

EMMANUEL LUTHERAN CHURCH

THE AUDIT COMMITTEE

DESCRIPTION OF DUTIES

APPROVED BY THE CONGREGATION COUNCIL

Approved November 11, 2021

ESTABLISHMENT

This Audit Committee was established by the Emmanuel Lutheran Church Constitution, Bylaws & Continuing Resolutions, paragraph C13.03.

AUDIT COMMITTEE RESPONSIBILITIES

This document is a more specific description of those duties outlined in paragraph C13.03.01 of the Emmanuel Lutheran Church Bylaws & Continuing Resolutions.

“After December 31 each year, but prior to the annual meeting, the Audit Committee shall examine all the Church financial *records* and determine that *these records* are in order.”

The Congregation Council will provide guidelines for the Audit Committee to perform its work and periodically review, revise, update, replace or eliminate those guidelines to be consistent with the needs of the congregation, the church and the audit process.

The Audit Committee, upon approval from the Congregation Council, may secure outside help on a fee basis from an independent accountant, registered in the state.

AUTHORITY

To accomplish this task, this Committee is empowered to request that all other current or future committees of Emmanuel Lutheran Church cooperate and support the work of the Audit Committee. This Committee may also make requests to employees of Emmanuel Lutheran Church in the performance of its work. A committee with a budget to perform its work may expend the monthly budgeted allocation or *the year to date* accumulated *amount budgeted* at the time expenditures are made. The Audit Committee must follow the policies, procedures and guidelines set for expenditures by the Congregation Council and administered by the Finance Committee.

This Committee has no authority to make changes to its primary tasks or mission without the approval of the Congregation Council. The Audit Committee has no authority to direct changes to any Emmanuel Lutheran policy, procedure, or guideline. The Audit Committee must make recommendations for changes, as needed, to the Congregation Council based upon its annual audit findings.

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COMMITTEE MEMBERSHIP

Per paragraph C13.03 of the Emmanuel Lutheran Church Constitution, Bylaws & Continuing Resolutions: “An Audit Committee of three (3) voting members shall be elected by the Congregation Council. Audit Committee members shall not be members of the Congregation Council. Term of office will be three (3) years, with one member elected each year. Members shall be eligible for reelection.”

Additionally, on an annual basis, the Audit Committee will elect a Chairperson.

The term “voting members” referred to in paragraph C13.03 above means, voting members of Emmanuel Lutheran Church.

Individuals who currently hold the positions of Treasurer, Financial Secretary, or are a current member of the Finance Committee with Emmanuel Lutheran Church cannot serve on the Audit Committee.

Additionally, it is preferred that individuals who are selected to serve on the Audit Committee should have some training in accounting procedures.

COMMUNICATION

The Audit Committee shall report to the Congregation Council and the Congregation annually. This report may be given to the Congregation Council via the Pastor, Treasurer or other appropriate church staff member. The Audit Committee reports to the Congregation via a written report incorporated into the Annual Meeting Summary Notice. New Committee members are oriented into this Committee by receiving a copy of this Committee description and other information specific to the work of this Committee.

Provisional Adoption of this description

Upon approval of this Audit Committee Description and Guidelines by the Congregation Council, the description and guidelines herein will be in full force and effect except for the provision relating to the membership of the Audit Committee. The current Audit Committee members will be re-elected to perform the audit for the 2019 budget year. Beginning with the 2020 budget year the Audit Committee membership provisions will be phased in per the Emmanuel Lutheran Church Constitution and the provisions of this Description. That is, one member to the Audit Committee will be elected or re-elected to serve on the Audit Committee each year for a three (3) year term. Congregation members who are current members of the Congregation Council, or Finance Committee, or hold the position of Treasurer, or Financial Secretary may not serve on the Audit Committee.

ELCA CONGREGATIONAL AUDIT COMMITTEE GUIDELINES

ADOPTED BY EMMANUEL LUTHERAN CHURCH

Functions

- a) Examines and reviews all financial *records*.
- b) Conducts the annual audit, or exercises supervision and oversees the work of the audit if it is conducted by an outside accounting firm or an individual or individuals from the congregation.
- 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 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 checking account(s) disbursements:

- 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; and actions of the congregation council as reported in the Congregation Council's meeting minutes.
- d) Examine checks to verify that disbursements were actually paid to the proper parties.
- e) Account for all checks, used or voided.
- f) Prepare a statement of expenditures for comparison with the adopted budget for the year and analyze variances.
- g) Prepare a tabulation for benevolence payments to the Synod and compare with statements received from the Synod. Compare this total with the pledged amount for the year.
- h) Analyze expenditures, noting proper capitalization of major improvements, refurbishing, and new equipment.

3. Reconcile bank accounts:

- a) Inspect, on a sample basis, endorsements on the cancelled checks.

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- b) *Review* all financial *paper statements* to confirm, in writing, the balances held in all accounts at year end.
- c) Confirm authorized signatures for check writing with financial institutions. Compare signatures on the card with those currently used on checks.
- d) Review all bank reconciliations to ensure that the beginning balance of each month is the same as the ending balance of the previous month.
- e) Pick one month and re-perform the bank reconciliation for each account using the trial balance and the bank statement. Investigate all discrepancies.
- f) Prepare a statement of reconciliation between confirmed 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 to prove the balance shown on the books.
- g) Ensure that outstanding checks are relatively current. All larger dollar items over six months old should be questioned and resolved to the auditor's satisfaction.
- h) Ensure the reconciliations have been reviewed by a person other than the treasurer.

4. Examine petty cash funds to determine that:

- a) Disbursement vouchers have proper approval.
- b) Reimbursements to the fund are made properly.
- c) Maximum figure for individual payments has been established and followed.
- d) Count the cash and receipts residing in the fund and reconcile.

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 member's records.

6. Inspect insurance policies and prepare a schedule on 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.

7. Examine payroll records:

- a) Obtain all quarterly Form 941's, W-2's, and 1099-Misc. forms.
- b) Ensure that the total taxes paid on Form 941 agrees with the total of payroll taxes withheld for each employee and reported on Forms 941.
- c) Ensure each Form 941 and corresponding payment was transmitted to the IRS in a timely manner.
- d) Verify that each employee has completed and signed a W-4 and I-9.
- e) From the W-4, ensure that the amount of withholding requested by the employee matches the amount reported on the employee's W-2.
- f) Ensure that employee pension and medical benefits are paid and current.
- g) If the employee has a tax-deferred annuity or 403(b) account, ensure it is supported by a signed agreement and that it is properly reported on the W-2.
- h) Ensure that the housing allowance resolution for clergy is in place and properly reported.

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8. Government Filings:

Purpose: Validate compliance with all other government filing requirements. Inquire as to any government filing requirements and, if any exist, review the filings to make certain they are accurate, current and complete.

- a) If the state requires an annual or periodic filing to renew incorporation *and/or tax-exempt* status, those reports should be reviewed to ensure compliance.
- b) If the state exempts real property *and/or personal property* of the congregation, and annual or periodic reports must be filed, those reports should be reviewed.