

ARCHDIOCESE OF MILWAUKEE

PARISH REVIEW PROCEDURES

I. General

1. Meet with the pastor, business manager or director of administrative services, bookkeeper or parish secretary, and other key parish staff or volunteers as necessary to gain an understanding of parish procedures.
2. Note the accounting software, records created for cash receipts and disbursements, records maintained for payroll processing, receipts for tuition and other fees, acknowledgements created for contributions received, etc. Include who is responsible for each function. Note any outside service providers for payroll, ACH processing, and financial report preparation.
3. Review the Internal Control Questionnaire with the parish representative(s). Discuss any answers inconsistent with effective internal controls. Note for the written report any action items that need to be addressed.
4. Review the sacramental records to ensure they are up to date.

II. Bank Accounts

1. Obtain a list of all bank accounts, including accounts maintained by affiliated organizations.
2. Review bank statements and reconciliations for two randomly selected months during the review period.
 - a. For reconciliations prepared manually, test math accuracy.
 - b. Review all reconciling items (outstanding checks, deposits in transit and adjusting entries) for age and propriety.
 - c. Compare reconciled bank balance to book balance.
 - d. Review transfers between accounts for proper recording.
 - e. Determine if the number of bank accounts is appropriate for size of parish and types of activity.
 - f. Review all statements for proper approval.

III. Investment Accounts

1. Obtain a list of all investment accounts, including accounts maintained by affiliated organizations.
2. Examine all parish investment accounts, including cemeteries and trusts. Obtain supporting documentation for endowments and other restricted accounts and verify correct balance sheet classification.
3. Review recording of changes in investment account balances for correct classification.
4. Compare investment account balances to book balances and note discrepancies.
5. Review all investment states for proper approval.

IV. Cash Receipts

1. Scan cash receipts journal or check registers for the review period for activity and unusual items. Note any unusual transactions, including a description of supporting documentation.
2. For two months during the review period, test the accuracy of the ledgers by:
 - a. Observing that the parish is using serialized tamper evident bags and that logs of who has handled the bags are maintained.
 - b. Tracing the details of the count sheets prepared by the money counters to the deposit slip, bank statement and general ledger.
 - c. Tracing batch totals from posting to parishioner accounts to count sheets on a sample basis.
 - d. Ensure that the parish is following correct cash-counting procedures including team rotation, signed count sheets, etc.

V. Cash Disbursements

1. Scan cash disbursements journal or check registers for the review period for activity and unusual items. Note any unusual transactions, including a description of supporting documentation.
2. Test accuracy of ledgers by selecting 10 disbursements (covering a variety of amounts) and perform the following tasks.
 - a. Vouch disbursement to supporting invoice.
 - b. Verify that the transaction has been reviewed and have written approval before payment.
 - c. Verify that invoices are cancelled or marked "Paid" or have a check stub attached.

- d. Observe if transactions appear to be for a legitimate business purpose and note discrepancies.
 - e. Compare date, amount and payee as listed on ledger to cancelled check. Review endorsement on cancelled check.
 - f. Trace to general ledger for proper classification and amount.
 - g. Verify that no signature stamps are used at the Parish. Verify that checks are not pre-signed. Verify two authorized signatures on each check. Verify that blank check stock is securely stored.
 - h. Review a subjective sample of checks and supporting documentation payable to employees and trustees for non-payroll items.
 - i. If sample does not include at least one statement from credit card or store card, select one and verify that original itemized receipts that equal the amount of the paid invoice are attached.
 - j. Verify that the parish is not paying state or local sales tax.
3. Review ledger for payments made by electronic funds transfers. Verify that documentation, including review and authorization by two check signers, exists for EFT transactions.
 4. Count petty cash and compare to amounts recorded in general ledger.

VI. Payroll

1. Obtain the list of employees, salaries and/or hourly rates and test the accuracy of the records for one pay period by comparison to this list.
2. For hourly employees:
 - a. Trace hours recorded on time sheets to payroll for one payroll.
 - b. Verify supervisor approval of timesheets.
 - c. Verify overtime calculations where appropriate.
3. For parishes preparing payroll manually, verify withholding amounts for federal and state taxes.
4. Compare information on a sample of Forms W-4 to payroll records.
5. Compare the list of full time employees to the employees reported for lay pension on the most recent quarterly report. Inquire as the reason for any discrepancies and note differences that require adjustment.
 - a. Verify that Box 13 on W-2s is checked for all employees on the lay pension plan or contributing to a 403(b).

6. Reconcile the payroll taxes for one quarter by:
 - a. Verifying that tax deposits are made as required
 - b. Verifying Form 941 is filed as required
 - c. Reconciling the Form 941 for to the payroll register
7. Verify that amounts withheld for Tax Sheltered Annuities are recorded correctly and remitted to investment companies in a timely manner.
8. Inquire about payments to individuals for services provided to the parish that are not recorded as payroll. Determine if Forms 1099 are issued as necessary.
9. Verify that employee portion of health insurance premiums does not exceed 15% for single or 30% for family coverage. Document any discrepancies.
10. Review payroll report for proper approval.

VII. Clergy Compensation

1. Review the Clergy Compensation Worksheet
 - a. Verify that gross compensation equals compensation allowed per the Clergy Handbook.
 - b. Verify calculations to arrive at net pay amounts.
 - c. Verify that amounts deducted as housing and food allowances are paid on non-payroll checks to the priest.
 - d. Review disbursements paid directly to others for rent, utilities, or other items which should be included in housing allowance. Schedule all payments in excess of amount deducted on compensation worksheet.
2. Review the Professional Expense Worksheets for the most recent 12 months
 - a. Verify that reimbursement is only paid in the amount of itemized receipts presented.
 - b. Verify that a mileage log exists to support mileage requested for reimbursement.
 - c. Verify calculations for carried forward reimbursement amounts in the same fiscal year.
3. Review payment and accounting classification for the Annual Supplemental Payment.

- a. Verify that correct amount per Clergy Handbook is paid directly to the priest.
- b. Verify that the amount paid is classified as wages.
- c. Verify that the amount paid is included in Form W-2 as wages.

VIII. Accounts Receivable

1. Obtain a schedule of amounts included in Accounts or Tuition Receivable balances.
2. Determine when Accounts Receivable balances were last reconciled and reviewed for collectability.

IX. Accounts Payable

1. Obtain a schedule of amounts included in Accounts Payable, Accrued Wages, Accrued Payroll Taxes, Exchange accounts.
2. Determine if any Accounts Payable, including amounts due the Archdiocese, need to be recorded.
3. Determine when outstanding Accounts Payable balances were last reviewed.

X. Other Balance Sheet Accounts

Review any other Balance Sheet accounts for appropriateness and support. Any amounts on a Balance Sheet that are not supported are to be removed.

XI. Adjusting Journal Entries

Obtain listing of adjusting journal entries for the previous 12 months and review for unusual entries, and for entries to correct previous periods that are not reflected in income or expense accounts.

XII. Net Asset Classifications

Review classification of legally restricted, parish designated and unrestricted net asset balances.

Review classification of temporarily and permanently restricted net asset balances.

Review opening net asset balance, activity and ending net asset balance for Faith In Our Future restricted investments.