

# FINANCIAL CONTROLS

## AND BEST PRACTICES FOR CHURCHES

*Provided by: the Rev. Dr. Todd A. Adams, President, the Pension Fund of the Christian Church (Disciples of Christ)*

When facilitating conversations and training sessions on Financial Ethics and Best Practices for congregations and non-profits, a frequent discussion starter is “what comes to mind when you think of the person who handles money for your organization?” The majority response from participants is “trusted” or “trustworthy” – a requisite characteristic which often serves as the organization’s primary internal control. Admittedly, the question is a set-up, because the next conversation is about how trust is **NOT** an Internal Control.

During my service as Associate General Minister and Vice President for the Christian Church (Disciples of Christ), my team investigated several financial mismanagements or employee thefts. Commonly, trust was the primary internal control, expenses and corporate credit cards were loosely monitored, management letters were not provided to the board, and financial statements were walked into board meetings last-minute, leaving the board members insufficient time to review.

Often, internal controls and accountable processes are viewed as burdensome by smaller organizations. Even a small organization needs good processes to cover the basic controls for how money is received, donors are credited, and how expenses are paid and tracked.

Consider the theological context: We invite members to make gifts to the church to foster mission – the gifts of God / from the people of God / for the work of God / in the world. Are we handling the gifts in a manner that is holy or in a manner reflecting the missional purpose for which the gifts are given? Are we protecting servants of the church from being wrongly accused of mismanagement by having transparent and accountable processes?



### Here are some basic suggestions for developing accountable processes for counting and receiving gifts:

- Ensure gifts remain in dual custody, e.g. the offering on Sunday morning or checks from donors in the mail should be handled by two unrelated individuals.
- Conduct counts by each counter in the same room at the same time to verify the same total. Cash should be noted. Checks should be copied and secured for entry into the donor tracking software.
- Provide a standardized form for counters to complete and sign.
- Deposit money the day it is received; it should not be left in a floor safe, the secretary’s desk drawer, or the treasurer’s mail slot. If you cannot do same day deposit then the church should consider on-line giving exclusively.
- Work with your local bank to secure one tamper-proof bag per service for each week of the year. Date and label the bags such as Jan. 15, 8:30; Jan. 15, 10:45; Jan. 22, 8:30; and Jan. 22 10:45. Labeling the bags creates a controlled environment because it would be noticed if a bag is missing.
- Have a process to check totals. Does the deposit match what was entered into the giving records and the deposit receipt from the bank?

When thinking about expenses, an account process or basic controls to consider should include:

- Who is authorized to sign for expenses are there expenses that are automatically paid and reviewed as part of the quarterly financial statements?
- A second person must sign if the expenses exceed a threshold. What is the church's threshold?
- Require receipts for reimbursement. The IRS does not require receipts for items \$75 or less, but what is best practice? Document on the receipt who, what, and why (the business purpose).
- The way in which you handle business expenses such as continuing education, staff development, or staff birthday celebrations.
- Who is the individual(s), outside of the check writer, authorized to open the bank statement and balance the checkbook?

These basic controls are a good starting point for your organization. Obviously, the larger the organization, the greater the need for more detailed the controls. And remember, handling money in the church is a sacred act, not a secular one, so let's treat the people and the resources as holy currency.