

Alms Fund: Description and Audit Guidelines

TEC Canon III.9.5(b)(6): *“The Alms and Contributions, not otherwise specifically designated, at the Administration of the Holy Communion on one Sunday in each calendar month, and other offerings for the poor, shall be deposited with the Rector or Priest-in-Charge or with such Church officer as the Rector or Priest-in-Charge shall appoint to be applied to such pious and charitable uses as the Rector or Priest-in-Charge shall determine. When a Parish is without a Rector or Priest-in-Charge, the Vestry shall designate a member of the Parish to fulfill this function.”*

The Alms Fund’s use should be restricted in keeping with this Canon.

It’s Not a “Discretionary Fund”

The Diocese recommends that the Fund’s name be “Alms [or Benevolence] Fund.” In the past, such Funds were sometimes referred to as “Discretionary Funds”. The term “Discretionary” should NEVER be used for this type of fund. This term implies that the account could be used for general purposes (ex: repairs and maintenance, subscriptions, altar supplies, continuing education, travel, etc) at the “discretion” of the Priest-in-Charge. These funds cannot be used to benefit the Priest-in-Charge (or other administrator of the Fund) or to supplement the congregation’s budget in any way. They are to be used only for pious and charitable purposes.

Examples of Pious and Charitable Purposes

- Assistance with utility bills
- Assistance with rent
- Assistance with tuition/books
- Purchasing bus passes
- Purchasing groceries
- Scholarships for a Bible camp for children in need

A Separate Account

It is recommended that pious and charitable disbursements be made from the General Accounts of the congregation through a designated fund. A separate bank account may, however, be set up specifically for these disbursements. This can allow the person who has oversight of the funds with ready access to them. When an Alms Fund is held in a separate bank account, additional requirements for review may apply. Such a bank account for the Alms Fund should be in the Church’s name and under the Church’s federal ID number. The clergy person’s name or title should not be used for this type of fund. The name of the Fund should be that of the Church, for example:

St. Barnabas Episcopal Church Alms Fund
3817 Kamoku Circle
Mililani, HI 96789

Who Administers the Alms Fund?

The Alms Fund is usually administered by the Priest-in-Charge. The Priest-in-Charge may, however, designate another person to act as the administrator of this Fund (for example, a deacon). When there is no settled Priest-in-Charge, the Vestry/Bishop’s Committee should designate an administrator of the Fund.

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Supporting Documentation of Disbursements

Supporting documentation of disbursements made from the Alms Fund must be kept and made available to the Auditor. At a minimum, documentation should include cancelled checks (request that the bank include copies or images of cancelled checks with the bank statements). Additional documentation may include receipts, aid request forms, and copies of utility bills, late rent notices, personal IDs, tuition notices, etc.

Reviewing and Auditing the Alms Fund

The Wardens should regularly (at least quarterly) review the use of the funds with the Priest-in-Charge or other designated administrator. The Alms Fund must be audited annually to ensure the Fund is being used properly. And, the Church should maintain *written documentation* from each year's audit of the Alms Fund. The completed "Worksheet for Audit of Alms Fund" will suffice as documentation that an audit was conducted.

Who Audits the Fund?

The Fund is to be audited by the Senior/Bishop's Warden, Treasurer, or other member of the Vestry/Bishop's Committee as designated by the Vestry/Bishop's Committee. The person who audits the Fund should be independent and objective, as well as not be able to write, sign, or approve checks written from the account. The purpose of the audit is to review the use of the funds and to assure that all accounts are properly balanced with appropriate documentation; therefore, the "Auditor" must be a person who can maintain confidentiality and ensure the reasonable accounting of the Church's money.

Procedures for Auditing the Alms Fund

The person performing the audit (hereafter referred to as the Auditor) should obtain the check register from the Priest-in-Charge (or other designated administrator). Then:

- Determine the audit time frame.
- Determine the number of checks written during the audit time frame.
- Chose a number or percentage of the checks written that will be examined. A reasonable percentage would be 20%.
- Multiply the number of checks by the percentage to get the number of checks that will be examined, rounding up to the nearest whole number.
- Examine documentation (see below) on that number of checks to ensure that the Fund was used for pious and charitable purposes.
- Document the findings (see "Worksheet for Audit of Alms Fund").
- Keep the written documentation of the completed audit in the Church files.

Example

- The audit time frame is January through December.
- During this time, 98 checks were written.
- 20% of them will be examined.
- $98 \times 20\% = 20$ (rounded).
- 20 checks will be examined.

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How to Examine Documentation

- Note the check number, date, and amount of each check selected for examination.
- Review the supporting documentation for each check.
- Note the purpose while redacting the names of the recipients (ex: “assistance with electric bill for Joe Smith” may be simply noted as “assistance with electric bill”).
- If a check’s purpose is not apparent, the Auditor should ask what the check was used for and determine proper use based on the response.

Other examinations of the Fund may also be conducted and noted by the Auditor, but are not necessary for completion of the audit. Again, the main purpose of the audit is to determine if the Fund is being used for pious and charitable purposes. These may include:

- Check was signed by authorized signer
- The amount given was kept within established limits
- How often people received help was kept within established limits
- Making certain there were no disallowed disbursements (ex: no checks to “Cash”, or no reimbursements for grocery receipts that include alcohol or tobacco purchases)
- Approval by the Vestry/Bishop’s committee, if required, was obtained

What if it Was Not Used for a Pious and Charitable Purpose?

If it’s discovered that a disbursement was not made for pious and charitable purposes, the Auditor shall note it in the report and recommend that the Fund be used for proper purposes in the future.