

## FINANCIAL CONTROLS AND BEST PRACTICES FOR CHURCHES

It is important for the Session and Pastor to establish a strong system of internal control for handling a church's financial assets. The responsibility for overall stewardship of each church resides with the Session.

A key aspect of internal financial controls is the segregation of duties among different persons and clear communication between those persons. For churches with separate individuals acting as treasurer, financial secretary, bookkeeper or other similar positions, the roles for these respective individuals must be clearly defined. While smaller churches may choose to have fewer individuals in these roles, it is important for churches of all sizes to separate income functions from disbursement functions. Put simply, the person(s) who counts and deposits money shouldn't be the person(s) who writes and signs the checks, and individuals being paid by a church should not sign their own checks.

### Requirements for All Churches

While every church is different and will have different needs, below is a more thorough list of policies beyond the universal recommendations stated above that all churches within the Presbytery must implement as part of their internal financial controls. These mandated requirements are universally applicable to all churches, regardless of size or situation.

1. Receipt of funds and disbursement of funds shall be handled separately and assigned to different people.
2. Church funds shall never be taken to anyone's home.
3. Deposit all funds received in the church's bank account(s) in a timely manner.
4. Record all funds received and expended in church records in a timely manner.
5. Detailed monthly financial reports shall be kept and reviewed at each regular meeting of a Church's Session
6. Keep a record of each individual/family members' contribution(s).
7. Prepare statements on a regular basis for contributors, at least annually for IRS purposes.
8. Disbursement records should be maintained to identify the date, check number, payee, and amount disbursed.
9. All disbursements of a church's funds shall be properly authorized according to procedures designated by the Session or other body designated by the church.
10. Financial accounts, including signatories, are established only upon the authorization of the Session or other body designated by the church.
11. All reimbursements for expenses of a church's pastor, other staff, or members shall be approved by the church's treasurer or another body or individual designated by the church before reimbursement is made and shall be made only upon presentation of appropriate proof.
12. Pastors shall not be signatories on church financial account(s).
13. A Session shall provide full information to its Congregation concerning its decisions related to financial matters (G-3.0205).
14. The church's financial books and records shall be reviewed annually. A church is free to determine the method of review utilized (e.g. public accountant, committee of members versed in accounting procedures, etc.). Reviewers of a church's financial books and records shall not be related to the church's treasurer(s). (G-3.0113)

## Policies and Procedures to Consider

Because every church is different, some churches may require or be benefited by additional internal financial controls that are not required of, or beneficial to, other churches. Some considerations for churches are outlined below and organized generally by subject. These potential policies are included for consideration by the Presbytery's churches:

### *Collections, Counting, and Deposits*

- Collected offerings should be handled by two unrelated people;
- Those who handle church funds regularly should be bonded, normally through insurance agent handling church's insurance policies. Many churches include protections for misappropriation of funds in their insurance policies as well;
- Immediately after offering or other collection is taken, have at least two alert, able-bodied people take the collection quickly and discreetly to a secure office or safe and lock it up;
- Rotate counting teams, and establish a policy that they count the money in a locked area immediately after worship. Document the offering on a standardized form, signed by each counter. Give copies to the financial secretary and other who need them;
- When possible, direct that two people take the collection to be deposited;

### *Recording Contributions*

- All back up materials including contribution envelopes, letters of donation, etc. should be kept for sufficient time to allow for auditing of records and correction of records.
- Reconcile receipts for funds received with bank statements at least monthly.
- Properly identify, separate, and record contributions according to the wishes of the contributor.
- Funds for special projects of the national church or other agencies should be transmitted to the national church or respective agency in a timely manner.
- Funds for particular local church projects should be properly identified and disbursed only for those projects, unless the donor agrees to change the designation.
- Document all personal property donations (e.g. books, furniture, etc.) and personal services donations (e.g. member mowing the yard of the church, member fixing church equipment, etc.) to the church. As part of this documentation, assess a value for the contribution.

### *Program Income and Receipts*

- Program income, such as tuition and registration fees for pre-school nursery, camps, field trips, bake sales, dinners, etc. should be properly recorded, receipted, and deposited.

### *Disbursement of Funds*

- Require initiating signature on a purchase order plus signature verifying goods or services were received. The signature or signatures on the check should be the same as the signature initiating a request or be one of the signatures verifying goods or services were received;
- Disbursements over a certain dollar amount (as determined by the individual church) to be individually approved by the Session and so noted in the minutes. Possible suggested dollar amounts are \$500.00 or \$1,000.00;
- Personnel being paid for services should either be issued payroll checks or miscellaneous income checks with W-2s or 1099s at year end;
- Reimbursements for purchases of supplies or goods should include authorization information/signatures.

### *General Best Practices*

- Unsigned and non-issued checks should be safely secured and issued in numerical order, and only made available to those authorized to issue and sign such checks;
- Supporting records should be safely secured and also be available and maintained on file for audit and referral purposes;
- A separate bank account for benevolent funds may be kept, with separate ledger system so as to easily maintain separation from operating fund;
- Separate accounting for major church programs and sponsored activities (pre-schools, camps, building funds, etc.); separate bank accounts for these activities may be kept, but only when the size of the activity so warrants;
- Financial records should be reconciled monthly with appropriate bank account(s);
- Maintain a safe deposit box or fireproof safe for storage of financial record warranting such protections;
- Limit financial record access to certain designated individuals, with church members able to review such records in the presence of the designated individual.