

Audit Committee Report to the 230th Annual Diocesan Convention

The Audit Committee has been blessed with talented, diligent and knowledgeable membership and has made significant progress in assuring that the audits of the funds and accounts of the Diocese are brought current and will be conducted on a timely basis going forward.

The 2011 and 2012 audits for the Diocesan Administrative Office (DAO) have been completed, as well as the 2012 Audit of the Bishop's Discretionary Fund (BDF). At the time of this writing we are still awaiting final reports from our auditors (The Mercadien Group), which we expect to be posted under Financial Exhibit VI by the time of Convention or within the week thereafter. We once again expect clean reports, with no deficiencies or internal control issues noted as the auditors have wrapped up their work. Updating related issues:

- The actuarial study from Milliman for the clergy post-retirement benefits was completed and the liability has been included in the DAO audits.
- The inclusion of mission properties and their associated valuations in the Diocesan audit is still in progress as title documents are renamed to the Diocese and appraisals are completed.
- Research on the "Funds Held in Trust for Others" has been completed by the Audit Committee and the results have been provided to the Trustees of Diocesan Trust Funds. These funds will once again be included in the Diocesan Administrative Offices audited financial statements as of the fiscal year ended 12/31/2013, and consultation regarding the trust instruments for each of these funds will be conducted with each church involved.

The audits of the Diocesan Investment Trust (DIT) for the years ended December 31 2009, 2010, 2011 and 2012 were all completed during 2013 and those audited financial statements are also posted under Financial Exhibit VI. Each of these statements also includes a clean audit report. We are especially grateful for the diligent, efficient and cost-effective work of Jim McCormick from Your Part-time Controller (YPTC) in coordinating all the source documents needed from BNY Mellon (our custodial bank and fund accounting provider) and preparing the reconciliations and workpapers needed for our auditors, WithumSmith+Brown (WS+B), to complete their work. This collaboration between YPTC and our own Finance Office has proved so effective that YPTC was re-engaged for the 2013 audit, which at this writing is already substantially complete as to fieldwork. Those statements will also be posted to Financial Exhibit VI as soon as they are received, which is expected to be at or just after Convention.

This allows us to move on to our new project: the audits of the Corporation for the Relief of Widows, Widowers, and Children of the State of New Jersey (CWWC). This Corporation, which is separately incorporated from the Diocese of New Jersey, administers a fund that has been shared between our Diocese and the Diocese of Newark. Transactional recordkeeping and administrative responsibilities alternate between the finance offices of each diocese as negotiated and agreed through the CWWC's board. The last audit was for the fiscal year ended 4/30/2010, undertaken by an auditor engaged by the Diocese of Newark, which had administrative responsibility at that time. This audit was never completed. The Diocese of NJ has now assumed administrative responsibility for this fund and the audits that are needed. Canon Jones is working with her counterparts in the Diocese of Newark to gain closure on the FY2010 audit so that the ensuing years' audits can proceed. The CWWC has engaged Mercadien as the new auditor, responsible for the audits for those ensuing years, and the information for these audits has been prepared by our DNJ Finance office and sent to them. The fees for these audits are paid by the fund.

In July 2013 the Audit Committee sent a letter to all the congregations in the Diocese requesting copies of their 2011 and 2012 annual financial audits or other financial reports if an audit had not been conducted. Additionally, the Committee requested that each congregation complete a short survey addressing the difficulties that their congregation had with conducting annual audits. Approximately 50 congregations responded to the letter providing financial reports and survey responses. The primary concern regarding audits was the cost, followed by lack of expertise and effort required. The Audit Committee is now focusing on using these findings to address the concerns and is working on several initiatives, such as audit training workshops, audit guidelines that are tailored for the size of congregations (especially abbreviated alternative audit procedures for small congregations), and website resources.

Respectfully,

Herbert C. Geiss, Chair

Phyllis Jones, CFO