

Basic Internal Controls for Churches

- 1. Segregation of duties is essential.**
Those handling money coming in until it is deposited should never include persons who handle disbursements and financial records. This means a treasurer should not be on the counting committee and person(s) who lists incoming checks should not reconcile the bank statement.
- 2. Two un-related counters always present**
At least 2 (better to have 3) un-related individuals should always be present when handling and counting church offerings until it has been safely deposited in the bank.
- 3. All disbursement by check.**
All disbursements (except for limited petty cash) should be made by check. No blank checks should be issued. Ideally the person approving purchases should not be the person who prepares checks for payment.
- 4. No blank checks or checks payable to “cash”.**
No check should be written payable to cash. It is essential to always be able to identify what funds are used for.
- 5. Original invoices to make payments.**
Payments should be based on original invoices and supporting documentation.
- 6. Limit authorized check signers – never the pastor; preferably 2 signatures**
The number of authorized check signers should be limited. Two signatures should be required on checks over a particular threshold. The pastor should never be authorized to sign checks.
- 7. Bank Statement reviewed by someone who does not handle cash or disbursements**
Ideally bank statements would be reconciled by someone other than a treasurer who writes checks. Realizing this may not be practical in many smaller churches, at a minimum someone else should at least receive and review the bank statements before giving them to the treasurer for reconciliation.
- 8. Use church budget efficiently.**
Expenditures should be consistent with a planned budget. All expenditures should be authorized by appropriate persons. Unanticipated expenses should be approved by a finance committee or other appropriate leadership specified by a church. Otherwise, it opens the way for the treasurer to become the “gatekeeper” for church money.
- 9. Cash handling procedures in writing.**
Having written policies reduces the chances of abuse and misunderstandings about church finances.
- 10. Fidelity Bond for all persons handling church monies.**
Get a fidelity bond to cover staff and volunteers who have responsibility for handling money. Such a bond is a form of insurance that compensates a church if it loses money due to dishonesty of employees or volunteers.
- 11. Conduct a regular audit.**
This may be an internal audit of church records each year by one or more church members with no other role in church financial operations. Periodically it may be good to engage services of a professional for an audit.
- 12. Document. Document.**
Adequate documentation would make it possible to see exactly what transpired, who was responsible and when it occurred. You cannot over document.
- 13. Communicate. Communicate**
*This is a basic principle of accountability and it helps keep a proper focus on who the money belongs to.
Two things should be communicated:
Cash Flow (Financial Activity)
Balances (Financial Condition).
Account to church leaders and to the church.
Make communication fit the audience.
Keep it simple but as detailed as needed.*