

**ARIZONA SOUTHERN BAPTIST CONVENTION**  
**Memorandum on Internal Control**  
**and Related Matters**

**For the Year Ended December 31, 2019**

June \*, 2020

To the Board of Directors  
Arizona Southern Baptist Convention

In planning and performing our audit of the financial statements of the Arizona Southern Baptist Convention (“AZSBC”) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the AZSBC’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AZSBC’s internal control. Accordingly, we do not express an opinion on the effectiveness of the AZSBC’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the AZSBC’s financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Arizona Southern Baptist Convention’s internal control to be significant deficiencies:

### **Supervision and Monitoring**

Christian Challenge AZ (CC), a ministry of the AZSBC, operates at a separate location and maintains a separate general ledger. The operations of CC include employees, bank accounts, credit cards, contributions received and receipted by CC, and disbursements for its activities.

AZSBC provides limited oversight and monitoring each month of the activities of CC. We also noted that a check signer signs his own reimbursement checks. The AZSBC has a responsibility to review internal controls and monitor financial activities for all ministries under its control. Lack of monitoring and review of operations increases the risk of misappropriation of assets.

We recommend that the AZSBC review the policies and procedures of CC to ensure adherence to AZSBC's established policies and procedures. Appropriate monitoring by AZSBC should be established and monthly financial reporting should be submitted to AZSBC for review and inclusion with AZSBC's financial reporting. CC financial reporting should be submitted at all Executive Committee and Convention Council meetings along with AZSBC's financial reporting. We also recommend that the AZSBC executive director be made a check signer on all CCAZ accounts and that he receives, opens and reviews the monthly bank statements.

We also noted a matter below which is not a material weakness or significant deficiency but is an opportunity for strengthening internal controls and operating efficiency:

**Property and Equipment Purchases**

The AZSBC does not have an established process to approve capital purchases. During 2019, two vehicles were purchased with a total cost of approximately \$60,000 that were not approved by the Executive Team or Convention Council.

We recommend that procedures for executive approval of certain purchases be established and approved by the Convention Council.

This communication is intended solely for the information and use of Arizona Southern Baptist Convention's management, Board members and others within the AZSBC and is not intended to be and should not be used by anyone other than these specified parties.