



The Episcopal Diocese of Olympia

The Episcopal Church in Western Washington

www.ecww.org

Alternative Audit Procedure

For use only by congregations of the Diocese of Olympia with Normal Operating Income of less than \$200,000.

Audit Year: _____ Auditor's Name: _____

Congregation: _____ City: _____

If you are unable to answer yes to any question below, please explain why in the comments section.

General Review

Yes See Notes

- | | | |
|---|-------|-------|
| 1. Is the audit report for the previous year available? | _____ | _____ |
| 2. Have recommendations included in previous years' audits been implemented? | _____ | _____ |
| 3. Are Vestry Minutes for the year complete? | _____ | _____ |
| 4. If a Finance or Investment Committee is authorized to expend or invest funds, are the minutes of such committee meetings complete? | _____ | _____ |
| 5. Review the minutes of the Vestry and such Finance/Investment Committees. | _____ | _____ |
| a. Was the budget approved by the Vestry? | _____ | _____ |
| b. Was the clergy housing allowance voted on prior to being paid? | _____ | _____ |
| c. Were large or unbudgeted expenditures approved? | _____ | _____ |
| d. Were large or unusual receipts noted? Could you trace to recorded receipts? | _____ | _____ |
| 6. Are monthly financial reports to the vestry complete? | _____ | _____ |
| 7. Is balance sheet information prepared at least annually for the Vestry and congregation? | _____ | _____ |
| 8a. Did you examine a copy of the financial report to the Annual Meeting? | _____ | _____ |

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- 8b. Did you find this financial report to be free of material errors? _____
- 9. Was the parochial report filed in a timely manner? (March 1 is the canonical due date) _____
- 10. Are insurance records and property records complete? Are coverages adequate? _____
- 11. Have you reviewed the Articles of Incorporation and the By-Laws? _____
- 12. Is there a space use agreement and insurance certificate for each outside organization using church facilities? _____
- 13. Have staff and volunteers attended misconduct workshops as required? _____

Cash Balances, Investments, and Income Yes See Notes

- 14. Have you checked to see that all operating cash statements (including all savings accounts) have been regularly reconciled from the general ledger to the bank statement? _____
- 15. Review all organization cash accounts. (ECW, Guilds, etc.)
 - a. Have they been reconciled regularly? _____
 - b. Organization accounts may not be used for general parish purposes (e.g., to receive flower donations or pay altar expenses). Are the organization accounts free of activity that should have been in the operating fund? If there was operating fund activity in these accounts, was it included in the parochial report? _____
 - c. List any accounts that exist that you were unable to examine: _____
- 16. Examine year-end statements of any invested funds. Are all investments properly recorded on the books? _____
- 17. Were any restricted gifts received during the year? _____
- 18. Has the congregation respected donor restrictions on all current and past gifts? _____

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- 19. Review procedures and control of plate collections, other cash receipts and deposits. Do these systems provide adequate controls? Are the coin and currency receipts counted, recorded, and signed off on by two members, who are independent of the clergy and other employees, immediately following each primary worship service? Have you compared those receipted deposit slips to the bank statement? _____
- 20. Are contribution statements sent out at least quarterly? Do the statements show the pledge balance? _____

Cash Disbursements

Yes See Notes

- 21. Did you receive a list of authorized signatories for each account? _____
- 22. Examine a selection of disbursements
 - a. Are there invoices (not statements) for disbursements? _____
 - b. Are there authorizations for disbursements? _____
 - c. Do checks have the specified number of authorized signatures? _____
- 23. Is the accounting system used adequate and properly maintained? _____

Liabilities

Yes See Notes

- 24. Are clergy and lay pension payments calculated correctly and up to date? _____
- 25. Are diocesan assessment and any diocesan loans current? _____
- 26. Are utility and insurance payments current? _____
- 27. Are any mortgage or other loan payments current? _____

Discretionary Funds

Yes See Notes

- 28. Is the account in the name of the church? Was it set up by Vestry resolution? Is the church's tax ID number used for the account? _____
- 29. Is the discretionary account free of operating fund activity, or if there was operating fund activity in the account, was it included in the parochial report? _____

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30. If the account was used for personal expenses which the IRS would consider taxable were these amounts included in the priest's W-2? Have such personal expenses been approved by the vestry or bishop's committee? _____

Payroll Yes See Notes

31. If an outside payroll service is used, is the owner of the service independent of the church's clergy and other paid members? Have you talked with the manager of the payroll service as to whether they have detected or observed any improprieties? _____

32. Are workers properly classified as either employees or independent contractors? _____

33. Are 1099s issued to independent contractors who made more than \$600? _____

34. Do payroll records indicate that filing requirements were met and that withheld taxes and all employer taxes were properly calculated and remitted? _____

35. Do the salaries authorized in the budget match the amounts actually paid? Was all compensation, including any bonus, reported on the W-2? _____

Parochial Report Yes See Notes

36. Compare the annual report to the parochial report. Are *all* amounts entered on the parochial report in accordance with the parochial report instructions? _____

37. If not, has a revised parochial report been prepared and submitted? _____

Litigation Yes See Notes

38. Is there any current or threatened litigation involving the congregation? _____

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Comments

Note here or in a separate letter comments about any question above that you could not answer in the affirmative. Please number your comments to correspond to the question you are commenting on.

Recommendations

Note here or in a separate letter any recommendations about needed improvements in systems or controls. Anything included here should be discussed with the congregation's leadership.

Auditor's Certification

I certify: (1) that I have performed the procedures outlined above; (2) that I have noted all exceptions on this form or in an attached letter; (3) that I have included all recommendations on this form or in an attached letter; (4) that I am not an officer of the congregation being audited; and (5) that I am independent of all clergy and other paid staff of the church and have no conflict of interest in performing the Alternative Audit Procedure for this congregation.

Date

Auditor's Signature

Auditor's Telephone Number

Auditor's Email Address

Date

Auditor's Signature

Auditor's Telephone Number

Auditor's Email Address

Date

Auditor's Signature

Auditor's Telephone Number

Auditor's Email Address

Please save a copy of this worksheet with your church name and city and submit it online at https://dioceseofolympia1551.formstack.com/forms/financial_audit_submission. Please contact the Executive Assistant to the Bishop at exec-asst@ecww.org with any questions.

This form was adapted from the Episcopal Diocese of Colorado's Alternative Audit Procedure and updated on February 25, 2019.