

Staff Photo by Wade Speas

Northside Baptist Church in North Charleston.

Baptist church voted against negative audit

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Of the Post-Courier staff

Page 1

The membership of Northside Baptist Church accepted a glowing audit of church records last month while rejecting another one that reported evidence of fraud and misappropriation of funds.

Both reports, dated April 19, were products of a three-person in-house audit committee headed by Russell McCall. McCall wrote the report that alleged the problems, while committee members Ron Brooks and Mach Cornett submitted the complimentary version.

McCall explained in a cover letter accompanying the reports, copies of which were obtained by the Post-Courier, that two versions were needed because committee members could not agree on the intent of the audit, interpretation of the facts it gathered or how specific the committee should be in presenting its findings.

"Because I have been denied access to records that I feel necessary to complete a thorough and accurate audit," he wrote, "I cannot adequately perform the tasks

March 1, 1991 Please see CHURCH, Page 11-A

CHURCH

from Page 1-A

that the congregation elected me to perform. Therefore, I resign from the Audit Committee effective upon the Northside Baptist Church congregation accepting this final report."

The 800-member church, an independent Baptist congregation in Charleston Heights that has an annual budget of \$1.7 million, has been embroiled in controversy in recent months over reports of misappropriation of funds and other financial problems. Three members of one family were excommunicated in January after making repeated demands to see the books, and they have sued to force a full audit of the books.

McCall's report said that in addition to fraud and misappropriation the committee found evidence of violations of the church constitution, non-adherence to written policies, creation of policies without proper authorization and apparent favoritism in the disbursement of funds to staff members.

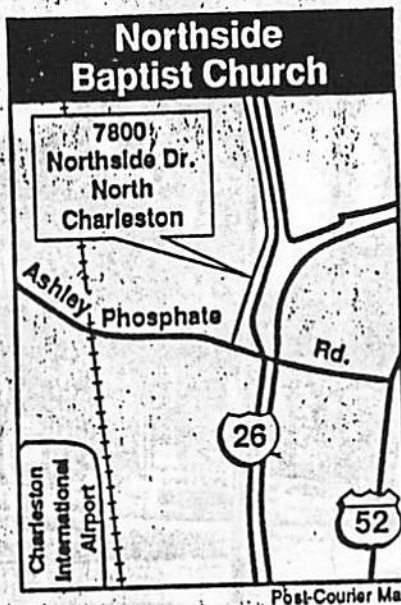
The majority report, however, concluded that no evidence of dishonesty or misappropriation was found during the course of the audit.

The majority report also said much of the confusion over accounting was a result of changing accounting systems. It added: "We feel that it is fitting to say that our present officers and staff have done an outstanding job in handling this change."

It praised the audit report of Dr. Robert F. Vallier for the year ending June 30, 1990, as being very helpful in helping the church set up a new accounting method.

McCall's version of the audit, however, included a quote from a Jan. 18 letter signed by Robert S. Shelley, special investigator for the South Carolina Board of Accountancy: "Robert F. Vallier is not licensed under the S.C. Accountancy Law, nor is his business registered with us. Based upon a review of his brochure and 'independent auditor's suggestions,' we believe him to be in violation of the S.C. Accountancy Law."

Church pastor Dr. John E. Stevens said Vallier, who never spoke to several key church leaders including the church treasurer, was to have been paid by a love offering. Instead, however, McCall's report said he was paid a flat fee of \$1,500 plus expenses.



McCall's version of the audit also found other discrepancies not mentioned in the majority report. Among them:

- A special fund set up to aid Northside Christian School teachers in emergencies was spent for other purposes: In one instance, Stevens spent money from the fund to take a couple to dinner. In another, a pastoral staff member was given, without authorization, two suits at a cost of \$461.32.

- Stevens and his staff were given 100 percent discounts on tuition for their children to attend Northside Christian School, which the church owns, even though the pastor's employment package specifically forbade such a practice. In addition, at least two other families were allowed free or half-price tuitions in violation of school policy.

- Several instances were documented showing staff members were hired without the knowledge or approval of the deacons or church. In one instance the auditing committee was told a person was doing volunteer work for the church and school but in reality was being paid initially via the petty cash fund and then placed on a monthly salary.

- Designated funds sometimes were not spent according to donors' wishes.

- Although the only person authorized to have a church credit card is its pastor, four other staff members had them, and the pastor consistently overspent his limits.

Stevens declined to comment Thursday on McCall's version of the audit because church members had voted to accept only the majority report:

Stevens did say the three family members who were excommunicated last January were expelled because they had been making unfounded accusations against some church leaders regarding their handling of church funds and because they were refusing to cooperate in the system.

All Baptist churches are autonomous and set their own rules for excommunicating members. At Northside, a vote of the congregation is all that is needed to excommunicate, which means the person is expelled from church membership.

Stevens also said that, despite complaints to the contrary from Oscar Fitzhenry, one of the three who were excommunicated — the others are his son, Mark B. Fitzhenry, and Wendy Anne Fitzhenry, Mark's wife — the church's books have never been closed to any member.

"In front of several hundred people, from the pulpit, I invited him or any other member to see the books," Stevens said. He said Fitzhenry had made an appointment to see the books but failed to keep it.

Fitzhenry called the church office and asked the treasurer to meet him for lunch and bring along the records, Stevens said, but since some of the records are on computer that was impossible.

Stevens said Fitzhenry was later denied access to the books, but that was after he had been excommunicated and, as a nonmember, had no right to see them.

Fitzhenry declined to comment on anything regarding the suit or his participation in the church.

Stevens also said any member has the right to make an appointment to see the church records and some have taken advantage of that offer. None, however, has delved deeply into the books.

"We even called some people who had questions and invited them to come look at the books," he said.

Despite the controversy, Stevens said, he has detected no hint of a split in the church.

"There's a lot of hurt but no split," he said.

Another church member, Thomas Kesling of Mount Pleasant, agreed with that assessment.

"I think most members are just waiting to see what happens," he said.