

### Audit Procedures List

City \_\_\_\_\_

Church: \_\_\_\_\_ Year End Date: \_\_\_\_\_

Audit Committee Members: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

GENERAL REVIEW	Answer/Date
1. Obtain copy of prior year audit. Read audit letter paying particular attention to comments and recommendations.	
2. Obtain year end financial statements.	
3. Obtain and review budget.	
4. Obtain and review Vestry minutes for:	
a. Budget approval.	
b. Clergy housing allowance resolution (should be in December minutes).	
c. Are material expenditures approved?	
d. Comments on extraordinary gifts or bequests.	
5. Are monthly financial statements prepared and included in the Vestry minutes?	
6. Compare insurance coverage with property appraisals or stated current values. Does insurance coverage appear sufficient?	
7. If the church is a corporation, review Articles of Incorporation.	
8. Review By-Laws. Have there been any changes to the By-Laws?	
9. Is there a current space use agreement and insurance certificate on file for organizations regularly using the church?	
10. Does the financial section of the Parochial Report agree with the Income Statement?	
11. Has a Risk Management inspection been conducted?	
12. Is a church sponsored school located on the property? If so,	
a. Does the school have a federal ID number?	
b. Is the school licensed and/or accredited? If so, by whom?	
c. Is the school audited annually?	
d. What was the date of the most recent fire department inspection?	
e. Is there a screening process for teachers?	

ASSET REVIEW	Answer/Date
13. Examine all checking, savings, investment, discretionary, guild and other church-related organization accounts. Were all accounts included in the audit?	
a. Were accounts in the name of and addressed to the church?	
b. Was the church's federal ID number used for all accounts?	
c. Were bank statements, passbooks and investment statements provided to show activity for full year from December of prior year to January of succeeding year?	
d. Were cancelled checks provided for verification of payees, signatures and endorsements?	
e. Were appropriate records provided for verification of outstanding or voided checks and last check number?	
14. If the preceding year has not been audited, prepare a bank reconciliation for all accounts for the end of that year.	
15. Review bank reconciliations for all accounts as of audit year end.	
16. For guild and other church-related organization accounts, review accounting records to ensure proper use of funds.	
17. Review restricted contributions to verify compliance with donor restriction.	
18. Review investment account statements. Trace all withdrawals and verify authorization.	
19. Review petty cash account and verify appropriate reconciliation.	
LIABILITY AND FUND BALANCE REVIEW	
20. Are pension payments up to date for clergy and lay employees?	
21. Are clergy pension payments equal to 18% of salary + housing + SECA reimbursement?	
22. Is diocesan assessment paid monthly?	
23. Are payroll taxes paid on time?	
24. Review restricted fund accounts. Are all accounts necessary or could some activity be treated as pass-through?	

CASH RECEIPTS	Answer/Date
25. Review procedures for control of plate collection and deposit.	
26. Review a sample of cash receipt reports and trace totals to financial reports. Do count sheets, deposit records, and cash receipts accounting match? Identify significant discrepancies.	
<b>CASH DISBURSEMENTS</b>	
27. Obtain a list of authorized check signers and test signatures on three months of checks.	
28. Examine 10% of disbursements of \$500 or more and 1% of checks under \$500 to approved vouchers, budget or Vestry approval. Identify check #s examined and comment. Use this space and/or attach pages.	
29. Examine any checks which lack sufficient support under Step #28 above as to number, date, amount, signature, payee and endorsement. Investigate propriety of checks drawn to cash, payroll, the church, officers and employees.	
<b>PAYROLL</b>	
30. Examine payroll tax returns, W2s and 1099s. Determine that filing requirements have been met and withholding taxes remitted properly.	
a. Did quarterly reporting match year-end reporting?	
b. Was approved housing allowance reported in Box 14 of the W2 form?	
c. Was expense or travel allowance approved by the Vestry and was supporting documentation provided for expenditures?	
d. If not, was allowance reported as taxable income?	
31. Identify those receiving payments in excess of \$600 for the year and match to W2 and 1099 reporting.	
32. Are those working more than 1000 hours covered by workers compensation insurance and receiving lay pension benefits?	
33. Are those working more than 1560 hours a year (30 hours a week) receiving the benefits mentioned in Step #32 plus health insurance coverage?	

DISCRETIONARY FUNDS	Answer/Date
34. Identify all discretionary funds and clergy personnel holding those funds.	
35. For each fund:	
a. Is the fund in the name of the church?	
b. Did a Vestry or Bishop's Committee resolution establish the fund?	
c. Is the church's federal ID number used to identify the bank account?	
d. Did donors specify gift for discretionary fund?	
e. Review the Clergy Discretionary Fund policy. Was the policy followed?	
f. Were funds used for personal expenses the IRS would consider taxable?	
g. Were funds used for the purposes for which they were intended?	
<b>AUDIT REPORTING</b>	Date completed
1. Prepare Audit Committee Report Letter signed by all members (see attached Audit Report Letter).	
2. Prepare a report of Audit Committee findings and recommendations (see attached Findings and Recommendations Letter).	
3. Attach a copy of the year end financial statements to the Audit Report Letter.	
4. Submit copies of the report letter, the findings and recommendations letter and the year end financial statements to the Vestry and the Diocesan Administrator on or before September 1 <sup>st</sup> following the year end.	

**Audit Committee Report Letter**

Date \_\_\_\_\_

To the Rector, Wardens and Vestry of \_\_\_\_\_ Church

Subject: 200\_ Audit of \_\_\_\_\_

We have inspected the statement of financial position of \_\_\_\_\_ Church as of December 31, \_\_\_\_\_, and the related statement of activities and cash flows for the year then ended. Our inspection was made in accordance with the audit guidelines of the Manual of Business Methods in Church Affairs, and the financial statements are prepared on a basis in accordance with principles adopted by the Episcopal Church and approved by its General Convention except as noted.

We noted the following exceptions (if any):

We have taken steps to see that the accompanying financial statements present fairly, in all material respects, except as noted above, the financial position of the Congregation at December 31, \_\_\_\_\_; and that the changes in the net assets and its cash flows for the year then ended are in accordance with the principles authorized by General Convention of the Episcopal Church on a basis consistent with that of the preceding year.

Our inspection and certificate are not meant to be construed as an audit and opinion rendered by a Certified Public Accountant.

Sincerely,  
Members of the Audit Committee:

\_\_\_\_\_

**Audit Committee Findings and Recommendations Report**

Date \_\_\_\_\_

To the Rector, Wardens and Vestry of \_\_\_\_\_ Church

Subject: 200\_\_ Audit of \_\_\_\_\_ Church

During the course of the above inspection, the following items pertaining to internal control and other operation matters were noted. The first group includes areas of management control where prior year auditor recommendations have not been implemented. The second group includes comments and recommendations of current year auditors.

Areas where prior year auditors recommendations have not been implemented:

Comments and recommendations of current year auditors:

Sincerely,  
Members of the Audit Committee

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