

# AUDIT PROGRAM CHECKLIST FOR: \_\_\_\_\_

Audit for the period of **January 1, \_\_\_\_** to **December 31, \_\_\_\_**

Church Name	
City/Town	
Region #	
Rector/Vicar	
Senior Warden	
Junior Warden	
Treasurer	
<b>Federal Tax ID#</b>	

Date(s) audit conducted:	
Audit Committee Members:	
Date received by vestry/vestry ctte.	

## Audit Committee Certificate

To the Rector or Vicar, Wardens and Vestry:

The audit committee has inspected the financial position of the church in accordance with the audit guidelines of the Diocese of Virginia. We have taken steps to see that the financial statements and report of the Treasurer's funds present fairly the assets and liabilities of the church; and that the receipts and expenditures and changes in all fund balances for the audit year are in accordance with the principles authorized by General Convention of the Episcopal Church, and of the Diocese of Virginia.

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

\_\_\_\_\_ (Signature of Chair) \_\_\_\_\_ (Date)

## Orientation

Since 1979, the Executive Council of the Episcopal Church has provided a common financial accounting template for Episcopal parishes and missions. The latest template version is the “Manual of Business Methods in Church Affairs”, which was updated in 2012. This is essential reading for the core financial team of every church. A copy of the manual is available through the diocesan web site.

The purpose of this auditing practice is to thoroughly engage the local churches in adequately demonstrating the financial well-being of their accounting functions. In most respects, especially in insurance and asset management, this audit program goes farther than what would be accomplished in an outside audit.

<b>Understanding the Bookkeeping System</b>	<b>Yes</b>	<b>No</b>
Has the Treasurer read & make use of the current Manual of Business Methods?		
Has the audit committee agreed that the audit shall cover <b>all</b> funds of the church?		
Are the Treasurers’ permanent files retained in a secure location that supports his/her work? A secure back-up of information can be critical to your record-keeping.		
Does this include original cash receipts and disbursements records?		
Does it include a file of published and accepted Financial Reports?		
Does it contain payroll and General Ledger books or comparable information?		
Do checks exceeding a certain level require two signatures? <b>If yes, \$ _____.</b>		
Is a chart of accounts in use that includes <b>all</b> church funds?		
Is the primary bookkeeper a paid employee of the church? All churches in the Diocese of Virginia using Church Insurance Company for their Property and Liability coverage are insured with at least \$25,000 of Fidelity Bond insurance.		

<b>Understanding and Verifying the Financial Reports</b>	<b>Yes</b>	<b>No</b>
Working from the full-set of the Treasurer’s final year-end report:		
Do they include a year-end balance sheet in separate fund form?		
Do they include a Revenue and Expense statement for all funds of the church?		
Is the Revenue and Expense statement in comparative form? Meaning, does it reflect <b>prior year/budgeted amounts/variance</b> to budget/etc.?		
Are discrepancies over 10% in the comparative statement explained in footnotes?		
Are any bank accounts in excess of FDIC insurance limit of \$250,000?		
If so, has the church considered an additional bank account for overage funds?		
Have you verified the authorized signatory names and <b>Federal Tax ID number (asked for on Page 1)</b> on all bank accounts of the church? The names should be current and the Federal Tax ID number should be that of the church for all accounts.		

<b>Audit Documents Reviewed/Confirmed by Audit Committee:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Vestry/Vestry Committee minutes (especially to confirm approval of annual budget, monthly financial reports and annual housing allowance)			
Minutes of all groups authorized to disburse church funds.			
Does annual financial report to parish outline and explain any significant budget variances (+/- 10% is a standard)?			
Treasurer's interim reports			
Parochial Report was submitted on _____ (date)			
List of those persons authorized for check signing (confirm with bank), fund withdrawal or transfer, and disbursing approval			
List of securities, trusts and endowments held			
Review of last year's audit and internal control letter. <b>Were recommendations approved and complied with?</b>			
Chart of Accounts			
General Ledger			
Cash Receipts Journal			
Cash Disbursements Journal			
Bank statements for audited year, plus last statement for previous year and first for current year. Used to complete attached proof of cash report for all accounts.			
Paid checks (if checks are returned) and deposit slips ( <b>Sample at least 5% of checks</b> ). <b>Are there any unusually large deposits or disbursements?</b>			
Payroll records with Forms I-9, W-2, W-3, W-4 and State and Federal withholding records. <b>Only <u>supply</u> clergy and lay employees should receive a 1099 form for their compensation!</b>			
Savings Account statements.			
Other investment records. <b>Are there any unusually large deposits or withdrawals?</b>			

<b>Cash:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Is/are the checking account(s) reconciled monthly?			
<b>In a sample of 5% of paid checks:</b>			
Do paid checks have authorized signatures? <b>(If returned)</b>			
Do paid checks have endorsements? <b>(If returned)</b>			
Do payees & amounts match the disbursements register?			
Have all voided checks been accounted for?			
Are disbursements supported by vouchers approved by authorized party other than check signer?			
If you employ a process for counting receipts, are those persons doing so required to be unrelated? Those counting funds should never be those able to authorize disbursements.			
Are receipts records compared with bank deposits for the year?			
Are all transfers between accounts able to be traced?			
Do any bank accounts regularly exceed the FDIC insured limit of \$250,000 per account?			
Does a clergy-controlled discretionary fund exist outside of the primary church accounts? <b>It must be audited per the Canons.</b>			
Does documentation support any checks written to "Cash"?			

<b>Pledges/Support:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Do the records of total receipts agree with the amounts recorded in the cash receipts journal?			
Are total contribution budgets periodically compared to actual, and are significant differences investigated?			
<b>Do acknowledgements of contributions in excess of \$250 include a statement that any goods or services provided consist solely of intangible religious benefits?</b>			
Are future bequest and gift files, such as proceeds from life insurance policies or sale of property willed to a parish, maintained on a current basis?			
Are files kept on life income, endowment, and annuity gifts, including information on the nature of the principal, investment of the principal, or use of the principal income, as well as			

correspondence with donors or beneficiaries?			
<b>Investments:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Has the vestry reviewed or created an investment policy statement in the last three years?			
Does your church use an outside money manager/broker? <b>If yes, primary manager is _____.</b>			
If a manager/broker is used, have you reviewed their level of compensation (fees & commissions) in the last three years?			
Is the 12/31/___ market value of securities established at the date of this audit examination?			
Are brokers reports examined for securities bought or sold through, or compensating that brokerage? <b>Watch for excessive fees.</b>			
Were security purchases or sales authorized by appropriate vestry (or committee) action and recorded in the minutes?			
Have receipts records of dividends and interest been compared with record of securities held?			

<b>Trust and Endowment Funds:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Do you have an active planned giving program in use at your church? <b>This should be a priority for your church.</b>			
Has a list of trust and endowment funds been obtained, including their terms and locations of the investments? <b>(A summary paragraph of each funds' history is beneficial to the church corporate memory and ensures future compliance in terms of usage of the assets).</b> A copy of the bequest, or pertinent caption involving the church, should be acquired to support the current and ongoing uses of these funds.			
Has there been an examination of the deed of trust or agency agreement for each trust and endowment fund?			
Have the "agency" accounting records been checked to determine whether or not the terms of the trust or endowment funds are being properly followed?			

<b>Property and Equipment:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Are your parish Trustees up to date with the local court? <b>If property is held in the name of the Bishop or the diocesan Trustees, please <u>circle</u> DOV.</b>  Please call Ted Smith at 1-800-DIOCESE if you have any questions. <b>Please complete the list on the following page of your Trustees.</b>			DOV
Is there a list of fixed assets, showing date of purchase and cost?			
Has an extensive physical examination of property and assets been made to the best extent possible? <b>If so, year?</b> _____			
Are the land and buildings carried on the financial statements?			
Are any liens outstanding against any property and equipment?			

<b>Liabilities:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>Payroll taxes:</b>			
Have total wages been reconciled with quarterly Federal Form 941, Form W-2, and Form W-3?			
Have total withholding taxes been reconciled with Form 941?			
Has it been determined that all Federal & State withholding taxes were remitted on a timely basis, to avoid hidden penalties?			
Are pension payments up to date for all eligible employees?			
Is a current, signed Form W-4 on hand for all employees?			
<b>Other indebtedness:</b>			
Has all required indebtedness been properly authorized by appropriate church officials (vestry/vestry committee/diocese)?			
Do unpaid balances per church records match balances as reported by any/all creditors?			
Is a detailed schedule of all loans prepared, including name of creditor, date of origin, original amount of debt, interest rate payment schedule, monthly payment, unpaid balance, loan purpose, and authorizing body?			

<b>Other:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Was a proper housing allowance resolution adopted for <b>all</b> employed clergy and was this resolution recorded in the minutes by the vestry or vestry committee?			
Has insurance coverage been reviewed? Make sure any additional construction or additional programs – day schools, for example – have not left the church underinsured.			
Has there been an inquiry as to whether there are any contingencies or commitments facing the church (e.g., legal action) with prospects of potential loss?			
Is there an insurance risk control/risk management plan in effect to help minimize potential loss?			
<b>Is there a current space use agreement and/or insurance certificate on file for all organizations regularly using the church property/facility?</b>			
If computers are used for financial or parishioner data, are files backed up at least weekly? Back-up should be in a secure site.			

**Parish Trustees (If more than three, include on back):**

The following were formally appointed through the Circuit Court of

<b>Name of Trustee</b>	<b>Address</b>	<b>Year Appointed</b>

**Required Attachments:**

1. Year-end Treasurer's report. Show total receipts and total disbursements for the year. Please comment on any variances of 10% or more in any report item.
2. **Proof of Cash** form for **all** bank accounts of the church. Should reflect reconciliation of cash balances at year-end. Committee should follow-up on unexplained variances.
3. Copy of insurance **declarations page** (front page of policy, typically). **The entire policy is not required to be submitted.** Please make sure the Diocese of Virginia is named as an additional insured.

4. Copy of Audit Committee Findings and Recommendations on Policies and Procedures.

**Bank Accounts**

Institution & Branch

Type of Account

1/1 Beginning Balance

12/31 Ending Balance

**Securities (single issue holdings)**

Type

Invested with:

Interest/Dividends/Income this Year

Original Cost

12/31 Market Value

**Investment and Endowment Funds**

Name of Fund                      Date of Origin                      Use Limitations                      Income this Year                      12/31 Market Value

**Loans and Other Obligations**

Creditor                      Date of Origin                      Orig. Balance                      Interest Rate                      Monthly Payment                      12/31 Balance                      Purpose