



AUDIT GUIDE

TRADOC-WIDE AUDIT OF THE CHAPLAIN'S FUND

1. INTRODUCTION. On 29 June 1999 the TRADOC Chief of Staff requested an audit of the standards and guidelines governing fund management of the Chaplain's Fund. The audit resulted from problems found at Fort Bliss during a review by a disinterested party and subsequent investigation. The Chief of Staff wanted the review to focus on (i) compliance with Army regulations, (ii) fund expenditures, (iii) proper fund accounting, and (iv) current oversight procedures and controls of the Fund.

2. AUDIT APPROACH. We will conduct site visits (of one to two weeks) to 12 installations. We will not audit Fort Monroe because POIRAC just completed an audit (final report dated 14 June 1999, ATIR 99-5), and Fort Bliss due to an ongoing investigation. We will not visit Fort Lee and Fort Eustis because they had just completed audits of their installation Chaplain's Fund. We will provide them this audit guide to complete any areas they did not cover and provide us answers to each applicable step. The site visitation schedule is as follows:

Fort Huachuca, 21-27 August 1999
Carlisle Barracks, 23-30 August 1999
DLI, 7-14 September 1999
Fort Jackson, 7-15 September 1999
Fort Leonard Wood, 7-17 September 1999
Fort Knox, 7-17 September 1999
Fort Gordon, 16-24 September 1999
Fort Sill, 18-24 September 1999
Fort Benning, 20-30 September 1999
Fort McClellan, 27-30 September 1999
Fort Rucker, 27 September - 8 October 1999
Fort Leavenworth, 2-8 October 1999

We will provide each installation a briefing chart report of our results. At the end of all site visits we issue a summary report.

3. OBJECTIVES. The overall objective is to determine if (1) installations Chaplains are complying with Army fund management regulations and (2) compliance with Chaplain's fund management regulations provide adequate provisions for safeguarding the fund's assets.. Specifically, determine if:

- a. Fund accounting procedures comply with the provisions of AR 165-1.
- b. Fund expenditures are valid and in support of the Chaplain's mission.
- c. Controls over credit card purchases are adequate.
- d. Property accountability is adequate.
- e. Management oversight and controls are adequate to ensure proper expenditures and periodic review.

4. REFERENCES.

- a. AR 165-1, Chaplain Activities in the United States Army
- b. AR 165-18, Chaplain Resource Management
- c. Non-appropriated Management System User Guide
- d. NAF Chaplain's Fund IMPAC Standard Operating Procedures
- e. AR 214-4, Non-appropriated Fund Contracting (includes procedures applicable to Chaplain contracts)
- f. AR 215-5, Non-appropriated Fund Accounting Policy and Procedures (includes procedures applicable to Chaplain procurement of supplies, services, and equipment)
- g. AR 735-5, Policies and Procedures for Property Accountability
- h. Installation Chaplain's Fund Standard Operating Procedures

5. SCOPE. We will examine procedures and controls that are current at the time of the review. We will examine fund (cash) from the cutoff of the last local Internal Review Office audit; or if an audit has not been done in the last two years, we will examine fund records back two years. We will examine all expenditures for the last two years. We also plan to take inventories, conduct surprise petty cash counts, and unannounced observations of collection procedures.

6. AUDIT STEPS.

A. GENERAL.

1. Determine office structure. Document rank of Chaplain, Chaplain's Fund Manager, Chaplain's Fund Clerk, and Chaplain assistants.
2. Interview the Fund Manager.
 - a. Determine if the fund manager has received professional training in this area, and was certified by the OCCH as qualified to assume the position of fund manager.
 - b. Verify training received. Ensure training included financial accountability, funds management, and small purchase procedures.
3. Interview the Chaplain's Fund Clerk.
 - a. Determine if Fund Clerk has received professional training in this area, to include purchasing and contracting procedures, bookkeeping and budgeting, and various in-house systems.
 - b. Validate the clerk's completion of the Chaplain's Fund Clerk functional course.
4. Determine organization structure. Specifically determine who has the responsibility for:
 - a. Bookkeeping duties.
 - b. Offering counts and deposits.
 - c. Inventory.
 - d. Contracting duties.
 - e. Review and oversight.
5. Determine the turnover of the fund manager and fund council the last five years.
6. Determine if any fraud has occurred in the Chaplain's Fund in the last five years.
7. Determine how much each installation received for the last year (as of 31 Jul 99).

B. OBJECTIVE: To determine if fund accounting procedures comply with the provision of AR 165-1.

1. Determine if there is an operating system of checks and balances (tied to Audit Step # 17 below).
 - a. Are offerings counted by at least two persons immediately upon removal from public view? Determine how the counters are selected.
 - b. Is an offering control report maintained?
 - c. Is this report reviewed and signed by an authorized official?
 - d. Verify that the number of control reports agree with the number of services held.
2. Determine if cash receipts, petty cash, deposits in transit, and other monies are secured in a locked safe.
 - a. Determine who has access to the safe.
 - b. Determine if a log is maintained documenting safe access.
 - c. Determine if deposit slips are pre-numbered and all are accounted for.
 - d. Determine if petty cash vouchers are pre-numbered and all are accounted for.
3. Determine if there is segregation of duties between the bookkeeper and individuals responsible for counting the offerings.
4. Determine who is responsible for receiving, opening, and reviewing mail addressed to the Chaplain's Fund.
 - a. Does the fund receive donations (cash or checks) by mail?
 - b. If so, how is it handled?
5. Determine who is responsible for reconciling bank accounts (see Audit Step # 23).
 - a. Determine if the bank accounts are reconciled monthly.
 - b. Determine if bank statements are reconciled monthly to the general ledger.
 - c. Determine if any discrepancies were noted, investigated, and results documented.
6. Determine if contracts are being reviewed.
 - a. Identify reviewer by name, title, and rank.
 - b. Determine how the reviewer was selected? Were they responsible for reviewing all or selected contracts? Document variations (i.e. review over \$2,500, etc.)

c. Determine also if review of contracts include coordination with legal services to ensure compliance with existing regulatory requirements.

d. Review non-personal service contracts. Ensure that there was sufficient competition prior to final award of contract. (validate by examining contractor bids, source selection, files, etc.)

7. Determine if there are any contracts over \$25,000. Determine if the Fund Manager is forwarding this information to the MACOM for approval.

8. This step involves cash collections. The key is to access the controls over cash at the reception point. Some installations have numerous chapels. This means that services are being held at the same time. From the list of available services you need to pick a sample. Some services are also held on Wednesday and Saturdays. Choose enough samples to give you a good feel for controls over collections.

a. Observe the collection and the counting of cash during offerings. At least two people should collect. Two people should count. Chaplain in charge of service should verify the count (need to see if this is being done).

(1) Observe how the cash is handled after it has been counted.

(2) Is it stored in a safe? How is it deposited?

(3) Cash is being collected from various faith groups at different times. How is this money transferred to the bank?

9. Once arriving at Chaplain Office do a surprise cash count of whatever cash is on hand to include petty cash.

10. Review offering count sheets for the most recent year. Prepare a schedule of the offering sheets to show offering sheet number, the names of people who counted, the date, the amount of the offering, the faith group, and the date deposited. While reviewing count sheets be sure to identify which collections are designated offerings (you will need to use this information later).

a. Examine count sheet to determine if two people are counting

b. Examine count sheet to determine if Chaplain is verifying the count

c. Examine deposit slips to determine if deposits are timely

d. Examine to determine if count sheets are sequentially numbered and all accounted for.

- e. Trace each count sheet to the checkbook

Note: You should be aware there maybe different sequentially numbered count sheets for each distinctive faith group.)

11. Trace count offering sheets to deposits slips to determine if collections are deposited timely.

- a. Document the date the cash received, the date of the deposit, and the time elapsed between the two. Record the numbers of the deposit slips.

- b. Are they sequentially numbered? Are all the numbers accounted for?

12. Petty Cash. Do surprise count of petty cash.

- a. Is the petty cash accountable officer designated in writing.

- b. Review petty cash disbursements for the period under review

- c. Do payments from petty cash exceed \$500.00

- d. Is petty cash used for cashing checks, making travel payments, or travel advances

- e. Is petty cash reimbursed monthly

- f. Are petty cash disbursement properly authorized

13. Obtain bank statements for the period under examination. Obtain copies of monthly bank reconciliations for the same period (some places may have more than one account).

- a. Has the bank account been reconciled with the check register each month?

- b. Who performed the reconciliations? Is there a conflict of interest?

- c. Note any discrepancies made during the bank reconciliations. How where these resolved?

- d. Compare the balance of the checkbook, bank statement, and general ledger for each month. Verify they are in agreement. Investigate any differences.

- e. Does the Fund Manager reconcile the checkbook, the bank statement, and the general ledger each month?

(Note: The general ledger balance maybe represented by the Chaplain's Fund Statement of Operations and Net Worth.)

C. OBJECTIVE: To determine if fund expenditures are valid and in support of the Chaplain's mission.

1. Review disbursements for the most recent two years. If problems appear, use the check register to document the date of the check, the check number, the check amount, the payee, and a transaction description.
 - a. Trace each of the disbursements to the supporting documentation (purchase order).
 - b. Document any purchase of non-expendable property and trace to property records.
 - c. Look for anything out of the ordinary or unusual or anything that catches your attention. Investigate! (Note: Pay attention to spending involving visiting dignitaries, paying for individual meals, meals with meetings, etc.).
 - d. Review the payee signature on the returned check to see if it agrees with payee on front.
 - e. Identify IMPAC disbursements for further review.
 - f. Is the disbursement in line with the Command Religious Master Plan (CRMP)?
 - g. Identify who signed the checks-is it in line with who is authorized to sign.
2. Obtain a listing of grants received over past two years.
 - a. Examine disbursements made from grant funds
 - b. Are these disbursements in line with the grants purpose?
3. Designated Offerings.
 - a. Trace designated offerings to the disbursements to ensure offerings are disbursed for the purpose collected within five days.
 - b. Document who the check was written to and the date of the disbursement, and the time lapsed between the collection and the disbursement.
 - c. Verify that names listed as payee on checks for designated offerings are legitimate (take a sample). It is up to auditor how to do this. For example look up name in telephone book and call number to verify existence. Call the Chamber of Commerce or Better Business Bureau.

D. OBJECTIVE: Determine if controls over credit card purchase are adequate. See IMPAC Card background at [Annex 1](#).

1. Obtain copy of the NAF Chaplain's Fund IMPAC SOP.
2. Trace IMPAC disbursements identified under Audit Step C.1. to the supporting documents.
 - a. Are there supporting documents (receipts) for each transaction?
 - b. Are the receipts originals or duplicates?
 - c. Examine signatures on the credit card receipts-is it the signature of the cardholder
 - d. Trace non-expendable items to property books.
 - e. Is there evidence of split disbursements?
 - f. Was each purchase properly approved?
 - g. Are transactions being executed in compliance with the NAF Chaplain's IMPAC SOP?
 - (1) Examine the NAF Chaplain's Fund IMPAC SOP – are controls sufficient to safeguard the use of the card?
 - (2) Has cardholder received training on use of card?
 - (3) Is there a proper segregation of duties between cardholder, approving official, and property accountable officer?
 - h. Verify that fund does not have accommodation check (should not need them) .
3. The following steps are optional, use if you think they are needed.
 - a. Obtain copies of their local directorate of contracting policies for IMPAC cards.
 - b. Discuss and review their training curriculum for cardholders/approving officials.
 - c. Discuss policies and procedures for:
 - (1) Disputing charges and billing errors.
 - (2) Retrieving cards when personnel are reassigned or leave the work force.
 - (3) Safeguarding cards and account numbers.
 - (4) Notification of lost or stolen IMPAC cards.

(5) Deciding number of cards needed, designated cardholders, and designated approving officials.

(6) Establishing controls (merchant blocking) on cards to minimize cases of abuse and misuse.

E. OBJECTIVE. Determine if property accountability is adequate.

1. Determine who is responsible for record keeping of property.

a. Does the fund maintain inventory of non-expendable property?

b. Is an inventory performed annually? Discrepancies noted? Investigated?, and action taken to resolve.

2. Determine if duties are segregated for persons authorized to order and receive property.

3. Determine how often nonexpendable property is inventoried (good standard is at least once a year).

4. Use the following steps to complete the objective:

a. Name of the Property Accountability Officer:

b. Is the Accountability Officer also the Chaplain's Fund Manager? Yes No

c. Obtain the last two physical property inventories: WP Ref:

Date of most recent physical inventory:

Name of officer who conducted last inventory:

Was this officer an employee of the Fund? Yes No

Date of previous physical inventory:

Name of officer who conducted prior inventory:

Was this officer an employee of the fund? Yes No

Examine the last two physical inventories and note:

Properties that have been added to the inventories:

Purchase Date	Control #	Description	Unit Cost	HR#	Proper Approval

Properties that have been deleted from the inventories:

Purchase Date	Control #	Description	Unit Cost	HR#	Proper Approval

d. Review transactions for added and deleted properties to determine if proper approvals for purchase/donation or disposition of property was obtained. WP Ref:

e. Obtain copy of current Chaplain's Fund Property Accountability Record (DA Fm 4921-E-R, Chaplain's Fund Property Record). WP Ref:

f. Select a sample of items from this record and conduct a physical inventory to determine if the property actually exists. Ask for sampling plan. WP Ref:

5. Review the insurance that covers non-expendable property. Determine if the insurance is adequate and bonded.

F. OBJECTIVE: Determine if management oversight and controls are adequate to ensure proper expenditures and periodic review.

1. Determine if fund records are inspected periodically (monthly, quarterly, etc.)
(CRITICAL AUDIT STEP)

2. Document last two inspections by TRADOC Chaplain's Office (should be annually). Review documentation left by the inspection team.

a. Assess the depth of the inspection?

b. What did the inspection cover? Was it superficial?

c. Did it provide any value to the fund?

d. Was it sufficient to detect irregularities or was it just a paper drill?

3. Document the last two changes of Fund Managers.

a. Was there an informal audit done at the change? Document who performed the audit.

b. Review documentation left by the audit team. Assess the depth of the audit? What did the audit cover? Was it sufficient to detect irregularities or was it just a paper drill?

4. Document the last two BASOPS Assessment Team Visits from HQ TRADOC (people from the TRADOC Chaplain's office maybe a part of this team or may not. Therefore, this may count as the MACOM annual inspection)

a. Has there been an informal audit by a disinterested party every two years? Explain.

b. Has an informal audit ever lead to a formal audit? Explain the results.

c. Document when last Management Control Evaluation Checklist was completed (required every five years). Review documentation completed. Assess the depth of the review? What did the review cover? Was it sufficient to detect control weaknesses or was it just a paper drill?

d. Determine if there are any noted suggestions/recommendations on any of the items identified above. Determine also if a follow-up was performed to ensure compliance with recommendations.

e. Document what type of monthly, quarterly inspections of fund records are being done. Who performed the inspections? Under whose authority? How were they selected? What were their qualifications? What did they examine? Who did they report to? (monthly informal inspections by disinterested parties required every month according to AR 165-18)

ANNEX 1 - BACKGROUND FOR IMPAC CARD

- 1.** The International Merchant Purchase Authorization Card (IMPAC) is a government-wide commercial credit card that non-procurement personnel may use as a purchase and payment instrument for micro purchases (\$2,500 and less; \$2,000 for construction) of approved supplies and services. To encourage maximum use of the card, the Army Chief of Staff (CofS) established a goal that 90 percent of all micro purchases be made using the IMPAC.
- 2.** The card streamlines the purchases and payment process for small dollar value and commercial items. The card has built-in safeguards and management controls to minimized misuse. The safeguards include a monthly and single purchased dollar cap assigned to the card. There is also a safeguard that allows purchase restrictions to certain vendors via use of merchant activity codes blocks encoded in the card.
- 3.** Before an activity can locally procure supplies and services, it must determine if it can acquire them through the sources listed in Part 8 of the FAR. The sources include, in order of preference; local inventories, Federal Prison Industries, National Industries for the Blind and Severely Handicapped and National Inventories. Additionally non-expendable item purchases should be coordinated with the process owner (DPW, DOIM, etc.). Cardholders shall keep records of all transactions, to include: who the purchases is for; date of order; vendor name; price paid; and when received.
- 4.** Each month, the bank will send a Billing Statement directly to the cardholder. The cardholder must reconcile the statement with the receipts (kept on file) and forward the statement to the approving official for review against the official Billing Statement. The Approving Official will certify the Billing Statement, then forward the certified statement to the Finance Office for payment. The Approving Official will retain the original cardholder Statement of Account and a copy of the certified Billing Statement for a period of three years.
- 5.** Any non-expendable pilferable and/or sensitive items bought by IMPAC card should be accounted for on hand receipt/property book records. Expendable items do not need to be accounted for. Expendable property is property that is consumed in use, or that loses its identity in use. Expendable property also includes items not consumed in use with a unit cost of less than \$300.