

To the Finance Committee and Commissioners of the Synod
The Synod of the Covenant, Presbyterian Church (U.S.A.)
1340 W. Long Lake Road
Bloomfield Hills, MI 48302

In planning and performing our review of the financial statements of The Synod of the Covenant, Presbyterian Church (U.S.A.) as of and for the year ended December 31, 2023, we were not required to perform an analysis of the existing internal control structure to perform our engagement. However, certain matters came to our attention during our engagement services.

We will review the status of these comments during our next review engagement. We would be pleased to discuss our comments and suggestions in further detail with you at your convenience, to perform any additional study of these matters, or to review the procedures necessary to bring about desirable changes.

The accompanying comments and recommendations are intended solely for the information and use of the Finance Committee and Commissioners of the Synod, management and others within the Synod of the Covenant, Presbyterian Church (U.S.A.) and is not intended to be, and should not be, used by anyone other than these specified parties.

DeMarco & Associates CPAs, LLC

Perrysburg, Ohio
September 12, 2024

Scope of Authority – The scope of authority is identified and authorized in the bylaws of the organization. Included in the bylaws are details of the board composition, committees authorized and descriptions for both board and committee titles and responsibilities charged.

Comments – During our engagement, we identified that the most recent bylaws revision was approved by the Synod of the Covenant at the Synod Assembly of December 12, 2022. The bylaws specifically identify the board composition, committee responsibilities and reference to internal controls policies and procedures related to financial operations. Within the bylaws document, there is reference to the “Manual of Operations” which as of the current writing of this letter was not available. We also identified during our engagement that the organization does not have a fluid document of internal controls policies and procedures as related to financial operations which should coincide with the governing document, the bylaws dated December 12, 2022.

We identified during our procedures certain items that relate to the centralized system of internal controls items as detailed below.. While there is not a document to support the internal control policies and procedures, we identified instances of transactions that did not coincide with the governing document. Some of the items are as follows:

1. Finance Committee responsibilities – defined in bylaws –approving all contracts. This would include but not limited to leases, grants, etc. We identified specifically that a significant grant was not approved by the finance committee.
2. Centralized control procedures related to cash receipts and cash disbursements that apply to all transactions, not a certain sector of transactions, such as grant management. We identified that there are separate procedures that are being utilized for the grant management system outside of the centralized internal control system utilized for other operating transactions.
3. Accounting systems that encompass all financial transactions and breaks down into department or classes summaries of income and expenses. – there should not be separate accounting records outside of the activity of The Synod.

Recommendations

1. Establishment and approval of organization chart including titles and responsibilities assigned.
2. Establishment and approval of Manual of Operations.
3. Establishment and approval of internal control policies and procedures of a centralized accounting system that includes proper documentation, approval and entering into the accounting system.
4. Further development of accounting system to provide financial information to finance committee and Commissioners of the Synod.
5. Internal audit function.