



FIFTEEN TWENTY-TWO CONSULTING, LLC.
Navigating the Journey Together

Pastor Jack Smith
Exec. Pastor John Smith
Gospel Church
777 Heavens Highway
Somewhere, TX 77777

It is an absolute honor and privilege to have been given the opportunity to spend time with you and your team during this week! I have genuinely enjoyed being around your family. I will say it again, but “Thank you”!

In connection with my review of the internal controls, procedures, facility management, operational and financial details of Gospel Church, I have identified some areas where corrective measures should be applied.

Following are descriptions of control deficiencies that have been identified through my assessment:

- General
 - The church Bylaws are not reviewed annually.
 - Property and Liability insurance policies need to be reviewed annually. If only to compare the current provider coverages and rates.
 - Prepare documentation of proper controls regarding access to the church website, social media accounts and/or other online portals.
- Financial
 - The church does not have a written, up-to-date accounting procedures manual.
 - There needs to be separation of duties applied to the accounting area. Mrs. Smith is handling most, if not all, of the accounting duties.
 - Recommendation: Given the current scale of activity and growth, I suggest upgrading the current accounting support position and training them on the nuances of church accounting applications. I would also suggest that a clearly defined separation of duties be implemented and utilize John as an approval and verification of certain tasks. This can also relieve Ben of his current activities and move them to the staff. Ben can be utilized as a finance team member who can speak into and give counsel where needed to support the Elder Board actions.
 - The office key held by many of the staff is a master key to all offices, including the accounting office.

- Recommendation: The door lock on the accounting office door should not be keyed the same as other doors. And the key to that office should be highly controlled.
- The accounting records and underlying internal controls should be audited annually.
- Background checks need to be performed for all key financial and volunteer personnel.
- Two ushers collect the contributions from the collection boxes after the final Sunday service and place it in a locking bank bag. The bag(s) are taken and stored at the bank until Tuesday morning. But there is access to the bag contents by anyone who has access to the bank bag key. The ushers do not count the money on Sunday, so it is not known how much is in the bag until they are opened by a single person on Tuesday.
 - Recommendation: Suggest using tamper-resistant, pre-numbered bags for the cash/checks collected following the Sunday service. (These can be placed into the locking bank bag.) A log of each numbered bag, including the signatures of each usher handling the contributions should be recorded each week.
- Only one person currently counts the money in the bank bags each week.
 - Recommendation: There should be two unrelated individuals opening the bags and counting the funds together. No count sheet has been used. *[A count sheet was created this week for future use.]*
- All authorized account signers need to be reviewed annually and updated immediately upon personnel changes.
- Remote deposit of contribution checks should be set up. This will save time in the check handling process each week.
- Today, checks, for example, that arrive during the week are simply placed in an inbox tray on the accounting desk along with any other mail that arrives for the accounting office.
 - Recommendation: There needs to be a safe, lock box, or similar protective container used to safeguard cash/checks when at the church. Mail should be opened immediately, and checks should be endorsed and stored in a locked container until deposited.
- A written instruction should be given to the bank to never cash checks payable to the church.
- Only one signature is required on any check amount.
 - Recommendation: At least two (2) signatures should be required for all checks over a preset amount, for example \$500.00.
- Accounting expenses are not being recorded in the correct accounting period.
- Transfers between bank accounts are not properly authorized and documented.
- Credit Card use does not follow appropriate policy and practice. Currently, there is a large amount of credit card transactions not classified into the respective ministry, or operation accounts each month.
 - Recommendation: A policy for Credit card use needs to be created, immediately distributed, and applied. A review of all credit card users should take place. Only church related business should be on the church credit cards. Only key individuals in primary church leadership roles should have a credit card. A Credit Card Expense form should be turned in each month including receipts and account designations.

- There is no capital improvement plan in place with stated priorities and cost estimates. There may not be adequate funds in place today to initiate any significant enhancement(s) near term.
 - Recommendation: Prepare a gap analysis with the leadership team to identify priorities of key needs/projects. Establish a timeline and communicate with clarity the project plans.
- The Church currently does not have a policy for determining whether an asset should be capitalized or expensed.
 - Recommendation: A dollar value threshold be established so it is clear whether a purchase will be expensed or capitalized as a fixed asset and then depreciated over its useful life. Currently, no assets are being capitalized properly or subsequently depreciated annually.
 - Action: I can work with John to create a Capital Asset Depreciation schedule.
- There is no process existing to maintain current knowledge of GAAP principles and other relevant pronouncements.
- The online giving platform does not currently interface with the church management system.
 - Recommendation: Transition to the system which is currently being utilized by the Worship Team and Children's Ministries. Utilize their other applications including Giving, Groups and Registrations. This will be an estimated cost of \$225 to \$280 per month.
- Currently there is no defined monthly financial close schedule.
 - Recommendation: Create a monthly close schedule that will allow, and encourage, timely submittal of all expense information, review of financial reports, appropriate adjusting entries to be recorded and consistent accounting practices to be applied allowing for confidence and transparency in the financial management of the church.
- The current chart of accounts in QuickBooks is not laid out to quickly and clearly track or communicate efficiently.
 - Recommendation: Restructure the chart of accounts for clarity and growth.
- Human Resource
 - Adopt an Employee Handbook
 - Action: I have provided John with a templated to be review and modified according to the guidelines of Gospel Church.
 - There is not a personnel performance review process in place.
 - There are not job descriptions for every role, paid and volunteer. Create job descriptions for all positions.
 - Some individuals are compensated on a regular basis, but are not properly categorized as an employee or a contractor.
 - Recommendation: Review all paid individuals to determine who needs to continue to be compensated, who needs to be classified as a contractor and who needs to be classified as an employee. The IRS applies three (3) areas of consideration; Behavioral Control, Financial Control and Relationship to the parties. [FS-2017-09, July 20, 2017]

- Housing Allowance for pastoral staff is not properly documented and approved according to IRS guidelines. Housing allowance submittals must be approved by the Elders and recorded in the minutes before being paid to the pastor(s). [In order to be able to exclude the housing allowance from income, the minister's employing organization must officially designate the housing allowance as such before paying it to the minister. Topic No. 417 Earnings for Clergy]
- Facility
 - Areas of the current facility are not energy efficient.
 - Recommendation: Install insulation in exposed exterior wall/ceilings to improve climate control. If the current Nest thermostats do not allow for more controls, then replace with a WiFi programmable thermostat from Honeywell or similar provider.
 - Current telephone dmarc closet near Main Hallway is not clear.
 - Recommendation – Clear out the dmarc room of all unnecessary items and access unincumbered.
 - Fire exit is blocked in Children’s Classroom - 2’s & 3’s.
 - Fire extinguishers are not adequately located throughout the facility consistently.
 - Recommendation: Extinguishers for a building's Class A fire hazards must be placed such that the travel distance to a fire extinguisher is no more than 75 feet at any given location.
 - There is currently no consistent record of equipment maintenance for HVAC equipment or plumbing fixtures.
 - Recommendation: Create an inventory of each piece of equipment, including model numbers and date placed in service. Maintain proper schedules of maintenance and repairs. Solicit quotes from vendors for regularly scheduled maintenance and compare costs.
- There are currently 183 total parking spaces. Of that number, 10 are handicap designated, thus lowering the number of other available spaces to 173. The current auditorium seating is approximately 400, but can possibly be increased to 450. Using a 2:1 ratio, the required number of spaces would be 225. Given that there are multiple services, add 10 percent to the required parking spaces for every five minutes that the passing period between services is less than 30 minutes. LifeWay Builders recommends having one space for every 2 to 2.5 people who will be at the church at the same time. Parking Ground Coverage: 100-110 spaces per acre used for parking only (Assumes efficient layout with parking on both sides of driving lanes and allowing for some landscaping and general access.)

This document is intended solely for the Pastor and key leadership members within the church and is not intended to be and should not be used by anyone other than these specified parties.

Here again, I want to say “Thank you” for allowing me access to yourself, your team and your campus to conduct this assessment. I know that many of the items mentioned in this document are already known by some of the team members. The challenge has been executing to achieve the desired results.

If it meets with the approval of the leadership, I can continue to work with John and the accounting/operations team to further prioritize and complete certain immediate tasks and help place

Gospel Church in a stronger position to support the continued growth with a scalable structure. I can recommend a plan to achieve many of the recommended solutions.

Kerry Carothers
Fifteen Twenty-Two Consulting
February 15, 2021