

CLEMMONS PRESBYTERIAN CHURCH

AGREED UPON PROCEDURES ENGAGEMENT

January 1, 2022 through December 31, 2022

CLEMMONS PRESBYTERIAN CHURCH

January 1, 2022 through December 31, 2022

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2160 Country Club Road, Winston-Salem, NC 27104

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To Clemmons Presbyterian Church:

We have performed the procedures described in the Agreed-Upon Procedures and Associated Findings (Schedule A) on the cash receipts and cash disbursements of Clemmons Presbyterian Church for the period of January 1, 2022 through December 31, 2022. Clemmons Presbyterian Church's management is responsible for the cash receipts and cash disbursements in the 2022 year.

Clemmons Presbyterian Church has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reviewing the cash receipts and cash disbursements in 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule A.

We were engaged by Clemmons Presbyterian Church to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Agreed-Upon Procedures and Associated Findings (Schedule A) on the cash receipts and cash disbursements in the 2022 year. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Clemmons Presbyterian Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Clemmons Presbyterian Church and is not intended to be and should not be used by anyone other than those specified parties.

Cannon & Company, L.L.P.

Winston-Salem, North Carolina

March 27, 2023

SUPPLEMENTARY INFORMATION



Clemmons Presbyterian Church

Believing, Belonging, Becoming and Branching Out

March 27, 2023

Cannon & Company, L.L.P.
2160 Country Club Road
Winston-Salem, North Carolina 27104

In connection with your engagement to apply agreed-upon procedures to the cash receipts and cash disbursements for the period of January 1, 2022 through December 31, 2022, we confirm, to the best of our knowledge and belief, the following representations.

1. We acknowledge that we are responsible for the cash receipts and cash disbursements for 2022.
2. We have obtained from the necessary parties their agreement to the procedures and their acknowledgement that the procedures are appropriate for their purposes.
3. We have provided you with all relevant information and access under the terms of our agreement.
4. We have disclosed to you all known matters contradicting the cash receipts and cash disbursements in 2022.
5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and other affecting the cash receipts and cash disbursements in 2022, including communications received between the date of the cash receipts and cash disbursements in 2022, and the date of your report, March 27, 2023.
6. We are not aware of any material misstatements in the cash receipts and cash disbursements in 2022.
7. We have disclosed to you all known events subsequent to the date of the cash receipts and cash disbursements in 2022, to the date of this letter and the date of your report, March 27, 2023, that would have a material effect on the cash receipts and cash disbursements in 2022.

Signature: _____

Title: _____



2160 Country Club Road, Winston-Salem, NC 27104

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October 24, 2022

Ms. Lora Crowley
Finance Moderator
Clemmons Presbyterian Church
3930 Clemmons Road
Clemmons, NC 27012

We are pleased to confirm our understanding of the terms of our engagement and the nature and limitations of the services we are to provide for Clemmons Presbyterian Church.

We will apply the procedures described in the attachment to this letter to provide an Agreed-Upon Procedure for the review of cash receipts and disbursements of Clemmons Presbyterian Church. By signing this engagement letter, you agree to those procedures and acknowledge that the procedures to be performed are appropriate for the intended purpose of the engagement, which is to provide an Agreed-Upon Procedure for the review of cash receipts and disbursements. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain your written agreement to the procedures to be applied and your acknowledgment that those procedures are appropriate for the intended purpose of the engagement, as described in this letter. A refusal to provide such agreement and acknowledgment will result in our withdrawal from the engagement. We make no representation that the procedures we will perform are appropriate for the intended purpose of the engagement or for any other purpose.

Because the agreed-upon procedures do not constitute an examination or review, we will not express an opinion or conclusion on the Agreed-Upon Procedure for the review of cash receipts and disbursements of Clemmons Presbyterian Church. In addition, we have no obligation to perform any procedures beyond those to which you agree.

We plan to begin our procedures on approximately January through March 2022, and, unless unforeseeable problems are encountered, the engagement should be completed in a timely manner.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addressed to Clemmons Presbyterian Church. If we encounter restrictions in performing our procedures, we will discuss the matter with you. If we determine the restrictions are appropriate, we will disclose the restrictions in our report. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

There may exist circumstances that, in our professional judgment, will require we withdraw from the engagement. Such circumstances include the following:

- You refuse to provide written agreement to the procedures and acknowledge that they are appropriate for the intended purpose of the engagement.
- You fail to provide requested written representations, or we conclude that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or we conclude that the written representations provided are otherwise not reliable.
- We determine that the description of the procedures performed or the corresponding findings are misleading in the circumstances of the engagement.
- We determine that restrictions on the performance of procedures are not appropriate.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, should any such matters come to our attention, we will communicate them in accordance with professional standards and applicable law. In addition, if, in connection with this engagement, matters come to our attention that contradict the Agreed-Upon Procedure for the review of cash receipts and disbursements, we will communicate such matters to you.

You agree to the procedures to be performed and acknowledge that they are appropriate for the intended purpose of the engagement.

You are responsible for the Agreed-Upon Procedure for the review of cash receipts and disbursements. In addition, you are responsible for providing us with (1) access to all information of which you or the appropriate party are aware that is relevant to the performance of the agreed upon procedures on the subject matter, (2) additional information that we may request from the appropriate party for the purpose of performing the agreed-upon procedures, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing those procedures.

At the conclusion of our engagement, we will require certain written representations in the form of a representation letter from management that, among other things, will confirm management's responsibility for the Agreed-Upon Procedure for the review of cash receipts and disbursements of Clemmons Presbyterian Church in accordance with the agreed upon procedures established in the attachment.

Joseph C. Perkins, Jr. is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We estimate that our fees for these services will range from \$2,500 to \$4,000 for the agreed upon procedures not to exceed \$4,000. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the

engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoice for these fees will be rendered upon completion and is payable on presentation.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, or the procedures need to be modified, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we may require that they acknowledge in writing their agreement with the procedures performed, or to be performed, and their acknowledgment that the procedures are appropriate for their purposes.

Sincerely,



Joseph C. Perkins, Jr., CPA
Partner
Cannon & Company, L.L.P.

Attachment (1)

Response:

This letter correctly sets forth the understanding of Clemmons Presbyterian Church.

By: Sara M. Crowley

Title: Treasurer / Finance Moderator

Date: 10/28/22

Agreed Upon Procedures for Clemmons Presbyterian Church

The CPA firm agrees to perform the following tasks:

- Review written Finance Policies and Procedures including attachments I, II, and III to identify weaknesses in described internal controls.
- Meet with the Secretary to discuss procedures of cash receipts and cash disbursements to ensure they are in accordance with Finance Policies and Procedures.
- Meet with the Office Manager to discuss the procedures of payroll, journal entry, issuance of Giving Statements to ensure they are in accordance with Finance Policies and Procedures.
- Select a sample of cash receipts for the time period of January 1, 2022 through Present to test documentation of cash receipts, approvals, and trace to Bank Statements.
- Obtain a listing of cash disbursements for the time period of January 1, 2022 through Present.
- Select a sample of cash disbursements to be tested based on amount, vendor, and type of disbursement from the listing of 2022 disbursements.
- Review invoices, Check Request Form, and supporting documentation for the cash disbursements selected to test for proper approval, amount, and appropriateness of account charged.
- Select a sample of cleared items from the 2022 Bank Statements and trace back to supporting documentation to test for proper approval, amount, and appropriateness of account charged.
- Select a sample of items charged on the Capital One Statement in 2022 and test for proper approval and appropriateness of account charged.
- Select a sample of payroll disbursements to test internal control documentation on payroll approvals.
- Make recommendations on strengthening internal controls related to cash receipts and disbursements.

CLEMMONS PRESBYTERIAN CHURCH

AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS – SCHEDULE A

January 1, 2022 through December 31, 2022

Agreed-Upon Procedures:

- Review written Finance Policies and Procedures including attachments I, II, and III to identify weaknesses in described internal controls.

Result: Sandra Mock reviewed the written Finance Policies and Procedures including attachments I, II, and III prior to meeting with the Office Manager and Administrative Assistant of Clemmons Presbyterian Church. After these meetings and after review of the cash receipts and cash disbursement documentation selected to test, Sandra Mock reviewed the written Finance Policies and Procedures again including the attachments mentioned above to identify areas that were not being followed and weaknesses described in the internal controls. The results of this review are noted below under Suggestions from Testing for Strengthening Internal Controls.

Agreed-Upon Procedures:

- Meet with the Secretary to discuss procedures of cash receipts and cash disbursements to ensure they are in accordance with Finance Policies and Procedures.

Result: Sandra Mock met with Megan Johnson on December 15, 2022 to discuss procedures of cash receipts and cash disbursements.

Agreed-Upon Procedures:

- Meet with the Office Manager to discuss the procedures of payroll, journal entry, issuance of Giving Statements to ensure they are in accordance with Finance Policies and Procedures.

Result: Sandra Mock met with Ben Wallace on December 15, 2022 to discuss the procedures described above.

Agreed-Upon Procedures:

- Select a sample of cash receipts for the time period of January 1, 2022 through Present to test documentation of cash receipts, approvals, and trace to Bank Statements.

Result: From the total cash receipts January 1, 2022 through December 31, 2022 totaling \$821,741, a total of 12 (1 per month) was selected to test from the online deposits totaling \$20,633 and a total of 24 (2 per month) was selected to test from the regular deposits totaling \$356,658 which represents coverage of 46%. Documentation such as bank statements, deposit detail including deposit bag slips and deposit slip copies, Cash/Deposit Receipts Reports, Fund Distribution Reports, documentation on Restricted Deposits, and detailed deposit records were reviewed. From this testing, the following exception was noted:

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AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS – SCHEDULE A

January 1, 2022 through December 31, 2022

- Regular deposit totaling \$9,594.30 (Batch #1680) dated May 24, 2022 had only one counter sign the Cash Receipts Report instead of two counters. All other deposits tested were documented by two counters.

Agreed-Upon Procedures:

- Obtain a listing of cash disbursements for the time period of January 1, 2022 through Present.

Result: The Check Register from January 1, 2022 through December 31, 2022 was obtained from Clemmons Presbyterian Church which had \$416,219 in total cash disbursements for that period.

Agreed-Upon Procedures:

- Select a sample of cash disbursements to be tested based on amount, vendor, and type of disbursement from the listing of 2022 disbursements.

Result: From the total cash disbursements from January 1, 2022 through December 31, 2022 totaling \$416,219, four cash disbursements were selected from each of the twelve months, totaling 48 cash disbursements selected to test. Disbursement selections were made from checks written, Auto Drafts, ACH, and e-Checks. Of the cash disbursements selected to test, 38% were checks written and 62% were electronic disbursements. Selections were made taking into consideration the amount, vendor, and type of disbursement.

For online disbursements, documentation such as bank statements, online payments/checks sheet and supporting documentation was reviewed. For cash disbursements made by check, bank statements, check images (front and back), check registers, check stubs, Check Request Forms (both NonRepetitive and Repetitive), invoices, and other documentation was reviewed. For credit card transactions, receipts attached to the statement were reviewed. A variety of vendors, amounts, and types of disbursements were included in the sample to achieve an overall view of cash disbursements for the year.

Agreed-Upon Procedures:

- Review invoices, Check Request Form, and supporting documentation for the cash disbursements selected to test for proper approval, amount, and appropriateness of account charged.

Results: Below are the results of the cash disbursements test and suggestions for improvements:

- Check #13142 for \$470.47 dated 12/9/2022 to Leigh Wisner was mileage reimbursement for an eleven-month period. The calculation was estimated based on only one month during the year (November). The estimated calculation used the mileage rate applicable

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to November 2022 for all eleven months. The mileage rate during 2022 was .585 for January through June 2022 and .625 for July through December 2022. By using the later rate of .625 for all eleven months in the mileage reimbursement calculation, the mileage reimbursement was overpaid by \$16.42.

Suggestion: Mileage reimbursements should be calculated based on actual mileage, not estimates when possible. The correct mileage rate reimbursement should be used for the month reimbursed.

- Check #13173 for \$130.48 dated 12/29/22 to Lowe's Business Account included two check requests and one check request for a refund. The check request for the refund had the receipt showing the return copied over the page of the check request and the approval signature line could not be seen so there was no approval for the return documented.

Suggestion: Instead of copying receipts onto the check request form, attach copies of receipts to the check request form to ensure that the check request form is fully viewable.

- Check #13053 for \$1,600.00 dated 8/22/2022 to Crenshaw Painting Company, LLC did not have a visible endorsement on the back of the check image.

Suggestion: View images of checks on a monthly basis to ensure that endorsements on the back of checks are reasonable for the vendor paid and investigate any endorsements as necessary.

- Check #13043 for \$837.90 dated 7/25/2022 to Jennifer McPherson for Vacation Bible School had five check request forms included on the check. One check request form was signed by the purchaser but not signed by the approver. A receipt was attached to the check request form, but the receipt was not documented as approved. All of the other check request forms were approved.
- Check #12957 for \$1,777.50 dated 4/6/2022 to Massanetta Springs, Inc. for Youth Fund had the Purchaser sign on the Check Request Form, but no signature on the approval line.

Suggestion: Review Check Request Forms to ensure that all requests are approved.

- Check #12977 for \$1,250.00 dated 5/13/2022 to HEBRON USA for Mission Travel was approved but had no Purchasers Signature on the Check Request Form.
- Check #12895 for \$750.00 dated 1/26/2022 to Jerry Ranson for Cleaning Service was approved but had no Purchaser Signature on the Check Request Form.

Suggestion: Review Check Request Forms to ensure that all requests are signed by the Purchaser.

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AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS – SCHEDULE A

January 1, 2022 through December 31, 2022

Agreed-Upon Procedures:

- Select a sample of cleared items from the 2022 Bank Statements and trace back to supporting documentation to test for proper approval, amount, and appropriateness of account charged.

Result: All cash disbursements selected to test totaling \$87,116 cleared the bank in a timely manner. No issues were noted in the appropriateness of accounts charged for coding of the disbursement.

Agreed-Upon Procedures:

- Select a sample of items charged on the Capital One Statement in 2022 and test for proper approval and appropriateness of account charged.

Result: Three Capital One Statements were selected to test during the 2022 year. The months of January, April, and August 2022 were selected to test with the following results:

- January 2022: A cash back reward reversal to issue a check was approved by Ben Wallace for \$437. No documentation was behind the check request form but on the Purple Repetitive Sheet there was a statement saying “Purchase Adjustment”. In discussion with Lora Crowley, this was an old system of receiving “rewards” from purchases made on the credit card. That system has been changed since then and the rewards are given directly on the statements now. This new system was seen on the next two Capital One Statements tested in April and August 2022.

Suggestion: As this system has been changed since January 2022 and improved, no recommendations are needed.

- April 2022: One check request form did not have an approval signature but did have the purchaser sign for \$40 to Vibrant Church.
- August 2022: One return had no approval signature for \$60.92 but was signed by the Purchaser on the Check Request Form. A receipt was attached to the check request form for the return.
- August 2022: Only one receipt from the credit card disbursements was missing and it was noted on the check request form that this receipt was missing.
- August 2022: One repetitive check request form was not signed at the bottom for \$193.52 for church paper.

Suggestion: Review Check Request Forms to ensure that all requests are approved. Keep receipts safely secured to attach to the Check Request Forms. Review Repetitive Check Request Forms to verify that all are signed.

CLEMMONS PRESBYTERIAN CHURCH

AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS – SCHEDULE A

January 1, 2022 through December 31, 2022

Overall Results on Credit Card Statements:

- Overall, receipt documentation for all credit card transactions tested for the three months was attached except for one receipt. Documentation was in order and easy to match to the credit card statements. Coding of transactions appeared reasonable for the disbursement charged on the credit card statement.

Agreed-Upon Procedures:

- Select a sample of payroll disbursements to test internal control documentation on payroll approvals.

Result: Four payroll periods (one from each quarter of the calendar year) were selected to test payroll disbursements and internal control documentation on payroll approvals: February, June, August, and October 2022 were selected to test. Results from the payroll testing include the following:

- Hourly employees provide their hours to Ben Wallace, Office Manager, in a variety of different methods by email or time sheet.
- The February 2022 payroll had checkmarks on hours turned in but no initials or dates to indicate approval of hours.
- The August 2022 payroll was missing one time sheet documentation for one hourly employee.
- The August and October 2022 payrolls did not have any indication on the time sheets turned in of whether the hours were approved.

Suggestions:

Time Sheets:

We suggest that a standard form be implemented for hourly employees to record their time. An electronic version of the form can be produced that would be efficient for hourly employees who report their time remotely.

The time records with hours worked had little indication of approval documentation. Since several time records were done through email, it may have been assumed that since Ben Wallace, Office Manager, received these emails that he approved them by receiving the emails and printing them out.

Documentation of approval should be more apparent through either Ben initialing and dating the time sheet or signing and dating the time sheet form at the bottom.

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AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS – SCHEDULE A

January 1, 2022 through December 31, 2022

Documentation of Payroll Approval and Reconciliation:

A Cover Letter showing net amounts deposited and a Payroll Register for each payroll was not marked in any way to indicate approval or to show that it was reconciled with the bank statement.

A Direct Deposit page for each payroll was not marked in any way to indicate that it had been reconciled back to the bank statement.

Through discussion with Lora Crowley, Finance Moderator, Lora indicated that the January payroll “sets the tone” for the year in that budgeted payroll amounts are approved at the first of the year and serves as an indicator of payroll amounts each month. In addition, the Finance Policies and Procedures states under “Payroll Review” that:

On a quarterly basis the Finance Moderator reviews the monthly Payroll Journals for the quarter for propriety and compares amounts to entries posted to General Ledger.

We suggest that the payroll reviewer mark the documents reviewed by initialing and dating to document the approval process and record the timeliness of the review. This can be done by initialing and dating the front page of the payroll register, Cover Letter, and Direct Deposit page. In addition, an indication that amounts were tied back to the General Ledger can be indicated by a checkmark beside the amounts traced to the General Ledger and we also recommend tracing the amounts to the bank statement from the Direct Deposit page.

Agreed-Upon Procedures:

- Make recommendations on strengthening internal controls related to cash receipts and disbursements.

Suggestions from Testing for Strengthening Internal Controls:

1) Reimbursement Forms:

- The Church’s use of Request Forms and Repetitive Forms helps to separate the routine disbursements. The use of different colors on the forms assists with easily recognizing which form is being implemented. We recommend continued use of these two forms.

2) Combination of Safe:

- Through discussion with Lora Crowley, it was indicated that the combination of the safe had been changed recently due to changes in officers of the Church. This shows that the policy of updating the combination of the safe when officers are changed is being implemented.

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AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS – SCHEDULE A

January 1, 2022 through December 31, 2022

3) Two signatures are required for amounts \$2,500 and greater:

- In testing cash disbursements, check images were reviewed for 35 checks. Only one check tested had an amount greater than \$2,500 and it had two authorized check signers on the check. All other checks had one authorized check signer.

4) Suggestions for Payroll:

We suggest that the “Payroll Register” produced for each payroll be reviewed by a person other than the person producing the payroll and include the following procedures:

- 1) Compare the number of hours worked by hourly employees to the payroll register detail.
- 2) Review the rate of pay for each employee for reasonableness.
- 3) Review reimbursements for employees for reasonableness.
- 4) Document the approval of payroll by a signature or initials on the payroll register.

5) Segregation of Duties:

- A lack of segregation of duties is a common issue with smaller nonprofit organizations where small staff size causes one person to be in charge of many accounting functions. In segregating duties, an organization may utilize people in and out of the accounting department, as well as people who serve on the board of directors or volunteers. Clemmons Presbyterian Church does a good job at segregating duties as needed. As future opportunities arise, management should continue to segregate duties to the best of their ability, given the personnel at hand.