Date: [date]

To: The Vestry of [church name]

From: [name(s) of reviewer(s)]

Per Title I, Canon 7.1.5, The General Canons and Canon 41.1.5, Canons of the Episcopal Diocese of Hawai’i, we have performed the agreed-upon procedures (AUPs) enumerated below for the year ended December 31, [year].

The purpose of the AUPs is to assess the accuracy of accounting records and to review the stewardship procedures that safeguard the financial assets (cash and cash equivalents) of [church name] (Church).

Procedures included responses by the [name(s) of individual(s) who responded] to an initial questionnaire and follow up inquiries and review of forms and other supporting documents.

# COLLECTIONS AND OTHER RECEIPTS

Our testing of AUPs on collections and other receipts consisted of

* selecting a sample of worship service and other collections,
* reviewing the Church’s deposit documentation,
* tracing totals to bank deposit slip, and
* postings to the bank statement and general ledger.
* Individual donations from daily deposit documentation were traced to the Church’s Contribution Statements which accumulated individual donations by date and purpose.

Our conclusion of the AUPs on the accounting records for the Sunday Collections and other receipts is [that collections were/were not accurately processed, deposited into the Church’s bank, and recorded in the Church’s general ledger and pledge records].

Our conclusion of the AUPs on the internal control procedures of collections and other receipts is that the church [effectively uses internal controls over its cash receipts/does not effectively use internal controls over its cash receipts].

# CASH DISBURSEMENTS

Our testing of AUPs on cash disbursements consisted of

* selecting a sample of the Church’s disbursements,
* reviewing the Church’s disbursement documentation as to payee, expense classification, purpose, and approvals, along with any accompanying supporting documentation (such as Vestry approval in minutes),
* reviewing posting to bank statement and general ledger, and
* reviewing related images of cancelled checks as to payee, amount, authorized signatures, and endorsements.
  + [If applicable: We note that the Church uses its bank’s electronic funds transfer (EFT) service for most of its payments. All the cash disbursement samples we selected the payment method was through EFT.]

Our conclusion of the AUPs on the accounting records for cash disbursements is that [cash disbursements were/were not accurately processed and recorded in the Church’s general ledger].

Our conclusion of the AUPs on the internal controls over cash disbursements noted the following exceptions (below are some examples of exceptions)

* We noted that the Church used its check request/voucher form inconsistently, several disbursements reviewed were not supported with a check request/voucher form or an alternative method of documentation (signing/initialing credit card/bank statement, etc.).
* The above situation was confirmed by the Church’s response to TECH questionnaire for this AUP review. The Church’s check request/voucher is required only for unusual and/or non-recurring payments.
  + Incomplete internal control process exposes risks of disbursements that may not be appropriate to the Church.
  + Without physical documentation (e.g., check request/voucher, approval stamp, treasurer’s signature/initials, etc.), internal process information (e.g. approvals, notes, questions, etc.) could be lost over time.

# ACCOUNT BALANCES

We reviewed and compared the Church’s [year] budget to actual accounts, calculated the dollar and percent variances.

Review Notes –

* The budget, as approved by the Vestry of the Church, projected total expenses to [exceed/equal/be less than] total income by approximately $[amount].
  + Actual year-end totals resulted in total income [exceeding/equaling/less than] total expenses by approximately $[amount].
* (example) Variances included unforeseen repairs and maintenance, an insurance overpayment refund, and the forgiveness of the Paycheck Protection Program loan.
* (example) Overall, there were no accounts whose variance we felt needed to be reviewed in detail.
* (example) In its response to TECH questionnaire for this AUP the Church answered that the Church Administrator will review and sign-off on bank reconciliations, however, toward the ending of 2021, the Church Administrator terminated her employment with the Church and the December 2021 bank reconciliation was not reviewed.
  + We suggest that when a new Church Administrator is installed, the oversight of bank reconciliations be reinstated.

# TAX RETURNS and PAYROLL

(if applicable) The Church receives unrelated business income that is subject to Hawaii General Excise Tax (GET). We used the Church’s financial data in their check register and financial report to determine unrelated business income and related payments for GET.

* We conclude the Church calculated, reported and paid its GET accurately and timely. (or did not, as the case may be)

For [year], the Church processed payroll for [number of] employees, its [employee title] and its [employee title]. We reviewed of the Church’s accounting and payroll records, bank statements, and Forms W-2 and W-3.

* [We/I conclude that the Church (did/did not) accurately and timely process payroll and related reports].

For [year], the Church issued [number of forms] Form 1099-NEC (Non-Employee Compensation) for payments to [list of services, for example, bookkeeper, yard worker, etc].

* (example) During 2021, The Church hired an independent contractor for cleaning services. The Church did not issue a 1099-NEC to this vendor as total payments for 2021 totaled less than $600.00.
  + TECH would encourage the Church to review IRS Publications 1796 and 1976 to assist in determining if service providers to the Church should be classified as independent contractors or employees.
  + Possible incorrect classification of church “staff” could result in financial consequences with the IRS, Department of Labor and Industrial Relation, State Unemployment Insurance, and/or CPG Pension

# CONCLUSION

We would like to thank [church name] for their cooperation and timeliness during this review.

In conclusion, [name of reviewer(s)] recommends [list of recommendations, for example, separation of duties, conflict of interest, independent contractor should be an employee, etc].

NOTE: Please edit this document to include any relevant information you feel is necessary, such as, any exceptions you deem important. Any conflicts of interest, actual or may have the appearance of, should be included in this report.