

## **OPP 3.10 – FINANCIAL REVIEW PROCEDURES**

**PURPOSE:** Outline procedures for regular review and/or audit of financial operations of Round Rock Christian Church.

**POLICY:**

It is the policy of Round Rock Christian Church that financial records, accounts and processes be regularly reviewed for accuracy, sound financial procedures and prevention of fraud.

Records of income and expenses are reviewed both monthly and annually with the generation of financial reports and close of financial accounting periods. At the end of the fiscal year, end of year reports and end of year adjustment transactions are reviewed for accuracy, comparison of actuals to the annual budget and compliance with church policy and procedures.

These monthly and annual reviews are accomplished by church members not involved with or directly responsible for any aspect of church financial operations. The Administrative Team appoints a committee with a minimum of three volunteers to serve as the Financial Review Committee whose purpose is to accomplish the reviews.

The objective of these reviews is to have a third disinterested party, reviewing and questioning financial records and procedures to insure accuracy of records, compliance with church policy, tracking with the church annual budget, and detection of possible fraudulent activity.

In all financial reviews, the principles of separation of duties, checks and balances and transparency of transactions are to rule in determining the appropriateness of financial transactions and documentation of income and expenses.

Both the Treasurer and the Financial Secretary are responsible for insuring that the monthly and annual reviews are accomplished and are to report to the Administrative Team and/or Guiding Board thru its regular meetings the status and results of monthly and annual reviews.

### **FINANCIAL REVIEW COMMITTEE**

The Financial Review Committee reports to the Administrative Team.

The Administrative Team will annually assign a Chairperson and additional members as needed for the Financial Review Committee.

The Financial Review Chairperson coordinates and schedules the monthly and annual reviews, participates in review activities, reports on review activities to the Administrative Team and insures that completed documentation generated by the committee is stored with the financial records.

All Financial Review Committee members must not be currently involved in any church financial operation and must not be employees (or contractors) of the church.

**FINANCIAL ITEMS REQUIRING REVIEW:**

The following items are included in any monthly or annual review:

- ***Account Statements:*** Monthly Statements for each deposit account (checking and savings accounts), investment account, payment card account, and/or payment processor account with their companion reconciliation report from the accounting system.
- ***Financial Reports:*** Monthly and Annual Financial Reports that include the Balance Sheet, the Income Statement and Budget Performance report, and reports of designated fund income and expenditures.
- ***Deposit and Contribution Documentation:*** Random samplings of deposits made during the month to checking, savings and investment accounts using documentation such as deposit slips, contribution reports (with contribution attribution) bank account statements, and any reconciliations between the contribution systems and accounting systems.
- ***Expense Vouchers:*** Random samplings of Expense Vouchers with documentation of expenditures, receipts for proof of payment (paper or electronic) and approvals for the expenditure.
- ***Payroll Records:*** Review of timesheets, employee payroll withholdings, benefit payments (health insurance, pension, etc.), annual leave / sick leave accruals, and employer payroll tax accruals and payments.

**MONTHLY FINANCIAL REVIEWS**

The Financial Review Committee member(s) scheduled for a given monthly review will coordinate mutually agreeable times with the Bookkeeper, Treasurer and Financial Secretary to conduct and document the review.

At the end of the review, the Treasurer and/or Financial Secretary and Financial Review Committee member sign and date the monthly account review forms, documenting when the review occurred, who participated in the review and what items were reviewed. The Treasurer is responsible for maintaining all documentation of the monthly reviews.

The committee may develop and use a set of standard forms and processes for the monthly reviews, so long as they cover the areas for each review item outlined below.

If a discrepancy is found, the Financial Committee member will work with the Treasurer, Bookkeeper and/ Financial Secretary to resolve the discrepancy. If the discrepancy cannot be resolved, the committee chairperson will forward it to the Administrative Team Leader and Moderator within 10 days. Additionally, if the Finance Committee member is not comfortable with any aspect of the review, the Finance Committee member should approach the Administrative Team Leader and/or Moderator within 10 days of the review.

***Account Statement Reviews:***

For each checking, savings, investment and payment card account belonging to RRCC, the review will confirm the following between account statement and reconciliation reports from the accounting systems.

- Prior month's reconciliation report and statement cleared balance agrees with the current month reconciliation report and statement beginning balance.
- The total of Cleared Transactions and Cleared Deposits on Reconciliation Summary agrees with totals on bank statements.
- Review of Reconciliation Detail. Only the very most recent deposits during the statement period should still be the only deposits not cleared. Any outstanding checks over three months old should be noted for follow up by the Treasurer.

#### ***Monthly Financial Report Reviews:***

- Request to see the Monthly Financial Reports sent to the Guiding Board which includes the Balance Sheet, Income Statement and Budget Performance report, Dedicated Funds Balances and Transactions Report.
- Review the Monthly Balance sheet for irregularities such as negative amounts for line items, unusual or out of ordinary balances in Accounts Payable, Accounts Receivable, and Payroll Liabilities. Check that the Net Income on the Balance Sheet is equal to the Net Income on the Income Statement.
- Review Accounts Payable for timely payment of bills and obligations due.
- Review Accounts Receivable for amounts owed the church and timely receipt of payment.
- Review the Income Statement and Budget Performance Report for irregularities such as negative amounts in income and expense accounts,
- Review income and expense lines for comparison to budgeted amounts.

#### ***Monthly Deposit and Contribution Documentation Review***

- Request to see the monthly contributions account summary from the Financial Secretary for each deposit to the bank. Check that it matches deposits in the accounting system and bank statement.
- Check that contributions listed by account in the contribution summary are properly reconciled with the deposit entries by account in the accounting system.

#### ***Monthly Expense Voucher Review***

- Request to see and examine expense voucher documentation on 5% to 10% of the payments listed as cleared transactions on the monthly Account Statement of each checking, savings, payment card and investment account. Any large dollar transactions (in comparison with other monthly expenses or greater than \$500 for an individual transaction) should be reviewed.
- There should be an approved/signed Expense Voucher with copies of invoices or receipts attached for all reviewed transactions. Check that these approvals follow church policy.

#### ***Monthly Deposit Review***

- Request to see and examine documentation on 5% to 10% of the deposits listed as cleared transactions on the Account Statement of each checking, savings, payment card and investment account. Any large dollar deposits should be reviewed (in comparison with other monthly deposits or greater than \$1000 for an individual deposit).
- For all reviewed deposits there should be a deposit record and/or deposit slip from the bank with the Account Summary from the Financial Secretary.

### ***Monthly Payroll Records Review***

- Review Payroll Records for accuracy of salary and hours as well as leave accrued and leave taken.
- Match Payroll records to payments recorded on the bank statement.
- Verify that payment of employer payroll taxes (FICA) and employee payroll tax withholdings are made with each payroll to the IRS.
- If it is an end of calendar quarter, check to see that IRS form 941 was filed reporting payroll earnings and payroll taxes.
- Verify that other employee withholdings from payroll such as pension fund payments are properly accounted for and paid.

## **ANNUAL FINANCIAL REVIEW**

The purpose of the Annual Financial Review is to review the accounting books, records and bank accounts for the previous fiscal year. Reviews should also be performed upon a change in the Financial Secretary or Treasurer or any designated signatory on accounts.

The Financial Review Committee conducts the Annual Financial Review. At the discretion of the Guiding Board, an outside resource can be hired to assist in the review. Assistance may range from answering questions to performing a formal audit. RRCC funds may pay for the assistance with the approval of the Guiding Board.

### ***Guidelines for the Annual Financial Review:***

- The review is performed within 60 days of the end of the previous fiscal year (Dec 31) or whenever there is a change in Treasurer or Financial Secretary or any designated signatory on accounts.
- The Treasurer and Financial Secretary will make available all accounting books, forms, statements, and so forth, as requested for the Annual Financial Review.
- At a minimum, the following items are reviewed:
  - Review documentation for each Monthly Financial Review completed during the fiscal year.
  - Review all year end transactions made to close the accounting books for the fiscal year.
  - Review the final Income Statement & Budget Performance report for the fiscal year for budget vs actual expenditures and for surplus or deficit for the year including the

- year end transactions to move the surplus or deficit to the Accumulated Reserves account.
- Review Accounts Receivable for delinquent or untimely collection of payments to the church.
- Review Accounts Payable for late or deferred payment obligations of the church.
- Review the Balance Sheet as of Jan 1 of the new fiscal year to insure that all balances reflect closing transactions from the last fiscal year.
- Review Payroll accounts for timely payment of payroll taxes and employee payroll tax withholdings as well as payment of employee benefits (i.e. pension fund, health insurance, FSA accounts, etc.).
- Check that the payroll schedule for the new fiscal year is published.
- Check that the approved budget for the new fiscal year has been entered in the accounting system.

At the end of the review, each committee member will sign and date a form stating the results of the review, documenting participation and items reviewed.

## DEFINITIONS

Deposit Account: A deposit account is a [checking](#) account, [savings account](#), money market account or time deposit account at a [banking](#) institution that allows [money](#) to be deposited and withdrawn by the account holder. Deposit accounts may or may not be interest bearing. [Banks](#) are normally subject to [prudential regulation](#) which has the purpose of reducing the risk of failure of the bank. It may also have the purpose of reducing the extent of depositor losses in the event of bank failure. Bank deposits are also normally insured by a [deposit insurance](#) scheme such as the FDIC or NCUA.

Segregation or Separation of Duties – A principle of financial control policy according to which no person should be given responsibility for more than one related function. For example, the person responsible for purchasing should not also be responsible for its payment. Also called *separation of duties*.

FICA - FICA stands for “Federal Insurance Contributions Act”. FICA taxes are comprised of two separate taxes (Social Security and Medicare) that are paid on wages earned for services performed. Employers are required to withhold and pay their employees’ share of the FICA taxes and also pay the employer share to the IRS on at least a quarterly basis.

**AUTHORITY:** *Section IV, B, 5 and Section VI, A, 1 of the Bylaws of Round Rock Christian Church. The Administrative Team is entrusted with the financial resources of the church.*

## EFFECTIVE DATE

December 17, 2018

## LAST REVIEW DATE

December 17, 2018