

JOINT AUDIT COMMITTEE OF THE EXECUTIVE COUNCIL AND THE DFMS

Membership

Mr. Bryan Krislock, <i>Chair</i>	Olympia, VIII	2021
Dr. Delbert Glover, <i>Vice-Chair</i>	Washington, III	2021
Mr. G. William Haas	New York, II	2021
Ms. Tess Judge	East Carolina, IV	2021
The Rev. Mally Ewing Lloyd	Massachusetts, I	2021
The Rt. Rev. Phoebe Roaf	West Tennessee, IV	2021

Mandate

Canon I.4.3

Sec. 3 Upon joint nomination of the Chair and the Vice-Chair, the Executive Council shall elect an Audit Committee of the Council and the Domestic and Foreign Missionary Society. The Committee shall be composed of six members: one from the Executive Council committee with primary responsibility for financial matters; one from the Joint Standing Committee on Program, Budget, and Finance; and the remaining four from members of the Church-at large having experience in general business and financial practices. The members shall serve for a term of three years beginning on January 1 following a regular meeting of the General Convention or immediately following their appointment, whichever comes later, and continue until a successor is appointed, and may serve two consecutive terms, after which a full triennium must elapse before being eligible for re-election. Annually the Audit Committee shall elect a Chair of the Committee from among its members. The Audit Committee shall regularly review the financial statements relating to all funds under the management or control of the Council and the Domestic and Foreign Missionary Society and shall report thereon at least annually to the Council.

Summary of Work

As we draft our report in the waning weeks of 2020, we draw attention to the impact COVID-19 has had on our traditional ways of functioning throughout most of this year. And even as the distribution of the vaccine begins, we note with gratitude the immediate and caring response of leadership throughout the Church for the wellbeing parishioners, staff, clergy and a host of others with whom we are in relationships of mutual responsibility and accountability.

The Executive Leadership Team, including the Presiding Bishop and the President of the House of Deputies and many others have taken steps to cancel and/or reduce physical worship services and in-person meetings. In full compliance with this directive, the Audit Committee was able to conduct and complete its work without interruptions.

The Audit Committee provides oversight of the financial reporting process, the audit process, the system of internal controls, and compliance with laws and regulations on behalf of Executive Council. New York State law, and industry best practices, recommend (and in some cases require) that an organization appoint an audit committee comprised of independent, non-employee members to provide oversight of the organization.

To exercise this oversight, the committee is given broad authority to discuss issues of concern with staff members, employees, board members, and other individuals as needed.

The Audit Committee and the Executive Council and the Domestic and Foreign Missionary Society engage an independent Certified Public Accountant firm to audit annually all accounts under the management or control of the Council and Domestic and Foreign Missionary Society. The Committee may, with the approval of Executive Council, also hire such independent investigators and firms as may be necessary to review allegations that come to the Committee's attention.

The Audit Committee uses the findings of the annual audit to recommend to the Council and the Domestic and Foreign Missionary Society the action needed for any matters identified in the annual audit and accompanying management letter.

The Committee met six (6) times during the years 2018, 2019 and 2020— three (3) times each year—usually at the Church Center. However, beginning in March, 2020, all meetings were conducted virtually. Virtual meetings allowed us to conduct our affairs with minimal inconvenience and no interruptions. We were able to continue our practice and with senior staff members in executive session to ensure that candid conversations could occur regarding any legal, financial, or other risks to the organization and receive regular updates on pending litigation.

The Committee also continued to monitor reputational risks to the organization.

According to its chartered responsibilities, the Committee reviewed:

- Quarterly and annual financial statements and the judgments and assumptions underlying them;
- The adequacy of the Society's internal controls especially for cybersecurity
- The performance, and subsequent recommendation for the appointment, of the external auditing firm;
- The nature and scope of the proposed audit with the independent auditing firm;
- The final audit report of the Society's financial statements and the independent auditors' recommendations to management for improvements in any areas of weakness; and,
- In cooperation with the Society's legal counsel, any potential liability exposure that could directly affect the Society's financial statements.

Unqualified opinions were received from the independent auditing firm Grant Thornton for the 2018 and 2019 financial years. The Executive Council accepted these reports upon recommendation from the Audit Committee.

Major Projects in This Triennium Include

1. The Annual Review of the Audit Committee Charter and our Self Appraisal

The Committee reviewed its charter and recent changes to New York State Law—where the DFMS is incorporated—on the role of the Audit Committees in Corporate Governance. After conducting the review, the Committee recommended changes to the Charter that included responsibility for reviewing the DFMS's risk management program, reputational and other, non-financial risks to the organization. The Executive Council accepted the recommended revisions to the Audit Committee's charter.

2. The Appointment of the External Auditor

In 2017, the Audit Committee conducted a comprehensive request for a proposal process for the selection of a new auditor for the 2018-2021 triennium. The selection criteria were prepared and firms were invited to submit proposals. The firms were evaluated by criteria such as price, capability, financial stability, expertise, staff turnover, and industry reputation. Given the international nature of the church, with operations in multiple countries, the ability of a firm to handle international issues was a priority.

Five (5) firms submitted proposals and based upon the selection criteria, they were invited to prepare and present to the Committee. The Committee then reviewed the proposals and recommended Grant Thornton, LLP. This recommendation was forwarded to and approved by the Executive Council.

3. Internal Auditor and Enterprise Risk Assessment

The Committee continued a discussion regarding the need for an Internal Auditor for the DFMS. It has been the past practice for there to be an Internal Auditor, an employee of the DFMS who reported to the Treasurer and the Audit Committee to review specific areas of concern or risk to the organization. For example, if the Committee members were concerned about abuses involving travel expenses and the travel policy or compliance with the terms and conditions grants awarded by the Executive Council, the Internal Auditor would review and report findings to the Audit Committee.

After consulting with the independent audit firm, the Audit Committee decided that an Enterprise Risk Assessment was necessary to identify what areas of risk to the organization may exist. This step is necessary to understand how an internal auditor may help reduce those risks to the organization and would help provide a job description for this. The Committee is working with the Chief Operating Officer and that process is underway.

4. Development of Policy and Procedures Manuals

We previously observed that neither the Executive Council nor the General Convention maintains a codification of the policies and procedures adopted by the General Convention and Council. As a result, there is a significant risk that adopted policies and procedures will be lost, misremembered, or forgotten. Included within this policy manual would be an updated whistleblower policy, travel policy, conflict of interest policy, and other operational policies. We are continuing those conversations about the value of this recommendation.

5. Succession Planning

There are currently several long-term, key staff who contain significant institutional knowledge about the operations of the DFMS. In addition, key elected and volunteer positions have regular turnover due to the nature of their terms and positions. The Committee has recommended the creation of succession plans for key positions to ensure that in the event of an unexpected, or expected turnover, there is a strong transition plan in place.

6. Internalized Strategic Planning

In conducting its audit and review of the staff , the Committee reviewed the current operations and decision-making processes. As a consequence of this review, the Committee recommends that the current structure and governance procedures of the board be evaluated to ensure that there is a regular review of the strategy to ensure decisions to allocate resources are done based upon this plan. This is an ongoing review.