**Greater NJ Annual Conference**

**Local Church Financial Policy & Procedure (P&P) - EXAMPLE**

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**FINANCE COMMITTEE RESPONSIBILITIES**:

The authority and guidance for the local church committee on finance is provided in *The Book of Discipline of the United Methodist Church 2016* , hereafter referenced as *BOD.* The relevant pages begin at Paragraph 258, item 4, page 201 and continues to end of Par. 258, at the top of page 204.

**Suggested Local Church Finance Minimum Standards** – the following guidelines should be in place for all local churches as a measure of protection for those with financial responsibilities for the church. These minimum standards should be increased for churches with higher volumes of transactions but should not be compromised for lower volumes of transactions. All local churches are expected to meet these standards.

* Treasurer and Financial Secretary should not be the same person and should not be in the same immediate family residing in the same household.
* Counting team (at least two unrelated persons) should count offerings and document totals – not treasurer and not financial secretary.
* Offerings should be deposited the same or next business day.
* Offering count details should be given to financial secretary for recording.
* Offering totals should be given to the treasurer or financial secretary to record deposit.
* The Financial Secretary’s deposit log should be compared to the bank statement to verify deposits (by bank reconciliation reviewer).
* At least two persons should be listed as authorized signatures on all accounts. This should also be the case for setting up electronic payments (or EFTs). For EFTs, one of those individuals should be a Trustee or a member of the Finance Committee (other than the Secretary or Treasurer).
* The Treasurer is authorized to make electronic payments of bills. The Treasurer shall maintain support for every electronic payment just as with the support for paper checks.
* Financial policy and authority guidelines should be written and approved by the Finance Committee.
* Invoices should be required for all payments from all accounts.
* Someone other than the treasurer (with authority by Finance Committee) should approve invoices for payment.
* Typically, the Treasurer should make payments only after the invoice is approved. A policy may be implemented where routine, budgeted expenses (i.e.,rent/mortgage, electric bill, etc.) may be paid without recurring approval; non-routine expenses must be approved prior to payment.
* All accounts should be reconciled monthly.
* Someone other than the treasurer should review bank reconciliations at least bi-annually – including bank statement, invoices, checks written, EFTS and financial reports.
* The Treasurer should make detailed reports of budget and designated fund activities to the Finance Committee at least quarterly.
* There must be an annual evaluation of financial records in at least as much detail as the Local Church Audit Guide (completed by May 1 for the preceding year) – including ALL accounts of the church (except UMW may be under separate evaluation or audit). ALL accounts includes but is not limited to the general fund, building funds, designated accounts, cemetery funds, kitchen funds, discretionary funds, etc.
* A full annual audit of all accounts should be done at least every three years for churches with annual operating budgets more than $500,000 per year
* A full annual audit of all accounts should be done every year for churches with annual operating budgets of more than $1,000,000 per year. Reference the audit guide for more instruction. <https://www.gcfa.org/media/2147/local-church-audit-guide-2020.pdf>
* W-2s must be issued for employees and 1099s issued for nonemployee compensation by January 31st for the preceding year.
* Payroll tax forms and deposits should be prepared /remitted as required by law.
* Housing allowances and exclusions are approved annually at charge conference and must be kept on file for the following year’s pastor compensation records.
* A list of church property must be maintained for insurance purposes – including item description, serial number, and value
* Prepare lists of safety deposit box contents and update authority as needed. Access should be granted to two unrelated people.
* Computer records should be backed up to an offsite storage and password protected for security. Multi-factor authentication is strongly encouraged for access to all network and financial records and banking websites.
* As a basic rule, the local church should have FOUR separate persons involved in regular financial procedures – financial secretary, treasurer, a person to review and approve invoices and a person to review and approve the bank reconciliation.

The following is provided a resource for new church financial secretaries and treasurers. This *Church Financial Records Handbook* can be purchased on Amazon or Cokebury and is inexpensive. <https://www.cokesbury.com/9781501835711-The-United-Methodist-Church-Financial-Records-Handbook-2017-2020?cid=382102048&aid=1212761697564501&keyword=4579397214532942%3A%3A&kid=4579397214532942&msclkid=d06c418fb7b5183d704620e9675cbc86&utm_source=bing&utm_medium=cpc&utm_campaign=Shopping+-+Books&utm_term=4579397214532942&utm_content=Ad+group+%231>

**RECORD RETENTION**

The full guidelines can be found via this link. The general rule is that most accounting and financial documents should be kept 7 years. Permanent records such as deeds, court orders, purchase/sale/lease agreements, material of historical value and insurance policies should be maintained indefinitely and safely secured with digitized copies stored in an off-site location with dual access by the pastor and board of trustees, at a minimum.

<https://www.gcfa.org/media/2242/record-retention-policy.pdf>

Resources:

The Local Church Audit Guide, developed by the General Council on Finance and Administration and suggested Record Retention guidelines can be obtained from the GCFA website, [www.gcfa.org](http://www.gcfa.org)

**INTERNAL CONTROLS CHECKLIST**

Following is a Pastor’s checklist to help ensure adequate internal controls are in place over church finances.

|  |  |
| --- | --- |
| CONTROL POINTS | COMPLIANCE? (Y/N) |
| 1. Finance Committee is organized according to the 2016 *Book of Discipline*, including the designation of a Treasurer and Financial Secretary. |  |
| 1. The Finance Committee Chairperson, Treasurer and Financial Secretary are no the same person, nor from the same family or household. |  |
| 1. The church has a budget approved by the church Council. |  |
| 1. All checking and savings accounts are under the control of the Treasurer. Investment accounts are accounted for and activity reported monthly or no less than quarterly to the Finance Committee. |  |
| 1. Treasurer’s financial report is submitted at least quarterly. Results are compared to the budget and inquiries made of variances at Finance Committee meetings. |  |
| 1. For plate offerings - at least two unrelated people count the weekly church offerings for deposit, and prepare the deposit slip. The deposit slip and deposit are placed in a bank deposit bag and locked. |  |
| 1. Bank deposit slips stamped by the bank is given to the Treasurer for recording and comparing to the bank statement.. |  |
| 1. The Finance Committee approves the signatories on all church bank accounts on an annual basis. Pastor should NOT be a signatory on any church account. |  |
| 1. Online giving deposits are reconciled by giver on a monthly basis and summary of deposits are traced to bank statement and included in bank reconciliation. |  |
| 1. Bank account reconciliations are performed monthly and revied by the Finance Committee Chairperson or designee at least quarterly. This review includes examination of copies of cancelled checks and support for EFT debits back to signed check order and invoice to ensure proper church purpose. |  |
| 1. Quarterly, the Finance Chair askes the Treasurer at a committee meeting for documentation of timely payment of state and federal payroll taxes and filing of returns. |  |
| 1. Annual audit is completed per GCFA audit guidelines based on church size. (Link: <https://www.gcfa.org/media/2147/local-church-audit-guide-2020.pdf> |  |
| 1. All financial records are retained in accordance with appropriate record retention guidelines. **Records should be securely maintained at the church with duplicates of critical records kept in off-site storage. Digitized records should be backed up to secure location. Pastor should have access to church records.** |  |

Checked and certified by Pastor: Signed \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Checked and certified by Finance Chair \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SAMPLE INTERNAL CONTROL POLICY AND PROCEDURE FOR LOCAL CHURCH**

Applicability:

All funds administered by \_\_\_\_\_\_\_\_\_United Methodist Church and church issued credit cards.

Purpose:

To establish procedures to safeguard Church assets and to ensure compliance with applicable regulatory guidelines and statutes.

Procedures:

1. Finance Committee Oversight
   1. Finance Committee (FC) or its equivalent oversees the work of the Lay Treasurer. The Lay Treasurer is accountable to the FC.
   2. Finance Committee will meet at least quarterly to review specific financial information.
2. Management of Banking and Investment Accounts
   1. Two (2) signatures shall be required on all checks and authorizations for wire transfers or withdrawals from checking and investment accounts.
   2. There should be no more than one operating account and one payroll checking account.
   3. There may be no more than four (4) authorized check signers.
3. Church Credit or Purchasing Cards
   1. While the issuance of “corporate” credit cards is discouraged, it is acknowledged that certain circumstances might necessitate their issuance. Instances include airline and lodging reservations, and rental car reservations. All other expenses should be paid from or reimbursed from the Church checking account, pursuant to an Accountable Reimbursement Plan.
   2. In no event should personal expenditures be made on a church credit card.
   3. No less than monthly, expenses on the credit card must be reconciled by providing an approved check order and receipt for each line item expense along with the stated business purpose. Expenses that cannot be validated must be reimbursed by the employee.
4. Cash Procedures
   1. No cash should be kept on premises overnight. Miscellaneous cash receipts should be deposited weekly.
   2. Deposits – Checks should be endorsed “For Deposit Only” immediately upon receipt.
   3. A receipts log should be used weekly before the deposit ticket is prepared. The receipts log can serve as additional supporting documentation when reviewing the monthly bank statement.
5. Review
   1. The FC will review bank statements/reconciliations and credit card statements as its scheduled meetings.
   2. The FC will review sample expense reimbursements and other invoices at its scheduled meetings.

**ACCOUNTABLE REIMBURSEMENT PLAN:**

For business and tax reasons, in most instances, it is in the best interests of the church and its staff to have in place an accountable reimbursement policy to pay for the business expenses that are necessary to do the ministry of the church. These policies are simply a method for claiming and reimbursing professional or business expenses rather than providing an expense allowance. It’s as simple as this: A church sets up a budget for the pastor’s or authorized layperson’s professional and business expenses, such as travel, continuing education, subscriptions, etc. When the employee incurs a professional or business expense, s/he submits a claim with backup substantiation. The church either pays the expense directly or reimburses the employee. Further information about this topic can be found via the following link. <https://www.gcfa.org/forms-and-resources/financial-forms/>

A sample policy is included here.

(SAMPLE)

SHORT FORM

ACCOUNTABLE REIMBURSEMENT POLICY

The following resolution is hereby adopted by the church council of \_\_\_\_\_\_\_\_ . It will be effective for the calendar year \_\_\_\_\_ and all future years unless specifically revoked or superseded.

The church pastor (or other employee(s)) will be reimbursed for ordinary and necessary business expenses incurred in the performance of his or her responsibilities when he/she substantiates the amount, business purpose, date, and place of the expense.

This substantiation must be provided to the chair of the pastor parish relations committee (or church treasurer) within sixty (60) days of incurring the expense. The individual must return to the church any amounts received in excess of the substantiated expenses within one hundred twenty (120) days of receipt.

The church will not report any properly substantiated reimbursement payments as income on any Form W-2.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chair, Church Council Committee on SPR/PPR Chairperson

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Treasurer

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Pastor/Staff Person Secretary

(The church may wish to designate certain items which it elects to have covered by this policy, such as travel, continuing education, attendance at annual conference, books, subscriptions, work supplies, vestments, etc. There may be a cap or dollar amount on the total reimbursable business expenses that will be paid, for example: "The reimbursement amount shall be no more than \_\_\_\_\_\_\_\_\_.” The church may also want to require pre-approvals by the treasurer or SPR/PPR chair of business expenses in excess of $ 500 (or any other amount deemed appropriate). These additional requirements should be included in the policy.)

This is a sample of an accountable reimbursement policy. The specifics of each policy should be reviewed by each church and minister considering their specific concerns. If legal or tax advice is required, the services of a competent professional advisor should be sought.

**Examples of Reimbursable Expenses:**

Reasonable travel and related expenses for attending meetings. Travel expenses include:

* Cost of getting to/from business destination
* Telephone charges
* Meals and lodging while away from home
* Taxi fares
* Baggage charges
* Cleaning and laundry expenses

Lunch meetings with members of the District Finance Committee to discuss district office business

Church-related continuing education

Annual credit card fee up to $100/year for personal credit cards used solely for business

Christmas meals with department staff

Quarterly staff lunches as part of departmental meetings/staff development meetings

A computer required for church work (if one is not available at the office)

Online access fees for working remote from the office

Church-related books and periodicals

Spouse’s travel expenses where the spouse accompanies the pastor but only if the spouse was required by the Conference to be present for a business purpose.

Business meals which include spouse

Professional Association Dues

**EXAMPLES OF NON-REIMBURSABLE EXPENSES**

Professional license fees

Mileage to church from home for daily work

Meals with co-workers only (when not traveling)

Trips to visit a sick relative

Tickets to attend plays of a religious nature or other types of entertainment

Gifts

Expenditures to research a book

Payments to an individual

Continuing education primarily for personal improvement (non-church related)

A computer used at home and equipment related to such computers

Alcoholic beverages

Medical expenses

Life or disability premiums

Casualty losses

Medical insurance premiums

Charitable contributions

Expenditures related to a private business or generating income from a non-church source

Housing related expenses (utilities, furniture, upkeep)

Subscriptions for personal use

Political contributions

These items listed, in most cases, are improper and this list is not exhaustive as there may be other items that are improper. There may be some circumstances where these items may be proper. Exceptions must be approved by CF&A.

Reimbursement for items on this list, or items which are not included on the “reimbursable” list must be included as income on the recipient’s W-2.