**Sample Internal Controls Policy for Small Churches**

**Acknowledgement**

Appreciation is expressed to the Silver Hill UMC for allowing access to their Policies and Procedures Manual as a resource for large churches. Blanket permission is given to edit and use this material as needed to adapt to local circumstances. This is a sample document only, and not suitable for every church situation.

**SILVER HILL UNITED METHODIST CHURCH - MT. HOLLY, AR**

**POLICIES AND PROCEDURES**

**Church Organizations**

**A. Financial Accounts**

Any organization which maintains a financial account, (checking, savings, certificate of deposit, etc.), that is associated with Silver Hill United Methodist Church - or the use of Silver Hill's federal ID number on the account, must have all statements of account available upon request. The following is a list of current accounts known: *(List the accounts here)*

The name, address, and telephone number of the person who controls the account for each organization should be provided upon request.

**B. Statement of Purpose**

Each organization needing a separate checking account will provide a "Statement of Purpose" describing a general intent or purpose of the organization.

**C. New Financial Accounts**

In order to establish a new Silver Hill UMC affiliated checking account or special fund, the organization requesting the account must have approval of the Administrative Council. A written request should be submitted to the church treasurer or financial secretary with an explanation of the purpose for the account. The request will be reviewed at the next Administrative Council meeting, and a decision will be communicated to the organization within one week of meeting.

**Expenditures**

**A. Reimbursement Requests**

Any request for reimbursement of church related expenses must include valid receipts.

**B. Documentation Requirements**

Checks will be prepared by the church treasurer for valid receipts as needed in a timely manner. The checks should be accompanied by the proper invoices or receipts. Any check without the required attachments supporting the disbursement should NEVER be signed.

**C. Church Charge Accounts**

The finance committee will annually review church charge accounts and designate authorized purchasers. Current Charge Accounts include: *(list here)*

**Collections and Bank Deposits**

A. **Sunday Offering**

Sunday offerings will be counted and verified by two unrelated people. The designated counters will take the offerings immediately after the service to a designated area. The two counters will then tally all cash, coin, and checks, fill out a tally sheet (Form A) and sign off in ink.

The offering and tally sheet will be placed in the bank bag & put in possession of the church treasurer. The church treasurer will, in a timely manner, open and recount the offerings and sign off (in ink) for verification. The church treasurer will then record offerings to appropriate funds, fill out and make the bank deposit.

Any offerings that are hand delivered or mailed to the church or member will be recorded and held until the next deposit is made.

Individuals that bring cash contributions should receive, upon request, a receipt with a copy of the receipt retained by the treasurer.

**B. Fund Raisers**

Money collected at other Silver Hill UMC events should be counted by two unrelated individuals that were designated for that particular event. A tally sheet should be filled out and signed (in ink) by the two counters and turned in to the treasurer within 24 hours of the event. The church treasurer will place these offerings in a separate envelope until the following day's deposit is made.

**C. Memorial and Honorarium Gifts**

Money or other gifts given for memorials and honorariums go to either a designated or undesignated fund. The church treasurer will notify the family or person memorialized or honored with a card or letter noting the name(s) of the donor but not the amount of the gift.

Money and other gifts may be designated for special projects approved by the appropriate committee or board. Under no circumstances will designated money be used for any purpose other than what the funds were designated for without specific permission from the giver.

The Administrative Council will determine how undesignated money given in honor or in memory of friends and loved ones is to be used.

**Assets**

**A. Bonding**

The Book of Discipline requires that treasurers be adequately bonded.

**B. Insurance**

A member of the trustees will review church insurance policies each year to insure adequate coverage.

**C. Bank Reconciliations**

Adequate steps should be taken to confirm accuracy of balances shown in all financial accounts. Balances of these accounts shall be compared to monthly reconciliation accounts. Differences will be documented using reconciling items.

Reconcilations should be completed monthly. All accounts should be reconciled to a ledger on a regular and timely basis. Reconciliations will be reviewed and monitored by members of the Finance Committee. The reconciliation is the responsibility of the church treasurer. It is their responsibility to accurately prepare, approve and clear reconciliations in a timely manner.

**Committees / Employees**

**A. Committees**

Each of Silver Hill UMC's incoming committee members should receive a copy of the Procedures Manual. They will be asked to sign a form (Form B) noting they have read and understood the aforementioned.

**B. Employees**

All employees should receive a copy of the Procedures Manual. They will be asked to sign a form (Form B) noting they have read and understood the manual.

**Finance Committee Responsibilities**

**A. Bank Statements**

The finance chair should receive copies of monthly bank statements. They should review the statements noting lack of authorized signatures, unusual vendors, etc.

**B. Revenues**

The deposits from the bank statements should be compared to the financial statements each quarter. If anything is questionable, the deposits and the required attachments should be reviewed.

**C. Church Audits**

The finance committee will insure that a "review of agreed upon procedures" of the church's internal controls, financial records, year-end financial statements be conducted annually. This can be done by an independent member of the congregation with financial knowledge or even the treasurer of a neighboring church.

The Book of Discipline does not say that an audit/review must be performed by a professional or that it must conform to generally accepted auditing standards. Persons who handle the church funds, including the pastor, should not perform the review/audit.