

Local Church Internal Control Guidelines

The local church provides a wide range of pastoral, educational, administrative and missional services. In addition, the local church is a financial entity subject to Generally Accepted Accounting Principles (GAAP), the Uniform Prudent Management of Institutional Funds Act (UPMIFA), government regulations and conference and general church policies.

Applicability:

All Funds administered and assets owned by the local church.

Purpose:

- A. To protect the assets of the local church from misuse or misappropriation
- B. To ensure that financial statements properly reflect financial activity
- C. To minimize the possibility of errors
- D. To protect employees who are responsible for handling cash and other assets from any appearance of impropriety

The Book of Discipline (§ 258) provides guidelines for the handling, safeguarding and reporting of church funds, and outlines the responsibilities of the committee on finance, the financial secretary and treasurer. The committee on finance is directed to designate counters, establish written financial policies and make provision for an annual audit. The treasurer is directed to disburse funds in accordance with church council guidelines and designated purposes, and to make regular and detailed reports on funds received and expended. The financial secretary is directed to supervise the persons designated by the committee to count money and keep records of the contributions and payments.

The purpose of this document is to provide a guideline of standardized policies, procedures and internal controls for carrying out the requirements of the Discipline and accepted accounting principals regarding the processing and management of funds. This is not an exhaustive list of internal controls which might be applicable to your church situation.

Financial Policies

There should be a written financial policy including authority guidelines and internal controls provided by the committee on finance. In addition there should be a written accountable reimbursement policy and annual resolutions for accountable reimbursements and housing allowance authorization.

Receipt of Funds

- Offerings (and cash received for events, etc.) should be counted by at least two persons not of the same immediate family or residing in the same household (and not the treasurer or financial secretary) designated by the committee on finance.
- Checks received should be immediately endorsed for deposit only.
- The Offering totals should be given to the financial secretary and treasurer, and recorded in a deposit log which should be compared to the bank statement.
- Detailed deposit information should be compiled, recorded in cash report and filed.
- Bank deposit should be prepared, deposited and receipt filed with deposit information.
- Offerings should be deposited as soon as possible, and kept in a secure location if it is not possible to deposit them the same day.

Distribution of Funds

- Check requests should not be approved by the person who writes checks. The committee on finance should determine the person or persons who can authorize expenses.
- A detailed list of approved recurring disbursements for routine or budgeted expenses (for example rent, utility bills) may be used in lieu of individual approval. It should be

maintained, reviewed, updated and approved on a regular basis by the committee on finance.

- Requests should not be approved by the person receiving the funds.
- All check requests require adequate documentation of date, payee, amount and business purpose. Original invoices or receipts are required.
- A copy of the check, a check stub or the check number should be filed with the request and all documentation for auditing purposes.
- Funds withheld from employees for tax or benefit purposes should be forwarded to the appropriate agency in a timely manner.
- Blank or incomplete checks should never be signed.

Recording and Reconciliation of Funds

- A cash report spreadsheet or check register should be maintained showing daily financial activity, running cash balance and distribution information.
- A bank reconciliation should be prepared monthly
- The reconciliation should be compared to cash report, reviewed and approved on a regular basis by someone other than the treasurer – designated by the committee on finance.

Reporting and Auditing of Funds

- The treasurer should make a detailed report of financial activities to the committee on finance at least quarterly.
- An annual audit should be performed by an individual or team not related to the treasurer. An audit guide is available from GCFA. Note that some churches partner with another church to perform the audit and discuss best practices.