

A Manual for Audit Committees

In the

Diocese of Vermont

Prepared by the

Oversight and Audit Committee

May 2010

THE MANUAL FOR AUDIT COMMITTEES OF THE DIOCESE OF VERMONT

[THE ANNUAL FINANCIAL AUDIT]

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SECTION I - OVERVIEW

1. *Introduction:* Annual audits are required for all parishes, missions and other institutions by the Canons of the Episcopal Church and the Diocese of Vermont. The Oversight and Audit Committee of the Diocese of Vermont has prepared the guidelines in this document to assist audit committees in congregations in their conduct of the annual audit of the financial statements and the assessment of the internal controls for financial and property management. These audits are required by the Canons of the Episcopal Church [Title I Canon 7 Section 1] and the Canons of the Diocese of Vermont [Title II Canon 10]. This set of diocesan guidelines is written in accordance with the Manual of Business Methods in Church Affairs as authorized by the General Convention of the Episcopal Church. While these guidelines are written primarily for parish and mission audit committees, they should be made available to any independent certified or licensed public accountant who has been engaged to do the annual audit. NOTE: Use of the words *church* and *vestry* in this manual imply all parish and inter-parish relationships regarding their congregations and their body of elected representatives.

2. *Reason for an Audit:* The audit helps to assure that the financial transactions and reports are correct and that parishioner contributions are being properly handled. By doing this, the audit also helps to safeguard the treasurer, vestry and rector from unnecessary liability exposure

3. *Approved Auditors:* Congregations have several choices for conducting an audit. They may engage an independent certified or licensed public accountant, or they may appoint a committee typically of at least three persons from within the congregation, or arrange to have their audit performed by an audit committee from another congregation. Any other arrangements will need the specific approval of the diocesan Oversight and Audit Committee.

4. *The Audit Committee:* All congregations should appoint their parish audit committee from parishioners who are independent of the financial record keeping functions of the congregation. Since the Canons of the Diocese of Vermont permit these audits to be performed by the parish or mission

itself, this privilege carries a responsibility that should not be taken lightly. The Rector and Vestry must assure that a thorough and accurate financial review of the parish financial records and procedures is accomplished each year. To enable this cost-saving process, the Oversight and Audit Committee has prepared these guidelines and stands ready to assist in assuring that the audit is conducted properly. In a congregation that has chosen to engage an independent certified or licensed public accountant, the audit committee should meet with the auditor prior to the audit to go over the details of the audit.

5. Timing of the Audit: The Canons call for a church fiscal year to end on December 31. The engagement of an independent licensed or certified public accountant or the appointment of a parish audit committee should be done prior to the end of the period being examined in order to allow sufficient time for completion, review, and vestry acceptance of the audit report for transmittal to the diocese prior to September 1 following the year being audited.

6. Scope and Objectives of the Committee Audit:

a. The audit shall include the verification of the financial statements submitted to the annual meeting which should include the statement of income and expenditures, the report of the assets and liabilities of the congregation, the financial reports from all parish organizations and the Parochial Report financial report. The financial statements shall generally be in the form approved for the Episcopal Church as set forth in the Manual of Business Methods in Church Affairs. The objectives for this verification are to ascertain:

1) that the various transactions during the year are proper, documented appropriately, and recorded in the proper amounts and in the proper accounts, and

2) that the financial statements for the year were prepared from the financial records and present fairly the financial position of the congregation.

A list of documents to be made available for the audit is found in **Section IV-1** and sample financial statements are found in Section IV-4 and IV-5 and in the Manual for Treasurers of Vermont Churches .

b. The audit shall also include a review of financial management control practices using the Internal Control Checklist found in Section IV-2. The questions in this checklist are a modified version of the Internal Control Questionnaire found in The Manual of Business Methods in Church Affairs. This portion of the audit is accomplished through interviews with the treasurer and all persons in the congregation who have financial responsibilities, including the rector. The objective is to ascertain that adequate internal control procedures were, and continue to be, in effect.

7. Accounts to be Audited: **All accounts must be audited.** This requirement covers not only the operating accounts of the congregation but also all of its restricted, endowment, property, and cemetery funds and the accounts, if any, of all parish organizations. No church money, including the parish discretionary fund, if there is one, is exempt from the requirements.

8. ***Content of the Audit Report:*** The audit committee is responsible for submitting the audit report to the vestry or mission committee of the church. The audit report shall consist of:

- a. An **Audit Committee Certificate** verifies that the financial reports fairly present the financial position of the congregation and that a review of the policies, procedures, and practices for the internal control of the business affairs has been conducted (See Sample Audit Certificate in Section IV-3).
- b. The completed **Internal Control Checklist** along with the identification of any problems and proposed solutions as a result of reviewing the internal controls. The auditor or audit committee must complete this phase of their work in sufficient time to allow the vestry to review and take appropriate action where needed.
- c. A consolidated **Statement of Income and Expenses**.
- d. A **Statement of Assets and Liabilities** resulting from cash transactions (or the balance sheet in the case of organizations using the accrual method of accounting).
- e. **The Parish Audit Compliance Review Summary**. This form helps assure that the essential aspects of the audit have been completed.

9. Filing the Audit Report:

- a. Prior to actual delivery of the audit report to the vestry, the vestry should issue a letter to the auditor or audit committee stating that all records have been available for audit and there are no church funds omitted.
- b. Upon completion, a review of the audit report shall be made by the auditor or audit committee with the church treasurer and then submitted to the rector and vestry for review and acceptance.
- c. The vestry is responsible for sending a copy of the audit together, with all attachments (plus a statement from the vestry concerning the correction of any problems), to the diocesan office prior to September 1st. The minutes of the vestry or mission committee will officially record the receipt, acceptance, and subsequent filing of the audit report with the diocese.
- d. If at any time during the audit the records reveal a situation that suggests that something is seriously wrong, the matter should be brought immediately to the attention of the rector, the wardens, and vestry. If deemed necessary the vestry shall notify the bishop.

SECTION II - REVIEW OF INTERNAL CONTROLS

A system of internal controls consists of all measures used by an organization to safeguard its resources and ensure accuracy, efficiency and reliability in accounting and operating information.

Good internal controls will ease the treasurer' s job by providing greater assurance that transactions are recorded properly and result in more reliable records and protection of parish assets, as well as compliance with civil laws, church canons and organizational policies.

Internal controls are designed to prevent or identify inadvertent errors as much as they are to prevent the deliberate theft or misuse of funds. Without an appropriate system, it is not possible to assure the reliability and integrity of the records or reports generated by an organization.

An effective control system ensures that procedures are in place to meet the following objectives:

- Adequately safeguard the cash, property and other assets of the office;
- Ensure that all financial transactions are appropriately documented and approved by authorized staff;
- Expend funds in accordance with donor requirements and limits;
- Provide financial reporting that is accurate, timely and conforms to approved policies.

This portion of the audit is best done in an interview process with the treasurer, assistant treasurer, the rector, and other members of the finance committee. If the auditor or audit committee understands that the question is not applicable to the local situation, the question should be marked NA. If the answer is NO, a short narrative should be written about the situation. If the answer is NA and the reason may not be obvious, a short narrative is also appropriate. These negative comments will form the basis of the findings reported to the vestry.

The Internal Control Checklist is found in Section IV-2.

SECTION III - AUDIT OF BOOKS OF ACCOUNT

Introduction: The second task of the audit committee is to either verify or prepare financial statements that present fairly the total financial activity of the congregation for the year being audited. It may be that the financial statements presented at the annual meeting will be sufficient, but if it turns out that upon testing and checking the amounts and categories of the annual finance report that there are omissions it will be necessary to create a new annual finance report. If the changes affect the numbers in the financial page of the parochial report, an amended parochial report must be sent to the diocese.

There are three financial statements that need to be reviewed: the Income and Expenditures Report and the Assets and Liabilities Report presented at the annual meeting, and the Annual Parochial Report financial information page.

When an audit report is submitted it is necessary only to attach the financial statements for the annual meeting as the statement of cash revenues and expenses, provided that they present fairly the total, detailed financial activity of all the financial accounts of the congregation. Additional reports are needed if the annual meeting report is lacking this information.

It is very useful to keep the Parish Audit Compliance Review Summary form and this audit manual as references to help assure that the essential aspects of the audit have been completed. Checking-off the items in the review summary as they are accomplished will be helpful during this process and in preparation for the inclusion of the completed review summary in the final audit report packet. The sampling that was used is to be reported in this summary. The form is shown in Section IV-4.

Receipts

1. *Plate Offerings:* Cash receipts journal entries should be traced to weekly cash receipt records on a trial basis. For example: take the counters record sheets, add up the plate cash for each month and check that amount against the journal entries and against the monthly finance report. See instructions for the parochial report for the definition of plate offerings.
2. *Pledge Receipts:*
 - a) Obtain the counters record sheets. Add up the total pledge income for the month and check against amounts in the receipts journal and monthly finance report.
 - b) The offering envelopes and memoranda for each Sunday should be available. Check the counters record sheets by adding up the amounts on the pledge envelopes and memoranda.
 - c) Take a random sample of pledge and giving records and check addition of pledge income received.
 - d) If pledges are tracked on a computer system you should be able to check the total amount of pledges received against the end-of-the-year financial statement.
3. *Contributions from Parish Organizations:* Receipts must be listed for each organization, entered into the receipt journal, and checked against monthly finance reports. Also, go back to check the sources by looking at the organization's records.
4. *Contributions from the Diocese:* Receipts are to be listed and the amounts entered in the cash receipt journal traced to weekly cash receipt records.
5. *Investment and Endowment Income:* The total cash income from securities and endowments should be checked against statements and against the amounts deposited and reported on the monthly finance statements. The total non-cash income such as interest posted in a savings or money market account must be reported on the monthly and annual finance statements.

6. *Restricted/Designated Income:* Income received for specific purposes, both operating and non-operating, should be traced by the auditor to make sure that the income was used for the purpose for which the gift was made. For example, income from an endowment to cover Sunday School expenses, while restricted/designated, is considered operating income.

The challenge for both treasurers and auditors is to make sure that operating income is reported in its proper place on the statements and that non-operating income is reported in its proper place. See finance report statement forms in the Manual of Business Methods in Church Affairs, in the instructions for parochial reports, and in Section IV-5 of this manual.

7. *Other Income Accounts:* Receipts from sources such as parish hall rental, Sunday School offerings, the net from fund raising events, sale of tracts, and unexpected undesigned gifts should be reviewed by the auditor
8. *Non-Operational Income:* Receipts for special categories such as capital building funds, the United Thank Offering, the Episcopal Relief and Development Fund , gifts for diocesan institutions, and the church' s discretionary fund should be checked to make sure that they have been reported in the monthly finance reports as well as in the annual and parochial reports. Auditors will need to verify that the gifts for outreach designated for distribution by other organizations (ERD etc) have been transmitted in a timely manner to their proper destinations.
9. *Non-income Receipts (transfers from other parish funds):* Verify all cash receipt entries and ascertain that the proper authorization has been given for any transfer, inter-fund borrowing, or for the sale or redemption of investments and property.
10. *Budgeted Income:* All receipts should be checked against the budgeted estimates and material differences explained.

Disbursements

1. Tests should be made to see that disbursements have been accurately classified, and that invoices in support of the disbursements have been properly approved and marked PAID with check number and date.
2. The audit committee must be familiar with the financial statement expenditure categories listed on the church' s chart of accounts.
3. All disbursements should be compared to budgeted amounts and material variances should be explained.
4. Check disbursements by tracing to postings and invoices as follows:
 - a) Compare invoices with recordings in the cash disbursements journal. Check for vendors name, date and amount billed.

- b) Examine invoices to see if they were properly authorized so that the committee may be satisfied that the goods and services were acknowledged by the person authorized to do so.
- c) Check the arithmetic on invoices or monthly statements.
- d) Check the travel and business expense reimbursements to see if they are in accordance with the qualified reimbursement policy of the parish.
- e) Add up the disbursement checks and verify that this amount is the same as reported on the monthly finance statement.

Bank Accounts

1. The auditor should identify all bank accounts and the purpose for which each is maintained.
2. The auditor should examine cancelled checks for authorized signatures and to make a comparison with the cash disbursements journal for proper recording of payee and amount.
3. The auditor should account for all voided and outstanding checks.
4. The auditor should verify bank balances as of the end of the months and quarters being audited and should see that the closing cash amount is correctly stated on the assets and liabilities finance reports or the balance sheet.
5. The auditor should determine whether transfers of funds that occurred between bank accounts were recorded in the same accounting period.

Investments

1. Obtain or prepare a list of securities including number etc.
2. Verify the cost of each security and the amount recorded on the books.
3. Verify the interest and dividends received during the year.
4. Verify the market value of each bond or security as of December 31st of the year.
5. Make sure that securities are registered in the name of the Church or are endorsed as to be transferred to the church.
6. Examine broker statements and compare with investment income ledger or income receipts and verify that any income earned and accrued has been appropriately recorded.

Trust and Endowment Funds

1. Obtain or prepare a list of trust and endowment funds showing:
 - a) The source and date;

- b) terms governing the use of principal and income;
 - c) to whom and how often reports of condition are to be made; and
 - d) how the funds are to be invested.
2. Examine the trust or agency agreement for each new trust and endowment fund received during the fiscal year.

Loans

1. Obtain or prepare a schedule of all loans to include:
- a) The name of the loaning institution;
 - b) the state and origin;
 - c) the original date of loan;
 - d) the interest and payment schedule;
 - e) the monthly payment;
 - f) the unpaid balance;
 - g) the purpose of the loan;
 - h) the authorizing body;
 - I) the collateral for the loan;
 - j) the restrictions placed by the lender.
2. Review balances for reasonableness and consistency.
3. Determine that any loans from the year being examined had the proper authorization and were recorded in the minutes of the Vestry.
4. Verify by direct communication with the lender what the outstanding indebtedness was at the year- end, as well as the terms of indebtedness.
5. Check the unpaid balances of all loans as reported by the church records against the financial assets and liabilities reports of the annual and parochial reports.

Property and Equipment

1. Obtain a list of fixed assets of significant amounts showing date of purchase if known.
2. Examine all the deeds and titles of ownership related to the properties owned by the congregation, reviewing for proper recording of the name of the owner and any liens that might exist.
- 3.. Ensure that all property and equipment is adequately insured.

Payroll Records

1. Examine the individual earning records for name, address, social security number, rate of pay, effective date, and current signed form W-4.
2. Ensure that the salary paid is authorized and proper by comparing with the amount budgeted.
3. Trace the individual earning record posting to the check register.
4. Reconcile total wages paid and total withholding taxes with the quarter form 941 and the end-of-the-year form W-3 and check to see that they are remitted on time.
5. Determine if form W-2 has been given to each employee (including the clergy) and that the forms W-2 and W-3 are correct and properly filed.
6. Determine if forms 1099 are being provided for all individuals who are not employees and unincorporated entities paid \$600.00 or more.
7. Test the payroll to be sure that a real employee exists for every payroll check written.
8. Determine that the amounts used for premiums sent to the Church Pension Fund are consistent with the actual amounts of compensation received by the clergy or lay members of the parish.

Receivables and Payables

1. Prepare a schedule of accounts receivable as of the balance sheet date. These should include authentic obligations owed to the congregation.
2. Prepare a schedule of accounts payable as of the balance sheet date. These should include unpaid obligations to vendors for goods and services received during the year being audited. Discuss with the treasurer any old or disputed payables.

Insurance

All buildings and their contents must be insured at their replacement value and on an all risk basis as outlined in Canon 10 of the diocese. If the parish's insurance coverage is part of the diocesan insurance program, the coverage will be considered adequate in all respects.

If independently insured, a certificate must be sent to the Insurance Committee of the Diocesan Council verifying that the parish's insurance meets the diocesan standards identified in Canon 10.

The Discretionary Fund

Check to see if the discretionary fund is in the name of the church, that the church's federal tax identification is the number used to identify the accounts at the bank and that the fund has not been used for operating fund expenses or for the personal expenses of the clergy. If a separate checking account has been authorized, all monies for the discretionary fund should pass through the church's general bank account and subsequently a check should be written to transfer monies to the separate discretionary fund checking account.

Work Papers

The audit committee should retain a file of the work papers that were prepared to assist with the formation of the opinion. These work papers may include such things as the marked-up audit and internal control check lists, lists of bank accounts, restricted funds, investments, insurance accounts and loans, and the schedules and procedures used in making the audit.

The Audit Committee Certificate

The audit committee certificate states that those tests considered most important for verifying the accuracy of the financial statements have been done. If essential tests have not been performed, the certificate should so state. Readers of the certificate will then have been told such tests were not made and that the results of the financial statements must be read with that understanding. The audit committee certificate may be qualified when an audit committee takes exception to some aspect of the financial statement. When conditions are present prohibiting the issuance of an unqualified certificate then the audit committee should carefully describe the condition raising the issue.

Note: The total audit report including the certificates, statement of findings, report of corrective actions taken if done, and the verified or recreated financial statements is a report to the vestry. It is the vestry that is responsible for the financial management and care of the congregation. The Audit Certificate, sent to the diocesan office, indicates to the Bishop that the vestry knows what they need to know and that they are taking steps to see that any necessary corrective action is being taken.

SECTION IV-1 PRE-AUDIT DOCUMENTS FOR REVIEW

THE FOLLOWING DOCUMENTS SHOULD BE COLLECTED AND READY FOR THE AUDIT COMMITTEE BEFORE THEIR FIRST MEETING

Vestry or mission committee minutes

Minutes of any group authorized to disburse monies

Annual finance reports to the parish, including those from all parish organizations

Treasurer's monthly reports to the vestry

- Annual parochial report
- Names of all persons authorized to sign checks and withdraw funds
- List of securities held
- Records of investment and endowment income
- Record of active loans and related payments
- Copy of previous years audit reports and attachments
- Copy of Oversight and Audit committee comments on previous year' s audit report
- Copy of previous year' s completed Internal Control Checklist
- Budget as approved and amended
- General ledger or equivalent computer printout
- Cash receipts journal or equivalent computer printout
- Cash disbursement journal or equivalent computer printout
- Collection counters? dated and signed record sheets
- Invoices and statements received for disbursements
- Bank statements for audited year, plus last statement of previous year and first for next year
- Paid checks and deposit slips arranged in chronological order
- Payroll records including forms W-2, W-3, W-4, 1099, 1096, and state and federal withholding and payment records
- Savings and checking account record books and bank statements for all accounts

SECTION IV-2 INTERNAL CONTROL CHECKLIST

**Internal Control Checklist
for the Diocese of Vermont**

Parish Town: _____ Parish Name: _____ **For the Audit Year: 2009**

Please write an explanation and the recommendations for questions answered No]

1. Does the church have an active audit committee consistent with diocesan policy? Yes No NA
2. Are prior audits and completed internal control checklists available? Yes No NA
3. Have the recommendations of prior reports been implemented ? Yes No NA
4. Is a complete and current chart of accounts, listing all accounts, and their
respective account numbers available ? Yes No NA
5. Has the vestry elected an assistant treasurer who is familiar with the
church accounting and bookkeeping system? Yes No NA

6. Is the budget approved by the vestry and recorded in the minutes? Yes No NA
7. Are all budget changes authorized by the vestry and recorded in the minutes of the meeting? Yes No NA
8. Is the treasurer's report submitted to the vestry every month? Yes No NA
9. Is the report of sufficient detail to include both the operating and non operating income and disbursements for necessary financial analysis? Yes No NA
10. Does the report compare current values with the approved budget? Yes No NA
11. Are all liabilities noted in financial statements/reports to the vestry? Yes No NA
12. Is there periodic reporting, at least quarterly, of all other funds and activities, including designated or restricted funds? Yes No NA
13. Are there safeguards to prevent the collections from theft or misplacement from the time of receipt until the time the funds are counted and deposited.? Yes No NA
14. Are the special offerings to the Bishop's Discretionary Fund, ERD, UTO and Theological Education made known and transmitted without delay? Yes No NA
15. Are there at least two unrelated persons responsible for the counting rotated on a periodic basis? Is there a clear policy that the pledge recorder shall not handle, count or deposit funds? (If not, explain vestry-approved procedure) Yes No NA
16. Do the counters have a standardized printed form for recording the offering figures that includes both operating and non operating income? Yes No NA
17. Are the counters' sheets and any pledge envelopes retained and reconciled with the actual deposits? Yes No NA
18. Are checks received in the mail immediately endorsed for deposit only? and put in a safe place? Yes No NA
19. Are all pledge payments received in the mail counted and deposited with the Sunday collection? Yes No NA
20. Are all other cash receipts recorded and deposited on a weekly basis? Yes No NA
21. Is there a control prohibiting the cashing of checks from currency received? Yes No NA
22. Are personal giving statements, including amount and date of contribution, provided to donors of record at least semi-annually? Yes No NA
23. Do acknowledgments of all contributions include, where appropriate, the phrase "In accordance with the Internal Revenue Code we certify that we did not provide any tangible goods or services in consideration of your contribution??" Yes No NA
24. Do contributions in excess of \$250.00 receive a separate contemporaneous acknowledgment letter with the IRS statement? Yes No NA

25. Is there a clear policy that the treasurer shall not handle or count funds unless teamed with another counter or have current vestry approval to do so? Yes No NA
26. Are all cash receipts from all sources deposited first into the regular checking account? Yes No NA
27. Are all checks pre-numbered and used in sequence? Yes No NA
28. Is there a clearly defined approval process for all disbursements? Yes No NA
29. Check signing:
- a. Are checks signed only with supporting documentation? Yes No NA
- b. Is the signing of blank checks prohibited? Yes No NA
- c. Is the use of a signature stamp prohibited? Yes No NA
- d. Are all account signers authorized by the vestry? Yes No NA
- e. Are two signatures required for checks in excess of \$500.00 unless authorized by the vestry or unless they are for approved budget items such as salaries, insurance, diocesan assessments, etc? Yes No NA
30. Are voided checks properly cancelled and retained? Yes No NA
31. Are checks made payable to specified payees and not to cash? Yes No NA
32. Are all but small petty cash disbursements made by check? Yes No NA
33. Are all disbursements requiring special approval of the vestry properly documented in the vestry minutes? Yes No NA
34. Are all bank accounts reconciled within 10 days of receipt? Yes No NA
35. Are bank account reconciliations completed or verified by other than the Treasurer? Yes No NA
36. Does the reconciliation provide for:
- a. Verification of all bank debit and credit memos? Yes No NA
- b. Review of all checks outstanding for more than 90 days? Yes No NA
- c. The monthly recording of all bank charges and interest? Yes No NA
37. Is the Discretionary Fund:
- a. In the name of the church and not the rector? Yes No NA
- b. Identified by the church's federal tax ID number? Yes No NA
- c. Used only for non-operating expenses of the church? Yes No NA
38. Is the responsibility for the petty cash fund assigned to only one person? Yes No NA
39. Are petty cash funds maintained on an impress basis, i.e., the total amount of vouchers paid (since the fund was restored to its full value), plus cash on hand, always equals the established value of the fund (e.g., \$100)? Yes No NA
40. Is the petty cash fund reimbursed or checked at least monthly? Yes No NA
41. Is an adequate review made of documentation before the petty cash Yes No NA

fund is reimbursed?

42. Is the actual petty cash protected from theft or misplacement? Yes No NA
43. Are all investment instruments held in the name of the church only? Yes No NA
44. Are investment incomes, dividends, and interest recorded as received? Yes No NA
45. Is there a written record for each investment showing date of receipt, name of donor, and purpose of the gift, if any? Yes No NA
46. Is vestry approval required for all property and equipment additions and dispositions? Yes No NA
47. Is a detailed description maintained for all property, furniture, fixtures and equipment? Yes No NA
48. Are copies of this inventory kept in a safe place apart from the inventoried property? Yes No NA
49. Is the inventory current? Yes No NA
50. Is the church insured under the diocesan insurance program? Yes No NA
51. If independently insured, have you sent a certificate to the Diocesan Insurance Committee verifying that your insurance meets the diocesan insurance standards for all coverages established by this committee? Yes No NA
52. Are real estate deeds and other legal documents kept in a safe place? Yes No NA
53. If there is a safe deposit box, is there an inventory of contents? Yes No NA
54. Are all loan agreements in writing and properly safeguarded? Yes No NA
55. Is all borrowing authorized by the vestry and diocese? Yes No NA
56. Are there periodic reviews to determine compliance with any debt/lease provisions? Yes No NA
57. Are records maintained of all bequests, memorials, endowments and any other restricted gift, to include:
- a. Date, amount, and donor of the gift? Yes No NA
 - b. Any restrictions or limitations? Yes No NA
58. Is the use and investment of all restricted gifts and grants approved by the vestry? Yes No NA
59. Are personnel files maintained to include the following:
- a. Employment applications and/or letter of employment? Yes No NA
 - b. Authorizations of pay rates and effective dates? Yes No NA
 - c. Internal Revenue Service Form W-4? Yes No NA
 - d. Department of Justice Form I-9? Yes No NA
 - e. Vermont State Withholding Form? Yes No NA
 - f. Vermont New Hire Reporting Form? Yes No NA

60. Are there adequate records to:
- a. Show actual hours worked by hourly wage employees? Yes No NA
 - b. Show computation of gross pay? Yes No NA
 - c. Account for all deductions from gross pay? Yes No NA
 - d. Support payroll withholding tax returns and deposits? Yes No NA
 - e. Are federal and state payroll tax forms filed on a timely basis? Yes No NA
62. Are federal and state payroll withholding tax deposits made on a timely basis? Yes No NA
63. Are employees (both clergy and lay) receiving form W-2? Yes No NA
64. Are forms 1099-MISC provided for all individuals who are not employees and for all unincorporated entities paid \$600.00 or more annually? Yes No NA
65. Are Form W-2 wages reconciled to the general ledger accounts and quarterly payroll tax returns? Yes No NA
66. Are clergy housing allowances recorded in the vestry minutes prior to the effective year or effective starting date? Yes No NA
67. Are the files backed up regularly and the backups maintained off premises? Yes No NA
68. Is access to the computer and computer financial programs limited to authorized persons? Yes No NA
69. Does the church own and provide for the accounting program used by the treasurer? Yes No NA
70. Are printed copies of all current financial records maintained? Yes No NA

Note Monthly finance statements may be destroyed 2 years after the current year. Annual reports are permanent

SECTION IV-3 SAMPLE AUDIT CERTIFICATION FORM

The following form, or one similar to it, should be used as the audit committee report to the vestry regarding the audit of church finances and internal controls. Once the vestry has received and accepted the report and determined what corrections should be made, if any, a copy of this certificate, necessary financial statements, and a summary of any vestry actions should be sent to the diocesan office.

The Diocese of Vermont Audit Committee Certificate

Date: _____

To: The Rector, Wardens and Vestry of _____ Episcopal Church _____
 (Parish Name) (Parish Town)

Re: Financial Audit for the Year 2009

We have inspected the statements of assets and liabilities resulting from the cash transactions of _____ Episcopal Church as of December 31st of the above audit year, including the related

statements of cash receipts and expenditures, and changes in operating fund balances for the same year. We have taken steps to see that the accompanying financial statements and report of the treasurer's funds present fairly the assets and liabilities of this parish on December 31st of this audit year and that the receipts and expenditures and changes in operating fund balances for the year then ended, arising from cash transactions, including funds from other than the regular check book, are in accordance with the principles authorized by the General Convention of the Episcopal Church.

We have also reviewed the policies, procedures, and practices for internal financial control of the business affairs of _____ Episcopal Church. Our inspection of this parish's internal controls has found that they are in compliance with the procedures identified in the Manual for Audit Committees of Vermont Churches, except as noted.

This inspection and certification is not intended to be construed as an audit opinion as rendered by a certified public accountant.

Members of the Audit Committee:

Name: _____ Signature: _____ date _____

Name: _____ Signature: _____ date _____

Name: _____ Signature: _____ date _____

Audit Committee contact for correspondence: _____ Email: _____

[Please print clearly]

Reviewed and Accepted by the Vestry: _____ date: _____ Email: _____

Clerk or Presiding Officer

[Please print clearly]

Enclosures: - (1) Memoranda of Findings: (2) Audited Financial Statements with statement of Financial Assets and Liabilities: (3) The Internal Controls Checklist with comments and any identified corrective action: (4) Parish Audit Compliance Review Summary

SECTION IV-5 THE ESSENTIAL INFORMATION FOR FINANCIAL STATEMENTS

Unless indicated otherwise, the finance reports are to consolidate the financial activity of all parish checking, savings, money market accounts, credit cards including all parish organizations and discretionary funds and any other account that uses the Federal ID number belonging to the parish

1. The Name of the Church and the date covered by the report
2. The report for monthly reports will include the month of report, the total to date, the budget for that line and a comparison against the budget either as a percentage or a dollar variance for both operating and non operating income and expenses. An annual report need only to report the yearly totals, the budget and a comparison against the budget.

3. The various sources and amounts of Operating Income with chart of account numbers including transfers from investment accounts
4. A Sub Total of the Operating Income and Budget
5. The various sources and amounts of Non Operating Income with chart of account numbers including transfers from investment accounts
6. A Sub Total of Non Operating Income
7. A Total of All Income
8. The various Operating Expenses with their chart of account numbers
9. A Sub Total of the Operating Expenses
10. The various Non Operating Disbursements with their chart of account numbers
11. A Sub total of all Non Operating Disbursements
12. A total of all expenses and Disbursements
13. A List and balance in all Cash Assets indicating whether Restricted or Unrestricted
14. A list of all investment accounts with their current market value
- 15.. A list of all liabilities including loans, unpaid bills
16. Explanatory notes within or attached to the report where necessary

