

2019 St. George Greek Orthodox Church Audit Report

Executive Summary:

During the month of March 2020, the St. George Audit Committee, comprised of Chuck Manikas, Constantine Bougas, and Maryann Potawsky conducted the 2019 calendar year audit of St. George finances. During this period the Committee evaluated the processes, controls, and bookkeeping practices of St. George Greek Orthodox Church.

In summary, the Committee found:

- a. The overall state of the financial practices in place were sufficient to give all Parishioners confidence that the funds entrusted to the Church and Parish Council are being secured and accounted for properly, and are being dispersed with care.
- b. The above assessment has been reached after careful examination of journals associated with the collection, control, and disbursement of funds. A larger than recommended cross-section of transaction records were examined to reach the conclusions of the Committee.
- c. Some minor administrative recommendations are being made in the detailed portion of the report, to aide in the conduct of future annual audits.
- d. Although the financial portion of the audit represented the bulk of the Committee's work, the Parish By-Laws required the Committee to review other practices that may have a long-term impact on the Parish. These requirements included provisions for: Inventories, appraisals, and risk management. Detailed discussions of these areas are included in the body of this report.
- e. Some items are provided for your review and action during the coming year. Although these items will require time and attention, they represent areas that, if left unaddressed, may cause an outsized impact on the St. George Community.

Committee findings lead us to conclude that the Parish Council and congregation should be thankful for the efforts of the Treasurer, Tula Mancini, and Office Staff, particularly the Bookkeeper, Denise Nordman for their efforts in managing St. George finances and assets. Without their efforts, this audit could not have been completed expeditiously. Additionally, it is only through their efforts that the accounts of St. George have been kept in such admirable condition.

This report is organized in six (7) segments: Journal and Logs; Budget Adherence; Prior 2018 Audit Recommendations; Petty Cash; Promissory Note, Committee Responsibilities; and Recommendations for Action.

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Detailed Report

I. Journals and Logs:

- a. Transaction Detail: Approximately 200 transactions were reviewed from bill presentation through accounting, to payment, to resolution of bank statements. This review produced only 2 questions/recommendations for correction and/or modification of procedures.
- b. A detailed list of the transactions reviewed is attached as enclosure 1, to this report.

1. Finding: Not all Receipts and Deposit Slips were initialed by the person taking the action.

Recommendation: Implement controls to ensure all documents associated with financial transactions (In, Out, Bank, etc.) are initialed. These controls should extend to ensuring all "Cash Receipts" are initialed by the two (2) persons responsible for accounting for the cash being addressed.

2. Finding: Although internal St. George forms for receipt of goods validated the receipt of Restaurant Depot goods, one (1) invoice, associated with Friday Night Dinner transaction 03/08/2019 could not be located.

Recommendation: Ensure all invoices are attached to transactions prior to payment.

3. Finding: IRS Forms 941: Forms 941 were reviewed and traced back to salaries, bank statements, and payroll detail. All transactions checked were in order.

II. Budget Adherence:

1. Finding: Although End-of-Year totals showed a net balance for the St. George Community the internal assignments for individual line items, particularly for Stewardship, did not represent good projections. The reality is that although the Church has a net positive balance, the majority of that balance is associated with "Restricted Accounts". Accounts, which would require special votes to divert monies into General Operations. This can not be considered good financial planning.

Recommendation: That efforts be re-doubled to bring Stewardship in line with projections. Additionally, other general fund raisers for operational funding of St. George be investigated so a general Reserve Fund and Capital Improvement Fund can be underwritten. When these Funds are properly endowed, the Church can then begin to do the evangelistic and outreach activities that we should be undertaking.

III. Prior Audit Recommendations of the 2018 Audit Committee:

1. Finding: The recommendation that the "two-person rule" associated with handling and accounting for cash receipts was tested. All forms reviewed had the appropriate dual signers.

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Recommendation: This practice must be continued.

2. Finding: A recommendation was made to avoid “pre-signing” Church checks. No instance of check “pre-signing” was discovered.

Recommendation: This practice must be continued.

3. Finding: The recommendation to have “... all people involved in receiving and expending funds for the Church as well as from all Ministries are familiar with and are following the procedures and guidelines for proper management of all Parish financial transactions...” have for the most part implemented.

Recommendation: Notwithstanding past efforts to ensure “two-man control” these efforts must continually be emphasized given the turnover of personnel involved in weekly and special event counting of cash, and the tendency to rush when activity conflicts occur.

IV. Petty Cash:

The Petty Cash Account was reviewed and found to be largely unused. Although “inactive” it was in order.

1. Finding: there was no formal Receipt/Voucher process in place to log Petty Cash transactions.

Recommendation: That a formal “Numbered Receipt” process be implemented for control of Petty Cash disbursements. Additionally, the Parish By-Laws recommend (Art 12, I) controls over Petty cash should be “... ledger maintained by the office staff and the Bookkeeper shall enter such expenditures into the Parish accounting system...”

V. Promissory:

Finding 1: The Church Promissory Note is being properly addressed. Interest payments are being made regularly, and principle payments are being made. The initial Notes of approximately \$600,000, have been reduced to approximately \$165,000.

VI. Committee Responsibilities:

Prior to the start of the 2019 Audit, the Committee reviewed the Parish By-Laws section associated with their responsibilities (Art 10, A). Part of those responsibilities address “...Annual inventory and insurance document review reports prepared by the Risk Management Committee.”

1. Finding 1: After making inquiries it was discovered that no Risk Management Committee had been constituted. This is of particular concern in today’s environment where terrorism and pandemic are real threats to the Community. (This is a Committee required by the Parish By-Laws (Art 8, E, 11).)

Recommendation: Constitute a Risk Management Committee to address the ever-changing risks to the Community, and prepare an “Action Plan” to address identified risks.

2. Finding: An up-to-date physical inventory of Church assets has not been conducted.

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Recommendation: Conduct an inventory of St. George physical assets, equipment, and artifacts, in the Church and Hall. This will be needed in the event of any natural or man-made incidents that occur. (Although the Parish By-Laws (Art 4, E, (7)) require a "...semi-annual inventory of all Parish property...", it is believed that an annual inventory will suffice for the purposes of insurance protection.)

3 Finding: An updated appraisal of Church assets was not available.

Recommendation: Conduct a formal appraisal of St. George properties to ensure the proper insurance coverage is available to the Community.

4. Insurance coverage for the St. George complex is listed at approximately \$4,000,000. Although a substantial sum, given rising costs, threats, and a lack of an inventory and up-to-date appraisal of assets, this sum must be reviewed.

Recommendation: Upon completion of the inventory of Church assets review the coverage of existing insurance policies to ensure loss coverage is adequate.

VII. Recommendation for Action:

1 The Parish Council should address, or have a plan to address, each individual above specific recommendation prior to the Fall Parish Assembly Meeting, when this report should be an agenda item.

/s/ *Chuck G. Manikas*

Chuck G. Manikas
2019 Audit Committee

/s/ *CT Bougas*

Constantine Bougas
2019 Audit Committee

/s/ *Maryann Potawsky*

Maryann Potawsky
2019 Audit Committee

1 enclosure
a/s