Forms W-2?	Yes <input type="checkbox"/> No <input type="checkbox"/>
4. Are payroll tax returns filed on a timely basis?	Yes <input type="checkbox"/> No <input type="checkbox"/>
5. Are payroll tax deposits made on a timely basis?	Yes <input type="checkbox"/> No <input type="checkbox"/>
6. Are all employees, clergy and lay, receiving a Form W-2?	Yes <input type="checkbox"/> No <input type="checkbox"/>

7. Are Forms 1099 being provided for all individuals who are not employees, and for all unincorporated entities paid \$600 or more annually?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
8. Are Form W-2 wages reconciled to the general ledger accounts, and all four quarterly payroll tax returns?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
9. Are clergy housing allowances recorded in the minutes of the Vestry no later than the first meeting of the year?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

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 <input type="checkbox"/>	No <input type="checkbox"/>
2. Are the files backed up daily and the backups maintained off premises?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Is access to the computer and computer programs limited to authorized persons?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
4. Is there adequate documentation, including user manuals, available on-site for all computer programs?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5. Is there a plan for data recovery and continuation of operations in the event of a disaster?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

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