# Diocese of Newark

**Supplemental Checklist for CPA Audits**

**Name of Church:** **City:** **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. a) Are Vestry minutes for the year complete? Yes [ ]  See notes [ ]  b) If a Finance or Investment Committee is authorized to expend or invest
funds, are the minutes of such committee meetings complete? Yes [ ]  N/A [ ]  See notes [ ]

Applies to questions 1 and 2: 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 clergyperson’s parsonage allowance resolution should have been adopted before the beginning of the year in which it was paid.

1. 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 [ ]  N/A [ ]  See notes [ ]
2. Are monthly financial reports to the Vestry complete? Yes [ ]  See notes [ ]
3. 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.

1. 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.

a) Is insurance provided by Church Insurance Group? Yes [ ]  No [ ]  If not, by whom?

b) Has coverage been reviewed in the last three years? Yes [ ]  See notes [ ]

c) Does the policy include Directors’ & Officers’ insurance? Yes [ ]  See notes [ ]

1. Is there a space use agreement and insurance certificate for each
outside organization using church facilities? Yes [ ]  See notes [ ]

### Cash Balances, Investments & Income

1. Review all organization cash accounts (ECW, Guilds, Rector’s Discretionary Fund, etc.)
a) Organization accounts may not be used for general parish purposes (e.g., to
 receive flower donations or pay altar expenses). Are all organization accounts
 included in the operating fund? Yes [ ]  See notes [ ]

c) If there was operating fund activity in these accounts, was it included in the parochial report? Yes [ ]  N/A [ ]  See notes [ ]
d) List any accounts that exist that you were **unable** to examine:

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

1. Does the congregation have a process to ensure that it respects donor restrictions on all current and past gifts? Yes [ ]  See notes [ ]
2. a) Are contribution statements sent out at least quarterly? Yes [ ]  See notes [ ]

b) Do the statements show the pledge balance? Yes [ ]  See notes [ ]

We strongly recommend that contribution statements with pledge balances be sent quarterly both as a way to encourage your parishioners to stay current with their pledge and as a timely way to identify pledge payments that have been lost, misapplied or misappropriated.

### Cash Disbursements

1. What accounting system is used?
2. While bookkeeping duties do not need to take place at the church, all financial records must be stored at or electronically accessible from the church. Are they? Yes [ ]  See notes [ ]

### Rectors’ Discretionary Fund

1. 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 [ ]
2. 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 [ ]
3. If the account was used for personal expenses which the IRS would
consider taxable, were these amounts included in the priest’s W-2? N/A [ ]  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

1. Does the church use an outside payroll service? Yes [ ]  See notes [ ]
2. If so, what payroll service is used?
3. If a clergy member lives in a rectory, were the mandated Housing Equity Account contributions made to a CPG/Fidelity 403(b) account for that clergyperson? N/A [ ]  Yes [ ]  See notes [ ]

### Parochial Report

1. 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.

1. If the figures don’t reconcile, 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? N/A [ ]  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).

### 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.

 Question Comment

Checklist completed by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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