



AUDITING REPORT

Ewan Wonoprabowo
Auditing Director

About the Auditing Department

Our department is comprised of two staff members: the Auditing Director and the Auditing Assistant. Ewan Wonoprabowo joined the department as its director in November 2014, and Samuel Rodriguez joined as the Auditing Assistant in March 2022.

The Auditing Department reviews the financial transactions and records of Southern California Conference churches, elementary schools, junior academies, preschools, and day care centers. Our main goal is to provide the best service as we assist each treasurer as he or she assumes the responsibility of handling the Lord's assets, in compliance with the policies of the Seventh-day Adventist Church and the laws and regulations of this country.

In addition to audits, we provide technical support with Jewel church accounting system and support churches in training new treasurers.

We make recommendations on best practices for treasury activities such as collecting offerings, gathering supporting documentation for funds disbursements, bank reconciliations, and other important internal controls, and we also help churches implement them. When requested by treasurers, we help them close the month or the year. We also provide tithe envelopes for churches free of charge and can help churches order their own custom-made tithe envelopes at reduced cost.

The Auditing Department, along with the Treasury/Accounting, Human Resources, and Asset/Risk Management departments, present each year at SCC's annual treasurer training to provide overviews of our department, walk through the church audit process, and conduct new treasurer trainings.



Samuel Rodriguez
AUDITING ASSISTANT

Find slides and recording of treasury presentations from recent years at:
<https://scc.adventist.org/resources/trainings>

Statement of Purpose

It is important that the financial records of churches and schools be reviewed or audited regularly, to ensure complete and accurate financial reporting and compliance with Seventh-day Adventist Church policies and government laws. The Seventh-day Adventist Church Manual on page 147 reads, *“Every set of accounting records, from those of the local church to those of the General Conference, are subject to audit by auditors appointed for the purpose. This rule... provides the maximum of safety in the handling of funds.”*

In addition to routine audits, certain circumstances can call for additional audits. The Seventh-day Adventist Church Manual on page 91 reads, *“The treasurer’s books and other financial records relating to the work of the treasurer, the church school treasurer, and the treasurer of any other organization may be called for and inspected at any time by the conference auditor or by the pastor, district leader, head elder, or by any others authorized by the church board, but should not be made available to unauthorized persons.”*

Many instances of non-compliance and other improprieties—misallocation, embezzlement of funds, and fraud—can only be found when records are looked at closely. An item often found is a type of misallocation that involves diverting funds from the original objective established by the donor. Another item often found is improper classification of individuals performing services for a church as employees or independent contractors.

Some may think that fraud never happens in our church, but when it does, it can be severely damaging to the church and our conference. Audits and their processes help to prevent and discourage fraudulent activity.

Audits are an important part of making sure a church uses and has the necessary resources to fulfill its mission. They identify issues and ensure that measures are taken at the appropriate levels to prevent them from happening again.

Highlights of the Last Five Years

There are 159 churches (including companies but not groups) and about 16 schools (including daycare centers) that need to be audited by our department. We normally audit larger churches once a year, and the rest of the churches are audited for two or three years at a time.

In 2020, California passed Assembly Bill 5, which significantly altered the definitions of employees and independent contractors, and we began to review such classifications. In 2023, we began to ask churches to provide proof of compliance with California law AB 506, requiring church volunteers working with children

to be background checked (Live Scan) and for churches to maintain a listing and records of those volunteers.

Some of our churches experienced an unusually high turnover in their treasury team, and we assisted new treasurers with personalized training and tools to ensure a smooth and orderly transition, thereby minimizing disruption in church functions.

During the last five years, our department has been able to identify about \$400,000 of misallocated funds and direct them to the appropriate accounts.

Objectives

In alignment with Southern California Conference core values and strategic objectives, and through our commitment in seeking the most effective ways to serve, we will help provide needed accountability and seek to help treasurers function effectively and efficiently in their role. We will provide training and support in all treasury-related functions and communication and assist in complying

with laws and regulations. Effective record-keeping and financial reporting ultimately help each church fulfill its mission of reaching its community and the world for Jesus by proper management of the resources entrusted to it.

Our goal is to audit more churches each year by increasing the staff and/or auditors to help our department audit every church and school annually.