



## Dakotas-Minnesota Area

The United Methodist Church

### **Internal Financial Controls for handling donations using best practices**

- *The pastor does not handle the money.* Set up the finances so the pastor does not directly handle the offering collection, withdraw funds, or write checks. This practice protects the pastor from any possible suspicion of mishandling the funds. During the initial fundraising stage, hire an external bookkeeper or utilize a partner church.
- Operate from a budget approved by the leadership team; never create a budget alone. With an outside team, there is no room for accusations about mishandling the finances.
- Utilize two signers on bank accounts.
- Have two people count the offering. Whenever an offering is collected, at least two unrelated (familial or business) people should be counting and signing off on the offering. All cash should be counted and recorded and the record sent to the bookkeeper. This approach is critical to ensure that all of the offering reaches the bank.
- Enlist at least three people for the counting team to ensure that the same two people are not counting the offering every week. Such a rotation creates another layer of accountability and diminishes opportunity for mishandling of funds.
- Compare bank deposits to the cash receipts records. Each bank deposit should be compared to the cash receipt records for the collection. This step ensures that all of the monies collected were deposited in the bank. Best when the one counting is not the one depositing funds.
- Adopt a reimbursement policy in accordance with IRS regulations.
- Record all financial transactions in accounting software. I recommend QuickBooks Online.
- Track and acknowledge donations through the church database. I recommend Church Community Builder.
- Conduct an annual financial review. An annual financial review is one of the best deterrents to financial wrongdoing.
  - ✓ Confirm that all best practices are being observed.
  - ✓ Test the bank reconciliation to confirm that checks that clear the bank have the same name on them as reflected in QuickBooks.
  - ✓ Review some or all of the checks payable to the bookkeeper.
  - ✓ Review the receipts for expenses paid to staff members.

- ✓ Review 12 to 18 deposits(at least one from each month).
- ✓ Review three to six bank reconciliations.

Taken from a Doug Foltz article, 10 Steps for a Successful Church Planting Budget: Utilize Best Practices, at <http://plantingchurches.org/2013/08/10-steps-for-a-successful-churchplanting>.