

**DIOCESE OF COLORADO**

**ALTERNATIVE AUDIT PROCEDURE**

*For use only by congregations of the Diocese of Colorado with Normal Operating Income of less than \$250,000.*

Audit Year \_\_\_\_\_ Auditor's name (print clearly) \_\_\_\_\_

Congregation \_\_\_\_\_ City \_\_\_\_\_

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

**GENERAL REVIEW**

- 1. Is audit report for previous year available? Yes \_\_\_ See notes \_\_\_
- 2. Have recommendations included in previous years' audits been implemented? Yes \_\_\_ See notes \_\_\_
- 3. Are Vestry minutes for the year complete? Yes \_\_\_ See notes \_\_\_
- 4. If a Finance or Investment Committee is authorized to expend or invest funds, are the minutes of such committee meetings complete? Yes \_\_\_ See notes \_\_\_
- 5. Review the minutes of the Vestry and such Finance/Investment Committees.
  - a) Was budget approved by the Vestry? Yes \_\_\_ See notes \_\_\_
  - b) Was the clergy housing allowance voted prior to being paid? Yes \_\_\_ See notes \_\_\_
  - c) Were large or unbudgeted expenditures approved? Yes \_\_\_ See notes \_\_\_
  - d) Were large or unusual receipts noted? Could you trace to recorded receipts? Yes \_\_\_ See notes \_\_\_
- 6. Are monthly financial reports to the Vestry complete? Yes \_\_\_ See notes \_\_\_
- 7. Is balance sheet information prepared at least annually for the Vestry and congregation? Yes \_\_\_ See notes \_\_\_
- 8.
  - a) Did you examine a copy of the financial report to the Annual Meeting? Yes \_\_\_ See notes \_\_\_
  - b) Did you find this financial report to be free of material errors? Yes \_\_\_ See notes \_\_\_
- 9. Was the parochial report filed timely? (March 1 is the canonical due date) Yes \_\_\_ See notes \_\_\_
- 10. Are insurance records and property records complete? Are coverage's adequate? Yes \_\_\_ See notes \_\_\_
- 11. Have you reviewed the Articles of Incorporation and the By-laws? Yes \_\_\_ See notes \_\_\_
- 12. Is there a space use agreement and insurance certificate for each outside organization using church facilities? Yes \_\_\_ See notes \_\_\_
- 13. Have staff and volunteers attended misconduct workshops as required? Yes \_\_\_ See notes \_\_\_

**CASH BALANCES, INVESTMENTS & INCOME**

- 14. Have you checked to see that all operating cash accounts (including all savings accounts) have been regularly reconciled from the general ledger to the bank statement? Yes \_\_\_ See notes \_\_\_
- 15. Review all organization cash accounts (ECW, Guilds, etc.)
  - a) Have they been reconciled regularly? Yes \_\_\_ See notes \_\_\_
  - 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? Yes \_\_\_ See notes \_\_\_

c) List any accounts that exist that you were **unable** to examine:

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16. Examine year-end statements of any invested funds. Are all investments properly recorded on the books? Yes \_\_\_ See notes \_\_\_

17. Were any restricted gifts received during the year? Yes \_\_\_ See notes \_\_\_

18. Has the congregation respected donor restrictions on all current and past gifts? Yes \_\_\_ See notes \_\_\_

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 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? Yes \_\_\_ See notes \_\_\_

20. Are contribution statements sent out at least quarterly? Do the statements show the pledge balance? Yes \_\_\_ See notes \_\_\_

#### **CASH DISBURSEMENTS**

21. Did you receive a list of authorized signatories for each account? Yes \_\_\_ See notes \_\_\_

22. Examine a selection of disbursements.  
a) Are there invoices (not statements) for disbursements? Yes \_\_\_ See notes \_\_\_

a) Are there authorizations for disbursements? Yes \_\_\_ See notes \_\_\_

b) Do checks have the specified number of authorized signatures? Yes \_\_\_ See notes \_\_\_

23. Is the accounting system used adequate and properly maintained? Yes \_\_\_ See notes \_\_\_

#### **LIABILITIES**

24. Are clergy and lay pension payments calculated correctly and up to date? Yes \_\_\_ See notes \_\_\_

25. Are diocesan assessment and any diocesan loans current? Yes \_\_\_ See notes \_\_\_

26. Are utility and insurance payments current? Yes \_\_\_ See notes \_\_\_

27. Are any mortgage or other loan payments current? Yes \_\_\_ See notes \_\_\_

#### **DISCRETIONARY FUNDS**

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? Yes \_\_\_ See notes \_\_\_

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? Yes \_\_\_ See notes \_\_\_

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? Yes \_\_\_ See notes \_\_\_

**PAYROLL**

- 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 she/he has detected or observed any improprieties? Yes \_\_\_ See notes \_\_\_
- 32. Are workers properly classified as either employees or independent contractors? Yes \_\_\_ See notes \_\_\_
- 33. Are 1099s issued to independent contractors who made more than \$600? Yes \_\_\_ See notes \_\_\_
- 34. Do payroll records indicate that filing requirements were met and that withheld taxes & all employer taxes were properly calculated and remitted? Yes \_\_\_ See notes \_\_\_
- 35. Do the salaries authorized in the budget match the amounts actually paid? Was all compensation, including any bonus, reported on the W-2? Yes \_\_\_ See notes \_\_\_

**PAROCHIAL REPORT**

- 36. Compare the annual report to the parochial report. Are *all* amounts entered on the parochial report in accordance with the parochial report instructions? Yes \_\_\_ See notes \_\_\_
- 37. If not, has a revised parochial report been prepared and submitted? Yes \_\_\_ See notes \_\_\_

**LITIGATION**

- 38. Is there any current or threatened litigation involving the congregation? None \_\_\_ See notes \_\_\_

**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 e-mail address

\_\_\_\_\_  
Date

\_\_\_\_\_  
Auditor's signature

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Auditor's telephone number

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Auditor's e-mail address

\_\_\_\_\_  
Date

\_\_\_\_\_  
Auditor's signature

\_\_\_\_\_  
Auditor's telephone number

\_\_\_\_\_  
Auditor's e-mail address

Submit the completed audit report to: Office of the Bishop  
Attn: Controller  
Episcopal Diocese of Colorado  
1300 Washington Street  
Denver, Colorado 80203

Also deliver a copy of the executed audit report to the rector/vicar/priest-in-charge and to each member of the vestry/bishop's committee.

