

DIOCESE OF THE CENTRAL GULF COAST AUDIT CHECKLIST

Church Name:	
Location (City, State):	
Fiscal Year (year ending):	
Completion Date:	
Clergy Leader:	
Sr. Warden:	
Treasurer:	

AUDIT COMMITTEE MEMBERS:

Annual Audits need to be on file in the Diocesan Office by September 1. For those churches using an *internal audit committee*, please ensure you:

1. Include your completed **Audit Checklist**
2. Attach your financial statements: **Balance Sheet** (or listing of assets and liabilities; see Appendix B) and your **Income/Expense Statement**
3. Complete an **Audit Committee Certificate and Findings** (see Appendix A example). This is a letter stating that steps have been taken to ensure that the financial statements are presented fairly in all material respects and internal control procedures are in effect at the congregation. Findings / deficiencies are noted appropriately. This letter should be made a part of the Vestry meeting minutes.

Templates have been included at the end of checklist if needed. Notes have been added for some questions that may not be self-explanatory. If you cannot answer a question with an unqualified “yes,” it is recommended that you provide an explanation in the comment section. This will allow you to better identify / track potential issues and share with the appropriate church leadership for follow-up as needed.

PURPOSE

This Audit Checklist, in conjunction with our Audit Guidelines document, is intended to help an audit committee or non-accountant who is participating in the conduct of a financial review. This Audit Checklist and comments may also alert an accountant who may not be familiar with the Episcopal Church to certain matters pertaining to Episcopal congregations.

Unlike an audit according to generally accepted accounting principles, this procedure provides for an independent overview of the financial and business procedures and policies of a local congregation and includes the following objectives.

- 1) **We want to be sure that there is compliance with applicable regulations.** For example, you should make sure that all matters dealing with payroll taxes and filings are being properly done (quarterly 941's). You should make sure that all compensation paid to employees are included in the W-2.
- 2) **We want to be sure that there is compliance with the Canons of the Episcopal Church and of the Diocese of the Central Gulf Coast.** For example, was the parochial report filed in a timely fashion, and was it completed in accordance with the instructions?
- 3) **We want to be sure that the Vestry is fulfilling its fiduciary responsibilities.** For example, does the Vestry receive timely financial information? Is there an approved budget? Are Vestry and committee minutes preserved? Is there a full report to the Annual Meeting?
- 4) **We want to be sure that basic bookkeeping is being kept up to date and that adequate internal controls are in place.** For example, are all the bank accounts reconciled regularly? Is there proper documentation for disbursements? Are the contributions records adequate?

This checklist is not all inclusive; an auditor may certainly do more than is required by these procedures. In addition, some questions may not be applicable to your congregation. Please use this checklist as a guide to assist you in completing this important activity.

Remember that audits are not meant to be an undue burden on a congregation. Rather, it is considered to be part of or stewardship of the assets given to us to manage. Exercising good stewardship begins with being accountable for the assets God has entrusted to our care and an annual review helps all of us to be accountable.

Section A: General Review

Obtain necessary documents to assist auditor / audit team: Vestry minutes, Parochial Report, approved budget, annual year-end financial reports for full calendar year, insurance coverages, by-laws, etc.

A		Yes	No	N/A
1	Is the audit report for previous year available? If no, please note year last audit available: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Have recommendations included in previous years' audits been implemented? <i>Please note on the Comments section whether the congregation has taken steps to implement previous recommendations from auditors</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Are Vestry minutes for the previous year complete / available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Review the minutes of the Vestry and other formal committees: a) Was the budget approved by the Vestry? b) Was the clergy housing allowance voted by the first of the year (Jan.) c) Were large or unbudgeted expenditures approved? d) Were large or unusual receipts noted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	If a Finance or Investment Committee is authorized to expend or invest funds, are the minutes of such committee meetings complete / available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Was the parochial report reviewed / signed off by the Vestry? Date filed (due March 01): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Are monthly or quarterly financial reports prepared and submitted to the Vestry for review?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Is balance sheet and an income & expense statement prepared at least annually for the Vestry and the congregation? <i>If the bookkeeping system is manual, it is very possible that no full balance sheet is prepared. However, the information a balance sheet contains should be given to the Vestry and the Annual Meeting. Assets include the total in all checking and savings accounts, the total in all CD and</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	<i>investment accounts, and amounts the parish is owed. Most small churches will not have capitalized the value of their land, buildings, and equipment, and that is acceptable; if a value is shown it can be the amount of the most recent insurance appraisal. Liabilities include the outstanding principal of all loans, mortgages and indebtedness and all accounts payable and payroll and sales taxes payable. Remember a copy of the Balance Sheet (or a listing of assets and liabilities) and the Income & Expense Statement needs to be attached to the completed audit package</i>			
9	Are your insurance records and property records available? Last year coverages were reviewed (if known): _____ <i>The coverages and limits provided to those churches insured by the Church Insurance Company meet the minimum standards of appropriate coverages. If not covered by Church Insurance Company, please indicate so in the comment section and obtain a copy of the current coverage.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Do you have a copy of the church By-laws? Year last updated (if known): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Is there a space use agreement with by any outside organizations (if appropriate) for the use of church facilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Do you use an accounting software (vs. manual)?: What accounting system? (eg. QuickBooks) _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Are your parishioner records maintained computerized? If yes, what system / software? _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Are the files backed up and the backups maintained off premises?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Is there a plan for recovery of data in the event of a disaster?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	Does the church have a safety deposit box? If yes, who is authorized to enter: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:				

Section B: Cash Balances, Investments, & Income

Review procedures and controls for cash receipts, including the collections from church services and the deposit of such monies.

B		Yes	No	N/A
1	<p>Have recommendations included in previous years' audits been implemented? <i>Please note on the Comments section whether the congregation has taken steps to implement previous recommendations from auditors</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<p>Have you checked to see that all operating cash accounts (checking, savings, etc.) have been reconciled regularly throughout the year? <i>If the congregation uses QuickBooks or another computer application, check the reconciliation reports that should be attached to each bank statement. You need to ensure that all accounts in the name of the church be examined.</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<p>Review all organizations cash accounts (ECW, Alter Guild, Rector's Discretionary Fund, etc.)</p> <p>a. Have they been reconciled regularly (monthly)?</p> <p>b. Is the bank account reconciliation completed by someone other than the person who participates in the receipt or disbursement of cash?</p> <p>c. Are the organization accounts free of activity that should have been in the operating fund?</p> <p>d. Are there any accounts that exist that you were unable to examine?</p> <p>e. Were any restricted gifts received during the year? <i>The balance sheet or listing of assets should indicate the assets that are restricted</i></p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	<p>Review procedures and control of plate collections, other cash receipts and deposits. Do these systems provide adequate controls?</p> <ul style="list-style-type: none"> • <i>Test a random sample of deposits / weekly count sheets to be sure that they have been correctly posted to the financial records. You should make your selections from several different months in the year.</i> • <i>Remember, more than one person should be present when the Sunday offering is counted and deposited. If at all possible, the person who records the individual contribution records should not be the same person who reconciles the bank statement. No one should</i> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	<i>be cashing checks into the offering. The entire offering should be deposited.</i>			
5	Are there at least two unrelated persons responsible for counting and depositing the collections?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Are there safeguards in place to protect the collections from theft or misplacement from the time of receipt until the time the funds are counted and deposited?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Are all cash receipts deposited into the general operating checking account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Is mail opened by a person independent of cash receipt procedures and cash disbursement procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Review procedures and control of church pledges received and deposits. Do these systems provide adequate controls? <ul style="list-style-type: none"> • <i>Conduct a random selection of individual pledge records. Test for accurate total and balance.</i> 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Are statements of contributions provided to parishioners? How often? monthly____ quarterly _____ annually _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Has the congregation respected donor restrictions on all current and past gifts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:				

Section C: Cash Disbursements

C		Yes	No	N/A
1	Do you have a current list of authorized signatories for each account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section D: Liabilities

D		Yes	No	N/A
1	Are clergy and lay pension payments calculated correctly and up to date? <i>Pension payments are to be remitted monthly not quarterly. If in arrears more than 3 months penalties may be applied. Ensure that clergy update / submit change in compensation form to CPG if any changes.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Are pledge payments to the diocese and any diocesan loans current? <i>Verify that the diocesan pledge and any Diocesan loans due at year end reconcile to either the year end Diocesan pledge statement and loan statements or Diocesan records at year end</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Are mortgages or other loan payments current?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Are utility and insurance payments current?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:				

Section E: Clergy Discretionary Fund

As with all cash accounts, discretionary funds are included in the audit and the balance reported annually. However, such audit needs to be handled with care. It is recommended not to open a separate account but use the main parish operating account.

E		Yes	No	N/A
1	Does the rector have a discretionary fund?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	If yes, is the account in the name of the church?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	If yes, is the church tax ID number used for the account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Randomly select three (3) disbursements from discretionary funds and document how funds were used.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5	Were the individuals that signed checks on the discretionary bank account authorized to do so?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:				

Section F: Payroll / Employees

Plan on reviewing Form 941's, W-2s, 1099's, timesheets if applicable. Check to ensure filing requirements and taxes are remitted timely and employee records are maintained appropriately.

F		Yes	No	N/A
1	Does the church use an outside payroll service? <i>Such services not only process the payroll, but also are responsible for remitting all payroll taxes to federal and state taxing authorities, and filing all monthly, quarterly and annual filings and issuance of W-2s. An outside payroll service is recommended if a church is having difficulties with payroll accounting.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Were 1099s issued to independent contractors who made more than \$600?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Do payroll records indicate that your 941 deposits were made on time and quarterly filing requirements were met / remitted timely?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Do the salaries authorized in the budget match the amounts actually paid?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Was all lay compensation, including any bonus, reported on the W-2?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Was clergy compensation reported at end of year on form W-2?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Did you validate that Social Security and Medicare taxes have <u>NOT</u> been withheld from compensation of clergy? <i>FICA taxes are not usually withheld from clergy compensation. Clergy are considered "self-employed" for SS/Medicare purposes. Clergy pay these taxes as part of their Self Employment (SE) tax filing.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8	Was the clergy value of life insurance premiums on coverage in excess of \$50,000 included on the form W-2?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	<p>Are employee personnel files maintained and securely stored?</p> <p>It is important to ensure that employers are compliant with federal / state / church policies including:</p> <ul style="list-style-type: none"> • Written record / timesheet of hours worked (non-exempt), approved by a supervisor when applicable? • IRS Form W-4 completed? • Form I-9 for Dept. of Justice? • Background checks performed? • Appropriate "Safeguarding" modules completed? • Employees that work more than 1,500 hours a year covered by a Medical Trust healthcare plan? • Lay employees that work more than 1,000 hours a year covered by a retirement plan? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Comments:</p>				

Attachment A: Audit Committee Certification

Date: _____

Audit Year: _____

To the Rector, Wardens, Vestry of: _____
(church / location)

We have examined the financial statements of _____
(church)

for the calendar year ending December 31, _____.

Our examination was made in accordance with the guidelines prescribed by the Diocese of the Central Gulf Coast with the principles authorized by the General Convention of the Episcopal church. Our inspection and certification is not to be construed as either an audit or review made in accordance with the standards of The American Institute of Certified Public Accountants. We have also reviewed this audit with the vestry.

In our opinion, the accompanying financial statements are fairly stated.

Date _____

AUDIT COMMITTEE:

(Note: Any significant, unresolved differences should be included in your Audit Checklist or in a separate paragraph.)

Attachment B: Assets & Liabilities
 (if church does not have Balance Sheet available)

Current Assets		
<i>(list accounts)</i>	As of 12/31/20__	As of 12/31/20__
Cash / Petty Cash On Hand:		
Checking Accounts:		
Savings Accounts:		
Investment Accounts:		
Totals:		
Non-Current Assets:		
Property		
Buildings		
Contents		
Motor Vehicles		
Other (equipment):		
Total:		

Liabilities		
	As of 12/31/20__	Rate / Due Terms
Accounts Payable:		
Mortgages / Loans:		
Diocesan Loans:		
Other Debts:		
Totals:		