

Diocese of the Midwest -

Audit findings: September 17-18, 2018

The Diocesan Auditors performed a routine audit of the Operating Account, Checking Account, Credit Card Activity, Investment Accounts and Payroll Records of the Diocese of the Midwest for the periods of July – December 2017 and January - June 2018. The audit was conducted as a select review of financial activity and presentation for the months of July and October 2017, and February and June 2018, by verifying check stubs, receipts and reports. This audit is not governed by accepted auditing standards.

Effect of 2017 Recommendations:

- **Recurring:** The Auditors recommend that a procedure be established to follow-up on checks remaining uncashed after 90 days.
 - **As of June 2018,** the following checks remain open on the checking account:

Uncleared Transactions in excess of 120 days

Checks and Payments

1. Check	12/11/2013	12516	Archangel Michael S...	\$500.00
2. Bill Pmt -Check	04/21/2015	13093	OCA Pension {Baker}	\$280.00
			▪ This is a re-issue of an original check #13078 4/2/15 reported lost	
			▪ The original check, #13078, was deposited and cleared 6/25/15	
			▪ The re-issue, #13093, should be indicated as VOID and the Bank Reconciliation should be corrected	
3. Check	08/31/2015	13208	Roosien	\$200.00
4. Bill Pmt -Check	10/13/2016	14134	Keith	\$132.27

There is no indication that uncashed checks are being reviewed. The Auditors suggest this action be completed at the next checking account reconciliation.

From 2015 Recommendations:

- Recommendation: *As per the Financial Audit Guidelines of the Midwest Diocese, it is recommended that Diocesan Council establish a written policy for Financial Record Retention, Security and Destruction.*
 - It is noted that the Diocesan Assembly has approved policy and procedure and the detailed written document has been completed.
 - The policy may be found here:
<https://domoca.org/files/DOCUMENTS/retention.pdf>

2018 Findings and Recommendations are as follows:

Checking Account:

Verified Checking Account balances to Balance Sheets for each period audited. Account balances were confirmed and reconciliation was reviewed. The following items were noted:

July 2017:

- Unable to locate proof of payment (check stubs):

#14412	Business Card	\$4,862.20
#14396	Total Tech Solutions	\$ 302.92
#14397	ATT	\$ 173.00

October 2017:

- No issues noted

February 2018:

- No issues noted

June 2018:

- No issues noted

Credit Card Statements:

All statements reviewed were found to be complete. Receipts were present and accounted for.

July & October 2017; February & June 2018:

- No Issues noted

Payroll:

Payroll was reviewed for the 12-month period of January to December of 2017. W2 documents were in order.

1099-Misc forms were compared to the Profit & Loss Statement. Due to the accrual system of accounting, it is difficult to confirm all forms.

Note that the accrual basis for accounting purposes results in stipends issued on December 31, 2016, which are the January 1, 2017 payments and should be reported on the Profit & Loss Statement for 2017, however, the 2017 Profit & Loss Statement does not reflect the transition of these expenses to that report. Nor does the 2017 Profit & Loss Statement match the 1099s issued. It is suggested that a Journal Entry for the expenses be created to adjust the 2017 Profit & Loss Statement.

Investment Accounts:

- Compared Investment Account Statements to Balance Sheets for each period audited
- Balances were checked on the original sheets from the bank/brokerage firms and totals were compared to reports submitted by the Treasurer and Accountant

- It has been found that the entries on support documents received from the Treasurer are correct, however, on the June 30, 2018 Balance Sheet, entries made by the Accounting Firm are not accurate to the Consolidated Statement from Morgan Stanley.

U. S. Savings Bonds:

We verified three bonds with a face value of \$10,000.00 each. Purchase date of October, 1992. Original purchase cost was \$5,000 each; total: \$15,000.

- Compared Savings Bond Values ascertained from www.treasurydirect.com to Balance Sheets for each period audited
- Value, as of December 31, 2017, \$17,012 each for a total of \$51,036. The 12/2017 Balance Sheet does not reflect an accurate value.
- Value, as of June 30, 2018, \$17,352 each for a total of \$52,056. The 06/2018 Balance Sheet does not reflect an accurate value.
- Accrual of interest occurs at six-month intervals – April and October

Recommendations:

- The unresolved recommendations from 2016 and 2017 which are listed above should be **voided by the next reconciliation of the checking account.**
- The Auditors recommend that a procedure be established by the accountant to void checks remaining uncashed after 120 days.
- Checking account uncleared duplicate entry should be voided:
 - Bill Pmt -Check no check # 12/16/2017 Business Card \$6,693.94
 - Payment was made by EFT on 12/17/2017 and a manual entry made to Quick Books to record the payment which resulted in duplicate entries on the checking account reconciliation.
- The entries on the Balance Sheet for Investments and Savings Bonds should be confirmed and updated as of the next monthly closing.

We would like to thank Philip Sokolov, Rob Koncel and Greg Hostelley, Innercircle, LLC for their cooperation and assistance during the audit.

Respectfully submitted,
Diocesan Auditors

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