

THE AUDIT COMMITTEE

Definition

The audit committee is appointed by the church council. This committee should be composed of at least two members of the congregation, excluding the treasurer and the financial secretary. It is preferable that they be select individuals who have had training in accounting procedures.

The audit committee, with approval of the finance committee, may secure outside help on a fee basis from an independent accountant, registered in the state.

Functions

The audit committee

- a. Examines and reviews all accounts and records.
- b. Exercises supervision and oversees the work of the audit if it is conducted by an outside auditor.
- c. Examines all insurance policies and prepares a schedule of the insurance coverage.
- d. Inspects and examines securities and investments.
- e. Prepares a schedule of the securities and investments for review by the finance committee.
- f. Reports its findings in writing to the church council with supporting schedules and recommendations for change and improvement.

Procedures

1. Review the recording of cash receipts:

- a. Trace deposits from the counter's reports in the financial secretary's and treasurer's records. Compare these to the entries recording such deposits so they agree with the deposits recorded by the bank.
- b. Check on the timeliness of the deposits.
- c. On a sample basis, check the account distribution in the cash receipts journal, being especially alert for funds designated for specific purposes.

2. Verify check accounting:

- a. Inspect the cash expenditures record in the cash disbursement journal which should show the date, check number, name of payee, amount of check and account distribution for each check written.
- b. Check mathematical accuracy of entries.
- c. Examine the authority for writing a check such as approval on invoices; pastor's call, including current salary and housing arrangements; contract agreements; actions of council reported in minutes.
- d. Examine checks to verify that disbursements were actually paid to the proper parties.

- e. Account for all checks, used and voided.
- f. Prepare a statement of expenditures for comparison with the adopted budget for the year and analyze variances.
- g. Prepare a tabulation of benevolence payments to the synod and compare with statements received from the synod. Compare this total with the expected response for the year.
- h. Analyze expenditures, noting proper capitalization of major improvements, refurbishing, new equipment.

3. Reconcile bank accounts:

- a. Inspect, on a sample basis, endorsements on the cancelled checks.
- b. Request banks, savings and loan associations, and other investment agents to confirm, in wiring, the balances held in accounts.
- c. Confirm authorized signatures for check writing with the financial institutions.
Compare signatures on the card with those currently used on checks.
- d. Prepare a statement of reconciliation between bank balances and balances shown on the books. The reconciliation should begin with the bank's balance. Add to that figure deposits shown on the books but not yet credited on the bank statement. Subtract the outstanding checks (those which have not yet cleared the bank) to prove the balance shown on the books.

4. Examine petty cash funds to determine that

- a. Disbursements vouchers have proper approval.
- b. Reimbursements to the fund are made properly.
- c. Maximum figure for individual payments has been established and followed.

5. Examine individual member records

- a. Compare "pledge amount" with the signed pledge.
- b. On a sample basis, check the financial secretary's posting of contributions to the members' records.

6. Inspect insurance policies and prepare a schedule of insurance in effect to show:

- a. Effective and expiration dates.
- b. Kind and classification of coverage.
- c. Maximum amounts of each coverage.
- d. Premium amounts and terms.
- e. Comparison of insurance coverage with the insurance appraisal or other supporting cost data.