

Audit Training

Today's Topics

- Why have an audit?
- Process -file on line option under "Church Administration" tab or paper copy
- Internal controls questionnaire & form
- Audit form
- Report
- Letters
- Any questions in particular?

Three things to remember!

- 1. Review information!
- 2. My number 800-247-1391, ext, 101
- 3. Thank your treasurer!

Why do we need to have an audit?

Requirements:

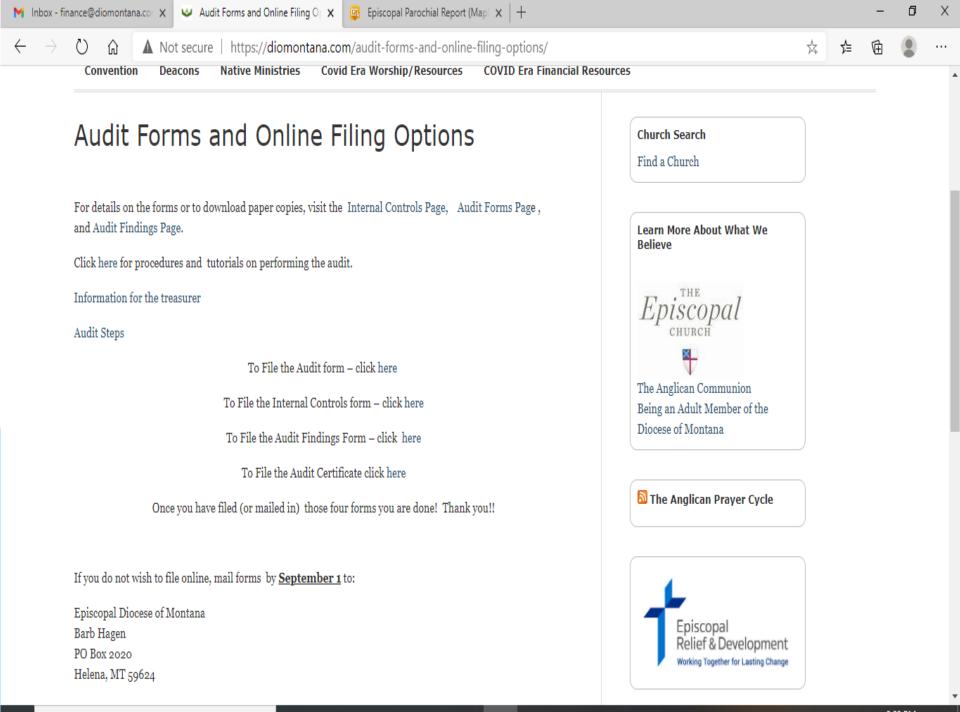
Benefits of Audit

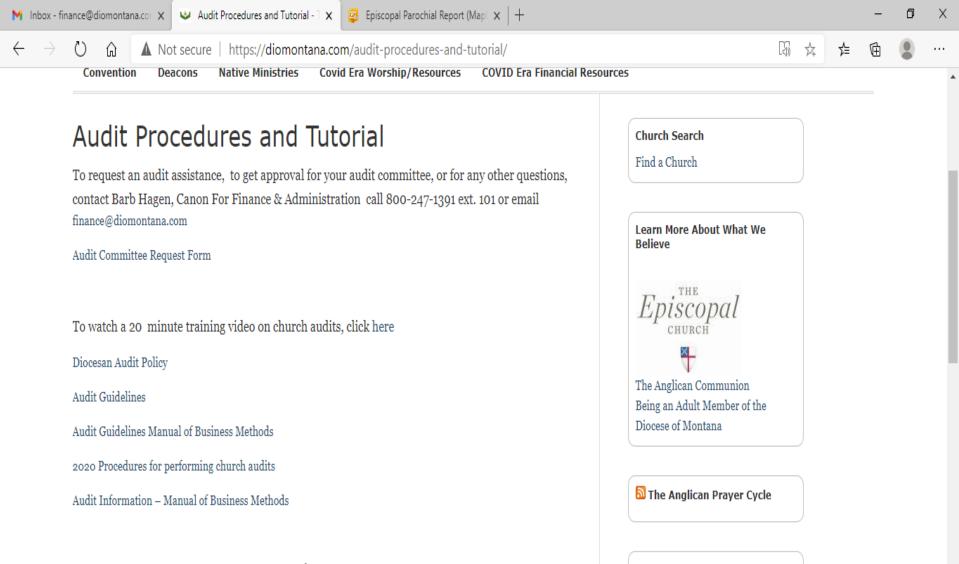
- Canons require
 - Diocesan office CPA
 - Churches guidelines set by Finance
 Department and
 Diocesan Council
 - Committee audit
 - internal audit
- Fair Picture?

- Other People's money
- Increase stewardship
- Learning Experience
- Chance to *celebrate!*

Audit Forms and Resources

- Website under "Church Administration"
- Internal Controls Page
- Audit Forms Page
- Audit Findings Page
- For Treasurers
- Audit Steps
- Procedures and Tutorials





For the Treasurer

The treasurer will need to have available the information on the 2020 checklist for churches

We do not need to receive this checklist from you.

The treasurer should be available to answer questions and find information as needed. The treasurer will also need to answer the questions on the 2020 Internal Controls questionnaire. Please complete the internal controls

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Episcopal

Relief & Development Working Together for Lasting Change

Procedure

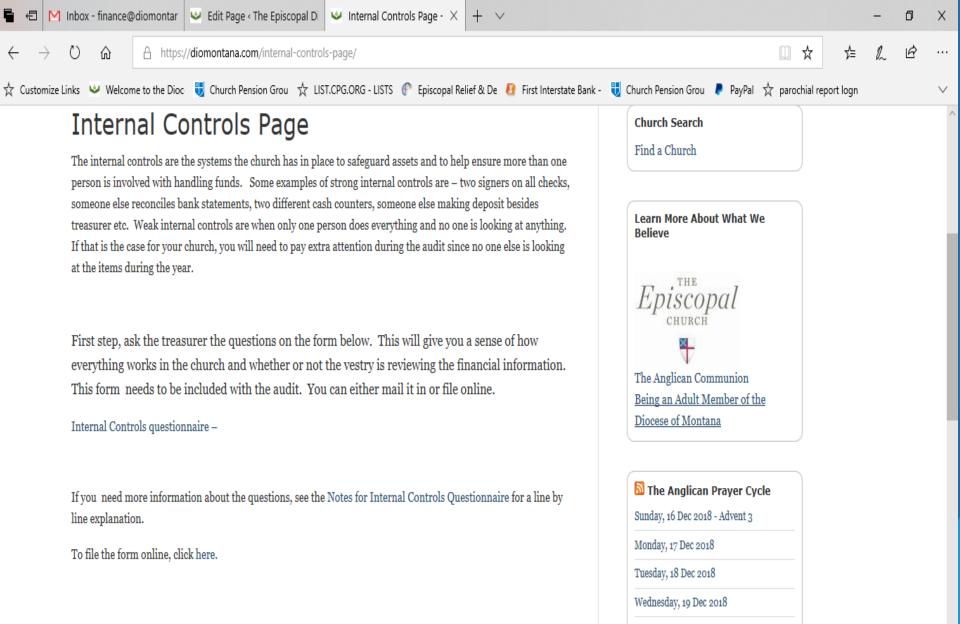
- Find committee members (Step 1)
- Get names approved from Finance Dept.
- Set dates and send "Engagement" letter (Step 2)
- Divide audit responsibilities (Step 3)
- Meet with priest and treasurer if possible
- Read prior year's recommendations (together)
- Keep notes about recommendations and positive financial practices as you audit.

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	Covid Era Worship/Resources										,		
Audit Steps Audit Team training video – click here to watch this 20 minute video that will guide you through the audit process.					cess.	Church Search Find a Church							
	Audit Procedu	ıdit Procedures						Learn More About What We Believe					
	finance@diom	Step 1 – Find your audit team! all or email Barb Hagen, Canon for Finance & Administration, 800-247-1391 ext 101 or – email nance@diomontana.com with questions, to request an audit team or to provide the names of your audit team. and in your request or names by April 15 to ensure timely audit completion.					n.	Episcopal					
	Click here for i	informatioı	S n on the engagement	itep 2- Engageme : letter	ent letter				The Anglican Communion Being an Adult Member of the Diocese of Montana				
		Step 3 – Treasurer Prep work						Difference The Anglican Prayer Cycle					
	Click here for information the treasurer will need to provide.												
				Step 4- Audit	Day								
	Internal controls – click here to learn more about internal controls and to download the forms or to file the questionnaire online.							- A- F	2:	07 PM			
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Support Add New My Sites The Episcopal Discress of Montane Customize Customize Customize Step 4- Audit Day Internal controls – click here to learn more about internal controls and to download the forms or to file the questionnaire online. Audit forms – click here to download the forms needed for the audit or to file the audit online. Audit Findings Letter – click here to create this letter or to file online.	Tuesday, 18 Dec 2018 Wednesday, 19 Dec 2018 Thursday, 20 Dec 2018 Friday, 21 Dec 2018 Saturday, 22 Dec 2018	Howd	y, barb		Q	
Step 5- Send it in by September 1! Vestry letter – The vestry needs to acknowledge receipt of the audit. Click here for the letter. You do not need to send this letter to the diocesan office, but it is for the use of the vestry as they make plans to follow up on the audit findings. You may either mail in the completed audit form, internal controls form and audit findings letter (see step 4) or you can file them online. If mailing – send to Episcopal Diocese of Montana – PO Box 2020 Helena MT 59624	Episcopal Relief & Development Working Together for Lasting Change					

Audit basics

- You ask questions on internal control form
- Then...you review the documents listed on the audit form



Thursday, 20 Dec 2018

Friday, 21 Dec 2018

Saturday, 22 Dec 2018

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Native Ministries Deacons

Covid Era Worship/Resources **COVID Era Financial Resources**

Internal Controls Form Page

2020 Internal Controls Questionnaire

Most of these recommendations are from the Manual of Business Methods in Church Affairs. Some are canonical, state or federal requirements. Others are recommended by the Diocesan Finance Department as ways to help protect assets and the treasurer. Internal controls are the policies and procedures in place to help safeguard assets. A written policy adopted by the church should outline these policies and procedures. Segregation of duties are crucial to internal controls. Some examples are: two signatures on checks, rotating cash counters, vestry review of bank statements, someone else reconciling bank statements besides the treasurer, discussion of monthly financial statements and any issues regarding funds.

Name of Church *

City *

Audit Year *

Name of Treasurer *

Email address of person completing this form *

Enter Email

Confirm Email

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Church Search



Internal Controls Questionnaire Revised: Summer 2020

Adapted from Manual of Business Methods in Church Affairs (chapter II). Please see the manual for further detail.

Note: A member of the audit committee should ask the treasurer the following questions in order to find out how procedures are presently being handled. Then, the audit form is used to review and verify the items.

Name of Church:	
City:	
Audit Year:	
Treasurer:	

General: The following items provide general information to aid in understanding the overall accounting and internal control system.

Please circle response:

1	Are prior internal controls questionnaires and auditors recommendations available?	Yes	No	
2	Have the recommendations of prior reports on internal controls been implemented?	Yes	No	
3	Is a complete chart of accounts, listing all accounts and their respective account numbers available?	Yes	No	
4	Has the vestry adopted an accounting policy and procedure manual?	Yes	No	
5	List the date of the manual here			

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Internal Controls Questionnaire

- You ask the questions!
- Manual of Business Methods in Church Affairs
- Vestry & Treasurer have fiduciary responsibility
- Funds held by other groups
- Cashing checks from offering plate
- Pledge envelopes keep for at least one year
- Quarterly statements to donors

Internal Controls Questionnaire

Bequests

- Disbursement policy
- Have more than one signer
- Signers should see original invoices
- The importance of reconciliation
- How many accounts?
- Outstanding checks

Internal Controls Questionnaire

- Change in check signers?
- Petty cash
- Inventory list
- Safe deposit box
- Debt
- Memorials & other special funds

Internal Controls Questionnaire

- Lay employees
- Life insurance over \$50,000
- Travel (Flat rate, IRS rate, commuting)
- \$600 or more (non S or C corporation)
- Say your prayers, and pay attention!
- It is "accrual" world....
- Lawsuits
- Where to send the form emailed copy if filed online

Internal Controls

Strong

- Two signers on checks
- Vestry member reconciles checkbook or reviews bank statements monthly
- Two different people count cash each week
- Vestry looks at monthly financial statements
- Accounting Manual

<u>Weak</u>

- Treasurer only signer
- Treasurer only person who counts cash and makes deposit
- Treasurer writes and signs checks to self
- Treasurer only person who sees bank statements
- •No procedures in place

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Deacons Native Ministries

Covid Era Worship/Resources COVID Era Financial Resources

Audit Forms

The audit form is used to check off the items after you review them. You will need to look at bank statements, checkbook registers, payroll documents, personnel files, read vestry minutes etc. in order to complete this form.

The audit form needs to be sent into the diocesan office by September 1 (along with the internal controls questionnaire, audit certificate and the audit findings letter). You may either mail them or file online. The form needs to be completed by a member of the audit team (the treasurer must not complete or submit this form!)

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The Form is adapted from the form in the Manual of Business Methods in Church Affairs.

Click here for the 2020 Audit Form

Click here for the 2020 Notes for Audit Form

To file the audit form online, click here

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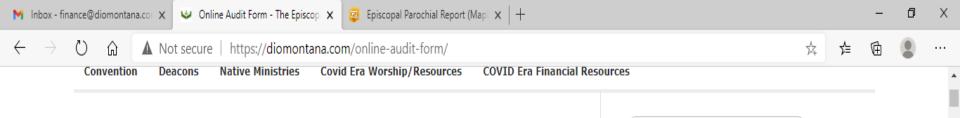
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The Anglican Prayer Cycle





Online Audit Form

2020 Audit Form

Many of these recommendations are from the Manual of Business Methods in Church Affairs. Some are canonical, state or federal requirements. Others are recommended by the Diocesan Finance Department or Diocesan Council as ways to help protect the treasurer and the assets belonging to the church.

Questions? Contact Barb Hagen, Canon for Finance & Administration 800-247-1391, ext. 101.

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Year of Audit *

Name of your Church *

City where your church is located *

List Rector for the year being audited: *

List Treasurer for the year being audited: *

Find a Church	
Learn More About What We Believe	
Episcopal	
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The Anglican Communion	
Being an Adult Member of the	
Diocese of Montana	

Church Search

The Anglican Prayer Cycle



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		B Have you arranged th		Yes					
			eimbursement of expense?		s No				
			you will meet to conduct the aud		s No				
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		¥	ness Methods in Church Affairs						
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- Engagement letter
- Read prior year's info
- Accounting Manual on website
- Double entry bookkeeping

Vestry minutes

Housing Resolution PRIOR to paying clergy

► Various financial transactions

Audit findings from last year

Cash counting sheets - 2 different unrelated people

Samples of deposits

Compare with offering envelopes or pledge cards

Look at donor letters

For Deposit Only

Review all bank or CU account statements - sample from each bank or account (unless poor internal controls)

Pre-numbered

Signatures

- Look at invoices
- Compare checks and register w/bank statement
- Look at checks made to cash
- Look at checks to payable to treasurer
- Look for checks \$600 or more & Contractors
- Review Journal entries
- Bank statements in the church's name?
- Discretionary funds
- Transfers between investments and church accounts

December 2019 & January 2021 bank statements

Petty Cash

Investments in church's name

Transfers

meetings with advisor?

Endowment funds & other special funds

Property - inventory

Assessment info

Land and buildings on balance sheet

- Pledges
- Payroll
 - Forms W4, I-9, MW 4
- Quarterly tax reports 941 forms
- Annual report forms W2 and W3
 - Box 12 (HSA, imputed income, 403(b),
 - Box 14 housing allowance
 - Moving costs
 - Unemployment reports match 941 (less clergy)

Worker's compensation - proof or exemption

- For anyone issued a 1099
- Contractors & those paid for services
 - ►W9
 - Corporations
- ▶1099s and 1096
- Pension paid on time
- Payables
- Insurance Policies
- Positive practices

- Where to send form
- Will receive an emailed copy of responses if filed on line
- Due September 1

Letters

Audit Findings CertificateAudit Recommendations Letter

Fair presentation of statements or not
Detail about improvements from last year
What needs to be improved this year?
Positive Practices to continue
Send draft to priest and Treasurer

Audit Findings Page

The audit findings letter and audit certificate are the documents the audit team uses to write up their comments and suggestions. These forms need to be submitted to the diocesan office by September 1 each year (along with the audit form and internal controls questionnaire). You may either mail them in or submit them online. These forms are adapted from the *Manual of Business Methods in Church Affairs*.

Click below for the forms to fill out and mail in. Please return <u>both</u> by September 1, 2021.

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2020 audit findings letter on policies and procedures final

2020 audit committee certificate final

Or, if you would prefer to file on line, click the links below:

Audit Findings on policies and procedures

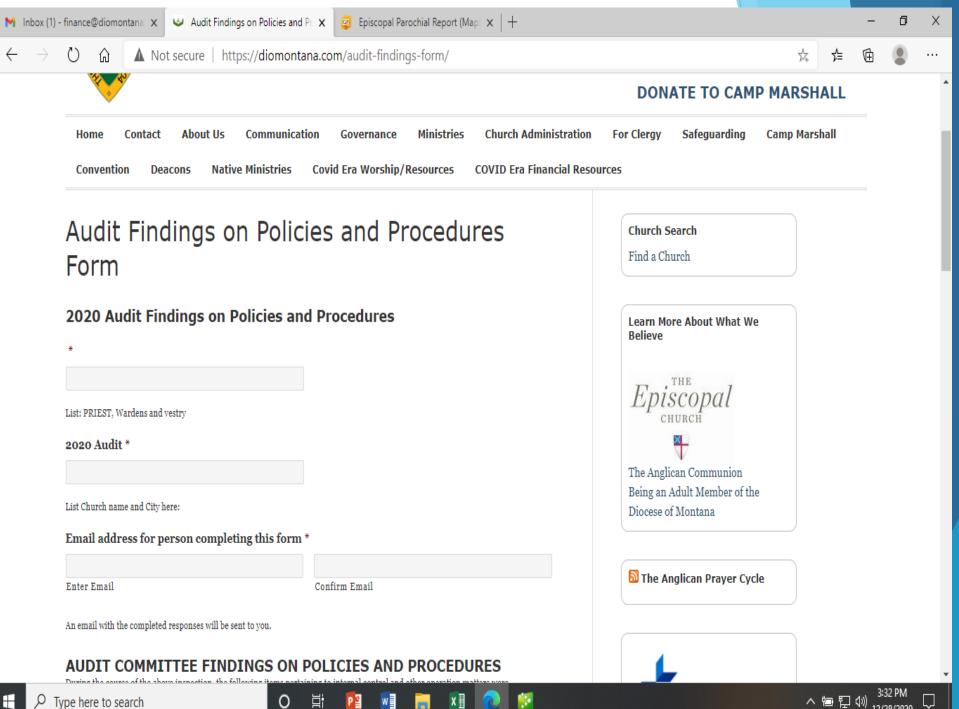
Audit committee certificate



The Anglican Prayer Cycle



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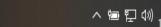
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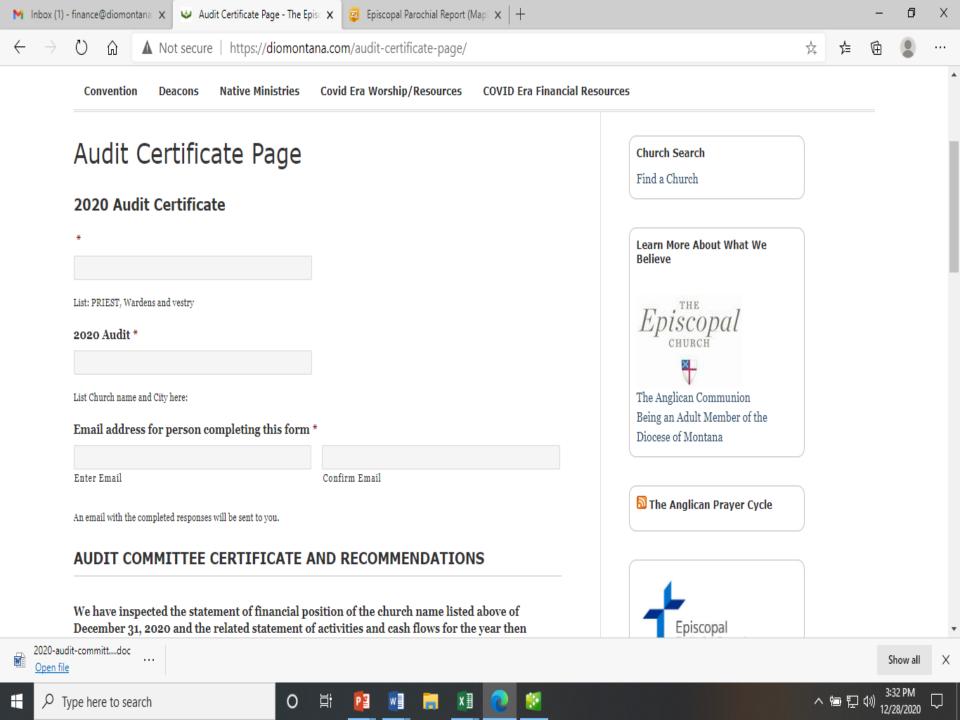
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Date To: PRIEST, Wardens and vestry of CHURCH NAME AND CITY Subject: YEAR Audit of Church NAME AUDIT COMMITTEE FINDINGS ON POLICIES AND PROCEDURES During the course of the above inspection, the following items pertaining to internal control and other operation matters were noted. The first group includes areas of management control where prior year auditor recommendations have been implemented; the second group includes comments and recommendations of current year auditors. Areas where prior year auditors recommendations have been implemented: . Comments and recommendations of current year auditors: 0 **Positive Financial Practices to Continue:** √

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Remember:

Send to diocesan office by September 1:

- Internal controls questionnaire
- Audit Forms submitted by an audit team member
- Audit Findings Certificate submitted by audit team member
- Audit Recommendations (signed by the audit team) submitted by an audit team member

Vestry Letter

Acknowledges the vestry has responsibility for financial info

Vestry has a chance to respond to the audit findings.



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Date

Audit Committee Members Address

Dear Audit Committee Members,

We have received the YEAR audit and thank you for your diligence and time.

We assure you that the vestry and treasurer have provided all our financial records and vestry minutes. We have also informed you of all agreements affecting finances and all debts. We have given you the records of all our bank accounts for all organizations of the parish and all investment and/or endowment funds as well as the discretionary funds. We have provided a copy of the annual budget, and all financial statements for the year.

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Below please find our responses and plans to implement your findings.

(Comments and plans for changes)

CHURCH NAME

Signed:

Treasurer

Priest name

Senior Warden

Reviewed: Summer 2020

End of document

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Resources

- Diocesan office 800-247-1391, ext. 101
- Barb's email address: <u>finance@diomontana.com</u>
- Website:
 - www.diomontana.com
 - Audit forms and letters
 - Manual of Business Methods in Church Affairs
 - Senior Warden's & Treasurer's Handbook
 - Accounting Manual
 - Treasurer's Guidebook
 - Episcopal Payroll Services 800-223-6602 or Paychex contact diocesan office

Remember

- If information requested is not made available to you, note that
- Keep notes on items that need to be corrected from prior years and current year
- Note positive financial practices
- Treasurer NOT allowed to submit the audit forms!

Upcoming Events

- March 16 Inventory discussion with Church Insurance VP Alan Johnson
- April 27 asset map discussion with Episcopal Relief & Development
- All trainings recorded and posted on the diocesan website:
- Training Videos The Episcopal Diocese of Montana (diomontana.com)



Questions?