

Suggested Procedures for an Annual Full Financial Review

Section G-3.0113 of *Book of Order*

“Each council shall prepare and adopt a budget to support the church’s mission within its area.

A full financial review of all financial books and records shall be conducted every year by a public accountant or committee of members versed in accounting procedures. Reviewers should not be related to the treasurer(s). Terminology in this section is meant to provide general guidance and is not intended to require or not require specific audit procedures or practices as understood within the professional accounting community.”

As stated above in the citation from the *Book of Order*, a public accountant may be tasked with reviewing the financial books and records of a congregation, *but this is not required*. Even if a public accountant does the review, a full audit as described under the Generally Accepted Accounting Principles (GAAP) is NOT required. Only congregations with complex financial situations may need to contact a public accountant since even a simple review can be expensive. **What is required is a fair and unbiased review of the financial records by a committee of members versed in accounting procedures in order to safeguard both the church and the treasurer (or anyone with financial duties assigned to them).** It is suggested that the committee consist of at least three members but no more than five. It is a session decision as to which procedure to follow: a public accountant or a review committee.

Some congregations have very simple systems for keeping track of financial transactions, while others may have very complex systems. This document contains suggested procedures for an annual review for churches who utilize the review committee structure rather than a public accountant. **These are not requirements; they are suggested procedures to make sure the work of the committee yields valid and useable data.**

Duties of the Review Committee:

1. Scan the file copies of the monthly financial reports made to the session to look for patterns of income and expenditures. For the year end financial statement look for any budget overages to help the session in the preparation of the next budget. These reports may be computer generated or manually prepared.
2. Scan the bank reconciliation(s) for each month to make sure the account(s) are reconciled. Randomly select one month to compare with the bank statement and verify for accuracy. Checking account(s), savings account(s), and restricted account(s) should be reconciled each month and available for review.
3. Scan statements from investment accounts and inquire of treasurer or other appropriate person that proper authorization was given for actions taken.
4. Select a sample of payroll disbursements based on the number of employees and compare the gross wages to the budget or time sheet. Obtain evidence that payroll reports were prepared and filed on time with the Internal Revenue Service and State of Georgia, as required. Also review payroll documents to assure proper and timely payment was made to the Board of Pensions, if appropriate.

Duties of the Review Committee (*continued):

5. Select a random sample of deposits (based on the number of deposits) from various times throughout the year and compare the amount deposited to income ledgers, bank statements and/or bank deposit receipts. Compare deposits to any supporting documentation available (for example, memorial donations).
6. Select a random sample of checks, petty cash withdrawals, debit/credit card disbursements, automatic withdrawals (based on the number of transactions made throughout the year) and compare to original invoices or other documentation that shows the disbursement was properly authorized. Bank statements will show that the disbursement was paid.
7. Review any restricted accounts to make sure the funds have not been used for any other purpose than for which the accounts were established. A financial statement should be prepared for restricted funds and the above procedures followed for income and expenditures.
8. Inquire and make a summary of those who have responsibilities which might involve the accounting function: opening mail, counting the offering, making deposits, approving payment for invoices, writing checks, signing checks, reconciling the bank statement(s), preparing donor statements. This will be included in the results of the review.
9. Prepare a written statement by the committee (and signed by each member) with the results of the review. If there are material deficiencies that might present a risk of misappropriation, this should be immediately addressed by the session. If there are no material deficiencies, the findings of the review committee should record this on their written statement. The findings of the review committee should be presented to the session for information and any appropriate action, if needed.