



# Arkansas – Louisiana Conference of SDA

## General Internal Control Policies for Churches

## **Tablet of Contents**

1. Introduction
2. Segregation of duties
3. Receipts
4. Disbursements
5. Audit
6. Church Equipment
7. Financial Reporting
8. Other
9. Contact Details
10. Sample Forms

## **1. Introduction**

Unfortunately, churches are not immune to the actions of unscrupulous people, staff and volunteers. Indeed, because churches want to operate in an atmosphere of mutual trust, they can be especially vulnerable if they fail to establish sound Internal Control Policies. Internal Control Policies are a set of risk management tools, procedures and protocols designed to safeguard the church's assets, ensure accurate financial reporting and efficient and effective use of funds. In addition, internal controls serve to protect staff and volunteers from false allegations of embezzlement or misuse of funds.

This document describes several internal controls that need to be reviewed by the local churches boards.

## **2. Separation of Duties**

Separation of duties not only plays a critical role in safeguarding church assets and protecting staff and volunteers, but also reduces the workload of the church Treasurer. Dividing duties among a number of people ensures that no one person has the opportunity for or gives the appearance of improper conduct.

Duties are often separated by receiving and disbursement functions. For example, the individual who receives and records contributions should not handle disbursements or prepare checks. A different way to think of separation of duties is to separate recording and reporting functions from cash handling functions.

Large churches often have paid staff - a financial secretary or administrative assistant, for example - who posts contributions to individual giving records, posts receipts to the General Ledger, and performs the monthly bank reconciliation, but does not handle disbursements - this would typically fall to the Treasurer. Smaller churches often do not have the resources for paid staff to handle this function and must rely on the Treasurer and volunteers, who is assigned specific tasks.

## **3. Receipts**

- The local church should establish a procedure to validate loose offerings. This process should be documented by at least two signatures of two non-related church members.
- The weekly offerings should be deposited on the first business day after the offering has been collected.
- A person independent of the people performing the count and the bank reconciliation process should deposit the weekly offerings.

- All mail containing money should be opened and counted in dual custody in a secured area.

**The Counters should:**

- Use a 'count sheet' to record individual contributions, the purpose of the contribution, check number (or indicate cash) and to tally totals. We recommend using a pen to fill out the count sheet to avoid alteration on the document.
- The signed count sheet for the weekly offerings should be given to the church's treasurer.
- Make sure the amount written on tithe envelopes matches the amount inside the envelope.
- Endorse all checks '*for deposit only*' to the church's bank account.
- Double-check each other's work.
- Ensure that the count sheet totals agree with the deposit slip

**The Church Treasurer should:**

- Receive a copy of the count sheet and deposit slip from counters.
- Post totals to General Ledger.
- Ensure that totals on the count sheet and deposit slip match totals posted to General Ledger.
- Post contributions to individual giving records.
- Retain count sheets, deposit slips, and tithe envelopes in a secure file.
- Perform bank reconciliation each month.
- Church treasurer needs to send remittances funds to our Conference headquarter no later than the 10<sup>th</sup> of each month. The treasurer does not have the authority to hold remittance funds that belong to God under any circumstances.

**4. Disbursements**

All expenditures should be handled as follows:

- The church board should approve all financial expenditures for non-routine payments.
- The local church should avoid owning a debit or credit card.
- The local church should establish a Cash Disbursement Control Form available for each check that does not have an invoice or adequate documentation, which explain the reason for the check.
- No money should be given out to reimburse someone without a receipt for the files. All business payments should be made from an invoice.
- Any non-routine expenditure presented for payment should not be processed unless properly approved and supported by proper documentation.
- All service related or individual contractor vendors that are paid more than \$600

per year must receive a properly completed 1099 at the end of each year. The information needs to be sent to the Conference.

- The checkbook should be kept in a secured location when not in use.
- The Treasurer should avoid reimbursing her/himself for expenses incurred.
- The Treasurer should not give a blank check to any church member or pastor.
- Serially numbered checks rather than cash should pay all reimbursements.
- All checks should be promptly posted to the General Ledger and should depict date, payee, amount, purpose, and check number.
- Include notation of the check number on the documentation.
- Documentation should be retained in a secure file.

## **5. Audit**

An important part of ensuring that your internal financial controls are followed and provide effective protection is an annual audit by an external auditor. The local church needs to send the following information to our external auditor (NAS) when required.

- Bank Statements for every month along with the bank reconciliation report for each month for main bank account(s) being used.
- Savings Accounts and Certificates of Deposit (If applicable-need proof to verify correct amount)
- Paid invoices and receipts (each should have a check number and be filled by numerical check number for each month)
- Tithe envelopes bundled weekly with bank deposit slip and calculator tape. Include form with two signatures to verify count for loose cash.
- Monthly financial statements including Financial Summary, Deposit report, Check report, and Transfer report along with weekly and monthly printout of contribution reports.
- Board and or finance committee (acquire copies from appropriate individuals if don't have such)
- Complete internal Control Questionnaire
- Full backup of the accounting on a flash drive or disc including password if you using Jewel.

## **6. Church Equipment**

In order to safeguard the local church equipment, the local church board needs to set policies regarding the use of the equipment for social activities.

## **7. Financial Reporting**

The church board needs to be informed of the finance situation of the local church by the treasurer on a monthly basis.

**The Treasurer:**

The Treasurer should present the following reports to the board on a monthly basis:

- The Contribution Report (Summary)
- The Check Report
- The Transfer Report
- The Financial Statement Report

**The Board:**

- The church board should approve the financial reports presented by the treasurer.

**8. Other**

- The treasurer should use an accounting system that will provide the necessary reports to the board and receipts to the donors. If the treasurer decides to do manual accounting, the treasurer should contact the Conference office for the necessary manual accounting materials. If the treasurer decides to use computer software to do the accounting, the treasurer should contact the Conference office and the Conference will provide the contact information of the Accounting Software that is going to meet the needs of the local church.

**9. Contact Details**

- **ARKLA Conference**

**Deborah Adams**

Email: [dadams@arklac.org](mailto:dadams@arklac.org)

Office 318-631-6240 Ext.107

**10. Sample Forms**



Church Name: \_\_\_\_\_

## Check Request

Payable to : \_\_\_\_\_

Description	Check #	Department	Total Check

- This Check serves as a final invoice/receipt.
- This Check is not a final invoice/receipt and a **RECEIPT WILL FOLLOW**.

Approved by

Pastor : \_\_\_\_\_

Date: \_\_\_\_\_

Treasurer : \_\_\_\_\_

Date: \_\_\_\_\_

Received By: \_\_\_\_\_

Date: \_\_\_\_\_

**Church Name:** \_\_\_\_\_

**Counting Form**

**Date:** \_\_\_\_\_

**Bills**

\$1 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$5 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$10 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$20 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$50 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$100 X \_\_\_\_\_ = \$ \_\_\_\_\_

**Subtotal:** \$ \_\_\_\_\_

**Checks**

# \_\_\_\_\_ \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

**Coins**

\$.01 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$.05 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$.10 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$.25 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$.50 X \_\_\_\_\_ = \$ \_\_\_\_\_

\$1.00 X \_\_\_\_\_ = \$ \_\_\_\_\_

**Subtotal:** \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

**Accountants Signature**

#1 \_\_\_\_\_

#2 \_\_\_\_\_

#3 \_\_\_\_\_

#4 \_\_\_\_\_

# \_\_\_\_\_ \$ \_\_\_\_\_

**Subtotal:** \$ \_\_\_\_\_

**Grand Total:** \$ \_\_\_\_\_