

## **Accounting software & data**

- ✓ **Accounting software and data should reside at church or be web-based where the data base can be accessed by multiple users**
- ✓ **Multiple people should be trained on software**
- ✓ **Software should have integrated modules**
  - **Cash Receipts/Pledges Receivable**
  - **Payroll**
  - **Cash Disbursements (A/P)**
  - **Purchase Order**
  - **General ledger**
- ✓ **Software should be password protected and have an audit trail**
- ✓ **Data base should be backed up daily and backups stored off-site**
- ✓ **Accounting system should use the accrual method of accounting**
- ✓ **Support for receipts and disbursements should be preferably scanned and “attached” to appropriate accounting record**
  - **If scanning is not practical, then secured system of record retention must be established**
  - **Approved vendor invoices with copy of check attached**
  - **Approved purchase orders; open purchase orders**
  - **Payroll records by employee, i.e. W-4, W-2, change of status forms**
  - **Counters reports**
  - **Reconciled bank statements**

## **Budget**

- ✓ **Church should have a functional budget with reports comparing actual to budget issued periodically and presented to Finance Committee, Administrative Board, Pastor**
- ✓ **Narrative budget should be presented to the church (not line-item budget)**

## **Cash Receipts**

- ✓ **Use offering envelopes, especially for cash**
- ✓ **Have a counter's sheet that details cash receipts by purpose and by type**
  - **Checks received for general fund**
  - **Checks received for designated or restricted funds (e.g. Memorial Fund, Endowment Fund, Building Fund, altar flowers)**
  - **Undesignated cash for general fund (e.g. loose cash in collection plate)**
  - **Cash received from Sunday School offerings**
  - **Cash in envelopes (with name or number traceable to giving records) for general fund**
  - **Cash in envelopes (with name or number traceable to giving records) for designated or restricted funds**
- ✓ **Cash should be locked in safe until counted**
- ✓ **Make copies of all checks and tie total to counter's sheet and bank deposit slip**
- ✓ **Copies of checks and envelopes (with name or number) should be given to financial secretary for posting to individual giving records**
- ✓ **Bank deposit, financial secretary posting, general ledger posting should all be reconciled one to the other and to the bank statement**

- ✓ **Cash receipts should be deposited intact, daily.**
  - No payments should be made from deposits
  - Miscellaneous cash payments should be made from petty cash
- ✓ **Counters (two or more unrelated people) should count the offering immediately after church services and deposit in the after-hours depository, or**
- ✓ **Counters (two or more unrelated people) should put all of the cash receipts in a lockable bank deposit bag and take it to the bank after-hours depository**
  - Bank bag would be retrieved and counted at the bank the next banking day
- ✓ **If pledges are tracked, a list of unpaid pledges should be presented to the finance committee**
- ✓ **The pastor should have access to giving records**
- ✓ **Monthly (or at least quarterly) giving statements should be sent out, preferably by someone other than financial secretary.**
  - Exceptions should be reported to church office, not to financial secretary
- ✓ **Other gifts, e.g. memorials, large donations, should be acknowledged immediately and sent by someone other than financial secretary**

### **Cash disbursements**

- ✓ **All disbursements should be made by check or ACH**
- ✓ **All checks should be restrictively endorsed**
- ✓ **Checks over an established dollar amount should require two signatures (and second signature should never pre-sign blank checks)**

- ✓ **Checks should be pre-numbered (or pre-numbered by software) and void checks should be retained so that sequence of all checks can be audited**
- ✓ **Vendor list should be reviewed periodically and new vendors should be approved by finance committee (or designees) prior to payment**
- ✓ **Purchase order system should be used for discretionary expenditures (not utilities or payroll) above an established threshold**
  - **Purchase orders must be approved according to established lines of authority**
  - **Invoices presented for payment without purchase order should be rejected**
  - **Vendors should be notified of purchase order requirements**
  - **Authorization to act as agent of the church should be limited**
- ✓ **All vendor invoices not covered by a purchase order should be approved by authorized person (not treasurer) before payment**
- ✓ **Small, miscellaneous cash expenditures (e.g. postage, supplies, benevolences) should be made through an imprest, petty cash fund**
  - **Surprise counts should be made by someone other than petty cash custodian**
  - **Petty cash fund should be reimbursed at the end of each month**
- ✓ **A list of accounts payable to be paid should be produced for approval**
- ✓ **A list of aged, unpaid accounts payable should be presented to the finance committee (A/P subsidiary ledger)**
- ✓ **Discounts, if available, should be taken**
- ✓ **Cash disbursements should be reconciled to bank statement**

## **Payroll**

- ✓ **All pay rates, hires, fires, change in status should be reported in writing**
  - **All payroll records must include a signed W-4, I-9**

**Local Church Accounting Policies and Considerations for Internal Controls**  
**Northwest Texas Conference of the United Methodist Church**  
**Rev. David W. Andersen, CPA, Chief Financial Officer**

- **SPRC should set compensation rates**
- ✓ **Church should have an employee manual that details pay rates and dates, vacation policy, sick leave policy, severance policy**
  - **Church should refrain from pay advances**
- ✓ **Payroll register and quarterly payroll tax returns and payroll tax deposits should be reviewed diligently by finance committee or designee**
- ✓ **W-2s should be reconciled to payroll register and quarterly payroll tax returns**

### **General Accounting**

- ✓ **Bank statements should be reconciled by someone other than check signers and financial secretary**
- ✓ **Checks should be compared to entries in A/P and G/L**
- ✓ **Deposits should be reconciled to counter's reports and financial secretary postings**
- ✓ **Donations that have a donor restriction should be classified in a restricted (temporarily or permanently) fund**

### **Annual Audit**

- ✓ **An independent CPA should at least review, and preferably perform an audit of the church financial records, including assessing the adequacy of the systems of internal control**

### **Other**

- ✓ **Church should have a organization chart and a delegation of authority policy**