



# Gulf Atlantic Diocese

June 28, 2011

## AUDIT POLICY MEMORANDUM

To: All Treasurers, Sr. Wardens, & Rectors  
From: Finance & HR Committee  
Subject: Audit Policy of the Diocese

The Finance & HR Committee has been working with Mr. Harry M. Parsons, Jr., CPA to revise the audit policy for all churches in the Gulf Atlantic Diocese. One of the primary concerns that the committee has heard from parishes of all sizes is the very high cost for performing a complete and certified audit by a CPA. Whether done annually or every three years, depending on the size and complexity of any given church, these costs can range from a couple of thousand to tens of thousands of dollars.

In an effort to mitigate these costs without loss of transparency regarding internal parish controls and accounting matters, the committee, with guidance from Mr. Parsons, has developed the following policy:

*All accounts of the diocese, of parishes, and of other institutions of the Gulf Atlantic Diocese shall be reviewed annually using the “Internal Audit Checklist for Churches” (see attached) provided by the diocese based on the following “Level of Review” described in the following table:*

<b>Annual Parish Gross Income</b>	<b>Level of Review*</b>
Up to \$250,000	Approved Third Party for year 1 & 2 and Diocese Audit Committee (DAC) every third year.
\$250,000 to \$750,000	Diocese Audit Committee (DAC)
\$750,000 and higher	Professional Review

*\* Definitions:*

**Approved Third Party** – any member of the parish independent from the day to day operation of the parish or a vestry appointed third party outside the parish with an understanding of basic accounting principals and approved by the Diocese Audit Committee.

**Diocese Audit Committee(DAC)** – a committee of regional internal auditors established under the Finance and HR Committee to perform certain parish reviews and oversee the review process of all parishes. Members are appointed by the Finance & HR Committee. Mileage and other travel expenses for reviews will be paid by the church being reviewed as needed.

**Professional Review** – an independent Certified Public Accountant. Note that the basis for even this level of review is the “Internal Audit Checklist for Churches” and not the in depth financial testing of a traditional “Full Audit” normally preformed by a CPA.

Signed review reports are due to the Audit Committee chairperson by August 1<sup>st</sup> of each year. The Audit Committee will subsequently submit a Status Report to the Secretary of Synod by September 1<sup>st</sup> summarizing the financial status of each parish and the diocese.

Church	DAC Review Cycle	
St. Christopher Anglican Church	Approved 3 <sup>rd</sup> Party	2011
St. Stephen's Anglican Church	Approved 3 <sup>rd</sup> Party	2012
Christ's Anglican Church	Approved 3 <sup>rd</sup> Party	2012
St. Peter's in the Glen	Approved 3 <sup>rd</sup> Party	2011
St. Raphael's by the Sea	Approved 3 <sup>rd</sup> Party	2013
St. Luke's Community of Life	Approved 3 <sup>rd</sup> Party	2011
All Saints Anglican Church	Approved 3 <sup>rd</sup> Party	2012
St. Barnabas Anglican Church	Approved 3 <sup>rd</sup> Party	2013
Christ Church, Wakula	Approved 3 <sup>rd</sup> Party	2013
Holy Spirit Anglican Church	Approved 3 <sup>rd</sup> Party	2011
Christ The King Anglican	Approved 3 <sup>rd</sup> Party	2013
Calvary Anglican Church	Approved 3 <sup>rd</sup> Party	2011
Church of the Good Samaritan	Approved 3 <sup>rd</sup> Party	2012
Servants of Christ	Approved 3 <sup>rd</sup> Party	2011
Trinity Anglican Church	Audit Committee	Every Year
All Souls Anglican Church	Audit Committee	Every Year
Holy Cross Anglican	Audit Committee	Every Year
Church of the Apostles	Audit Committee	Every Year
Church of the Redeemer	Audit Committee	Every Year
Christ Church, Savannah	Professional Review	
Christ Church, Vero Beach	Professional Review	
Christ Church XP, Montgomery	Professional Review	
St. Peter's Anglican	Professional Review	

## INTERNAL AUDIT CHECKLIST FOR CHURCH

Test the following areas for appropriate controls and procedures:

1. Receipts:

- a. Collection procedures
- b. Counting procedures
- c. Safe keeping arrangement
- d. Tracking designated offerings
- e. Bank deposit procedures
- f. Posting to the general ledger
  - i. Undesignated offerings
  - ii. Designated offerings
- g. Procedures over ACH or EFT receipts
- h. Procedures for receipt of marketable securities
- i. Gift acceptance policy

2. Disbursements:

- a. Approval documentation
  - i. Goods or services were received
  - ii. Goods or services received are acceptable
- b. In accordance with the budget
  - i. Each section of the budget has a responsible individual

- ii. Vestry approval for items materially in excess of budget
- c. Cancellation of vendor invoice to prevent duplicate payments
- d. Check signers
  - i. Updated for changes in personnel
- e. Wire transfer procedures
- f. Debit and Credit card policy and procedures

3. Payroll:

- a. Collecting and approval of payroll data
- b. Authorization of overtime hours
- c. Tracking of PTO and other benefits
- d. Pension & retirement benefit payments are being made in accordance with the budget.
- e. Clergy payroll
  - i. Treatment of FICA and Medicare tax
  - ii. Treatment of housing allowance
  - iii. Annual vestry documentation for housing allowance approval
- f. Timely and accurate payroll tax deposits
- g. Quarterly and Annual payroll tax reports
- h. Treatment of independent contractors

4. Bank Reconciliations:

- a. Procedures for preparing bank reconciliations
  - i. Responsible individual
    - 1. Open the bank statement
    - 2. Preparation of reconciliation
    - 3. Review of reconciliation
  - ii. Timely
  - iii. Accurate
  - iv. Where bank statement is mailed

5. Corporate Governance:

- a. Organization in good standing with the State
- b. Acceptance of tax exempt status from IRS on file
- c. Articles of Incorporation
- d. By-Laws (updated as necessary)
- e. Minutes of vestry meetings maintained
- f. Personnel files
- g. Real estate or equipment lease agreements
- h. Banking arrangements including lines of credit
- i. Existence of unrelated business taxable income

6. Data security

- a. Access to sensitive information
- b. Data backup procedures
- c. Disaster recovery plan