

DIOCESE OF CALIFORNIA INTERNAL AUDIT PROGRAM

Canon 19.06 of the Diocesan Canons requires that all accounts of all parishes, missions and institutions be audited annually. Not all parochial units have complied with this Canon resulting in serious problems that have occurred from time to time that an audit could probably have prevented.

Please note that **The Department of Missions** now requires **ALL** missions to be audited annually.

The Diocesan Audit Program is administered by the Controller's Office. Audit fees will be billed when incurred as part of the regular monthly billing.

To schedule an audit, please contact Carolyn Barnett by phone: 510-582-2612 or email: carolyna42@yahoo.com

INFORMATION AND RECORDS TO BE MADE AVAILABLE FOR THE AUDIT

For Operating, Restricted, Designated, Property, Endowment, Scrip, ECW, Guilds or any other church-related organization and ALL discretionary funds please provide the following:

1. A complete set of Vestry minutes for the year of examination.
 2. Reconciled bank statements and cancelled checks, savings passbooks and investment statements for ALL accounts indicating the activity for December of the prior year, ALL of the year of audit and January of the subsequent year.
 3. PHOTOCOPIES NEEDED FOR AUDIT FILE: Bank statements for December of prior year January and December of year of audit and January of subsequent year. Full year investment account statement and year end savings account statement.
 4. Copy of bank signature cards with signature specimens for all accounts.
 5. Description of collection and control procedures for Sunday collection and Pledge Receipts. Please include count sheets and deposit records for the year of examination.
 6. Access to files for paid invoices with backup information (check request/invoices).
 7. General ledger report of receipts and disbursements for all accounts or an explanation of report preparation if there is no general ledger.
 8. Copy of Annual Financial Report including year-end statement with balance sheet and income/expense statement.
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| <ul style="list-style-type: none">• Copy of prior year audit report.• Copy of - (<i>Year of audit</i>) approved budget.• Copy of Annual - (<i>year of audit</i>) Diocesan Parochial Report for audit file.• Details of any mortgages or other loans, original loan documents, copy of bank or loan statement showing principal due December 31, - (<i>year of audit</i>).• Evidence of property and liability insurance coverage. Any building appraisals or contents inventory prepared in the last five years.• Evidence that Articles of Incorporation have been filed properly. | <ul style="list-style-type: none">• Copy of annual welfare/church exemption report filed for property tax exemption.• Space use agreements and insurance certificates for regular users of church property.• Evidence employee safety program has been implemented in accordance with Cal-OSHA requirements.• Payroll reporting for Internal Revenue Service and State of California - Quarterly, W-2's if payroll is not done by the Diocese. Copies of all 1099's issued separately by the church. |
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FUNDS OF OTHER PARISH ORGANIZATIONS

Many questions have been asked about the relationships of parish organizations, such as the Episcopal Church Women, the altar guilds, men's and youth groups, to the parish or mission. If such an organization is holding itself forth as part of the parish, and is raising or spending money as part of the parish, then such organizations are subsidiaries of the parish and are responsible to the vestry. The vestry, it must be recalled, is the body elected by the parish to be responsible for the finances of the parish including all of its subordinate organizations. It is important that this responsibility not be misunderstood. We do not suggest that such organizations cannot elect their own officers including their own treasurers, and we certainly don't mean to suggest that such organizations cannot make their own spending decisions. Perhaps the outline below will clarify what it means for an organization to be responsible to the vestry.

1. Bank accounts must be authorized by the vestry, which has the ultimate legal responsibility for these organizations..
2. Bank accounts must be established in the name of the church and with the church's taxpayer identification number.
3. The organization must report periodically to the congregation and to the vestry regarding its finances, not for approval of expenditures, but as a report of stewardship of parish resources.
4. Funds must be audited in the same manner and to the same degree that the general parish funds are audited.

It is to be noted that several misuses of funds in this Diocese and in other Dioceses have occurred in the accounts of parish organizations that were not audited. Remember always that the vestry and the treasurer or the vestry, are responsible for all the finances of the parish including its organizations. The vestry can delegate to these organizations a great deal of autonomy, but this delegation does not remove from the vestry the responsibility for being sure that the funds are properly accounted for.