

# LWML TEXAS DISTRICT FINANCIAL REVIEW ZONE OR GROUP

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Name of Zone or Group being reviewed

## Introduction and Purpose

The purpose of a financial review of the zone or group is:

- A. To help the treasurer to perform her duties effectively and efficiently through suggestions generated while in the financial review process.
- B. To verify that the financial records are being maintained in an acceptable and consistent manner.
- C. To verify that cash receipts and disbursements are posted consistently, correctly, and reconciled with the bank.
- D. To verify that the financial reports that have been issued to the zone or group membership agree with the official records (general ledger).

The results of the financial review should be shared with the Executive Committee before it is presented to the membership.

## **Caution!**

If you are not trained as a certified public accountant and you do not otherwise have the skills necessary to perform a certified audit, **do not call this procedure an audit** or refer to the zone or group as having had an audit. The legal implications are significant. Do not place yourself in a position of having to defend the “audit” when you did not perform an audit.

**Please . . . call the procedure a “financial review.”**

## **When Should a Financial Review be Performed?**

A financial review should be performed when:

- A. The year ends or the treasurer term is ending. A Financial Review should be performed at least every two years.
- B. Misuse of funds is suspected, or any other time the zone or group appropriate governing board so requests.

## **The Time Involved to Perform a Financial Review**

- A. Depends upon the scope of the review.
- B. Areas targeted for review may be cyclical, i.e., one year, cash receipts; another year, cash disbursements.

## **Scope**

**This chapter is detailed in scope and each zone or group should determine how deep to go into each area.** The committee should be encouraged to proceed with the review and not be overwhelmed by the number of pages of the Internal Control Review and the Financial Review that follow. Depending on the depth of the scope, some pages may not apply.

# LWML Texas District Internal Control Review

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*(Name of Zone or Group)*

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*(Street Address)*

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*(City, State and ZIP Code)*

Enter the year or period of the financial review: \_\_\_\_\_

Date review completed: \_\_\_\_\_

The Financial Review Committee:

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## General Information

Bank Accounts (list all accounts):

Name of bank: \_\_\_\_\_

Address: \_\_\_\_\_

Account number: \_\_\_\_\_

List the name(s) of the authorized signers on the account:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

How many signatures are required? \_\_\_\_\_

Name of bank: \_\_\_\_\_

Address: \_\_\_\_\_

Account number: \_\_\_\_\_

List the name(s) of the authorized signers on the account:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

How many signatures are required? \_\_\_\_\_

## Cash Receipts

Each “no” answer is a **possible** weakness in internal control.

Write a brief description of the procedure for handling cash from the time of collection to making the bank deposit. If possible, include a timetable for both receipts and disbursements.

### Cash Receipts:

	Yes	No
1. Is cash counted immediately following the offering collection at meetings? How is it stored and secured? _____	_____	_____
2. Do two or more individuals count cash?	_____	_____
3. Is the bank deposit prepared as part of the counting procedure?	_____	_____
4. Is the treasurer denied a position as a counter?	_____	_____
5. Is the deposit taken to the bank or secured immediately following the count?	_____	_____
6. Is a copy of the deposit slip kept as a permanent part of the financial records?	_____	_____

## Cash Disbursements

Each “no” answer is a **possible** weakness in internal control. Write a brief description of the procedure for handling cash disbursements from the time a payment voucher is received and prepared for payment through to the mailing of the check. Again, note the people involved in each step.

### Cash Disbursements:

	Yes	No
1. Is the treasurer given proof of the receipt of goods and services?	_____	_____
2. Is a voucher system used?	_____	_____
3. Are blank checks kept in a secure place?	_____	_____
4. Is a budget used?	_____	_____
5. Is a bank reconciliation prepared on a timely basis for all bank accounts?	_____	_____
6. Are checks prepared for payment only from documentation that is approved by an authorized official?	_____	_____
7. Are all checks properly filled out prior to being signed?	_____	_____
8. Is the invoice marked paid with a date and check number to prevent duplicate payment?	_____	_____
9. Are all check numbers accounted for?	_____	_____
7. Are paid invoices filed in a logical manner including all supporting documentation and authorizations?	_____	_____
8. Are voided checks defaced and permanently retained?	_____	_____
9. Does the treasurer have term limits?	_____	_____
10. Is care exercised that discounts are taken on invoices when offered?	_____	_____

## Budget

Yes No

- |  |       |       |
|--|-------|-------|
| 1. Has a budget been adopted by the governing board?   | _____ | _____ |
| 2. Are actual results compared against budgeted amounts on a periodical basis?   | _____ | _____ |
| 3. Do individuals such as the treasurer and counters have complete job descriptions?   | _____ | _____ |
| 4. Are monthly financial statements prepared including a statement of activities that lists all sources of revenue and all expenses? | _____ | _____ |
| 5. Are all financial and budgeting decisions clearly documented in the governing board's minutes?                                    | _____ | _____ |
| 6. Is documentation accompanying restricted gifts retained?  | _____ | _____ |

## Cash

Cash in the bank:

	Performed By	Date
1. Obtain the year-end bank reconciliation		
2. Obtain the bank statement with canceled checks for the final month of the period.		
3. Compare the final balance on the bank statement with the balance per the bank listed on the bank reconciliation.		
4. Verify that the deposits in transit on the bank reconciliation are recorded in the general ledger for the period under review.		
5. Using the previous month bank statement, indicate on your copy of the bank reconciliation the date the deposits in-transit were recorded by the bank.		
6. Compare the outstanding check list to the outstanding checks per the reconciliation.		
7. Use the previous month bank statement to verify the clearing of the outstanding checks. Watch the dates of the checks and note the date the checks cleared the bank.		
8. Checks that have not cleared for two months should be investigated.		
9. Determine that the adjusted bank balance on the reconciliation agrees with the bank balance on the financial report or in the general ledger.		
10. Review and ensure that other reconciling items are appropriate.		
11. Compare check signatures with list of authorized check signers.		

NOTE: Use this same procedure for additional bank accounts.

## Income

Income:

	Performed By	Date
1. Compare the contribution income from the treasurer's statements to the deposit records. Reconcile these two records.		
2. Are other types of income properly recorded as to source and type?		
3. Compare all income items to budgeted amounts and investigate significant fluctuations greater than 10 percent.		

## Expenses

Expenses:

	Performed By	Date
1. Compare expenditures with the approved budget for the period and investigate significant fluctuations greater than 10 percent.		
2. Prepare recommendations to the budget committee for areas not in agreement with budgeted amounts.		
3. Verify funds collected for special purposes were expensed for the total amount.		
4. Verify that all mite offerings were submitted to the District Financial Secretary (groups only) or that appropriate percentage of zone offerings were sent to the District Financial Secretary, designated for mites or appropriate district fund.		
5. Verify that funds to cover the group's annual subscriptions to the <i>Lutheran Women's Quarterly</i> and travel fund were submitted as directed.		

**The Financial Review  
(Test of Transactions)**

(Name of Zone or Group) \_\_\_\_\_

(Street Address) \_\_\_\_\_

(City, State and ZIP Code) \_\_\_\_\_

Enter the year or period of the financial review \_\_\_\_\_

Date review completed \_\_\_\_\_

The Financial Review Committee

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Test of Transactions — Proof of Cash Worksheet

The proof of cash worksheet provides a tool to help you prove the cash transactions for a given period. When completed, the worksheet will total down and across to prove that the elements of cash for a given month recorded by the bank agree with the same period of recording within the records of the LWML Texas District.

1. Select one month as the test month and enter your selection.
2. Obtain the bank statements for the month being tested and the month prior.
3. Obtain copies of the bank reconciliations for the month being tested and the month prior.
4. Complete the “Proof of Cash Worksheet” illustrated.
5. See instructions on next page for completing this worksheet.

### PROOF OF CASH WORKSHEET

Bank Name \_\_\_\_\_ Account # \_\_\_\_\_ Test Month \_\_\_\_\_

	Prior Month's Bank Reconciliation	Monthly Receipts	Monthly Disbursements	Test Month's Bank Reconciliation
Balance Per Bank	(1)	(1a)	(1a) ( )	(1a)
Deposits in transit:				
Prior month	(2a)	(2a) ( )		
Current month		(2b)		(2b)
Outstanding checks:				
Prior month	(3a) ( )		(3a)	
Current month			(3b) ( )	(3b) ( )
Other reconciling items:		(4a)	(4b) ( )	(4)
Balance per General Ledger	(5)	(5)	(5) ( )	(5)



## Proof of Cash Worksheet Instructions

### Balance Per Bank Row:

- (1) Cleared (ending) balance from prior month bank reconciliation (prior month of test month)
- (1a) Monthly Receipts Column: Test month cleared Deposits and Credits – from bank reconciliation
- (1a) Monthly Disbursements Column: Test month cleared Checks and Payments – from bank reconciliation
- (1a) Test Month's Bank Reconciliation Column: Cleared (ending) balance from test month bank reconciliation

### Deposits in Transit Rows:

#### Prior Month

- (2a) Prior Month Column: Outstanding Deposits and Credits per bank reconciliation.
- (2a) Monthly Receipts Column: Enter same dollar amount from other (2a) box in brackets.

#### Current Month

- (2b) Monthly Receipts Column: Enter outstanding Deposit and Credits from Test Month from bank reconciliation.
- (2b) Test Month's Bank Reconciliation: Enter same dollar amount from other (2b) box.

### Outstanding Checks Rows:

#### Prior Month

- (3a) Prior Month Column: Outstanding Checks and Payments from bank reconciliation. Enter amount in brackets.
- (3a) Monthly Disbursements Column: Enter same dollar amount from other (3a) box.

#### Current Month

- (3b) Monthly Disbursements Column: Enter outstanding Checks and Payments from test month bank reconciliation in brackets.
- (3b) Test Month's Bank Reconciliation: Enter same dollar amount from other (3b) box.

### Other Reconciling Items Rows:

- (4a) Monthly Receipts Column: Items that would be recorded here are interest paid on account, bank transfers, adjustment for errors in recording.
- (4b) Monthly Disbursements Column: Items that would be recorded here are monthly service charge on account, NSF check return fees.
- (4) Enter the total of (4a) minus (4b)

### Balance per General Ledger Rows:

- (5) Prior Month Column: Total column going down. Should match prior month check register balance per bank reconciliation.
- (5) Monthly Receipts Column: Total column going down.
- (5) Monthly Disbursements Column: Total column going down. Number should be a negative ( ) total.
- (5) Test Month's Bank Reconciliation: Total column going down. Should match test month check register balance per bank reconciliation.

**If the dollar amount balances with the test month check register balance per bank reconciliation, then you have proved the cash for one month.**

## Test of Transactions — Cash Disbursements

### Cash Disbursements:

	Performed By	Date
1. Determine how many checks were written during the year by subtracting the beginning check number from the ending check number. Divide the number of checks written by 20, (which will be the sample size), and determine the interval between each sample. For example, 400 checks written, divided by 20, would mean every 20th check would be examined.		
2. Secure the sample of 20 by obtaining all the canceled checks for the year.		
3. Make a list of the 20 checks and make columns headed accordingly: check number, vendor, date written, amount, account distribution, supporting detail, and remarks.		
4. At this time, review the internal control review and note the answers given to authorized signatures, number of signatures required, the cash disbursements section of the questions. Now you will prove or disprove the validity of the internal control as it was explained to you.		
5. Obtain all the supporting documentation to the 20 checks written. Now examine each check and supporting documentation to see if each one is handled in accordance with documented procedure. Use the worksheet (prepared in step #3 above) to support your findings. Note any departure from procedure. Make appropriate comments and recommendations for better documentation.		
6. After performing the above test, return all items to their proper file.		

## Test of Transactions — Cash Receipts

### Cash Receipts:

	Performed By	Date
1. Select a sample of cash receipts from the treasurer's bank account.		
2. Review the receipt explanation and supporting documentation to ensure the income account charged was reasonable.		



## Letter of Financial Review (Sample)

Date:

To: (Group or Zone President)

We, as an appointed Financial Review Committee, have reviewed the financial records of the \_\_\_\_\_.

Our financial review covered the period of \_\_\_\_\_ through \_\_\_\_\_.

As part of our study, we utilized the financial review package as found in the Congregational Treasurer's Manual prepared by the LCMS, with minor digressions on non-applicable terms, and performed as required by the bylaws of the \_\_\_\_\_.

(Enter review findings here)

Example: We found the financial processes to be exemplary; we discovered no discrepancies; and have made no recommendations for improvement.

We thank God for the opportunity to serve Him and the LWML \_\_\_\_\_, as we work together toward excellence in utilizing the blessings God has so graciously given us.

Financial Review Committee

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Committee Member and position

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Committee Member and position

You may add additional lines if you have more than 3 committee members.