

Report of the FUCSJ 2013 Audit Committee

Committee: Ro Morris, Henry Ruddle, Ben West

To: The Finance Committee, the POC, the Board, and the Members of the Congregation

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Summary

The 2013 FUCSJ Audit Committee has audited the records, financial reports, and financial procedures of the First Unitarian Church of San Jose for the fiscal year of June 2012 - May 2013. While our audit was limited and would not necessarily disclose all errors, we found no evidence of significant errors or omissions. We find that the financial procedures of the First Unitarian Church of San Jose comply with acceptable practices for churches and with the church by-laws. Expenditures for the June 2012 - May 2013 fiscal year were within budget and excess income was transferred to the Operational Reserve Fund and Building Maintenance Fund as specified by current church procedures.

The Finance Committee has addressed most of the issues raised in the 2012 audit, and the Audit Committee greatly appreciates their continuing cooperation and attention to its concerns.

We wish to commend the interim Office Manager, Christy Baker, and our permanent Office Manager, Dana Spinney, for competently maintaining the operations of the church and adherence to the established procedures after the departure of the former Office Manager, Susan Burke.

Acknowledgments

The committee is grateful for the eager participation of our bookkeeper, Sue Evanicky, in providing complete, detailed information for the committee to review and for her patience in answering our questions and requests for documentation. The committee also commends the Treasurer David Proulx and the entire Finance Committee for its responsiveness to questions and action on the committee's recommendations.

The committee wishes to thank Rev. Geoff Rimositis, Diana Wirt and every volunteer involved in helping the church run smoothly for their cooperation with this committee and the needs of the community.

Finally, the committee wishes to offer special recognition to Robert Miller and the rest of the Building Ministry for significantly curtailing building maintenance expenses in the 2012-2013 fiscal year.

New Recommendations from the 2013 Audit:

1. **Recruit a backup volunteer for making bank deposits.** It is a violation of the separation of duties policy for the Office Manager to make bank deposits when the regular volunteer is not available.

FINANCE COMMITTEE RESPONSE: All the members of the finance committee are able and willing to serve as backup bank deposit deliverers, and some have done so in the past. Also, it is OK for the office manager to do this on an occasional basis as well.

2. **Develop a more secure procedure regarding mail.** On days that the Office Manager is not available to address the church's mail, the Audit Committee recommends that after the Third Street Community Center mail is sorted out, the church mail be placed in a secure location or that a trusted volunteer or staff member process the mail in the Office Manager's absence.

FINANCE COMMITTEE RESPONSE: We will ask the office manager to designate a desk drawer for mail for days when she is not there, and to work out an arrangement with TSCC staff to ensure that mail gets put in that drawer.

3. **Update the financial procedure manual to include new process for preventing unnecessary check requests.** A situation arose during the 2012-2013 fiscal year in which a check request was generated to transfer the net proceeds of a fundraiser intended to support the church's membership in PACT, and was followed by further check requests to pay invoices for PACT dues that did not take the previous payment into account. After discovering that the church's PACT account showed a significant credit, the church's bookkeeper established a procedure by which any such request will only be accepted for vendors that provide statements directly to the church (that is, the bookkeeper). The Audit Committee recommends that the Finance Committee update it's procedure manual accordingly.

FINANCE COMMITTEE RESPONSE: We believe it is unnecessary to create another procedure to prevent unnecessary check requests. The one situation (overpaid PACT dues) was a special circumstance and our bookkeeper now makes sure to get statements from entities to which we make regular payments to avoid overpayment.

4. **Ensure that old records with sensitive information are stored securely and disposed of appropriately.**

FINANCE COMMITTEE RESPONSE: Paper records are kept in the metal file cabinet downstairs for 2 years, then they go upstairs to the archive room, which is normally kept locked, for the remainder of the 7 years. After 7 years the records are shredded.

Status of Recommendations from the 2012 Audit:

1. **Documentation of Finance Committee procedures.** The committee has made a lot of progress on this recommendation and judges the current procedure manual 80% complete. The Audit Committee requests that the documentation be completed before the end of the fiscal year.
2. **Subaccounts in Profit and Loss statement inaccurate.** The 2013 Audit Committee found a few minor discrepancies in the 2012-2013 P&L similar to the ones found by the 2012 committee. The church's bookkeeper, Sue Evanicky, has been more diligent in requesting information about donations and expenses with vague or missing descriptions. The discrepancies do not affect any program budget because the programs in question are not evaluated using the information in the P&L. The Audit Committee recommends that staff and volunteers who collect donations continue to remind donors to write detailed notes in the memo line of their checks.
3. **Training of new Office Manager.** The Audit Committee carried out an extensive interview with the new Office Manager, Dana Spinney, on October 30, 2013, and concluded that she is well versed in her duties and all financial procedures, except those related to the annual canvass in that she not yet participated in a canvass. Dana has made a few minor improvements in processes and shows considerable forethought in ensuring that her duties are completed in a timely manner regardless of circumstances. The Audit Committee recommends that the 2014 Audit Committee examine Dana's performance during the 2014 canvass.
4. **Key volunteer succession/continuity plans.** In the specific case of money counting, Bob Redfern updated the team's procedures to address the issue of continuity. The Audit Committee recommends that an appropriate body, such as the Volunteer Committee, the POC or the Finance Committee, survey key volunteer positions to identify other vulnerabilities and establish succession/continuity plans in those cases as well.
5. **Online access to key information.** The Audit Committee continues to recommend that a "members only" section of the church website be established to provide convenient access to important information such as the annual budget, the bylaws, the membership directory, the annual audit report, and more.

Status of Recommendations from previous audits:

1. **Membership+ and Quickbooks passwords.** These passwords were changed when the former Office Manager resigned, in accordance with previous recommendations. The Audit Committee makes two further recommendations:
 - a) Reconcile password procedures with actual practice. Regarding Membership+, in “Financial/Accounting Procedures Manual First Unitarian Church of San Jose” it states, “The database is protected by a password known to the Office Manager and Bookkeeper. The Finance Officer and Treasurer also have passwords to provide continuity in case the staff members should be unavailable.” In reality, Membership+ passwords are also assigned to Rev. Nancy Palmer Jones, Rev. Geoff Rimositis, and former interim Office Manager Christy Baker. The Finance Committee has agreed to remove Christy Baker's access. The Audit Committee recommends that the Finance Committee either remove access for the ministerial staff or change the financial procedures to include them, along with the specific rationale for doing so.

FINANCE COMMITTEE RESPONSE: We do not see a problem with the ministers being able to view financial information about members. They tend to know the people in the congregation anyway and have some idea of their financial means, etc. If a minister is favoring large financial donors over lesser ones, then that is a problem with them as a minister and should be dealt with as such. But in general we need to have a relationship of trust between the minister(s) and the congregation, and thus it should not be necessary to hide financial information from them.
 - b) Add to the manual a procedure for either changing the Quickbooks and Membership+ passwords or deleting superfluous user accounts when a person with access to those databases is no longer in the relevant position.
2. **Contact person printed on member statements.** Done.
3. **Conduct a physical inventory of church assets (video or written).** Not done. Given the difficulty of this task, along with the benefit should an insurance claim or ownership dispute arise in the future, the Audit Committee recommends that the POC establish a task force to complete this task during the 2013-2014 fiscal year.
4. **Survey of important church documents** to determine if copies of some documents should be made and kept off-site. Not done. The Audit Committee again urges that this need be addressed.
5. **Eliminate Petty Cash fund.** Done. The Audit Committee recommends that the Finance Committee update their procedure manual to eliminate all references to the petty cash fund, and that the \$200 cash held in the safe as an emergency Minister's Discretionary Fund be included in the manual.
6. **Annual newsletter article** about desirability of using checks and cash envelopes, rather than just placing loose cash in the basket. The Finance Committee has committed to do this, although it has not been done as of the time of this report.
7. **Physical security.** The Security Task Force has addressed this and is working to remedy concerns with the physical security of the church, such as key distribution and liabilities caused by non-church members. The Audit Committee wishes to commend the Security Task Force on its work and thoughtful processing of church member suggestions.
8. **Changing of safe combination.** Not done. The Audit Committee continues to recommend that the in-office safe combination be changed whenever any key staff member with access to the safe leaves.
9. **Inconsistency between check and wire transfer authorizations.** Two signers are required for checks

over \$1,000, but no such requirement exists for wire transfers over \$1,000. The Audit Committee recommends that the Finance Committee reconcile these two policies in its procedure manual.