

Board Monitoring of Church Finances: What to Do — and When

By Rob Faulk, Partner

Below is a summary of financial actions your board finance or audit committee should complete during their meetings throughout the year. It outlines a *minimum* of three meetings that a combined church finance/audit committee should have, and the tasks that should be completed in each meeting. Due to the amount of agenda items covered in each meeting, the board may decide to separate these into multiple meetings to shorten the agenda for each.

Tasks that should be completed by the audit committee are marked with an (A). Note that some states have laws prohibiting the combination of these two committees. If so, the duties below should be separated by committee.

It's important to emphasize that this model assumes the committee has skilled members with a financial background. The frequency of meetings and the tasks covered in each meeting may be more or less than outlined below, depending on the number of meetings and whether the committee is combined or split out into separate audit and finance committees.

Standing Agenda Listing for Finance/Audit Committee with a Fiscal Year-End of December 31

Reminder: Minutes should be maintained for all meetings

MEETING 1: FALL MEETING MINUTES

1. Budget approval
2. Approval of audit firm services, if any (A)
3. Review and approval of miscellaneous auditor services, if any (A)
4. Review of progress on auditor comment letter items (A)
5. Financial reporting risk evaluation
6. External auditor engagement scope and audit plan review, if any (A)
7. Discussion and approval of estimates and judgments
8. Review of internal audit report, if available (A)
9. Review of fraud risk
10. Review of unique transaction report
11. Review of agreements report
12. Review of service organization controls, if any [AICPA, Professional Standards, AU sec. 324]
13. Review of annual conflict of interest questionnaire completed by each board member and senior managers of the church
14. Review/approval of housing allowances for the next year (the IRS requires housing allowances to be approved by the board on a prospective basis)
15. Review of policies and procedures in effect for determining executive compensation and benefits. (This committee would not set or suggest compensation and benefits, just monitor the system in place to review them.)
16. Review of unrelated business income (UBI)
17. Review of internal control cycles (including documentation) and inquiry about any significant changes
18. Executive sessions or a session where only the board members (no management) and specific outside parties are present.
 - a. Financial Secretary
 - b. TreasurerNote: If any issues of concerns are raised to the committee, within its scope of responsibility the committee should cause an investigation to be made and report such to the board.

MEETING 2: SPRING MEETING MINUTES

1. Review of whistleblower activity, if any (A)
2. Review of code of conduct for continued adequacy
3. Review of internal control cycles (including documentation) and inquiry about any significant changes
4. Review of override of controls
5. Audit and accounting update
6. Review of conflict of interest transactions
7. Review of the internal audit function, if applicable (A)
8. Review of master vendor report
9. Executive sessions
 - a. Executive Pastor
 - b. Auditor's communication with those charged with governance auditor meeting [AICPA, Professional Standards, AU sec. 380]. This occurs between assessment and final fieldwork; determine the extent of reliance on internal auditor's work, if applicable (A).

Note: If any issues of concern are raised to the committee within its scope of responsibility, the committee should cause an investigation to be made and report such to the board.

MEETING 3: SUMMER MEETING MINUTES

1. Review and acceptance of external auditor reports, if any (A)
2. Evaluation of external auditor performance, if applicable (A)
3. Review and adjustment of agenda for the next 12 months
4. Review of the findings of any examinations by regulatory agencies (including taxing authorities, local, state, and national), if any (A)
5. Reaffirm finance/audit committee charter
 - a. Appropriate membership?
 - b. Appropriate work cycle?
6. Self-evaluation by both committees
7. Assessment/self-evaluation by finance staff
8. Review of loan agreements and debt covenants

9. Review of internal control cycles (including documentation) and inquiry about any significant changes
10. Executive sessions:
 - a. CIO
 - b. Senior/Lead Pastor
 - c. General Counsel
 - d. External Auditor (A)

Note: If any issues of concern are raised to the committee within its scope of responsibility, the committee should cause an investigation to be made and report such to the board.

CYCLES CONTROL REVIEWS

Consider ways to improve these controls and whether the accounting and financial policies are adequate.

Discuss during Meeting 1

Assets
Liabilities
Net Assets
Override of Controls

Discuss during Meeting 2

Support/Online Giving
Revenue

Discuss during Meeting 3

Compliance
Unique Transactions
Fraud
Expenses/Electronic Payments

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finance or audit committee should
complete throughout the year.**

About the Author

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Rob has more than 35 years of financial leadership experience in serving both for-profit and nonprofit entities, as well as more than eight years of direct ministry experience as Executive Pastor and CFO of large churches. He previously served with a Big Six accounting firm, where he was the lead manager on the project that developed the COSO Internal Control framework. Rob holds an MA in Ministry Management from Azusa Pacific University Graduate School of Theology.

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