

# Community of Christ Internal Control Principles

## Introduction

Church leaders have a stewardship responsibility for the resources (assets) entrusted to their care. The purpose of a system of internal control is:

1. To protect the organization's assets from loss or theft
2. To provide accurate financial reporting to support good decision-making
3. To ensure compliance with applicable laws and regulations

Good internal controls should be intentionally designed and consist of a series of checks and balances that prevent any one individual from having total control of an activity within the organization. For example, one person should not deposit funds, record them in the books, write checks, and also reconcile the bank account. This is not a reflection on the organization's staff; it is an expression of good stewardship and protects the staff as well as the organization. Internal control procedures should always be in force; no one in the organization is exempt.

## Basic Concepts

- No single individual should have complete control over all aspects of a financial transaction. For example, the physical receipt of funds should be handled by someone other than the person recording the transaction.
- Bank reconciliations and other financial reports should be prepared by someone other than the individual responsible for the underlying transactions.
- Periodically, bank reconciliations and other important tasks should be performed by someone other than the individual normally responsible for the task.

## Guidelines

**Audit** – Audits are required on an annual basis following guidelines established by World Church.

**Bank Accounts** – Bank accounts should have at least three authorized signers, two of whom should not be related. The authorized signers should be named in the conference minutes. Bookkeepers should not have signature authority on bank accounts.

### Helpful Hint

While a robust system of internal control can be challenging with a small or geographically disbursed staff, the church is blessed with volunteers who are often willing to help play specific roles in the organization's processes. Consider using volunteers to count cash at retreats and events, or to receive and review bank statements.

**Bank Reconciliations** – Bank statements should be received unopened and reviewed by someone who does not handle the underlying transactions. All bank and investment accounts should be reconciled promptly and the reconciliations reviewed by the financial officer.

**Budgets** – The jurisdiction’s conference is responsible for approving the organization’s annual budget. This provides approval for the expenditures budgeted. An approved budget can only be amended with the jurisdiction’s approval. Emergency expenditures or a 20% increase of any individual line item, which do not cause total expenditures to exceed budget, may be made with written approval of jurisdictional officers and timely notice to appropriate stakeholders.

**Cash Receipts** –

- Two persons should jointly handle the receipting of cash and checks, including those received at events, camps, and retreats as well as in the mail.
- A list should be made of all amounts received and later compared to the deposit.
- Funds should be secured until deposited.
- Checks should be made out to the jurisdiction and deposited into the jurisdiction account, never an individual account.
- All funds received should be deposited intact – expenses should not be paid directly from cash funds received.
- Receipts should be provided for all funds received.

**Disbursements** – Checks, along with their supporting documentation, should be provided to authorized signers for review and signature, which constitutes approval. Blank checks should never be signed. Disbursements should generally be made by check or EFT, not in cash.

**Endowments** – Endowments are a complex legal and accounting area. Jurisdictions are strongly encouraged to seek guidance and templates from the World Church Office of General Counsel.

**Financial Reports** – Basic financial reports should include a balance sheet and income statement and should be provided at least semi-annually to jurisdictional leadership, jurisdictional conferences, and other interested stakeholders. Reports should include prior year information and a comparison of current year actual results to budget.

**Investments** – Surplus cash and all investments must be held in the World Church Affiliate Investment Pool.

**Oblation** – Oblation is a ministry and should be provided in accordance with the church’s current Oblation guidelines. Checks should be made out to service providers (utilities, landlords, etc.) directly and not to the individual who is receiving the aid. All necessary information should be collected and forms completed prior to disbursing aid.

**Payroll** – Payroll is a complex endeavor that requires high levels of confidentiality, record-keeping, and government filings. The use of a qualified payroll service is strongly encouraged, as is coordination with World Church’s Human Resource Ministries.

**Records Retention** – Records should be maintained in accordance with the church’s current records retention policy.