

## Diocese of the Midwest -

### Audit findings: August 26-27, 2019

The Diocesan Auditors performed a routine audit of the Operating Account, Checking Account, Credit Card Activity, Investment Accounts and Payroll Records of the Diocese of the Midwest for the periods of July - December 2018 and January - June 2019. The audit was conducted as a select review of financial activity and presentation for the months of September and October 2018, and March and April 2019, by verifying check stubs, receipts and reports. This audit is not governed by accepted auditing standards.

### Effect of 2018 Recommendations:

**Resolved as of 12/31/18:** The Auditors recommend that a procedure be established to follow-up on checks remaining uncashed after 120 days.

**Recurring:** The entries on the Balance Sheet for Investments and Savings Bonds should be confirmed and updated as of the next monthly closing.

### 2019 Findings and Recommendations are as follows:

#### Checking Account:

Verified Checking Account balances to Balance Sheets for each period audited. Account balances were confirmed and reconciliation was reviewed. The following items were noted:

Unable to locate proof of payment (check stubs):

Sept 2018:

#14797	Bouteneff	\$ 250.00
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March 2019:

#15009	OCA Pension	\$1,138.87
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#15010	OCA Pension	\$ 515.36
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October 2018:

- No issues noted

April 2019:

- No issues noted

As of June 2019, the following checks remain uncashed (see previous recommendation):

#14893	Oakwood Coun.	12/13/2018	\$ 350.00
#15046	OCA Pension	04/04/2019	\$ 339.64
#15053	Bookkeeping & Acct	04/09/2016	\$ 120.00

## Credit Card Statements:

All statements reviewed were found to be complete. Receipts were present and accounted for.

Sept & Oct 2018 and March & April 2019:

- No Issues noted

It is noted that two of the credit card statements we looked at from Bank of America had late fees assessed. More attention needs to be placed on paying all bills by the statement due date.

## Payroll:

Payroll was reviewed for the 12-month period of January to December of 2018. W2 documents were in order.

1099-Misc forms were compared to the Profit & Loss Statement. Due to the accrual system of accounting, it is difficult to confirm all forms.

Note that the accrual basis for accounting purposes results in stipends issued on December 31, 2017, which are the January 1, 2018 payments and should be reported on the Profit & Loss Statement for 2018, however, the 2018 Profit & Loss Statement does not reflect the transition of these expenses to that report. Nor does the 2018 Profit & Loss Statement match the 1099s issued. It is suggested that a Journal Entry for the expenses be created to adjust the 2018 Profit & Loss Statement.

## Investment Accounts:

- Compared Investment Account Statements to Balance Sheets for each period audited
- Balances were checked on the original statements from the bank/brokerage firms and totals were compared to reports submitted by the Treasurer and they matched. However, the figures supplied by the accountant on the balance sheets did not match the brokerage firm's statements nor the treasurers' worksheets. We have found this to be a recurring problem.

## U. S. Savings Bonds:

We verified three bonds with a face value of \$10,000.00 each. Purchase date of October, 1992. Original purchase cost was \$5,000 each; total: \$15,000.

- Compared Savings Bond Values ascertained from [www.treasurydirect.com](http://www.treasurydirect.com) to Balance Sheets for each period audited.
- Value, as of December 31, 2018, \$17,700 each for a total of \$53,100. The 12/2018 Balance Sheet does not reflect an accurate value.
- Value, as of June 30, 2019, \$18,052 each for a total of \$54,156. The 06/2019 Balance Sheet does not reflect an accurate value.
- Accrual of interest occurs at six-month intervals – April and October

## Recommendations:

- The entries on the Balance Sheet for Investments and Savings Bonds should be confirmed and updated as of the next monthly closing.
- Information required for the audit from the accounting firm and requested in advance was not provided in a timely manner and required information was unavailable at the start of the audit. It is recommended that the documents be deposited in Dropbox by July 31<sup>st</sup> each year
- W2's were not able to be reconciled to the P & L provided. More detailed information is required. A salary summary and the 1099 vendor summary were not provided to us for the whole year by the accountant.

## Action Items:

Rob Koncel, Diocese of the Midwest Treasurer, will contact Innercircle LLC and provide information and instructions regarding investment fund reporting.

We would like to thank Philip Sokolov, Rob Koncel and Greg Hostelley, Innercircle, LLC for their cooperation and assistance during the audit.

Respectfully submitted,  
Diocesan Auditors

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