



EPISCOPAL DIOCESE OF SAN JOAQUIN

ANNUAL CONGREGATIONAL MANAGEMENT
REVIEW

Revised 7.6.21 and Adopted by Diocesan Council on July 15, 2021

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An Introduction

There are many aspects to Congregational Management Review (CMR) that are envisioned in the Episcopal Diocese of San Joaquin. One is that the congregation is not the central unit of the Church; all of us in the Diocese work together so that the Body of Christ may be visible to all around us. Hence, this peer review allows peers from other parts of the Diocese to share wisdom, insight, and learning about the various structures that help to hold the congregation together. That wisdom can help folks learn to adapt the congregational and administrative structure for its local needs, since we are urban and rural, large and small-communities, each living into the ministry they are called to.

The canons of the church call for each congregation to have a financial audit on an annual basis. Because the word ‘audit’ raises fear and judgment in the minds of many, we are reframing this process as “Congregational Management Review” (CMR). What is being sought is partially about accounting for the nickels and dimes entrusted to the church. However, it is also about having a framework of accountability and transparency in conducting business affairs, so that all may be aware of what is happening and that it is clear we are being good stewards of the resources in our care.

With the various circumstances in our different congregations, the policies, procedures, and the way we do things may vary according to local circumstance. The peer review will also help the congregation maintain compliance with policies, procedures, and Canons of the Diocese and The Episcopal Church.

Finances are just one area of our common life that helps hold the congregation together. There are many other areas of Management and administration that are needed to coordinate our common life, including governance practices, corporate compliance, insurance, and various tax issues.

The CMR is intended to be a tool that helps congregations evaluate aspects of common life and see how they are doing. Each congregation will have strengths and weaknesses that will vary from year to year. The CMR is a method to help accumulate important documents in one place where they are readily accessible to those who need them. The CMR is a way for peers to give a check-up on how things are, and provide suggestions for the coming year.

How the Congregational Management Review Works

Diocesan Policy

The Episcopal Diocese of San Joaquin will consider the Congregational Management Review to meet the needs of Canon 7.1(f) of Title I of the Canons of The Episcopal Church (for an annual financial audit).

The Diocesan Independent Reviewers may seek compensation for time and travel of up to \$500 for each Congregational Management Review that they conduct in a given year.

Congregational Management Review Process

The Congregational Management Review manual, of which this Introduction is a part, is available on the Episcopal Diocese of San Joaquin website (www.diosanjoaquin.org). The manual contains checklists and procedures about the review, along with a list of documents needed by the reviewer.

The Congregational Management Review is to be conducted annually, however, there is a three (3) year rotation of how to conduct your CMR. A congregation will conduct CMR's in the following manner:

Year 1) Internal Review, which is comprised of a 2-3 person committee from the congregation, and does not include the congregation's treasurer or clergy;

Year 2) Peer Review, which is comprised of a 2-3 person committee from a neighboring congregation;

Year 3) Independent Review which is conducted by a designated diocesan Independent Reviewer, and may include suggestions on bookkeeping software and membership software. The impetus for making this adjustment to a three (3) year rotation is to ease the financial burden on congregations for Independent Reviewers.

The congregation will provide copies of required documents for the CRM. The documents should be provided and maintained electronically for all parties involved in the review and for future reference. We strongly recommend using a 3-ring binder with tabbed sections so that the documents are convenient and accessible each year. The binder with assembled documents and the review is to be kept in a convenient location, accessible to the congregation for future reference.

The reviewer will review the documents and use a checklist to determine what is present, what is missing, and how the congregation is conforming to accepted practices. The reviewer will note items that are missing and any unanswered questions that are raised during the review.

GENERAL INSTRUCTIONS

Financial audits are addressed in the Canons of The Episcopal Church. Canon 1.7.1 (f) of the Canons (2018) requires that all accounts of parishes and missions "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, Department of Finance, or other appropriate diocesan authority.”

This manual recognizes that there is more to parish administration than the financial component. While the primary purpose of an audit is to assure that financial statements are fairly stated, the Management Review recognizes that other administrative components can easily be overlooked. Any person handling the monies or investments of the church needs an audit to protect the church assets, and themselves, against suspicion of mishandling those assets. Similarly, Clergy, Vestries, 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. Having a review of the entire scope of managerial practices for a congregation allows the safeguards for not only the finances but all areas in which the church can be at risk, through policies and procedures for buildings, management and administration, and for finances.

This manual is provided for guidance in completing the annual CMR review. Section A highlights areas for review. Section B and Section C will apply to your congregation for the review itself. Section B deals with administrative matters. Section C for financial review applies if your congregation uses a Diocesan Peer Reviewer or if it has a Review Committee. The review should be completed and submitted to the Diocesan Office by **JUNE 30** of the year.

The selection of an Internal Review Committee members, Peer Review Committee or Independent Reviewer shall be approved by the Vestry/Bishop's Committee/Chapter or management board. A CMR committee, whether that's an Internal Review or Peer Review, should consist of three members (very small congregations may have two members). When CMR committee is formed, the Diocesan Office should be advised of the committee members (See enclosed form). No Member of the Vestry/ Bishop's Committee/Chapter during the year being audited is eligible to serve on the audit committee for that year. The form for designation of CMR committee should be returned no later than **March 31** of the year, with the report due by **June 30**.

Complete financial statements of the congregation or organization are required. Reference to guidelines and further instructions is made to the "Manual of Business Methods in Church Affairs" prepared and distributed by The Episcopal Church. Available for download at: www.episcopalchurch.org/finance

SUMMARY OF ACTION AND DATES:

Advise Diocesan Office of members of CMR committee	MARCH 31
Submit Findings to the Diocese	JUNE 30

SUBMIT TO:

Episcopal Diocese of San Joaquin
4147 E Dakota Ave
Fresno, CA 93726

NOTIFICATION OF
INTERNAL COMMITTEE MEMBERS,
PEER REVIEW COMMITTEE MEMBERS, OR
INDEPENDENT REVIEWER

Church _____

Address _____

Review Year _____

Select One: _____ Internal Review Committee _____ Peer Review Committee
_____ Independent Review

Members of Committee:

1. _____

2. _____

3. _____

Submitted By:

Name & Title

Date

Return by March 31

To: dioadmin@diosanjoaquin.org

OR

Episcopal Diocese of San Joaquin
4147 E Dakota Ave
Fresno, CA 93726

ADVANCE PREPARATION FOR REVIEW

The Church Administrator, Clerk of Vestry/Bishop's Committee/Chapter and Treasurer/Bookkeeper should ensure that the following documentation is available and assembled for those doing the review.

Section 1:

- Copy of prior year's review report
- Copy of parochial report for year being reviewed.
- Copy of approved budget
- Copy of approved housing allowance resolution(s)
- Copy of bylaws (if available)

Section 2:

- Copies of vestry/bishop's committee/chapter minutes for the year

Section 3:

- Copy of financial statements prepared for the year
- For the year being audited, cash receipt and disbursement records and general ledger of all accounts
- Bank statements, savings account statements and investment reports for all accounts being audited with applicable reconciliation, including the first month of the next year
- Check stubs and processed checks, including voided checks
- List of authorized signatures for all cash accounts
- Record of plate collections and other cash receipts, including record of corresponding deposits (include description of procedures and control of plate collections and other receipts)
- Paid invoices, vouchers or other backup for expenditures (include description of procedures and control of plate collections and other receipts)
- Details of any mortgages or other loans, including copy of loan statement showing balance at end of year

- Details of any significant receivables or payables as of end of year

Section 4:

- Evidence of property and liability insurance coverage
- Data on building appraisals and inventory of contents (including Disaster Preparedness)
- Copy of Bi-Annual Statement of Information SI-100 with the Secretary of State for corporate entities, if applicable
- Copy of space use agreements and insurance certificates for regular users of the church property, if applicable

Section 5:

- Reports for payroll reporting to Internal Revenue Service and the State California (Including copies of W-2's and 1099's)
- Copy of year-end pension statement(s) for eligible lay employees (working more than 1000 hours per year) and all clergy
- Copy of year-end medical insurance statement(s) for eligible lay employees (working more than 1000 hours per year) and all clergy
- Copy of Manual of Business Methods in Church Affairs available for download at: www.episcopalchurch.org/finance

**No need to print out a copy, but be prepared to confirm that the church has access to it electronically

SECTION B

MANAGEMENT AND ADMINISTRATIVE REVIEW

This section on Management Review is included with the recognition that many items contained in financial audits fall in the category of Administration, rather than finance. The Financial Review covers the review of bookkeeping; the management review covers the policies and procedures.

There are other features of church management and administration that are addressed in the canons. These areas, such as Safe Church Training, Diversity Training, and Clergy Continuing Education, are reviewed here. Additionally, good administrative practices such as Inventory Control, Building Safety, Insurance Review, Records Storage and Disaster Preparedness are also addressed here.

The following checklist covers key areas and concerns for review of these policies and procedures.

Congregational Policies and Procedures

	Y	N
<i>Congregational Organization – Unincorporated Missions & Parishes</i>		
Does the congregation have its own bylaws? Provide a copy.	<input type="checkbox"/>	<input type="checkbox"/>
Have there been any changes to the bylaws since the last audit? If yes, provide copy with the revisions.	<input type="checkbox"/>	<input type="checkbox"/>
Are congregational meetings and elections being conducted in accordance with the bylaws or articles of incorporation?	<input type="checkbox"/>	<input type="checkbox"/>
Are Bishop's Committee members duly appointed by the Bishop?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a tax identification number? Please provide the current Tax Identification number that you are operating with:		
Does the Parish/Mission have a separate entity or fund, such as an endowment, foundation, corporation or 501(c) 3 organization (other than the congregation's corporation)? If so, provide name of entity or responsible parties.	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		
<i>Congregational Organization – Incorporated Congregations</i>		
Has the Bi-Annual Statement of Information SI-100 with the Secretary of State for corporate entities been filed? Please provide a copy.	<input type="checkbox"/>	<input type="checkbox"/>
Does the congregation have its own bylaws? Provide a copy.	<input type="checkbox"/>	<input type="checkbox"/>
Have there been any changes to the bylaws since the last audit? If yes, provide copy with the revisions.	<input type="checkbox"/>	<input type="checkbox"/>
Are congregational meetings and elections being conducted in accordance with the bylaws or articles of incorporation?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a tax identification number? Please provide the current Tax Identification number that you are operating with:		
Does the Parish/Mission have a separate entity or fund, such as an endowment, foundation, corporation or 501(c) 3 organization? If so, provide name of entity or responsible parties.	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

<i>Financial Policies</i>	Y	N
Does the congregation have its own written financial policies and procedures, adapted for local conditions?	<input type="checkbox"/>	<input type="checkbox"/>
Are these policies being followed?	<input type="checkbox"/>	<input type="checkbox"/>
Are the policies being reviewed and adapted regularly?	<input type="checkbox"/>	<input type="checkbox"/>
If the congregation does not have its own financial policies, does it follow the policies of the Manual of Business Methods in Church Affairs?	<input type="checkbox"/>	<input type="checkbox"/>
Attach a copy of congregational financial policies.		
Explanation for NO answers or why a question might be Not Applicable		

<i>Policies for Buildings and Programs</i>	Y	N
Does the congregation have its own written policies for building use?	<input type="checkbox"/>	<input type="checkbox"/>
Does the congregational policy specify rental fees?	<input type="checkbox"/>	<input type="checkbox"/>
Does the church rent facilities to outside groups?	<input type="checkbox"/>	<input type="checkbox"/>
Are there written rental agreements with outside groups?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a school on the premises?	<input type="checkbox"/>	<input type="checkbox"/>
Is the school an outside organization?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a separate policy regarding the school and rent?	<input type="checkbox"/>	<input type="checkbox"/>
Does the congregation have a policy regarding access to keys?	<input type="checkbox"/>	<input type="checkbox"/>
Does the congregation control access to keys for different portions of the building?	<input type="checkbox"/>	<input type="checkbox"/>
Is the congregation following policies for alcohol use established by the diocese on the property?	<input type="checkbox"/>	<input type="checkbox"/>
Does the congregation have policies for use of private vehicles for church events, especially for youth activities?	<input type="checkbox"/>	<input type="checkbox"/>
Are the policies implemented consistently?	<input type="checkbox"/>	<input type="checkbox"/>
List all the organizations that use the building and their contact information. Provide a copy of use agreements in Section 4 of your notebook.		
Has the annual Welfare/Religious/Church Exemption report been filed with the County Property Tax Assessor's Office? Please provide copy.		

Explanation for NO answers or why a question might be Not Applicable		
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<i>Insurance Policies</i>	Y	N
Does the congregation maintain its insurance policy?	<input type="checkbox"/>	<input type="checkbox"/>
Is the hard copy of the policy stored in a safe place?	<input type="checkbox"/>	<input type="checkbox"/>
Is the policy reviewed on a regular basis to cover changing conditions?	<input type="checkbox"/>	<input type="checkbox"/>
Date of last review		
Name of Insurance Carrier		
Explanation for NO answers or why a question might be Not Applicable		

<i>Employment Practices</i>	Y	N
Does the congregation have an employee handbook? If yes please provide a copy.	<input type="checkbox"/>	<input type="checkbox"/>
Does the congregation have Employee Safety Program has been implemented in accordance with Cal-OSHA requirements?	<input type="checkbox"/>	<input type="checkbox"/>
Does the congregation use written letters of Agreement for its employees? If yes, please provide.	<input type="checkbox"/>	<input type="checkbox"/>
Has there been a termination of an employee since the previous audit? If yes, briefly explain.		
Explanation for NO answers or why a question might be Not Applicable		

<i>Inventory (part of the Disaster Preparedness process)</i>	Y	N
Has the church made an inventory?	<input type="checkbox"/>	<input type="checkbox"/>
Does the inventory include photos?	<input type="checkbox"/>	<input type="checkbox"/>
Is the inventory record stored in a safe place?	<input type="checkbox"/>	<input type="checkbox"/>
Are there multiple copies of the inventory?	<input type="checkbox"/>	<input type="checkbox"/>
Storage locations of inventory		
Does the church regularly update the inventory?	<input type="checkbox"/>	<input type="checkbox"/>

Date of last inventory		
Place a copy of the latest inventory in Section 4 of your notebook		
Explanation for NO answers or why a question might be Not Applicable		

<i>SafeChurch Trainings</i>	Y	N
Have church personnel been involved in SafeChurch trainings this year?	<input type="checkbox"/>	<input type="checkbox"/>
List those who require <i>Safeguarding God's Children: Preventing Child Sexual Abuse</i> Training and date of last training		
List those who require <i>Safeguarding God's People: Preventing Sexual Exploitation in Communities of Faith</i> Training and date of last training		
List those who require <i>Safeguarding God's People: Preventing Sexual Harassment of Church Workers</i> and date of last training		
Explanation for NO answers or why a question might be Not Applicable		
**Contact the Canon to the Ordinary for questions regarding <i>Safeguarding</i>. Those who have received the training are compliant for up to three (3) years.		

<i>Safety and repairs</i>	Y	N
Does the church regularly evaluate the building and grounds for safety issues?	<input type="checkbox"/>	<input type="checkbox"/>
Are repairs made in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

<i>Disaster Preparedness</i>	Y	N
Does the congregation maintain a contact list for members?	<input type="checkbox"/>	<input type="checkbox"/>
Does the list contain alternate contact information, such as mobile numbers or email addresses?	<input type="checkbox"/>	<input type="checkbox"/>
Does the congregation have a way to safeguard valuables in the event of a disaster?	<input type="checkbox"/>	<input type="checkbox"/>
Does the congregation have a formal plan for disaster preparedness?	<input type="checkbox"/>	<input type="checkbox"/>
Is that plan on file with the diocese?	<input type="checkbox"/>	<input type="checkbox"/>
Place a copy of the disaster preparedness plan in Section 2 of the notebook.		
Place a copy of the emergency contacts in Section 2 of the notebook.		
Explanation for NO answers or why a question might be Not Applicable		

<i>Record Storage</i>	Y	N
Does the congregation have provision for storing paper records?	<input type="checkbox"/>	<input type="checkbox"/>
Does this plan comply with Retention and Disposition of Records established by The Episcopal Church?	<input type="checkbox"/>	<input type="checkbox"/>
Are key records stored in fireproof locations?	<input type="checkbox"/>	<input type="checkbox"/>
Is there provision for secure off-site storage, if needed?	<input type="checkbox"/>	<input type="checkbox"/>
Do computer files have proper backup storage?	<input type="checkbox"/>	<input type="checkbox"/>
If the storage is on thumb drives or external hard drives, are copies stored securely off-site?	<input type="checkbox"/>	<input type="checkbox"/>
If cloud or internet storage is used, do multiple people have access?	<input type="checkbox"/>	<input type="checkbox"/>
Are multiple passwords used for computer and internet use?	<input type="checkbox"/>	<input type="checkbox"/>
Are passwords recorded (written or electronic) and stored securely?	<input type="checkbox"/>	<input type="checkbox"/>
In event of emergency, do key personnel have access to those passwords to gain access to files and backup data?	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

<i>Continuing Education for Clergy</i>	Y	N
Did the clergy engage with Continuing Education during the year	<input type="checkbox"/>	<input type="checkbox"/>
List the Continuing Education courses taught or taken by the clergy		
List books read that relate to continuing education		
List web sites that contribute to continuing education		
Place copy of above lists in Section 2 of the notebook.		

Explanation for NO answers or why a question might be Not Applicable		
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SECTION C

FINANCIAL REVIEW BY PEER REVIEW COMMITTEE OR INDEPENDENT REVIEWER FINANCIAL REVIEW

These guidelines are prepared for use by the Peer Review Committee or Independent Reviewer as a guide for their work.

Peer Review Committee members and the Independent Reviewer should be independent of the decision making and financial record keeping functions of the congregation. The members of the committee should have sufficient financial skills and experience to conduct a competent review.

A Peer Review Committee should consist of three individuals. The size and scope of the review may warrant fewer members.

The scope of the financial review shall include:

- a. Sufficient tests of transactions to assure compliance with these guidelines andadequate control of the assets of the congregation.
- b. Verification (or preparation) of financial statements in the form approved for theEpiscopal Church as set forth in the manual, Manual of Business Methods in Church Affairs, which is available for download at:
www.episcopalchurch.org/finance
- c. A review of management control practices using the Internal Control Questionnairefound in Chapter II (Internal Controls) of the manual referred to in paragraph b.

INTERNAL REVIEW COMMITTEE MEMBERS OR
PEER REVIEW COMMITTEE MEMBERS

CHURCH _____

ADDRESS _____

MAILING ADDRESS
(IF DIFFERENT) _____

REVIEW YEAR _____

MEMBERS OF COMMITTEE:

	<u>Name</u>	<u>Position</u>	<u>E-Mail</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

INDEPENDENT REVIEWER

CHURCH

ADDRESS

MAILING ADDRESS
(IF DIFFERENT)

YEAR REVIEWED

INDEPENDENT REVIEWER

Name

Position

E-Mail

1. _____

PROCEDURES FOR REVIEW

Review the Internal Control Questionnaire found in Section II of the Manual of BusinessMethods, as it applies to this parish, and make notes for the preparation of the Review Committee's Report on Policies and Procedures to be prepared at the conclusion of this audit.

<i>General Review</i>	Y	N
Obtain and review the audit report covering the period immediately preceding this period being audited.		
Have prior audit recommendations been implemented?	<input type="checkbox"/>	<input type="checkbox"/>
If some prior recommendations have not been implemented, explain what they are and reason for not being implemented.		
Are Vestry/Bishop's Committee/Chapter minutes, approved budget and annual year-end financial reports for the period being audited collected in one place? (Section 1 of notebook)	<input type="checkbox"/>	<input type="checkbox"/>
Budget Approved? Date:	<input type="checkbox"/>	<input type="checkbox"/>
Clergy Housing Allowance Approved? Date:	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

<i>Monthly Financial Reports</i>	Y	N
Are monthly financial reports prepared?	<input type="checkbox"/>	<input type="checkbox"/>
Are written financial reports provided to the Vestry/Bishop's Committee/Chapter monthly?	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

<i>Donor Contribution Reports</i>	Y	N
Are reports of contributions provided to parishioners? How often?	<input type="checkbox"/>	<input type="checkbox"/>
Are annual contribution reports sent to donors at the end of the year?	<input type="checkbox"/>	<input type="checkbox"/>

Explanation for NO answers or why a question might be Not Applicable		
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<i>Parochial Report</i>	Y	N
Do the financial data in the parochial report match the year-end financial reports? (Parochial Reports are submitted electronically; questions about Parochial Reports can be sent to the Diocesan Administrator)	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

<i>Bookkeeping and Records</i>	Y	N
Is the Bookkeeping process computerized?	<input type="checkbox"/>	<input type="checkbox"/>
Are monthly reports to Vestry/Bishop's Committee/Chapter computerized?	<input type="checkbox"/>	<input type="checkbox"/>
Are Bookkeeping Records and reports stored in a central location? Where?	<input type="checkbox"/>	<input type="checkbox"/>
Are appropriate backup copies of bookkeeping data being made? Frequency of backups:	<input type="checkbox"/>	<input type="checkbox"/>
Are backup copies stored in a separate location? Where?	<input type="checkbox"/>	<input type="checkbox"/>
How are bookkeeping records kept? On computer or longhand? Name of accounting software:		
PLACE A COPY OF THE YEAR END FINANCIAL REPORTS Section 3 of the notebook – include Operating Income and Expenses and the Balance Sheet.		
Explanation for NO answers or why a question might be Not Applicable		

<i>Assets</i>	Y	N
In Section 3 of notebook, include the following: 1. All checking and savings accounts 2. All investment accounts, including discretionary accounts, and accounts in the name of church organizations		
Have all church accounts been listed and included in the Audit?	<input type="checkbox"/>	<input type="checkbox"/>

Explanation for those accounts not listed or included		
Were the accounts in the name of the church?		
Was the church address used for the accounts?	<input type="checkbox"/>	<input type="checkbox"/>
Was the church (or diocesan) EIN used for all accounts?	<input type="checkbox"/>	<input type="checkbox"/>
Were statements for each account available for review?	<input type="checkbox"/>	<input type="checkbox"/>
Is the bank account reconciliation completed in accordance with written policies for safeguarding separation of duties between those who receive and those who disburse funds?	<input type="checkbox"/>	<input type="checkbox"/>
Are bank accounts being reconciled with the books promptly after receipt?	<input type="checkbox"/>	<input type="checkbox"/>
YEAR-END RECONCILIATIONS should be kept in Section 3 of notebook (Include copy of year-end bank statement)		
<i>Property and Equipment</i>		
Are property and equipment properly reported on the Balance Sheet reports?	<input type="checkbox"/>	<input type="checkbox"/>
Is there proper reporting of Depreciation?	<input type="checkbox"/>	<input type="checkbox"/>
<i>Restricted and Designated Accounts</i>		
Have funds been given to the church for designated, non-operating expenses (such as a building fund)?	<input type="checkbox"/>	<input type="checkbox"/>
Are those funds adequately tracked?	<input type="checkbox"/>	<input type="checkbox"/>
Are there clear guidelines for use of those funds (from the donor or from the Vestry/Bishop's Committee/Chapter)? Insert a copy of those guidelines	<input type="checkbox"/>	<input type="checkbox"/>
<i>Accounts Receivable</i>		
Are there accounts receivable, prepaid, or deferred expenses?	<input type="checkbox"/>	<input type="checkbox"/>
List significant accounts and verify amounts		
Explanation for NO answers or why a question might be Not Applicable		

Account sampling - For *each account* an examination or test needs to be done on a “Sample Basis”. The definition of “Sample Basis” is: the lessor of 10% of all transactions or 25 transactions, whichever is smaller. **A separate test sheet should be used for each account.** Sampling should track funds through all stages of receipt or disbursement looking at documentation, accuracy of bookkeeping, recording in proper funds or line items, and reporting.

Data Sampling	Y	N
On a sample Basis – Do Counter sheets (for recording the Sunday collection) match deposit records, photo copies (if any), donation records, and financial reports? Sample Size:	<input type="checkbox"/>	<input type="checkbox"/>
On a Sample Basis – Does backup documentation (invoices, check request forms, receipts) support the disbursement of funds within checking accounts? Sample Size:	<input type="checkbox"/>	<input type="checkbox"/>
On a Sample Basis – Were checks signed by authorized signers and by the proper number of signers listed in financial policies? Sample Size: PROVIDE A LIST OF AUTHORIZED SIGNERS FOR EACH ACCOUNT (section 3 of notebook)	<input type="checkbox"/>	<input type="checkbox"/>
On a Sample Basis – Were checks cashed or deposited by the intended recipient? Sample Size:	<input type="checkbox"/>	<input type="checkbox"/>
On a Sample Basis – Is activity in the Savings or Investment Accounts in accordance with an approved investment plan or in the normal course of business? Sample size:	<input type="checkbox"/>	<input type="checkbox"/>
On a Sample Basis – Is the activity in the Discretionary Fund documented? Sample Size:	<input type="checkbox"/>	<input type="checkbox"/>
On a Sample Basis- are petty cash transactions matched by proper receipts and documentation? Sample Size:	<input type="checkbox"/>	<input type="checkbox"/>
Is the Petty Cash adequately secured?	<input type="checkbox"/>	<input type="checkbox"/>
Findings Explanation for NO answers or why a question might be Not Applicable		

<i>Liabilities</i>	Y	N
Are mortgage payments being made on a current basis? Indicate balance:	<input type="checkbox"/>	<input type="checkbox"/>
Are Diocesan Assessments being paid on a current basis?	<input type="checkbox"/>	<input type="checkbox"/>
Are operating costs (salaries, utilities, etc.) being paid on a current basis?	<input type="checkbox"/>	<input type="checkbox"/>
Are Payroll Taxes being paid in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

<i>Pension</i>	Y	N
Are pension payments up to date for all participants?	<input type="checkbox"/>	<input type="checkbox"/>
Are clergy pension payments equal to 18% of salary and housing?	<input type="checkbox"/>	<input type="checkbox"/>
Are lay employees who work more than 1,000 hours per year covered by the pension plan (9% of salary)?	<input type="checkbox"/>	<input type="checkbox"/>
INSERT COPIES OF YEAR-END PENSION STATEMENTS FOR ELIGIBLE LAY EMPLOYEES AND CLERGY IN Section 5 of notebook		
Findings Explanation for NO answers or why a question might be Not Applicable		

<i>Cash Receipts</i>	Y	N
Are financial policies (reviewed in Management section) being followed to safeguard separation of responsibilities for receipt and disbursement of funds?	<input type="checkbox"/>	<input type="checkbox"/>
Are deposits made in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>
From the data sampling section, were records accurate?	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

<i>Cash Disbursements</i>		
Are financial policies (reviewed in Management section) being followed to safeguard separation of responsibilities for receipt and disbursement of funds?	<input type="checkbox"/>	<input type="checkbox"/>
Are payments made in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>
From the data sampling section, were records accurate?	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

Payroll – It is highly recommended that churches contract with a payroll company. If a congregation is unable to afford engaging a payroll company, please contact the Diocesan Treasurer. For this review, answer the general review and the appropriate section of the review.

<i>Payroll - General</i>	Y	N
Were proper State and Federal Forms filled out for new lay employees (including clergy)	<input type="checkbox"/>	<input type="checkbox"/>
Were proper State and Federal Forms filled out for new clergy (contact Canon to the Ordinary to confirm)		
Were new hire forms stored in a secure location? Indicate location:	<input type="checkbox"/>	<input type="checkbox"/>
Do wages, salaries, and benefits paid match the budgeted line items?	<input type="checkbox"/>	<input type="checkbox"/>
Are clergy reimbursed for travel expenses on a: Accounting system with receipts Fixed travel allowance If based on a fixed travel allowance, verify that travel allowance is reported as income on W2 forms (either through payroll company or in-house).	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Has Workers Compensation Insurance been obtained and/or amended to reflect all employees?	<input type="checkbox"/>	<input type="checkbox"/>
Have EDD forms been filed with the State of California in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		
<i>Payroll –with a payroll company</i>		
Does the payroll company record and report all categories of income for W2 forms, including pre-tax withholding handled through the church?	<input type="checkbox"/>	<input type="checkbox"/>

Does the church properly withhold and distribute pre-tax withholdings such and insurance payments or court-ordered withholdings?	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		
<i>Payroll –without a payroll company</i>		
Was clergy compensation reported at end of year on form W-2?	<input type="checkbox"/>	<input type="checkbox"/>
Was the value of life insurance premiums on coverage in excess of \$50,000 included on form W-2? (confirm with Canon to the Ordinary regarding “Imputed Income”)	<input type="checkbox"/>	<input type="checkbox"/>
Was vestry approved clergy housing allowance reported on the W-2?	<input type="checkbox"/>	<input type="checkbox"/>
If Federal Taxes were withheld, were they properly reported on W2?	<input type="checkbox"/>	<input type="checkbox"/>
Social Security and Medicare taxes have NOT been withheld from cleric	<input type="checkbox"/>	<input type="checkbox"/>
Insert a copy of year-end--W-2s, W-3 in Section 5 of notebook		
Explanation for NO answers or why a question might be Not Applicable		

<i>Benefits</i>	Y	N
Are medical insurance premiums being paid in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>
Is the congregation offering medical benefits in accordance with appropriate policies for the Episcopal Church regarding part-time workers?	<input type="checkbox"/>	<input type="checkbox"/>
Are the medical insurance offerings in accordance with the Diocesan Health Plan or Affordable Care Act?	<input type="checkbox"/>	<input type="checkbox"/>
A copy of year-end medical insurance statements should be kept in Section 5 of notebook.		
Explanation for NO answers or why a question might be Not Applicable		

<i>Contracted Services</i>	Y	N
Has the church verified the corporation status of contractors?	<input type="checkbox"/>	<input type="checkbox"/>
Are non-incorporated contractors (who received over \$600 in compensation for the year) been given a 1099 at year end?	<input type="checkbox"/>	<input type="checkbox"/>

Insert a copy of 1099 and 1096 forms in Section 5 of the notebook	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

Discretionary Funds

The *Manual of Business Methods in Church Affairs* describes the funding and use of Discretionary Funds in detail. Review the intent and procedures for these accounts and review the funds to answer the following questions.

Discretionary Funds	Y	N
Does the Church provide for Discretionary Spending by the Cleric?	<input type="checkbox"/>	<input type="checkbox"/>
Report separately for each Discretionary Account		
Is there a separate Checking Account for the cleric?	<input type="checkbox"/>	<input type="checkbox"/>
Is the account in the name of the church?	<input type="checkbox"/>	<input type="checkbox"/>
Is the church tax ID number used for the account?	<input type="checkbox"/>	<input type="checkbox"/>
Is the account partially funded through loose offerings from the congregation?	<input type="checkbox"/>	<input type="checkbox"/>
Is the account partially funded through individual donations?	<input type="checkbox"/>	<input type="checkbox"/>
Is the account partially funded through the church operating budget?	<input type="checkbox"/>	<input type="checkbox"/>
Based on sample method – Were funds used for proper discretionary purposes?	<input type="checkbox"/>	<input type="checkbox"/>
Are periodic financial reports of the Discretionary Fund balances made to the Vestry/Bishop's Committee/Chapter?	<input type="checkbox"/>	<input type="checkbox"/>
Does reporting maintain confidentiality and discretion for recipients of the funds?	<input type="checkbox"/>	<input type="checkbox"/>
Does the list of authorized signers for the account provide for a transition of funds between clergy	<input type="checkbox"/>	<input type="checkbox"/>
Explanation for NO answers or why a question might be Not Applicable		

Certificates and Reports

Prepare a Letter of Certification that indicates to the Diocese and the Congregation that a Congregational Management Review has been performed. Indicate that the Year-End financial statement attached to the Letter of Certification is an appropriate reflection of the status of the congregational finances (with any noted exceptions). This Letter should be sent to the Diocesan Treasurer and the Clergy and Vestry of the congregation.

Additionally, a Summary Report should summarize the findings of this Review Process. The Report should note:

Findings from previous reviews that have been addressed;

Findings from previous reviews that have NOT been addressed;

and Findings uncovered during this review.

This report will provide the basis for congregational actions during the coming year.

SAMPLE REPORT

Date _____

To the Clergy, Wardens and Vestry of

Church _____

Address _____

Subject: Congregational Management Review (Year)

We have reviewed the financial statements resulting from financial transactions of
(Name of Church)

As of December 31, _____ our review was made in accordance with review guidelines issued by the Episcopal Diocese of the San Joaquin and other procedures deemed appropriate by the Internal Review Committee, Peer Review Committee or Independent Reviewer.

Our objective was to assure that the accompanying financial statements present fairly, in all material respects, except as noted below, the financial position and results of its operations of the Congregation at December 31, __, in accordance with accounting principles promulgated by The Episcopal Church, on a consistent basis.

(Note exceptions and comments here, if any).

Our examination and report is not and is not meant to be construed as an audit and opinion rendered by an Independent Public Accountant.

Members of the Internal Review or Peer Review Committee (or Independent Reviewer):

(Signatures)

SAMPLE FINDINGS ON POLICIES AND PROCEDURES

Date _____

To the Clergy, Wardens and Vestry of

Church: _____

Address: _____

Subject: Congregational Management Review
(Year)

During the course of the examination referred to above, the following items pertaining to internal control and other operational matters, which we believe to be of a significant nature, were noted. The first category of comments includes those areas of control where recommendations of the previous auditors have been implemented. The second category of comments restates those recommendations of the prior year's auditors that have not been acted upon but believed to still be worthy of consideration. The third category of comments includes comments and recommendations pertaining to areas that we believe improvements in control and/or procedures should be initiated. This letter should be made a part of the minutes of a Vestry meeting.

Areas where prior year reviewer's recommendations have been implemented:

- 1.
- 2.

Prior year's reviewer's recommendations which still exists:

- 1.
- 2.

Comments and recommendations of current year reviewers

- 1.
- 2.

Members of the Internal or Peer Review Committee or Independent Reviewer:

—

Bank: _____

Account: _____

Account:

Notes