

Date: January 3, 2020  
To: All Rectors, Vicars, Senior Wardens and Treasurers  
From: Joan T. DeCelles, Finance Director  
Subject: Annual Reports to the Diocese for 2019

Listed below are the following required reports which are due **March 1, 2020**.

1. **Diocesan Reports:**
  - a. 2019 Parochial Report (Please see enclosed notice)
  - b. 2021 Apportionment Worksheet (Enclosed)
  - c. 2019 Trust, Endowment and Invested Funds Report (Enclosed)
  - d. Parochial Report Reconciliation Worksheet (Complete as needed)
  - e. Arrangement for 2019 Audit (Enclosed)
2. **Parish Reports:**
  - a. 2019 Treasurers Report
  - b. 2020 Parish Budget
3. **2019 Audit is due September 1, 2020**

REMINDER:

Parochial Reports should be filed online by the parishes, directly to the National Church website at <https://reports.dfms.org>. Your statistics must be filed by **May 1, 2020**.

*Please remember the Diocese needs a signed copy of the reports.*

**Please mail forms to:**  
**The Diocese of Rhode Island**  
**Finance Office**  
**275 North Main Street**  
**Providence, RI 02903-1298**

These reports can also be downloaded on the Diocesan Website at [episcopalri.org](http://episcopalri.org)  
If you have any questions please email me ([joan@episcopalri.org](mailto:joan@episcopalri.org)) or call me at 274-4500 ext. 229.

Date: January 3, 2020

To: Treasurers, Wardens and Clergy

From: John Candon, Treasurer

Subject: 2019 Annual Audit Package &  
Preparation for Performing the Audit

The Canons of the Diocese of Rhode Island, in accordance with the Canons of General convention, require that all Parishes and Missions be audited annually. The primary purpose of this requirement is to reinforce good stewardship and accountability for the Church's money and property at the parish level. Secondary purposes are to detect fraud or significant errors if they have occurred and to report income subject to apportionment fully and fairly.

Many parishes and Missions of the Diocese have found that the cost of hiring a Certified Public Accountant is prohibitive. In recognition of this problem the Finance Commission authorized the use of a parish Audit Committee, provided that the Committee is constituted and appointed under either of the following guidelines:

(a) The Audit Committee shall consist of three (3) qualified members of the parish or mission appointed by the Vestry or Bishop's Committee and approved by the Rector or Vicar.

(b) The Audit Committee shall consist of one member from outside the parish who has been approved by the Diocesan Finance Commission plus one member of the parish, AND, in either case all members of the Audit Committee shall be knowledgeable about financial, accounting, and auditing matters, and none of them shall have acted as treasurer, accountant, investment manager, or bookkeeper during the period being audited or have had signature authority or any accounts being audited.

Audit Committee members should be willing and able to commit 15-30 hours to the audit, depending on their level of auditing experience and the accuracy and complexity of the parish's financial records. Each person on the Committee should be familiar with the Manual of Business Methods in Church Affairs (2012 edition), particularly Chapters I, II, V, VI and VIII. The manual is available for downloading online on the Diocesan website ([www.episcopalri.org](http://www.episcopalri.org)) in the Audit Information section.

The Audit Committee Chair is one member appointed by the Rector, Vicar or Priest-In-Charge.

The Chair shall convene an organizational meeting for the Committee to discuss preliminary plans for the audit and to ensure that all members of the Committee are familiar with the sections of the “Manual of Business Methods in Church Affairs”.

The Audit Committee Chair shall convene a meeting of the Committee with the Treasurer and financial staff, if any, to initiate the audit, determine if all basic records are available, and establish an agreed-upon timetable for conducting the audit.

The audit shall be performed in accordance with the attached audit procedures. The audit shall include a review of the internal controls, the annual report of the treasurer to the parish, and the Parochial Report submitted to the Diocese. In addition, all receipts provided to a parish for its operating budget, resources and expenditures related to auxiliary groups are subject to audit. This includes *transactions of the rector’s discretionary funds*, youth group enterprises, altar guild operations, endowment and other investment funds, and all other activities undertaken by parish groups in the name of the Church, *even when those activities are not under direct control of the parish treasurer.*

Please be aware that Rector’s Discretionary Fund(s) *require an audit by a person other than the audit committee, usually the Senior Warden.*

The audit should be conducted as soon as possible after year-end, and completed with the required forms forwarded to the Finance Office at The Diocese of Rhode Island no later than **September 1, 2020**.

Parishes which have previously limited their reporting only to those transactions accounted for in the regular operating budget of the parish may contact Joan DeCelles or me if they believe they will need accounting assistance to gather the necessary records for audit of all parish accounts.

Please note that these procedures are also available on the Diocesan website ([www.episcopalri.org](http://www.episcopalri.org)) in the Audit Information section.

## AUDIT PROCEDURES

The majority of our Parishes and Missions maintain annual operating statements consisting of income and disbursements. This section is, therefore, confined to a recommended checklist of those Audit Procedures necessary for the performance of an audit. Financial records should be compared with the Treasurer's Report to assure conformity with each other and with reporting procedures of the Diocese.

### **CASH RECEIPTS for every bank account using the Parish's federal employer identification number.**

1. Check cash receipts as entered in general ledger against weekly cash count sheets, deposit slips and/or receipts.
2. Verify proper distribution of total receipts in the various categories (e.g., plate offering, pledge payments, etc.), check and cross check all totals, verifying especially that income as defined for apportionment is accurately distributed.
3. Check for balance in Transfer Accounts, if any, that should have been closed out prior to year-end (e.g., Episcopal Relief & Development Fund, Theological Education, etc.)
4. Reconcile bank balance in the books with bank statements at beginning and end of year for each account. Note any bank or investment account for which no separate accounting records are maintained.
5. Make a total of the receipts as entered on the pledge records; compare the total with the amount recorded as pledge revenue on the Parochial Report. Account for any major discrepancies.

### **CASH DISBURSEMENTS**

1. Compare paid checks with entries in the books, and with authorization to pay.
2. Examine checks carefully for authorized signature(s). Examine if checks are payable to "cash". Note that checks payable to "cash" are discouraged.
3. Check paid invoices against entries in cash disbursement record. Note proper distribution to the various expense categories.
4. Compare total paid expenses to budgeted amounts; verify substantial differences.

5. Trace transfers to other parish accounts, including those for Memorial Funds, Altar Guild, Youth, ECW, Rector's Discretionary fund, savings, investments and others.
6. Trace and verify disbursements from all parish accounts insuring procedures 1-4 have been followed, and that these funds have been specifically included as operating income, and used as appropriate.

### **TRUST, ENDOWMENT AND INVESTED FUNDS**

Trust and permanent funds and all securities of any kind shall be deposited with a Federal or State bank, or the Diocesan Investment Trust. Any trust or permanent funds deposited elsewhere require the approval of the Diocesan Commission on Finance. (Attach copies of the year end statement(s) to the audit certificate.) Therefore, it is only necessary that the Audit Procedures include:

1. Examine letter from Finance Commission authorizing deposit of funds, if any, outside of a Federal or State bank or the DIT.
2. Verify receipt and proper disposition of any new funds together with any new contracts received in the year under audit. Examine documents establishing any additions to endowment to determine if the donor has permanently restricted the principal from being spent, has restricted the purpose for which the income from the new gift may be used or if it is an unrestricted gift. Verify vestry minutes recording acceptance of the gift with its specific stipulations. It is important to maintain this information as a permanent parish record.
3. Examine proper authorization for withdrawal of funds; determine that all transactions are in accordance with the provisions of the original instrument.
4. Reconcile totals with Parochial Report.
5. Reconcile totals with Trust, Endowment and Invested Funds Form.

Parish \_\_\_\_\_

**BASIC RECORDS FOR AUDIT**  
(To accompany the Certificate of Audit)

The Treasurer will make available the following records:	Record Provided
1. Vestry minutes	_____
2. Insurance policies	_____
3. Cash Receipts and Disbursement records (or equivalent computer printout including ledgers)	_____
4. The Treasurer's statement to accompany the Parochial Report	_____
5. Check registers for the year; canceled checks, bank statements, and reconciliations for every account held in name of the Parish and/or parish organization	_____
6. File of paid invoices	_____
7. Weekly record of cash receipts (Sunday count sheets)	_____
8. Deposit slips and/or receipts	_____
9. Record of endowment, memorial and investment funds transactions, if any	_____
10. Savings account(s)	_____
11. Copy of year-end Treasurer's Report to the Annual parish Meeting.	_____
12. Record of pledged amounts and payments	_____
13. The Episcopal Church Parochial Report	_____
14. The Statement of Internal Control	_____
15. Trust, Endowment and Invested Funds Report Form	_____

Note: If any of the above records are missing, they should be so listed.

**STATEMENT OF INTERNAL CONTROL**

The Treasurer must answer in writing the following:

1. Who is authorized to sign checks?  
**NAME            POSITION            ACCOUNT NAME/NO.**

2. Who counts the Sunday Offering? (Vestry and/or names individuals)

\_\_\_\_\_

\_\_\_\_\_

When is the Sunday Offering counted? \_\_\_\_\_

When is the deposit made \_\_\_\_\_

Do the counters sign counter sheet? \_\_\_\_\_

Is the Treasurer excluded from processing  
the counting sheets and signing? \_\_\_\_\_

3. How are expenditures authorized?

4. Are all expenditures made by check? (List exceptions, if any)

5. Does the Church have a safe deposit box? Yes\_\_\_ No\_\_\_  
If no, where are valuable papers secured? (deeds, trusts, wills, etc.)

6. Is a full and complete accounting of all funds (including savings, memorial, investment and endowments) made in the Annual Parochial Report? If no, explain.

Yes\_\_\_ No\_\_\_

7. Are all Trust, Endowment and Invested Funds deposited with a Federal or State Bank, the DIT or other depository as approved by the Finance Commission. If no, explain:

Yes\_\_\_ No\_\_\_

8. Were any new Trust and Permanent Funds received or any existing funds surrendered during the year? If yes, explain:

Yes\_\_\_ No\_\_\_

9. Is a list of unpaid bills and loan balances due prepared at year-end?  
Yes \_\_\_ No \_\_\_
10. Are statements sent to each pledging unit?  
Yes \_\_\_ No \_\_\_  
If yes, with what frequency \_\_\_\_\_
11. Do the pledge statements include payments made for special gifts and donations to memorials, etc.  
Yes \_\_\_ No \_\_\_
12. Do the pledge statements exclude gifts acknowledged by Diocesan or National levels (e.g., Episcopal Charities, etc.)?  
Yes \_\_\_ No \_\_\_
13. Are all bank accounts reconciled monthly?  
Yes \_\_\_ No \_\_\_  
If yes, by whom \_\_\_\_\_  
If no, why not \_\_\_\_\_
14. Have you provided the Diocese with your completed and updated Trust, Endowment and Invested Funds Report Form?  
Yes \_\_\_ No \_\_\_
16. Are the figures reported on the Trust, Endowment and Invested Funds Report Form in agreement with the year-end statement?  
Yes \_\_\_ No \_\_\_
17. Has the Senior Warden, or other appropriate person, been reminded to conduct a confidential audit of the discretionary fund maintained by the Rector, Vicar or Priest-In-Charge?  
Yes \_\_\_ No \_\_\_

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Signature of Treasurer

CERTIFICATE OF AUDIT

TO: The Vestry

I/We have examined the accounts of the Treasurer of: \_\_\_\_\_  
\_\_\_\_\_ Church, located at \_\_\_\_\_  
\_\_\_\_\_ for the Year ended December 31, 20\_\_.

My/our examination of these accounts has been made in accordance with the "Audit Procedures" as approved by the Finance Commission.

The necessary Basic Records for Audit were provided to me/us, except as noted with recommendations on the reverse side of this Certificate.

In my/our opinion, the books of the parish, the annual report to the parish, and the Parochial Report fairly represent the financial transactions of \_\_\_\_\_ Church and the requirements of the Diocese for reporting revenue for apportionment purposes, with the qualification or exceptions noted below.

It is my/our understanding that all persons authorized to handle parish funds are adequately bonded and all properties are adequately insured under blanket policies with the diocese or \_\_\_\_\_ (Name of Carrier), and therefore, these are not part of my examination.

Respectfully submitted,

DATE \_\_\_\_\_, 20\_\_ \_\_\_\_\_

DATE \_\_\_\_\_, 20\_\_ \_\_\_\_\_

DATE \_\_\_\_\_, 20\_\_ \_\_\_\_\_

Copies to:

Finance Office  
Administrator of the Parish

The Diocese of RI, 275 N. Main St., Providence, RI 02903-1298

Congregation \_\_\_\_\_

Statement to be submitted with Parochial Report  
By the Vestry

The financial figures shown on page 3 of this report are prepared from and conform with the financial records of the Treasurer's Annual Report to the Parish.

The revenues shown on Lines 3-6, which are totaled on Line A represent all money received for general purposes and the amount shown on Line D is the total revenue as shown on the Annual Report.

The revenue shown on lines 8-11, which are totaled on Line C represent all money received for special purposes and not used for operating expenses as defined in the instructions to the Parochial Report.

The figures shown on page 3 of the Parochial Report, and on the Trust, Endowment and Investment Fund Report include all funds which are under the control of the Church or are in the name of the Church, even if control rests with an independent trust authority.

The Trust, Endowment and Invested Funds Report includes the net market value gain (loss). No funds of the church are held in the name of an individual.

Respectfully submitted,

Treasurer \_\_\_\_\_

