THE CHURCH AUDIT: YOU CAN DO THIS!

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THE ANNUAL CHURCH AUDIT needs some better PR…

It is a poor, misunderstood part of the life of the church.

PDF OF THE SLIDES

For PDF of slides email me: kstoane@umdiscipleship.org

WHY IS THERE SO MUCH…


THANK YOU, IRS!
WHAT INCREASES THE STRESS...

When the audit is not conducted regularly, it moves from being an ordinary part of the lifecycle of the church to something extraordinary and therefore negative.

CHURCH AUDIT IS NOT

- Criminal Investigation
- Witch Hunt
- Inquisition
- Threat
- Power Play
- Vendetta

CHURCH AUDIT IS NOT...

...getting some “numbers on the form,” getting it signed and getting the DS to take it with her or him after charge conference.

WHAT IS THE CHURCH AUDIT?

Audit, the term as used in the Discipline, is meant to be a process that provides reasonable assurance that good stewardship is being used in handling and accounting for the funds and other assets of the local church.

LOCAL CHURCH AUDIT – an independent evaluation of the financial reports and records of the internal controls of the local church by a qualified person or persons for the purpose of reasonably verifying the reliability of financial reporting, determining whether assets are being safeguarded, and whether the law, the Discipline, and policies and procedures are being complied with.

LOCAL CHURCH AUDIT GUIDE (2016)

http://www.umcdiscipleship.org/resources/local-church-audit-guide
Ultimate Goals of Audit

1. Protection for local church leaders
2. Trust and confidence of donors
3. Continuity in turnover
4. Accountability & transparency
5. Restrictions are respected
6. Checks & balances for funds received and expended.

Every local church.

The local church Finance Committee “shall make provisions for an annual audit of the financial statements of the local church and all its organizations and accounts. The committee shall make a full and complete report to the annual charge conference.” ( ¶258.4d.)
"Appendix A" leads you, step by step, through the audit process.

DO WE NEED A PAY FOR AN AUDIT?

- According to GCFA's Guide
  - If receipts are less than $500K/year, a volunteer audit committee is fine.
  - Receipts more than $500K, then the recommendation is for a CPA conducted audit (consult the Audit Guide).

WHAT'S INVOLVED IN THE AUDIT?

1. Compare the reports of treasurer and financial secretary with bank statements, invoices, etc.

2. Follow the money! How is it treated at different steps along the way (plate donations, electronic or mailed donations, deposits, etc.)

3. Document that donor designated money and income earned from designated funds are being used correctly.
WHAT’S INVOLVED IN THE AUDIT?

Review accounting controls—systems that reduce the possibility of loss, inappropriate use of funds, or errors.

WHAT’S INVOLVED IN THE AUDIT?

Segregation of Duties—assurance that more than one person is involved in critical steps in handling money so that there can be checks and balances.

WHAT’S INVOLVED IN THE AUDIT?

Reasonableness of systems and procedures in light of all factors, including the size of the church and its budget.

WHAT’S INVOLVED IN THE AUDIT?

Records that show “donor’s intent” for the use of gifts made to the local church.

WHAT’S INVOLVED IN THE AUDIT?

Confirm that tax reporting requirements are being met in a timely manner.

WHAT’S INVOLVED IN THE AUDIT?

Review church property and insurance policies, noting values and when they were last updated.
WHAT’S INVOLVED IN THE AUDIT?

1. Review maintenance of important church records (and access). Are electronic records backed up regularly? Paper documents kept safely?

“WHO YA GONNA CALL?”

• A church member, accounting experience
• Someone in the banking field
• Someone who manages a business
• Great: someone not yet in leadership
• Two or more are great.
• NOT: treasurer, financial secretary, finance chair (relatives of any of these)

AUDIT TEAM EXCHANGE?

GET REQUIRED INFORMATION READY

✓ Treasurer,
✓ Financial Secretary,
✓ Finance Chairperson

FOLLOW THE ROADMAP!

QUESTIONS?

THANK YOU!
Thursday, May 11, 2017, 6:30PM CDT

Electronic Giving: What Are You Waiting For?

Money has gone digital, communication has gone digital, education has gone digital – the church can embrace the digital culture without losing the human relationships that mean so much to all of us! Join us as we share some of the ways stewardship can (and must) thrive in the digital world!

Thursday, July 13, 2017, 6:30PM CDT

The Annual Campaign Toolbox

Will your church be planning an annual campaign this year? It is an important piece, but it is just a piece of what could (and should) be a larger stewardship strategy for your church. Join us as we explore the annual campaign resources, time-tested tools and a year-round strategy to keep generosity before your people all the time!

http://www.UMCdiscipleship.org/webinars