

The Episcopal Diocese Of Olympia | 1551 10th

Diocese of Olympia Simplified Audit/Financial Review Worksheet

7/16/18

Version 1.2

From the Office of the Bishop

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CHURCH: CITY:

AUDIT YEAR:

LEAD PERSON:

POSITION:

DATES OF AUDIT:

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| **GENERAL REVIEW** | **COMMENTS** |
| 1. Obtain audit report covering the period immediately preceding the period to be audited. State year and source of audit. |  |
| 1. Obtain Vestry/Bishops Committee minutes, approved budget, monthly financial statement and annual report for the period being audited. If any of the above are unavailable, so state. |  |
| 1. Are the Vestry/BC minutes complete? |  |
| 1. Review Vestry/BC minutes for |  |
| * 1. Budget approval? |  |
| * 1. Clergy Salary and housing allowance |  |
| * + 1. Resolution in the minutes |  |
| * + 1. Done in December? |  |
| * + 1. Correct wording used? |  |
| * 1. Material expenditures approved? |  |
| * 1. Comments on extraordinary gifts and bequests |  |
| 1. Are monthly financial statements complete? |  |
| 1. Are regular financial reports made to Vestry/BC? |  |
| 1. Are insurance records and property records complete? Compare insurance coverage with appraisals or stated current values. Does insurance coverage appear sufficient? |  |
| 1. Are Articles of Incorporation properly filed? |  |
| 1. Have there been any changes in the By-Laws since the last audit? |  |

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| **GENERAL REVIEW (cont)** | **COMMENTS** |
| 1. Are welfare, church or religious exemption claims from property taxes on file? |  |
| * 1. For the church? |  |
| * 1. For any organizations regularly using church property? |  |
| 1. Is there a current space use agreement and insurance certificate on file for organizations regularly using the church? |  |
| 1. If there is a church sponsored school on site: |  |
| * 1. Is there a separate Board of Directors? |  |
| * 1. Is there a separate tax id numbers? |  |
| * 1. Is it licensed? If so, by whom? |  |
| * 1. Is it accredited? If so, by whom? |  |
| * 1. Is there a screening process for teachers? |  |
| * 1. Is insurance coverage current? |  |
| * + 1. Property coverage? |  |
| * + 1. Liability coverage? |  |
| * 1. Are there periodic fire department inspections? |  |
| * + 1. Date of last inspection: |  |
| * 1. Is there an annual audit? By whom? |  |
| 1. Is OSHA employee safety program in place? |  |
| * 1. Established through a Vestry/BC motion? |  |
| * 1. Safety hazards identified? |  |
| * 1. Safety hazards repaired? |  |
| * 1. Employees trained in safe work habits and identifying safety hazards? |  |
| * 1. Program documentation maintained on file in the church office? |  |
| 1. Compare Parochial Report with income expense statement. Explain any major differences. |  |

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| **ASSETS** | **COMMENTS** |
| 1. Examine all checking, savings, investment, discretionary, guild and other church related organization accounts. Indicate if all accounts are included in the audit. If not, why not? |  |
| * 1. Were accounts in the name of and addressed to the church? |  |
| * 1. Was the church’s tax Id number used for all accounts? |  |
| * 1. Were bank statements, passbooks, and investment statements provided to show activity for full year from December of the previous year to January of the succeeding year? |  |
| * 1. Were cancelled checks provided for verification of payees, signatures, and endorsements? (May not be possible.) |  |
| * 1. Were appropriate records provided for verification of outstanding or voided checks and last check number? |  |
| 1. If the preceding year has not been audited, prepare a bank-reconciliation for all accounts for end of that year. |  |
| 1. Reconcile all accounts for the period being audited. |  |
| 1. For guild and other church-related organization accounts, review available back-up documentation (i.e., paid bills, accounting and reporting for proper use of funds. Add these accounts to audited financial statement or prepare separate report. |  |
| 1. For savings and investments, review all activity for the period being audited. Identify restricted gifts. Verify completion of all transfers between accounts including any deposits-in-transit at end of period being audited. Trace all major withdrawals and verify appropriate authorizations. Investigate any deposits or withdrawals from sources other than checking accounts. |  |
| 1. Audit all petty cash accounts. |  |
| * 1. Are they handled as imprest accounts? |  |
| * 1. Are they reconciled monthly? |  |
| * 1. Are expenses charged to budgeted expense categories? |  |
| * 1. Are vouchers and receipts kept for verification of expenses? |  |
| 1. Verify method used to report Fixed Assets on balance sheets. |  |
| 1. Confirm any material receivables, deferred or prepaid expenses or other assets. |  |

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| **LIABILITIES & FUND BALANCES** | **Comments** |
| 1. Confirm material payables: |  |
| * 1. Are mortgage payments up to date for clergy and for lay employees? |  |
| * 1. Are pension payments up to date for clergy and for lay employees? |  |
| * + 1. Are clergy pension payments equal to 18% of salary, SET and housing? |  |
| * + 1. Are lay pensions payments being made for all employees that work more than 1000 hours per year? Identify the plan. |  |
| * 1. Are bills from the Diocese being paid on a current basis? |  |
| * 1. Are utility bills being paid on a current basis? |  |
| * 1. Were payroll taxes due at end of period being audited? |  |
| * 1. Identify any other significant payables. |  |
| 1. Confirm Permanently and Temporarily Restricted Funds Balance |  |
| * 1. Verify beginning fund balance, receipts, disbursements and ending fund balances for each fund. |  |
| * 1. Verify Endowment Funds carried on books. |  |
| * + 1. Is the fund properly characterized? |  |

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| **CASH RECEIPTS** | **COMMENTS** |
| 1. Review procedures and control of plate collection and deposits |  |
| 1. Review cash receipt reports and trace totals to financial reports. Do counter sheets, deposit records, cash receipts book and financial reporting match? Identify significant discrepancies. |  |
| 1. For a Script or Coupon Sales program: |  |
| * 1. Review the method of purchasing coupons. |  |
| * 1. Review procedures and control for tracking sales and inventory. |  |
| * 1. Is the program included in the financial reporting to the Vestry/BC? |  |
| * 1. Prepare a worksheet reflecting initial and subsequent purchases of script, discount received upon purchase, gross sales, miscellaneous expenses, and ending inventory. |  |
| * 1. Compare this information to the reporting being done. Is the information clear and accurate? |  |
| * 1. Is the ending inventory carried at cost as an Asset? |  |
| * 1. Is the amount reported as income equal to the discount provided for the amount of Script sold? |  |

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| **CASH DISBURSEMENTS** | **COMMENTS** |
| 1. Obtain a list of authorized check signers and test signatures on checks (for very larger parish test six months). |  |
| 1. Examine 10% of disbursements of $500 or more and 1% of checks under $500 to approved vouchers, budget or Vestry/BC approval. Identify check #’s examined in comments. |  |
| 1. Examine any checks that lack sufficient support under step 29 above as to number, date, amount, signature, payee and endorsement. Investigate propriety of checks drawn to cash, payroll, books, the church, officers, and employees. |  |
| 1. Review cash disbursement reports and trace totals to statements. For very large parish, apply the same procedure as indicated in step 26. Do paid bills or vouchers, checks, cash disbursements records and financial reporting match? Identify significant discrepancies. |  |

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| **PAYROLL** | **COMMENTS** |
| 1. Examine payroll tax returns, W2’s, 1099’s, etc. to determine that filing requirements have been met and withholding taxes remitted properly. |  |
| * 1. Did quarterly reporting match with year-end reporting? |  |
| * 1. Was approved housing allowance not reported or reported in Box 18 of the W2 form? |  |
| * 1. Was expense or travel allowance approved by the Vestry/BC, and was full back-up documentation provided for expenditures? |  |
| * 1. If not, was full allowances report as taxable income? |  |
| * 1. Was wedding or memorial income paid directly to clergy or lay staff reported as taxable income? |  |
| * 1. Was other compensation paid to staff that would be considered taxable income by the IRS? |  |
| 1. Identify those receiving payments in excess of $600 for the year and match the W2 and 1099 reporting. Do those reported on 100’s qualify as valid business or consultants or do they match definition of employees? |  |
| 1. Are those working more than 1000 hours per year receiving long-term and short-term disability insurance, workers compensation insurance and lay pensions? |  |
| 1. Are those working more than 1560 hours a year (30 hours a week) receiving the benefits mentioned in step 34 along with full medical coverage? |  |

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| **DISCRETIONARY FUNDS** | **COMMENTS** |
| 1. Identify all discretionary funds and clergy positions holding those funds. |  |
| 1. For each fund: |  |
| * 1. Is the fund in the name of the Church? |  |
| * 1. Did the Vestry/BC resolution establish the fund? |  |
| * 1. Is the church’s tax id # used to identify the account at the bank? |  |
| * 1. Did the donors specify gift for discretionary fund? |  |
| * 1. Were funds used for what should be operating fund expenditures? |  |
| * 1. Were funds used for personal expenses the IRS would consider taxable? |  |
| * 1. Were funds used for the purposes for which they were intended? |  |

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| **GENERAL NOTES AND COMMENTS** | **COMMENTS** |
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