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Internal Control Risks and Responses for Churches



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Created Public Accountants

Overview

- Purpose and objectives of internal controls
- Control problems in the church
- Internal control systems
- Internal control practices

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Purpose and Objectives

- Protect employees
- Protect the assets and reputation of the church
- Provide reliable financial information
- Detect dishonest acts
- Detect honest errors

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Control Problems in the Church

- Separation of duties
 - Authorization of transactions
 - Recording of transactions
 - Custody of assets
- Organizational structure
 - Job descriptions
 - Volunteers need supervision and structure

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Control Problems in the Church, cont.

- Qualified Personnel
 - Pity hiring/retention
 - Churches are a different kind of accounting
 - Pay structure
 - Training
- Accounting procedures manual
- Limited time and staff
- Lack of monitoring
- Trust

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Internal Controls Systems

- Be reasonable
- Review each significant area
 - Cash receipts (contributions and others)
 - Cash disbursements
 - Payroll
- Consider the separation of duties for each area

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Control Practices



General

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Control Practices

Board Governance



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Cash Receipts

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Cash Disbursements



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Payroll

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Reconciliations



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Resources

Essential Guide to Church Finance
published by Christianity Today 2009
Church and Nonprofit Tax and Financial
Guide published by Zondervan 2010

www.ecfa.org

www.nacba.net

www.christianitytoday.com/yc

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Thank You for Attending Today!!!

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