

**Minutes of the Audit Committee of the
Presbyterian Mission Agency Board and
Presbyterian Church (U.S.A.), A Corporation**

**Louisville, Kentucky
September 16, 2014**

CALL TO ORDER AND OPENING PRAYER The meeting of the Audit Committee was called to order at 1:30 p.m. by the chair of the Committee, Molly Baskin. Ms. Baskin opened the meeting with prayer.

ATTENDANCE Those present for all or a portion of the meeting were:

Members Molly Baskin – Chair, Audit Committee
Kears Pollock – Vice Chair, Audit Committee
Thomas Fleming
Richard Turpen
Ellen Pearre Cason

Others Present Tim Stepp
Shawn Ellison
Martha Clark
Earline Williams
Denise Hampton
Kristin McDonner, Crowe Horwath
Cynthia Pierce, Crowe Horwath

Recorder Shawn Ellison

Quorum A quorum was declared present for transaction of business.

Action 1-AC-091614 Agenda The Chair presented, and upon motion made and seconded, the agenda was unanimously approved (Appendix 1).

Action 2-AC-091614 Minutes Approved The Chair presented, and upon motion made and seconded, the minutes of the April 26, 2014; May 12, 2014; August 13, 2014 and September 4, 2014 Audit Committee meeting were unanimously approved.

Action 3-AC-091614 Purchase to Pay Report The Audit Committee was updated from Internal Audit and received and approved the Purchase to Pay Internal Control Review Report (Appendix 2).

Action 4-AC-091614 2014 Audit The Audit Committee also received the engagement letter from Crowe Horwath and, upon motion made and seconded, approved the engagement for 2014 financial statement audit.

The CFO, Earline Williams gave a brief update to the Committee with no actions to report.

The Audit Committee discussed corporate ethics and fiduciary duties of the Board.

The Chair entertained a motion to move into closed session to discuss personnel matters.

**Action 5-AC-091614
Closed Session**

On motion made and seconded, the Audit Committee unanimously approved a motion to convene in closed session to discuss personnel matters with only members of the Audit Committee and the following individuals who were invited to remain and to attend the closed session:

1. Martha Clark
2. Shawn Ellison
3. Tim Stepp

The Chair called the closed session to order.

Discussion ensued.

**Action 6-AC-091614
End Closed Session**

The Chair called for a motion to arise from closed session, and upon motion made, seconded and unanimously approved, stated the Audit Committee rose from closed session.

Plenary

The Chair reconvened in open session and announced that no actions were taken.

**Action 7-AC-091614
Report Approval**

The Committee voted unanimously to approve its Report (Appendix 3) for submission to the September 16, 2014 Presbyterian Mission Agency Board meeting. The Committee discussed its presentation to the Presbyterian Mission Agency Board on September 17, 2014 closed session of its two reports as presented to the Executive Committee earlier in the day.

Prayer and Adjournment

The meeting was closed with prayer.

Respectfully submitted,

Molly Baskin,
Chair, Audit Committee

Shawn Ellison, Recorder for the
Meeting

Appendix 1
September 16, 2014 Agenda

Appendix 2
Purchase to Pay Internal Control Review Report

Appendix 3
Report of the Audit Committee

APPENDIX 1

**ITEM G.100
Presbyterian Church (USA) Mission Agency
Audit Committee
of the Board of Directors**

MEETING AGENDA

Tuesday, September 16, 2014

1:30 p.m. EST

Presbyterian Center, Conference Room 5000

Louisville, KY

| | | |
|--------|---|-----------------|
| 1:30pm | Welcome. Open with prayer. Review and approve agenda. Review and approve minutes for April 23, 2014 meeting; May 12, 2014 conference call; August 13, 2014 conference call; and September 4, 2014 conference call. | Baskin |
| 2:00pm | Update on internal audit work, including Purchase to Pay report. | Stepp/Ellison |
| 2:30pm | Receive engagement letter. | McDonner/Pierce |
| 3:00pm | Update from Chief Financial Officer. | Williams |
| 3:30pm | Move into closed session | |
| 5:55pm | Arise from closed session and announce any actions. | |
| 6:00pm | Adjourn with prayer. | |

APPENDIX 2



**INTERNAL AUDIT REPORT
Purchase-to-Pay Review 2014**

September 2, 2014

Audit Department

Timothy W. Stepp, C.P.A. - Associate Director of Internal Audit
Shawn Ellison, CPA - Senior Internal Auditor

TABLE OF CONTENTS

| | |
|---|----|
| I. BACKGROUND..... | 6 |
| II. OBJECTIVE AND SCOPE | 10 |
| III. AUDIT DETAIL..... | 11 |
| IV. ADDENDUMS..... | 14 |
| A. COSO - INTERNAL CONTROL – INTEGRATED FRAMEWORK | 14 |
| B. PURCHASE-TO-PAY PROCESS FLOWCHART..... | 15 |
| C. PURCHASE-TO-PAY RISK CONTROL MATRIX | 16 |
| D. PURCHASE-TO-PAY TESTING PROGRAM | 17 |
| E. INTERNAL CONTROL REVIEW PROCESS | 18 |

I. BACKGROUND

Per the Internal Audit Charter, the Internal Audit function is tasked with “providing a broad variety of financial audit services”. A listing (not all-inclusive) of said tasks includes the following (emphasis added for the purpose of this report):

- Reviewing the **reliability and integrity of financial information** and how that information is identified, measured, classified, and reported;
- Reviewing the **effectiveness and efficiency** of particular financial management functions such as, but not limited to, purchasing, transportation expenses, and overtime analysis;
- Reviewing established **financial control systems for efficiency and compliance**;
- Reviewing **compliance with financial policies and procedures**.

To accomplish the objectives listed above, an initial, all-inclusive, financial process internal control review has been undertaken by Internal Audit in 2013. To facilitate such a review, Internal Audit has established a review process (see *Addendum E – Internal Control Review Process*) utilizing the following guidance:

- *COSO - Committee of Sponsoring Organizations of the Treadway Commission – Internal Control - Integrated Framework – Executive Summary (COSO – see Appendix A – COSO – Internal Control Framework)*;
- *IT Governance Institute – COBIT 4.1 – Control Objectives for Information Technology (COBIT – see Information Technology Review 2013; prepared by Internal Audit; dated July 24, 2013)*;

Utilizing the guidance provided within COSO, the term “internal control” is defined as follows (emphasis added for the purpose of this report):

*Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide **reasonable** assurance regarding the achievement of objectives in the following categories:*

- ***Effectiveness and efficiency** of operations;*
- ***Reliability of financial reporting**;*
- ***Compliance** with applicable laws and regulations¹.*

Furthermore, COSO provides the following internal control framework guidance:

Internal control consists of five interrelated components. These are derived from the way management runs a business, and are integrated with the management process. Although the components apply to all entities, small and

¹ *COSO - Committee of Sponsoring Organizations of the Treadway Commission – Internal Control - Integrated Framework – Executive Summary; page 9*

mid-size companies may implement them differently than large ones. Its controls may be less formal and less structured, yet a small company can still have effective internal control. The components are:

- *Control Environment* — The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.
- *Risk Assessment* — Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.
- *Control Activities* — Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.
- *Information and Communication* — Pertinent information must be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.
- *Monitoring* — Internal control systems need to be monitored—a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board².

To assist in the facilitation of the review of financial internal controls, Internal Audit partitioned the PCUSA control environment into the following components:

- ***Entity Level Controls (ELC)*** – These are control activities that permeate the entire organization, and set the “tone” for the overall control environment.
- ***Information Technology General Controls (ITGC)*** – These are controls that relate specifically to Information Technology (IT), and also, permeate the entire organization

² COSO - Committee of Sponsoring Organizations of the Treadway Commission – Internal Control - Integrated Framework – Executive Summary; page 3

(Note: As of the date of this report, a review of the ITGC environment has been performed; see *Information Technology Review 2013*; dated July 24, 2013.)

- **Financial Close & Reporting (FCR)** – These are process-level-specific control activities associated with the monthly closing and reporting process (e.g. chart of account manipulations; journal entries; reconciliations; segregation of duties; etcetera).
- **Cash Receipt** – These are process-level-specific control activities associated with receipts (e.g. receivables; master file manipulations; aging reviews; segregation of duties; etcetera).
- **Cash Disbursement** – These are process-level-specific control activities associated with disbursements (e.g. master file manipulations; disbursement preparation and authorization; aging reviews; segregation of duties) and includes wire transfers, accounts payable via voucher, and corporate credit card management. (Note: As of the date of this report, a review of the corporate credit card control environment has been performed; see *Corporate Credit Card Review 2013*; dated June 21, 2013.)
- **Fixed Assets** – These are process-level-specific control activities associated with fixed asset management (e.g. procurement; authorization; depreciation; retirement; etcetera).
- **Payroll** – These are process-level-specific control activities associated with payroll management (e.g. master file manipulation; segregation of duties; accuracy of payroll calculations; etcetera). (Note: As of the date of this report, a review of the payroll control environment has been performed; see *Payroll Review 2013*; dated September 4, 2013.)

A brief description of the process utilized by Internal Audit to apply the COSO framework within the PCUSA *Purchase-to-Pay(P2P)* control environment is listed below (see steps #1 through #6). In addition, emphasis should be placed on the fact that this is the **initial** P2P internal control review, and as such, “control gaps” (variances between general guidance per COSO versus actual level of compliance) are to be expected.

1. **General Overview** – An initial P2P control environment discussion was conducted with the Accounts Payable Manager, Purchasing Manager and Internal Audit on March-April, 2014. The purpose of this meeting was to obtain a high-level understanding of the P2P control environment that would assist with the P2P documentation development (see step #2 below).
2. **Documentation Development** – Utilizing the *Internal Control Review Process* (see *Addendum E – Internal Control Review Process*) as a guide, this step provided for the development of the following deliverables:
 - a. *P2P Flowchart* – This document was prepared using Microsoft Visio, with standard flowcharting references, to document the entire P2P cycle (see *Addendum B – Purchase-to-Pay Process Flowchart*);
 - b. *P2P Listing* – Listing of PCUSA-specific control language (discussed within step #3 below);

- c. *P2P GAP Summary* – Documentation to support variances between desired levels of control compliance versus actual, current levels (information contained within step #3 below).
3. ***Risk Control Matrix (RCM)*** – This document utilizes interview responses (see step #1 above) and basic P2P cycle control risks (material obtained from PriceWaterhouseCoopers (PWC)) to develop a listing of PCUSA-specific risks and off-setting control objectives (see *Addendum C – Purchase-to-Pay Risk Control Matrix*). Note: This step was performed in conjunction with step #4 below.
4. ***Control Language Development*** – Due to this being the initial P2P control environment review and a lack of a formalized P2P process control program, **proposed** control language was developed by Internal Audit from the PCUSA-applicable control objective population obtained in step #3. It should be noted that a one-to-one relationship between control objectives and proposed control language does **not** exist. Rather, more than one control objective can be supported by one internal control. As a result, the 97 control objectives utilized in the RCM development (see step #3 above) are represented by 29 proposed internal controls. These proposed internal controls were then assigned a unique identifier using the following format (*P2P(Sub-Process)-Number-Description*):
 - a. *P2P* – Designates the process of “Purchase-to-Pay”;
 - b. *Sub-Process* – Designation for the applicable supporting process within the overall P2P process. The following “sub-process” designations were utilized:
 - i. VMF – Vendor Master File;
 - ii. PO – Purchase Order;
 - iii. GR – Goods Receipt;
 - iv. AP – Accounts Payable;
 - v. AM – Aging Management.
 - c. *Number* – Designates the specific internal control number;
 - d. *Description* – Provides a brief overview of the control function.
5. ***Testing Program*** – Detailed testing procedures were then developed to verify the current level of compliance for **each** of the proposed internal control language statements developed in step #4 (see *Addendum D – Purchase-to-Pay Testing Program* to reference both detailed testing methodology and management response). In addition, the results of each internal control statement test are summarized within this report under *Section III. Audit Detail*.
6. ***Final Report*** – The output of the above process (steps #1 through #5) is the information contained and / or referenced within this document.

II. OBJECTIVE AND SCOPE

OBJECTIVES:

Utilizing guidance provided within COSO, perform the initial P2P process internal control review.

SCOPE:

Any necessary audit evidence supporting current level of compliance related to the applicable control language. It should be noted that all information requests were related to 2013 data only.

III. AUDIT DETAIL

The below chart provides a summation of the 2014 P2P internal control review.

| TESTING SUMMARY UPDATE | | | | | |
|---|------------------------|----------------------|---------------------|--------------------------|--|
| Key Control # | Status of Control Test | Risk High-Medium-Low | Priority | Expected Completion Date | Level of Management Agreement with Testing Results |
| P2P(VMF)-C1 Vendor Master File Access | Fail | High | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(VMF)-C2 Vendor Master File Access Review | Fail | Medium | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(VMF)-C3 Vendor Master File Change Approval | Fail | Medium | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(VMF)-C4 Vendor Master File Change Report | Fail | Medium | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(VMF)-C5 Vendor Master File Review | Fail | Medium | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(PO)-C1 PO Creation Access | Fail | High | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(PO)-C2 PO Approval | Pass | Medium | N/A | | |
| P2P(PO)-C3 Prevention of Duplicate PO | Pass | Low | N/A | | |
| P2P(PO)-C4 Vendor Setup Prior to PO Creation | Pass | Low | N/A | | |
| P2P(PO)-C5 PO Completeness | Pass | Low | N/A | | |
| P2P(PO)-C6 Purchase Order Reviews | Needs Improvement | Medium | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(GR)-C1 Goods Receipt Access | Fail | High | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(GR)-C2 Purchase Order Prior to Goods Receipt | Pass | Low | N/A | | |
| P2P(GR)-C3 Goods Receipt Date Stamp | Pass | Low | N/A | | |
| P2P(GR)-C4 Over Deliveries | Tested Elsewhere | Low | N/A | | |
| P2P(GR)-C5 Goods Receipt vs. Invoice Receipt | Needs Improvement | Medium | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(AP)-C1 Three-way Match | Pass | Medium | N/A | | |
| P2P(AP)-C2 Final Payment Listing | Pass | Medium | N/A | | |
| P2P(AP)-C3 Prevention of Duplicate Payment / Invoice without PO | Pass | Low | N/A | | |
| P2P(AP)-C4 Non-Wire Disbursement Approval | Pass | Medium | N/A | | |
| P2P(AP)-C5 Wire Transaction Approval | Needs Improvement | Medium | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(AP)-C6 AP Process Properly Segregated | Fail | High | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(AP)-C7 Posting Balance | Pass | Low | N/A | | |
| P2P(AP)-C8 Check Stock | Pass | Medium | N/A | | |
| P2P(AP)-C9 PNC Security | Pass | High | N/A | | |
| P2P(AP)-C10 Authorization Change Approval | Fail | Medium | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(AP)-C11 Authorization Listing Spreadsheet Control | Needs Improvement | High | Needed - Not Urgent | 12/31/14 | Agreement |
| P2P(AP)-C12 Pinnacle Report | Pass | Medium | N/A | | |
| P2P(AM)-C1 AP Aging Report | Needs Improvement | Medium | TBD | | Agreement |

To assist with interpretation of data contained within the Testing Summary chart above, the following legend is provided.

- **Key Control #** – As discussed within step #4 above (see *Section I. Background*), each of the 29 internal controls has a unique internal control number (format of *P2P(Sub-Process)-Number-Description*).
- **Risk (High – Medium – Low)** – For this attribute, the assigned values were utilized to “classify” the associated risk level for each control. Although the assigned values are subjective (with values being assigned by Internal Audit), the below **general** guidelines were utilized in the assignment of the listed risk value. It should be noted that these guidelines are not payroll-specific, but are applicable for all process internal control reviews.
 - Financial Closing and Reporting Risks were weighted higher than other processes.

- Manual processes were viewed as medium to high risks.
 - Automatic processes were viewed as low to medium risks.
 - Spreadsheet controls were evaluated as medium risk.
 - Segregation of duties was viewed as high risk.
 - Previous failure testing history was also used to override a lower risk to a higher risk (not applicable for initial control review).
- **Status of Control Test** – The following control testing result options were utilized:
- *Pass* – Control testing results indicate the level of control compliance was deemed effective.
 - *Needs Improvement* – Control testing results indicate partial compliance with the stated control language (which would be interpreted as the control being deemed not effective).
 - *Fail* – Control testing results indicate the level of control compliance was deemed not effective.
 - *UTD* – Control testing results indicate “Unable-to-Determine” the level of control compliance (which would be interpreted as the control being deemed not effective).
 - *N/A* – Control testing results indicate the control objectives associated with this control as being “Not Applicable” to the PCUSA P2P control environment.
 - *Tested Elsewhere* – Control objectives associated with this control would be applicable to the PCUSA control environment. However, verification of the control effectiveness is covered within another control test.
- **Priority** – The following prioritization options were utilized:
- *Immediate Action Required* – Control testing results, current status of control environment and associated risk indicate immediate remediation is required.
 - *Needed – Not Urgent* – Control testing results, current status of control environment and associated risk indicate recommended remediation efforts should be put into place at the earliest opportunity.
 - *Desired* – Control testing results, current status of control environment and associated risk indicate recommended remediation efforts should be considered

only after *Immediate Action Required* and *Needed – Not Urgent* opportunities have been addressed.

- ***Expected Completion Date*** – This attribute represents management’s best estimate as to the completion of recommended / agreed upon remediation efforts. Note: This date does not take into account Internal Audit retesting efforts.
- ***Level of Management Agreement with Testing Results*** – The following options were available to evaluate management’s interpretation of the performed control testing.
 - *Agreement* – This option would indicate complete agreement with the control testing process.
 - *Agreement with additional comments* – This option would indicate management agrees with the overall control testing result, but would like to add an additional comment as to how the result was obtained.
 - *Disagreement* – This option would indicate management did not agree with either the control testing result and / or the testing methodology.

It should be noted that details associated with both testing methodology and management responses are located within *Addendum D – Purchase-to-Pay Testing Program*.

IV. ADDENDUMS

A. COSO - INTERNAL CONTROL – INTEGRATED FRAMEWORK

This addendum refers to *COSO - Committee of Sponsoring Organizations of the Treadway Commission – Internal Control - Integrated Framework – Executive Summary*, which is an external document to this report, and is the primary guidance utilized to establish the framework of this review. A brief history of this report is presented below.

COSO was formed in 1985 as a joint initiative to sponsor *the National Commission on Fraudulent Financial Reporting* (the Treadway Commission). The following professional accounting organizations were the original sponsors (*Committee of Sponsoring Organizations*) of the Treadway Commission:

- The American Institute of Certified Public Accountants (AICPA);
- The American Accounting Association (AAA);
- Financial Executives International (FEI);
- The Institute of Internal Auditors (IIA);
- The Institute of Management Accountants (IMA).

COSO's original report, *Report of the National Commission on Fraudulent Financial Reporting*, was released in October 1987. As a result the initial report's release, COSO was retained by *Coopers & Lybrand*, a major CPA firm, to study the issues and author a report regarding an integrated framework of internal controls. In September 1992, the original four volume report, *Internal Control— Integrated Framework*, was released, and was later re-published with minor amendments in 1994. This report is the "standard" by which the majority of companies in the United States utilize to evaluate internal controls (poll conducted by *CFO* magazine in 2006; 82% respondents utilize internal control framework described within COSO's reporting; other framework utilized was reported as COBIT which is more IT-specific).

B. PURCHASE-TO-PAY PROCESS FLOWCHART

This is an external Microsoft Visio document that utilizes standard flowcharting references, to document the entire P2P cycle.

C. PURCHASE-TO-PAY RISK CONTROL MATRIX

The P2P Risk Control Matrix (RCM) is an Excel document which outlines basic P2P cycle risks associated with the PCUSA P2P process control environment. A listing of worksheets contained within this document is as follows:

- ***RCM – Purchase-to-Pay – PCUSA*** – A comparison of P2P process risks versus control objectives. In addition, the following additional comparative attributes are presented:
 - PCUSA-specific internal control reference;
 - Information Processing Objectives (e.g. completeness; accuracy; validity; restricted access);
 - Contribution to Financial Statement Assertions (e.g. accuracy; completeness; cut-off; existence / occurrence; presentation and disclosure; rights and obligations; valuation);
 - Internal Control Classification (e.g. manual versus automated; preventive versus detective).
- ***Purchase-to-Pay Controls*** – A listing of proposed, PCUSA-specific control language with reference to “control gaps” (see last bullet point below).
- ***Entity Level Controls*** – A listing of proposed, Entity Level Controls (ELC). This listing is provided for ease of reference to ELCs that support the P2P process.
- ***ITGC Controls*** – A listing of proposed Information Technology General Controls (ITGC). This listing is provided for ease of reference to ITGCs that support the P2P process.
- ***FCR Controls*** – A listing of proposed, Financial Close & Reporting (FCR) controls. This listing is provided for ease of reference to FCR controls that support the P2P process.
- ***Purchase-to-Pay Control GAPS*** – Variances between general guidance per COSO versus actual level of compliance

D. PURCHASE-TO-PAY TESTING PROGRAM

The P2P Testing Program is an Excel document that contains the following detail for each proposed control language tested:

- **Cycle** – As it relates to this review, the testing “cycle” is *Purchase-to-Pay*.
- **Section** – The flowcharting and / or sub-process reference for a particular cycle (e.g. master file management; see step #4b within *Section I. Background*).
- **Control** – This attribute refers to the key control number nomenclature outlined in *Section III. Audit Summary*.
- **Control Description** – Proposed control language utilized to support the control objective(s) identified within the *Risk Control Matrix (RCM)* exercise (see step #3 within *Section I. Background*).
- **Testing Process** –Description of the testing procedures utilized to verify as to how the proposed control language’s current level of compliance was verified.
- **Testing Attributes** – Specific review attributes utilized to support the *Testing Process*.
- **Explanation** – Amplifying details related to the overall process and / or specific *Testing Attribute*.
- **Notes** – Amplifying details related to the overall process and / or specific sample item.
- **Recommendation** – Overview of necessary corrective action, if any, to improve the current level of compliance.
- **Conclusion** – Testing conclusions were reported as either “Control deemed effective” or “Control deemed not effective”. Note: Cataloging of compliance into two headings (“effective” or “not effective”) is done for the ease of reporting only. Therefore, it is important to note that controls that have been deemed “not effective” should **not** necessarily be viewed as complete failures of compliance effort. The exact level of “non-compliance” should be ascertained by reviewing the entire testing program associated with that specific control test.
- **Management Response** – Detailed response, provided by management (e.g. Controller) to the testing program for the specific control language in question.

E. INTERNAL CONTROL REVIEW PROCESS

This is an Excel document (utilizing embedded Visio imaging) that represents the PCUSA internal control review process in both flowchart and narrative format.

APPENDIX 3

**Report G.001
Presbyterian Mission Agency
Audit Committee
September 16, 2014**

I. For Information:

- A. The Presbyterian Mission Agency Audit Committee reports for information that at its September 16, 2014 meeting, the Committee:**
- 1. Received and approved the minutes of the April 23, 2014, May 12, 2014, August 13, 2014 and September 4, 2014 meetings;**
 - 2. Approved the engagement letter from the external auditor, Crowe Horwath.**
 - 3. Received and approved the Purchase to Payment Internal Control Review.**
 - 4. The Audit Committee discussed corporate ethics and fiduciary responsibility of the Board.**
 - 5. The Audit Committee entered into private session.**
 - 6. The Audit Committee arose from executive session with no actions items.**