

Russian Orthodox Christ the Saviour Cathedral

Date: March 19, 2107

Subject: Internal Audit Committee Review

On behalf of the parishioners of Christ of the Saviour Cathedral I would like to respond to the audit committee for their report dated Mar.10, 2017.

As the Treasurer it is my responsibility to reply to findings in the report and ensure that my response is based on established accounting and bookkeeping practices. As background information I personally have been involved in the both accounting and bookkeeping for the past 18 years in Canada. Prior to that period I was a chartered account in Russia for 5 years.

In the section titled "Information Flows to the Audit Committee" it was stated that there was some information missing or not provided to the audit committee. It should be noted that these items were not included in the list of items required by the committee for the audit. Further to this I was in regular contact with the committee asking them if there was anything else they needed. They did request additional detailed information on several items which I then provided – most of these requests were for detailed expense reports. These supporting documents were sent by e-mail as well as hard copies being provided – all of these reports are available for reference if required.

It should be noted that financial statements such as profit and loss and balance sheets were never sent by e-mail to any audit committee members because of the sensitive nature of the information and security concerns. As the Treasurer I am prohibited from sending sensitive financial information on-line.

Response to Main Findings:

Cash Receipts and Balances

1. Cash received not deposited directly to accounts or removed
 - This was a result of the church bank account being frozen for a couple of months for security reasons to prevent the old committee from unauthorized to the account.
 - During this period we were unable to post the deposits to the bank account
 - During that time there were ongoing expenses which had to be paid and that is why some cash was removed from the deposits to pay these expenses
2. Cash payments not properly authorized

- Father Vasyl Kolega blessed every payment and cheque signed by me as Treasurer
- 3. The Petty Cash control system
 - During 2016 there was no petty cash operating account – the actual petty cash account was not approved by the church committee until January 2017

Cash Payments:

1. No supporting documents
 - Certain travel expenses were discussed with the church lawyer and blessed by Father Vasyl up to \$200.00 - example includes TTC passes and gas expense
2. See above
3. No supporting document
 - Meeting minutes are not being signed and properly approved by members of the church committee provided to the Treasurer to serve committee purposes
 - Signed copies of the meeting minutes need to be available as evidence of agreement to decisions
 - If minutes are not properly signed by the committee members then there is no substantiation of the committee decisions
 - If the meeting minutes are insufficient for this purpose then the committee should propose a new process for authorizing withdrawals
4. Incorrect summary and reporting of payments
 - Need further details in order to respond to this finding

Donations:

1. Incomplete Information on Charitable Donations
 - This information was never requested by the audit committee but is and was available for review – even prior to the audit review
2. Non-qualified gifts
 - The committee needs to provide more detail on this statement
3. Tax Receipts
 - As per basic accounting principles donation in kind is always qualified by fair market value and will be approved as such by the church committee
4. Donations recorded as cash income
 - Donation in kind has been set up as an account as an income and loss statement for recognition

Recommendations:

Completely agree with points 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12

Point number 5 has already been implemented as of Jan. 2017

Closing Statement:

It should be recognized that the work of all church committees and volunteers is both appreciated and essential in helping to maintain the health and life blood of church as a whole. However in light of our work we all need to understand that our role is to support Father Vasyl in all his efforts to provide guidance and direction of the church body in order to effectively maintain essential services and ultimately to deliver the message of god.

Treasurer,

Natalie Paikoff