

To: Members of the Parish Audit Committee
From: Steve Abdow, Canon for Mission Resources
Date: January 2019

Thank you for agreeing to serve as a member of your parish's Audit Committee. It is important work. An audit is required by church canons, but more importantly, an audit demonstrates to the people of the parish that their elected leaders are responsible stewards of the funds entrusted to them for the mission and ministry of the church.

Congregations benefit by having the annual audit performed by a committee of volunteers such as you. The work you do will help the Treasurer, Finance Committee, and the Vestry determine new and better ways to manage church financial resources.

Your audit should consist of a review of **all** of the finances of the parish. The canons require that your audit consist of a review not only of the operating account but also any endowment or memorial funds. If the parish has separate funds or accounts for the altar guild, women's, men's, or youth groups, these should also be reviewed as part of the audit. In addition, the Rector's Discretionary Fund is an account of the parish and should be part of the audit. Given the confidential nature of the Discretionary Fund, special arrangements should be made with the Rector so the necessary confidentiality is preserved. Finally, if the parish operates a day care center, thrift shop or other such special program, the financial records should be part of the audit. **To summarize, the audit should include all the parish funds and accounts.**

The enclosure on *Internal Controls* is taken from the *Manual of Business Methods in Church Affairs*. **Every parish should have a copy of the complete manual.** It can be downloaded without charge at <http://www.episcopalchurch.org/page/manual-business-methods>

The enclosed *Model Audit Program* and *Internal Controls Questionnaire* will provide a guide for your work. The *Model Audit Program* packet is designed to serve as your audit work papers. But the *Internal Controls Questionnaire* should also be completed as part of the audit. Once you have completed the audit, please complete the *Certificate of Completed Audit* in triplicate. Your findings and recommendations can either be entered on the second page of the Certificate of Audit or can be included in a memo to the Vestry. **One copy of the Certificate of Completed Audit, along with the audit committee findings and recommendations, should be delivered to the Vestry and made part of the Vestry Minutes.** A second copy of the Certificate of Audit should be sent to the Diocesan Offices by **July 1, 2019**. The third copy is your file copy. It should be retained in the parish files for next year's audit committee.

PLEASE NOTE- In addition to the certificate, please send me a copy of the completed Internal Controls Questionnaire, and a copy of the financial statements from your 2018 Annual Report presented at the Annual Meeting.

Regarding the Internal Controls Questionnaire: the purpose of the questionnaire is to review your internal controls to see if there are any deficiencies. If your answer to one of the controls is NO that indicates corrective action needs to be taken. For instance, if you answer NO to the question asking if someone other than the person who signs the checks reconciles the check book, Vestry needs to be sure this practice is corrected. (FYI: This is a particularly problematic practice. It would be very easy to embezzle it the person who signs the checks also reconciles the checkbook. Vestry must change that procedure to the correct one.)

If you have any questions, please feel free to call me.

Audit Packet Enclosures:

- Auditor Appointment Form
- Model Audit Program
- Internal Controls Questionnaire
- Certificate of Completed Audit
- Canonical requirements for annual audit
- Bank Confirmation Forms
- Rector's Discretionary Fund Guidelines