

2006 Temple Financial Audit Checklist Detailed Listing of Changes

The Temple Financial Audit Checklist has been modified for 2006, to reflect information gleaned from the prior years' audits and responses from temples. A detailed listing of changes from the prior year is shown below, with references to the corresponding item numbers in the 2006 checklist, where applicable. Most of the modifications are made to help ensure that necessary internal controls are applied and audited with increased consistency and to clarify expectations. The items eliminated did not address significant risks.

Most Significant Changes:

- Temple presidency members are no longer required to approve invoices and sign checks. While temple presidency members may provide one of two signature approvals, we recommend that this be done only in unusual or extraordinary circumstances. The authorization of the temple recorder or an assistant recorder is required for all disbursements. Electronic authorizations are an increasingly common way for payments to be processed and will require approvers to be trained to use computer disbursement systems and maintain necessary password controls. The disbursements section of the audit checklist has been updated to reflect varied invoice processing and disbursement methods throughout the world. Note: Temples that prepare their own checks may need to update their signature cards to add additional authorized signers. [Items #39-55 & "Important Note" preceding #39]

Although the temple presidency is not required to approve individual expenditures, it is important to note the following from the Temple Presidents Handbook:

1. The temple president, as chief administrative officer, has overall responsibility for temple finances.
2. The annual budget is completed under the direction of the temple presidency.
3. The temple presidency and recorder should review the monthly statement of operations and general ledger for accuracy and use them for planning expenditures.
(Section 5: Temporal Operations – Finance, page 28)

- There should be clear justification for using purchasing cards that are not issued by the Church. [Item #56]
- The auditor will review with the temple recorder and temple engineer the Conflict of Interest forms on file for the temple recorder, temple engineer, assistant engineers, and grounds supervisor, ensuring that the forms are updated to disclose potential conflicts of interest. [Item #82]
- Sufficient cross training in financial functions needs to have occurred to provide continuity and coverage when those who normally perform financial duties are not available. [Item #73]

Other Clarifications:

- The change funds and petty cash fund should be counted at least quarterly ("periodically" was less clear in the prior year's checklist) and compared to the general ledger. We request that reviewers initial next to the account balance on the general ledger, or on a simple log, as an efficient way to document that the fund was agreed to the general ledger. If the review is not documented, the item will be an audit exception. [Items #19 added and #72 clarified]

- When the control and grand total numbers from cash register tapes are being reviewed, we request that they be entered on a simple log to help identify any variances up front and allow the recorder to document reasons for the variances. A log will be sent with the checklist. If a log is not kept, it will be an audit exception. [Item #8]
- Each month a comparison takes place of cash register tapes, accounting receipts, and bank validated deposit slips for at least two days. We recommend that a simple record of the review be noted on a log to ensure and demonstrate that the review is occurring consistently. A log will be sent with the checklist. If a log is not kept, it will be an audit exception. [Item #17]
- Vouchers for free meals are to be signed by a member of the temple presidency, recorder, or assistant recorder. (This may be as simple as a register receipt with supporting signature on the back). [Item #4]
- Significant over/short cash variances need to be reviewed and documented by the recorder. [Item #11]
- Temples using REFIS (U.S. & Canada) receive a Church unit bank statement. The reviewer needs to initial the statement to document there has been sufficient follow-up on items needing attention (such as old outstanding checks, stop payments, void checks, and deposit variances from bank amounts), or the item will be an audit exception. [Item #16]
- The clothing rental revenue account (2xxx300-4250) should be used both when lost and found funds are initially receipted and if returned to the patron. [Item #35]

Eliminated (With item numbers from the 2005 Audit Checklist):

- Item #7 Cash register displays to patron the amount charged - combined with Item #1.
- Item #38 Prepaid expenses in temples are not common and do not pose a significant risk.
- Item #70 Petty cash counting and reconciling – consolidated with Item #69.
- Item #71 Salary advances in temples are very uncommon, are not considered a significant risk, and risk is mitigated with temple president involved and salary administration by headquarters or administration office personnel.
- Item #77 Confirming that employees paid are valid employees is considered a low risk, mitigated by payroll systems that are administered by headquarters or administration office personnel.

Special Emphasis Requested:

The following internal controls are not new, but present relatively high risks when not in place and warrant special emphasis to ensure they are being applied in all temples.

- **Two people are required to open the safe.** Safe keys should not be loaned to another individual, even temporarily. If the temple recorder, temple engineer, or any other person, has access to a copy of both safe keys, this is an audit exception. [Item #33]
- **For each project for which a contractor used, the temple has a written and signed contract.** [Item #80f]
- **For each project over U.S.\$1,000, or even for contracts less than \$1,000 when the type of work to be done poses a high risk of damage, the temple obtains a certificate of insurance covering potential damage by the contractor.** Often the amount of the contracted work does not correlate with the damage that could occur to the temple. A minimum threshold of contracts over \$1,000 has been set by the Temple Department Facilities Division, but in actual operational experience the type of work done for contracts even less than \$1,000 could also necessitate a certificate of insurance in the particular situation where the risk of damage would warrant requiring it. [Item #80h]