### Sample Audit Program \_\_\_\_\_\_\_\_\_

### GENERAL ITEMS

1. Obtain pertinent financial information:
2. monthly financial reports
3. quarterly financial reports
4. chart of accounts listing
5. fiscal year-end trial balance report
6. CARL system quarterly reports
7. Review pertinent financial information for any unique or unusual items relating to the field.
8. Review previous auditor reports and evaluate findings:

* How often are audits on the field’s finances conducted?
* When was the last audit performed?
* By whom was the last audit performed?
* Was the audit adequate?
* Were past recommendations implemented? If not, what were the reasons?

1. Review the internal control questionnaire:

* What are the field’s perceived internal control strengths?
* Are there any weaknesses that require additional audit testing?

1. Obtain a copy of the National Staff Personnel Policy Manual (if available).

6. Obtain a copy of the Field Accounting Policy Manual (if available).

**CASH**

1. Discuss and document with the field treasurer the procedures for the receiving and disbursement of cash.

a) sources of cash (funds)

1. frequency of deposits
2. who makes the deposits
3. the level of “cash” received
4. the nature of documentation of expenditures (invoices, check requests, agreements…)
5. authorization procedures
6. Determine whether the level of cash held in the field and in the office is appropriate.

## 3. For petty cash funds

* Is an accurate petty cash voucher maintained?
* Are physical cash counts

1. Conducted routinely by a person or people who are not direct custodians of the petty cash funds?
2. Reconciled with the petty cash voucher? Can all variances be explained?
3. Documented by those people who performed the counts and reconcile these counts against the petty cash voucher?

* Is access to petty cash funds restricted? Who has access to these funds?

4. For all field checking accounts

a) Determine the number of signatures required on each check.

1. Determine the process by which cash is received for mission operations.
2. Obtain bank statements for each bank account.
3. Determine the frequency and timing of the preparation of bank reconciliations. Who does the reconciliations?
4. Summarize a listing of deposits from the bank statements and reconcile the amounts with reported home office transfers and other sources of income reflected on the field’s financial reports.
5. Obtain bank reconciliations and test for accuracy.
6. Verify whether a second party reviews bank reconciliations monthly. These examinations should be documented with a date of examination and a signature of the second party.

**AMOUNTS DUE FROM OTHERS (NOTES, ETC.)**

1. Discuss with field treasurer the nature, purpose, and term of amounts due from others. (There is an expectation that the mission complies with cash base accounting standards).

2. Examine any note agreements.

3. If possible, verify balance with the other party.

4. Determine whether the interest is being properly computed and collected on a timely basis.

5. Determine whether loans, advances, etc were properly authorized by CRC personnel.

1. Evaluate any personal account balances to determine reasonableness and estimated timing of collection.

#### PROPERTY, EQUIPMENT, AND VEHICLES

1. Determine whether the field owns any assets.

(Automobiles, land, buildings, office equipment)

2. Determine whether a listing of all assets owned is maintained.

* Obtain a copy
* Review for completeness
* Determine date of latest compilation
* Verify whether the assets are registered to CRWRC. If not, state the reasons.

3. Determine whether the field has obtained adequate insurance on these assets.

4. For any assets purchased, determine whether proper authorization was received.

5. For assets over $1,000.00, obtain copies of the invoices which adequately document the purchase.

1. Determine whether there is appropriate security over mission assets. This includes documenting previous history of theft.

7. Evaluate computer system operations

* Is there appropriate technical support?
* What is the existing practice of updating virus protection?
* How often do system back-ups occur?

### ACCOUNTS PAYABLE

1. Are there any payables booked? If so why? (There is an expectation that the mission complies with cash base accounting standards.)

2. Has the Home Office been notified of any significant payables?

### REVENUES

1. In connection with the review of deposits in the cash area, reconcile the deposits to the receipts recorded on pertinent financial reports.

2. Independently confirm with the Home Office and other funding sources (the amount and date of fund transfers). These amounts should reconcile to what has been reported by the field.

3. Determine the nature of the various sources of receipts and any unusual recording procedures, entries, etc.

### EXPENDITURES

1. By review of the check register for the prior months, select checks and review the following:

* Cancelled checks for agreement of endorsement, payee, amount, etc.
* Supporting invoice for agreement of description, amount, date, and account classification.
* Proper authorization in accordance with agency policy.

2. Review the check register for the prior months and be particularly alert for unusual items such as

* Large amounts
* Payments to agency staff
* Payments to field treasurer/director or related persons
* Payments to banks
* Payments to individuals
* List any items noted above and follow up by discussing with the field treasurer/director with the supporting documentation.

3. For travel advances, reimbursements, etc.

1. Discuss procedures for reimbursement with the field treasurer/director
2. Select disbursements for detail review of support and determine whether the documentation includes the following:

1) Who incurred the expense?

2) What was the purpose of the expense?

3) When was the expense incurred?

4) Where was the expense incurred?

5) Why was the expense incurred?

4. Review personnel expenses for personal medical charges for expatriate level staff. Agency funds should not be used unless with Home Office authorization. This authorization must be documented.

### OPERATING PROCEDURES

1. Review the mission's compliance with the host country's laws in regard to

* Country registration
* Payment of local taxes (payroll, property, income, etc.)
* Employment contracts with national workers
* Mission ownership of property (vehicles, land, and buildings)

2. Review the field's policy on housing.

* How is the housing assigned?
* How is the monthly rental allowance determined?
* What housing expenses do the mission assume?
* What housing expenses do the missionary assume?
* Do any of the missionaries own their homes? If so, what type of reimbursement is received from the mission? How is it determined?
* Obtain a listing of the present monthly payments made for missionary housing by the mission.

3. Field Vehicle Policies

* How does the field determine if a vehicle is necessary for the work of the missionary?
* Do all missionaries on the field have a mission vehicle?
* If some do not have a mission vehicle, why not?
* What policy does the field have regarding the replacement of mission vehicles?
* How available, efficient, and costly is public transportation?
* Is the mission's mileage policy being followed?

4. Budgeting and Planning Procedures

* How does the budget evolve on the field?
* Who is involved in the process?
* How are the approved guidelines used in the process?
* Has the field prepared contingency plans, should decreases be needed?
* What difficulties are experienced in the formulation of the plans and budgets?
* Do field staff have any suggestions on how to make the procedure more effective, efficient, and accurate?
* How does the field determined the exchange rate used for the annual budget if budgets are reported in local currency?

5. Currency Exchange Procedures

* What laws do the host country have in regard to currency exchange?
* Is the field's current practice in compliance with these laws?
* What are the current practices of the missionaries for obtaining local currency?

6. Children’s' Education Assistance

* Obtain a listing of the tuition, fees, and boarding costs charged by each of the approved schools.
* What procedure is followed in determining which school is approved?
* If boarding is needed, what are the choices? Include costs.

7. Travel policies and procedures

* What procedure is used in the purchase of international air tickets? Who purchases the tickets and where are they purchased?
* Is a price check made with the Grand Rapids and/or Burlington office to determine where the tickets could be purchased for the least amount?
* How are personal international travel arrangements handled?

8. Medical & Dental Policies

* Any positive/negative comments on the American or Canadian policies currently being used?
* What method is being used by the missionaries to forward their claims to Cambridge or to the Canada office?
* What medical costs are still being incurred by the mission? How are these being accounted for?

9. Spouse Employment by the Mission

* Did the field employ any of the missionary spouses? If so, what policies govern the remuneration given?

10. Field Education & Spiritual Retreat

* Does the field have an education policy for its missionaries?
* What policies govern the cost for the annual spiritual retreat? What is considered mission expense and what is personal?

11. Cost-of-Living Allowances

* Does the field feel that ORC's current cost-of-living allowance accurately reflects the economic conditions within the country?
* If the field is currently conducting its own cost-of-living survey, when was the last survey conducted?

12. National Churches/Organizations Relationships

* Does the mission provide grants to any these? If so, what are the amounts?
* What procedures and controls are used to ensure the funds are used for the intended purposes?
* Are grant amounts properly recorded on field financial reports and in the CARL system? PCD-funded projects must be recorded separately from CRWRC-funded projects.

13. Benevolence Policy

* Are mission funds used to address the benevolent needs of the community that the missionaries may face each day? If so, is there a field policy?

1. Audit Planning

* Are audits conducted routinely?
* Does the field alternate in the type of auditors used?
* Does the field coordinate with the Home Office in its audit planning?

1. Consult with the field’s legal advisors (if any)

* Taxation requirements
* Sale agreements
* The details of major contracts
* The details of housing agreements

# **Auditor Evaluation**

## Field and Name of Evaluator

# Auditor(s) Name

Date(s) of Field Testing

1. Specify auditor type:

A) Local / Regional Auditor B) International Auditor

C) In-field Volunteer D) North American Volunteer

E) Home Office Auditor F) Other

1. How well did the auditor(s) and field staff communicate audit expectations? Score from 1 (poorly) to 7 (excellent).
2. Were the field’s supporting documentation handled with care by the auditor(s)? Score from 1 (poorly) to 7 (excellent).
3. Were interviews with field staff conducted in a professional manner? Score from 1 (poorly) to 7 (excellent).
4. Did the audit program used by the auditors adequately examine sampled financial data? Score from 1 (poorly) to 7 (excellent).
5. Did the auditor(s) communicate field audit status at routine intervals during the course of the field audit? Score from 1 (poorly) to 7 (excellent).
6. At the end of field testing, did the auditor(s) communicate auditor recommendations in a clear and concise manner? Score 1 (poorly) to 7 (excellent).
7. Do field staff find the audit recommendations helpful? Score 1 (poorly) to 7 (excellent).
8. Were field staff able to give feedback on audit recommendations? Score 1 (poorly) to 7 (excellent).
9. Were field staff able to review a draft copy of the audit report before the report was finalized? Score 1 (poor) to 7 (excellent).
10. What were the overall strengths and weaknesses of the audit? Does the field have suggestions that would improve the effectiveness of future audits? Please write comments on a separate page.