



## OVERVIEW SUMMARY

### Parish Audit Committee Process

The Archdiocese of Louisville strongly encourages each parish or school to establish an Audit Committee, which will conduct a formal internal review of parish or school financial records and internal controls each year. The Committee should be appointed by the Parish Council or School Board, and the appointments ratified by the Pastor or Pastoral Administrator. It should consist of at least three persons. None of these persons should be employees of the parish, school, or individuals who have responsibilities or duties involving the handling of funds or authorizing expenditures at the parish or school. Of the three, two of those persons should be finance-oriented and familiar with the activities of the parish or school. One person should be a member of the Parish or School Finance Council.

Small parishes or schools may want to join and form an Audit Committee with a representative from each parish or school. This joint Audit Committee could perform an annual internal review and prepare a report for each parish or school.

#### **The purpose of the Audit Committee is to:**

- Ensure that the parish or school is operating in accordance with Archdiocesan Financial Policies and Procedures.
- Ensure internal control procedures are being followed.
- Ensure the accuracy of parish or school financial reports.
- Examine underlying documentation to support the financial statements.
- Conduct a review of the financial statements for the parish or school.
- Recommend any changes the Committee believes appropriate to improve the financial structure and internal control of the parish or school.

The annual internal review by the Committee should be undertaken as soon as possible after the annual financial report has been completed. A written report should be prepared which briefly summarizes the procedures the Committee followed and its findings and recommendations. The report should be reviewed with the pastor or pastoral administrator who should communicate the recommendations to the Parish Council or School Board and Finance Council. Additionally, the report should be submitted to the Archdiocesan Finance Department.

The attached document is a framework to assist parishes in planning and conducting this review. While the attached documentation covers all aspects of the parish or school finances, parishes may opt to conduct the review over several months' time. For example, parishes may opt to review and test Deposits and Payments in month one, then move on to Journal Entries and Bank Statements the next month.

If parishes or audit committees require assistance in this process, please contact the Archdiocese of Louisville Finance Department.



## Parish Audit Committee Process

1. Select two periods (months) within the last year to audit. Request from the Business/Parish Manager to pull the following reports from ParishSOFT Accounting, or from filed records for the periods being audited:
  - a. Deposit Register.
  - b. Bill List.
  - c. Journal Entry List.
  - d. Credit Card Statement / Payments for selected months.
  - e. DLS statements for selected months.
  - f. CFL statements for selected months (if applicable).
  - g. Statement of Financial Position for selected months.
  - h. Completion of [Internal Audit Questionnaire](#). Located on the Archdiocese of Louisville website.
2. Randomly select three transactions from each month chosen to be audited. Request that the bookkeeper or the Business/Parish Manager provide you with the supporting documentation for each of these selected transactions. You will also need the bank statements for the selected months.
3. Once you have all the supporting documentation, bank statements, DLS, and CFL statements, begin the audit, and verify the following for each section. Use the attached testing document to track the audit findings.

### Deposits:

- a. Amount is correct per the counting sheet and/or supporting documentation.
- b. Amount matched the bank statement.
- c. Properly coded.
- d. Timely (within a week).
- e. Deposit slip with currency must be initialed by two counters.
- f. Contributions recorded in ParishSOFT Family Suite, if applicable.

### Payments:

- a. Payee is correct based on supporting documentation.
- b. Amount is correct based on the supporting documentation.
- c. Amount matched the bank statement.
- d. Properly coded.
- e. Approved by Pastor/Business Manager before payment.
- f. Timely (within the terms of the vendor).

### Journal Entries:

- a. Appropriate supporting documentation is attached.
- b. Approval from Pastor and/or Business/Parish Manager.
- c. Properly coded.

### Bank Statements – Review check images and deposit slips for the following:

- a. No check made out to “Cash”.
- b. Pastor’s signature on all checks. In the pastor's absence, MUST have two signatures of approved signers.
- c. Two signatures on checks over \$5,000.
- d. Pastor not signing his own reimbursement checks.
- e. Deposit slips with currency must have two counters' initials.
- f. No missing addresses for vendors.
- g. When possible, reconciliations are completed by someone other than the bookkeeper.
- h. Reconciliation completed promptly (within 45 days of the month end).



**Credit Card:**

- a. Verify all original receipts are present and attached to the credit card statement.
- b. Original receipts reflect each purchase/transaction, including account numbers and authorization.
- c. Verify tax exempt certificate has been used. If not, add all taxes paid by the parish and note on your report.
- d. Verify no personal charges have been charged to the parish/school credit card.
- e. Verify the parish/school maintains a list of cardholders and appropriate account information, kept in a secure location.

**DLS – Deposit, Loan & Savings:**

- a. Verify that the statement balance and the balance on the Statement of Financial Position match.

**CFL – Catholic Foundation of Louisville:**

- a. Verify that the statement balance and the balance on the Statement of Financial Position match.
4. After all information has been reviewed and tested, develop a report that could be presented to the Pastor, finance committee, parish council, etc. Example of a report flow below, or a report that works best for your parish/school:
  - a. **Objectives** - Opening statement for the audit and objectives you're auditing:
    - i. Evaluation of the business records and internal controls of the parish.
    - ii. Ensure that Archdiocesan policies and procedures were being followed, as outlined in the Archdiocese of Louisville - Financial Policy and Procedures Manual.
  - b. **Scope** - Discuss the timeframe you're reviewing and what you will be auditing:
    - i. Financial statements, cash handling procedures, cash disbursement procedures, bank reconciliations, and separation of duties.
  - c. **Findings** - From the spreadsheet you completed during the audit, summarize the findings found:
    - i. Deposits
    - ii. Payments
    - iii. Journal Entries
    - iv. Bank Statements
    - v. Credit Cards
    - vi. DLS/CFL
  - d. **Financial Review** - Review the statement of activities and statement of financial position. Review actual versus budget for the current year and versus last year. Review the cash balance in checking accounts (accounts should only have 3 months of operating cash). If the cash balance is above this amount, the money should be moved to a DLS account.
  - e. **Conclusion** - Summarizing your findings and recommendations for improvement.



### Parish Audit Committee – Tested Documents

#### DEPOSITS

Deposit #	A	B	C	D	E	F	CONCERNS / QUESTIONS

#### PAYMENTS

Check #	A	B	C	D	E	F	CONCERNS / QUESTIONS

#### JOURNAL ENTRIES

JE #	A	B	C	CONCERNS / QUESTIONS

#### BANK STATEMENTS

Bank Type	A	B	C	D	E	F	G	H	CONCERNS / QUESTIONS
General Checking									
General Checking									
Gaming									
Gaming									

#### CREDIT CARD

Credit Card	A	B	C	D	E	CONCERNS / QUESTIONS
Credit Card Type:						
Credit Card Type:						
Credit Card Type:						
Credit Card Type:						

#### DLS/CFL

Accounts	A	CONCERNS / QUESTIONS
DLS		
DLS		
CFL		
CFL		