

Annual Audit Report

With this report, the Audit Committee presents the results of its audit for the period beginning January 1, 2016 and ending December 31, 2016 financial books and records of St. Mark's Evangelical Lutheran Church of Chula Vista, California, to the Congregational Council.

The audit was performed on Tuesday, October 3, 2017 by a committee consisting of the following members: Barbara Atwood, Mari Jo Munholand, Laura Ortiz, Audrey Voigt, Diane Wages and Kerri Wood.

In the examination of receipts and disbursements, no material discrepancies were discovered, however, the committee did make note of the following items:

- **Assets:**
 - Bank Accounts:
 - Cash Balances total \$150,142.33 at December 31,2016
 - Union Bank
 - Checking - \$70,196.55
 - MMDA - \$77,751.66
 - Chase Bank - \$1,694.12
 - Mission Investment - \$300.00
 - All statements and reconciliations were examined and found to be in agreement with the general ledger.
 - *Finding: No documentation stating who signers are on the Mission Investment Fund and Chase accounts.*
 - *Recommend the Treasurer or Bookkeeper contact these two financial institutions to determine the authorized signers.*
 - Asset purchases:
 - Asset Purchases in 2016
 - 1/7/16 - Sony 65" TV \$1,992.19
 - 1/6/16 – iPad \$369.78
 - 2/2/19 – Office Computer & accessories \$848.81
 - 7/9/16 – Laptop Computer HP Performance Pavillion \$1,397.00
 - 8/11/16 – Laptop Case \$129.59
 - *Recommend equipment be tagged and a permanent file kept listing original cost, serial number and where the asset is kept*
 - Petty Cash Fund:
 - *Finding: Fund detail was not made available to the Audit Committee, therefore no opinion can be put forward.*

- *Recommend a review of Petty Cash.*
- **Liabilities:**
 - Accounts Payable
 - *Finding: Minor discrepancy of \$44.67*
 - *Recommendation: Research, identify and reconcile.*
 - Mission Investment Loan
 - Loan balance at 12/31/16 matches the Mission Investment Fund annual statement.
- **Receipts:**
 - Donations:
 - All donations as indicated other than general fund giving are properly identified and accounted for in designated funds by the money counters when preparing the report of weekly deposit.
 - *Finding: A minor (\$20) discrepancy in the envelopes vs. bank deposit dated October 31, 2016.*
 - *Recommend a calculator tape be attached to the envelopes and check copies for the total deposit.*
 - *Finding: Contribution by a member not for church use, should state the purpose of the item being purchased and for event other than regular church expenses. (Example: purchase of an iPad for giveaway at a youth event)*
 - *Recommendation: The check request to purchase the item should also indicate the final disposition of the item.*
 - *Recommendation: Additional volunteer money counters should be enlisted to supplement and substitute for current team who is responsible for counting, and depositing of weekly offering and other receipts. (Refer to ELCA Guidelines for Congregations Internal Control Best Practices)*
- **Disbursements**
 - A sampling of the Accounts Payable transactions revealed no material discrepancies including proper documentation of invoices to support expenses and disbursements.
 - *Finding: Checks #9662 in the amount of \$1,000 and #9795 in the amount of \$1,500 both payable to Alicia Saenz for Seminary travel had no supporting expense documentation.*
 - *Recommendation: Travel advances should be documented with receipts of actual expenses after the travel is completed.*
- **Payroll** was not audited as Audit Committee did not have access to personnel records and time sheets.

- **Congregational Council Meeting Minutes:**
 - *Finding: Council Meeting Minutes provided for 2016 May, August, September, October and November only, therefore Audit Committee cannot comment, whether all approved financial actions were executed.*
 - *Recommendation: Copies of all meeting minutes be provided to the congregation in a timely manner and also retained in a file or binder accessible to the Treasurer and office staff so any Council actions related to financial transactions can be posted and properly documented.*
- **Insurance Policies:** All necessary policies are in place and in force.
- **Designated Funds:**
 - *Finding: Total of Designated Funds \$151,713.88 exceeds total of current cash assets \$150,142.33.*
 - *Recommendation: Council should carefully monitor the level of cash as it relates to obligation of designated funds. Cash balance should at least meet or ideally exceed total of designated funds.*

Based on the audit work performed, the Audit Committee found no significant, material departure from best practices of church accounting with the exception of the aforementioned items. Testing performed also found, with some exceptions, as noted in this report that controls governing the financial operations appear to be adequate.

Respectfully submitted,

Audit Committee

October 15, 2017