

SAINT JOSEPH PARISH

Independent Accountants' Report
on Applying Agreed-Upon Procedures

Year ended June 30, 2018

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Fr. Tom Bunnell
Management of Yakima Diocese
Diocese of Yakima
Yakima, Washington

Parish Council
Saint Joseph Parish
Sunnyside, Washington

We have performed the procedures enumerated below, which were agreed to by the Diocese of Yakima (the Diocese), solely to assist the Diocese in reviewing and testing internal controls as specified in the Diocese's policies and procedures manual. The Saint Joseph Parish's pastor is responsible for compliance with the Diocese's policies and procedures. The sufficiency of these procedures is solely the responsibility of the management of the Diocese of Yakima. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Summary of Findings

The full list of our procedures and findings begins on page 4 in the Procedures and Findings section. The bullet points below are summarized from the Procedures and Findings section and describe the exceptions and deficiencies we noted while performing the agreed-upon procedures. The Diocese requests that you prepare a corrective action plan and timeline for correcting these exceptions and deficiencies within 30 days of your receipt of this report, and send the corrective action plan to Sue Schoolcraft, CFO, Diocese of Yakima.

- Employees and volunteers who have ongoing, unsupervised contact with children, youth, and vulnerable adults have not all had background checks performed in recent years or at all. The Parish keeps record of employees and volunteers who require a background check, but there were multiple instances where either the background check was not complete, or it was past six years since the background check had occurred.
- Employees and volunteers who handle money have not all had background checks performed in recent years.
- Employees and volunteers who handle significant sums of money in unsupervised settings do not have credit checks in their personnel files.
- For the period reviewed, there was no evidence on the bank reconciliations that a Finance Council member had reviewed the reconciliations.
- The Bishop did not appear to be a signer on the Parish's bank account.

- Theft of Parish funds occurred when the donation box was broken into. This theft was not reported to the Diocese.
- The Parish did not have a current year final budget at the time the agreed upon procedures were conducted.
- The Finance Council packets did not include a statement of financial position, statement of changes in net assets (including budgeted and year-to-date numbers), and a detailed schedule of liabilities.
- There is not a list of authorized merchants/vendors at which the Parish may have a charge account. Such a list should be maintained and reviewed by the Pastor and Finance Council.
- Although there are authorized purchasers, there was no indication that there were only two authorized purchasers for each merchant/vendor account.
- Checks were signed by the administrative employee, when they should be signed by the Pastor.
- The Parish Council members do not sign conflict of interest forms.
- Since there were no conflict of interest forms, any conflicts of interests that may be present are not being reported to the Diocese.
- Unused checks are being kept in a secure and locked cabinet, but access to the cabinet is limited to the administrative employee when access should be limited to the bookkeeper and the Pastor.
- There was no indication of preapproval from the Pastor for expenses that would result in the submission of an expense report.
- There was no indication of approval from the Pastor for the expense reports as the checks are signed by the administrative employee.
- For fundraising events, volunteers counting checks and cash did not retain the adding machine tapes used to calculate the totals.
- Although acknowledgement letters are being sent to all donors, copies of the letters are not being retained by the Parish.
- Although the Parish is segregating the income and expenses in the general ledger for each fundraising event, the Parish was unable to provide the full supporting documentation for the income and expenses for each respective fundraising event.
- Procedures could not be performed to reconcile the ending cash balances for fundraising events due to the fact that there is only one bank account for the entire Parish.
- Meeting agendas, minutes, and other documentation indicate that the Finance Council met only three times during the period under review, rather than the minimum of four. Additionally, the monthly financial statements were not reviewed during the Finance Council meetings.
- The Parish is not consistently retaining signed copies of Form I-9 in the employee personnel files.
- The employee personnel files do not contain compensation information, description of job duties, nor vacation and sick time usage.
- Financial statements were not being completed by the 15th of the following month.
- During the review of Sunday collections, it was noted that there was one collection period where the donation envelopes were unable to be provided due to the Parish's inability to locate them.

Additionally, the donor report provided only showed the total monthly contributions per donor rather than each individual contribution.

- Petty cash is not replenished through use of a check written to petty cash or to the individual responsible for petty cash. The process noted was that when petty cash needed to be replenished, the administrative employee withdrew the necessary amount from the bank and provided the withdrawal receipt to the bookkeeper.

Procedures and Findings

Our procedures and findings for the year ended June 30, 2018, are as follows:

1. Verify that the software being utilized for accounting is on the approved software list and that the software is the most current version (software must be QuickBooks Pro, Peach Tree, Parish Data System, or Shelby):
 - No exceptions were noted. QuickBooks is used.
2. Inquire if there is a school involved with the Parish:
 - There is not a school involved with the Parish.
3. Verify that all employees and volunteers who have ongoing, unsupervised contact with children, youth, and vulnerable adults have had background checks completed within the past six years and that these employees and volunteers were supervised while the background checks were being processed:
 - This has not been done for all employees and volunteers who have ongoing, unsupervised contact with children, youth, and vulnerable adults. The Parish keeps a list of employees and volunteers and when their background checks were done, but there were multiple instances where the background checks were over six years old, or there were employees or volunteers who did not have a background check at all.
4. Verify that all employees and volunteers who handle money have had background checks completed within the past six years and that these employees and volunteers were supervised while the background checks were being processed:
 - This has not been done for all employees and volunteers who handle money. The Parish keeps a list of employees and volunteers and when their background checks were done, but there were multiple instances where the background checks were over six years old, or there were employees or volunteers who did not have a background check at all.
5. Verify that all employees and volunteers who handle significant sums of money in unsupervised settings have had credit checks completed and that these employees and volunteers were supervised while the credit checks were being processed:
 - Credit checks were not conducted on any of the employees or volunteers who handle money.
6. Select two months from the most recent 12-month period. For each month selected:
 - a. Verify that the bank statements were received and reviewed by an authorized signer or their delegate before being given to the bookkeeper:

- We selected the months of November 2017 and April 2018. No exceptions noted.
- b. Select the operating account and judgmentally select one other account (if applicable) from a list of all checking accounts for testing. For these accounts, verify the following:
- i. The general ledger account balances were reconciled to the bank statements with a cut-off of the end of the month:
 - No exceptions were noted.
 - ii. The canceled checks were obtained for the reconciliation:
 - No exceptions were noted.
 - iii. A Finance Council member reviewed the reconciliations:
 - For the period reviewed, there was no evidence on the bank reconciliations that a Finance Council member had reviewed the reconciliations.
 - iv. The accounts were included in the Monthly Parish Financial Report:
 - No exceptions were noted.
 - v. The reconciliation was completed promptly (within 1-2 months of month end):
 - No exceptions were noted.
 - vi. For the two accounts selected above, calculate days cash on hand and verify that it is less than 45. Verify that amounts in excess of 45 days were deposited in the Capital Revolving Program (CRP):
 - We calculated days cash on hand (rounded) as 15 and 20 for November 30, 2017 and April 30, 2018, respectively.
7. Inquire if there are other checking accounts besides the operating account:
- None were noted.
8. Confirm signatories with the bank(s), and verify the following:
- a. The bookkeeper is not a signer on the checking accounts:
 - No exceptions were noted.
 - b. The Bishop is a signer on all Parish and school accounts:
 - The Bishop was not confirmed to be a signer on the Parish account.
 - c. The Pastor is a signer on all Parish accounts:
 - No exceptions were noted.

9. Inquire if all funds are deposited in accounts that bear the Parish name and federal tax ID number:

- No exceptions were noted.

10. Inquire if there were any instances of theft of church funds. If there were, inquire if these were reported to the Diocese:

- There were two instances of theft of church funds. The first instance was unauthorized charges that totaled \$652.94. The second instance of theft was when the donation box was broken into. Approximately \$40 - \$80 was stolen, but this was not reported to the Diocese.

11. Obtain the current year budget and verify that it was approved by the Pastor and the Finance Council and document the approval date:

- No exceptions were noted.

12. Verify that the final budget is in balance (this can include drawdowns of cash):

- No final budget existed at the time the agree upon procedures were conducted.

13. Review Finance Council packets for November 2017 and January 2018. Verify that the packets include a statement of financial position, statement of changes in net assets (including budgeted and year-to-date numbers), and detailed schedule of liabilities:

- The Finance Council packets do not include the financial statements or the budget to actual amounts.

14. Verify that cash and check receipts are kept in a locked cabinet or safe until deposited:

- No exceptions were noted.

15. Document who opens the mail. If it is not the bookkeeper, verify that the mail opener prepares a listing of all envelopes and checks received before handing them to the bookkeeper:

- The mail is opened at the front desk by the receptionist. Checks received in the mail are entered into the Clover system by the receptionists. Bank statements are opened by the bookkeeper.

16. If the bookkeeper did not open the mail, for two deposits from the reconciliations tested above, verify that a check listing was created and that it agrees to the deposit:

- No exceptions were noted.

17. Inquire if checks are endorsed "For Deposit Only" when received:

- No exceptions were noted.

18. Inquire if prenumbered receipts are used for cash delivered by hand:

- No exceptions were noted.

19. Verify that a cash receipts book is being used and that receipts are distributed in order:

- No exceptions were noted.

20. Inquire if a drop safe is used for Sunday Collections:

- No exceptions were noted.

21. Review the list of authorized merchants/vendors at which the Parish/school may have a charge account, and verify that the list was approved by the Pastor and the Finance Council:

- No list of authorized merchants/vendors at which the Parish may have a charge account is maintained or reviewed by the Pastor or the Finance Council.

22. Verify that each charge account has no more than two authorized purchasers:

- Although there are authorized purchasers, there was no list to indicate that there were only two individuals allowed to make purchases.

23. For merchant/vendor charge accounts, select two months of vendor statements, and verify that the statements were reviewed by either the Pastor or the chair of the Finance Council:

- No exceptions were noted.

24. Verify that there are signed cardholder agreements from each individual who carries a credit card open in the Parish's name.

- The Parish does not use credit cards.

25. Verify that all credit card purchases are supported by receipts.

- This procedure was not applicable due to the Parish not using credit cards.

26. Select 20 cash disbursements from the last twelve months. For each disbursement:

a. Vouch to supporting invoice:

- No exceptions were noted.

b. Verify that the disbursement was coded to the proper account:

- No exceptions were noted.

c. Verify that the check was signed by the Pastor:

- All checks examined were signed by the administrative employee.

d. Vouch to clearing on the bank statement:

- No exceptions were noted.

27. Select 10 cash receipts from the bank reconciliations selected for testing above. For each receipt:
- a. Vouch to supporting documentation:
 - No exceptions were noted.
 - b. Verify each receipt was properly coded:
 - No exceptions were noted.
 - c. Vouch to clearing on the bank statement:
 - No exceptions were noted.
28. Vouch two pay checks against Diocese records (one from November 2017 and one from April 2018). If applicable, vouch additional reimbursements to supporting documentation:
- No exceptions were noted.
29. Obtain the most recent compliance review report. Verify that it was properly signed off and that not more than six years have passed since the last review:
- This report is part of the first compliance review.
30. Obtain listings of all diocesan/Parish Councils or similar governing bodies, and verify that all members signed conflict of interest forms for the most recent year:
- No conflict of interest forms were signed by any of the Parish Councils.
31. For any conflicts of interest noted on the conflict of interest forms, verify that these items have been communicated to the Diocese CFO:
- No conflict of interest forms were signed by any of the Parish Councils.
32. Verify that unused checks are kept in a secure, locked location that is accessible only by the Pastor and the bookkeeper:
- The locking file cabinet where the checks are kept is only accessible to the administrative employee, and not the bookkeeper or Pastor.
33. For checks deposited with remote deposit scanner, verify that a listing of checks is maintained with the deposit file for two deposits from the reconciliations tested above:
- This procedure is not applicable to the Parish as a remote deposit scanner is not used.
34. Verify that checks deposited with a remote deposit scanner are destroyed within 14 days of deposit or when all reasonable collection attempts have been made:
- This procedure is not applicable to the Parish as a remote deposit scanner is not used.

35. For two months during the most recent 12 months, verify that the monthly online bank statement is downloaded and reviewed by either the Pastor or chair of the Finance Council prior to reconciliation. The bank statement should be initialed as evidence of review:
- No exceptions were noted.
36. Verify through observation that the Parishioner bank or credit card information is stored in a locked file, safe, or password protected computer:
- No exceptions were noted.
37. Select a sample of 10 expense reports. For each report, verify the following:
- a. The expenditure was preapproved by the Pastor:
 - No indication of preapproval from the Pastor was noted on any of the expense reports.
 - b. The expense report was approved by the Pastor:
 - No indication of approval from the Pastor was noted on any of the expense reports.
 - c. Each item of the expense report is supported by a receipt, or, if for mileage, the mileage appears reasonable:
 - No exceptions were noted.
38. Select two deposits from fund raising events in the last twelve months. For each deposit, verify the following:
- a. For checks, two tapes were run by two separate volunteers and were initialed and dated:
 - There is no record of the tapes being ran for the cash and check amount counts.
 - b. For cash, two volunteers initialed and dated the count:
 - No exceptions were noted.
 - c. Funds were deposited within 24 hours of receipt:
 - No exceptions were noted.
39. Inquire if acknowledgement letters were provided to all donors:
- No exceptions were noted.
40. Select five donors from the fundraising donations listing who are included in the deposits tested above. Obtain copies of acknowledgement letters sent to the donors. Vouch the amounts on the letters to the amounts deposited:

- This procedure could not be completed. Copies of acknowledgement letters are not retained.
41. For annual fundraising events (golf tournament, auction, yearbook, book fair, etc.), obtain the financial statements for the events, and agree the amount listed as excess of revenue over disbursements to the amount contributed to the Parish/school:
- Although the Parish does segregate the income and expenses by each fundraising event in the general ledger, the Parish was unable to provide the full supporting documentation for the fundraising events expenses and income.
42. Verify that the bank statements for the events tested above reconcile to the ending cash on the financial statements:
- This procedure could not be completed due to the fact that the fundraising events do not have their own bank account.
43. Verify that the Finance Council met at least four times in the past year and review the minutes and monthly financial statements:
- Meeting agendas, minutes, and other documentation indicate that the Finance Council met only three times during the fiscal year. Additionally, from reviewing the Finance Council minutes, monthly financial statements are not being reviewed.
44. Verify that a person independent of the payroll and accounting process reviewed the payroll and related tax returns at least twice in the past year. Verify that this review included tracing the wire payments to the bank statements as evidence of tax and withholding remittance:
- No exceptions were noted.
45. Select five employees from the listing of all employees and test the following:
- a. Obtain the employees' personnel files, and verify the following:
 - i. Files contain Forms I-9 and W-4:
 - Three employees were missing Form I-9 from their personnel file.
 - ii. Files contain compensation information, vacation and sick time usage, and a description of job duties:
 - Personnel files do not contain compensation information, descriptions of job duties, nor vacation and sick time usage
 - b. Verify that a W-2 was prepared for each employee by January 31, 2018.
 - No exceptions were noted.
 - c. Verify that the W-2 was given to the employee and the Social Security Administration:
 - No exceptions were noted.

- d. Verify that a W-3 was filed with the Social Security Administration by February 28, 2018:
 - No exceptions were noted.
46. Select two months from the most recent 12-month period. For each month selected, verify the following:
 - a. Accrual basis financial statements were prepared including accounts payable and payroll liabilities, all activities of the Parish/school, a statement of financial position, and a statement of changes in net position:
 - No exceptions were noted.
 - b. Financial statements were prepared by the 15th of the following month:
 - Financial statements are not being prepared until 1-2 months after month-end.
 - c. The Pastor approved the financial statements:
 - No exceptions were noted.
47. Verify that at least two unrelated people are involved in the counting of Parish collections:
 - No exceptions were noted.
48. Verify that the Sunday Collections teams are rotated frequently, and that there are 3-5 counting teams:
 - No exceptions were noted.
49. Select five Sunday Collections counting sheets from the months selected above for bank reconciliation testing. For each sheet:
 - a. Verify that two people performed the count and initialed the count sheet:
 - No exceptions were noted.
 - b. Trace the amount per the count sheet to the bank deposit:
 - No exceptions were noted.
 - c. Select ten contributions from the count sheet or donor report and vouch amounts contributed to the collection envelopes:
 - There was one collection period where the envelopes were unable to be provided due to the Parish being unable to locate them. The donor report provided only showed the total monthly contributions per donor rather than each individual contribution.
 - d. Verify that year-end statements were sent to the ten contributors tested above:

- No exceptions were noted.
- e. Verify that collections were deposited separately from other collections:
- No exceptions were noted.
- f. Verify that collections were deposited on the same day, or, if a secure storage area is available, the deposit was made the next business day:
- No exceptions were noted.
50. Inquire of the bookkeeper if a Form 1099 was given to each contractor who was paid over \$600:
- No exceptions were noted.
51. Select two contractors from the prior period and verify that a Form 1099 was prepared:
- No exceptions were noted.
52. Verify that a Form 1096 was filed for 2017 by February 28, 2018:
- Procedure not applicable due to the Parish e-filing all Form 1099's.
53. Verify that Form 941 was filed for each quarter of the most recent twelve months by the last day of the following month:
- No exceptions were noted.
54. If the unit has charitable gambling, verify that Form W-2G was filed by February 28, 2018:
- No exceptions were noted.
55. If the unit has charitable gambling, verify that State laws were followed:
- No exceptions were noted.
56. Select the most recent petty cash replenishment, and verify the box was replenished with a check written to petty cash or to the responsible person:
- Petty cash is not replenished through use of a check written to petty cash or the responsible person. The administrative employee and bookkeeper email each other to find out the balance, and if petty cash needs to be replenished the administrative employee withdraws from the Parish bank account. The administrative employee then provides the withdrawal receipt to the bookkeeper.
57. Count the petty cash and verify that the total of the receipts plus remaining cash is equal to the book balance:
- No exceptions were noted.

58. From the unit calendar, select five events where the unit property was utilized by an individual or organization, and verify that the special events form was completed and that \$100 was collected:
- No exceptions were noted.
59. Verify that all Scrip is stored in a locked safe at all times:
- This procedure is not applicable to the Parish as it does not utilize the Scrip program.
60. Examine a current listing of all Scrip requests by program participants and verify that the total Scrip ordered and on hand is only equal to the amount requested.
- This procedure is not applicable to the Parish as it does not utilize the Scrip program.
61. Verify that Scrip records are maintained by two people:
- This procedure is not applicable to the Parish as it does not utilize the Scrip program.
62. Verify that the Finance Council is auditing Scrip records regularly:
- This procedure is not applicable to the Parish as it does not utilize the Scrip program.
63. Verify that Scrip records are not stored with the Scrip and that the records include Scrip serial numbers:
- This procedure is not applicable to the Parish as it does not utilize the Scrip program.
64. Inquire if fraud has occurred at the Parish/school in the last five years. If fraud has occurred, verify that it was reported to the Diocese:
- Based on our inquiries and procedures, no evidence of fraud was noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the policies and procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Diocese of Yakima and is not intended to be and should not be used by anyone other than those specified parties.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington

November 20, 2018