

Common Church Finance Department Mistakes and How to Remedy Them

The start of a new year is a time for making resolutions, or at least for taking a fresh look at different parts of our lives and our ministries. This month, we will look at some of the common mistakes made in church finance departments and how these mistakes can be remedied. We will then look at the remedies in more detail throughout the coming months.

Romans 12:4 notes that the body is made up of many parts, and they all have different functions. We use this analogy in many contexts, and it is appropriate when considering the workings of a church. Your church needs ministries such as preaching, discipleship, and worship, but you also need support ministries. These can include IT, accounting, facilities, and office operations.

Finance departments are some of the most significant of these support ministries, as well as being some of the most misunderstood and overlooked. Yet church leaders rely on the information their finance departments provide, and if that information is inaccurate, significant — or even catastrophic — results can occur. In the work we perform for ministries, we've seen personnel layoffs, ministry reductions or discontinuations, and lack of debt compliance as results of improper financial management. Even if a church finds itself in a difficult economic position, options are available through access to accurate and timely information. The longer the problem continues without proper attention, the worse the consequences will be.

Consider whether your church has allowed any of these mistakes to continue in your operations:

- Lack of proper internal controls
- Lack of competent staffing
- Lack of training
- Lack of adequate financial reporting
- Lack of documented processes and procedures
- Lack of succession planning
- Lack of current information on regulations, trends, and pronouncements

If you've lapsed in one or more of these areas, it's important to recognize why such a lapse needs to be remedied for the good of your ministry. Here's why each mistake can't be ignored:

Proper Internal Controls

One of the most common mistakes we see affecting ministries of all sizes is a lack of internal controls. This not only leaves the church vulnerable to financial losses, it also leaves individual staff and volunteers vulnerable to allegations that they may not be able to defend. To provide basic protection for the church's financial assets, it's critical to have segregation of duties over cash receipts. It's also vital for disbursements to involve at least two people in the custody of the asset, record keeping, and authority of transactions.

Competent Staffing

It is not uncommon to "settle" for someone when filling a paid or volunteer position, but the resulting lack of competence can be frustrating for both the individual and the ministry and can certainly diminish the capacity of the role.

Management of the church's finances provides the foundation on which the rest of ministry happens. Allowing someone to serve in a role for which he or she is not qualified is not helpful, even if you are doing it to help an individual in need of a job or a relative of another employee. Having the right people in the right positions is crucial.

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Adequate Training

Try to name something a person can be successful at without training. Whether it is a hobby or a career, everyone needs to have the proper training in order to do his or her best. Training, however, is often overlooked or cut from budgets as a “perk.” That mindset needs to change, because a well-trained, proactive finance team will make better decisions, provide better information, and become a crucial element in the ministry’s success.

Financial Reporting

There are two aspects of financial reporting: preparation of the reports and understanding the information reported. Financial managers need to help with both. You should consider the information and format of the report to be certain it is accurate, timely, and succinct. You should also help the individuals who use the information to understand what the report means and how to apply the information. Just as the finance department needs training, church leadership and the board will need training, as well. The finance department can provide this training or help find others who can.

Documented Processes and Procedures

A procedures manual is not something that should be created once and checked off a list forever. Every church needs to have a procedures manual in place and review and update it at least annually. People, processes, and software change, and information can quickly become outdated when that happens. Churches should also have a record retention and document destruction policy in place. This will notify individuals of the requirements necessary to maintain and destroy financial information.

Succession Planning

More ministries are becoming aware of the need for succession planning for the senior pastor. If your church has not done this, or you feel you have several years before your leader retires, please consider the importance of taking this step now. Things can change unexpectedly, and a well-considered and thorough plan takes time. Considering succession planning for other roles within the church — both paid and volunteer positions — is also important. You should always be considering the next person in line for any key position.

Staying Updated

It’s a true saying that “The one thing you can count on in life is change.” If you are reading this, you likely have some responsibility for or interest in the finances of your church. It’s an environment that is constantly changing. It is critical that someone in your ministry be tasked with understanding the implications of changes in state legislation, accounting standards, and the regulatory environment (such as tax laws and employment regulations).

This list of items is not comprehensive, but it certainly provides key areas to consider as we start a new year. Your church is most likely better at some of these items than others. In future columns, we will provide additional information and resources to help develop those areas that may not be as strong. This isn’t a life-altering resolution, but it is a process of continuous improvement as we seek to serve the Lord better every day.

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