

Diocese of Pensacola-Tallahassee
Guide for Conducting Financial Reviews & Risk Assessments
Addendum 3: Draft Report Preparation & Presentation

As stated in Appendix 12, the report stage may have three steps: the optional out-briefing, the draft report and the final report.

The Out-Briefing

An out-briefing at the conclusion of the on-site portion of the review will only be conducted if desired by the Pastor/Principal and only to those personnel he/she designates. Normally an out-briefing should be an informal gathering of the key personnel involved with the on-site review. At the beginning of the out-briefing, the reviewer must emphasize that whatever is shared at the meeting are the preliminary results of the review and some of the items discussed may or may not be included in the draft written report.

At this stage, if the reviewer has been working with the personnel to help them make immediately improvement in their processes, it should be obvious to them what will be included in the discussion. What should be emphasized are those items which may not be significant enough to be classified as “major or critical” issues, but those where improved knowledge and consistent application will enhance their internal control and risk minimization program. For instance, if out of 30 disbursement checks that were reviewed, 1 check to a utility company for \$25.31 was signed without proper documentation, then that would not be worthy of a finding. However, mentioning it and encouraging them to maintain constant diligence is the preferred method to achieve the goal of 100% compliance. If the check were for \$1000 and made payable to a private party obviously related to an employee, then the issue would be significantly different since it may an indication of fraud.

This venue is another good opportunity to teach the assembled group and to give them encouragement when they are on the right path (if appropriate). By the end of the out-briefing they should understand these three points:

- Internal controls are the responsibility of everyone in the parish/school and are meant to protect the pastor/principal, employees, volunteers, constituents, Diocese and the Church.
- The financial policies and procedures that were developed and the triennial reviews that are conducted are intended to assist each site in their business processes to better achieve their mission.
- The Pastoral Center Finance/Internal Review Office is there to help with any issue that may come up.

The Report

When drafting the report, the reviewer(s) must consider the size of the entity and its support staff whether paid or volunteer. The findings must also be based in fact that can be backed up with documentation or compilations from the documents reviewed. Subjective comments should not be inserted into the report to maintain objectivity.

The corrective action for process improvement should also vary depending on entity size. For instance, if complete separation of duties between custody, reporting and monitoring is not possible so that the bookkeeper is more involved with cash handling than considered ideal, then the monitoring side of the process needs to be significantly increased to the extent that it becomes an

integral part of the process in question. *Options must be provided when staff is limited.* However, the same does not apply to much larger sites that have the staff to perform the functions yet have not separated duties since "...that is the way it has always been done."

The report should never be written with language that is accusatory or specifically targeted at an individual. If fraud is suspected and able to be documented, it must be addressed outside of this process and brought to the attention of the Chief Financial Officer (CFO) immediately. The resulting finding will be written from a factual point of view addressing the process and how it needs to be corrected.

The report will be forwarded to the CFO for review and comments.

The final report will be forwarded to the site from the CFO requesting the report acknowledgement form be sent back within 30 days of receiving the letter and providing due dates for the required quarterly status reports. The Pastor/Principal/Administrator is required to:

- Develop an action plan to improve the processes,
- Present the report and action plan to the Finance Council,
- Ensure all members of the Finance Council are required to sign the acknowledgement form,
- Have the report acknowledged by the key personnel at the site as well,
- Send in quarterly reports on the action taken to correct the discovery items listed until such time as all items are corrected.

Summary of Revisions effective August 2014

- Updated language to remove any reference to Saltmarsh, Cleaveland & Gund;
- Removed all language addressing a draft report;
- Updated the actions required by site's administration upon receiving the report.