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Auditors' Communications

July 2, 2014

To The General Council of
The Presbytery of Geneva
2472 State Rt 54A
Penn Yan, NY 14527

Dear General Council Members:

This letter is intended only for the board and those responsible for management and governance. It includes key findings and recommendations from our recently-completed audit. Although we do have some internal control observations, we did not perform an examination of your internal control that would allow us to give an opinion on the adequacy of your controls. We welcome and encourage your response.

Those charged with management and governance are responsible for:

- safeguarding your assets,
- ensuring that your resources are used as directed by funders, donors, and as required by charities laws and your own articles of incorporation,
- assuring that you are complying with laws, regulations, contracts and grants associated with your funding,
- properly recording and reporting results of operations and account balances, and
- proper business practices, operating procedures, documentation and controls.

Our audit was designed to help you with those responsibilities, and is also designed and intended to help you to benchmark your administrative operations to best practices.

Our Responsibilities to You

As part of our audit, we are required to inform you of significant deficiencies and material weaknesses in your controls that we become aware of.

Controls are procedures, policies, and responsibilities that you put in place to make sure that appropriate transactions take place and are reported properly on your financial statements. Examples of controls are timely billing for services you perform, ensuring proper payments are received and recorded, and measures to prevent overpayment of payroll or vendors.

Control deficiencies result when proper procedures are not in place to assure that appropriate transactions are carried out, recorded and reported properly.

Significant deficiencies are control deficiencies or combinations of control deficiencies that are less severe than material weaknesses, yet important enough to merit attention by those charged with governance.

Material weaknesses are significant deficiencies or combinations of significant deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The Role of Internal Controls

Internal controls include ethics and standards set by management, analysis of risks to achieving your objectives, approvals, authorizations, verifications and reconciliations, effective communications, and monitoring/assessing your performance over time. They help in several ways, including:

- They may protect the organization and its employees from false accusations and investigations.
- They are an effective method of catching unintentional errors.
- They are required by many funding sources.
- Systems with strong internal controls can produce more reliable data.
- Good internal controls make accounting systems more efficient.
- Good internal controls help assure that assets are used according to your mission.

General Observations

Our general observations are that:

- We have become aware of a matter that we consider to be a material weakness. It is described on the following page.
- Your record-keeping system is appropriate for your financial recording and reporting needs, including allocation of revenue and expense to various programs.
- Record-keeping appears to be done in a timely, complete and conscientious manner.
- The attitude of management regarding the importance of proper systems and controls seems appropriate.
- We did not have disagreements with management in connection with our audits or difficulties in performing the audits, and, to our knowledge, management did not consult with other CPAs about audit issues.
- We did not become aware of fraud or illegal acts, and there were no significant financial statement adjustments or unusual transactions.
- No material accounting adjustments were left unrecorded.
- There were no major changes in accounting policies and procedures, or in estimating for things such as the useful lives of equipment items, bad debts or functional allocations.

Control Deficiencies

Because of the magnitude of potential misstatements, the following is considered a material weakness.

- During the audit, we found that credit card transactions and employee reimbursements for the Executive Presbyter were either not approved by an independent person, or were approved by a staff person. We recommend that senior executive credit card purchases and expense reimbursements be reviewed by a board member to ensure these transactions are proper business expenses. We understand that this began in 2014. Although no instances of fraud were detected during our testing of credit card expenses, we did note several expenses that could be considered inappropriate, such as local restaurant and fast food purchases, and applications for the tablet. You should create guidelines on what type of purchases are deemed acceptable or unacceptable business expenses.

The following control deficiencies are not considered significant deficiencies or material weaknesses:

- Unused checks should be kept in a locked and secure area to prevent theft and unauthorized use. Additionally, only those persons authorized to prepare checks should have access to the check stock.
- You should have procedures to verify and document that invoices have been reviewed before payment. This will reduce the possibility of improper payments. A rubber stamp like the following can help:
checked for accuracy _____
post to account _____
no sales tax included _____
approved for payment by _____
paid-ck # _____

Recordkeeping

- You currently have funds classified as endowments, however, your research of these funds have not found any documentation to support that they are permanently restricted endowment funds. You should document your research and classification of these funds as temporarily restricted, instead of permanently restricted through approval and a board resolution. In addition, your temporarily restricted funds exceed your total cash, investments, and receivables at year end. We understand that you are aware that restricted funds were spent on operations in prior years and are working to pay back these funds with current earnings over the next several years. You should also consider whether funds were spent appropriately, but were not released from restrictions. If this occurred, you should document these expenses and formally approve to release these funds.

Policies and Documentation

- You should have a written conflict of interest policy for all employees and board members. Such a policy identifies procedures for dealing with board members or other insiders as providers of services. The absence of such a policy can allow improper practices or lead to allegations of improper activities. With a policy in place you can carry on appropriate business transactions according to approved practices. Nonprofit best practices in this area include having conflict of interest statements signed each year.
- We understand that there is a whistleblower policy through the Presbytery. This policy should be reviewed with staff annually to remind them of the policy. Communications from employees have been identified as the most effective internal control by the American Institute of CPAs and by the Association of Certified Fraud Examiners, so you should encourage these communications.
- We recommend that you plan for unexpected events. Planning can be done by a committee whose members would be responsible for: 1) identifying ways to minimize the possibility of casualties (for example, through computer security, insurance and risk management), 2) minimizing the impact of any casualty or disaster with procedures, such as maintaining an up-to-date list of employee cell phones and contact persons, and 3) speeding the recovery from a casualty with procedures, such as identifying alternative computer and operating facilities.

Information Technology Observation

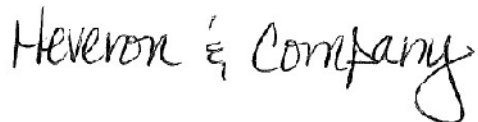
- You should have a policy manual that documents your computer backup, security and anti-virus procedures. Policies to protect and control the flow of electronic information are very important for your record-keeping and reporting purposes, and for protecting important donor information. Written policies reduce the possibility of misunderstandings and help assure that proper procedures are consistently followed. Some of the items that should be in your policy manual include:
 - * the process and schedule for backups and how they will be documented, as well as verification of backups,
 - * computer and Internet use, including what limitations or restrictions you wish to put on employees' use of the Internet, e-mail access, and use of the computer for non-business purposes. It should also state that employees should have management approval before downloading or installing any programs or applications,
 - * policies and procedures to follow when employees leave or are terminated. This should include immediately disabling access rights, passwords, and email accounts. Also, administrative passwords should be changed if the person had any administrative rights.
 - * User passwords should be changed on a regular basis. A good policy to follow is to change them every 90 days. Passwords should be set to meet security standards with at least 8-12 characters and contain a capital letter, lowercase letter, number, and special character.

- * With technology becoming more mobile these days there are many devices out there that employees use to access network and company information. These devices should be checked and proper security measures taken before they can access any company information. It is very easy for these devices to be compromised if the proper security measures are not put in place.

This communication is intended solely for the information and use of management, the general council, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

The recommendations in this letter are necessary for us to fulfill our responsibilities. Please let us know if you have any questions about our recommendations or how to implement them.

Sincerely,

A handwritten signature in black ink that reads "Heveron & Company". The signature is written in a cursive, flowing style.

Heveron & Company CPAs