



Local Church Internal Controls

According to *The Book of Discipline*, the local church committee on finance "shall establish written financial policies to document the internal controls of the local church." (In case you're interested, it's ¶258.4c)

So what are internal controls you ask? A quick check to Wikipedia tells me that internal controls are defined as "a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources".

The first thing you should know is that you are one of the church's resources and internal controls can not only protect assets like cash and property but they can protect

you from unwarranted charges of careless or improper handling of funds.

Internal Controls should clearly outline things such as:

1. Segregation of duties. Who handles what? How many check signers are required? Who reconciles the bank statements? Who is authorized to approve expenditures?

2. Safeguards. Are computer files backed up regularly? Where is cash stored? Who may have access to the safe? Are we properly insured?

3. Reporting and Auditing. Are proper payroll reports being filed in a timely manner? Are reports being provided to the Finance Committee? Who may conduct the annual audit/review?

The General Council on Finance and Administration (GCFA) has a very helpful publication on their website (www.gcfa.org) called *The Local Church Audit Guide*. It's very easy to read and understand and has information that can be used by churches of all sizes. There is also a section on Internal Controls that begins on page 16.

Regardless of size, all churches need internal controls. They should be written, reviewed regularly, and most importantly used.

I have included a quick check list for you to start with as you either review the current controls your church is using or as a starting place if your church doesn't yet have any written policies.

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NAME CHANGE

Several of you have noticed that the Española Valley Group Ministry Shared Ministry line item is gone and has been replaced by Northern New Mexico Group Ministry.

This is a name change only. It continues to be the same cooperative ministry serving the Española area by providing health and social services and educational programming.

Electronic Giving Patterns

The following is based on an article from the January 17, 2012 edition of the "Managing Your Church". <http://blog.managingyourchurch.com>

Two separate reports released within the last six weeks on electronic banking and giving patterns underscore the shifting preferences among adults when it comes to their finances.

The Pew Internet & American Life Project released its Real

Time Charitable Giving report (<http://pewinternet.org/Reports/2012/MobileGiving/Key-Findings.aspx>), which shows 1 in 5 American adults have made a charitable contribution through a website and nearly 1 in 10 have done the same via mobile phone text. Global accounting giant PricewaterhouseCoopers LLP projected digital systems will become the preferred method

for banking by adults by 2015, according to a Bloomberg news report (<http://www.bloomberg.com/news/2012-01-16/digital-banking-will-be-favored-option-by-2015-pwc-study-says.html>). That's based on a PwC-led study of more than 3,000 banking customers worldwide.

This shift to embrace electronic financial tools isn't new and it isn't going away.

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Please do not send cash to the Conference office. And please do not send the offering envelopes from your special offerings. You need to open them, record the donations and send one check. Thanks!

Internal Controls *continued*

CONTROL POINTS	Compliance?
Finance Committee is organized and has designated a Treasurer and Financial Secretary.	
The Finance Committee Chairperson, Treasurer and Financial Secretary are not the same person, nor from the same family or household.	
The church has a budget approved by the Church Council/Administrative Board.	
Treasurer's financial report is submitted at least quarterly. Results are compared to the budget and inquiries made of variances at Finance Committee meetings.	
All checking and savings accounts are under control of the Treasurer. Investment accounts are accounted for and activity reported monthly to the Finance Committee.	
At least two unrelated people count the weekly church offerings for deposit, and prepare the deposit slip. The deposit slip and deposit are placed in a bank deposit bag and locked.	
Deposit slip stamped by the bank is given to the Treasurer for recording and comparison to the bank statement.	
At least two persons, neither of whom should be the pastor, should be listed as authorized signatures on all accounts. Annually the Administrative Board/Church Council approves the signatories on all church bank accounts.	
Bank account reconciliations are performed monthly and reviewed by the Finance Committee Chairperson or designee at least quarterly. This review includes examination of copies of cancelled checks to ensure proper church purpose.	
Quarterly, the Finance Chair asks the Treasurer at a committee meeting for documentation of timely payment of state and federal payroll taxes.	
Annual audit/review is completed by a qualified person and reported to the Church Conference.	
All financial records are retained in accordance with an appropriate Record Retention policy.	
Original invoices/receipts are required for all payments from all accounts.	
Computer records are backed up weekly and stored off-site.	
Computer programs are password protected for security. Passwords are known by two people.	

Giving Patterns *continued*

The takeaways for churches are many. A year ago, Brian Kluth explained the seven reasons churches should offer e-giving options now (http://blog.managingyourchurch.com/2010/12/7_reasons_churches_should_offe_1.html). At least two church leader discussion boards recently carried threads about e-giving as a percentage of total giving, with many indicating the electronic options

represent anywhere from 10 percent to as high as 30 percent of their weekly collections.

As 2012 unfolds, what's the split between e-giving and more traditional methods, such as checks and cash, at your church? How is that split changing your church's thinking, if at all, about how tithes and offerings are collected?

Treasurer Tips is a quarterly newsletter for church treasurers, financial secretaries, bookkeepers and anyone else who may be interested.

It is included with each church's monthly remittance form in March, June, September and December. Others may subscribe to receive an electronic copy by contacting canderson@nmconfum.com

Previous issues are available on the New Mexico Annual Conference website, www.nmconfum.com

If you have questions or suggestions, please feel free to contact Cathy Anderson at the above email address or at 505.255.8786.