

To: Vestries and Vestry Committees

Cc: Rectors, Vicars, Finance Chairs and Treasurers

From: Michael J. Kerr, Chief Financial Officer

Date: February 15, 2008

Re: 2007 Audit of Church Accounts

The diocesan canons require that an annual audit of church financial records be submitted to the Office of the Bishop. The canonical deadline for filing the 2007 audit is **August 31, 2008**.

There are two forms that your church audit may take. **First**, an outside audit firm may be employed, but please be sure to forward a copy of their audit report, the supporting management letter and your church response to issues raised by the auditors. **Second**, your church may use the Diocese of Virginia audit program which is based on the *Manual of Business Methods in Church Affairs* (July 2007, available online at <http://www.episcopalchurch.org/documents/MANUAL.PDF>). This internal audit program lays out a usable and proactive process for an audit committee to assure each congregation of their financial position. The provided program should be directed to the person or persons responsible for the audit process. The “short-form” audit has been continued for churches with total operating budgets of less than \$150,000, and these pages should be used rather than the longer format. The attached proof of cash form is to be completed for **all** church accounts in accordance with national and diocesan canons.

One item to be clear on is that charitable contributions must be claimed in the year they were delivered. A contribution must either be in the hands of the church or postmarked by December 31, 2007 to be considered a contribution for 2007. Pre-dated checks delivered after the end of the year are contributions for 2008. If you have questions on this, please call me.

Please make every effort to complete a review your financial records using one of these forms. Being current in your audits is a condition for approval of church debt, should your church require Standing Committee approval. As a matter of due diligence and responsibility, I encourage every vestry and vestry committee to look at all internal business practices, particularly control issues related to receipt and management of cash. Of course, annual reviews should always cover investments, property and insurance coverages, etc.

A list of prior year’s audits is maintained in the Journal of Annual Council. If you have questions or need assistance, please feel free to contact Ms. Millie Lofton or myself at **1-800-DIOCESE**, or you may email us at mlofton@thediocese.net or mkerr@thediocese.net.