



# MINISTRY PROTECTION MEMO "YOUR CHURCH'S MONEY"

Ministry Protection Tips for PACT Leaders

Volume 1

Prepared by the PACT Service Center, Sponsored by the General Council on Finance and Administration

## Safeguarding Church Funds

Proper handling of funds donated to local churches is a critical responsibility, since these funds are vulnerable to the risks of theft or misappropriation. Collection of most local church funds via the Sunday offering presents unique problems for ensuring their proper and secure handling. These funds, frequently dealt with by volunteers, contain checks, currency and loose coin. They are collected outside of banking hours and generally are counted and secured during or following a Sunday morning or holiday service.



The existence of large amounts of cash may tempt persons facing financial difficulties, to "borrow" some of this money. Embezzlement or theft of local church funds can create a crisis of confidence in the ability of the local church to ensure that funds donated to and through it are used for the purposes intended.

Most of the "rules" for avoiding mishandling of local church funds are based on common sense.

1. Two unrelated people should always handle the collected offering. Their relationship should be devoid of any potential conflicts of interest or incentives for collusion (as could exist with husband-wife, employer-employee, business partners, members of the same family, etc).
2. Staff and volunteers who handle church funds should be bonded. Churches can purchase a blanket fidelity bond, similar to the one GCFA maintains for annual conference treasurers and certain other conference officers. Such bonds are standard in the PACT Program.
3. Receipt and disbursement functions should be handled separately and assigned to different individuals.

4. Church funds should not be taken to anyone's private home. Checks should be stamped "For Deposit Only" before they leave the church. Funds should be counted, verified and placed in secured bags for bank deposit or placed in the church safe for deposit as soon as possible. An alternative to counting offerings immediately following a service may be considered. Arrange for your bank to hold the funds via its night depository. Counting can then occur on Monday morning at the church or, in some circumstances, at the bank.
5. Financial reports should be audited on an annual basis and detailed monthly reports should be kept and reviewed. At least three unrelated individuals should be responsible for the separate functions of check writing, monthly bank statement reconciliation and the yearly audit.



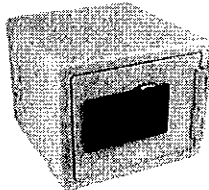
A large number of dishonesty cases involve the misuse of checks or long-term deposits. The annual audit should include a review of every check issued during the year, a comparison of each check to the check stub, bookkeeping entry and, if possible, the bill being paid. Bank statements should be audited with a comparison of both the checks written and the deposit slips, to be certain they balance. Long-term deposit accounts should be audited to note withdrawals and deposits and to ascertain the reasons for such activity.

These five rules can be utilized for developing detailed instructions to those persons assigned the responsibility of collecting, counting, and depositing the local church offering and for disbursing local church funds.

## Comparison of Procedures

Churches may wish to compare their procedures for handling church collections with the following:

1. Immediately after the collection has been completed, two unrelated persons should take the offering to the church office. There, the unopened offering envelopes and different monies should be placed in a money bag by the church secretary and treasurer and carried by them to be locked in the church safe. Churches without a substantial safe could place the money bag inside the pulpit or lectern stand rather than in the office, where it is accessible to thieves during the worship service.
2. Counting should take place in the church office, never at home.
  - a. Two unrelated persons should always be present.
  - b. Remove any notes or letters intended for the pastor.
  - c. One person counts while the other observes, and then the observer recounts while the original counter observes.
  - d. The offering totals should be recorded in ink on a cashbook sheet to be initialed and dated by both counters.
  - e. Sort the envelopes numerically and break by hundreds (or fifties in smaller churches). Each envelope should be opened separately, the amount counted and written on it. Loose checks should be put in an envelope, which indicates the contributor's name and amount given. Each group of envelopes should be proved by the double-count method and by footing in the cashbook. After this, the proved section may be merged with the loose plate cash.
  - f. Deposit slips should be made out in duplicate following the bank's instructions.



Both individuals should make the deposit. Both should reconcile the cash and checks to the deposit slip and initial the copy of the deposit slip and the duplicate tape of checks.

3. The Monday following the church services, the financial secretary should complete the records of contributions and reconcile them with the entries in the cashbook.
4. Mail containing cash or checks, should be counted by the financial secretary and an assistant. The totals should be entered in ink in the cashbook, checked and initialed by both parties.
5. A pre-numbered duplicate receipt book should be kept in the church office to be used for monies turned in or delivered there by individuals. A receipt should be completed for each transaction and the original given to the person delivering the money. The duplicate should remain in the receipt book and be available for audit.

Those persons involved in the local church collection and accounting process must be instructed on the importance of keeping any financial information confidential. The counting committee should be made aware of their sensitive role in maintaining confidentiality with regard to the giving levels of various members.

In smaller churches, the treasurer is generally responsible for preparing and signing checks. In these cases, the monthly financial report should include each check, its amount, and to whom and for what purpose it was written. Each church will want to review its process regarding how many persons must sign checks on behalf of the church.

In larger churches, a financial secretary will prepare the checks and a treasurer will sign them, or both will be required to sign checks prior to issuance. Blank checks should **never** be pre-signed. A process for approval of bill payments should also be established, generally involving designation of an authorized person to review and approve payment of bills for church expenses.



Careful and competent handling of church funds is critical in maintaining confidence among church members that their donations will be used as intended for the ministries of their congregation. The establishment of appropriate safeguards and procedures for handling church funds will assist persons responsible for those funds and also protect the work of the local church in general.



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