

Helena Center of Creative Living
Self-Audit Report For Calendar Year 2015
Findings, Notes, Recommendations, And Commendations
Submitted by the Audit Committee
Peter Carparelli, Barbara Thomas, Jeanne Wolf
for review at
Board of Directors October Meeting
October 19, 2016

1. **Pre-Audit Work**

Letter of engagement (copy attached) sent to Board of Directors June 1, 2016

1. **Review Information from Prior Audit**

No prior audit information is available.

1. **Accounting Procedure:**

Compliance – No exceptions were noted.

Notes

a) **Is there an accounting manual?** - Atwood Accounting Services follows Generally Accepted Accounting Practices that conform to State, Federal, and Professional guidelines. These are updated annually; the manual used for the period of this audit was dated 2015.

In addition, HCCL By-Laws (04/09/15) and Chapter 6 of the HCCL Board Manual (01/15/14 and 08/08/14) address accounting procedure.*

b) **Is there a policy manual?** – The HCCL By-Laws (04/09/15), Article 9.1 serves as the policy manual for accounting procedure during a portion of the year being audited. No previous version was found on the HCCL computer. * In addition, as procedures of the Board Manual (08/08/14) are regularly implemented, they become de facto policy.

c) Quicken is the **double entry system of bookkeeping** used by Atwood.

* This auditor found it confusing when trying to determine which version of internal accounting and policy manuals gave guidance to accounting procedures in 2015; he could not find By-laws effective prior to 01/01/15, and there were two versions of the HCCL Board Manual in 2014.

All accounting methods are current and in compliance.

Board needs to do an annual review of the Board Manual. Board will review during board meetings section by section.

Recommendations

(a)(b) For purposes of this audit, check Board minutes in 2014 to determine which controlling documents were in effect. For future operations and audits, establish clear "paper chase" to determine effective dates of policies and procedures.

There is clear and concise documentation that follows all financial transactions.

Also see general recommendation later in this report regarding HCCL documents, with special attention to file names and dates, adoption and effective dates, and archiving.

Chris and Rev. Jean have been cleaning up documents, deleting documents and renaming and refileing for consistency and clarity.

Complete revisions of the Board Manual as soon as possible, and note dates of adoption of specific revisions.

Board will review during board meetings section by section.

Commendations

HCCL is commended for engaging a competent and knowledgeable accountant (Atwood Accounting Services) with specific knowledge of procedures and laws pertaining to churches.

HCCL is commended for addressing accounting procedure in its policy documents.

4. Board of Director Minutes:

6/23/16 – Met with Dr. Liz Cavin at her office to review 2015 HCCL Board Meeting Minutes

I first read all the board minutes as recommended before addressing the following items:

- a. Are signed, original Board minutes available for the year? All minutes are available, except for September 2015, none of the minutes are signed.
- b. Have you read all the Board minutes? Yes
- c. Have the audit's findings from last year been recorded in the Board minutes? N/A
- d. Is approval of the budget noted in the minutes? Yes
- e. Is it noted in the Board minutes that they have seen financial statements (income & balance sheets) & compared actual income and expense to budget or discussed major discrepancies each quarter? No
- f. Are changes to the budget approved by the Board? At HCCL, changes to the budget are approved by the membership per HCCL By approval of special funding noted in the minutes? Yes
- g. Is approval of special funding noted in the minutes? Yes
- h. Are quarterly reports for all other funds, including restricted & investments funds, provided to the Board? Mention of \$100 investment, however, I didn't see a quarterly report in the minutes. However, there is mention of being in good standing on 3/18/15.
- i. Has the Board approved purchase or disposal of equipment? Yes, except there is no mention of Board approval of an air conditioner.
- j. Has the Board approved investment purchases or sales or met with investment brokers? Yes. Michael Thomas recommended moving \$100 into Vanguard account and the Board approved.
- k. Is there any mention of loans or leases in the minutes? N/A
- l. If there are loans or any other debt for the year being audited? N/A
- m. Is there mention of endowments or restricted gifts? No
- n. Are minister housing allowances recorded in the minutes prior to paying the minister? N/A
- o. Do the minutes of the Board include authorization of expenditures by other groups authorized to spend money? No

RECOMMENDATIONS

1. Recommend including the last names of positions of Board members in the Roll Call section of the Board minutes.
2. Recommend the minutes be signed by the Board secretary.
3. Recommend that all purchase/disposal of equipment receive Board approval.
4. Recommend that Board minutes include financial statements.

In compliance.

Secretary to ensure that when minutes are filed they include the current financial report.

5. Contribution Receipts and Other Income

Barb Thomas and Jeanne Wolf met with 2016 treasurer Chris Vaughn on June 28, 2016, in room 427 where the records are located. Barb interviewed 2015 treasurer Mike Thomas thereafter.

Overview

Contributions from Sunday and Monday services and classes are promptly deposited into the Safe in room 427. Proceeds from Sunday CD sales remain in the cash box along with the change fund prior to entering these in the PowerChurch software.

Other items, such as magazine sales, are sealed in a labeled envelope and placed in the safe.

Two unrelated Board members, each with an opposing key to open the safe, count and record the collections by Fund and prepare the deposits. One member will take the deposits to the bank. PowerChurch reports are signed and dated by both members and filed in the year's Contributions binder in the office. A deposit slip is also printed. HCCL does not print deposit slips as the bank prints them for us. Receipts from the bank deposit are attached to the weekly report from PowerChurch.

One member will take the deposits to the bank. Chapter 6 of the Board Manual, Financial Policies and Procedures, provides some detail.

The manual for the PowerChurch software is a hard copy kept on the computer desk. Confirmed

Note: The reports that are printed contain "Unposted" contribution data. Mike indicated that to avoid potential for user error in the software, he would post the contributions at the end of each month. This way, the posted amounts cannot be edited or overwritten in the software.

Review

A) We sampled some counting sheets and compared them to the respective deposit slip.

On two occasions we encountered errors in the deposit total when the total in each separate fund report was calculated manually. PowerChurch provides a report that produces a single deposit slip already totalled, and using this deposit slip will avoid human error.

Power Church provides a report with totals, and using this while processing deposits avoids human error.

- B) These discrepancies are not caused by other funds going into the deposit. Typically, the Treasurer will deposit other income, e.g., from a fundraiser. Additionally, Rev. Jean handles a secondary account for the Book fund and makes those deposits independently.
- C) Affirmed the signatures on each reviewed counting sheet indicate the two Board members are not related to each other.
- D) Per the sampling, it was not apparent that the same people are counting for weeks in succession.
- E) Our sampling revealed deposits were made weekly.
- F) Chris showed Jeanne the stamp used to validate the check "For Deposit Only".
- G) There is one general account that serves HCCL. Mike indicated there are two checking accounts that fall under it: the Book account and the general account.
- H) The contributor letter that is generated in Power Church contains the statement, "Please retain this letter as your official receipt for your records. No goods or services were provided in exchange for your contributions."

Recommendations

A) To prepare the deposit slip, we recommend printing the Deposit Slip report in Power Church, as it lists all checks and avoids math errors when submitting the deposit to the bank.

Already applied to process: Power church reports are already printed and filed in the notebook weekly.

H) Contributor letters for acknowledging an annual donation total over \$250 should have the IRS language that states "No goods or services were provided in exchange for your contributions, other than intangible religious benefits."

In compliance

Commendations

HCCL is doing well to document cash handling procedures and to follow them. The Treasurer is commended for diligence in monitoring the funds and posting the entries monthly.

6. Cash Disbursements

Compliance – No exceptions were noted.

Notes

- (a) Checks are prenumbered and used in sequence.
- (b) As a rule, deposit slips and cash counting lists match. Discrepancies do occur, but not more than two or three times in 2015.
- (c) All checks are payable to a specified payee and not to cash.
- (d) Original paid invoices are not consistently marked "PAID" with the date and check number.
- (e) Checks are signed only by authorized signers.
- (f) By adopted policy/procedure, two signatures are required for checks exceeding \$100 only.
- (g) No checks written to cash were found.
- 1. (h) Bills are not approved by someone other than the person who signs the checks. This conforms to adopted policy/procedure.

- (i) No discrepancies were found between checks and check registers regarding amounts and payees.
- (j) Receipts are available for all debit card transactions.

Recommendations

- (b) Counters must double check counting lists and deposit slips before inserting into the bank deposit pouch. **Part of the current process.**
- (d) Treasurer must stamp "PAID" and note date and check number on each invoice processed. Perhaps a new "PAID" stamp that includes "Date" and "Check #" could facilitate the process. **Treasurer writes the above information on all invoices.**
- (h) Submit a list of bills to be paid, to the Board for approval each month. If payment would be delayed beyond 30 days from the billing date, the Treasurer should request approval from the Senior Minister/Board Member.

The board has preapproved all regular payments. New expenditures and discussed and approved prior to purchase. Currently the Treasurer pays all bills as received and anything over \$100 requires a co-signer.

Commendations

HCCL is commended for accuracy in the check register.

HCCL is commended for the practice of engaging its Treasurer and Senior Minister in a monthly review/accounting of its debit card transactions.

7. Journal Entries:

Compliance – No exceptions were noted

Notes

- (a) Journal entries are made only by Atwood Accounting Services.
- (b) There is adequate explanation of the reasons for journal entries. Accountant recommends a single change in account categories to eliminate a common journal entry.
- (c) There is no approval of journal entries by anyone other than the accountant making the entry.

Recommendations

- (b) Set up a separate book account, and deposit appropriate funds directly to it thus eliminating the need for recurrent journal entries.

In compliance

Book account is created and managed by Rev. Jean and Chris. Since the inception of the Mind Shop Book store, an inventory and accounting system was created by Rev. Jean Sweet and Sherry Copenhaver. This is still being tested. A secure cash drawer was established for the money.

- (c) Establish a procedure through which the accountant confers with the Treasurer before making a journal entry, unless the entry is merely a correction of an incorrectly coded transaction.

In compliance

Commendations

HCCL is commended for having a well-organized book of accounts that keeps journal entries to a minimum.

HCCL Treasurer in 2015 is commended for accurate coding of transactions, thus avoiding frequent use of journal entries.

8. Bank Account Reconciliation:

Barb met with Rev. Jean Sweet on June 28, 2016, in room 427 to review the Book account and met with 2015 treasurer, Mike Thomas thereafter to review the general checking account.

Overview

Mike indicated the two separate checking accounts (each with its respective debit card) belong to the HCCL account.

Review

- A) All accounts are in HCCL's name
- B) Mike said the account did not reconcile in 2015. Mike showed me bank statements and the related spreadsheets he created that contain the information by month. He kept entries on the spreadsheet in lieu of a check register. I did not notice an unusual amount of spending on congregant care.

Rev. Jean has both debit cards. The Treasurer reconciles all purchases to bank statements each month with the minister. The Month is not closed out until all receipts are reconciled, coded, and filed.

The only submission for reimbursement was for travel expenses that Rev. Jean had charged on her personal credit card.

- C) Rev. Jean did not provide a check register to review. The process described above does not require a check register. She uses the debit card rather than writing checks. She said the book account is reconciled.

- D) Rev. Jean's debit card authority was approved by the Board on 8/11/2014 to spend up to \$500 per quarter. Details appear on page 14 of the policy/procedure manual.

- E) On 2/6/2015, \$3500 went from the general checking account to the Vanguard Prime Money Market Fund via online transfer.

- F) Rev. Jean indicated when the book account has excess she will move funds into the general account. In July, she moved \$100 from the book account to general checking to cover the Amazon Prime fee, and no receipt was available from Amazon. Later, I looked at the online statement for the book account and saw a transfer of 111.22 to "repay from book acct". Additionally, I saw check # 0466 dated April 12, written to Safeway for \$194.16. The address on the check was 2806 Gold Rush Avenue. July's statement showed a deposit of \$99.

- G, H) no debit or credit memos noted.

- I) Rev. Jean indicated there are no outstanding aged checks for the book account. A random search of the general account found two checks bordering on 60 days at clearing.

- J) I found a check that cleared c.166 days after issue: 4614 to American Red Cross 8/25/15 - 2/11/16.

- K) Mike offered that Workers Comp left a check in its envelope for months.

- L) One December check remained to clear in January 2015.

- M) Check 4651 from December cleared in January 2016.

- N) There are no interest or charges on the accounts. Rev. Jean indicated only when buying checks from the bank would a charge appear.

This is accomplished electronically.

Recommendations

C) HCCL is urged to assign maintenance of all accounts to the Treasurer.

In compliance.

K) Checks outstanding more than 180 days should be voided and reissued before the end of the year.

Commendations

Good stewardship is evident when an excess in checking can be transferred to an investment account.

Detailing financial (and other) procedures in the policy/procedure manual is commendable.

Board will review during board meetings section by section.

9. Petty Cash

This section does not apply.

10. Investments:

Compliance – No were exceptions noted.

Notes

(a) HCCL investments are all in Vanguard accounts. The investment reports are in the name of The Helena Center for Creative Living: A Religious Science Church. The Federal Tax ID was not apparent on account reports from Vanguard, but clearly had been submitted in the past on a form submitted to Vanguard.

(b) Investment income and interest is recorded on line. They are not bookmarked. No hard copy could be found.

Vanguard quarterly statements are filed in office as received.

(c) The market value of the Vanguard Funds at the beginning of 2015 was \$11,191.25.

(d) At year end the balance was \$14,696. 26.

(e) The market value of the investment statements is not reported as part of the monthly or year-end financial report to the Board/members.

Vanguard investments are presented in Treasurer's quarterly reports.

(f) No withdrawals were made from the Vanguard Funds during 2015.

(g) Although no withdrawals were made in 2015 - (f) above – a note is made here that there seems to be no procedure for verifying that withdrawals are transferred to a church account should a withdrawal be made.

(h) Investment accounts are reported to the Board in a separate report given quarterly, not on regular financial reports.

Vanguard investments are presented in Treasurer's quarterly reports.

Recommendations

(a) Find annual notifications of fund account gains and losses, annual year-end investment report. There should be a year-end report from Vanguard which reports annual gain/loss for tax filing.

Contact Vanguard to get an explanation of why the E/TIN is not noted on monthly account reports

No responsible agency will put private information on communications sent through mail.

(b) Hard copy of **every** monthly investment report, with income and interest noted, should be kept on file. As an alternative, such reports should be bookmarked or filed in a designated digital folder.

In compliance.

(e)(h) Make monthly investment reports part of the regular monthly financial reports to the Board, and part of the year end and budget reports to the general membership.

This report is presented quarterly and is part of the year end budget reports at the Annual Meeting.

(g) Establish a procedure that verifies that any withdrawals from the investment fund have been transferred to another church account. The procedure should make it easy to see into which account the transfers were made.

In compliance.

Commendations

In 2015, HCCL operated within its budget without making any withdrawals from its investment account.

11. Endowment Funds and Trusts

This section does not apply.

12. Property and Equipment:

6/20/16 – Met with Reverend Jean Sweet, Mike Thomas, and Chris Vaughn in Room 427, St. John's Building

Reverend Jean explained that prior to her arrival at HCCL, no property and equipment inventory existed. In November 2012, she and Mike Thomas put together an inventory of all HCCL property and equipment owned by HCCL as contained in the Law Library, Rooms 420, 427, and a storage closet. A consecutive numbered sticker was placed on all items and then an inventory list was created, which currently numbers between 1 and 134 items. The inventory list is a table that consists of the HCCL Serial #, a description of the item, and the item's serial #, if available.

I walked through the offices, law library, and storage closet and randomly selected 20 items. Eighteen of items selected contained the HCCL inventory number that corresponded to the inventory list. Two items were found that lacked an HCCL inventory number and were not contained on the list. Those were the Century Safe, located in Room 427, and a folding table contained in a storage area in the Law Library. The Century Safe was immediately assigned a number and inventoried and Reverend Jean acknowledged the need to assign a number to the folding table

Recommendation

HCCL has done a good job of creating an inventory of existing property and equipment where no accounting previously existed.

1. Recommend adding the following to the inventory list for future acquisitions:
 - a. Date acquired
 - b. Total cost

Rev. Jean has updated the inventory list as of July 2017, after the acquisition of a great deal of new furniture and items

13. Financial Statements :

Barb met with 2015 treasurer, Mike Thomas on June 30 to look at the financial statements that were provided monthly at Board meetings.

Overview

The financial statements are prepared by Atwood Accounting in the form of a Profit & Loss statement for the month and for January through the current month. Content is provided by the Treasurer. Additional formats include Profit & Loss quarterly and totals for January through December and Profit & Loss Budget vs. Actual.

Review

A) The monthly statements total income at 48,352.70, expenses at 47,106.98, and net income at 1,245.62. The year-end statement is dated 01/25/2016, and its totals do not match the prior reported monthly totals. This is accounting on an accrual basis, as Mike explained that some accounts are accrued due to their nature. The December monthly is dated 01/06/2016.

Additionally, the Treasurer waited for issued checks (such as payroll checks) to clear before submitting their data to the accountant.

B, C) n/a for Land and Buildings.

Recommendations

The Treasurer is advised to manage the check register to keep track of checks that have not cleared within the month. **In Compliance**

Keep a running total of the monthly Profit and Loss statement accounts and totals. **In compliance**

Commendation

The HCCL Board made a wise decision to contract with a knowledgeable accounting service.

14. Payroll and Employee Issues

Compliance – No exceptions were noted.

Notes

- (a) Personnel files are kept in the HCCL, and are easy to locate.
- (b) The letter of call and pertinent contract is on file in the HCCL office.
- (c) The Board has approved pay rates and effective dates, and is noted in Board minutes. The minutes are not included in the personnel file, however.
- (d) W4 forms for each employee could not be found.
- (e) I-9 forms for employees are on file, but lack completed employment eligibility verification section. I-9 for contracted employee (Senior Minister) was not located.
- (f) Copies of new hire forms were not available. Atwood attests that they have been submitted to the State of Montana, and that no copies have been kept on file.
- (g) A complete record of hours worked is on file at Atwood, and time sheets are in the personnel file in the HCCL office.
- (h) Records of gross pay and pay stubs are on file at Atwood. Atwood can run a monthly report if requested.
- (i) W2's are on file. Senior Minister gets a 1099 (contract services).
- (j) 1099 for Senior Minister, the only contract provider, is available.

- (k) Totals on the W2's and 1099 equal total expenses for salaries.
- (l) Payroll tax returns are filed quarterly by Atwood.
- (m) Payroll tax deposits are not required given low amounts of withholding.
- (n) Atwood informs us that HCCL is exempt from state quarterly unemployment reports.
- (o) All employees are listed in the 2015 worker's compensation report. This is handled directly through Atwood.
- (p) Auditor could not find and was not shown proof of Worker's Compensation coverage provided by anyone who is paid for services. Musicians are exempt. Status of the Senior Minister is unclear.
- (q) HCCL does not have contract worker's (Senior Minister) copy of Independent Contractor certificate waiving workers compensation coverage on file. Clergy may be exempt.
- (r) W9 form and independent contractor certificate is not provided by every contractor or anyone who is paid for services. Clergy and Church musicians may be exempt.

Recommendations

- (c) File Board Minutes showing employment actions in the personnel file. **Board will make discreet statements in board minutes when employees are hired.**
- (d) W4 forms for each employee should be included in the personnel file. **Board discussion has determined this could be stored in the safe.**
- (e) Assure that I-9's are properly completed at the time of hire. Then file. **Board discussion has determined this could be stored in the safe**
- (f) Atwood should forward copies of the new hire forms to HCCL Secretary for filing. **Atwood only maintains W-4s, HCCL maintains all other forms in office files.**
- (p)(q) HCCL should obtain clear explanation of requirements/exemptions relative to Worker's Compensation reporting.
- (r) HCCL should obtain clarification of W9, 1099, and independent contractor certificates requirements and exemptions. **Minister will research and advise.**

Commendations

(a - r) Atwood Accounting Services has strong and reliable communication, reporting, and filing relations with State agencies related to employment and worker's compensation matters.

15. Other:

Compliance – No exceptions were noted.

Notes

- (a) Records on file verify that HCCL had insurance coverage by Church Mutual during 2015.
- (b) By-laws dated March 21, 2013 applied to the 2015 audit. (it should be noted that the by-laws were revised during 2015 (April 9, 2015), so it may beg the question as to which document controlled during the entirety of 2015. Articles of Incorporation were originally filed on January 21, 1997.
- (c) The annual incorporation report was filed and in effect for 2015.
- (d) The audit committee's letter was presented to the Board, which includes the Treasurer and the Senior Minister. They know that it is included in the minutes of the Board.

- (e) Yes, the Worker's Compensation Poster is posted in the supply cabinet in the church.
- (f) Yes, the unemployment poster is posted on the back of the classroom entry door.
- (g) OSHA and minimum wage posters are also posted on the classroom door.
- (h) The HCCL has many positive practices, all of which should be continued. See Commendations below.

Recommendations

- (a) HCCL should assure that the Declaration Sheet for each year of coverage is on file. The Board should review the coverage manual any time the Dec Sheet shows changes to coverage, limits, exclusions, etc. **Treasurer and minister will confirm at the beginning of the fiscal year.**
- (d) Audit Committee must submit its letter of audit completion to the Board at a time when it can be reviewed and commented on by the committee. The Board should attach the letter to the minutes of that meeting, and also assure that a copy is on file. **Completed**
- (e,f,g) Worker's Comp, OSHA, Unemployment and Wage Law posters should be re-posted in a more prominent place. If that is impractical, these posters should be reviewed with new employees upon hiring and with on-going employees once a year. It would be good to get a signed verification that the employee has seen and knows where the posters are located. **All posters are posted in the tech cabinet where our only employee can see them weekly. Chair will provide a verification form that employees and Board Chair will review and sign.**

Commendations

- (a) HCCL maintains important insurance coverage through a provider (Church Mutual) that tailors coverage to specific needs of churches, and through an agent that is local and knowledgeable.
- (c) HCCL is diligent about filing the annual incorporation report with the Secretary of State.
- (d) HCCL has initiated this self-audit process.
- (h) There are many positive practices of the HCCL. They are, but not limited to, those listed:
 1. HCCL has comprehensive policy (By-Laws) and procedure (Board Manual) to guide its critical functions of financial management, personnel management, federal and state compliance requirements, etc. HCCL reviews and revises these documents periodically. HCCL orients its Board members regarding these documents, as it seeks consistent adherence to adopted policies and procedures.
 2. HCCL demonstrates responsible financial management as shown by the evidence of the self-audit for 2105.
 3. HCCL operates and presents its functions and activities with a high degree of transparency for its members.
 4. HCCL gives ample notice of its annual business meeting and its agenda.
 5. HCCL seeks to maintain and develop an effective degree of contact with its members as a group and as individuals.

General Recommendations Beyond the Components Reported Above

- (a) This auditor found it difficult to navigate hard copy files in the HCCL office. While it is accepted that filing methods are often left to the preferences of

the file manager, for purposes of audit scrutiny, security, and efficient management it is recommended that:

1. Older files, perhaps 3-7 years, be archived, still older files be shredded, recent files marked with dates, and current/active files be marked as such. One method would have "Current Year", "Past Year", "Archive".

After move to Inspiration Hall (rm 214) was complete, Rev. Jean moved boxes of old files to storage in Children's room. This process is ongoing. To date, files from 1998 through 2013 are in storage. Board chair Jacobsen directed that all files remain in storage and not be shredded.

2. HCCL should consider purchase of locked and fire-proof filing cabinets. Inexpensive secure off-site storage may be available.

Employee documents are housed in the locked, fireproof safe.

(b) This auditor also found it very difficult to navigate digital files on the HCCL computer and to identify those documents that were in effect during the period audited. Again, it is recognized that the method of filing of digital documents is often a personal preference of the file manager. However, in the case of digital files, it is more important to establish methods that will give continuity to the digital record of HCCL. To that end it is recommended that:

1. Digital files are given names that follow a pattern that helps organize and identify them. For example, YEAR – DOC TYPE (LETTER TO/FROM, MEMO, REPORT, DRAFT, REVISED) – BRIEF TITLE – DATE COMPOSED (MONTH, DAY, YEAR). Began with the purging of old and duplicate computer files.

2. Security of files be improved with a better logon and password system. Staying with the current system until board meets and agrees on change.

3. Establish offsite backup.

Completed: Carbonite purchased and updated annually.