

MEMORANDUM

Post-It™ brand fax transmittal memo 7671

of pages > 4

TO: Fr. Robert Kondratick
Fr. Paul Kucynda
Dn. Eric Wheeler
cc: Rob Taylor

FROM: Audit Committee:
John Koze
William D. Weisbach
Peter Junga

DATE: August 3, 1993

RE: 1992 Financial Statements
Comments and Recommendations

[Redacted]	
Dept.	Phone #
Fax #	Fax #

The members of the Audit Committee of the Orthodox Church in America have been able to convey our suggestions to you based on our analysis of your audited financial statements and internal managerial reports since 1990, when these same reports had begun to be examined by an independent auditing firm. These comments should be considered to be an integral part of our work with the year-end financial statements, as they deal with the process of developing financial and managerial accounting reports.

SEPARATION OF DUTIES

The outside audit firm of Lambrides, Mendler, Lamos & Co. has requested since 1990 that we separate certain financial duties. They have stated that no single employee should have access to both physical assets and the related accounting records, or to all phases of a transaction.

One of the most critical areas of separation is cash, where we noted that one individual handles incoming checks and posts receipts to the contributions recording system. In the cash disbursements area, we noted that the accountant processes the invoices, prepares the checks, posts them to the journal, has responsibility for the general ledger, and prepares the monthly bank reconciliations. The result is the danger of intentional or unintentional errors being made and not detected.

We, as well as the outside auditors, believe that an independent person should open the mail, prepare a pre-list of the cash received, and prepare the deposit slip. The bank statement should be opened and the cancelled checks reviewed by an independent person before turning them over to the accountant to prepare bank reconciliations. The Treasurer might also review

Memorandum from the Audit Committee

August 3, 1993

Page 2

bank reconciliations after they are prepared.

IT IS IMPORTANT to understand that this be accomplished, in our opinion, as quickly as possible. We need to ensure, as mentioned above, that funds are being received and disbursed in a proper manner. This separation will help to accomplish that.

Father Paul and Rob Taylor have already discussed with us some alternative methods of handling these duties. The number of hours required is estimated to range between 10 and 14 per month. Initially, our outside accounting firm can help us temporarily with a portion of the review process, if needed.

We will be calling Father Paul before September 3, 1993 to follow up with how you may want to separate these duties.

ACCOUNTING MANUAL

Below is the copy of a text from the 1990 letter of Management Items, once again discussing the need for an accounting manual.

We noted that the church does not have a comprehensive accounting procedures manual. There may be an assumption that because the accounting personnel have easy and direct access to the Treasurer when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs.

It will take some time and effort for management to develop a comprehensive manual; however, we believe that this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

ORGANIZATION CHART

We recommend developing an organization chart for the chancery staff, in particular for those areas related to the finances. During the process of our audit it was clear to us that the staff accountant was not sure as to whom he is responsible. Such a chart may evolve by itself if the following list is developed: create a list of staff members, describe the primary job function of each staff member, and list the name of their supervisor. This will eliminate the uncertainty of reporting procedures and for the delegation of responsibilities. An organizational chart is a key component for an organization that wants to improve its operating effectiveness and efficiency.

ACCOUNTS PAYABLE REPORTING

Per the outside accountants, the current procedures are inadequate for managerial purposes. The recording of accounts payable should be made into the computerized record system as they come in. They should be removed from the list as they are paid.

DOCUMENTATION OF DISBURSEMENTS

The documentation of disbursements should be in accordance with standard accounting procedures.

REPORTS IN GENERAL

These reports should be done on a timely basis and must contain accurate data. This is not currently being done, according to our outside accountants.

VIDEO OF PLANT AND EQUIPMENT

The video of plant and equipment that Fr. Greg Mavrilak made should be duplicated and a copy kept off-site if needed for insurance reporting purposes. John Kozey has offered to duplicate this tape free of charge, if arrangements are made with him.

MANAGERIAL REPORT--TABLE ON CHANGES IN FUND BALANCES

Fr. Kucynda and Rob Taylor should meet to determine a layout for this report which may show a format that is more useful for managerial analysis and information. Presently this report is prepared manually by the staff accountant on an annual basis. We recommend that this information be computerized and kept current so that management reports can be generated with greater frequency. A simple sketch from Mr. Taylor faxed to Fr. Kucynda may help begin this process.

SUMMARY

There are two main issues regarding our above comments. First, it is important to the financial integrity of the OCA to create a separation of duties for these functions as part of the ongoing stewardship process. Second, the lack of accounting policies cannot continue. In order to make proper financial decisions as the central church administration, you need timely and accurate data. There must be one person to whom the accountant reports regarding financial policy and procedures. Without this single source, accounting procedures will continue to be bogged down in uncertainty and ambiguity, thereby constraining everyone. It is our belief that defining the lines of reporting to a single individual, who also is the direct source of accounting policy to the accountant, will create more timely and effective financial reports.