

Internal Audit Report

To: Diocesan Assembly, Diocese of the West

CC: Rt. Rev. Bishop Benjamin, Archpriest David Brum

From: Diocesan Internal Audit Committee

Date: March 25, 2010

Re: Financial Audit of 2009 Records

The Audit Committee of the Diocese of the West met on March 25, 2010, at St Christina Church in Fremont, California to audit the accounting records of the Diocese of the West for calendar year 2009.

Audit Findings:

1. Records seem to be in order. Mary does a great job of filing the mass amount of paper into a logical system which made it easy to find items.
2. Cash in the balance sheet fairly represents the financial position of the Diocese but we recommend the external auditor check the reconciliation for December on one account.
3. In the 'Consolidated Balance Sheet', the various funds included are not specified so it was not clear how the figure of 'Net Income' of \$-86,699.25 was arrived.

Treasurer Response: In the future, the Consolidated Balance sheet will have a footnote identifying how much the various restricted funds as well as operating funds contributed to the Net Income.

4. All checks could not be accounted for. There should not be a gap in check numbers in Quickbooks. This ensures that all transactions are posted in a timely manner.

Issue: We found some checks were voided and not logged into Quickbooks at all.

Recommendation: The process should be to log them and then void them in Quickbooks.

Treasurer Response: Voided checks that were not printed from QuickBooks will be included in the QuickBooks check register in the future.

Issue: In the series of checks written, checks 12091 through 12100 and 12103 through 12139 are not entered in QuickBooks. After some discussion, Mary said that there are some checks at Holy Trinity in case of emergency but we were unable to validate if all these checks can be accounted for.

Recommendation: During Diocesan Council meetings at Holy Trinity, the treasurer and one other member of the council should validate the check #s that are located at the church and ensure they are all accounted for.

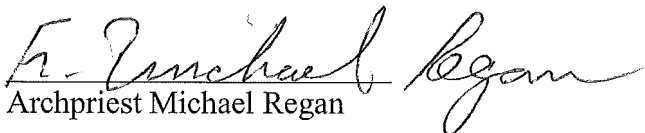
Treasurer Response: This activity will be scheduled after the June, 2010 meeting of the Diocesan Council.

5. We were unable to validate any deposits as that process is managed by the diocesan office. Recommendation: Auditors should review the process of receiving and recording income after the Diocesan Council meeting in June.

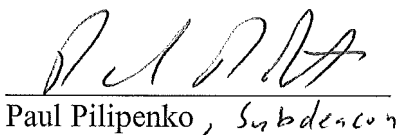
Task List for the External Auditor:

1. The QuickBooks Reconciliation Report for the Wells Fargo Checking account, December 2009, doesn't support the consolidated balance sheet value for the Wells Fargo Checking account. Identify the problem with the reconciliation.
2. Verify that the signatures on the Wells Fargo Checking account are valid and approved by the Council.
3. Validate the loan amounts with the recipients. Perhaps send letters asking the recipient to agree that they owe the amount.

Respectfully Submitted,


Archpriest Michael Regan


Maha Estephan


Paul Pilipenko, Subdeacon