

Congregational Treasurer's Manual

The Lutheran Church—Missouri Synod



VOLUME 2

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Section 5
Accounting and Finance

Chapter 21: Internal Control

THE NEED FOR INTERNAL CONTROL 100
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INTERNAL CONTROL PLAN300

21.100:

The Need for Control

A system of internal control is required wherever money is received or expended. The control not only assists in preventing fraud or embezzlement but maintains the integrity of the individuals who handle funds, avoids unnecessary suspicions, removes temptation, protects those responsible for financial records and maximizes possibilities of discovery of theft.

To assume that everyone who works for the church is honest and therefore, “we do not require control,” does not take into account that these same people, who are members of the church, work in the business world where control is required. Given certain circumstances, opportunities, or the right conditions, these same members can misappropriate funds whether handling church or business money.

Although the church council or board of elders may have the responsibility to ensure that the internal control is adequate, the treasurer with the financial secretary and counters should assist the governing body in installation and operation of the required control.

21.200:

What Is Internal Control?

Internal control is a plan to do the following:

1. Check accuracy of financial reports.
2. Ensure dependability of records and reports.
3. Discourage error or fraud.
4. Safeguard the assets.
5. Encourage efficiencies through adherence to rules, regulations, and policies as established by the governing church body.
6. Maintain and defend the integrity of members who deal with the finances of the church.

20.300:

Internal Control Plan

The internal control plan should do the following:

1. Separate responsibilities for counting, writing checks, recording contributions and reconciling bank statements.
2. Ensure that the counting team (two or more) is in custody of the collection from the altar to the preparation of the deposit. The counters should prepare a form as shown in Exhibit 23-A.
3. Provide for the prompt depositing of all money.
4. Encourage the use of offering envelopes.
5. For checks that are received during the week, provide the person opening the mail (no one who is connected to financial receipting and disbursing should open mail) with a “For Deposit Only” stamp.
6. Ensure that the counting team does not have access to the checkbook. A counter should not be in a position to sign checks.
7. Limit check-signing authority to a select few who are familiar with the internal controls.
8. If appropriate, require two signatures on the church bank accounts. Blank checks should never be signed in advance.
9. Ensure that all payments be made by check. Do not pay in cash (except petty cash). The use of checks provides a permanent record.
10. If using online bill pay, have one person set-up payments and another approve the payments.
11. Assign the responsibility of bank reconciliation to members other than those who handle cash or maintain financial records.
12. Prepare a reasonable and detailed budget. Monthly or yearly budget comparisons will point out to governing bodies unusual deviations.
13. Provide that recorded pledges are not written off by the financial secretary without appropriate governing-body approval.
14. Keep marketable securities, notes, valuable personal property or cash in a safe place, fire- and theft-protected.
15. Maintain an inventory of assets and review the list on a periodic basis to ensure that the material or equipment is still within the church.
16. Arrange for an annual financial review to be conducted by a committee (preferably three or more members) independent of the treasurer and the financial secretary. See Chapter 25, Financial Review, for methods of testing the existence of and application of the internal control system.
17. See that cash handlers and certain officers are bonded.
18. Prepare written procedures that apply to cash handling to ensure continuity and consistency.