



Operating Instruction 8.3.1.1 Agreed Upon Procedures for Foundations with Revenues Under \$750,000 in a Fiscal Year

Part 1. Agreed Upon Procedures

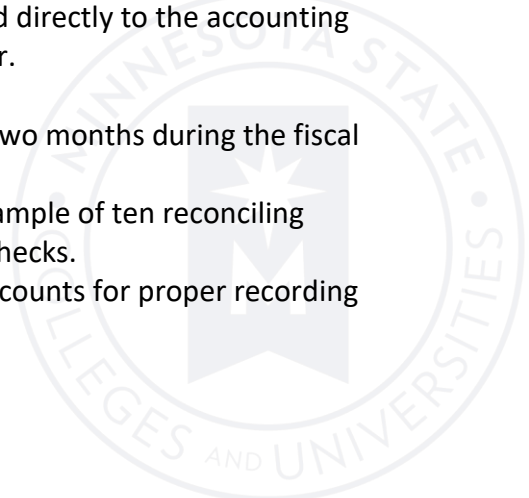
Once every three years, a CPA firm will perform the following procedures for the foundation's fiscal year and report the related findings.

Part 2. General

- a. Provide an internal control summary questionnaire for the controller/accountant/office manager to complete. The foundation can use this document as a guide to discuss how to strengthen internal controls.
- b. Obtain and read minutes from the finance committee/board noting that meetings were held, and minutes were kept.
- c. Inquire of the foundation's record keeping system for receipts, donations, expenditures, minutes of all board meetings as well as the computer back up process.
- d. Match the monthly financial statements provided to the finance committee/board to the general ledger for one test month during the fiscal year.
- e. Obtain a copy of the most recent annual report distributed to key stakeholders.
- f. Inquire of management regarding the budget process:
 1. Is a budget prepared each year?
 2. Does the budget cover all funds of the foundation?
 3. Who approves the budget?
 4. Is budget vs. actual information provided as part of the foundation's reporting to governance?

Part 3. Bank, Savings, and Investment Accounts

- a. Obtain a list of all bank, savings, and investment accounts, including accounts closed during the year. Inquire whether bank statements are mailed directly to the accounting office. List any accounts not maintained in the general ledger.
- b. Confirm the existence of the bank accounts.
- c. Obtain bank reconciliations from the operating account for two months during the fiscal year. Perform the following:
 1. Test by vouching to subsequent bank statements a sample of ten reconciling items, including deposits in transit and outstanding checks.
 2. For statements selected, vouch transfers between accounts for proper recording and handling, if applicable.



3. Read the selected bank statement for all corrections made to deposits from the bank.
4. Inspect the bank reconciliation or bank statement indicating review.

Part 4. Receipts and Revenue

- a. Select one month and perform the following:
 1. Trace two weeks of deposits from the bank statement to the general ledger and note any differences.
 2. Trace two weeks of receipts from the general ledger to supporting documents (such as validated deposited slips, deposit summary, or collection summary) and note any differences.
- b. Reconcile the contributions per the donor database to contribution revenue as reported in the general ledger for one month.
- c. Confirm distribution of required year end IRS donor notification statements. Obtain a sample of three notifications and evaluate for compliance with IRS regulation publication 1771 for the previous calendar year.

Part 5. Disbursements

- a. Obtain a list of authorized check signers for the operating account from both the bank and the foundation. Match the foundation list to the list provided by the bank.
- b. Select a sample size of 10 cash disbursements (non-payroll) and perform the following:
 1. Vouch disbursement to the supporting invoice.
 2. Inspect the invoice to determine that invoice has a check stub attached to the invoice.
 3. Inspect the invoice for evidence of payment authorization on the invoice.
 4. Determine if the authorizer of payments is the position within the internal control document.
 5. Compare date, amount, and payee as listed on the check register to the cancelled check.
 6. Inspect the cancelled check to determine it was signed by an authorized check signer.
 7. Trace to general ledger for proper account coding and amount.
- c. Non-payroll employee disbursements. Gain an understanding of which entity is responsible for employee expense reimbursements. If the foundation is responsible, select a sample of 10 non-payroll employee disbursements:
 1. Inquire if a separate employee expense reimbursement form is used.
 2. Obtain selected employee expense disbursements and vouch to attached receipts.
 3. Inspect payments for approval.
- d. Obtain a listing of all employee/contractor credit cards, including credit card limits and who has access to, or uses, the credit cards. Select two monthly credit card statements and perform the following:
 1. Match 10% of credit card purchases on statements selected to supporting invoices.

2. Management provides a list of individual amounts and purpose for each purchase selected.
- e. Scan the general ledger for any checks written to cash or round numbers. Document findings.

Part 6. Payroll Expenses the Foundation Pays Directly (if applicable)

- a. Obtain a listing of employees, titles, salaries, or hourly rates.
- b. Inquire the frequency of payroll, (monthly, semi-monthly, bi-weekly, weekly) whether the foundation uses a payroll service or calculates payroll manually and whether all employees are paid using the same pay date schedule.
- c. Test payroll disbursements for one pay period for a sample of employees and perform the following:
 1. Match cancelled check/ACH withdrawal to payroll records or bank statement.
 2. Trace hours (if appropriate) recorded by day to the supporting timecards.
 3. Inspect timecards for approval and signature by supervisors.
 4. Inspect that a personnel file (by name) is maintained.
 5. Confirm the individual's pay rate is approved and documented.
 6. Inspect that a signed W-4 is on file.
 7. Inspect that an I-9 is on file.
- d. Compare the most recently completed calendar year's four quarterly 941 reports to the total wages reported on the W-2s.
- e. Match the total of the most recently completed calendar year's W-2s to the related W-3.
- f. Test payroll taxes for one pay period by:
 1. Vouching that Federal and State tax withholding payments were made.
 2. Vouching that tax deposits are made timely.
 3. Vouching that quarterly Federal and State returns are filed timely (within one month of quarter end).
- g. Inquire if there are individuals paid as subcontractors. If the individuals were paid over \$600 in a calendar year, inquire if they received an IRS Form 1099.
- h. Inquire if any notices were received from the State or the IRS. If so, obtain copies for the file.

Part 7. Capital Expenditures (if applicable)

Obtain a listing of all capital expenditures greater than or equal to \$10,000. If applicable, inquire whether a bidding process was used and if governance approved the project.

If no bidding process was utilized, test that the purchase was approved by governance or the person noted in the internal control document authorized the purchase.

Part 8. Investments

Compare general ledger and investment statements for one month to determine if activity is accurately recorded.

Part 9. Fixed Assets (if applicable)

- a. Inquire if fixed assets are recorded in the asset section of the general ledger. If fixed assets are recorded, inquire of capitalization policy and if it is followed.
- b. Obtain a copy of the property insurance certificate for period covering current fiscal year.

Part 10. Notes Payable, Long-term debt, and Mortgages (if applicable)

- a. Match any outstanding notes or debt payable balances to the fiscal year-end loan statements, general ledger, and debt section of the annual report for consistency.
- b. Confirm the balance with the financial institution.

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Date of Implementation: 03/04/25

Date of Last Review:

Date and Subject of Amendments:

No additional HISTORY.