



The Episcopal Church in Wyoming

Guidelines For Annual Audits of Wyoming Episcopal Parishes And Missions

INTRODUCTION

Purpose

To assist Parishes and Missions to comply with Title I, Canon 7, Section 1(a-e) of the General Convention, the following program has been developed and approved for use by any of the following:

- A. Certified Public Accountant, or
- B. Committee of three qualified members ("Audit Committee") of the Episcopal Church, appointed by the Rector or Priest-in-charge and the current wardens, none of whom shall have acted as Treasurer, Bookkeeper, any individual keeping the books of original entry and/or ledgers of the Parish/Mission during the period being audited, or
- C. The Comptroller of the Episcopal Church in Wyoming.

Scope

The scope of the Audit Program shall be at a minimum required by generally accepted auditing standards for CPA firms and as set forth in these guidelines.

Date Of Audit

The fiscal year of the Parish/Mission ends on December 31. The Annual Episcopal Church Parochial Report is required by Canon to be submitted to the Diocese by March 1st. The Audit need not be completed at the time the Annual Report is submitted, but it should be scheduled by that date, and the scheduled date thereof and the CPA firm or "Audit Committee" making the Audit, noted on the Report. The Audit Report of Treasurer's Funds shall be for the year ending December 31, to conform with the Annual Parochial Report.

Certificate

On completion of the Audit, a Certificate in approved form shall be completed by the auditor or Auditing Committee noting thereon any exception to generally accepted accounting principles, or to this Audit Program. (See Appendix A for Format to be used by "Audit Committees")

Filing

The completed Audit shall be submitted to the Vestry as soon as practicable after it has been completed. The Report of the Audit shall be forwarded to the Bishop of the Diocese of Wyoming not later than 30 days following the date of such report, and in no event, not later than September 1 of each year covering the financial reports of the previous calendar year.



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THE CANONS APPLICABLE

NATIONAL CANONS - TITLE I

Canon 7, Section 1(e) states:

"Books of account shall be so kept as to provide a basis for satisfactory accounting."

Canon 7, Section 1(f) states:

"All accounts of the Diocese shall be audited annually by an independent Certified Public Accountant. All accounts of Parishes, Missions or other institutions shall be audited annually by an independent Certified Public Accountant, or independent Licensed Public Accountant, or such audit committee as shall be authorized by the Finance Committee, Department of Finance, or other appropriate authority."

Canon 7, Section 1(g) states:

"All reports of such audits, including any memorandum issued by the auditors or audit committee regarding internal controls or other accounting matters, together with a summary of action taken or proposed to be taken to correct deficiencies or implement recommendations contained in any such memorandum, shall be filed with the Bishop or Ecclesiastical Authority not later than 30 days following the date of such report, and in no event, not later than September 1 of each year covering the financial reports of the previous calendar year."

Canon 7, Section 2 mandates the enforcement of this Canon as follows:

"The several Dioceses shall give effect to the foregoing standard business methods by the enactment of Canons appropriate thereto, which Canons shall invariably provide for a Finance Committee or a Department of Finance of the Diocese, or other appropriate diocesan body with such authority."



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AUDIT PROCEDURES

Definitions

- A. Auditor - the word "Auditor" used herein shall mean Certified Public Accountant, any approved Committee of the Parish or Mission Or the Diocesan Comptroller
- B. Cash Book - references are to the Loose Leaf Parish Cash Book of the Episcopal Church and its column headings.
- C. Financial Definitions are from A Manual of Accounting Principles and Reporting Practices for Episcopal Dioceses, Parishes and Missions
- D. The terms "sample", "test", "test verify" refers generally to an approximately 10% selection of the transaction under audit verification, unless discrepancies noted require an expansion of the test verifications in the Auditor's judgement.

Internal Control

Before examination, the Auditor should by inquiry or observation, review and document* internal control procedures as follows:

- A. Have monthly reports to the Vestry been prepared and submitted?
- B. Are bank accounts reconciled at regular intervals by someone not otherwise involved in the cash receipts/disbursements process and are they mailed directly to the congregation
- C. Are two signatures required on checks and on withdrawals from bank accounts?
- D. Is there a investment policy?
- E. Do two or more persons (not related) other than the treasurer count the weekly collection?
- F. Is cash in the custody of at least 2 persons at all times until deposited or the establishment of an independent record of amount received?
- G. Are all receipts deposited intact on a timely basis?
- H. Does someone other than the Treasurer or member of the Cash Count Team maintain the Pledge records?
- I. Is check signing authority limited to those charged with disbursing cash and does it exclude those charged with receiving or recording cash?
- J. Is there a properly-handled petty cash fund in existence?
- K. Are disbursements made against an approved budget?
- L. Are Pledge statements sent periodically?
- M. Is there an accounting software system in place?
- N. Are insurance records, property records and investment records kept in a secure place?
- O. Are payroll records maintained?
- P. Is a separate accounting made of gifts for designated purposes? Are they acknowledged to the donor?
- Q. Does someone other than the Treasurer receive and open all mail?
- R. Does someone other than the Treasurer record checks received in the mail?
- S. Are two persons required for access to the Safety Deposit Box?
- T. Are permanent trust, endowment or capital funds properly recorded, and income disbursed for the purposes designated?
- U. Are there written instructions for handling cash and record keeping?



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V. Is there a policy manual?

W. Are the permanent records stored on site and easily accessible?

**A "no" or "not applicable" answer requires comment by the auditor*

Audit Program - Cash Receipts Book

A. Deposit Slips:

1. Compare the deposit slips to the recordings in the accounting system and to the bank statement, verifying the amounts, classification and receipts dates - by sample and test basis.
2. Compare the deposit slips with the day book or adding machine tapes or any other daily tally sheets used to add up the day's receipts - sample and test basis
3. Compare the day book or any other daily sheets to the pledgers' contributions, correspondence, etc. - by sample and test basis.
4. Examine all correspondence pertaining to contributions and other receipts - by sample and test basis
5. Check mathematics on deposit slips, day book or tally sheets - by sample and test basis, - and pledgers' records (any 5 letters of the alphabet).
6. Are the deposits recorded in the accounting software - by sample and test basis

B. Receipts:

1. Plate Collections - accounting entries should be traced to weekly cash receipt records - on a test basis.
2. Pledges:
 - a. Pledge receipts - reconcile total pledge income received with the total amount pledged.
 - b. On a test basis, - compare recorded individual pledge amounts to signed pledge cards.
 - c. Reports should be made of the individual pledge payments reported for the year - on a test basis.
3. Plate offerings including Easter, Christmas, etc. and contributions from Parish/Mission Organizations - Receipts under these categories should be scheduled and test traced to amounts entered in the accounting software Weekly Church School offerings must be included even though the Church School may maintain a separate bank account and have a separate treasurer.
4. Contributions from other sources (if any) - Receipts in this category should be scheduled and compared to the written agreements, etc. This category normally includes contributions for use of buildings by others and other extra-parochial (outside) sources.
5. Investment income (if any) shall be test verified by determining the number and kinds of shares owned and the dividend or interest attributable to those shares.
6. Special Parish or Mission use - Receipts under this category shall be listed in detail by the Auditor who shall trace the accounting entries to the weekly cash receipts records and satisfy himself that they were used for the purpose for which the support was made.
7. Receipts for Work Outside the Parish/Mission -
 - a. For Mission and General Church Program - Determine that receipts under this category are for Diocesan and General Church Program use for the purpose intended.



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- b. Special Offerings for Other Purposes - These are in the nature of trust funds, as the previous items, for use outside of Parish/Mission, and proper accounting shall be made to determine that disbursement has been made to the designated agencies.
8. Capital Funds - These funds received during the year specifically for capital or building funds shall be reviewed in detail and verified on a test basis sufficient to assure the Auditor that all entries have been fairly recorded.
9. Transfers of Non-Income Receipts - The Auditor shall verify in detail and ascertain that proper authorization has been given for all money borrowed or money received from the sale or redemption of securities. Authority for such transactions should be traced to the minutes of the Vestry.
10. Transfer items such as the movement of funds from one bank account to another shall be listed in detail and traced to the appropriate item in the accounting software to determine that it is not included in income.
11. Grant Funds-The auditor shall verify that all grant funds received are recorded in the accounting software.

Cash Disbursements Book

- A. All Operating Expenses - The Auditor should satisfy themselves that these have been fairly classified to the appropriate expense category. Actual operating expenses should be compared to Budget by individual category and significant deviations explained to your satisfaction (A minimum of 25% of all cash disbursements should be tested).
- B. Disbursements for Work Outside Parish/Mission - Charges to this account should equal receipts received for this purpose plus or minus disbursements made in prior or subsequent periods (see Item 7 under "Receipts").
- C. Other Disbursements - This category includes expenditures for capital improvements or additions to property, plant and equipment, and purchase of land or buildings, grants other non-expense items. These items shall be investigated in detail to determine that they are properly classified, e.g.:
 1. Principal payments made on loans during the year would be made here (but not the interest payments).
 2. Transfers (In and out): This is strictly an exchange account and should agree with the non-income receipts of the Report of Treasurer's Funds plus or minus any prior or subsequent period disbursements.
- D. Closing Cash - The Auditor shall verify bank balances as of the beginning and end of the year and satisfy himself that the beginning and closing cash figure is stated correctly by verifying beginning and ending bank reconciliations.

Bank Accounts

- A. The Auditor shall ascertain the number of bank accounts and the purpose for which each is maintained. Receipts and disbursements in all checking and savings accounts covering the disposition of Church funds are to be incorporated in to the statement of receipts and disbursements, in the accounting software (e.g., ECW, EYC, Altar Guild, etc.).
- B. The Auditor should ascertain whether or not the Parish/Mission requires two signatures for disbursements of funds.



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Bank Reconciliation - 1 month per quarter

1. _____
2. _____
3. _____
4. _____

A. Reconcile Cash:

1. Reconcile/review the recording of deposits in transit on subsequent bank statements.
2. Compare checks cleared by the bank to the recordings in the accounting software.
3. Subtract checks not cleared by bank from the test bank statement and prove the adjusted bank statement balance with the cash balance per books.

B. Check Examination:

1. Examine the signatures on the face of the checks, and the endorsements on the back of the checks returned by the bank for authenticity

C. Bank Statement Cut-off:

1. Compare canceled checks for the month after the close of the year, to verify the year-end balance and the year-end outstanding checks and deposits in transit. Examine these checks as in "B" above.

D. Invoices:

1. Compare the invoices with the recordings in the accounting software by sample or test basis.
2. Examine the invoices with monthly vendors' statement (no statement should be paid without supporting invoices).
3. Examine the invoices for verification of receiving the merchandise or services by the receiver's signature on the invoices by sample or test basis.
4. Examine the invoices and monthly vendors' statements for the payment and approval signature of the persons in charge of approving payments by sample or test basis.
5. Check the invoices for dates and buyer's name and address by sample or test basis.
6. Check the arithmetic on the invoices and vendors' monthly statements by sample or test basis.

Investment

A. Records:

1. Examine all transactions for verification of acquisitions and dispositions.
2. Trace purchases to the accounting software
3. Trace sales to the accounting software
4. Examine broker's advices (invoices) and compare with the Investment Ledger in the accounting software.

B. Securities:

1. Examine or confirm with the organization holding in safekeeping, all securities as to ownership, certificate number, date, number of shares of stock, par value of bonds, endorsements, assignments, etc.

C. Current Market Value:

1. Obtain year-end market values and test compare with accounting software



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Real Estate (Parishes Only)

- A. Deeds:
 - 1. Examine deeds to all real estate owned, verifying ownership, easements, tax, stamps, public record of ownership.
- B. Bond and Mortgage:
 - 1. Verify by direct confirmation with the mortgage holder.

General Journal Test Month Selected

- A. Examine all entries.
- B. Examine supporting documents.
- C. Prove computations and additions.

General Ledger Test Month Selected

- A. Trace all postings.
- B. Foot and balance all accounts.
- C. Take trial balance.
- D. Compare control accounts with subsidiary records.

Payroll Records

- A. Compare total salaries expended plus payroll tax expense to the Form 941 Quarterly Return of Income Tax Withheld and Social Security (FICA) taxes (lay only).
- B. Compare W-2's to accounting software and verify that all income has been reported.

Minutes Of Vestry

- A. The Auditor should review and examine the Parish/Mission Minutes Book for proper authorization of financial transactions during the period audited.

Other Procedures

- A. The Auditor should verify that Endowments, memorials and other designated special funds are in separate accounts, that interest and dividends are properly recorded and reported and that expenditures are appropriately designated and approved.
- B. Indebtedness of the Parish/Mission should be ascertained by the Audit Committee and all indebtedness items listed, excluding current bills paid on a timely basis after year end.

Reports

- A. Obtain a copy of the Parish/Mission financial statements for the year. Trace the applicable year end balances of Revenues and Expenditures, Assets and Liabilities subjected to your annual audit to the amounts included in the financial statements and those appearing in the Annual Parochial Report form entitled:
 - 1. Cash report of Revenue and Expenses
- B. Prepare an Opinion of the Audit Committee (See Appendix A for format) along with a Letter of Comments noting any auditor's exceptions or recommendations plus a summary of action recommended to correct any noted deficiencies. Submit your report to the Parish/Mission Rector, Wardens and Vestry Persons in time for review and forwarding to the Bishop no later than September 1.



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APPENDIX A

TO: The Rector, Wardens and Vestrypersons of _____ Church:

The following Certificate of Audit is submitted herewith in accordance with Title I, Canon 7, Section 1(f-g) of the National Canons and Canon 8, Article 3 of the Episcopal Church in Wyoming;

OPINION OF THE AUDIT COMMITTEE

We have made an examination of the Financial Statements of

Name and Location of Church
as of _____ and for the year then ended.
Last Day of Year Under Review

Our examination was made in accordance with the Audit Program as authorized by the Financial Committee of the Episcopal Church in Wyoming and accordingly includes the applicable audit procedures as prescribed in said program. In our opinion, the accompanying Financial Statements present, in all material respects, the financial position of _____
Name of Church
and the results of its operations for the year then ended on a basis consistent with that of the preceding year.

Signed: _____

Due in the Bishop's Office within 30 days, but no later than September 1, following year under review, along with the Auditor's notes and comments plus a summary of action taken or to be taken to correct deficiencies or recommendations contained in any such memorandum.

For Audit Committee use only and must be signed by all members of the Committee.