

GRACE LUTHERAN CHURCH AUDIT COMMITTEE REPORT FOR THE CALENDAR YEAR 2021

Committee Members: Mark Boersma, Mike Sweeney and Linda Sinnett

This committee was appointed by Council in 2020 with the expectation that an audit would be conducted for that year. Limitations and precautions caused by Covid 19 prevented the committee from accomplishing this goal. Committee members agreed to begin the process in 2021 and consider this the first year of their terms. The initial meeting of this committee was held July 21, 2021. Gwen Sparks, GLC Treasurer, called the July meeting to assist in facilitating the audit process. A total of four meetings were held in 2021. .

The last known audit was completed in January 2010 by an in-house audit committee. The previous audit was conducted by an accounting firm and was completed in January 1995. Some of the recommendations have been implemented over the years. The current committee took into account the findings and suggestions in those reports.

The Internal Control Questionnaire provided by ELCA was used as a guideline; a copy is attached. Members of the committee each chose categories outlined in the Questionnaire to research. Findings were reported at subsequent meetings.

Key personnel including the Financial Manager, Treasurer and Pastor were interviewed to discover the design and function of the internal accounting and operating systems. In addition to interviews, observation of processes and random sampling of invoices, checks, bank statements, deposits, income accounting and reports were conducted for accuracy. Appropriate areas of the Constitution and Bylaws were checked for compliance. After review recommendations were formulated by the committee.

Because of Covid 19 some procedures and practices were not able to be followed during much of 2021. The committees' observations and recommendations are based on the established processes which were being re-enacted in the latter part of 2021.

Observation: The church has no vault or fire proof file cabinets. Although Financial records are recorded on the Cloud there are important documents and back up records that are filed in non-rated file cabinets in the Financial Manager's office.

Recommendation: A two drawer lateral file and a four-drawer upright file with the highest fireproof rating be purchased and installed in the Financial Manager's office.

Observation: The Financial Advisory Committee was originally formed as an ad hoc committee. The current Treasurer stated that during the years she has worked with this committee it has proved to be an important and necessary support to the Treasurer's position. The Counting Committee has been in existence for several years and is functioning well. There is no mention of the Counting Committee or Financial Advisory Committee in the By-laws.

Recommendation: The By-laws need to be revised or amended to establish the Counting Committee and Financial Advisory Committee as standing committees.

Observation: In the By-laws there is reference to Continuing Resolutions for Committees and Ministry Teams. However, the Continuing Resolutions have not been adopted by Council.

Recommendation: Continuing Resolutions need to be written and adopted to established Ministry Teams and specify responsibilities of the Teams and Committees. The Continuing Resolutions also need to specify that it is mandatory for Teams and Committees, authorized to disburse funds, to provide minutes of all their meetings to the GLC Office Administrator for filing in the permanent records.

Observation: There is no written guideline for the leader of the Counting group. The process for counting, recording and depositing receipts is very well organized and efficient. This was revamped in accordance with the suggestions of a previous audit. During 2021 one deposit of a single check wasn't recorded on a GLC Count Sheet.

Recommendation: A Guideline for the Counting leader be established and included in Continuing Resolutions. Every deposit needs to be recorded on a GLC Count Sheet. On the rare occasion that the Bank notifies the Financial Secretary of a discrepancy in a deposit amount, this should be noted on the Count Sheet.

Observation: Sunday collections are presently placed in the church safe overnight, removed by one member of the counting committee the following Monday.

Recommendation: Two members of the counting group or one counter and the Financial Manager should remove the collections from the safe. This would provide a witness to the process that the funds are removed from the safe intact prior to counting.

Observation: On November 16, 2021 Lori Reed, with Mitchell, Reed, & Schmitt Insurance, the agent for the church insurance met with the Pastor, the Financial Manager, the Council Chairman, the Intern, the Facilities Manager and 2 members of the Audit Committee to review the current policy. There were a few immediate changes made. Ms. Reed will research and follow up on further questions that were brought up before the policy renewal in May 2022. It had been a few years since the insurance needs of the church were reviewed

Recommendation: Annually, before renewing coverage, the policy and the current needs of the church should be reviewed by the Pastor, Financial Manager, Treasurer and Facilities Manager (Or Chair of Building and Grounds Committee) at a meeting called for that purpose.

Observation: Graces wireless network broadcasts a single SSID. Anyone who has the passphrase for this SSID can access all network resources, including files stored on individual computers.

Recommendation: A second SSID should be set up to allow access to the Internet only. The passphrase to access the current SSID should be changed periodically. Consider limiting access to the current SSID with a MAC allow list.

Observation: On review of the Grace Lutheran employee credit cards it was discovered that there is no written policy covering use. The only directive employees have been given was by the Financial Manager to get charge slips into her in a timely basis so she could pay the monthly invoice for the cards.

Recommendation: A credit card policy be developed using the ELCA directives as a guideline. Once it is created it should be reviewed by each employee that has a card, initialed by them and a copy put in their personal files. The Financial Manager has indicated a willingness to help in the development of the policy because she is in an oversight position in her payment for card charges each month.

Observation: There are many places in the financial reports spreadsheets that numbers are copied in manually. This is very time consuming for the financial manager, subject to error, and it makes it very difficult to audit.

Recommendation: Roxanne Reindl, Financial Manager, says that she and the Treasurer, Gwen Sparks, are working on a system that should mostly resolve this. The Audit Committee should follow up on this in a year to make sure it has been done.

Observation: The financial report spreadsheets take information from the Quickbooks reports and present it in a format that is easier for people to understand. Any time you have this type of customization, errors can be introduced that are difficult to find.

Recommendation: The financial report spreadsheets should be reviewed annually as part of the audit process or by the Treasurer while preparing reports for Council/Congregational meetings.

The Audit Committee would be pleased to discuss any of our findings and/or suggestions with the Pastor, the Financial Advisory Board or the Council, if requested.

DECEMBER 10, 2021