

The Episcopal Diocese of Oklahoma Audit Guide

The following diocesan canon addresses the requirement for an annual audit:

6.2.4. The financial statements of each Parish, Mission and Institution are to be audited annually by an independent certified public accountant, or independent licensed public accountant, or such audit committee as the Finance Committee may authorize. The financial statements consist of a statement of financial position (balance sheet), a statement of activities (income statement) and a statement of cash flows. The financial accounts are to be maintained and the audit conducted either in accordance with generally accepted accounting principles or in accordance with the Standards Manual of Business Methods in Church Affairs, as promulgated by the Domestic & Foreign Missionary Society of the Church. All audit reports, financial statements, footnotes and supplementary schedules, including memorandum issued regarding the sufficiency of internal controls or other accounting matters and a summary of action taken or proposed to be taken to correct deficiencies or implement recommendations contained in any such memorandum, are to be filed with the Finance Committee and the Bishop within 30 days following the date of the report, and in no event, not later than September 1 of the year following the year covered by the audit report. A Parish or Mission failing to timely submit its report and financial statements is not entitled to Lay representation in Convention, unless the Convention specifically waives this prohibition.

The Finance Committee has authorized the use of an audit committee. The Committee Audit shall result in the Audit Committee Certificate being attached to the financial statements. In addition the committee is to issue the Audit Committee Findings on Policies and Procedures. These reports are to be presented to the Vestry for acceptance. They are also to be filed with the office of the Diocesan Comptroller no later than 30 days following the date of the report and not later than September 1 in the year following the year audited.

Audit committee members should be independent of the decision making and financial record keeping functions of the congregation. This would always exclude the clergy, treasurer, parish administrator, and bookkeepers. Ideally this would also exclude members of the Vestry and members of any committees that deal with financial matters. The members of the audit committee should have sufficient financial skills and experience to conduct a competent audit. The committee should have at least two members.

Scope of the Committee Audit:

- Sufficient tests of transactions to assure compliance with these guidelines and adequate control of the assets of the congregation;

- Verification of financial statements prepared as outlined in canon 6.2.4.;
- A review of management control practices using the attached Internal Control Questionnaire.

Accounts to be Audited:

All accounts must be audited. The audit requirement covers not only the operating accounts of the congregation but all restricted accounts such as memorials, endowments, discretionary, etc. All subsidiary organizations of the congregation are to be audited such as youth groups, ECW, men's groups, etc.

Objectives of the Audit: The committee is to ascertain:

- That the transactions are proper and appropriately documented;
- That the transactions are recorded in the proper amounts and in the proper accounts;
- That the assets, liabilities, income and expenses are recorded in the proper amounts and in the proper accounts;
- That adequate internal control procedures are in effect;
- That the financial statements were prepared from the financial records and present fairly the financial position and changes in net assets and cash flows of the congregation.

Contents of the Audit Report: The committee is responsible for submitting an audit report to the Vestry and the office of the Diocesan Comptroller and it shall consist of:

- The Audit Committee Certificate;
- The Statement of Financial Position;
- The Statement of Activities;
- The Statement of Cash Flows;
- Completed Audit Program Checklist;
- The Audit Committee Findings on Policies and Procedures;
- A corrected parochial report as a result of any audit adjustments.

If, at any time during the audit, the records suggest that something is seriously wrong, the matter should immediately be brought to the attention of the appropriate official(s) of the congregation and the Bishop.

The Questionnaires

Questionnaires can be found in the Manual of Business Methods in Church Affairs. Internal Controls are located in Chapter II, Sections 8-14. The Audit Program Checklist is found in Chapter VI, Sections 6-11. You will also find additional materials in the manual that may be helpful in performing the audit. If you do not have a current copy of this manual(July 2007), you can download and print the latest version from the Diocesan website www.eoiscopaloklahoma.org, Office of the Comptroller, and selecting the Manual of Business Methods in Church Affairs at the bottom of the page.

If you have questions about the audit process or need help, please contact the Comptroller's Office by calling (405) 232-4820 or sending an e-mail to accounting@epiok.org.