**Episcopal Diocese of Pennsylvania**

**Introduction to the Annual Parish Audit Process**

Introduction

1. Annual audits are required by the Canons of the Episcopal Church for all parishes, missions, and other institutions.
2. Types of Audits
3. Self-Audit
4. Committee based.
5. Churches with Normal Operating Inbudgets of $ 500 K or less
6. Audit Committee members should be qualified and independent.
7. Should include one financial expert
8. Outside Audit/Review
9. CPA ( Certified Public Accountant ) or (LPA) Licensed Public Accountant
10. Churches with Operating Budgets of $ 501 K to $ 1 M require annual review by CPA or LPA
11. Churches with Operating Budgets over $ 1 M require annual review by CPA or LPA and a full outside audit every four year(s).
12. Audits should be submitted to Church House Canon for Finance by September 1,2011
13. Currently soliciting volunteers with strong financial experience to assist churches with audits at the Diocesan level. Our history is that we cannot count on volunteers-may need something more permanent.

EPISCOPAL DIOCESE OF PENNSYLVANIA

Symposium Vestry – Church Audits

March 26, 2011

Getting Started on Self Audits

1. Establish Audit Committee
2. Typical audit committee should have three or more members
3. Should include a financial expert
4. Not involved in decision making or financial recordkeeping functions of the congregation i.e. Vestry, Finance Committee, Treasurer, must be independent.
5. Size and scope of audit should determine the size of committee members
6. Primary purpose of an audit is to assure good financial reporting, compliance with national and Diocesan canons, and the promotion of good internal controls.
7. Those handling the monies or investments of the church need an audit to protect the church assets and him/her against suspicion of mishandling those assets.
8. Similarly, rectors, vestries, vicars, 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.
9. Manual of Business Methods in Church Affairs should be utilized
10. Audit Committee should review scope of audit with the vestry, treasurer, rector or other responsible parties.

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Pre-Audit Documents Required for Review depending of procedure to be completed.

1. Original signed Vestry minutes
2. Minutes of any group authorized to disburse monies
3. Annual financial report to parish
4. Treasurer’s interim reports
5. Annual Parochial Report
6. Names of those authorized for check signing, fund

withdrawal or transfer, and disbursing approval

1. List of securities held
2. Arrangements made for receipt of unopened bank

statement(s) or mailing of request for confirmation of bank

balance(s), loan balance(s) and investments

1. Copy of previous year's audit and internal control letter
2. Organizational Chart
3. Chart of Accounts
4. Budget
5. General ledger
6. Cash receipts journal
7. Cash disbursements journal
8. Bank statements for audited year, plus last statement for

previous year and first for current year

1. Paid checks and deposit slips
2. Payroll records with Forms I-9, W-2, W-3, W-4, and State

and Federal withholding records

1. Savings account passbooks
2. Other investment records