

Nassau Presbyterian Church
Report of the Audit Committee
September 18, 2016

On August 11, 2016, the Audit Committee met with the Business Administrator to review the fiscal period ending May 31, 2016. As is customary, the areas of responsibility were rotated among the Committee members. The Committee report is as follows:

Components of Review

Audit Principles: In accordance with the Constitution of the Presbyterian Church USA Book of Order, books and financial records of the Church and its organizations should be audited by either certified public accountants or an appointed Audit Committee, the membership of which should not include the Treasurer or Financial Secretary of such Church. The Audit Committee Chair identified specific areas for examination and review. The Audit Committee convened to complete the examination of records and review of related procedures. Areas of examination were as follows:

- A. **Revenue and Banking:** A sample of deposits and inbound transfers (including on-line donations) for all months were reviewed. All transactions selected were located and no anomalies were found. The process for accepting, processing and posting deposits was reviewed and again no anomalies were identified. Reconciliations of money market accounts were reviewed for four months and found to be in good order. Transactions and accounting procedures related to the Church's investment accounts were reviewed. No anomalies were identified.

- B. **Disbursements:** Disbursements to high volume vendors for three months chosen at random were reviewed. Where appropriate, minutes of the Session's authorization of such disbursements were also reviewed. No anomalies were identified. Credit card receipts for a random month of expenses for each staff member were reviewed. No

unusual expenses were identified and all expenses were backed up by receipts in the sampling reviewed.

- C. **Insurance:** A review of all of the Church's insurance policies was conducted. It has been the Church's practice to solicit insurance quotations every three years, although the solicitation was slightly deferred to allow for completion of the recent renovation. In the last fiscal year, the Church solicited new bids and changed carriers. The processes for selection of the insurer and valuation of the property were reviewed with the Business Administrator.
- D. **Cemetery Funds:** A random sample of the records relating to the revenues, disbursements and cash flow for the Princeton Cemetery were checked. No deficiencies were found. The thorough mapping of the Cemetery progresses (as reported in past years) and is identifying additional burial spaces that will enhance the continued revenue stream for the Cemetery. This mapping process is approximately 50% complete. Given the uncertainties associated with this project, it is difficult to know when the mapping process will be finalized; in the best case scenario, it will take approximately 2-3 more years to complete, but complexities inherent in this endeavor may extend the project beyond that timeframe.
- E. **Payroll/Contracts:** A random sample of employee contracts was selected and compared to payroll and tax records to assure accuracy of payments in accordance with contractual provisions. No anomalies were identified. A review of a random sample of 1099 MISC Tax Statements was completed and reconciled to the vendor payment list. No anomalies were identified.
- F. **IT SYSTEM:** Changes and updates to the Church's computer network, system and support continue to provide better on-site and remote capabilities.

Findings/Conclusions

The overall assessment of the Committee finds that the Church's day-to-day business operation is functioning at a high level of accuracy and efficiency. Ongoing improvements to the computer system and support services have assisted the Business Administrator and staff greatly. No material findings or deficiencies were encountered.

Status of Prior Recommendations:

1. The Audit Committee previously recommended that the Business Administrator prepare or update, as the case may be, written documentation of the procedures, processes and controls for the church's financial administration. The Business Administrator has started this project, having fully documented the procedures for posting weekly offerings and importing and posting online donations. She has also fully documented the procedures for processing disbursements and posting recurring monthly journal entries. The Audit Committee has offered to help to the extent practical. Written documentation will minimize risk associated with personnel turnover and will increase the ability to identify areas for improvement in efficiency and controls.
2. The Audit Committee previously recommended that a proper cross check of the Business Administrator's expenditures should be in place during the year, although the Committee noted that it has checked them annually without finding any anomalies. During the last fiscal year, the Finance Committee provided for a process where a Finance Committee member checked regularly these expenditures.
3. The Audit Committee previously recommended that a Finance Committee member review semi-annually bank reconciliations for church accounts. A Finance Committee member has conducted these reviews during the last fiscal year.
4. The Audit Committee previously recommended consideration of using online bill payment. During the last fiscal year, online bill payment was initiated for the church's electricity provider.

5. The Audit Committee previously recommended a backup recovery test of the IT system. While a test has not been conducted, there was a need during the year to recover a document, which was successful.
6. The Audit Committee last year recommended that the Finance Committee consider whether the church should retain a certified public accountant (CPA) to review its books and financial records. The Finance and Audit Committee chairs discussed the issue. The Finance Committee chair reported that it was considered at a meeting, and the Finance Committee recommended against retaining a CPA, given the good state of the books and records, the expertise of the individuals on the Committees, as well as the expected cost of such an audit. The Finance Committee determined that such an expenditure would not be a good use of the Church's resources.

The Audit Committee (including members Ted Karns (chair), Brad Middlekauff, Anne Elmes, and Jock McFarlane) would like to thank all members of the Church office staff, and in particular, Linda Gilmore, for professionalism, patience and consideration during the course of the examination.