



## Stake Audit Committee

*This document outlines the purpose, organization, duties, and accountability of the stake audit committee.*

**Note:** In this document, the terms *stake president*, *stake auditor*, and *stake clerk* refer also to the same positions in districts and missions. The term *stake audit committee* refers also to district and mission audit committees. The term *clerk* refers to clerks and to assistant clerks assigned to help with financial record keeping. The term *unit leader* refers to the bishop, branch president, stake president, or district president. The term *stake* refers also to districts. The term *ward* refers also to branches.

### 1. PURPOSE

The stake president makes sure that all Church funds are handled properly and are accounted for according to Church financial instructions (see *General Handbook: Serving in The Church of Jesus Christ of Latter-day Saints*, 34.6, [ChurchofJesusChrist.org](http://ChurchofJesusChrist.org)). He also makes sure that unit leaders and clerks learn their duties regarding finances and that they follow Church financial policies and procedures (see *General Handbook*, 34.2.1). He organizes a stake audit committee to assist him in fulfilling these responsibilities. The stake audit committee identifies, evaluates, and addresses stake financial risks—especially risks of misuse of Church funds. The stake audit committee makes sure that unit leaders and clerks follow Church financial policies and procedures.

The First Presidency established area audit committees to safeguard sacred funds, ensure their proper use,

and strengthen priesthood leaders and clerks. Stake audit committees play a key role in accomplishing these same objectives as they learn and perform their duties and function as a council.

President M. Russell Ballard, speaking of the importance of committees and councils in the Church, said: “God, the Master Organizer, has inspired a creation of a system of committees and councils. If understood and put to proper use, this system will decrease the burden on all individual leaders and will extend the reach and the impact of their ministry through the combined help of others” (“Counseling with Our Councils,” *Ensign*, May 1994, 24).

For the stake audit committee to be truly effective, its members must work together. The committee chairman or a committee member should not try to do all of the work alone. Acting alone diminishes the benefits, power, and blessings that are available when a unified stake audit committee counsels and works together.

### 2. ORGANIZATION

The stake president forms a stake audit committee consisting of one of his counselors as the committee chairman and two other stake members who understand or can be trained in financial matters. These brothers or sisters should hold current temple recommends. The committee chairman should not normally sign checks or payment approval forms or be otherwise involved in stake financial record keeping. Committee members should not be stake auditors and should not perform stake or ward financial record keeping. (See *General Handbook*, 34.9.1.)

### 3. DUTIES

The stake audit committee has four principal duties:

1. Manage the financial audit process.
2. Train stake auditors.
3. Oversee other stake financial training.
4. Counsel together to identify, evaluate, and address financial risks within the stake.

#### 3.1 Manage the Financial Audit Process

The stake audit committee manages the financial audit process by:

1. **Properly preparing stake auditors to conduct thorough, accurate, and timely audits.** Stake auditors receive regular training to make sure they understand Church financial policies and procedures, the intent of each audit question, and how to address all identified risks for each unit they audit. (See “3.2 Train Stake Auditors” later in this document).
2. **Overseeing the quality of the audits performed.** The stake audit committee reviews each completed audit for thoroughness and accuracy and to determine if all financial risks are being addressed. The committee should require corrections to the audit when needed.
3. **Overseeing the quality of corrective actions.** The stake audit committee reviews each corrective action and evaluates its effectiveness in resolving the audit exception, including its effectiveness in eliminating the root cause of the exception. The committee works with ward and stake leaders to revise corrective actions when needed.

There are two audit cycles each year. Year-end audits can be started January 15, should be submitted by March 15, and cover transactions from July 1 through December 31 of the previous year. Midyear audits can be started July 15, should be submitted by September 15, and cover transactions from January 1 through June 30 of the current year.

Audits are conducted using either the online Local Unit Financial Auditing System (LUFAS) or paper forms printed from LUFAS.

Three stake audit committee meetings each audit cycle and some individual work by each committee member are generally necessary to accomplish the committee's duties. Where travel is difficult or costly, area and local leaders may choose to hold one or more of these meetings by video or telephone conference call. Where telephone, internet, or other communication resources are inadequate, other adaptation may be required. Confidentiality should be stressed in all stake audit committee meetings.

#### FIRST MEETING—AUDIT PLANNING

To prepare to have thorough audits submitted on time, the stake audit committee holds an audit planning meeting at least one or two weeks before audits begin (before January 15 and July 15). This meeting includes the stake audit committee, stake auditors, stake clerk, and assistant stake clerk assigned to finances.

Agenda items for this meeting may include the following actions:

- Give auditors their assignments.
- Train auditors.
- Review audit questions and their accompanying instructions. Use the Practice Audit tool in LUFAS for an effective review of the audit questions.
- Review LUFAS release notes for changes or upgrades.
- Review previous audit results to assess any risks or weaknesses that may need additional attention in the current audits.
- Review repeated audit exceptions and discuss what additional testing may be required in this audit period to make sure that previous corrective actions were effective.
- Evaluate units with a history of no audit exceptions. A long history of no exceptions is unlikely if audits are thorough.
- Notify auditors of leadership changes such as a new counselor in the bishopric or a new clerk. Leadership changes may prompt the auditor to test some transactions more thoroughly.

- Discuss stake policies or previous stake audit committee decisions that may affect how the auditors perform their testing.

## **SECOND MEETING—AUDIT REVIEW**

The stake audit committee holds an audit review meeting after the audits have been signed by the unit leader but before the stake audit committee chairman signs them. This meeting is held in early March for year-end audits and in early September for midyear audits. Completing the audits by the end of February for year-end audits and the end of August for midyear audits gives the stake audit committee 15 days to review the audits.

The audit review meeting includes the stake audit committee, stake auditors, stake clerk, and assistant stake clerk assigned to finances. The purpose of the meeting is to review the audit results and counsel together on each audit exception. The stake audit committee determines the effectiveness of each corrective action and recommends improvements to corrective actions if needed. The audit committee chairman or an assigned committee member should ask the unit leader to revise a corrective action if it is weak or does not correct the root cause of the problem. This is an important part of the committee's duty to identify and address risks.

While reviewing audit exceptions and corrective actions, the members of the stake audit committee counsel together to determine what financial training is needed, who would benefit from additional training, and who would be best suited to provide the training.

If all audits can be effectively reviewed using the audit review tools in LUFAS, this meeting may not be necessary.

When the stake audit committee chairman signs an audit, his signature affirms that he and the committee members have reviewed and approved the unit's planned corrective actions and that he will follow up to make sure the corrective actions are completed and reported.

## **THIRD MEETING—AUDIT CLOSING AND ASSESSMENT**

The stake audit committee holds an audit closing and assessment meeting in April for year-end audits and in

October for midyear audits. The purposes of the meeting are to assess and improve audit quality and to evaluate and address financial risks. Only the chairman and the members of the stake audit committee attend this meeting. This is a time for candid discussion of all aspects of the stake's auditing process and financial risks. (See "3.4 Counsel Together to Identify, Evaluate, and Address Stake Financial Risks" later in this document.)

Agenda items for this meeting may include the following actions:

- Review and follow up on assignments given in the audit review meeting.
- Determine whether corrective actions have been adequately completed.
- If a corrective action seems ineffective in resolving an audit exception, discuss alternative solutions and make assignments.
- Review the quality of the audits to determine what additional training may be needed for stake auditors, unit leaders, or clerks.
- Discuss and document any changes with people, assignments, or processes that need to be made for the next audit cycle.
- Assess risks—especially risks of Church funds being misused—and determine how to reduce these risks.

When the stake audit committee chairman is satisfied that an audit exception has been resolved, he marks it as resolved in LUFAS.

## **3.2 Train Stake Auditors**

The stake audit committee regularly trains all stake auditors to make sure they understand:

1. The purpose and process of audits.
2. Church financial policies and procedures.
3. Their roles as stake auditors and their responsibility to conduct all audits in the spirit of love and under the direction of the Holy Ghost.
4. The risk addressed by each audit question.
5. How to use the Local Unit Financial Auditing System (LUFAS).

Possible training topics include:

- The purpose of Church financial audits.
- How to recognize and follow the Spirit during an audit.
- How the principle behind each audit question protects Church funds and leaders.
- Why it is important, while conducting an audit, to:
  - Ask each audit question exactly as it is written.
  - Carefully read and follow all instructions.
  - Read aloud all support questions in the “Policy and Procedure Review” section.

Support questions may be included in the instructions that follow some audit questions. Support questions help the auditor identify specific risks to be addressed during the audit.

Rewording questions or ignoring instructions may lead to incorrect answers and less effective audits.

- “Finances and Audits” and “Providing for Temporal Needs and Building Self-Reliance,” sections 34 and 22 of the *General Handbook*.
- How to conduct high-quality audits and why high-quality audits generally find audit exceptions.
- How audit exceptions provide opportunities to learn; why audit exceptions should be welcomed, not feared; and how audits strengthen unit leaders and clerks while helping them to improve.
- The components of an effective corrective action.
- How to use the Practice Audit tool in LUFAS for training.

The stake audit committee takes the lead in training stake auditors. The committee also encourages auditors to study individually. The Help Center on ChurchofJesusChrist.org contains many articles on Church finances and auditing. Conducting a practice audit in LUFAS is a good method for self-training.

### 3.3 Oversee Other Stake Financial Training

The stake president makes sure that ward and stake leaders and clerks learn their duties regarding

finances and that they follow Church financial policies and procedures (see *General Handbook*, 34.2.1).

To assist the stake president in this responsibility, the stake audit committee uses audit results, the observations of stake auditors, and committee members’ own observations to evaluate how effective previous stake financial training has been and to determine the need for more training. The stake audit committee recommends to the stake presidency the content of financial training, its timing, who should receive the instruction, and who might best provide the instruction. For instance, financial training for a bishop may be most effective when provided by a member of the stake presidency.

Financial training is provided under the direction of the stake president by:

- Members of the stake presidency.
- Stake clerks.
- The assistant area auditor.
- Other qualified individuals as assigned by the stake president.

### 3.4 Counsel Together to Identify, Evaluate, and Address Stake Financial Risks

The members of the stake audit committee prepare themselves to counsel together effectively by increasing their own understanding of stake financial practices and Church financial processes and policies. Personal preparation could include studying the *General Handbook* and the Finance and Financial Audits sections of the Record Keeping page in the Help Center on ChurchofJesusChrist.org. Preparation could also include carefully reviewing completed audits and analyzing the historical audit information found in the Local Unit Financial Auditing System (LUFAS).

The stake audit committee meets together to prayerfully identify and discuss stake financial risks and to counsel together to find inspired solutions that address these risks effectively. Risk assessment is the process of determining what bad things could happen and how likely they are to happen. This includes the possibility that something bad has already happened.

Risk assessment of Church finances often starts by asking the following questions:

What could go wrong?

Why would it go wrong?

What can we do to prevent it?

The stake audit committee should consider at least the following signs of financial risk:

- Evidence that leaders are intentionally or unintentionally placing themselves in situations where they could be tempted to misuse funds for their personal benefit or where they could be accused of doing so. Possible evidence includes:
  - A high number of payments to the unit leader or his wife or to other leaders or their spouses. When audits are conducted online, these transactions are highlighted using Transaction Notes.
  - A high number of payments without supporting documentation.
  - Not following the companionship principle when processing and depositing donations.
  - Late deposits.
- Stake presidents not regularly and effectively reviewing with bishops each of their Unit Financial Statements.
- Unit leaders or clerks not carefully reviewing their Unit Financial Statements each month.
- Unusual fast-offering payments or large amounts of fast-offering assistance.
- High numbers of audit exceptions.
- Repeated audit exceptions.
- A history of no audit exceptions.
- Unit leaders not understanding audit exceptions or how to resolve them.
- Unsecured Church funds or financial records.

The stake audit committee might take into account other signs of risk such as economic pressures on stake members and priesthood leaders, the knowledge

and experience levels of leaders, the culture of the region, the locations of banks, and the physical security of Church funds and buildings.

Possible ways to reduce financial risks include:

- Improving the overall quality of audits through greater thoroughness, accuracy, and timeliness.
- Helping auditors give the stake audit committee a clear picture of the financial problems they observed and why the problems occurred.
- Helping unit leaders formulate corrective actions that prevent reoccurrence and respond to the root problems.
- Teaching proper Church welfare principles and making sure they are followed (see "Providing for Temporal Needs and Building Self-Reliance," *General Handbook*, section 22).

The audit questions identify many of the key risks that should be considered. Audit results and reports are, therefore, a good source of risk information for the stake audit committee.

#### 4. ACCOUNTABILITY

The stake audit committee reports directly to the stake president. The stake audit committee chairman reports regularly on the committee's activities. His report may include:

- Audit results such as audit submission status, observations from audits, summary of audit exceptions, and resolution of audit exceptions.
- Identified financial risks, including inappropriate disbursements of Church funds.
- How risks are being addressed through training, monitoring, auditing, and other means.
- Training that is happening or needs to happen.
- Staffing needs of the stake audit committee and stake auditors.

President Marion G. Romney taught, "Remember, brethren, to return and report is the final act of the faithful and wise steward" ("Welfare Services: The Savior's Program," *Ensign*, Nov. 1980, 93).

## 5. CONCLUSION

Fully organized and functioning stake audit committees are integral to the proper management and oversight of Church funds and to the blessing of the Saints. The purposes of stake and ward audits are described well in the *General Handbook*: “Auditors ensure that tithing and other contributions are properly recorded; Church funds are properly used, accounted for, and protected; and financial records are complete and accurate” (34.9.3). As the members of the stake audit committee properly perform their responsibilities, they will protect the Church’s sacred funds and strengthen those who handle them.

