

Effective Local Church and School Audit Program

Beyond The Bottom Line
2022 Conference: Transformative Leadership
Thriving in a Changing World
March 27-29, 2022
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Benefits of an Audit/Review Program

- **Promote best practices for controls**
- **Adds to the Integrity of the accounting records**
- **Decreases the tendency of fraudulent activities**
- **Ensure compliance with policies and regulations**
- **Determine adequacy of Internal controls**



Benefits of an Audit/Review Program

- **Working Policy – SA 05 27**
 - **Summarized version - Local Church, school and other local church organization financial records should be reviewed at least biennially. (At least 95% reviewed during past 2 years)**
 - **Risk Management reporting**
- **Exposing Accounting majors to the Church accounting process**
- **Future Chief Financial Officers/Treasurers, GC Auditors and Accountants**

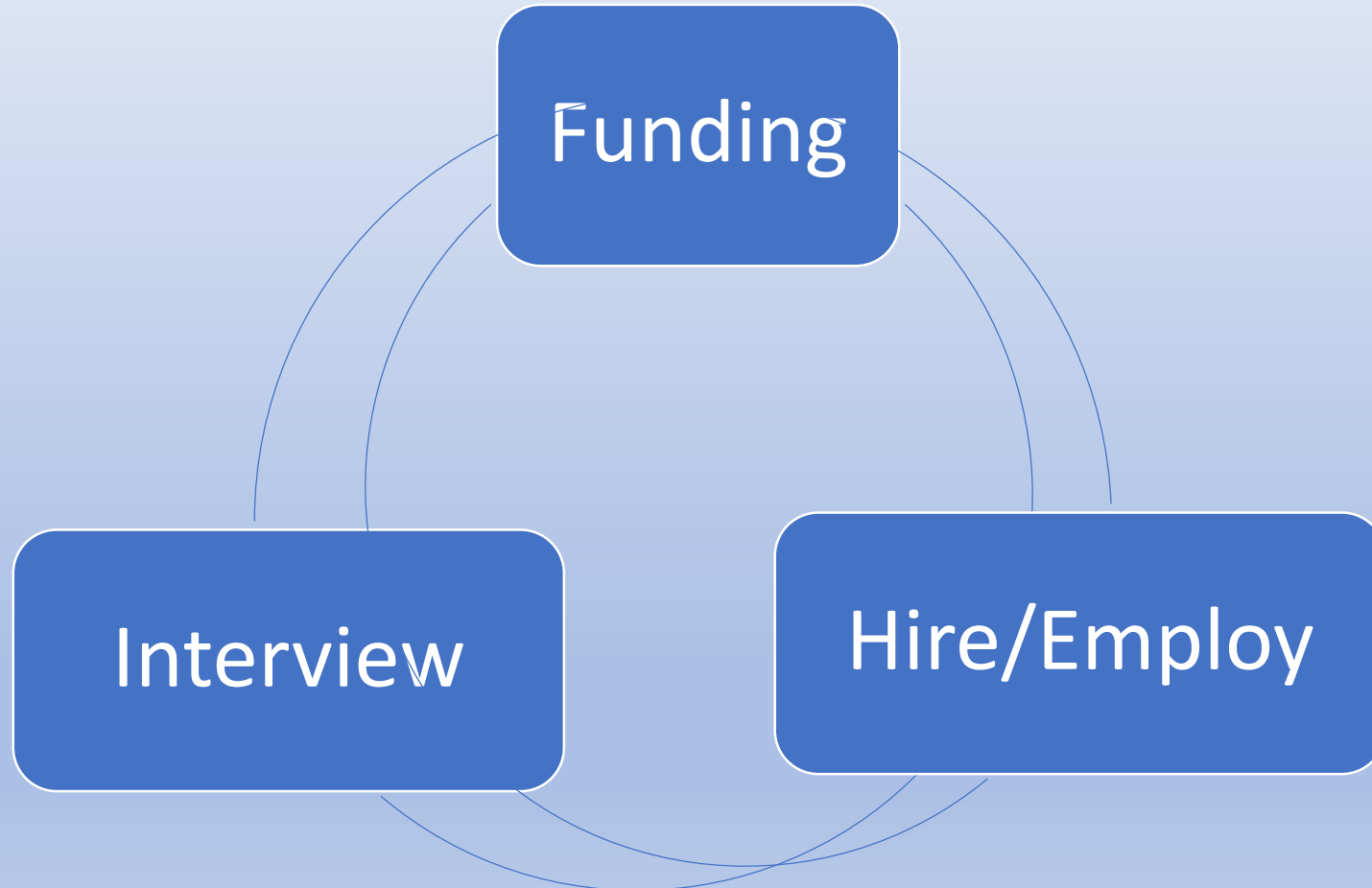


Recruitment Plan – Paid Internship

- Colleges/Universities
- Career Days (Junior Accounting Majors)
- Career Fairs
- Local Church-for Accounting Students



Recruitment Plan – Paid Internship



Track 1 or 2

Track 1

Track 2

Field Audits – Traveling Auditors

Audits done at the Office – Uploaded/Shipped to Office

- Travel Card (American Express card)
- Housing
- Transportation
- Audit Status Report
- Equipment/Supplies
 - GPS and a Road Map
 - Cell Phone
 - Computers

- Housing
- Audit Status Report
- Equipment/Supplies
 - Computers



Week of Training

- Overview of Internship program
- Hands on training
- Road schedule (city state of Church/School)
- Audit review - working papers



Training – Track 1

- Schedule first five appointments with treasurers –
Have Interns make appointments from first day of training
- Traveling Plans - make hotel reservations for the first five cities



Working Documents

- **Audit Review Program**
- **Initial Interview – Internal Control Questions**
- **Bank Reconciliation**
- **Materiality Worksheet**



Working Documents

- **Income Test** (Tithe & Offerings or Tuition Income)
- **Test of Transactions – Cash Disbursements**
- **Conference Remittance Review**
- **Disbursements to Pastor/Treasurer/Principal**



Audit Review List

- Arrangement Letter
 - Sent to Pastor/Principal
 - Sent to Treasurer/Business Manager
- Review prior audit working papers
- Interview
 - Internal Control
 - Audit Level Check List
- Bank Reconciliation
- Materiality Worksheet
- Income Test
- Test of Transactions-Cash Disbursements



Arrangement Letter



- **Email a letter to the Pastor, the church Treasurer, school Principal and the school Accountant**
- **Gives scheduled date of audit**
- **List items needed at time of the audit**



March 10, 2022

Dear Treasurer:

The Auditing Department of the X Conference of Seventh-day Adventist has two teams of summer intern auditors to help audit the church records. Their schedule is from May 10- July 31, 2022 for the audit of your church records. The following items from your records will be needed at the time of the audit:

- Church Board Minutes (Related to Treasury department Items only)
- Deposit Book or Slips
- Church Checkbook and Old Check stubs
- Tithe Receipts
- Tithe Envelopes
- Bank Statements (include January of 2022)
- Canceled Checks
- Income Journal
- Disbursement Journal (Journal of Expenses)
- List of Accounts Receivable, old and new, if any
- Savings account statements
- All Computer Ledger Listings
- A copy of the Church Insurance Policy
- A copy of the Church Bus Insurance Policy, if any
- All Information on any church loans
- List of Church Board Members names & addresses or email address

Please note it is very important that ***all records*** are made available from the last audit date.

Thank you for your cooperation in this very important matter and for your leadership in this field. Please feel free to give me a call at (615) 226-6500 x.116, if you have any question.

Cordially,

Sonja M. Crayton

Sonja M. Crayton

Auditor

cc: Pastor



Audit Review List

✓ Arrangement Letter

- Sent to Pastor
- Sent to Treasurer

✓ Review prior audit working papers

➤ Interviews

- Internal Control
- Audit Level Check List



Connecting with the Local Treasurer

Initial Interview

- The initial interview gives you a feel for the accounting environment and the internal control procedures.



Audit Review List

✓ Arrangement Letter

- Sent to Pastor
- Sent to Treasurer

✓ Review prior audit working papers

✓ Interview

- Internal Control
- Audit Level Check List

➤ Guess what's next



Time to get to work!



Audit Review List

✓ Arrangement Letter

- Sent to Pastor
- Sent to Treasurer

✓ Review prior audit working papers

✓ Interviews

- Internal Control
- Audit Level Check List

• Bank Reconciliation

• Materiality Worksheet

• Income Test

• Test of Transactions-Cash Disbursements



Audit Review List

- Conference Remittance Test
- Auditor's Notes
- Auditor's Log Sheet
- Exit Interviews



Exit Interview



- **An overall exit interview with both the Pastor/Principal and Treasurer/Business Manager**
- **Information given:**
 - **Overall report of audit**
 - **Review opinion letter**
 - **Observations or recommendations**

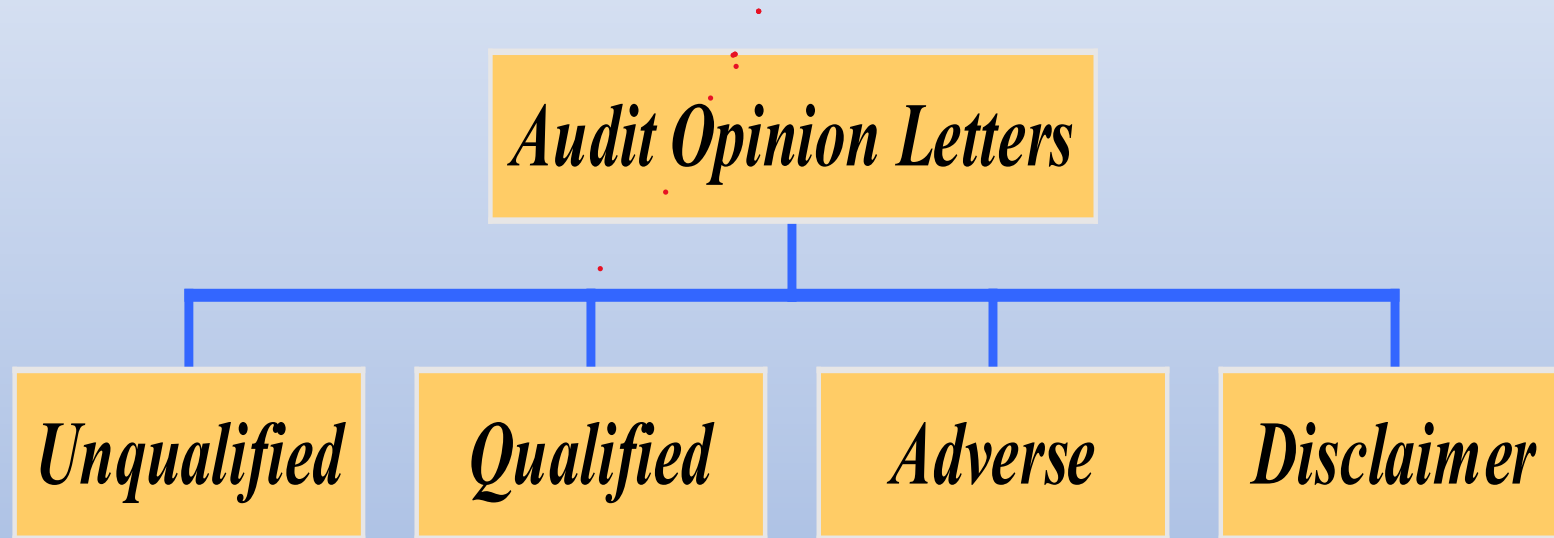


Audit Review List

- ✓ Conference Remittance Test
- Opinion Reporting
- ✓ Auditor's Notes
- ✓ Auditor's Log Sheet
- ✓ Exit Interviews



Reporting – High Risk – Low Risk



Old way of Reporting



*Comments
and
Recommendation
Letter*



Financial Statements

- **Statement of Financial Position**
- **Statement of changes in Net Assets**



Task two weeks before Internship Ends



Local Audit Program Successfully Completed!

Do it again next year!



Summary



BENEFIT OF AUDIT
REVIEW PROGRAM



RECRUITMENT



TRAINING



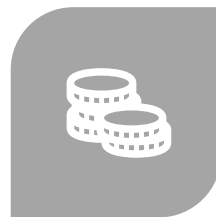
WORKING
DOCUMENTS



INTERVIEW



PERFORM AUDIT
REVIEW



PRODUCE FINANCIAL
STATEMENTS



SHARE OPINION
WITH GOVERNING
BOARDS



Q & A

Thank You

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