

B-172

**The 172nd Annual Convention
Diocese of Chicago
November 20-21, 2009**

Subject: Audit Guide [Amendment to Canon 39, Sec. 5 and Canon Note 39.5]

Sponsor: Diocesan Treasurer

RESOLUTION

Resolved, that Canon 39 Sec. 5 be amended to provide as follows:

Canon 39 Sec. 5 all accounts for all parishes, missions and other institutions in the Diocese of Chicago shall be audited annually by a Certified or Independent Public Accountant or by an audit committee or such accounting agency as shall be permitted by the Department of Finance and Administration.

Resolved, that Note 39.5 to Canon 39 be amended to provide as follows:

Canon 39.5 the term “audit” is used in accordance with the national canons (Title I, 7.1 (f)) and audit guidelines issued by the national church and ~~available from the Treasurer of the Diocese~~ the Diocese of Chicago audit guidelines (as formulated and revised from time to time by the Diocesan Treasurer); an audit in compliance with those guidelines shall comply with this Canon.

EXPLANATION

An up-to-date version of the following audit guidelines and attachments will be made available on the diocesan web site. The current form of the Diocesan Guidelines is as follows. Please contact the Diocesan Treasurer with comments and suggestions.

Diocese of Chicago Audit Guidelines

Audit reports are to be filed with the Department of Finance and Administration 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 independent certified or licensed public accountant, a certification must be issued. An example is attached as Attachment A.

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. Attachment B.

If the annual Parish, Mission or Agency Audit Report is completed by an accounting agency as permitted by the Department of Finance and Administration, such an agency must complete the Audit Checklist. Attachment B.

ATTACHMENT A

Auditor Certification

“I have reviewed the Financial Position of [Church Name] as of [12/31/20xx] and the related Statement of Financial Activity for the years then ended. The review was made in accordance with the audit guidelines of the [Choose One: *Manual of Business Methods in Church Affairs* or *The Diocese of Chicago Audit Certificate & Checklist*] which are not the same as the standards established by the American Institute of Certified Public Accountants. Therefore, this statement is not to be construed as either an audit or review made in accordance with the standards of The American Institute of Certified Public Accountants. The Financial Statements have been prepared on a modified cash basis in accordance with principles adopted by the Episcopal Church and approved by its General convention except that Fixed Assets are reported on a [Replacement] Cost Basis and are not being depreciated. While not in accordance with the principles approved by the General Convention nor with generally accepted accounting principles, this practice is almost universal. My review included procedures and test samples which I deemed necessary to ensure that with the exception noted above, the attached financial statements present fairly, in all material respects, the financial positions of the Congregation as of December 31 of the aforementioned years and its financial activity for the years ended and are in accordance with the principles authorized by the General Convention of the Episcopal church on a basis consistent with the preceding years.”

ATTACHMENT B

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

To the Rector or Vicar, Wardens and Vestry:

The audit committee / agency have completed the attached report and we believe that the accompanying financial statements present fairly the financial position for all church accounts. Included in the report are recommendations, of which the following need to be addressed as soon as possible:

[*****]

This statement is not to be construed as either an audit or review made in accordance with the standards of The American Institute of Certified Public Accountants.

Chair of Audit Committee / Agency

Date

Audit Checklist & Recommendations

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.	Are two signatures required for checks?		
f.	Is a chart of accounts in use that includes all church funds?		

Accounting Systems – Recommendations

Review of the Financial Reports		Yes	No
Have Financial Report been issued monthly?			
Are any bank accounts in excess of FDIC?			
Are the authorized signatory names and Federal Tax ID number on all bank accounts of the church up-to-date?			

Financial Reports – Recommendations
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Review of Documents:	Yes	No	N/A
Do Vestry minutes confirm approval of annual budget, monthly financial reports?			
Do Vestry minutes confirm acceptance of the Treasurer's Report and monthly financial statement?			
Do the December Vestry Minutes reflect approval of the annual			

housing allowance?			
Have receipts and disbursements in the discretionary fund been reported to the Vestry?			
Are financial reports for all church funds provided to membership at the church's annual parish meeting?			
Was the Annual Parochial Report submitted?			
Where authorized check signers confirmed with the bank?			
Has a year-end list of securities held been reviewed?			
Has last year's audit and internal control letter been reviewed?			
Has the year-end bank statement and bank reconciliation for each fund been reviewed?			
Have sample cancelled checks and deposit slips for each fund been reviewed? The samples reviewed total _____			
Have Form 1099 and payroll records been reviewed?			
Have year-end Savings Account statements been reviewed?			

Documents – Recommendations

Review of Cash Checks & Disbursements:	Yes	No	N/A
Are checking accounts reconciled monthly?			
Have the checks been signed by an authorized signatory?			
Have paid checks been properly endorsed?			
Do the payees & amounts match the disbursements register?			
Have voided checks been retained and examined?			
Are cash and checks counted by at least two persons?			
Are receipts records compared with bank deposits?			
Are all transfers between accounts traced?			
If a clergy-controlled discretionary fund exists outside of the primary church accounts, is it audited?			
Are disbursements supported by vouchers or invoices approved by someone other than check signer?			

Does documentation support any checks written to "Cash"?			
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Cash, Checks & Disbursements – Recommendations

Review of Pledges/Support:	Yes	No	N/A
Do acknowledgements of contributions in excess of \$250 include a statement that any goods or services provided consist solely of intangible religious benefits?			
Is per capita pledge income based upon average worship attendance more then last year?			
Are future bequest and gift files, such as proceeds from life insurance policies or sale of property willed to a parish, 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?			

Pledges/Support – Recommendations
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Review of Investments:	Yes	No	N/A
Has the vestry reviewed or created an investment policy in last three years?			
Were security purchases or sales authorized by appropriate vestry (or committee) action and recorded in the minutes?			
Have receipts records of dividends and interest been compared with record of securities held?			

Investments – Recommendations

Review of Trust and Endowment Funds:	Yes	No	N/A
Do you have an active planned giving program in use at your church?			
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 & Endowments – Recommendations

Review of Property and Equipment:	Yes	No	N/A
Is there a list of fixed assets, showing date of purchase and cost?			
Has a physical examination of property and assets been made to the extent possible?			
Are land and buildings carried on the financial statements?			
Are any liens outstanding against any property and equipment?			

Property & Equipment – Recommendations

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 Chicago?			
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 Taxes & Other Liabilities – Recommendations
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Review of Insurance and Risk Control:	Yes	No	N/A
Have all Insurance Policies been reviewed?			
Are all church activities covered by it 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 & Risk Control – Recommendations

Attachments:

1. Status of last year’s Audit Recommendations.
2. Year-end financial reports for all funds
3. The Year-end Parochial Report – reconciled to the year-end financial report