

**Internal Audit Guideline**

**Critical**

1. Review every monthly bank reconciliation for every bank account since the last audit
	1. Confirm documentation reconciling the bank statement balance to the book balance
	2. Are the reconciliations completed (or signed off) by someone not involved in preparing checks or posting transactions?
2. Review a sample expense report and all expense reports of the lead pastor
	1. Were the expense reports approved by the employee’s supervisor?
	2. Do meals and travel expenses indicate the business purpose?
	3. Looking for unusual and/or large items
3. Review sample tithe tally sheets
	1. Verify signed by two unrelated, approved counters
	2. All appropriate paperwork filed for each report
4. Review several sample payroll reports (including the final payroll of the year)
	1. confirmed they are signed off by an appropriate authority (not involved in processing payroll)
	2. confirm payroll tax withholdings were paid to the IRS and state authorities.

**Recommended**

1. Review the year-to-date financial statements
	1. Does the balance sheet balance?
	2. Does the change in total equity equal the net income or loss for the year?
	3. If there are accounts receivable, are any past due?
	4. Do loan balance(s) match what is shown on the bank statement?
2. Review sample personnel files for the following:
	1. Application
	2. Performance appraisals
	3. Immigration I-9 form
	4. Pastoral Agreements
3. Verify all housing allowances were approved before the first payment and recorded in Board minutes
4. Review the year-to-date income statement compared to the approved budget. Verify there are appropriate explanations of variances from the budget (this is normally done throughout the year)

**Opportunity to review**

1. Review signers on all bank and investment accounts
2. Review corporate credit card holders and limits are appropriate
3. Review who has access to the accounting system and whether appropriate approvals are in place for approving invoices and issuing checks

**Audit Team**

* The Discipline recommends 1 to 3 people, but I recommend at least 2.
* Cannot include any staff member (including the pastor) or their family

**Report**

* Recommend producing a written report for LBA
* Identify what the audit reviewed and the results of the examinations
* Include recommendations for updating policies and procedures

***See The Discipline Section 863 for the official language of regarding audits***