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MINNESOTA MONEY MANAGEMENT LLC

Federal ID
EIN #45-2427140
State of Minnesota
EIN #21-08884

Re: Independent Financial Review — Immanuel Lutheran Church – Crosby, MN

Dear Immanuel Lutheran Church,

As an independent business, I was sought out to assist in the financial review process due to my experience with non-profit/church accounting and familiarity with QuickBooks accounting software. My involvement was at the invitation of Finance Secretary/Treasurer, Deb Eatros.

I recently conducted an unaudited internal review of the finances for Immanuel Lutheran Church in Crosby, MN. This covers the 6-month period from January 2022 through June 2022.

The purpose of my engagement was to review certain aspects of the business accounting process and determine the accuracy of the financial records. Once completed, a written report was to be forwarded to the Finance Committee. The findings of the review are detailed in this letter including any attached documentation.

The purpose of this letter is to detail the activities completed during the review. I was permitted onsite access for computer records, bank statements and payroll reports covering data for the six month time period referenced above.

FINDINGS

The general fund bank account was re-reconciled with each debit (check/ACH/EFT) and credit (deposit/credit/ACH/EFT) reconstructed to match entries on the bank statement and verified for account posting and vendor payee. Copies of each check were available within the bank statement and all checks were computer generated. Two deposits were manually verified since bank statement information was incomplete. Also, payroll filings were matched to report totals. No discrepancies were noted with the exceptions detailed below:

- One month's statement totals did not match computer totals. This was due to one entry of a voided check (\$48.00) that increased both debits/credits on the computer totals but didn't clear the bank. The process to correctly enter/change voided checks/debits was reviewed. I believe the proper method has now been adopted and future errors can be avoided. The totals involved were not material to reports or disclosures and shouldn't be an issue going forward.
- This same error also contributed to total variances in the reports submitted to the Finance Committee. The reason for the changed totals is the fact entries were edited in a future period inadvertently affecting the totals in previous periods. Once the reporting period timeframe matched up to the edited entry, the reports were accurate to the committee. As mentioned, the proper process to void/correct/edit entries was reviewed and updated procedures adopted.
- Payroll filings were accurate with one exception of a \$50.00 payroll item being used that had to be manually added to reconcile to the report totals. There were several payroll items changes that could better accommodate the needs and reporting of the church. These are mentioned in the recommendations section on the next page.

RECOMMENDATIONS

- There should be an approval/authorization process for dollars limits on checks/debits or expenses to maintain dual control of outgoing (and incoming) funds. This could be done by multiple check signatures, dual signatures on check amount limits or separate reconciliations (verifications). The same recommendation extends to credit card use and reconciliations.
- Early year entries were made using general journal entries. Although this isn't incorrect, I emphasize using each module within QuickBooks as the source of entry for most transactions. As the year progressed, the general journal had fewer entries in favor of using the internal QBs module for entry. (i.e. general journal versus deposit for bank deposits)
- The petty cash can be changed to a single entry system instead of the current two entry process. This was discussed and it appears that a simple change is in order.
- Memorized standard reports for Finance Committee and/or church membership. These would remain consistent through periods and better utilized for comparative analysis.
- Maintain all (mostly all) records within QuickBooks. Currently some funds are totaled in QB's but detailed records are managed separately in spreadsheets.
- Payroll has several different categories and items tied to different expenses. It appears this could be managed more efficiently and consistently. Examples include salaried employee wages and hours worked and secondary income streams as taxable/not taxable (SECA) with proper annual tax filings to employees or contracted workers. Policy should be set and maintained with hiring/payroll practices meeting regulatory and reporting standards. Another possible update would be to track employee insurance and employer contributions within QBs.
- Consider archiving data electronically to make retention and retrieval more efficient. Bank statements, payroll reports, committee reports and program backups could all be copied/saved to hard drives for ease of use and better accessibility. An IT plan for backups, firewalls and viruses should be a part of this plan to ensure the short/long term security of records.

Lastly, if during this review, it was determined that any process could be changed to improve accounting practices, software use and procedures, the activity or process would become a part of the report.

At this point, I would like to mention the cooperative nature of Deb and the church in compiling the data and allowing access to the systems necessary to complete this review. The specific bookkeeping functions reviewed within the church finances were found to be accurate, complete and timely.

The opportunity to serve Immanuel Lutheran Church is appreciated and I would welcome the chance to assist your organization again in the future.

Respectfully,



Jay H. Bock

Minnesota Money Management

Principal