

# **Audit Preparation Instructions**

For the year ended December 31, 2014

**Client Name**



GENERAL CONFERENCE AUDITING SERVICE



Date

Name, Financial Administrator  
Client name  
Address  
City, MD 20904

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Columbia, MD 21045  
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Dear Name:

Thank you for working with General Conference Auditing Service to improve our service and efficiency for the December 31, 2012 audit. As outlined in the audit engagement letter dated April 23, 2012, you now have access to the Audit Preparation List via your GCAS Portal.

These instructions will assist you in preparing for the audit. They include a number of easy steps, arranged by topic, to assemble the information needed for the audit. Each step is simply stated in checklist form. If you need an example of last year's information for any section, please let us know.

Please prepare an electronic copy of each requested document. If these documents are prepared in Word or Excel, it will help to make our testing process more efficient. If a document is not available in Word or Excel, please convert or scan it to PDF.

When all the information has been assembled, the entire collection of electronic documents is to be sent to GCAS, using either your GCAS Portal or another secure delivery service. We wish to complete our audit procedures in a timely manner, so we ask that you send the requested information to our office by June 25, 2012.

We believe that you will find this system very helpful! It is designed to minimize disruptions to your workplace during the audit and to minimize the travel-related expenses of the audit. We appreciate your input on how we can continue to improve and to serve you better.

Sincerely,

General Conference Auditing Service

# Administration (AD)

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Please provide a copy of the following documents:

- 1. Governing committee member names, professional background information, and approximate number of years on committee
- 2. Audit committee member names, professional background information, and approximate number of years on committee
- 3. Finance committee member names, professional background information, and approximate number of years on committee
- 4. Association board member names, professional background information, and approximate number of years on committee (if applicable)
- 5. Minutes of all board and committee meetings for the period **January 1, 2014** through the current date
- 6. Signed Conflict of Interest Statements for Board members and key personnel
- 7. December 31 GAAP financial statements for all funds and the most recent subsequent Financial Statement provided to the Board. Please do not use decimals in your financial statement – round to the nearest dollar.
- 8. Summary of the Organization’s significant accounting policies
- 9. Committee-approved budget for the year of audit and subsequent period
- 10. Signed Engagement Letter (if not provided previously)
- 11. Signed Policy Compliance Assertion Letter (use template on Portal). This should be printed on your letterhead, signed, signed, and emailed to GCAS. A copy should be uploaded to your Portal.
- 12. Legal inquiry letter with contact information for attorneys used during the year of audit and subsequent period. This should be prepared for attorneys used for litigation, potential litigation, and other non-routine matters which could result in liabilities, claims, assessments, or contingent liabilities. OGC has requested the list of attorneys be reviewed with Karnik Doukmetzian prior to the issuance of the letters. A template is available on your Portal – please fill out the attorneys’ names and addresses and re-upload the file **no later than January 31. GCAS will mail the letters.**
- 13. A memo describing all legal matters during year of audit and subsequent period

Please save each electronically-prepared document using this file naming protocol: “ADfiledescriptionYEAR” (example: ADexecmembers2014) and insert into the “Audit Prep – From Client” folder on your GCAS Portal.

## Planning (PN)

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Please provide a copy of the following documents:

- 1. Electronic copy of the trial balance (this may be in the format of a spreadsheet or an ASCII file)
- 2. If you use LUCIS to manage plant assets, also include those files
- 3. Narrative of the flow of information through significant accounting procedures. Include in the narrative: who initiates, authorizes, records, processes, reconciles, and reports each type of accounting process. For example: cash receipts, cash disbursements, bank reconciliations, payroll, and year-end closing procedures. (Update “\_\_\_ Financial Reporting Systems” – uploaded to your Portal.)
- 4. List of the top 3-5 vendors and the amount of annual purchases from each
- 5. Memo describing XXX's risk assessment process
- 6. Changes in the Constitution or Bylaws (if any)

Please save each electronically-prepared document using this file naming protocol: “PNfiledescriptionYEAR” (example: PNtrialbalance2014) and insert into the “Audit Prep – From Client” folder on your GCAS Portal.

# Cash and Equivalents (CASH)

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Please provide a copy of **all documentation to support the Cash line items on your financial statements.**

- 1. December 31 of audit year; and January 31 and February 28 of subsequent (current) year bank statements and reconciliations for all accounts
- 2. Outstanding check/deposit lists for all accounts (if not included on the bank reconciliation)
- 3. Bank confirmations (update the Bank Confirmation Spreadsheet on your portal - make sure the template has been updated for any active accounts during the year of audit, print, and sign each page, and mail or upload them to GCAS for us to send out, **no later than January 31.**)
- 4. **XX (#)** of your bank accounts will be confirmed through the online service of Capital Confirmations and you will receive an email to authorize this.
- 5. Footnote disclosure

Please save each electronically-prepared document using this file naming protocol: "CASHfiledescriptionYEAR" (example: CASHbankstatements2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

## Investments (INVEST) (delete if client has no investments)

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Please provide a copy of **all documentation to support the Investments line items on your financial statements.**

- 1. Organization's investment strategy or policy statement
- 2. Schedule of investment balances and activity, including:
  - a. description of each investment by type
  - b. purchase date and original cost
  - c. additions
  - d. deletions
  - e. ending investment cost
  - f. market value of each investment
  - g. unrealized appreciation (decline) at financial statement date
  - h. investment earnings (separated between re-invested and distributed)
- 3. Investment statements from broker/manager (can be year-end or monthly statements, as long as they include year-end balances and annual activity)
- 4. Prepare, sign, and send investment confirmation letter(s) to GCAS – to be mailed by and returned to GCAS. A template letter, named "Investment Confirmation Letter," is provided on the Portal. **Do not send this to the GC for any unitized funds.**
- 5. Footnote disclosure, including fair value inputs information

For reference to accounting standards on investment disclosures, please see FASB Codification 958-320, 958-325, and 958-205. For illustration of note disclosures, please see the *Seventh-day Adventist Accounting Manual*, Appendix 17D.04 (5)-(7)

Please save each electronically-prepared document using this file naming protocol: "INVESTfiledescriptionYEAR" (example: INVESTpolicy2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

# Accounts Receivable (AR)

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Please provide a copy of **all documentation to support the Accounts Receivable line items on your financial statements.**

- 1. December 31 year-end accounts receivable aging report
- 2. Related party balances reconciliation
- 3. Analysis of allowance for uncollectable accounts
  - a. Detail of assigned accounts activity for the year
  - b. Analysis of the allowance calculation at year end, including the numeric data upon which the allowance estimate is based
  - c. Detail of the accounts written off for the year, including the authorization in the minutes for the write off and a copy of the minutes with the backup
- 4. Footnote disclosure

Please save each electronically-prepared document using this file naming protocol: "ARfiledescriptionYEAR" (example: ARagingreport2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

# Inter-fund Accounts (INTER)

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Please provide a copy of **all documentation to support the Inter-fund Accounts line items on your financial statements.**

- 1. Due to/from reconciliation schedule

Please save each electronically-prepared document using this file naming protocol: "INTERfiledescriptionYEAR" (example: INTERreconciliation2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

## Notes Receivable (NR)

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Please provide a copy of **all documentation to support the Notes Receivable line items on your financial statements.**

- 1. Summary of balances and activity; including beginning balance, additions, reductions, and ending balance for each note
- 2. For each new note granted:
  - a. note documents (such as promissory note, mortgage, or revolving fund loan agreement),
  - b. reference to the committee action that approved the note, and
  - c. amortization schedule
- 3. Notes receivable reconciliation with affiliated entities
- 4. Analysis of allowance for uncollectable notes
- 5. Committee actions and copies of any notes written off
- 6. Copies of any notes paid off
- 7. Reconciliation of interest income on notes to interest income in the general ledger
- 8. Footnote disclosure

Please save each electronically-prepared document using this file naming protocol: "NRfiledescriptionYEAR" (example: NRbalsummary2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

# Inventories (INV)

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Please provide a copy of **all documentation to support the Inventories line items on your financial statements.**

- 1. Inventory count sheets (please include item description, price, and quantity)
- 2. Inventory valuation schedules
- 3. Reconciliation between control account and subsidiary
- 4. Footnote disclosure

Please save each electronically-prepared document using this file naming protocol: "INVfiledescriptionYEAR" (example: INVcountsheets2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

## Other Assets (OA)

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Please provide a copy of **all documentation to support the Other Assets line items on your financial statements.**

- 1. December 31 schedule of prepaid expenses with supporting documentation
- 2. Other assets activity schedule (i.e. endowments, trusts, and annuities if applicable)
- 3. Maturities receivable from split-interest agreements
- 4. Accounts receivable and loans receivable related to matured trusts, wills, and estates (list with supporting documentation)
- 5. Summary of new split-interest agreements added during the year
- 6. Summary of annuities and trusts managed for the Organization by other denominational entities, such as WAF, SES, or another Union entity
- 7. Copies of new annuities added during the year
- 8. Schedule of insurance expense and prepaid insurance
- 9. Listing of insurance coverage from ARM or other insurance companies
- 10. Footnote disclosure

Please save each electronically-prepared document using this file naming protocol: "OAfiledescriptionYEAR" (example: OAprerepaidexpenses2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

## Plant Assets (PPE)

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Please provide a copy of **all documentation to support the Plant Assets line items on your financial statements. Please include check vouchers and supporting documentation for all transactions.**

- 1. Fixed assets schedule
- 2. Schedule of additions during the year, including net assets. Provide copies of invoices or contracts.
- 3. List of all dispositions, including sales price, if applicable
- 4. Donated assets and method of valuation
- 5. Plant assets depreciation schedule
- 6. Purchased property list
- 7. Property valuation list
- 8. Documentation of property insurance policies (if insurance is not through ARM)
- 9. Capitalization policy (if changed from prior year)
- 10. Depreciation policy (if changed from prior year)
- 11. Capital lease agreements
- 12. Distribution of depreciation expense among other activity functions
- 13. Distribution of repair and maintenance expense among other functions
- 14. Footnote disclosure

Please save each electronically-prepared document using this file naming protocol: "PPEfiledescriptionYEAR" (example: PPEfixedassetsum2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

# Accounts Payable (AP)

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Please provide a copy of **all documentation to support the Accounts Payable line items on your financial statements.**

- 1. Accounts payable reconciliation with affiliated entities that agrees with the general ledger
- 2. Accounts payable detail report
- 3. Summary of T&O remittances payable to next higher entity
- 4. Accounts receivable credit balance listing
- 5. Retirement allowance accrual (NADWP Y 46 12)
- 6. Vacation carryover accrual
- 7. Payroll accrual
- 8. IBNR healthcare accrual
- 9. Footnote disclosure
- 10. Subsequent disbursement list

Please save each electronically-prepared document using this file naming protocol: "APfiledescriptionYEAR" (example: APaffiliatereconciliation2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

# Agency Accounts (AA)

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Please provide a copy of **all documentation to support the Agency Accounts (formerly called Trust Funds) line items on your financial statements.**

- 1. Schedule of balances and activity including beginning balance, additions, withdrawals, and ending balance
- 2. Descriptions of each account, including identification of the purpose for which it was provided and who has the right to authorize disbursement of the resources

Please save each electronically-prepared document using this file naming protocol: "AAfiledescriptionYEAR" (example: AAbalanceschedule2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

## Notes Payable (NP)

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Please provide a copy of **all documentation to support the Notes Payable line items on your financial statements.**

- 1. December 31 summary of balance and activity for each loan: beginning balance, additions, reductions, and ending balance
- 2. For each new note assumed during the year:
  - a. note documents (such as revolving fund loan agreement, promissory note, mortgage)
  - b. committee action authorizing the note
  - c. amortization schedule
- 3. Copies of notes paid off or canceled during the year
- 4. Reconciliation of interest expense on notes to interest expense in the general ledger
- 5. Notes payable reconciliation with affiliated entities
- 6. A copy of all new lease contracts and supporting documentation
- 7. Footnote disclosure

Please save each electronically-prepared document using this file naming protocol: "NPfiledescriptionYEAR" (example: NPbalancesummary2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

## Other Liabilities (OL)

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Please provide a copy of **all documentation to support the Other Liabilities line items on your financial statements.**

1. Liabilities related to split-interest agreements:
  - a. Liabilities to income beneficiaries (annuities and trusts)
  - b. Liabilities to other remainder beneficiaries (other SDA entities)
2. Support schedules and documentation as it relates to other liabilities.

Please save each electronically-prepared document using this file naming protocol: "OLfiledescriptionYEAR" (example: OLsplitinterestagrmts2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

## Net Assets (NA)

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Please provide a copy of **all documentation to support the Net Assets line items on your financial statements.**

- 1. Reconciliation of beginning net assets to prior year audited ending net assets
- 2. Schedule of TRNA (temporarily restricted net assets), including beginning balance, additions, withdrawals, and ending balance
- 3. Schedule of endowment activity [see SDAAM Appendix 17D.04(14)]
- 4. Copies of new endowment agreements established during the year
- 5. Copies of the charter of authorization for new endowment funds
- 6. Footnote disclosure

Please save each electronically-prepared document using this file naming protocol: "NAfiledescriptionYEAR" (example: NAreconciliation2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

# Payroll (PR)

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Please provide a copy of the following documents:

- 1. Payroll reconciliations:
  - a. From payroll system to general ledger (provide copy of general ledger)
  - b. From payroll system to government reports
- 2. Reconciliations of Forms 941 (each quarter), W-2, and W-3 (annual). Provide copies of Forms 941 and W-3.
- 3. Summary of process and authorizations for EFT paychecks
- 4. K-12 salary scale
- 5. Retirement and termination settlements, including calculation documentation
- 6. List of new employees hired
- 7. List of all employees as of year-end, including hire and termination dates
- 8. I-9 instructions for minors
- 9. Committee minutes with schedule of names and amounts authorized for parsonage exclusion benefit
- 10. Documentation on calculation of ERI rates – if provided by **XXX Conference**, include a copy of their communication indicating the rates for the year of audit
- 11. Schedule of tax payments detailing pay date, tax period, payment deadline, payment filing date, and amount for each pay date of the year for Federal and State
- 12. Summary for note disclosure of total contributions paid to each retirement plan

Please save each electronically-prepared document using this file naming protocol: "PRfiledescriptionYEAR" (example: PRreconciliation2014) and insert into the "Audit Prep – From Client" folder on your GCAS Portal.

# Revenue (REV)

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Please provide a copy of the following documents:

- 1. Monthly T&O remittance tracking schedule
- 2. Annual T&O remittance report
- 3. Year-end remittances receivable report, including summary of subsequent period receipt and deposit detail
- 4. Information about K-10 school salary share billings:
  - a. summary of related expense groupings and billing calculation
  - b. summary of amounts billed, received, and receivable
- 5. Opening and closing enrollment reports submitted to the conference
- 6. Student roster, with factors such as dorm, SDA/non-SDA and corresponding rates and enroll date, withdraw date, and grade
- 7. List of students who enrolled late or withdrew early, along with appropriate dates for their enrollment or withdrawal
- 8. Student financial information (with breakdown of allocation to multiple areas – class dues, yearbook, library, etc.)
- 9. Summary of significant donations received, including date and deposit information, identification of donor-stipulated purposes, and classification as restricted or unrestricted
- 10. Summary of results and findings from review of financial records of local churches and schools

Please save each electronically-prepared document using this file naming protocol: “REVfiledescriptionYEAR” (example: REVt&oremittancetracking2014) and insert into the “Audit Prep – From Client” folder on your GCAS Portal.