



Archdiocesan Audit Committee
Archdiocesan Council Meeting
October 19, 2018

Background

Under the Regulations, the Audit Committee is a Standing Committee of the Archdiocese. The Committee was reconstituted in November 2017 with the Presiding Hierarchy, Metropolitan Alexios, and the Audit Committee Chair, Elaine Allen, being appointed by the Archbishop. The other lay members of the Audit Committee are: Keith Maib, Harry Raptakis, Maria Stefanis, Tom Jordon and Jim Logothetis. The lay Audit Committee members are independent members who are highly qualified and consist of four Certified Public Accountants, one attorney and one member who is both a Certified Public Accountant and attorney. Five members of the Audit Committee are voting members as they are also members of the Archdiocesan Council and there are an additional two non-voting members of the Committee who were selected for competency in financial, audit and internal control matters. A majority of the Audit Committee members qualify as “financial experts”.

In order to qualify as independent Audit Committee members, the members receive no remuneration from the Archdiocese or the Metropolises for their services and are not reimbursed for their travel and other related costs of attending meetings.

The Committee has met seven times since November 2017.

Principal activities since the Spring 2018 Archdiocesan Council meeting

Audit Committee Governance Document

An Audit Committee Governance document or “charter” has been drafted that articulates the roles and responsibilities of the Audit Committee, its composition, key activities and other best practice functions of not-for-profit Audit Committees. The document delineates the Audit Committee’s role in contrast to that of the Finance Committee to ensure appropriate checks and balances between these two important functions.

St. Nicholas Church and National Shrine

The PwC Phase 1 report was reported upon at the Clergy Laity Congress. The Audit Committee is of the view that the PwC Phase 1 report represents a thorough analysis of the contributions received, expenditures made on behalf of St. Nicholas and the amount that was due by the Archdiocese to the St. Nicholas rebuilding project. In addition, the PwC report was able to ascertain that the St. Nicholas expenditures included as part of the PwC report met the donor-imposed restrictions and, accordingly, were expended for the intended purposes. As was previously disclosed, the amounts due to the St. Nicholas rebuilding project as independently calculated by PwC of \$3,505,000 were paid by the Archdiocese in July 2018.



St. Nicholas Church and National Shrine (continued)

The PwC work included the calculation of interest on the amounts due by the Archdiocese to the St. Nicholas rebuilding project and was the basis for the interest payment by the Archdiocese to the St. Nicholas rebuilding fund of approximately \$322,000 in July 2018.

The PwC report also indicated that the Archdiocese would make a voluntary contribution to the St. Nicholas rebuilding project of approximately \$680,000. This amount has also been paid as of Sept. 2018.

As a result, all amounts that were noted in the PwC report as due to St. Nicholas rebuilding project have been paid.

2017 Audit of the Archdiocese's Financial Statements

The Audit Committee is issuing a request for proposal for auditors of the Archdiocese. Grant Thornton has served as the auditors of the Archdiocese for over 10 years and the Audit Committee believes that it is appropriate to review the performance of the auditors and consider rotation of auditors on a periodic basis. It is anticipated that auditors will be selected in Nov. and that the audit will be completed by March of 2019 with the 2018 audit to be completed by May of 2019.

2016 Auditors' Comments on Internal Controls and Grant Thornton Operational Review

A draft management letter from the auditors enumerating internal control deficiencies has been received and included material weaknesses and significant deficiencies in internal controls that are comments carried forward from prior years as well as other control deficiencies. Due to the significant changes in the internal control policies implemented after 2016, the auditor recommendations are of limited utility. More current assessments of internal controls have been performed by Grant Thornton in 2017 as part of the operational review they conducted and by another accounting firm in 2018.

The Grant Thornton operational review highlighted areas for improvement in internal controls and efficiency recommendations. Many of the internal control recommendations were implemented by the Archdiocese's finance department prior to issuance of the report. The recommendations have been prioritized and implementation of remaining recommendations continues. It is expected that the implementation plan will continue over approximately the next 12 months. It is anticipated that the Archdiocese's Chancellor, Chief Financial Officer and



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2016 Auditors' Comments on Internal Controls and Grant Thornton Operational Review (continued)

the finance function with oversight from the Audit and Finance Committees will be involved in the implementation of the remaining recommendations.

Other Activities

The Audit Committee in conjunction with the Legal Committee is charged with reviewing whistleblower matters that involve financial allegations and deciding upon a course of action. If they involve the Archdiocese, they are directed to the appropriate individuals or committees (may include the Audit Committee) for investigation and reporting back to the Audit Committee. No such matters have been reported since the last Archdiocesan Council meeting.

Conclusion

The Audit Committee will continue to focus matters central to ensuring that the financial and internal controls meet the standards necessary for the stewardship of funds the Archdiocese is the beneficiary of. Great progress has been made in the last 10 months and we recognize our responsibility to continuous improvement in the future.

Faithfully,
Elaine Allen
Audit Committee Chair