

## Church Financial Hot Topic

### Internal Revenue Service Audit

If the IRS audited your church, the Revenue Agent would have a checklist of items to be requested. The requested information below was furnished to Church Financial Services by a Georgia Baptist Convention church that was audited by the IRS. There are a few trends in the checklist worth noting. First, church financial policies should be written and followed. Second, a written 403(b) retirement plan document must be kept on file. Third, W-9s must be kept current for all self-employed workers. Finally, receipts must be kept for all church expenditures over \$75.

#### Sample IRS Audit Checklist

1. All bank statements from January 1 thru December 31.
2. Copies of all W-2s, W-3s, 941s, and 1099s for the year.
3. All employee benefit packages and/or policies. The packages are requested for all classes of employees. (Rank & file, management, upper management, executive, etc.)
4. A list of all ministers or employees receiving Housing Allowances: List the name and amount.
5. All employee manuals, including any literature or other information provided to employees regarding participation in the entity's deferred compensation, cafeteria, or other optional plans.
6. Any independent or outside financial audit reports.
7. All employment contracts.
8. List of each vendor and payments made to each during the calendar year. Please provide the Disbursement/Accounts Payable records.
9. If possible, please provide a report summarizing all payment to employees in the past year for allowances, reimbursements, or benefits that were paid through accounts payable and not payroll.
10. Form W-9 for all current vendors or contractors for the past year.
11. Any "B" Notices sent to payees regarding missing or incorrect taxpayer identification number for the past calendar year.
12. Any correspondence received from the Internal Revenue Service or the Social Security Administration regarding the filing of information returns such as Forms 1099 or W-2 for the past calendar year.
13. Your Internal Control Procedures for preparing and transmitting Forms W-2 and 1099.
14. Written plan documents for all deferred compensation (including tax-sheltered annuities), cafeteria, flexible spending, and other employee benefit plans (retired health savings plan, health reimbursement plans, etc).
15. All written policies for the following:
  - a. Accountable and Non-Accountable Plans
  - b. Automobile Allowances and/or Reimbursements
  - c. Travel Allowances and/or Reimbursements for employees and companions
  - d. Entertainment Allowances and/or Reimbursements
  - e. Employer Provided Automobiles
  - f. Meal Allowances and/or Reimbursements
  - g. Education Assistance
  - h. Cell Phones Provided to Employees
  - i. Health or Social Club Fees
  - j. Moving Expense Reimbursements
16. Please provide a breakdown of the employees (by worker classification) which did not pay SS and/or Medicare taxes the past calendar year and substantiation why they were not required.
17. All travel expenses for employees and companions.

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