

From The Finance Department

AUDITS

Our series of articles dealing with congregational finance and financial control topics begins with Audits. This topic will be of special interest to Rectors, Priests-in-charge, Treasurers, Wardens, Vestries, Bishop's Committees and Congregational Finance and Investment committees.

The Canons of the Diocese specifically address the requirement for congregation-level audits. Canon 18 deals with business methods in church affairs and states:

(5) All accounts of the Diocese shall be audited annually, by an independent Certified Public Accountant. All account of Parishes, Missions or other institutions shall be audited annually by an independent Certified Public Accountant, or independent Licensed Public Accountant or such audit committee as shall be authorized by the Finance Committee or other appropriate diocesan authority. This includes discretionary funds (subject to confidentiality being maintained), memorial funds, and the funds of any guild or congregational entity.

All reports of such audits, including any memorandum issued by the auditors or audit committee regarding internal controls or other accounting matters, together with a summary of action taken or proposed to be taken to correct deficiencies or implement recommendations contained in any such memorandum shall be filed with the Bishop or Ecclesiastical Authority not later than 30 days following the date of such report, and in no event, no later than September 1 of each year, covering the financial reports of the previous calendar year. No parish may elect a new rector, nor will a Vicar or Priest-In-Charge be appointed until these reports have been filed.

Simply stated, a congregation may have its annual audit performed by an outside CPA firm or by an audit committee. The Diocese of Maine utilizes the audit committee procedure and process described in the National Church's Manual of Business Methods in Church Affairs. A current copy of can be downloaded for free [here](#).

The Manual's Chapter VI includes:

- Purpose and reasons for Audits
- Pre-Audit advice
- Approved Auditors
- The Audit Committee
- Accounts to be audited
- Objectives and timing of the audit
- Contents of the audit report and filing of the audit
- Audit checklist and sample audit committee certificate

The procedures and processes described in the Manual are complete and sufficient for satisfying the canonical requirement for annual audits. The cost of having an outside CPA perform the annual audit can be prohibitive and may constitute a large strain on a congregation's budget. The committee audit alternative does not have the monetary cost of a CPA audit but does require the commitment of two to three financially literate volunteers.

Discussions at the Finance Department's recent workshops for new treasurers indicated there was some interest by congregations in sharing committee audit teams with other congregations. Please e-mail Terry Reimer, treimer@episcopalmaine.org, if your congregation would be interested in this concept and participate in an April 5, 2008 telephone conference to further discuss flushing out a working model of the concept.