

Diocese of Palm Beach

Entity Audit Program

Introduction: In late 2004, Bishop established the “Sub-Committee on Entity Audits” and charged the members with examining the existing policy of the diocese and making appropriate recommendations. In January of 2005, the Sub-Committee reported to the Presbyteral Council as follows:

We all share a fiduciary responsibility to see that the financial resources made available to us are used in a manner consistent with our mission and respecting the donor’s intent. In this regard, accountability and transparency are necessary to evidence the discharge of these responsibilities, maintain our credibility as stewards and instill confidence on the part of the donor. It is in this spirit that the following recommendations are made:

- *The existing policy of financial audits only with a change of pastor is no longer adequate. Our finance councils, parish communities and donors seek the assurance of regularly scheduled audits with reports which are available to interested parties.*
Recommendation: Every diocesan entity be subject to a form of audit/review on a biennial basis (every two years).
- *Credibility of the work product can be significantly enhanced with the independence of an outside accounting firm as opposed to diocesan internal audit.*
Recommendation: The biennial audit/review be performed by an independent accounting firm with a report to the applicable Pastor, President and Bishop (and/or his designees).
- *Fees associated with this audit/review have been estimated for a stand-alone entity (church or high school) and for parishes with a parochial school.*
Recommendation: All fees be paid by the entity subject to audit/review.

The report and its recommendations were accepted by the Presbyteral Council and upon further consultation with the College of Consultors and Diocesan Finance Council, Bishop approved the recommendations. Therefore, as of the new fiscal year beginning July 1, 2005 it became the policy of the Diocese of Palm Beach to conduct audits as set forth above.

Application: It is important to distinguish these entity audits from true independent audits – the purpose of which is the expression of an opinion on the entity’s financial statements. These are “agreed-upon procedures” engagements which focus on the adequacy of internal controls and adherence to policies and procedures. They are largely compliance oriented and examine the control environment which generates the applicable financial statements. Responsibilities are as follows:

Pastor Responsibilities:

- Initiate planning with parish finance council, parish finance staff and outside accountants to ensure that engagement is initiated and completed within assigned year;
- Select accounting firm from approved list and coordinate with firm and parish staff for a mutually convenient date to begin engagement during the year. Financial statements to be used may be end of fiscal year or any calendar quarter. (Example: For required audit cycle year ended 6/30/06, the financials for 6/30/05, 9/30/05, 12/31/05 or 3/31/06 may be utilized;
- Support the outside accountants during the engagement providing whatever information (verbal and written) is required;
- Provide outside accountants with standard “representation letter” at the completion of the engagement evidencing full cooperation with all elements of the uniform audit program;
- Fully consider all aspects of the accountants report and, in conjunction with parish finance council, respond in writing to each of the comments and recommendations. Parish responses are to be forwarded to the Diocesan Finance Office;
- Insure that outside accountants fees (as previously estimated) are paid in full.

Bookkeeper Responsibilities:

- Assist Pastor in the planning and scheduling of the engagement;
- Assemble all required documentation in advance of the arrival of outside accountants;
- Notify the Diocesan Finance Office of the scheduled start date and ultimate completion date of the engagement;
- Support the outside accountants during the engagement providing whatever information (verbal and written) is required;
- Assist Pastor and parish finance council in responding to accountant’s report.

Diocesan Finance Office Responsibilities:

- Develop “Entity Audit Cycle” schedule;
- Identify, negotiate with and select outside accounting firms;
- Develop “Entity Engagement Program” for churches and schools and provide to entities and outside accounting firms;
- Support entities in the planning and scheduling of engagements;
- Provide outside accountants with current account information pertaining to entity savings and loan accounts, fixed assets, pension, health and property and liability information for each entity prior to audit;
- Monitor entity audit cycle progress throughout the year;
- Receive all outside accountant reports and applicable parish responses, log-in, review and follow-up on unresolved problem areas;
- Provide accountants reports and entity responses to Audit Committee of the Diocesan Finance Council;
- Provide Bishop and Diocesan Finance Council with appropriate summaries of entity audits.