



Basic Internal Controls Checklist

Purpose: *To help us protect our church's money and build trust. Good controls safeguard God's resources and help prevent mistakes or misuse, even with a small team! This guide provides actionable steps for a "Smart Church."*

Instructions: Internal controls are simple, smart steps your church can take to safeguard its money and assets, and to make sure financial records are accurate. Use this checklist to understand key controls you can implement or strengthen, and how to put them into practice.

Principle 1: "Two Pairs of Eyes" for Money In & Out (Separation of Duties)

- **What it means:** No single person should have complete control over a financial transaction from start to finish. Look for ways to divide responsibilities. This helps prevent errors and reduces opportunities for misuse of funds. True accountability and confidentiality can be achieved by balancing them, not sacrificing one for the other.
- **Action Steps for Your Church:**
 - **Offerings & Deposits (Money In):**
 - **Action:** Always have at least **two unrelated people** (not from the same family) involved in collecting money (from the mail or offering plates) and counting the money. They should work together in a secure, private area.
 - **Action: Document the count:** Both counters should sign off on a written count sheet that details cash, checks, and digital giving totals.
 - **Action:** Immediately **stamp all checks with a restrictive endorsement** (e.g., "For Deposit Only - Church Name").
 - **Action:** Deposit offerings **intact** (meaning don't use cash from offerings for expenses or exchange it for other cash/checks).
 - **Action:** Deposit money **promptly** after counting, ideally the same day. If offerings are stored at the church even for a short time, keep them in a **locked safe with limited access**. Ideally, two people are required to open the safe.
 - **Action:** Have at least **two non-related people** take deposits to the bank, ensuring the amount deposited matches the count total.
 - **Payments & Checks (Money Out):**

- **Action:** Require **two signatures** by authorized signers on all checks. This is a best practice. If two signers aren't always possible (e.g., for very small checks), a different person *must* approve the purchase/invoice *before* the check is processed by the single signer.
- **Action:** The person *approving* an invoice for payment should be **different** from the person *processing* the check and the person *with access to check stock*.
- **Action:** For **ACH/Wires**, implement **dual controls**: one person initiates the transfer, and a *different* person approves it.

Principle 2: Get Approval for Every Dollar (Authorization & Documentation)

- **What it means:** All expenses and payments should be properly approved *before* money goes out. This ensures spending aligns with the approved budget and ministry purposes, and that dollars are used wisely.
- **Action Steps for Your Church:**
 - **Invoice Approval Process:** Implement an approval process where invoices are approved by someone **other than the person submitting the request**. The approver ensures the invoice is legitimate, an approved expense, and correctly categorized.
 - **Budget Alignment:** Ensure all planned spending is reviewed against the approved budget before it happens. Special purchases outside the budget should also have a record of approval.
 - **Receipts for Everything:** Require **receipts or invoices** for all payments, expense reimbursements, and credit card transactions. If a receipt is missing, require a "missing receipt form" completed with the business purpose.
 - **Accountable Reimbursement Plan:** Have a written plan requiring employees to report and substantiate expenses (with receipts/documentation) within a reasonable timeframe (e.g., 60 days).
 - **Payroll Approval:** Timesheets must be approved by a supervisor and salary/compensation changes approved by appropriate management, with clear documentation.

Principle 3: Double-Check the Bank Account (Reconciliation & Review)

- **What it means:** Regularly comparing your bank's records with your church's financial records helps catch errors, track spending, and confirm all transactions are legitimate.
- **Action Steps for Your Church:**
 - **Monthly Bank Reconciliation:** The bank statement must be **reconciled to the General Ledger (your financial records) monthly** in a timely manner.

- **Independent Review:** A **second person** (who doesn't handle cash or write checks) should **review the completed bank reconciliation** each month to confirm its accuracy.
- **Regular Review of Financial Reports:** Your elders, board, and/or financial advisory team should receive and review monthly financial statements (including all funds) to ensure no areas of concern with spending.

Principle 4: Maintain Clear Policies & Consistent Documentation

- **What it means:** Having written policies and organized records creates clarity, ensures consistency, and provides a clear audit trail.
- **Action Steps for Your Church:**
 - **Key Written Policies:** Ensure you have essential policies in writing, including:
 - Financial Management Policy and Procedures
 - Cash Handling Policies
 - Count Team Policies
 - Credit Card Use Policy
 - Conflict of Interest Policy (signed by board members annually)
 - **Organized Financial Files:** Maintain clear, organized files for all financial records: bank statements, invoices, receipts, payroll records, and financial reports.
 - **Vendor Documentation:** Have a policy to collect signed W9s from vendors before you pay them.

Key Takeaway for Our Church:

Implementing even these basic controls significantly reduces risk, increases financial integrity, and builds confidence among our leadership, congregation, and community. It's a key part of being a "Smart Church" that honors God with its resources. Your trusted team and congregation deserve this protection and transparency!