Internal Audit

Presented by: Kelly Chernowski, Allegra Davis
& Jennifer Molloy
PSIC Meeting 11/14/2023

Changes in the Internal Audit Department

➢ Holly Orsagh –
  ➢ promoted to Director of Financial Services
  ➢ has oversight for Internal Audit
➢ Allegra Davis –
  ➢ previously primary school internal auditor
  ➢ 9/1/23 promoted to Internal Audit Manager
➢ Working to role out new audit software
  ➢ timing expected to be 1Q24
  ➢ from your perspective will change the way audit requests and documentation are shared

Meet the Internal Auditors

We currently have 7 contract auditors on our team who have a wide variety of accounting, church, & school experience, with 2 new auditors joining the team in January.

We all love working with the Chancery and the 102 parishes and missions as well as 16 schools. We are looking to PARTNER with each location to help strengthen internal controls to the extent possible based on the circumstances available.

- Kelly Chernowski
- Bob DeSantis
- Gerard LaHatte
- Mimi Moges

- Jennifer Molloy
- Yen Nguyen
- Stephanie Regales

Internal Audit Guidelines

➢ **Best Practices Document,** updated 3/2023

> ➢ On the Archdiocese website [Policies, Best Practices & Procedures | Roman Catholic Archdiocese of Atlanta | Atlanta, GA (archatl.com)](#)
>
> > • New 'paper turn' format available *(soon to be posted to website)* @ [BP 11122023 129pm - Flipbook - Page 1 (paperturn-view.com)](#)

➢ **Pastor/Administrator Financial Review Checklist**

➢ **IT Questionnaire**

> ➢ Created in collaboration with Archdiocese IT
> ➢ Intended to raise awareness of primary IT issues

Audit Scope Links Directly to Best Practices

- ➢ Governance
- ➢ Financial Reporting & reconciliations
- ➢ Banking
- ➢ Tuition & Collections
- ➢ Advancement, including receipt of funds online
- ➢ Miscellaneous Receipts
- ➢ Accounts Payable
- ➢ Human Resources/Payroll
- ➢ Information Technology

Common Audit Findings

➢ Lack Segregation of duties

➢ Lack of Reconciliations

➢ Lack of Written Procedures

Lack of Segregation of Duties

➢ *Common Finding:* Staff has edit access to PSA (general ledger), PSFS (donation system) and payroll; receives funds; and has full access to the safe

➢ *Risks* – Loss of funds, unwarranted accusations

Segregation of duties is an important internal control that:

- *protects parish from potential fraudulent activities*
- *protects employees from unwarranted accusations*

This involves strategically dividing key responsibilities for the handling of parish funds such as:

- *custody of assets (i.e. receiving and depositing funds)*
- *recording transactions*
- *reconciliations*

Lack of Segregation of Duties

Recommendations:

1) Separate tasks of maintaining the general ledger and entering donations.

2) Install a drop box for miscellaneous funds to be collected by count team.

3) Require the code to open the safe be split among two people.

4) Independent party reconciles general ledger to the donation system.

Lack of Reconciliations

➢ *Common Finding:* YTD reconciliations between PSA & PSFS are not performed.

➢ *Risks:* Record keeping errors/omissions, financial loss, inaccurate financials

➢ *Recommendations:* To assist in verifying all funds received are deposited into the bank and properly recorded in the accounting system, reconcile PSA to PSFS using YTD amounts. Reconciliations should be performed, at a minimum, at CYE & FYE but recommended monthly.

Reconcilition Training

The internal audit team are available to provide reconciliation training – reach out to your current auditor to schedule.

Lack of Written Procedures

➤ *Common Finding:* Written policy/procedures are either not documented or are outdated

➤ *Risks:* Lack of continuity, improper training

➤ *Recommendations:* Documented procedures:
  - promote ease in managing the learning curve
  - can be an incentive when soliciting volunteers
  - ensure consistency and accuracy in training

  Develop written procedures tailored to the parish. Communicate procedures to staff/volunteers in all areas.
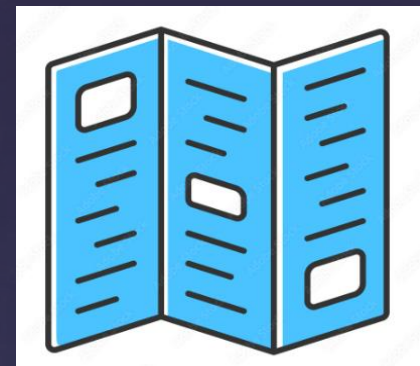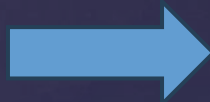
Make it easy:

❖ *Take your time (but not too long)*
❖ *Document step-by-step of what you do*

Example: Accounts Payable Procedures:

- Invoices are reviewed and coded by appropriate departments. Invoices are turned into Accounts Payable by Wednesday at noon.

- Invoices are reviewed by the Pastor for correct coding and amounts and approved for payment on Wednesday afternoon.

- Invoices are entered into PSA.

- Checks are printed by the Accountant on Thursday morning and signed by the Pastor.

- Accounts Payable Clerk attaches check stubs to the invoices and mails out the checks.

Hot Topics

Areas which are relatively new to the audit process

Hot Topic - Bill.com

➢ *User permissions:* As the payment platform was rolled out, Administrator rights were initially given to business managers, accountants, pastors, etc. This user role grants full access and bypasses segregation of duties.

➢ *Remedy*: Prior to payment, replicate the process used for traditional accounts payable as follows:

- ensure that at least 2 people have access to the Bill.com system with different levels of access
- one person to initiate the transaction (payer user role)
- another to approve it (approver user role)

Hot Topic: IT Controls

➢ Regarding the IT Questionnaire
  ➢ Developed in conjunction with the Archdiocese IT department
  ➢ Developed as response to the increasing risk landscape resulting from the increased use of technology AND bad actors operating in this arena
➢ The internal audit team are not IT experts or IT auditors, our primary purpose is to begin raising awareness of areas of IT risk.
➢ For your consideration:
  ➢ While the Archdiocese IT Department is unable to act as your MSP, they offer consulting services and onsite walkthroughs to assist with prioritizing your IT efforts.

Hot Topic: IT Support

➤ Various approaches to IT Support:
  ➤ Managed Service Providers (MSP) – Recommended
  ➤ Technologist *(generally an IT Teacher or other employee)*
  ➤ Volunteer *(possibly parish or parent volunteer)* – Last resort
➤ Recommendations for IT Support:
  ➤ Ensure that background checks are obtained
  ➤ Obtain a written contract that clearly defines terms of service with the MSP or parent/parish volunteer and school
  ➤ If using a volunteer, inquire of background & certifications
  ➤ Consider the need for non-disclosure clause or agreement
  ➤ Contract should clearly specify areas of responsibility that takes into consideration: routers, firewall, Wi-Fi, antivirus software and IT credentials
  ➤ Obtain Certificate of Liability

Hot Topic: IT Security

➢ Phishing Awareness Protocol and Training:
  ➢ Are employees trained to be alert to phishing emails?
  ➢ Do employees know how to SAFELY report suspicious emails?
  ➢ Do you subscribe to an awareness training?
➢ Wi-Fi Network:
  ➢ Separate networks for administration, students and guests
➢ Utilization of and Updates to security technology:
  ➢ Strong passwords including Multifactor Authentication
  ➢ Antivirus
  ➢ Firewall

Thank You

Please contact Allegra Davis, Internal Audit Manager,
if you have questions, concerns, or recommendations.
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