Local Church Audits

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Definition: Local Church Audit

An evaluation by a qualified person for the purpose of verifying the:

- reliability of the financial reporting,
- the safeguarding of the assets, and
- compliance with the law and church policies.
1. To protect the persons the local church elects to offices of financial responsibility from unwarranted charges of careless or improper handling of funds.

2. To build the trust and confidence of the financial supporters of the church in the way their money is being accounted for.
3. To assure that gifts made to the church are handled in accordance with the donors’ instructions, and to let the donors know their gifts were used as intended.

4. To provide checks and balances for sums received and expended.
Specifically, the local church auditor will:

1. Independently verify the reports of the local church treasurer.
2. Follow the money and test how it is treated at different steps.
3. Document that donated funds have been used as stipulated by the donors.
Actions of the Local Church Auditor

4. Review the accounting controls and segregation of duties to the extent reasonable (considering the size of the church and its budget).

5. Review the adequacy of insurance coverage.

6. Determine that the material expenses have the appropriate votes and supporting documents.

7. Insure receipts issued match income reported.
8. Insure offering calendar is followed and all offerings are promoted.
9. Insure funds are remitted to the field on a regular basis.
The Local Church Auditor requires access to:

1. Copies of all minutes from the finance committee and the local church board.
2. Listing of all bank and investment accounts, including the person authorized to sign on each, and any special use accounts under the control of the pastor and/or in the name of the church.
3. Financial statements for each month of the year, plus December of the prior year and January of the subsequent year (a 14-month period).

4. Bank and investment account statements for the same period.

5. Original books of entry or a print-out of all transactions by account for the entire year.

6. All paid invoices, income transmittals and deposit records for the 14-month period.
The person conducting the audit must be given access to confidential information and must treat that information accordingly.
1. At least two individuals should count the offerings; these individuals should be unrelated.

2. The individuals who count the offerings should document the totals and give that information to a third party (not the church treasurer).

3. Offerings should be deposited the first business day.
4. At least two persons should be listed as authorized signatures on all accounts—the church treasurer and a member of the church finance committee (preferably not the pastor).

5. Appropriate documentation should be maintained for every disbursement, whether by paper checks, electronic payments, or cash.

6. It is recommended that invoices for payment to be approved by an individual other than the church treasurer.
7. All accounts should be reconciled monthly.
8. Someone other than the church treasurer should review the bank reconciliation at least semi-annually, including bank statements, invoices, checks written, and financial reports.
9. The church treasurer should make a detailed financial report and comparison with the budget at each meeting of the church board.
10. If the church maintains a safety deposit box, access to the box should be allowed to two unrelated people.

11. Computer records should be backed up and password protected for security.

12. Any disbursements to the local church treasurer should be reviewed and approved by another individual other than the local church treasurer himself/herself.
Challenges in the MENA Region

1. The lack of qualified auditors to perform local church audits.
2. The lack of qualified local church treasurers.
3. Many of our local churches are not recognized as legal entities and are unable to open and operate bank accounts.
4. The government restricts the movement of funds particularly to another country.
Challenges in the MENA Region

5. The small membership and limited resources to fund the local church budget.
6. Lack of understanding of internal control and cultural barriers which can be interpreted as a lack of trust.