

Diocese of Western North Carolina Audit Program Checklist

For use with Audit Committee Audits

If you have any questions, comments or suggestions relative to this audit guide, please contact:

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Annual audits are required by the Canons of the Episcopal Church for all parishes, missions and other institutions. The primary purpose of an audit is to assure that financial statements are fairly stated. The canons permit the auditing of congregational accounts by “an independent Certified Public Accountant”, by an “an independent licensed public accountant” or by such committee as shall be authorized by Fiscal Ministries or by the appropriate diocesan authority. While audits by CPAs are preferred, to accommodate parishes with limited income, Committee Audits can be performed using alternative Audit Procedures.

Diocese of WNC Audit Guidelines

Audit reports are to be filed with the Diocese of WNC and the Bishop within 30 days following the date of the report, and in no event, not later than September 1 of the year following the year covered by the audit report. All accounts must be audited. The audit requirement covers not only the operating accounts of the congregation but all restricted accounts such as memorials, endowments, discretionary, etc. All subsidiary organizations of the congregation are to be audited such as youth groups, ECW, men’s groups, etc.

If the annual Parish, Mission or Agency Audit Report is completed by an Audit Committee, such a committee shall have at least two members, who must be independent of the decision making and financial record keeping functions of the congregation. The Audit Committee must complete the Audit Committee Checklist.

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AUDIT CERTIFICATE & CHECKLIST

Audit for the period of **January 1, _____** to **December 31, _____**

Parish/Mission	
City	
Rector/Vicar	
Senior Warden	
Junior Warden	
Treasurer	

Audit Date:	
Date Presented to the Vestry	
Records Audited e.g. Church, ECW and Discretionary	
Audit Committee Agency:	

Audit Certificate

Sample Audit Committee Certificate

To the Rector or Vicar, Wardens and Vestry:

The audit committee has completed the attached report and we believe that the accompanying financial statements fairly present all church accounts. The work done and this certificate are not to be construed as either an audit or review made in accordance with the standards of The American Institute of Certified Public Accountants.

Included in the report are recommendations, of which the following need to be addressed as soon as possible:

Sincerely, Members of the Audit Committee (*List names and phone numbers of Audit Committee Members and have each member sign the Audit Committee Certificate*)

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Audit Checklist & Recommendations

Attachments:

Status of last year’s Audit Recommendations.

Year-end financial reports for all funds

The Year-end Parochial Report – reconciled to the year-end financial report

Audit Program Checklist

General Information:

I. PRE AUDIT Meeting	YES	NO	NA
a. Objectives and scope of audit discussed			
b. Time schedule arranged?			
c. Reimbursement for out of pocket expenses discussed?			
d. Availability of workspace established?			
e. Availability of required records established?			
f. Assistance of staff requirements established?			
g. Engagement letter setting forth agreements between Vestry and Audit Committee discussed?			

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II. Pre-Audit Documents Required for Review:	YES	No	NA
Original signed Vestry minutes			
Annual Parochial Report			
Minutes of any group authorized to disburse monies			
Annual financial report to parish			
Treasurer's interim reports			
Names of those authorized for check signing, fund withdrawal or transfer, and disbursing approval			
List of securities held			
Arrangements made for receipt of unopened bank statement(s) or mailing of request for confirmation of bank balance(s), loan balance(s) and investments			
Copy of previous year's audit and internal control letter			
Organizational Chart			
Chart of Accounts			
Budget			
General ledger			
Cash receipts journal and Cash disbursements journal			
Bank statements for audited year, plus last statement for previous year and first for current year			
Paid checks and deposit slips			
Payroll records with Forms I-9, W-2, W-3, W-4, and State and Federal withholding records			
Other Investment Records			

III. Review of the Accounting Systems	Yes	No
A. Is the Manual of Business Methods in Church Affairs available?		
Is the Manual of Business Methods in Church Affairs utilized?		
Does the audit cover all funds of the church?		
B. Is a year-end financial report for each fund (e.g. church; ECW and Discretionary) attached to this report?		
C. Is there a separate backup of the Treasurers' files?		
Is there a separate backup of the payroll?		
D. Is there a separate backup of the computer files?		
E. Is a chart of accounts in use that includes all church funds?		

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Accounting System Recommendations/Comments:

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	Yes	No
IV. Review of the Financial Reports		
Have Financial Reports been issued monthly?	<input type="checkbox"/>	<input type="checkbox"/>
Are any bank accounts in excess of FDIC?	<input type="checkbox"/>	<input type="checkbox"/>
Are the authorized signatory names and Federal Tax ID number on all bank accounts of the church up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>

Financial Reports Recommendations/Comments:

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	Yes	No	N/A
v. Review of Documents:			
Do Vestry minutes confirm approval of the annual budget?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do Vestry minutes confirm acceptance of the monthly financial report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do Vestry minutes confirm acceptance of the Treasurer's Report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do the December Vestry Minutes reflect approval of the annual housing allowance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are financial reports for all church funds provided to membership at the church's annual parish meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Was the Annual Parochial Report submitted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Where authorized check signers confirmed with the bank?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has last year's audit and internal control letter been reviewed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Documents Recommendations/Comments:

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VI. CASH	YES	NO	NA
Have paid checks been examined for authorized signatures?			
Have the checks been compared to the disbursements journal for payees and amounts?			
Have all voided checks been accounted for?			
Has the subsequent January statement been reviewed?			
Are disbursements supported by vouchers approved by authorized party other than check signer?			
Are individuals designated to be responsible for assuring compliance with the terms and conditions of all grants, restricted contributions, endowments, etc. received?			
Are two signatures required on checks for \$500 or more?			
Is the bank notified immediately of all changes to authorized check signers?			
Are all transfers between accounts traced?			
Does an authorized party other than a check-signer approve journal entries, and are they adequately documented?			
Are all checking accounts (including Discretionary funds and Episcopal Church Women) in the name of the congregation using its Federal Employer Identification Number?			
Is the petty cash fund imprest?			
Are checking accounts reconciled monthly?			
Do the payees & amounts match the disbursements register?			
Are cash and checks counted by at least two persons?			
Are receipts records compared with bank deposits?			
Does documentation support any checks written to "Cash"?			
Cash Checks & Disbursements – Recommendations/Comments:			

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VII. SECURITIES	YES	NO	NA
Is the securities list verified against subsidiary ledger accounts, validating serial numbers against purchase records of gifts?			
Is the name verified in which securities are registered?			
In the case of coupon bonds, are unmatured coupons intact?			
Is the market value of securities established at the date of the examination?			
Has the vestry reviewed or created an investment policy in last three years?			
Are securities examined or confirmed if held by depository or transfer agent?			
Are brokers reports examined for securities bought or sold through broker?			
Were security purchases or sales authorized by appropriate Vestry action and recorded in the minutes?			
Have cash receipts records of dividends and interest been compared with record of securities held?			
Are securities recorded at FMV according to GAAP?			
Investments – Recommendations/Comments			

VIII. TRUST AND ENDOWMENT FUNDS	YES	NO	NA
Has a list of trust and endowment funds been obtained, including their terms and locations of the investments?			
Has there been an examination of the deed of trust or agency agreement for each trust and endowment fund?			
Have the agency accounting records been checked to determine whether or not the terms of the trust or endowment funds are being properly followed			

Trust and Endowment Funds Recommendations/Comments:

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IX. PROPERTY AND EQUIPMENT	YES	NO	NA
a. Is there a list of fixed assets, showing date of purchase and cost?			
b. Is an inventory identification procedure in effect?			
c. Using preceding information, has a physical examination of assets been made, to extent possible?			
d. Have any deeds and titles required been examined as evidence of ownership?			
e. Are land and buildings carried on financial statements?			
f. Are any liens outstanding against property and equipment?			
Property and Equipment Recommendations/Comments:			

X. PLEDGES AND OTHER GIFTS:	YES	NO	NA
Do the records of total receipts per individual pledge agree with the amounts recorded and reported in the cash receipts journal?			
Have the postings and arithmetic on individual pledge records been tested?			
Number of individual pledge records sampled:			
Is there budgeting of contributions that can be reasonably estimated?			
Are contribution budgets periodically compared to actual, and are significant differences investigated?			
Are records kept and periodically reviewed of gifts, such as bequests, which are contingent on future events?			
Are future bequest and gift files, such as proceeds from life insurance policies or sale of property willed to a congregation, maintained on a current basis?			
Are files kept on life income, endowment, and annuity gifts, including information on the nature of the principal, investment of the principal, or use of the principal income, as well as correspondence with donors or beneficiaries, and copies of pertinent documents?			

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Are individuals designated to be responsible for assuring compliance with the terms and conditions of all grants, restricted contributions, and endowments, etc. received?			
Pledges/Support – Recommendations/Comments			

XI. Review of Payroll Taxes and Other Liabilities:	Yes	No	N/A
Have total wages been reconciled with quarterly Federal Form 941, Form W-2, and Form W-3?			
Have total withholding taxes been reconciled with Form 941?			
Have Federal & State withholding taxes been remitted on a timely basis?			
Are pension payments up-to-date?			
Is a signed Form W-4 on hand for all employees?			
Has all required indebtedness been properly authorized by the vestry and the Diocese of WNC?			
Have all Liabilities been confirmed by creditors?			
Is a detailed schedule of all loans prepared, including name of creditor, date of origin, original amount of debt, interest rate payment schedule, monthly payment, unpaid balance, loan purpose, and authorizing body?			

Payroll Tax and Other Liabilities Recommendations/Comments:
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XII. PAYABLES:	YES	NO	NA
Have payments made subsequent to the end of the year been investigated for items which should have been included as an expense and account payable in the audit year?			
Have inquiries been made as to any unpaid items from the audit year that should have been included as a payable?			
Have inquiries been made as to any paid items from the audit year that should not have been expensed but recorded as a prepaid item?			

Payables Recommendations/Comments:

XIII. Review of Insurance and Risk Control:	Yes	No	N/A
Have all Insurance Policies been reviewed?			
Are all church activities covered by insurance policies?			
Are the limits of coverage adequate?			
Are the deductibles appropriate?			
Is there a current space use agreement and/or insurance certificate on file for all organizations regularly using the church property/facility?			

Insurance and Risk Control Recommendations/Comments:

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Section D. Instructions for the Audit Program

1. *General:* The following suggested procedures are merely acts that can be used to determine the appropriateness of the financial statements presented. An audit is a series of procedures to test, on a predetermined selective basis, the various transactions occurring in the year under examination. It is unrealistic to examine every transaction for the year. Therefore, certain tests are necessary to verify the reasonableness of all transactions.
2. *Pre-Audit Needs:*
 - a. Obtain a preliminary understanding of the accounting systems (both manual and computer) that generate significant financial statement items and of related principal internal accounting controls.
 - b. Obtain copies of the minutes of the Vestry meetings for the period under examination. This should include the minutes of any committee authorized to receive and disburse monies. Read the minutes regarding the election of officers, compensation of personnel, bonding of the treasurer, budget approvals, contracts entered into, items purchased, monies borrowed, purchase and sale of securities, resolution confirming clergy housing allowance for tax purposes, etc. This should be done before the actual examination of any accounting records. You may need to see the minutes of the previous year if they contain authorizations for expenditures in the year being audited.
 - c. Obtain a copy of the previous audit complete with the Committee Audit Findings on Policies and Procedures. This provides a firm set of starting balances which may differ from the Treasurer's reports. It will also offer the chance to check on the progress of corrections of management control deficiencies, an important part of the teaching process.
 - d. Obtain a copy of the annual financial statements as prepared and presented by the treasurer.
 - e. Review the procedures being used to account for church monies. Identify by name and position the individuals with responsibility for financial operations and decisions and verify with them that all the funds of the congregation are included in the statements.
 - f. Identify all bank accounts and authorized check and withdrawal signers, including those under separate treasurers.
 - g. Request that all accounting records of all funds be presented together including:
 - 1) Chart of Accounts and Organization Chart
 - 2) General Ledger
 - 3) Cash Receipts Journals
 - 4) Cash Disbursements Journals
 - 5) Bank Statements including canceled checks
 - 6) Paid Invoices
 - 7) Individual payroll records including Forms W-4 and I-9
 - 8) Evidence of other investments
 - 9) Pledge Records by individual and total
 - h. Meet with members of the Finance Committee to discuss the annual financial statements. Inquire about the occurrence during the year of any significant matters of which the auditor should be informed. Also, inquire into significant variances noted on the financial statements.
 - i. Request a location in which to perform the audit. The audit can be more thoroughly and

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efficiently performed if it is conducted where the records are located.

3. Receipts:

- a. Plate offerings: Cash receipts journal entries should be traced to weekly cash receipts records on a test basis.
- b. Pledge receipts:

Pledge receipts should be verified by tracing cash receipt entries to individual pledge records on a test basis. A minimum of 10% of postings should be traced. Results will indicate if a broader sampling is necessary.

Adding machine tapes should be made of the individual pledge records with the total agreeing with the total pledge payments reported.

Random selection of individual pledge records should be tested for accurate total and balance. A minimum of ten percent should include the same individuals as above.

If the auditor is engaged before year end and if the church sends statements to the pledgors, the auditor can save time and effort by supervising the mailing of the year end statements. The auditor can then use this mailing to obtain direct confirmation.

The auditors should always review the pledge receipts of the congregation personnel involved in money transactions.

The decision regarding the size of the representative sample of postings and pledge records for examination depends on the dollars involved and the sophistication of the parish records.
- c. Contributions from congregation organizations: Receipts must be listed separately for each organization and amounts entered in the cash receipts journal, traced to the weekly cash receipts records. These listed amounts shall be confirmed with their sources.
- d. Contributions from the Diocese: Receipts must be listed and amounts entered in the cash receipts journal, traced to weekly cash receipts records.
- e. Investment and endowment income: Income from securities should be verified by an examination of the brokerage house statement. Income from investment accounts should be verified by an examination of the statements provided or confirmed by the trustee or agency. Income from savings bank deposits should be confirmed by the bank.
- f. Restricted income: Income received for special purposes should be noted by the auditor who should trace the cash receipts journal entries to the weekly cash receipts records. The auditor should also be satisfied that the income was used for the purpose for which the gift was made.

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- g. Non-income receipts: Verify all cash receipts journal entries by tracing them and ascertaining that the proper authorization has been given for any transfer or inter-fund borrowing, or for the sale or redemption of any investments or property.
- h. All cash receipts records should be traced to duplicate deposit slips or bank statements to ascertain that these receipts are deposited intact.
- i. Petty cash: The auditor should be satisfied that a proper imprest system is being maintained. Petty cash is not to be used to cash personal checks. Cash flow and size of fund over audit period should be checked for possible misuse.
- j. All receipts should be compared to budgeted amounts and material variances should be explained.
- k. Contributions of tangible assets or services. Refer to Chapter III (Bookkeeping) for discussion and proper treatment of these contributions.
- l. Verify the totals in the cash receipts records for two to three months. Check postings of monthly totals to the general ledger or to the monthly financial statements.

4. Disbursements:

- a. Tests are to be made to satisfy that disbursements have been accurately classified, and that invoices supporting the disbursements have been properly approved and canceled or marked "PAID".
- b. The committee must be familiar with the financial statement expenditure categories listed on the congregation's chart of accounts.
- c. All disbursements should be compared to budgeted amounts and material variances should be explained.
- d. Testing of Disbursements: Select a sample of disbursements. A minimum of 10 percent of postings should be traced. Results will indicate if a broader sampling is necessary. Test the disbursements to invoices as follows:
 - 1) Compare invoices with the recordings in the cash disbursements journal for a sufficient number of items to assure the committee that they are fairly recorded and classified. Comparison should include vendor's name, date and amount billed.
 - 2) Examine invoices for verification signature that the items were received or services performed for a sufficient number of items so the committee may be satisfied that goods and services were acknowledged by a person authorized to do so.
 - 3) Check the arithmetic on invoices and vendors' monthly statements for a sufficient number of items to assure the committee that invoiced amounts were properly recorded on the statements.

4) Travel and business expense reimbursements should be checked to see that they are in accordance with the qualified reimbursement policy of the congregation. Reference Chapter IV (Taxes) for discussion of a qualified reimbursement policy.

e. Verify the totals of the cash disbursements records for two to three months. Check postings of monthly totals to the general ledger or to the monthly financial statements.

5. Bank Accounts:

a. The committee should ascertain the number of bank accounts maintained and the purpose for which each is maintained.

b. The committee should examine the canceled checks for:

- 1) Authorized signature(s)
- 2) Proper endorsement
- 3) Comparison with the cash disbursements journal for proper recording of payee and amount. If fewer than ten checks are written each month, then all items should be examined. If more than ten per month, a random sampling of two to three months would suffice if a good system of accounting were evident.

c. The auditor should account for all voided checks.

d. Outstanding checks from the previous period should be examined to determine proper bank clearing and amount. Any check outstanding for a period longer than three months from the balance sheet date should be questioned for satisfactory explanation.

e. The auditor should verify bank balances at the end of the period being audited and should check that the closing cash amount is correctly stated.

Examine the January bank statement following the close of the audit year for items impacting the audit year.

f. Determine whether transfer of funds occurred between bank accounts near the date of the Statement of Financial Position. Determine that the transfers were recorded in the books in the same accounting period and that any transfers not recorded by the bank in the same accounting period appear in the appropriate bank reconciliation.

6. Investments:

a. Obtain or prepare a list of securities owned showing:

- 1) The description of each security
- 2) The serial number of bonds or securities
- 3) The denomination of each security or its par value
- 4) The interest rate of each bond
- 5) The cost of each security and the amount recorded on the books
- 6) The interest and dividends received during the year

- 7) The market value of each bond or security as of December 31 of the year being audited
- b. Review the investment summary for reasonableness, consistency of amounts between years and obvious omissions.
 - c. Compare the securities listed with ledger accounts and/or with the statement. Whenever practicable, serial numbers should be compared with records of security purchases or gifts in order to obtain positive identification and to avoid the possibility of substitution.
 - d. Examine securities listed or obtain confirmation from the holders if any are held by depositories. It is preferable for this examination to occur as close to the examination date as possible. Insure that the securities are registered in the name of the congregation or are endorsed appropriately to be transferable to the congregation. Examine the coupons on bonds to ascertain that unmatured coupons are intact.
 - e. Examine all transactions for verification of acquisitions and disposition.
 - f. Trace acquisitions to disbursement records and sales (dispositions) to receipts records.
 - g. Examine broker statements and compare with investment ledger where applicable.
 - h. The auditor should be satisfied that the securities are being adequately safeguarded.
 - i. Examine securities for ownership, certificate number, dates, endorsements, assignments, etc.
 - j. Verify any income that has not yet been distributed.
 - k. Determine, by reference to dates of purchase and disposal of investment, interest rates and published dividend records, whether income earned and accrued income receivable have been appropriately recorded.

7. Restricted Funds:

- a. Obtain or prepare a list of restricted funds showing:
 - 1) The source and date;
 - 2) Terms governing the use of principal and income;
 - 3) To whom and how often reports of condition are to be made, and
 - 4) How the funds are to be invested.
- b. Examine the donor letter, or trust or agency agreement, for each new gift and contribution received during the fiscal year.

8. *Loans:*

- a. Obtain or prepare a schedule of all loans to include:
 - 1) The name of the lending institution
 - 2) The date or origin
 - 3) The original amount of loan
 - 4) The interest rate and payment schedule
 - 5) The monthly payment
 - 6) The unpaid balance
 - 7) The purpose of loan
 - 8) The authorizing body
 - 9) The collateral for the loan
 - 10) The restrictions placed by the lender
- b. Review balances for reasonableness, consistency of amounts between years and obvious omissions.
- c. Determine that any loans from the year being examined had the proper authorization and were recorded in the minutes of the Vestry or mission committee.
- d. Verify, by direct communication with any lender, the outstanding indebtedness at the year-end as well as the terms of the indebtedness.
- e. Reconcile the unpaid balance of all loans as reported by the congregation records to the figure reported by the lending institutions.

9. *Property and Equipment:*

- a. Obtain a list of fixed assets of significant amounts showing the cost and date of purchase, if known.
- b. Review balances for reasonableness, consistency of amounts between years, and obvious omissions.
- c. Examine all the deeds and titles of ownership related to the properties owned by the congregation. Review them for the proper recording of the name of the owner and to determine if any encumbrances or liens exist.
- d. Determine if any inventory identification procedure is in effect.
- e. The congregation must have a physical inventory of capital assets. A sampling test of this inventory is to be made by the committee.
- f. Ensure that all property and equipment is adequately insured.
- g. If depreciation of property is recognized, review entries for accuracy.

10. *Payroll Records:*

- a. Examine the individual earnings records for name, address, social security number, number of exemptions, rate of pay, and effective date.
- b. Ensure that the salary paid is authorized and proper by comparing with the amount budgeted.
- c. Trace the individual earnings record postings to the check register.
- d. Reconcile total wages paid and total withholding taxes with the quarterly Form 941 and end-of-year Form W-3, checking that they were remitted on time.
- e. Determine if a current signed Federal Form W-4 and a Form I-9 (Immigration and Naturalization Service) is on file for each employee hired after November 6, 1986.
- f. Determine if a Form W-2 has been given to each employee (including the clergy) and that the Forms W-2 are correct and properly filed.
- g. Determine if Forms 1099 are being provided for all individuals who are not employees and unincorporated entities paid \$600 or more annually and all recipients of educational scholarship funds of \$600 or annually.

1998 Instructions for Forms 1099, 1098, 5498, and W-2G, Department of the Treasury, Internal Revenue Service, (p. 23, Scholarships) reads,

“Do not use Form 1099-MISC to report scholarship or fellowship grants. Scholarship or fellowship grants that are taxable to the recipient because they are paid for teaching, research, or other services as a condition for receiving the grant are considered wages and must be reported on Form W-2. Other taxable scholarship or fellowship payments (to a degree or non-degree candidate) are not required to be reported by you to the IRS on any form.”

- h. Test the payroll to be sure that a real employee exists for every payroll check written.

11. *Receivables and Payables:*

- a. Prepare a schedule of accounts receivable as of the date of the Statement of Financial Position. These may include pledge payments which were made after the end of the year in which the money was pledged or authenticate obligations owed to the congregation at year end.
- b. Prepare a schedule of accounts payable as of the date of the Statement of Financial Position. These may include monies owed by the congregation to vendors at year-end for goods and services received during the year being audited. Discuss with the treasurer any old or disputed payables.

12. *Insurance:* A schedule should be prepared listing the name of carrier, description of coverage, period of insurance, premium amount and date of premium payment for the following policies which the committee is to review:
 - a. Fire insurance on buildings and equipment
 - b. General Liability (Public Liability and Property Damage)
 - c. Burglary
 - d. Fine Arts
 - e. Malpractice
 - f. Worker's Compensation
 - g. Fidelity Bond
 - h. Automobile coverage on cars owned by the congregation
 - i. Non-ownership liability insurance for cars owned by others when used for congregation business
 - j. Directors' and Officers' Liability
 - k. Umbrella Liability
 - l. Other special policies held by the church

13. *Discretionary Fund:* Check that the discretionary fund is in the congregation's name, that the congregation's Federal Employer's Identification Number is the number used to identify the account at the bank, and that the fund has not been used for operating fund expenses or for the personal expenses of the clergy. If a separate checking account has been authorized, all monies for the discretionary fund must pass through the congregation's general bank account and subsequently a check should be written to transfer the monies to the separate discretionary fund checking account. Reference Chapter V in the *Manual of Business Methods in Church Affairs* (Clergy Discretionary Funds) before proceeding.

14. *Work Papers:* The committee should retain a file of the work papers that were prepared during the audit. When the next year's audit is performed, these papers could be an invaluable guide. The next auditor should be provided with a copy of the work papers. These work papers should include such things as: the complete audit and internal control check lists; lists of bank accounts, restricted funds, investments, insurance accounts and loans; the schedules prepared; the procedures followed in performing the audit and memoranda describing significant issues raised during the audit.

15. *Audit Committee Certificate:* The Audit Committee Certificate states that steps have been taken to ensure that the financial statements are presented fairly in all material respects. The Audit Committee Certificate should identify exceptions when the audit committee questions any aspect of the financial statement. When this occurs, the audit committee should carefully describe the condition raising the question. Such a statement does not nullify the accuracy or the importance of the audit, but it does alert the reader that the financial statements may be affected in some way because of the noted variance.

16. *Audit Committee Findings on Policies and Procedures:* The Audit Committee should comment in a separate letter to the Vestry regarding the internal control procedures in effect at the congregation. This letter should be made a part of the minutes.

Exceptions to adequate procedures should also be noted in these comments. Repeat items from previous years should be noted. Good business practices and policies, as well as safeguards, should be recommended. A copy of this letter should accompany the audit report.

The Audit Committee should look for opportunities to educate the Treasurer, Vestry and bookkeeper by teaching the accrual method of accounting.