

Congregational Audit Procedures

The primary purpose of an audit is to assure that financial statements are fairly stated. Any person handling the monies or investments of the congregation needs an audit to protect the congregation assets and him/her against suspicion of mishandling those assets. Similarly, rectors, vestries, vicars, bishop's committees, treasurers and other persons in positions of responsibility may be liable for any losses which would have been discovered by an ordinary audit but were not discovered because they failed to have an audit conducted.

Diocese of Arizona Policy for Congregational Audits

Title I Canon 7 Section 1(f) states "All accounts of Parishes, Missions or other institutions shall be audited annually by an independent Certified Public Accountant (CPA), or independent Licensed Public Accountant or such audit committee as shall be authorized by the Finance Committee, Department of Finance, or other appropriate diocesan authority."

The Finance and Standing Committees have approved the following audit guidelines:

Requirements for external audits are based largely on annual revenue. Revenue includes all revenue from congregation, school, thrift shop or any other parochial organization.

- Congregations with total operating revenues over \$750,000 must have an annual external audit by an outside CPA.
- Congregations with total operating revenues of \$1 to \$749,999 may have a diocesan review or annual external audit once every two years.

In addition, congregations having administrative transition (part time clergy, treasurer, congregation bookkeeper or administrator) are subject to an audit or review (unless one was done within the last year).

Per the canons, the audit is required to be completed and returned by **September 1** of the following year.

Terms Defined

External Audit:

A complete audit conducted by an outside Certified Public Accountant (CPA).

Diocesan Review:

This is a review conducted by a diocesan team or individual. It is not as thorough as an external audit and does not take the place of one. Diocesan reviews of locations are not financial audits but will review the accuracy of the current financial statements. In addition, they are intended to identify which internal procedures are being met and which procedures require attention. Procedural reviews assist locations in addressing financial and operational procedures so that the requirements of internal controls and proper financial oversight are met.