

Audit Guidelines For Congregations

Introduction

1. *Purpose:* These audit guidelines were developed to assist auditors in performing the annual audit of the books of account of the congregations of the Episcopal Diocese of Fort Worth.
2. *Reasons for an Audit:* Annual audits are required by the Episcopal Diocese of Fort Worth for all parishes and missions. 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/her against suspicion of mishandling those assets. Similarly, rectors, vestries, vicars, bishop's committees, 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 reveals that all monies and investments are properly accounted for will have a positive impact on stewardship.

3. *Pre-Audit Advice:* When meeting with the auditors, be prepared to discuss your plans and objectives. Auditors are in the position to advise you and serve your interest when they understand the goals you have set and when you can clearly explain what you expect and hope to get from their services.

Keep good records and help your auditor save you money by not using professional time for routine work, such as gathering information.

Keep your auditor informed of changes and new directions in the congregation.

The treasurer and others, such as Vestry members, rectors, and staff, should be available to the auditor to provide any needed information.

4. *Approved Auditors:* The canons permit the auditing of congregational accounts by “an independent Certified Public Accountant”, by “an independent licensed public accountant”, or by “such committee as shall be authorized by the Finance Committee, Department of Finance, or other appropriate diocesan authority.”
 - a. *Certified Public Accountant:* Very often the complexity and/or size of congregations necessitate an independent examination and reporting on their financial statements.
 - 1.) Certified Public Accountants offer several levels of service. These include the audit, the compilation, and the review. A review nor a compilation is acceptable in place of an audit of a parish or mission, every other year.

- 2.) Certified Public Accountants engaged in public accounting are available to all who wish to engage them for independent accounting skills. These skills consist primarily of the design and installation of financial systems, audits, investigations and reports based on audits, advice on management and financial policies, and tax return preparation.
 - 3.) Fees are based on time charges. Moreover, fees vary with the level of experience of those required to perform the work. The prevailing cost of conducting a practice in the community will affect professional audit fees. Fees also vary based upon the time of year the audit work is performed.
- b. *Independent Licensed Public Accountants:* While the CPAs and PAs are both licensed to perform the same public accounting services, they prepare differently to become licensed. A Public Accountant has a license based solely upon public accounting experience.
5. *The Committee Audit:* These Audit Guidelines were specially prepared for audit by committees. The Audit made by an audit committee will be termed a Committee Audit. The Auditor's Opinion Letter of an Audit Committee will be termed an Audit Committee Certificate. The Auditor's Comments on Internal Control will be termed Audit Committee Findings on Policies and Procedures.

Audit committee members should be independent of the decision making and financial record keeping functions of the congregation. The members of the audit committee should have sufficient financial skills and experience to conduct a competent audit.

An audit committee may consist of two or more individuals. A typical audit committee has three members. The actual number of members should be determined by the size and scope of the audit.

6. *Scope of the Committee Audit:* The scope of the audit shall include:
- a. Sufficient tests of transactions to assure compliance with these guidelines and adequate control of the assets of each congregation.
 - b. Verification (or preparation) of financial statements.
 - c. A review of management control practices.
7. *Accounts to be Audited:* All accounts must be audited. The audit requirement covers not only the operating accounts of the organization, but also all its restricted, endowment, and property funds, and the accounts, if any of its organizations. No church money is exempt from the requirement of an audit. If a separate auditor has audited an account of a separate treasurer, the report should be included in the consolidated financial statements.
8. *Objectives of the Audit:* The major objectives of an audit of a congregation are to ascertain the following:

- a. That the various transactions during the year are proper and are documented appropriately (i.e. authorized, complete and accurate);
 - b. That the various transactions during the year are recorded in the proper amounts and in the proper accounts;
 - c. That the assets, liabilities, income and expenses, which should be in the financial records, are so shown in the proper amounts and in the proper accounts;
 - d. That, to the extent feasible, adequate internal control procedures were and continue to be in effect; and
 - e. That the financial statements for the year were prepared from the financial records and present fairly the financial position and changes in net assets and cash flows of the congregation.
9. *Timing of the Audit:* The Canons call for a church fiscal (i.e., financial) year ending on December 31 of any given year.
10. *Contents of the Audit Report:* The auditor is responsible for submitting an audit report to the Vestry of the church. The Audit Report shall consist of:
- a. The Audit Committee Certificate;
 - b. The Statement of Financial Position;
 - c. The Statement of Activities;
 - d. The Statement of Cash Flows;
 - e. Completed Audit Program Checklist;
 - f. The Audit Committee Findings on Policies and Procedures; and
11. *Filing of the Audit:*
- a. Prior to actual delivery of the audit report, the Vestry should issue a letter to the auditor stating that all records have been available for audit and there are no funds omitted.
 - b. Upon completion, the Audit Committee shall present the audit report to the Treasurer, Rector, and Wardens.
 - c. Any findings and recommendations should be presented in the Audit Committee Findings on Policies and Procedures, not in the Audit Committee Certificate. These items will be discussed with the Treasurer or other responsible persons and within 30 days their written response, attached to the audit report, is presented to the Vestry.
 - d. The Vestry receives the audit report upon completion.
 - e. A copy of the audit report should be filed with the Bishop, not later than 30 days following its completion and never later than September 1 of each year, covering the financial reports of the previous calendar year. The minutes of the Vestry will officially record the receipt, acceptance, and subsequent filing of the audit report with the Bishop.
 - f. If, at any time during the audit, the records suggest that something is seriously wrong, the matter should be brought immediately to the attention of someone of superior authority, as well as the appropriate diocesan authority.