

INTERNAL CONTROLS REVIEW

Goal => To provide reasonable assurance that good stewardship is being used in handling and accounting for the funds and other assets of the local church. The ultimate goals of the audit include:

- Protection for the persons the local church elects to offices of financial responsibility from unwarranted charges of careless or improper handling of funds;
- Trust and confidence of the financial supporters of the church in the way their money is being accounted for (trust and confidence lead to improved patterns of financial support);
- Fiscal responsibility to assure that through turnover in personnel there will be continuity in accountability and transparency;
- Assurance that gifts made to the church with restrictions attached are consistently administered in accordance with the donors' instructions and to provide checks and balances for funds received and expended.

Receipts and Disbursements

- Treasurer and Financial Secretary should not be the same person and should not be in the same immediate family residing in the same household
- Counting team (at least two unrelated persons) should count offerings and document totals – not treasurer and not financial secretary
- Offerings should be deposited the same or next business day
- Offering count details should be given to financial secretary for recording
- Offering totals should be given to the treasurer or financial secretary to record deposit
- The Financial Secretary's deposit log should be compared to the bank statement to verify deposits (by bank reconciliation reviewer)
- At least two persons should be listed as authorized signatures on all accounts. This should also be the case for setting up electronic payments (or EFTs). For EFTs, one of those individuals should be a Trustee or a member of the Finance Committee (other than the Secretary or Treasurer).
- The Treasurer is authorized to make electronic payments of bills. The Treasurer shall maintain support for every electronic payment just as with the support for paper checks.
- Financial policy and authority guidelines should be written and approved by the Finance Committee (there is a template available on the Conference Treasurer's Office website).
- Invoices should be required for all payments from all accounts
- Someone other than the treasurer (with authority by Finance Committee) should approve invoices for payment

- Typically, the Treasurer should make payments only after the invoice is approved. A policy may be implemented where routine, budgeted expenses (i.e., rent/mortgage, electric bill, etc.) may be paid without recurring approval; non-routine expenses must be approved prior to payment.

Reporting and Review

- All accounts should be reconciled monthly
- Someone other than treasurer should review bank reconciliation at least semiannually – including bank statements, invoices, checks written, and financial reports
- The Treasurer should make detailed report of budget and designated fund activities to the Finance Committee at least quarterly
- Annual audit of financial records

Tax Reporting Requirements

- W-2s must be issued for employees, including pastors, and 1099s issued for nonemployee compensation by January 31 for preceding year (federal law requirement)
- Payroll tax forms and deposits done as required for payroll amount (federal law requirement) – payroll reporting should be completed for the IRS and SSA by appropriate due date for filing method
- Housing allowance or exclusions approved annually at charge conference and kept on file (federal law requirement)

Other General Requirements

- Prepare list of all church property for insurance purposes – include item description, serial number and value
- Prepare list of safety deposit box contents – update authority as needed – access should be allowed by two unrelated people
- Computer records are backed up and password protected for security
- Ideally, four individuals are required for regular financial procedures: financial secretary, treasurer, person to review and approve invoices and person to review bank reconciliations. It is possible for this to be accomplished with 3 individuals if proper segregation is achieved.