

During my review of St. Michael's treasury activities on June 15, 2017, there were several procedures noted that exhibited weak internal control. Internal controls are essential to protect the assets of the church from waste, fraud, and inefficient use. Addressing these issues will ensure solid and transparent financials.

1. The following responsibilities should be kept separate to maintain proper segregation of duties:
 - a. Approving payments and expenditures
 - b. Signing checks
 - c. Reconciling bank accounts

During my review, it was noted that the same individual was recording transactions, signing checks, and reconciling bank accounts. Allowing the same person to fulfill all three tasks can mask potential financial fraud. One individual should write the check, another individual should sign the check, and a third individual should complete the bank reconciliation each month. These practices will enhance security and accountability.

Recommended response for 1.a. includes requiring a check request form be filled out and signed by the individual requesting that a check be issued (Example Attached). This would be completed in advance of the check being cut by the Treasurer. Under 1.b., Checks are issued by the Treasurer and require two signatures of which one can be the Treasurer. The Church currently has 4 authorized signatures. Supporting detail will be attached to the checks that need signed.

1.c.: Bank reconciliations will be performed by the Assistant Treasurer.

2. Account reconciliation is a critical control to help ensure financial integrity. Weaknesses and inefficiencies in the reconciliation process often lead to mistakes and inaccuracies.
 - a. It was noted that the bank reconciliations were not completed in a timely matter.
 - b. In order to ensure accuracy, the prepared statement's ending balance should reconcile to the bank's beginning balance the next month.
 - c. After the bank reconciliation is completed, an independent individual should review it to ensure quality, accuracy, and completeness.

Bank reconciliations will be performed within two weeks of receipt from the bank. The point made under 2.c. will not apply since the bank reconciliations will be done independent of the Treasurer.

3. The weekly counting process needs to implement stricter policies.
 - a. Each individual present for the weekly counting process should be documented with their signature and date.
 - b. It is ideal to have three individuals available to count, but a minimum of at least two people.
 - c. The individual who makes the bank deposit should be documented with their signature and date.

This process has been adopted and implemented. Also, if at least two individuals are not present for counting, counting will not take place and monies would be secured in the safe until such time as two individuals are available. Two individuals should be present in the room at all times.

4. Standard operating procedures that outline the accounting process should be developed. It should contain step-by-step instructions to carry out all the treasury activities of the church.
 - a. This will achieve efficiency, quality, and uniformity of the activities.

There is agreement with this recommendation with the understanding that it will be a work in progress in order to be completed. The goal is to have key operating procedures documented in order to provide continuity of conducting activities in the absence of the Treasurer.

5. The reimbursement process should be more carefully monitored.
 - a. It was detected that blank checks were distributed to individuals to pay for bills. This should never happen as it carries a very large risk of check fraud.

This has been addressed and there is total agreement that blank checks will not be issued under any circumstance.

Please let me know if you have any questions. Sincerely Sherrie Armanious Busch

