

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:

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

Auditor's telephone number

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.