Diocese of Montana Audit Form
Episcopal Church (TEC) Canons (I.7.1(g)) require that the annual congregational audit must be received in the Diocesan Office by September 1st.

*Revised: January 2021*

Adapted from *Manual of Business Methods in Church Affairs* (chapter VI) - please refer to the manual for more detailed information.

These items should be reviewed by members of the audit committee, and the form should be filled in by the audit committee as they check the items. Most items will have either a yes or no answer (circle the appropriate response). There are some questions that may not apply to every church and for those questions, please circle “none” if the church does not have that particular item. Items that are not in compliance should be noted. See “Notes for Diocese of Montana audit form” for further information.

Audit Year: \_\_\_\_\_\_\_\_\_\_\_

Name of Congregation: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

City: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*(List names of those who served during the year being audited.)*

Rector: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Treasurer: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Financial Records maintained by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Location of financial records: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Location of audit: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date of audit: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Audit committee: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Others present during audit: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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*Please circle response:*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1 | *Pre-Audit Discussion* |  |  |  |
| A | Have you discussed the objectives and scope of the audit? | Yes | No |  |
| B | Have you arranged the time schedule? | Yes | No |  |
| C | Have you discussed reimbursement of expense? | Yes | No |  |
| D | Do you know where you will meet to conduct the audit? | Yes | No |  |
| E | Will the required records be available for review? | Yes | No |  |
| F | Is the *Manual of Business Methods in Church Affairs* available? | Yes | No |  |
| G | Are the treasurer, bookkeeper and anyone else involved with the finances available for questions? | Yes | No |  |
| H | Has the engagement letter setting forth the agreements between the audit committee and vestry been signed? | Yes | No |  |
| 2 | *Pre-audit documents required for Review:* |  |  |  |
| A  | Original, signed vestry minutes |  |  |  |
|  | Are signed, original vestry minutes available for the year? | Yes | No |  |
|  | Have you read all of the vestry minutes? | Yes | No |  |
|  | Have the auditor’s findings from last year been recorded in the vestry minutes? | Yes | No |  |
|  | Is approval of special funding noted in the vestry minutes? | Yes | No |  |
|  | Is vestry approval of the budget noted in the minutes? | Yes | No |  |
|  | Is it noted in the vestry minutes that they have seen financial statements (income statement and balance sheet) and compared actual income and expense to budget or discussed major discrepancies? | Yes | No |  |
|  | Does the vestry review the budget at least quarterly? | Yes | No |  |
|  | Are quarterly reports for all other funds, including restricted and investment funds provided to the vestry? | Yes | No | None |
|  | Has the vestry approved property purchase or disposal of equipment? | Yes | No | None |
| B | Minutes of any group authorized to disburse monies | Yes | No |  |
| C | Annual financial report to the church | Yes | No |  |
|  | Does the assessment expense on the Income Statement equal the amount listed on the report from the diocese? | Yes | No |  |
|  | Do the figures on the parochial report match the figures on the income Statement? (compare income and expenses for year-end) | Yes | No |  |
|  | Are there reserve funds set aside for building maintenance or major repairs? | Yes | No |  |
| D | Treasurers’ interim reports | Yes | No |  |
| E | Annual parochial report | Yes | No |  |
| F | Names of those authorized for check signing, fund withdrawal or transfer and disbursing approval – List here: | Yes | No |  |
| G | List of securities held | Yes | No | None |
| H | Arrangements made for receiving unopened bank statements or mailing request for confirmation of bank balances, loan balances or investments if needed? | Yes | No |  |
| I  | Copy of previous years audit and internal control letter | Yes | No |  |
|  | Have you read prior year’s internal controls questionnaire? | Yes | No |  |
|  | Have you read the prior year’s audit recommendations?  | Yes | No |  |
|  | Have prior year’s recommendations been implemented?  | Yes | No | Some |
| J | Organizational chart | Yes | No |  |
| K | Chart of accounts | Yes | No |  |
| L | Budget | Yes | No |  |
| M | General ledger | Yes | No |  |
| N | Cash receipts journal/Check registers | Yes | No |  |
| O | Cash disbursements journal/check registers | Yes | No |  |
| P | Bank statements for audited year plus last statement for previous year and first for current year (December 2020 and January 2021)*Look at a sample of all statements – checking and savings for all accounts held by the church, including discretionary funds.*  | Yes | No |  |
| Q | Paid checks and deposit slips | Yes | No |  |
| R | Payroll records with forms I-9, W2, W3, MW3, W4, (MW4 in 2020) and state and federal withholding records | Yes | No |  |
| S | Savings accounts passbooks | Yes | No |  |
| T | Other investment records/statements | Yes | No |  |
| 3 | *Cash, Wires, EFTs* |  |  |  |
| A | *Does the church have petty cash?* | Yes | No |  |
|  | If the church has petty cash, follow the procedure listed: |  |  |  |
|  | Count Petty Cash. List amount of cash: |  |  |  |
|  | Add up receipts. List amount of receipts: |  |  |  |
|  | Does the cash on hand + the amount of receipts = the amount of petty cash on the balance sheet? | Yes | No | None |
| B | Are all checking account(s) reconciled to the accounting records and checkbook? This includes discretionary fund checks and accounts held by others (ECW for instance). | Yes  | No |  |
| C | Have paid checks been examined for authorized signatures? | Yes | No |  |
| D | Does the stamp for endorsing checks say, “For Deposit only”? | Yes | No |  |
| E | Have checks been compared to the disbursement journal/register for payees and amounts?  | Yes | No |  |
| F | Have all voided checks been accounted for? | Yes | No | None |
| G | Have the subsequent January bank statements been reviewed?Look at the December statement from 2020 year to if there are outstanding checks. Look at the January 2021 statement to see if those checks have cleared. Have they cleared? If not, look at the March bank statement and if they have not cleared, ask about their policy for voiding or reissuing checks within 90 or 180 days. | Yes | No |  |
| H | Are disbursements supported by vouchers approved by authorized party other than check signer and are the original paid invoices marked “Paid” with the date and check number? | Yes | No |  |
| I | Are two signatures required on checks over $500? | Yes | No | None |
| J | Is the bank notified immediately of all changes to authorized check signers? | Yes | No | None |
| K | Are cash journals/registers tested for accuracy? Compare checks to check register for amounts and payees. Are there discrepancies? | yes | No |  |
| L | Are receipt records compared with the bank deposits for the full year? | Yes | No |  |
| M | If there are transfers between accounts, have both sides of the transfer been accounted for? | Yes | No |  |
| N | Does an authorized party other than a check signer approve journal entries and are they adequately documented? | Yes | No |  |
| O | Are all checking accounts (including discretionary funds and Episcopal Church Women – ECW) in the name of the congregation using its Federal Employer Identification number? | Yes | No |  |
| P | Are checks pre-numbered and used in sequence? | Yes | No |  |
| Q | If there are checks written to “cash” Is there adequate documentation to support them?  | Yes | No |  |
| R | If there are debit card transactions, is there adequate documentation to support them? | Yes | No |  |
| S | Look at register for assessment payments. Are checks written to the diocese before the 10th of each month? | Yes | No | None |
| T | If the church has a credit card, please list the limit on the card, and the cardholder’s names below: |  |  | NA |
| U | Is the credit card paid in full and on time each month? | Yes | No | NA |
| V | Do receipts noting the expenses accompany each credit card statement? There should be a receipt for each charge on the bill. Please list any discrepancies or issues in the notes and include in the audit findings letter. | Yes | No | NA |
| W | Review the cash counting sheets – do they match deposit slips for the week? | Yes | No |  |
| X | Are the cash counting sheets signed by two unrelated people and two different people each week? | Yes | No |  |
| Y | Look at a sample of discretionary fund checks. Are there checks written to vendors (without explanation) that could be for operating expenses? | Yes | No |  |
| 4 | *Pledges and Other Gifts:* |  |  |  |
| A | Do the records of total receipts per individual pledge agree with the amounts recorded on the deposits or the amounts on the donor records? | Yes | No |  |
| B | Have the postings and arithmetic on individual pledge records been tested? | Yes | No |  |
| C | Number of individual pledge records sampled (10 %): |  |  |  |
| D | Are records from a separate gift system reconciled to the general ledger on a periodic basis? | Yes= | No | None |
| E | Is there budgeting of contributions that can be reasonably estimated? | Yes | No | None |
| F | Are contributions budgets periodically compared to actual, and are significant differences investigated? Compare budget to actual pledges received. If there are differences, ask questions and note differences and explanation.  | Yes | No |  |
| G | Are records kept and periodically reviewed of gifts, such as bequests, which are contingent on future events? | Yes | No | None |
| H | Have you reviewed information on wills, life insurance policies, life, income, endowment and annuity gifts gifted to the church? Are they maintained on a current basis? | Yes | No | None |
| I | Are files kept on life income, endowment and annuity of gifts, including information on the nature of the principal, investment of the principal or use of the principal as income, as well as correspondence with donors or beneficiaries of pertinent documents? | Yes | No |  |
| J | Are individuals designated to be responsible for assuring compliance with the terms and conditions of all grants, restricted, contributions, endowments, etc. received? | Yes | No |  |
| K | Review a sample of the letters to donors. Do they have the language required by the IRS regarding contributions over $250 - *the contemporaneous acknowledgement required by the Internal Revenue Code and that in accordance with Section 170(F) (8) (B) any goods or services provided consist solely of intangible religious benefits”?* | Yes | No |  |
| 5 | *Securities/Investments**If the church does not have investments or endowments, Circle None* |  |  |  |
| A | List the name of company that manages church’s funds: |  |  |  |
| B | Are the investment statements in the name of the church? | Yes | No | None |
| C | Are investment income and dividends recorded? | Yes | No | None |
| D | What is the market value of investments at the beginning of the year? |  |  |  |
| E | What is market value at the end of the year? |  |  |  |
| F | Does the market value from the investment statement match the market value listed on the financial statements for January and December? (beginning and end of year) | Yes | No | None |
| G | Are there withdrawals from the investments? | Yes | No |  |
| H | If there are withdrawals, verify the money was transferred to another church account (checking, savings, or other investment). Can you see which account(s) funds were transferred into? | Yes | No | None |
| I | Are all investment accounts included on the financial reports to the vestry? | Yes | No | None |
| J | Does the church have an Investment Policy Statement? | Yes | No | None |
| K | If so what is the date on the policy? |  |  |  |
| L | Is the investment policy statement being followed? | Yes | No | None |
| M | How often does the vestry meet with the investment manager? |  |  |  |
| N | Does the vestry approve security purchases and sales and are they recorded in the minutes? | Yes | No | None |
| O | Who is authorized to withdraw funds from investments? List names below: |  |  |  |
| 6 | *Trust and Endowment Funds* |  |  |  |
| A | Does the church have a list of trust or endowment funds which includes their terms and the locations of investments as well as date of purchase and cost? | Yes | No | None |
| B | Have you reviewed information about the deed of trust or agency agreement for each trust or endowment fund? | Yes | No | None |
| C | Are terms of the trust or endowment being followed? | Yes | No | None |
| 7 | *Property and Equipment* |  |  |  |
| A | Is there an inventory list of fixed assets showing date of purchase and cost? | Yes | No |  |
| B | Do you have a process for an annual review of the inventory? | Yes | No |  |
| C | Walk through the church and look for some of the items on the list. Were you able to locate the items? | Yes | No |  |
| D | Were you able to review deeds for land and buildings? | Yes | No |  |
| E | Are land and buildings listed on the financial statements? | Yes | No |  |
| F | Does the church have outstanding liens against the property or equipment? | Yes | No |  |
| 8 | *Liabilities: Payroll Taxes* |  |  |  |
| A | Do the total wages on the W2 forms equal the totals on the quarterly 941 forms and W3 forms as well as the total expenses for salaries on the income statement? | Yes | No | None |
| B | Do the totals for withholding taxes on W3 form match the quarterly 941 forms? | Yes | No | None |
| C | Are payroll tax returns filed and deposits made on a timely basis? | Yes | No | None |
| D | Have you seen a signed IRS form W4 and I 9 Department of Justice Form for each employee (including clergy)?  | Yes | No | None |
| E | Has a housing resolution been included in the vestry minutes for each cleric employed by the congregation? | Yes | No |  |
| F | Have you seen personnel files? | Yes | No |  |
| G | Have you seen a letter of call (for clergy) or letter of agreement (for laypeople)?  | Yes | No | None |
| H | Does the letter of agreement or vestry resolution that state that health insurance is provided? (to be in compliance with Diocesan Canon 16)If so, do you see bills for the health insurance on file?  | Yes | No | None |
| I | Have you seen copies of new hire forms for each employee? (Or notation about when the reporting was made to the State of Montana for both lay and clergy). | Yes | No | None |
| J | Have you seen a W2 form for each employee? | Yes | No | None |
| K | Are other income and withholding items included in Box 12 on the W2 forms?Such as: imputed income, 403(b) withholdings and health savings account contributions | Yes | No | None |
| L | Look at state quarterly unemployment reports. Do salaries match totals on 941? (Minus clergy – they are excluded from unemployment). Note: Churches are not required to pay Federal Unemployment Tax (FUTA) for any employees. | Yes | No | None |
| M | Review annual worker’s compensation reports. Are all employees listed? (Clergy are included on this report). | Yes | No | None |
| N | If those who are paid for their services do not provide their own worker’s compensation coverage, have they been added to the church’s report or does the church have a copy of their Independent Contractor certificate that waives coverage? | Yes | No | None |
| O | Is a W9 form and Independent contractor certificate provided by every contractor or anyone who is paid for their services? | Yes | No | None |
| P | Review pension expense on the income statement. It should equal 18% of the salary plus housing for a priest or 9% of salary for a lay person. Has the correct amount been paid for pension? | Yes | No | None |
| Q | Are forms 1099 provided for all individuals who are not employees and for all entities paid $600 or more annually if they are not an S or C Corporation? | Yes | No | None |
| 9 | *Other indebtedness:* |  |  |  |
| A | Have the Bishop, Standing Committee, and Diocesan Council approved all debt? *If no new debt in audit year, circle None.* | Yes | No | None |
| B | Have unpaid balances been reconciled with the balances reported by the creditor? | Yes | No | None |
| C | Is a detailed schedule of loans prepared, including name of creditor, date of origin, original amount of debt, collateral (if any), interest rate, payment schedule, monthly payment, unpaid balance, loan purpose and authorizing body? This includes the Faber loans from the diocese as well as any outside creditors.  | Yes | No | None |
| 10 | *Payables:* |  |  |  |
| A | Look at payments made in the January after the audit year. Do any of the payments appear that they should have been paid in December? | Yes | No |  |
| B | If so, are they on the December statements as a liability? | Yes | No | None |
| C | Are there any prepaid items listed in assets? | Yes | No | None |
| D | Are any items showing as a prepaid item that should have been listed as an expense in the year being audited? | Yes | No | None |
| 11 | *Other:* |  |  |  |
| A | Review insurance policies. Are they up to date? | Yes | No |  |
| B | Has there been an inquiry as to whether there are any contingencies or commitments facing the church, e.g. legal action with prospects of potential loss? | Yes | No  |  |
| C | Is there a policy covering the procedures for write-offs of receivables or loans, approval required, provision for reserves? | Yes | No |  |
| D | Is there a process in place for ongoing review of the budget? | Yes | No |  |
| E | Is the worker’s compensation poster posted?  | Yes | No | None |
| F | Is the unemployment insurance poster posted? (if church has lay employees | Yes | No | None |
| G | Are the OSHA and minimum wage employment posters posted? (if church has lay employees) | Yes | No | None |
| H | Look at by-laws and articles of incorporation. What are the dates on the documents? |  |  |  |
| I | Review the annual incorporation report filed with the state. Is there a report on file for the year being audited? | Yes | No |  |
| J | Have you explained the vestry letter to the priest and treasurer and told them where to find it? | Yes | No |  |
| K | What are the church’s positive financial practices? Please note the practices they should continue in the audit findings letter. Use the notes section below as needed. |  |  |  |
| L | Does the church have an accounting policy manual and if so what is the date on it? | Yes | No |  |
| M | Ask for a list of those who work with children or at risk adults. By providing this list to the diocesan office, the staff can check on whether or not those listed are in compliance with the background check and training requirements.   |  |  |  |

Please mail completed form (along with the internal controls questionnaire and the audit findings letter) by September 1 to:

Barb Hagen
Episcopal Diocese of Montana

PO Box 2020

Helena, MT 59624

NOTES:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_