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Internal Control Risks and Responses for Churches



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Overview

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

Purpose and Objectives

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

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

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

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

Control Practices



General

Control Practices

Board Governance



Control Practices



Cash Receipts

Control Practices

Cash Disbursements



Control Practices



Payroll

Control Practices

Reconciliations



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

Thank You for Attending Today!!!

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