

Audit Policy of the Diocese of Arkansas

As Approved by Executive Council April 8, 2014

The diocesan canons require that an annual audit of parishes, missions and other institutions of the diocese be submitted to the Office of the Bishop, such examination being conducted by an agency permitted by Executive Council. The canonical deadline for filing the examination report with the Office of the Bishop is September 1 of each year. The requirement can be met as follows:

1. For congregations or institutions with an annual income of \$250,000 per year or greater:

Each year engage an outside Certified Public Accountant or accounting firm to perform either a Review or a Generally Accepted Accounting Principles Audit (work described as a Compilation is not acceptable). Forward a copy of the entire audit report, the supporting management letter, and the vestry's or board response to issues raised by the auditors to the Office of the Bishop.

When there is a change in management, such as a change in rector, vicar, or financial administrator, the examination required is an Agreed Upon Procedures Audit performed by a Certified Public Accountant or accounting firm. The CPA or audit firm will provide a letter to the congregation or institution describing the procedures performed, as set forth in the engagement letter, and the CPA or firm's findings. The congregation's vestry or the institution's board will write a letter of response addressing the exceptions set forth in the Agreed Upon Procedures Audit report. Forward a copy of the entire audit report, the supporting management letter, and the vestry's or board's response to issues raised by the auditors to the Office of the Bishop. Sample engagement letters and the minimum procedures expected to be examined will be published periodically by the Office of the Bishop.

2. For congregations or institutions with an annual income of less than \$250,000 per year:

Use the internal audit program as addressed in the latest edition of the Manual of Business Methods in Church Affairs. The audit will be conducted by persons(s) approved by the Office of the Bishop, usually from among a list of people who are not members of the congregation or institution being audited. Forward a copy of the entire audit report, the supporting management letter and the vestry's or board's response to issues raised by the internal auditors to the Office of the Bishop. The Manual of Business Methods in Church Affairs is available online at www.episcopalchurch.org/page/manual-business-methods.

Note: Congregations with loans should check with their lender on audit requirements that the lender might have that are more stringent than the requirements of this policy.