Financial Ethics and Best Practices

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President / CEO
Certified Governance Trainer, BoardSource
Session Objectives

- Review basic internal controls and best practices to protect against fraud and theft;
- Things to consider during COVID-19;
- Budget and accounting issues for congregations; and
- Clergy and expense reporting.
• Determine mission and purpose
• *Provide proper financial oversight*
• *Ensure adequate resources and participation*
• *Ensure legal & ethical integrity; maintain accountability*
• Ensure effective organizational planning
• Recruit/nominate and orient board members
• Enhance the organization’s public standing
• Determine, monitor, and strengthen programs
• Support the senior minister
• Select the senior minister
Internal Controls
Questions to Ask Your Church Leadership

- How many of you have had the same person as treasurer or financial secretary for more than 3 years?
- How many churches have dual custody of the offering at all times?
- How many churches deposit the money on Sunday?
- How many churches have written financial policies for how money is handled?
- How many churches have had a theological conversation about how the offering is handled once received?
Internal Controls
Internal Controls
Primary Internal Controls...

Trust

• Assured reliance on the character, ability, strength, or truth of someone or something
• One / a person in which / in whom confidence is placed
  • Transactions
  • Paperwork processes
  • Human contact with the system
  • Opportunity to catch and correct errors
Primary Internal Controls

Accountability:
• An obligation or willingness to accept responsibility
• The state of being accountable

Accountable:
• Something one can measure and explain
• Documented process, paper trail / documents
Trust is not an internal control.
Theological Context

• Why do you give to your local church?
• How does your local church use these gifts?
• How many of you resonate with this statement:
  
  *These are the gifts of God from the people of God for the work of God in the world?*

• Do the controls in place in your local church honor this statement?
Discussion Questions For Church Leaders

- How is the offering on Sunday morning handled at your church?
- What are best practices you should consider?
- Where do you think your church is exposed?
Key Players

- Finance Committee
- Financial Secretary
- Treasurer / Business Administrator
- Audit Committee
- Pastor
Role of the Finance Committee

• Monitors receipts, commitments, and expenses
• Develops and implements budget with Treasurer
• Reviews monthly financial reports and statements
• Works with the pastor to plan
Finance Committee

- Provides someone to reconcile bank statements
- Manages banking relations and recommends policies
  - Check signers, spending limits, etc.
- Works with the pastor to interpret spending in missional language
Finance Committee

- Facilitates the transition of Treasurers and financial officers
- Ensures consistency in practices, policies and procedures (internal controls)
- Advises the pastor, Board, planning/visioning teams
Policy Checklist

- Written policies approved by the board that govern:
  - Check signing limits
  - Investment vehicles (sample)
  - Wills, bequests, and trusts
  - Memorial Funds
Financial Secretary

- Oversees the process of receipting and recording gifts
- Trains the Counting Team(s)
- Works with the pastor to send giving statements
Basic Internal Controls

• Gifts are always in dual control
  • Counters collect, escort, and process contributions
• Standardized form and process
  • Photocopy checks
  • Clear separation of duties
Basic Rules of Handling Money

- No related teams (spouses, parent / child)
- Money is counted at the church
- Deposit is made immediately after church
- Treasurer and employees don’t count the offering
- Forms are filled out
# Counting Duties

<table>
<thead>
<tr>
<th>Counter #1</th>
<th>Counter #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counts cash</td>
<td>Opens and verifies information on envelopes (if used)</td>
</tr>
<tr>
<td>Photocopies checks</td>
<td>Notes designations</td>
</tr>
<tr>
<td>Runs tape from copies</td>
<td>Runs tape of checks</td>
</tr>
<tr>
<td>Notes designations</td>
<td>Counts cash</td>
</tr>
<tr>
<td>Compares Tapes</td>
<td>Compares Tapes</td>
</tr>
<tr>
<td>Prepares deposit slip</td>
<td>Prepares Counter Form</td>
</tr>
<tr>
<td>Signs form</td>
<td>Signs Form</td>
</tr>
<tr>
<td>Deposit is made in locked bag</td>
<td>Receipt is given to Treasurer</td>
</tr>
</tbody>
</table>
Gift Acknowledgment

- Send quarterly statements of giving
- Add personal note from pastor
- Add a letter updating the church
  - What has happened
  - What is coming up
- Tax statement
  - No goods or services were received in exchange for the contributions
Treasurer

• Operates the accounting software
• Generates checks (signer depends on size of the budget)
• Provides monthly reports to the church leadership
• Works with the finance committee to build the budget
• Works with the pastor on the narrative budget
Church Treasurer’s Handbook

• Excellent resource for policies, guidelines, compensation, benefits, internal controls, etc.

• Maintained by OGMP Treasury Services, Pension Fund of the Christian Church, The Christian Church Foundation and Disciples Church Extension Fund

• [http://disciplesmissionfund.org/treasury-services/](http://disciplesmissionfund.org/treasury-services/)
Handling Money During a Pandemic

• Encourage the use of online giving
  – Givelify **www.givelify.com**
  – Zelle **www.zellepay.com**
  – Venmo **www.venmo.com**

• Video Resource from the Center for Faith and Giving
  – [https://centerforfaithandgiving.org/2016/01/electronic-giving/](https://centerforfaithandgiving.org/2016/01/electronic-giving/)
Handling Money During a Pandemic

• How is mail secured without staff present?
• Encourage monthly gifts vs. weekly for those who want to send checks.
• Provide postage paid envelopes for homebound and older members.
Leadership Questions to Consider

• How are we protecting of volunteers during this time with transparent processes?
• What documentation needs to be modified for record keeping and the health of our volunteers?
• What is our liquidity?
Auditing and Reviews

• Ensures that established policies and procedures are being followed
• Reviews expenses and reimbursements
• Recommends additional policies and procedures
• Provides donors with confidence in the policies and procedures
• Audit includes an opinion; review does not
Internal Review

- 2 months of deposits
- 2 months of checks
- 2 months of bank statements
- A group of 3-5
Summary Report

• Process
  • What was checked and who did it?
• Findings
  • Errors and corrections
  • Accuracy regarding policy implementation
• Recommendations
Pastors and Expenses
Expenses and Reimbursement of Expenses for Employees

• Best Practices
  – Who reviews your expense report?
  – What is approved in a written policy?
  – What is your process for keeping track? (Mileage, receipts, etc.)
Appropriate Expenses

• Travel:
  • IRS guidelines
  • Employee rate .575
  • Charitable / volunteer rate .14
  • Church Meetings (Synod, Assembly, etc.)
  • Continuing Education

• Meals:
  • Staff lunches?
  • Alcohol?
  • Per Diem limits?
Expenses

• Cell phones
  • Shared expense or IRS guidelines as Listed Property?
  • Paid by the church or reimbursed to the employee? Shared family plans?

• Cash
  • Receipt requirements?
  • Lost receipt documentation?
Questions?
Chuck Cotting: Good afternoon! Thanks for putting on this webinar.

Mike Aberle: Good Afternoon from Valley Springs, Ca 95252

Mike Aberle: Thank you Chuck and were you from?

Patty Nordahl: It is still morning here in Arizona. Hot!

Todd Adams: Good afternoon. This is Todd Adams, President and CEO of Pension Fund of the Christian Church. I'll be your host for the webcast today from beautiful downtown Indianapolis!

Dale Krotee: Good afternoon.

Todd Adams: I look forward to your questions throughout the presentation and I'll do my best to get to them all. I'll stick around for a few minutes after the webcast as well.

Chuck Cotting: Back on line! Thanks!

KW Commercial: Clear and gentle breeze here in Louisville

Sheri Reed: Hello

KW Commercial: David Aikens here

Todd Adams: The webcast will start here shortly! Thanks for joining us today.

David Clarke: Greetings from Charlottesville VA

Julie Charron: Greetings

Lisa Gonzalez: Good afternoon, everyone! Insurance Board welcomes you.

Mike Aberle: love Louisville!

United Presbyterian Church: Hello from Central illinois
Good morning from Yuba City, CA

Good afternoon friends!

HI JULIE CHARRON!!

Hi Susie!

Good morning from Redmond Oregon

love the new promo.. smiley face of the insurance board employees

Hello from Charlottesville

Greetings from Bardstown, Ky

Good Morning from Ashland, OR

Hello Susan!!!!!

Hello Julie!

Greetings from Sally Zarnstorff, Christ Congregation, Princeton, NJ

Hi SUSAN COGHILL!!

Thank you for some of the questions that were submitted in advance of the webcast. I'll be addressing them throughout the webcast but feel free to ask additional questions.

from Beecher UCC in New Orleans

Will we get a pdf of the presentation?

Rita, you will.

Hi Susie Cauchi

Hello from Sahuarita, Arizona!
Todd Adams: In small congregations, one way to frame the conversation about documented processes is "how do we protect the reputation of those who are serving in financial positions."

Todd Adams: Another view is to think about "how will be train the next generation of leaders" if you processes are not written down.

Welcome to live chat! Remember to guard your privacy and abide by our community guidelines.

LEARN MORE

Patrick Duggan: How do I log on?

Mike Aberle: Push Play button

Todd Adams: For those in smaller congregations, there is a checklist later on in the presentation about dividing up duties.

Mike Aberle: To the left of the chat

Todd Adams: If you can have at least four people - 2 counters, 1 on the outflow / payments, and 1 recording the gifts and reconciling the bank statements - you can cover basic internal controls.

Todd Adams: For those of you with Audit questions, we will discuss audits later on in the presentation.

Patrick Duggan: I have no idea how to log onto the chat. Your instructions do not match what is showing up on this page (i.e., no red sign in box).

Todd Adams: You are on the chat

Todd Adams: Patrick is there a question, I can answer for you?

Mike Aberle: Hello Patrick Duggan, you are in the chat feature and your logged in. To watch the webcast you just need to click the red YouTube button just left of the chat feature.
Todd Adams

Keep in mind that if you have a statement on your checks that "Two Signers Required over $X" this is only a control for the church. The bank will not stop a check from being processed if there aren't two signers on the check. It might get stopped if someone tried to cash the check in the branch but with electronic clearing the check will go through.

Todd Adams

As far as who signs...I recommend you have at least 3 people. Ideally, none of them have access to checkbook or software. So the sign, but cannot generate a check.

Todd Adams

If you are looking for good software... I recommend you use one for accounting such as Quicken or QuickBooks depending on the size of your church and separate software for tracking pledges and gifts.

Todd Adams

There will be a checklist on an upcoming slide for the division of duties between the counters.

Patty Nordahl

If you have a business manager on staff can they be one of the counters

Todd Adams

Yes a full-time employee with a volunteer that has the duty as part of their job description.

Todd Adams

For those of you looking for best practices, the handbook is really helpful. It is also available in Spanish.

Todd Adams

If you modify your processes during the COVID-19 closure, document them so everyone involved is aware and in agreement.

Todd Adams

This is a best practice to protect your volunteers.

Susan Coghill [message retracted]
You might also pose the PPP Loan question to your local banker who processed the loan.

The difference between an audit and a review is the opinion expressed on the financials.

Unless your congregation has a budget greater than $500K or $1MM, I would do the internal review vs. an external audit, unless your polity requires such.

Leslie Kelley - First Presbyterian Church of Marianna, FL

How often to audit? 1x per year?

If you are having a full audit, I would do them every year and not substitute a review in place.

Over the course of 3-5 years, you'll probably spend the same amount because the audit year tend to be higher if you are substituting a review.

I recommend the Internal Audit yearly.

A question was asked about different committees or Sunday School classes having separate checkbooks...

If those checking accounts are opened in the name of the church or church group, then the churches EIN is attached to the account and the church is 100% liable for the use of the funds.

The church I served in Houston required that our couple of groups that had separate accounts, turn in the register to the Treasurer and those accounts were listed on the church financials.

The treasurer then entered the transactions and reconciled the bank statements.
Sheri Reed: Will there be powerpoint of the slides?

Todd Adams: For those looking for resources on giving especially during the pandemic, I recommend you visit Center for Faith and Giving.

Mike Aberle: Yes there will be a PowerPoint following this webcast. Please check back with Insurance Board.

MindMeld Studios: Sheri, yes there will be slides available.

Elizabeth Vance: Thank you, that was very informative!

Sheri Reed: Would it be possible to play this presentation to my finance committee?

Rita From Mayfield UCC: Thank you!

McVey Family: Thank you very informative.

Elizabeth Feuer: Thanks

Todd Adams: Yes this will be posted and you can play it for your finance committee.

Debra Joseph: Very informative, would like the pdf so I can refer to this info on a regular basis.

Bunny Gruntler: Thanks for information.

Mike Aberle: Thank you Bunny.

Sal Z: Thank you very much. Hope you might give pointer to policy examples for Very Small Churches (<100).

Shelba Scheffner: Thank you! I am happy to take this information back to our Policy & Governance Committee.

Todd Adams: The church treasurer's handbook has great resources for small congregations.
Sheri Reed are you connected with cornerstone? they did a video on top 10 best practices for a financially healthy congregation--do you have access to that video?

Todd Adams Cornerstone is my SBC counterpart. So O.S.Hawkins is my colleague.

Todd Adams I don't have access to their video, but it might be on their website. The Center for Faith and Giving has similar resources as well.

Sheri Reed I was sent the link for that video and now it's gone--any idea how I can get access again?

Sheri Reed Any idea who I could reach out to?

Mike Aberle This video will be available once we close the webcasting/chat. You can re-watch this in about 10-15 min as we will be coming to a close shortly.

Mike Aberle You can, also watch past web castings below.

Todd Adams Thank you all for joining us today. The presentation will be posted on the website, as well as the slides and the Q/A chat. Check back soon!

Sheri Reed--thanks!

Jackie Summers Thank you!