



Essential Financial Controls

Policies that protect your church's funds

Seems every month brings news of another unfortunate loss in a church — a trusted treasurer, leader or employee mismanages or absconds with church funds, causing disappointment, conflict, perhaps even panic. The time has come to set aside the fear of offending long-serving volunteers and establish common sense controls that ensure the safety of church funds and those who manage them.

Protect the church & treasurer

Good financial controls don't just protect the church — they protect financial staff and volunteers as well. The first, and perhaps most essential measure: insist on dual controls. Dual controls ensure that duties are segregated, with all transactions occurring in full view of at least one other (unrelated) pair of eyes — that no one has the opportunity to manipulate a transaction as it moves through the church's financial system. Dual controls include:

- at least two unrelated people count offerings and other funds
- one person prepares checks, while a different, unrelated person signs
- all account statements are opened and reviewed (and ideally reconciled) by someone other than (and unrelated to) an authorized signer

Dual controls not only protect the church from loss, they also reduce the opportunity for financial personnel to be tempted to make bad choices. With dual controls in mind, every church should develop, document and implement at least a minimal set of financial policies that include:

- standard procedures for authorizing, completing and reconciling transactions
- guidelines for documentation and record-keeping
- safeguards over access to and use of assets, records and online accounts
- an internal audit program, and an external audit when possible

Obviously, if various committees and groups within the church are permitted to manage their own

A SNAPSHOT

- The number one policy — **INSIST ON DUAL CONTROLS**
- At a bare minimum, ensure all account statements are sent to the church and opened by someone unrelated to the church's financial transactions.
- Corral multiple accounts so all funds flow through the treasurer and are managed in compliance with proper controls.
- Use accounting software, but streamline the chart of accounts for greater clarity.
- Do not avoid establishing smart policies for fear of offending volunteers. Good policies not only protect the church, but help protect volunteers from temptation and suspicion.

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church's governing body should establish a policy that requires all funds raised or spent in the church's name flow through the treasurer's office. The treasurer must segregate group funds as *designated*, report regularly to the group, and promptly honor requests when funds when funds are required.

Insist on term limits & backup

Some churches resist controls because few volunteers are ready to take on financial roles and leaders want to avoid alienating the willing. But treasurers and other financial officers must be subject to term limits — both to ensure regular turnover in church financial management and to share fairly the responsibility for handling church funds.

Ideally, a Treasurer is supported by an Assistant Treasurer: someone who can share tasks, serve as a second for control purposes, and be prepared to step in quickly should the treasurer be unable to complete her/his term. While many churches have someone designated to account for gifts and offerings, the treasurer needs an assistant who can take on a broader range of tasks and serve as backup.

With a standard term limit of three years for both treasurer and assistant treasurer (who can succeed the treasurer when the treasurer's term ends), a church can enjoy six years of continuous financial service.

Ensure consistency & clarity

While financial volunteers take on their roles with varying degrees of skill, all should manage and report

church finances in a manner that is standard, easy to understand, and consistent.

Even small churches should be using computerized accounting software to maintain church finances. While church-oriented programs like *Church Windows* and *PowerChurch* offer excellent integration of various church tasks, even small churches can afford the basic *QuickBooks* program. Spreadsheets, while helpful for analysis, are not appropriate for church bookkeeping as their programming is often quite personal to the spreadsheet creator and subject to error.

When setting up software, develop a streamlined chart of accounts to avoid an excess of detail that complicates the treasurer's job and makes succession more difficult.

The added advantage of accounting software: it is designed to create reports, graphs and other documents that communicate church financial information clearly — and clarity and transparency remain essential to building trust and donor confidence. When reporting, remember that less is more: the more people receiving the information, the more summarized that information should be.

Learn more

The UCC's Financial Ministries offer additional materials that can help churches establish good policies to protect church funds and people. Visit online today.

A GOOD START

- *Duties will be sufficiently segregated to prevent one person from manipulating or hiding a transaction.*
- *At least two **unrelated** persons will count all gifts & offerings.*
- *Offerings will be promptly deposited in church bank accounts, and shall not be taken to an individual's home.*
- *Donor's checks will be promptly stamped for deposit only with the church's account info.*
- *Bank statements will be reconciled with receipts and disbursements, preferably by a non-signing individual.*
- *Financial personnel will be required to take a vacation of at least one week each year, turning over responsibilities to other(s).*
- *Authorization for all checks will be documented and approved by the relevant leader (committee chair, etc.) before signing.*
- *Checks over a designated amount will require more than one signature.*
- *Signature stamps will remain properly secured.*
- *All signature authorities will be reviewed and updated annually.*
- *A purchase requisition or purchase order system will be used to prevent or detect the unauthorized purchase of goods and services.*
- *All receipts for charges to church credit cards will be submitted and reconciled each month.*
- *An independent external source will perform an audit each year.*
- *Purchasing procedures, authority, and limits will be clearly communicated to staff and volunteers.*
- *The Treasurer will provide regular, clear financial reports to the church governing body.*

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