

GULF ATLANTIC DIOCESE  
OF THE ANGLICAN CHURCH  
IN NORTH AMERICA  
PMB #141  
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The Rt. Rev. Neil G. Lebhar  
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Harris G. Willman  
*Administrator & Treasurer*  
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August 31<sup>st</sup>, 2010

Report To: The Rt. Rev. Neil Lebhar, Bishop  
From: Harris Willman, Lay Administrator and Treasurer  
Subject: Report and Response to the Internal Audit of the 2009 AANF

Dear Bishop Neil,

This report is in response to Canon XIV Section 5, last paragraph of the Canons of the Gulf Atlantic Diocese as follows:

*All reports of such audits, including any memorandum issued by the auditors or audit committee regarding internal controls or other accounting matters, together with a summary of action taken or proposed to be taken to correct deficiencies or implement recommendations contained in any such memorandum, shall be filed with the Bishop or Ecclesiastical Authority not later than 30 days following the date of such report, and in any event, not later than September 1 of each year covering the financial report of the previous calendar year. In any case of failure to file such audits, memorandum, or summary as required herein, any and all Lay Delegates of such delinquent Parishes shall be entitled to seats with voice but no vote in the next Annual Synod.*

As of this date, the Finance Committee is still in the process of forming our diocesan Audit Committee and to date no audits have been requested from any parishes for 2009, the final year of the Anglican Alliance of North Florida and South Georgia (AANF). We do expect the Audit Committee to be fully formed by the end of 2010 and to communicate to all parishes the review requirements expressed in Canon XIV for compliance prior to Synod 2011.

The diocese however has completed a review of the 2009 AANF transactions by the Rev. Ted Griswold. His report follows immediately with our actions or proposed actions imbedded following each area of deficiency described in his report.

May our LORD continue to bless you and your ministry,

Harris G. Willman  
Lay Administrator and Treasurer

Edwin C. Griswold, CPA, CJA  
Internal Auditor  
Anglican Alliance of North Florida  
8724 SW 98 Ave  
Gainesville, FL 32608

July 24, 2010

Board of Directors  
Anglican Alliance of North Florida  
RE: Review of 2009 Transactions

I have reviewed transactions for the period 1-1-2009 through 3-2-2010. The purpose was to test receipts and disbursements for proper classifications and amounts, and review payroll and insurance if necessary. This review is also undertaken to gain some perspective on internal accounting controls.

#### BANK RECONCILIATIONS

Bank reconciliations were done, but some did not appear to be as timely as they could have been. Judging from the date the Quickbooks reconciliations were printed, the reconciliations were done some as late as the end of the following month. For instance, the January 31, 2009 bank reconciliation was dated 4/13/09.

The December 31, 2009 bank reconciliation amount was \$110.00 less than the Balance Sheet of the same date. Since the higher amount (Balance Sheet), \$7,789.35, was transferred to the new diocese, this is not critical. However, the balance sheet cash balance should agree to the cash reconciliation.

**Response:** *The Lay Administrator & Treasurer commits to completing the reconciliation of all bank accounts within seven days of the close of each monthly bank statement.*

#### CASH RECEIPTS

The cash receipts that I sampled tied well to all entries and statements.

**Response:** *No response required*

#### CASH DISBURSEMENTS

Check #1166 was paid to Harris Willman for consulting. This raises two issues: the employee/independent contractor status and IRS reporting requirements. An independent contractor would receive a 1099 for amounts over \$600.

**Response:** *Mr. Willman was paid in two installments for consulting in 2009 as an independent contractor. He was never an employee of the AANF. Since the total amount paid exceeded \$600, an IRS Form 1099 should have been issued at the end of 2009.*

*Looking forward to 2010 and the newly formed Gulf Atlantic Diocese, Mr. Willman is now an employee and thus the above deficiency is now moot.*

Check # 1178 (as well as several others) were issued to camp counselors as honorariums. Although these clearly fall below the \$600 limit, they raise similar questions: Are the counselors employees? Should FICA and Income Tax be withheld? If they are injured on the "job", are they covered with worker's comp or by some other insurance? One other option is in the area of "gift". According to

the IRS website, gift certificates, cash or cash equivalent items provided by the employer are never excludable from income. An exception applies for occasional meal money or transportation fare to allow an employee to work beyond normal hours. Gift certificates that are redeemable for general merchandise or have a cash equivalent value are not de minimis benefits and are taxable.

Subject to the above, gifts to volunteers/employees must have a value of \$25 or less to avoid being taxable income to the employee.

**Response:** *Honorariums or gifts were given to eight volunteer counselors in the amount of \$100 each at the end of 2009. The counselors were not employees of Camp Araminta or the AANF. It is the intent to continue this practice for 2010 however the Camp Administrator will include in her letter that accompanies the checks instructions that this gift is subject to Income Tax by the recipient and should be reported on their tax return as such.*

Check #1193 reimbursed our bishop for mileage. While the total mileage and the rate are correctly accounted for, there is no documentation of where the travel occurred and its business purpose. The IRS rules for accountable-reimbursable plans require both of these.

**Response:** *A new standard form for mileage reimbursement has been prepared and given to the bishop and other employees for all future requests. The form does meet the current IRS requirements.*

#### INTERNAL CONTROL

Good internal control is when these duties are separated: Recordkeeping (the persons entering transactions into the accounting system), Authorization (the persons approving payments), and Custody (the persons who handle cash and checks and deposits). From the narrative provided by the Lay Administrator, it appears that he deposits funds, writes checks and reconciles the bank account. It would be a good idea to provide some additional separation. Perhaps the reconciliation (done by quickbooks) could be reviewed by someone else in the office and initialed as of the date of review. These weaknesses in internal control are mitigated to some extent by the limited number of transactions, the low dollars involved, and the character of the individuals in the office. It still would be better to involve more people (perhaps some volunteers from member churches) in the transaction flows.

**Response:** *Recordkeeping, Authorization, and Custody are currently all the responsibility of the Lay Administrator and Treasurer. The Finance Committee instructions for disbursements oversight is that the Lay Administrator and Treasurer has single signature discretion for amounts up to \$250. All check disbursements that exceed \$250 require a co-signature from one of three authorized persons.*

*In response to the deficiency described here, the Lay Administrator and Treasurer will begin immediately to meet regularly and not less than once per month with the Assistant to the Bishop or the Bishop's Secretary to review all bank reconciliations, deposits, and disbursements. This review process has been discussed with the auditor and deemed sufficient to provide transparency of all financial transactions.*

Sincerely,

Edwin C. Griswold