



*The Freedom Church*

Date: July 20, 2017

To: The Board of Bishops, General Officers, and Members of the Connectional Council

From: The Audit Committee of the Connectional Budget Board (CBB)

The accounting firm Church Accounting Management & Stewardship (CAMS) has successfully completed the first year of audit reviews and reporting for the AME Zion Church (the Church). Under the stellar leadership of Rev. John Spann, Jr., CPA and Managing Partner, all departments have been audited and appropriate recommendations to improve internal controls provided.

Since this was the first year performing audits for the Church, the CBB's audit committee served to facilitate planning and completion of the audit work. During the course of this current session of the Connectional Council, each administrative board appointed an audit committee. Going forward, the respective audit committees will interact with the external auditor to ensure timely review and completion of their audit reports.

At the conclusion of the audit, the auditors provided recommendations or opportunities for strengthening each department's internal controls and accounting procedures. While each department will have recommendations specific to their operations, there were three (3) items that were global in nature and affected all departments.

#### Observation #1 Training staff to perform financial functions

- Some departments did not have financial staff to prepare and reconcile monthly bank statements or to prepare monthly or quarterly financial reports.
- It is important that our financial reports are prepared in accordance with generally accepted accounting principles.
- While the long-term goal is to centralize various accounting functions, the office of the CFO is not currently staffed to assume those responsibilities.

#### Audit Committee Recommendation:

- A. Outsource the accounting functions of the Department of Public Affairs and Social Concerns to the office of the Chief Financial Officer, as the Public Affairs general officer is the only full time employee of the department.
- B. For the remaining departments, provide staff with training to prepare and reconcile monthly bank statements and training to prepare the necessary financial reports. This is an interim solution until the restructuring commission's recommendation to centralize accounting functions can be addressed.

## Observation #2 General Officer Travel & Reimbursement Form

- General Officers have travel budgets approved for their respective departments.
- The auditors noted, however, a current trend to transact more business electronically, via debit cards or ACH transactions.
- Currently there are no internal controls in place to detect fraud, waste, or excess spending.
- Preparing a travel reimbursement form would provide proper accounting of electronic transactions and create supporting documentation for review during future audits.

### Audit Committee Recommendation:

- Adopt a travel/reimbursement form to be used by all departments. The form will enable departments to ensure that travel expenditures are being managed and costs are captured properly.

## Observation #3 AME Zion Merchandise Sales

- Multiple departments are engaged in the sale of retail merchandise.
- Entities in the State of North Carolina who sell tangible personal property at retail during events and meetings must register with the North Carolina Department of Revenue.

### Audit Committee Recommendation:

- We recommend that the Chief Operating Officer have discussion with any department currently not registered with the North Carolina Department of Revenue to ensure the tax responsibilities associated with merchandise sales are being met.

*Respectfully Submitted,*

*Audit Committee  
Connectional Budget Board (CBB)*