

## **Central Texas Conference Internal Accounting Controls for Local Churches**

Proper handling of money is important to churches of all sizes. The procedures outlined in the Book of Discipline require two unrelated people (the Financial Secretary and the Church Treasurer) and at least two unrelated people to serve as the Counting Committee. It would be helpful to involve an additional unrelated person to perform the monthly bank reconciliations, when size allows. This outline attempts to keep the local pastor out of most of the day-to-day accounting and also assumes there is a computer with an accounting program loaded and utilized. Where there is not a computer, accounting ledgers would replace them.

### **Responsibilities**

1. Finance Committee
  - a. In consultation with the Pastor, determines person or persons who can authorize expenses (i.e. youth director, choir director, etc.).
  - b. In consultation with the Pastor, determines unrelated persons to serve as the Counting Committee
  
2. Pastor
  - a. As chairperson of the Nominating Committee and in consultation with Lay Leadership, determines the Church Financial Secretary and Church Treasurer, elected positions.
  - b. Remind the Finance Committee and Church Council why it is important to follow these procedures.
  
3. Church Treasurer (volunteer or paid)
  - a. Process all checks, recording them in the appropriate accounting software program.
  - b. Signs checks
  - c. Process all payroll checks, Tax Form 941's, W-2's and other government records required in a timely fashion.
  - d. Insure that computer files are backed up weekly, at a minimum monthly, and the back-ups are stored off premises.
  - e. Prepares and presents the monthly finance report for Finance Committee.
  - f. Supervise daily cash balances to insure sufficient funds are maintained.
  - g. Maintains filing system and storage system for all financial records and banking records for easy retrieval.
  - h. Prepares records for annual audit.
  - i. Maintain historical data, and establish a retention system for old financial records in accordance with government requirements (minimum of 5 years).
  
4. Financial Secretary / Administrative Assistant (volunteer or paid)
  - a. Supervise the Counting Committee, which shall consist of at least 2 persons not related. After the contributions have been properly counted the Financial Secretary is responsible for recording the contributions to each family's contribution record and to the general ledger and then depositing the funds in

- the bank in a timely fashion as established by the Finance Committee.
- b. Responsible to report to the Finance Committee each month the status of contributions to the church.
5. If church size allows, the following duties should be performed by a person designated by the Finance Committee other than the Financial Secretary or Church Treasurer.
- a. Perform bank reconciliation each month in a timely fashion.
  - b. Verify that all checks have been properly signed.
  - c. Verify that the bank balance reconciles to the bookkeeping records.
  - d. Verifies that the beginning balance equals the ending balance of the previous month both in the checking account and the general ledger.
  - e. Signs and dates the reconciliation report.
  - f. If church size does not allow for another individual to perform the above duties, the audit committee needs to examine monthly bank reconciliations in detail.

### **Processes**

1. Check writing
  - a. Ideally there should be 3 people who can sign checks in case of an emergency and cannot include the Financial Secretary.
  - b. A limit should be set, such as \$100, where any check in excess of that amount requires 2 signatures.
  - c. If there is only 1 signature, the person signing the check must never be the person authorizing the expense. The Finance Committee, in consultation with the Pastor, is to designate persons who can authorize expenses.
  - d. The check stub, copy of the check or the check number should be attached to the authorization and documentation (receipts, etc.) and filed for auditing purposes.
2. Deposits
  - a. All checks and cash that are received should be processed in a timely fashion with all checks stamped, "For Deposit Only".
  - b. Records must be kept so that retrieval of the items deposited can be verified in case there is a dispute over an item deposited.
  - c. Develop a numbering system to match deposit slip with computer records.
3. Use of Credit Cards for authorized church purchases.

It is important to adopt a policy for credit card use and approval of the purchases for payment. See the policy used by the CTC Conference Office as a model.
4. Annual Audit
  - a. An independent auditor, not necessarily a CPA, and not related to the Finance Secretary, Treasurer or the person performing bank reconciliations, is to audit the records annually.
  - b. The audit should include the bank accounts of all affiliated ministries of the local church.
  - c. The audit must include verification that proper internal accounting controls are

being maintained.

- d. If the person doing the audit is not a CPA, consult the Local Church Audit Guide and the Fund Balance Report from GCF&A ([www.gcfa.com](http://www.gcfa.com)).
- e. Submit copies of the audit to the Pastor and the Chair of the Finance Committee and the District Superintendent.
- f. The audit needs to be approved by the Finance Committee.