



Diocese of Southern Ohio

A special audit is required for parishes transitioning to a **new full-time priest/rector** in order to establish a solid, working baseline among all parties. The audit of a parish in transition requires a certified public accountant to audit the financial reporting and operations of the parish.

Note, **this does not apply to parishes that experience on going changes of supply priests or changes in long term supply priests.** Additionally, as the diocese is experiencing the growth of blended congregations, the diocese encourages the parish to establish an agreed upon process for transition to the new rector to include a transition audit so that both denomination's requirements are met and more important, that the new rector and the congregation get started on a solid financial footing.

Below are a set of documents outlining the diocesan agreed upon procedures (AUP) to be used by parishes and CPA's. This AUP may have additions but no deletions. The cost of the 'audit' is the responsibility of the parish. Results of this AUP should be sent to the transition minister of the diocese and the Finance Office.

SCHEDULE #1
SCHEDULE OF AGREED-UPON-PROCEDURES

1. Cash receipts:
 - a. Review Sunday plate and pledge collections per the count sheets to the deposit slips
 - b. Review miscellaneous receipts to the appropriate source documents and to the deposit slips
 - c. Review the deposits listed on the bank statements with the deposits listed in the accounting software or other church management software.

2. Cash disbursement:
 - a. Review cash disbursements entries with canceled checks as to number, date, payee, and amount and with other charges appearing on the bank statement and traced to supporting source documents.
 - b. Review canceled checks for authorized signers and for the required number of signers based on the Church's rules of 2 signers for checks written over \$500
 - c. Review postings from cash disbursements to the general ledger in the accounting software
 - d. Review if the classification of the expense is proper
 - e. Scan the other months and January 20xx bank statements for any unusual items.

3. Bank reconciliations:
 - a. Review the bank reconciliation for December 31, 20xx and trace the year-end balance to the financial statements.
 - b. Review deposits in transit shown on the bank reconciliation to January 20xx bank statement and ascertain that the time lag was reasonable.
 - c. Verify outstanding checks were proper
 - d. Determine that the bank reconciliations were being performed on a timely basis throughout the year
 - e. Compare the cash deposits to the bank statements for the last five days of December 20XX and the first five days of January for timeliness in deposits and proper recording
 - f. Review the book balances per bank reconciliations to the total cash amount shown on page 3 on the bottom of the parochial report.

4. Review all investment statements for 20xx and perform the following procedures:
 - a. Roll forward the balance
 - b. Review the year end balances of investments to page 3 of the parochial report
 - c. Review income earned from securities by tracing to the statements.
 - d. Recalculate any realized gains or loss from sale or purchases

5. Review the sources of revenue and types of expenses per the financial statements and investigate any items that seemed unusual.

6. Vouch temporarily restricted funds to supporting documents.

7. Review Conflict of Interest statements.
 - a. Conduct a review of vestry/mission council (other leadership position i.e. Treasurer, investment committee, building committees, capital campaign committee) if no conflict of interest statement currently exists.

8. Review 20xx year-end pledge statements mailed to parishioners which represent xx% of pledge revenue (including additional reserve funds) and perform the following procedures:
 - a. Trace payments to Sunday count sheet and the deposit slip.
 - b. Review pledge income per financial statement to the parochial report, page 3, Line 3.
9. Compare expense and revenue accounts with those of the preceding year and obtain explanations for significant fluctuations from 20xx to 20xx and the following procedures:
 - a. Review any other type of revenue, besides pledge income, on the financial statements to the parochial report.
 - b. Review the total of "Letter B" on the parochial report to total revenue per financial statements.
10. Review operating expenditures to Letter E, page 3, of the parochial report and all other expenditures to the proper line number on the parochial report.
11. Test details of payroll for three months
12. Review the 941 tax returns for Federal and FICA withholdings and the tax returns for state and any city taxes for year.
 - a. Review W-2's to the approved budget and the year-end financial statements
 - b. Verify that all cash allowances, except the clergy housing allowance, are included on the W-2's.
13. Review the minutes of the Vestry meetings from January through December 20xx.
14. Review all auxiliary organizations' financial statements have been included that are controlled by the Church and who solicits funds on behalf of the Church.
15. Review storage of the year-end computer financial records and document how backups are performed and frequencies.
16. Review that the Federal form I-9 and W-4 have been prepared for all new employees. All current employees should have an I-9 on file if hired after 1986 along with a current W-4.
17. Prepare a list of suggestions for improvements in the accounting system based on the procedures performed.

CERTIFIED PUBLIC ACCOUNTANT **SAMPLE REPORT**

Independent Accountant's Report on Applying Agreed - Upon Procedures

To the Vestry of _____ Church and the Diocese of Southern Ohio

I have performed the procedures enumerated in accompanying report for the twelve months ended December 31, 20xx, which were agreed to by the Church, solely to assist the Vestry and Diocese with respect to assessing the financial condition of the Church as of December 31, 20xx. The Vestry is responsible for the completion of the 20xx Financial Report.

This agreed-upon-procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described in the accompanying Schedule 1 either for the purpose for which the report has been requested or for any other purpose.

My procedures and findings are presented in the accompanying documents. The Parochial Report and worksheet, as prepared by the Church, to which the procedures were applied is attached.

I was not engaged to and did not conduct an audit, the objective of which would be an expression of an opinion, on XXXXX Church's financial report. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the Church and the Diocese of Southern Ohio and is not intended to be and should not be used by anyone other than those specific parties.

I Am _____, Accountant XXXX XX, 20xx