

**Diocese of Newark**  
**Guidelines for Financial Audits**

**Effective February 26, 2013**

Diocese of Newark  
Guidelines for Financial Audits  
Effective February 2013

Introduction

At its meeting on October 10, 2012, the Diocesan Council of the Diocese of Newark approved the use of a standard Audit Checklist to be used by Parish Audit Committees for all audits that are submitted after that date. Congregations that currently have audits performed by independent CPAs are urged to continue with having audits performed by CPAs. Audits that are performed by Parish Audit Committees as outlined in the *Requirements for Annual Financial Audits* are to follow the guidelines that are provided by the Diocese of Newark.

These guidelines outline the purpose of annual audits, the acceptable types of audits, what accounts must be audited, and who can perform those audits. The guidelines also provide an Audit Checklist to be used as well as sample reports that are to be submitted at the conclusion of the audit.

*It is expected that there will be periodic updates to these guidelines, procedures, and the Audit Checklist. The most current guidelines and requirements will be available on the Diocesan Website under Finance and Budget—Annual Financial Audits. Only the most current version may be used to complete the current year's audit.*

If you have any questions about the guidelines or any aspect of the audit, you may contact the Chief Financial Officer of the Diocese.

Diocese of Newark  
Guidelines for Financial Audits  
Effective February 2013

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## **Diocese of Newark Requirements for Annual Financial Audits**

### Background Information

Congregations are required by The Episcopal Church to have an audit completed each year. Many times we regard an audit as an obligation, an arbitrary requirement that puts an undue and unfair burden on congregations, many of which may feel they don't have the resources needed to comply. In some cases, it may not even be clear why congregations are required to comply.

The requirement for each congregation to conduct an audit each year, however, is more appropriately considered to be a part of our stewardship of the assets given to us to manage. Each of us is a steward of the many assets that God has given to us and, as stewards, we need to effectively exercise our responsibilities.

Exercising good stewardship begins with being accountable for the assets God has entrusted to our care, and an annual audit helps all of us to be accountable.

### Purpose for Audits and General Instructions

The Canons of The Episcopal Church requires that all accounts of parishes and missions "be audited annually by an independent Certified Public Accountant, or independent Licensed Public Accountant, or such audit committee as shall be authorized by the . . . appropriate diocesan authority."

The primary purpose of an audit is to assure that financial statements are fairly stated. Any person handling the monies or investments of the church needs an audit to protect the church assets and him or her against suspicion of mishandling those assets. Similarly, Clergy, Vestries, Treasurers and other persons in positions of responsibility may be liable for any losses which would have been discovered by an ordinary audit but were not discovered because they failed to have an audit conducted.

In addition, an announcement to the congregation that a completed audit revealed that all monies and investments have been properly accounted for can have a positive impact on stewardship, as well as their confidence in the leadership of the church.

### Types of Acceptable Audits Audits by Independent CPAs

While the Canons permit audits ("Committee Audits") to be performed by members of the church (the "Parish Audit Committee") – see below – there are certain churches that, due to their size or complexity of operations (e.g., those with schools), should have an audit performed by an independent CPA because such an audit will generally provide a higher level of assurance than a Committee Audit.

Note that CPAs that perform audits may also provide other types of services, including ones termed “reviews” or “compilations.” Note that neither reviews nor compilations are acceptable as substitutes for an audit, as they do not include steps required such as routine audit procedures; in fact, the CPAs themselves will issue a report that specifically indicates that such a service is not an audit. If a church determines that it would still like to retain the services of a CPA firm to perform a review or compilation, please note that it must also have the CPA complete the Audit Checklist (see below) or have a Parish Audit Committee complete the Audit Checklist.

Audits of any church by independent CPAs are certainly allowed. CPAs should be provided the Audit Checklist and should be advised that they should ensure that their work includes those procedures included in the Audit Checklist.

#### Audits by Parish Audits Committees

As noted above, Committee Audits may be performed by Parish Audit Committees. The diocese has prepared Alternative Audit Procedures that are to be followed whenever the audit is performed by a Parish Audit Committee.

#### Information Regarding Committee Audits Audit Checklist

In order to assist churches perform a Committee Audit, the Diocese has prepared a Diocese of Newark Audit Checklist (“Audit Checklist”) that is to be used. Additional procedures may be performed, of course, but the Committee Audit must use the Audit Checklist.

The Audit Checklist indicates the documents that must be submitted to evidence completion of the audit.

To assist in the performance of the audit, we have added explanations where they might be helpful.

The Audit Checklist may be found on the Diocesan website. *Note that we expect to update and revise it periodically, so please obtain the current version in order to conduct the audit.*

#### Members of the Parish Audit Committee

Parish Audit Committee members should be independent of the decision-making and financial record keeping functions of the congregation. The audit may be completed by an accountant who is competent to perform an audit alone (e.g., a person who has past auditing experience) or it should be performed by two or more members, at least one of whom is a financial expert. You may find it preferable to have three or more members, depending on the size, number, and complexity of the accounts to be audited. Individuals who were members of the vestry or executive committee during the year being audited should not be members of the Parish Audit committee.

Information Regarding Committee Audits and Audits by Independent CPAs  
Accounts to be Audited

All accounts must be audited. This audit requirement covers not only the operating accounts of the church, but all of its restricted, endowment, property, and other funds. No church money is exempt from the requirement of an audit. As an example, some churches have an Altar Guild account, an ECW account, a rector's discretionary account, and the like. *All of these accounts are to be audited.*

Review of Audit and Findings by Vestry

One of the purposes for conducting an annual audit is to provide assurance that the financial books and records, and the financial reports generated from those books and records, are reasonably accurate. Since the Vestry is responsible for the proper and accurate maintenance of records and oversight of the assets of the congregation, the completed audit helps to ensure that they are carrying out their fiduciary responsibilities as Vestry members.

As part of the audit, it is common to find areas of possible improvement in the policies and procedures that are in place to make the maintenance of the records more efficient and to ensure, for example, that there are adequate controls in place with regards to cash receipts and disbursements.

*It is the responsibility of the Vestry to receive and review the completed audit report, together with all of the required documents, prior to it being submitted to the Diocese. This review and acceptance of the report should be documented in the Vestry meeting minutes.*

Deadline for Submission of Completed Audits

Completed audits, whether a Committee Audit or one performed by independent CPAs, are due to be submitted no later than September 1<sup>st</sup> of each year. In order for the audit to be considered complete, there are certain forms and documents that must be submitted.

*Please be sure that all required documents are submitted.*

Assistance

If you have any questions about the requirements for the annual audit, who can be a member of the Parish Audit Committee, or other matters, you should contact the Chief Financial Officer.

If you have questions about specific audit steps included in the Audit Checklist, contact the Chief Financial Officer. There are individuals in the Diocese who have expertise in performing audits, and we want to assist you in any way we can.

**Diocese of Newark**  
**Alternative Audit Procedures**

An audit conducted under the Alternative Audit Procedures meets the minimum diocesan standards for a “complete” audit report. You should refer to the Requirements for Annual Financial Audits for additional important information.

1. At a minimum the following would comprise the contents of a complete Audit Report under the Alternative Audit Procedure:
  - A copy of the Audit Checklist, with any necessary attachments;
  - A copy of the Statement of Activity (the Income & Expense Statement) for the year audited;
  - A copy of the Statement of Financial Position (the Balance Sheet) or, if a Balance Sheet is not available, a listing of all cash and bank accounts, investments and endowments, liabilities and amounts owed to others, loans, and other debts as of December 31 of the year audited;
  - If significant deficiencies were found in the course of the audit and they are not addressed in the notes of the Audit Checklist above, an explanation of these deficiencies and the actions proposed to address such deficiencies should be included in an attached statement;
  - A corrected Parochial Report as a result of audit adjustments (if applicable); and
  - A written acknowledgement that the Vestry voted to accept the audit report at a duly called meeting of the Vestry, together with a written response to the notes made on the checklist above (if any).
  
2. Diocesan action on receipt of an Audit Report will entail the following:
  - a. Confirm that the Audit Report is “complete,” per Section 1 above.
  - b. Acknowledge receipt of the Audit Report, noting any missing information.
  - c. Determine if there are any Significant Matters as enumerated in Section 4 below. If so, determine the needed next steps. A list of the filed audited reports will be maintained by the Diocese.
  - d. If staff is available, the Diocese may, but shall not be required to, review in greater detail the contents of the Audit Reports of a selected number of congregations in any given year.

3. **Acceptance or review by the Diocese of an Audit Report is not a confirmation that it is complete or accurate or that the Diocese has reviewed or approved it in any way.** By receiving the Audit Report, the Diocese does not assume any legal liability for weaknesses in the findings presented or omissions later to be found in the Audit Report.
4. Matters such as the following should be communicated to the Diocese in a separate letter:
  - a. Reference to actions or inactions that necessitate disciplinary action by the Diocese under applicable Canons of The Episcopal Church or Diocese of Newark;
  - b. Reference to actions or inactions which could lead to civil or criminal liability;
  - c. Reference to there not being an ability by the auditor to “certify” the auditor’s findings.

Except for a specific and separate communication as noted above, the Audit Report and any necessary attachments are viewed as communications between the auditor and the Vestry and are intended for discussion between the Auditor and Vestry, not the Diocese.

5. Liability Insurance under a “Directors & Officers” policy:
  - a. The church should provide in writing proof that the church participates in the Church Insurance Company program or a comparable program and, in particular, has a current “Directors and Officers” (D&O) insurance policy. If the church does not have D&O coverage with Church Insurance Company, then the church is to provide a certificate of insurance to the accountant or volunteer(s) that it has D&O coverage which has broad form coverage to include the accountant under its liability coverage.
  - b. The church should provide the Diocese with an executed *Referral Agreement and General Release for a Congregation-Assigned Auditor(s)* for the activities of the volunteer(s) conducting an audit under the Alternative Audit Procedures (see below).
6. Any congregation that does not follow these audit guidelines as outlined above shall not be eligible for granting of financial assistance through the Diocese and its endowment and other funds, and may be precluded from receiving approval for the calling of clergy to serve the congregation.

**A complete copy of the Audit Report is to be filed with the Diocesan Chief Financial Officer on or before September 1 of each year covering the previous fiscal year.**

**Diocese of Newark**  
**Diocesan Policy on Financial Audits**  
**Alternative Audit Procedures – Audit Checklist**

The pages that follow have comments, guidelines and suggestions to assist auditors in using the Audit Checklist that has been authorized for use in this Diocese. This Audit Checklist is intended to help a non-accountant who is participating in the conduct of the audit. The Audit Checklist and comments may also alert an accountant who is not familiar with the Episcopal Church to certain matters pertaining only 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 the laws.** For example, you should make sure that all matters dealing with payroll taxes and filings are being properly done. You should make sure that all compensation paid to employees, including any bonuses or extra compensation for weddings, funerals, etc., 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 Newark.** For example, was the parochial report filed in a timely fashion, and was it completed in accordance with the instructions? Can you tie the Annual Report to the parochial report? Are all organizations' accounts included in the audit in accordance with the Canon?
- 3) **We want to be sure that the Vestry is fulfilling its fiduciary responsibilities.** For example, does the Vestry receive full financial information? Are the buildings adequately insured? Is there a budget? Are Vestry and committee minutes preserved? Does the Vestry approve major expenses and note the receipt of major gifts? Is there a full report to the Annual Meeting? If an endowment or other special fund is relied on to fund operating deficits, is this being made clear in the regular reporting?
- 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? Is investment activity properly recorded and reported on?

**The auditor may certainly do more than is required by these procedures.**

Following is the Audit Checklist. Notes have been added when the questions are not self-explanatory. In every case in which you cannot answer a question with an unqualified "yes," you should make an explanatory comment on the last page. In most instances when you cannot answer "yes," you will probably want to recommend to the parish leadership that changes be made so the answer next year can be affirmative.

**Name of Church:** \_\_\_\_\_

**City:** \_\_\_\_\_

**Fiscal Year:** \_\_\_\_\_

*NOTE: If you are unable to answer yes to any question below, please check "See notes" and explain why elsewhere or in an attachment to this Audit Checklist.*

### GENERAL REVIEW

1. Is audit report for previous year available? Yes\_\_\_ See notes\_\_\_
2. Have recommendations included in previous years' audits been implemented? Yes\_\_\_ See notes\_\_\_  
*Please note on the Comments page or in a separate letter whether the congregation has taken steps to implement previous recommendations from auditors.*
3. Are Vestry minutes for the year complete? Yes\_\_\_ See notes\_\_\_
4. If a Finance or Investment Committee is authorized to expend or invest funds, are the minutes of such committee meetings complete? Yes\_\_\_ See notes\_\_\_  
*Applies to questions 3 and 4: You should ask to see all minutes from November of the year before the year being audited through the first months of the year after the year being audited. For example, the budget may have been approved in December of the previous year. The clergy person's parsonage allowance resolution should have been adopted before the beginning of the year in which it was paid.*
5. Review the minutes of the Vestry and such Finance/Investment Committees.
  - a) Was the budget approved by the Vestry? Yes\_\_\_ See notes\_\_\_
  - b) Was the parsonage allowance voted prior to being paid? Yes\_\_\_ See notes\_\_\_
  - c) Were large or unbudgeted expenditures approved? Yes\_\_\_ See notes\_\_\_
  - d) Were large or unusual receipts noted? Could you trace to recorded receipts? Yes\_\_\_ See notes\_\_\_
6. Are monthly financial reports to the Vestry complete? Yes\_\_\_ See notes\_\_\_
7. Is balance sheet and income & expense information prepared at least annually for the Vestry and congregation? Yes\_\_\_ See notes\_\_\_  
*Especially if the bookkeeping system is manual, it is very possible that no full balance sheet is ever 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 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. A copy of the Balance Sheet (or a listing of assets and liabilities) and the Income & Expense Statement must be attached to the completed audit package.*

8. Did you examine a copy of the financial report to the Annual Meeting? Yes\_\_\_ See notes\_\_\_  
*The report to the Annual Meeting should include a full report of all funds held in the name of the congregation. This includes funds held by all organizations, such as the Episcopal Church Women, etc.*
9. Did you compare the current year income and expense report with the previous year's report and receive a reasonable explanation for any significant fluctuations from the prior year amounts or from current year budget amounts? Yes\_\_\_ See notes\_\_\_
10. Was the parochial report filed timely? Yes\_\_\_ See notes\_\_\_  
*The parochial report is required by The Episcopal Church and the Diocese to be filed by March 1<sup>st</sup> for the preceding year. See the section below entitled "Parochial Reports."*
11. Are insurance records and property records complete? Are coverages adequate? Yes\_\_\_ See notes\_\_\_  
*The Diocese has determined that the coverages and limits provided to those churches insured by the Church Insurance Company meet the minimum standards of appropriate coverage. Is the church insured by Church Insurance Company? If not, indicate so in the See Notes, above, obtain a copy of the current coverage, and include a copy with the audit report. Suggest that the church meet with Church Insurance Company to discuss current coverage.*  
*There should be periodic reviews of the provisions of the coverage, and the insurance company should be notified if the use of the facilities has changed. If the congregation does not have Directors' & Officers' insurance, you may wish to suggest that they consider obtaining such coverage (such coverage is considered a minimum level of coverage for all churches.)*
12. Have you seen the Articles of Incorporation and the By-laws? Yes\_\_\_ See notes\_\_\_  
*If unincorporated, suggest the Vestry review the pros and cons.*
13. Is there a space use agreement and insurance certificate for each outside organization using church facilities? Yes\_\_\_ See notes\_\_\_

### CASH BALANCES, INVESTMENTS & INCOME

14. Have you checked to see that all operating cash accounts (including all passbook savings accounts) have been reconciled regularly throughout the year? Yes\_\_\_ See notes\_\_\_  
*If the congregation uses Quicken or another computer application, look at the reconciliation reports that should be attached to each bank statement. You need to stress that **all** accounts in the name of the church must be examined.*
15. Review all organization cash accounts (ECW, Guilds, Rector's Discretionary Fund, etc.)
- a) Have they been reconciled regularly? Yes\_\_\_ See notes\_\_\_  
*All cash accounts are to be audited, and all bank accounts are to be reconciled each month. You should ensure that bank reconciliations are performed timely and that any reconciling items are addressed and corrected.*
- b) Organization accounts may not be used for general parish purposes (e.g., to receive flower donations or pay altar expenses). Are the organization accounts free of activity that should have been in the operating fund? If there was operating fund activity in these accounts, was it included in the parochial report? Yes\_\_\_ See notes\_\_\_

c) List any accounts that exist that you were **unable** to examine:

\_\_\_\_\_

*Obtain an explanation as to why any accounts were unable to be examined.*

16. Examine year-end statements of any invested funds. Are all investments properly recorded on the books? If any significant transfers in or out of invested funds have occurred during the year, have they been reviewed for proper treatment? Yes\_\_\_ See notes\_\_\_

17. Were any restricted gifts received during the year? Yes\_\_\_ See notes\_\_\_

*The balance sheet or listing of assets should indicate the assets that are restricted.*

18. Has the congregation respected donor restrictions on all current and past gifts? Yes\_\_\_ See notes\_\_\_

19. Review procedures and control of plate collections, other cash receipts and deposits? Do these systems provide adequate controls? Test some weekly count sheets to be sure that they have been correctly posted to the financial records. Yes\_\_\_ See notes\_\_\_

*You should make your selections from several different months in the year. 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 be cashing checks into the offering. The entire offering should be deposited. Cash from the offering should not be used to make reimbursements or replenish petty cash.*

20. Are contribution statements sent out at least quarterly? Do the statements show the pledge balance? Yes\_\_\_ See notes\_\_\_

### CASH DISBURSEMENTS

21. Did you receive a list of authorized signatories for each account? Yes\_\_\_ See notes\_\_\_

22. Examine a selection of disbursements.

a) Are there invoices (not statements) for disbursements? Yes\_\_\_ See notes\_\_\_

a) Are there authorizations for disbursements? Yes\_\_\_ See notes\_\_\_

b) Do checks have the specified number of authorized signatures? Yes\_\_\_ See notes\_\_\_

*At a minimum, you should examine the documentation supporting at least 5-10 checks drawn in each of at least two months of the year; it is better practice to look at up to 10% of all disbursements. Be sure to look at large one-time expenditures, checks made out to individuals, and some from regular vendors. There should be an invoice (not a statement of account) that describes what was purchased. If it's a bill for office or maintenance supplies, for example, there should be some indication on the invoice that the items were actually received. An extraordinary item should refer to Vestry approval. If a copy of the check is not attached to the bill, the check number and date paid should be written on the bill. Payments to individuals need to be properly documented with receipts, mileage forms, etc. **Checks should not under any circumstances be made out to Cash.** For example, checks to replenish the petty cash fund should be made out to the person who cashed it: **Mary Jones/Petty Cash.***

23. Is the accounting system used adequate and properly maintained? Yes\_\_\_ See notes\_\_\_

*This is a wide-open question because all kinds of systems are in use. Take the opportunity to see if a computerized system is possible. For small parishes, especially if contribution records are maintained manually (preferable if there is no paid office staff), Quicken Basic may be sufficient. You may also recommend to the church that they talk with neighboring churches about their accounting system.*

*All financial records should be kept at the church. (We have a very few congregations where this is physically impossible because there is no parish office.) In all other instances you should strongly recommend that all financial records (including organization accounts) be kept securely on church property.*

### LIABILITIES

24. Are clergy and lay pension payments calculated correctly and up to date? Yes\_\_\_ See notes\_\_\_

*Minimum requirements can be found on the diocesan website.*

25. Are pledge payments to the diocese and any diocesan loans current? Yes\_\_\_ See notes\_\_\_

26. Are utility and insurance payments current? Yes\_\_\_ See notes\_\_\_

27. Are any mortgages or other loan payments current? Yes\_\_\_ See notes\_\_\_

*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.*

### DISCRETIONARY FUNDS

28. Is the account in the name of the church? Was it set up by Vestry resolution?  
Is the church's tax ID number used for the account? Yes\_\_\_ See notes\_\_\_

29. Is the discretionary account free of operating fund activity, or if there was operating fund activity in the account, was it included in the parochial report? Yes\_\_\_ See notes\_\_\_

30. If the account was used for personal expenses which the IRS would consider taxable, were these amounts included in the priest's W-2? Yes\_\_\_ See notes\_\_\_

*If necessary, see the guidelines available in MANUAL OF BUSINESS METHODS IN CHURCH AFFAIRS, Chapter V. As with all cash accounts, it is a requirement that all discretionary funds be audited.*

### PAYROLL

31. Are 1099s issued to independent contractors who made more than \$600? Yes\_\_\_ See notes\_\_\_

32. Do payroll records indicate that filing requirements were met and that withheld taxes & all employer taxes were properly calculated and remitted? Yes\_\_\_ See notes\_\_\_

33. Does the church use an outside payroll service? 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. The Diocese strongly suggests that all churches, regardless of size and number of employees, use an outside payroll service.

34. Do the salaries authorized in the budget match the amounts actually paid? Was all compensation, including any bonus, reported on the W-2? Yes\_\_\_ See notes\_\_\_

## PAROCHIAL REPORT

35. Compare the annual report to the parochial report. Are **all** amounts entered on the parochial report in accordance with the parochial report instructions? Yes\_\_\_ See notes\_\_\_

*If needed, refer to the instructions for the financial section of the Parochial Report. Pay particular attention to how rental income is reported (gross rentals are to be reduced only by incremental expenses incurred as a direct result of the rental income), as well as transfers of money from endowment and investment accounts (all amounts used to cover operating expenses are to be included in operating income on the parochial report). The definitions of operating and non-operating income and expenses in the Parochial Report instructions are clear, but questions may be referred to the Chief Financial Officer of the Diocese. There should be no great difficulty in tying the report received by the Vestry and the Annual Meeting to the Parochial Report.*

36. If not, has a revised parochial report been prepared and submitted as a recommendation for action by the Vestry? As a minimum, have suggestions been made for the Vestry to consider in future submissions? Yes\_\_\_ See notes\_\_\_

*It is recommended that a revised financial page of the parochial report be filed if you discover material discrepancies between what was reported and what should have been reported. A material discrepancy may be defined as one that amounts to 5% or more of the amount reported as Normal Operating Income (line A) and Subtotal Operating Expenses (line E).*

## LITIGATION

37. Is there any current or threatened litigation involving the congregation? None\_\_\_ See notes\_\_\_

*Find out about any cases where papers have actually been served and any cases that are threatened. Does the parish have appropriate legal counsel? Have there been timely communications with the insurance carrier about cases covered by liability insurance?*

## COMMENTS (NOTES)

*Note here or in a separate letter comments about any question above that you could not answer in the affirmative. Please number your comments to correspond to the question you are commenting on.*

## RECOMMENDATIONS

*Note here or in a separate letter any recommendations about needed improvements in systems or controls. Anything included here should be discussed with the congregation's leadership.*

*If you note things that you think should be improved, discuss them with the clergy and financial leaders before including them in this report. The recommendations you make should not reflect just your preferences, but should be items where*

- 1) laws are being violated (e.g., not issuing 1099s or W-2s as required by law; failing to include taxable items purchased with discretionary funds on a W-2); or*
- 2) Church Canons are being violated (e.g., not including organization accounts and discretionary funds in the audit, improperly filling out the parochial report).*
- 3) a congregation is failing in its fiduciary responsibility (e.g., not reporting regularly to the Vestry, not having a budget, being inadequately insured); or*

- 4) *basic bookkeeping matters are not attended to (e.g., bank accounts not reconciled, no documentation for checks, inadequate contributions records).*

Thanks to the Episcopal Diocese of New York, the Rev. Jerry Keucher, Controller, for permission to use this document with revisions.

SAMPLE AUDIT COMMITTEE REPORT

Date \_\_\_\_\_

To the Rector, Wardens, and Vestry of:

Church \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Subject: Financial Audit for the Year \_\_\_\_\_

We have reviewed the financial statements resulting from financial transactions of  
\_(Name of Church) \_\_\_\_\_  
as of and for the year ended December 31, \_\_\_\_\_. Our review was made in accordance with  
audit guidelines issued by the Diocese of Newark and other procedures deemed appropriate by  
the Parish Audit Committee.

Our objective was to determine that the accompanying financial statements present fairly, in all  
material respects, except as noted below, the financial position and results of operations of the  
congregation at December 31, \_\_\_\_ and for the year then ended, in accordance with accounting  
principles promulgated by The Episcopal Church on a consistent basis.

Exceptions noted (if none, state None):

Our examination and report is not and is not meant to be construed as an audit and opinion  
rendered by an independent Certified Public Accountant.

We certify that none of the members of the Parish Audit Committee were members of the Vestry  
during the period covered by the audit, and that no members have any conflicts of interest in  
performing the audit for this congregation.

Members of the Parish Audit Committee:

\_\_\_\_\_

(Signatures)

\_\_\_\_\_

\_\_\_\_\_

SAMPLE AUDIT COMMITTEE FINDINGS  
ON POLICIES AND PROCEDURES

Date \_\_\_\_\_

To the Rector, Wardens, and Vestry of:

Church \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Subject: Financial Audit for the Year \_\_\_\_\_

During the course of the examination referred to above, the following items pertaining to internal controls and other operational matters, which we believe to be of a significant nature, were noted. The first category of comments includes those areas of control where recommendations of the previous auditors have been implemented. The second category of comments restates those recommendations of the prior year's auditors that have not been acted upon, but are believed to still be worthy of consideration. The third category of comments includes observation and recommendations pertaining to areas that we believe should be addressed in order to improve internal controls or procedures. This letter should be made a part of the minutes of a Vestry meeting.

I. Areas where prior year auditor's recommendations have been implemented:

- 1.
- 2.

II. Prior year auditor's recommendations of matters that still exist:

- 1.
- 2.

III. Comments and recommendations of the current year's auditors:

- 1.
- 2.

Members of the Parish Audit Committee:

\_\_\_\_\_  
(Signatures)

\_\_\_\_\_

DIOCESE OF NEWARK  
REFERRAL AGREEMENT AND GENERAL RELEASE FOR A  
CONGREGATION-ASSIGNED AUDITOR(S)

WHEREAS, it is the congregation's decision to use the services of any volunteer(s) to serve as auditor(s); and

WHEREAS, in order for a volunteer to accept this assignment, the congregation must agree to hold harmless and release The Protestant Episcopal Diocese of Newark (the "Diocese") from any and all claims arising out of the activities of the volunteer(s);

WHEREAS, the Diocese is not and shall not be responsible or liable for the activities of the volunteer(s) and does not warrant or guaranty in any way the services of the volunteer(s);

NOW THEREFORE, the congregation unconditionally releases the Diocese and its employees, agents, independent contractors, representatives, trustees, officers, directors, attorneys, and affiliates and the volunteer(s) and their successors and assigns, and anyone claiming by, through or under them from any and all causes of action or claims of any kind or nature arising out of, or relating to, the congregation's relationship with the volunteer or and any activities, services or reports provided by the volunteer(s) to the congregation.

Name of Congregation: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Received: \_\_\_\_\_  
Signature of auditor

\_\_\_\_\_  
Date

**Diocese of Newark**  
**Guidelines for Financial Audits**  
**List of Documents to be Submitted at Conclusion of Audit**

When the audit has been completed, certain documents are to be completed and forwarded to:

Chief Financial Officer  
The Episcopal Diocese of Newark  
31 Mulberry Street  
Newark, NJ 07102

*The audit will not be considered complete until all of the following documents have been submitted.*

- a. Word Document 3 – Audit Checklist
- b. Word Document 4 – Audit Committee Report
- c. Word Document 5 – Audit Committee Findings on Policies and Procedures
- d. Word Document 6 – Referral Agreement and General Release for a Congregation-  
Assigned Auditor
- e. Statement of Income and Expenses for the Year Audited
- f. Balance Sheet or Listing of Assets and Liabilities as of December 31 of the Year Audited