



DIOCESE OF GEORGIA
The Internal Control Checklist for Congregation Audits

Congregation, Town

Audit Year

Reviewers must review actual documents and verify questions before selecting yes/ no; verbal confirmations alone are not acceptable.

Please provide a written explanation and the recommendations for questions answered no.

Policies and Controls

1. Does the church have an active audit committee following diocesan policy? ☐ Yes ☐ No
Confirm there is a finance committee or other group assigned or managing the finance and audit process.
2. Are prior audits and completed internal control checklists available? ☐ Yes ☐ No
Confirm that the previous audit and checklist are completed by viewing copies.
3. Have the recommendations of prior reports been implemented? ☐ Yes ☐ No ☐ NA
Review the previous year's report and verify implementation.
4. Is a complete and current chart of accounts, listing all accounts, and their respective account numbers available? ☐ Yes ☐ No
Review the chart of accounts on a spreadsheet or accounting software.
5. Has the vestry elected an assistant treasurer who is familiar with the church accounting and bookkeeping system? ☐ Yes ☐ No
There should be at least two people who verify all the financials.
6. Is the budget approved by the vestry and recorded in the minutes? ☐ Yes ☐ No
Review the minutes showing the approval of the budget.
7. Are all budget changes authorized by the vestry and recorded in the minutes of the meeting? ☐ Yes ☐ No
Review the minutes showing and budget revisions.
8. Is the treasurer's report submitted to the vestry every month? ☐ Yes ☐ No
Review vestry minutes for the treasurer's report.
9. Is the report of sufficient detail to include both the operating and non-operating income and disbursements for necessary financial analysis? ☐ Yes ☐ No
10. Does the report compare current values with the approved budget? ☐ Yes ☐ No

11. Are all liabilities noted in financial statements/reports to the vestry? ☐ Yes ☐ No
12. Is there periodic reporting, at least quarterly, of all other funds and activities, including designated or restricted funds? ☐ Yes ☐ No ☐ NA

Offerings

13. Are there safeguards to prevent the collections from theft or misplacement from the time of receipt until the time the funds are counted and deposited? ☐ Yes ☐ No
Verify, preferably written, policies for collections and cash management.
14. Are the special offerings to the Bishop's Discretionary Fund, UTO and EYCS made known and transmitted without delay? ☐ Yes ☐ No
15. Are there at least two unrelated people responsible for the counting rotated on a periodic basis? Is there a clear policy that the pledge recorder shall not handle, count or deposit funds? (If not, explain vestry-approved procedure) ☐ Yes ☐ No
Verify, preferably written, policies and procedures.
16. Do the counters have a standardized printed form for recording the offering figures that include both operating and non operating income? ☐ Yes ☐ No
Attach a copy of the form used for this purpose.
17. Are the counters' sheets and any pledge envelopes retained and reconciled with the actual deposits? ☐ Yes ☐ No
Review sheets and envelopes and how/where they are stored.
18. Are checks received in the mail immediately endorsed "for deposit only" and put in a safe place? ☐ Yes ☐ No
19. Are all pledge payments received in the mail counted and deposited with the Sunday collection? ☐ Yes ☐ No
20. Are all other cash receipts recorded and deposited on a weekly basis? ☐ Yes ☐ No
Review statements to verify weekly deposits.
21. Is there a control prohibiting the cashing of checks from currency received? ☐ Yes ☐ No
22. Are personal giving statements, including amount and date of contribution, provided to donors of record at least annually? ☐ Yes ☐ No
Review a copy of a giving statement.
23. Do acknowledgments of all contributions include, where appropriate, the phrase "In accordance with the Internal Revenue Code we certify that we did not provide any tangible goods or services in consideration of your contribution?" ☐ Yes ☐ No
24. Do contributions in excess of \$250.00 receive a separate contemporaneous acknowledgment letter with the IRS statement? ☐ Yes ☐ No

25. Is there a clear policy that the treasurer shall *not* handle or count funds unless teamed with another counter or have current vestry approval to do so? ☐ Yes ☐ No

26. Are all cash receipts from all sources deposited first into the regular checking account? ☐ Yes ☐ No

Checks, Petty Cash and Disbursements

27. Are all checks pre-numbered and used in sequence?
Review statements and registers. ☐ Yes ☐ No

28. Is there a clearly defined approval process for all disbursements?
Review the policy manual and verify process is followed. ☐ Yes ☐ No

29. Check signing:
a. Are checks signed only with supporting documentation? ☐ Yes ☐ No
b. Is the signing of blank checks prohibited? ☐ Yes ☐ No
c. Is the use of a signature stamp prohibited? ☐ Yes ☐ No
d. Are all account signers authorized by the vestry? ☐ Yes ☐ No
e. Are two signatures required for checks in excess of \$500.00 unless authorized by the vestry or unless they are for approved budget items such as salaries, insurance, diocesan assessments, etc? ☐ Yes ☐ No

Review copies of checks to verify responses above.

30. Are voided checks properly cancelled and retained? ☐ Yes ☐ No

31. Are checks made payable to specified payees and not to cash? ☐ Yes ☐ No

32. Are all but small petty cash disbursements made by check? ☐ Yes ☐ No

33. Are all disbursements requiring special approval of the vestry properly documented in the vestry minutes?
Review examples of 30-34 before selecting yes/no ☐ Yes ☐ No

34. Are all bank accounts reconciled within two weeks of receipt?
Review spreadsheets or accounting software, verifying completion and dates. ☐ Yes ☐ No

35. Are bank account reconciliations completed or verified by other than the Treasurer? ☐ Yes ☐ No

36. Does the reconciliation provide for:
a. Verification of all bank debit and credit memos? ☐ Yes ☐ No
b. Review of all checks outstanding for more than 90 days? ☐ Yes ☐ No
c. The monthly recording of all bank charges and interest? ☐ Yes ☐ No

37. Is the Discretionary Fund:
a. In the name of the church and not the rector? ☐ Yes ☐ No ☐ NA
b. Identified by the church's federal tax ID number? ☐ Yes ☐ No ☐ NA
c. Used only for non-operating expenses of the church? ☐ Yes ☐ No ☐ NA

38. Is the responsibility for the petty cash fund assigned to only one person? ☐ Yes ☐ No ☐ NA
39. Are petty cash funds maintained on an impress basis, i.e., the total amount of vouchers paid (since the fund was restored to its full value), plus cash on hand, always equals the established value of the fund (e.g., \$100)? ☐ Yes ☐ No ☐ NA
40. Is the petty cash fund reimbursed or checked at least monthly?
Review petty cash process, physical location, and checklist. ☐ Yes ☐ No ☐ NA
41. Is an adequate review made of documentation before the petty cash fund is reimbursed? ☐ Yes ☐ No ☐ NA
42. Is the actual petty cash protected from theft or misplacement? ☐ Yes ☐ No ☐ NA

Investments and Property

43. Are all investment instruments held in the name of the church only?
Ask to see a deed for the property (online tax record), and all statements. ☐ Yes ☐ No ☐ NA
44. Are investment incomes, dividends, and interest recorded as received? ☐ Yes ☐ No ☐ NA
45. Is there a written record for each investment showing date of receipt, name of donor, and purpose of the gift, if any?
Review investment spreadsheets or accounting software. ☐ Yes ☐ No ☐ NA
46. Is vestry approval required for all property and equipment additions and dispositions? ☐ Yes ☐ No
47. Is a detailed description maintained for all property, furniture, fixtures and equipment?
Review deeds and all property records. ☐ Yes ☐ No
48. Are copies of this inventory kept in a safe place apart from the inventoried property? ☐ Yes ☐ No
49. Is the inventory current?
Review dates on documents, verify by spot checking for assets against list or documents. ☐ Yes ☐ No
50. Is the church insured under the diocesan insurance program?
Review property and liability policy. ☐ Yes ☐ No
51. If independently insured, have you sent a certificate to the Diocesan Insurance Committee verifying that your insurance meets the diocesan insurance standards for all coverages established by this committee? ☐ Yes ☐ No ☐ NA
52. Are real estate deeds and other legal documents kept in a safe place? ☐ Yes ☐ No
53. If there is a safe deposit box, is there an inventory of contents? ☐ Yes ☐ No ☐ NA
54. Are all loan agreements in writing and properly safeguarded? ☐ Yes ☐ No ☐ NA

55. Is all borrowing authorized by the vestry and diocese? ☐ Yes ☐ No ☐ NA
56. Are there periodic reviews to determine compliance with any debt/lease provisions? ☐ Yes ☐ No ☐ NA
57. Are records maintained of all bequests, memorials, endowments and any other restricted gift, to include:
- a. Date, amount, and donor of the gift? ☐ Yes ☐ No ☐ NA
 - b. Any restrictions or limitations? ☐ Yes ☐ No ☐ NA
58. Is the use and investment of all restricted gifts and grants approved by the vestry? ☐ Yes ☐ No ☐ NA
- If there is a separate endowment/investment committee verify that there is at least one member of the vestry is on the committee; review policies of the committee and confirm that the same procedures are followed as for the bank accounts and finances.*

Personnel and Payroll

59. Are personnel files maintained to include the following:
- a. Employment applications and/or letter of employment? ☐ Yes ☐ No ☐ NA
 - b. Authorizations of pay rates and effective dates? ☐ Yes ☐ No ☐ NA
 - c. Internal Revenue Service Form W-4? ☐ Yes ☐ No ☐ NA
 - d. Department of Justice Form I-9? ☐ Yes ☐ No ☐ NA
 - e. Georgia State Withholding Form? ☐ Yes ☐ No ☐ NA
60. Are there adequate records to:
- a. Show actual hours worked by hourly wage employees? ☐ Yes ☐ No ☐ NA
 - b. Show computation of gross pay? ☐ Yes ☐ No ☐ NA
 - c. Account for all deductions from gross pay? ☐ Yes ☐ No ☐ NA
 - d. Support payroll withholding tax returns and deposits? ☐ Yes ☐ No ☐ NA
61. Are federal and state payroll tax forms filed on a timely basis? ☐ Yes ☐ No ☐ NA
62. Are federal and state payroll withholding tax deposits made on a timely basis? ☐ Yes ☐ No ☐ NA
63. Are employees (both clergy and lay) receiving form W-2? ☐ Yes ☐ No ☐ NA
64. Are forms 1099-MISC provided for all individuals who are not employees and for all unincorporated entities paid \$600.00 or more annually? ☐ Yes ☐ No ☐ NA
- Review by spot checking these files and tax documents to verify policies and procedures are followed.*
65. Are Form W-2 wages reconciled to the general ledger accounts and quarterly payroll tax returns? ☐ Yes ☐ No ☐ NA

66. Are clergy housing allowances recorded in the vestry minutes prior to the effective year or effective starting date?

☐ Yes ☐ No ☐ NA

Review minutes showing approval of housing allowances (IRS requirement).

Computer files and paper records

67. Are the files backed up regularly and the backups maintained off premises?

☐ Yes ☐ No

68. Is access to the computer and computer financial programs limited to authorized persons?

☐ Yes ☐ No

69. Does the church own and provide for the accounting program used by the treasurer?

☐ Yes ☐ No

70. Are printed copies of all current financial records maintained?

☐ Yes ☐ No

71. Are monthly finance statements retained for two years after the current year? ☐ Yes ☐ No

72. Are annual financial reports retained permanently?

☐ Yes ☐ No

Review actual documents and view accounting software before selecting yes/no. Review previous year documents and financial reports.

Additional Comments on Policies and Controls:

Sample Audit Committee Certificate

Date _____

To the Rector, Wardens and Vestry of (Church Name; Church Address; City and Zip)

Subject: (Audit Year) Audit of (Church Name)

We have inspected the statement of financial position of (Name of Church) as of December 31, (Audit Year), and the related statement of activities and cash flows for the year then ended.

Our inspection was made in accordance with the audit guidelines of the Manual of Business Methods in Church Affairs and the financial statements are prepared on a (cash, modified accrual, or accrual – accrual being the preferred method) basis in accordance with principles adopted by the Episcopal Church and approved by its General Convention except as noted. (Note exceptions here, if any: Was depreciation recognized? Were donated services recorded?)

We have taken steps to see that the accompanying financial statements present fairly, in all material respects, except as noted above, the financial position of the Congregation at December 31, (Audit Year); and that the changes in its net assets and its cash flows for the year then ended are in accordance with the principles authorized by General Convention of the Episcopal Church on a basis consistent with that of the preceding year.

Our inspection and certificate are not meant to be construed as an audit and opinion rendered by a Certified Public Accountant.

Sincerely,
Members of the Audit Committee

(List names and phone numbers of Audit Committee Members and have each member sign the Audit Committee Certificate)

Sample Audit Committee Findings on Policies and Procedures

Date _____

To the Rector, Wardens and Vestry of (Church Name, City)

Subject: (Audit Year) Audit of (Church Name, City)

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:

Members of the Audit Committee

(List names and addresses of Audit Committee Members and have each member sign the Audit Committee Certificate)