

Nassau Presbyterian Church
Report of the Audit Committee
September 17, 2017

On August 3, 2017, the Audit Committee met with the Business Administrator to review the fiscal period ending May 31, 2017. As is customary, the areas of responsibility were rotated among the Committee members.

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:** A selection of 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 several months 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 the Church's insurance policies was conducted. It has been the Church's practice to solicit insurance quotations approximately every three years, which last occurred in the fiscal year ending May 2016.
- 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 60% 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 documentation regarding authorized compensation for Church employees was selected and compared to payroll and tax records to assure accuracy of payments in accordance with such documentation. No anomalies were identified.
- F. **IT SYSTEM:** The Business Administrator reported that the Church had successfully used its IT System's backup capabilities in the last fiscal year.

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 and New 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 previously 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. Due to other priorities, including documenting other processes at the Church, limited additional progress has been made on this project in the last fiscal year. The Audit Committee has offered to help to the extent practical. Complete written documentation relating to the Church's financial administration will minimize risk associated with personnel turnover and will increase the ability to identify areas for improvement in efficiency and controls. The Audit Committee recommends that, during the current fiscal year, the Business Administrator continue to make meaningful progress on preparing or updating, as the case may be, written documentation of the procedures, processes and controls for the church's financial administration.
2. The Audit Committee previously recommended that a proper cross check of the Business Administrator's expenditures should be in place during the year, and a process was implemented in the year ending May 2016. This process continued during the last fiscal year.
3. The Audit Committee previously recommended that a Finance Committee member review semi-annually bank reconciliations for church accounts. A Finance Committee member has again conducted these reviews during the last fiscal year.

The Audit Committee (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.