

Are Your Congregational Finances Protected?

Congregations are advised to review and revise their financial practices on a regular basis. Here are a few commonly asked questions and some responses for you to consider as you assess your congregation's situation:

Q: Surely financial irregularities aren't a problem in the church, are they?

A: Although we may like to believe differently, unfortunately experience tells us that the church, like any human institution, is not immune from fraudulent activities. For example, in our synod over the last several years, we know of at least four congregations that have been victims of internal theft (for a total that exceeded \$100,000). In all cases, proper financial procedures would have prevented these problems or detected them much earlier.

Q: Our congregation is small, and we know that everyone here is trustworthy. Why should we implement big-church procedures?

A: Any congregation, regardless of size, can be the victim of theft or fraud. Even small congregations must use simple, common-sense practices that reduce the possibility of financial malfeasance or misrepresentation. Many examples show that personal relationships can sometimes provide a false sense of security, which unscrupulous or troubled individuals sometimes exploit to their advantage. Larger congregations may be able to implement more elaborate safeguards, but the basics apply to all churches.

Q: What is the basic minimum level of financial control that is required in each congregation?

A: Congregations should be able to demonstrate that each of the following financial controls is in place:

1. At least two (unrelated) persons must be present when offerings and other cash receipts are counted/handled.
2. Offerings must be counted on church property.
3. Cash and other receipts must be taken directly to the bank (or placed in safe-keeping).
4. All cheques must be signed by two (unrelated) persons.
5. Cheques must not be signed in advance and left blank.
6. Prior to signing cheques, supporting invoices must be reviewed and initialed by cheque signatories.
7. Annual financial statements must be prepared in a timely fashion and reviewed by persons not involved in the day to day administration of congregational finances. This should include a review of cheques, monthly bank reconciliations, bank statements and signed counting records, as well as a comparison of actuals on a line by line basis to the previous year's actuals and the current year budget amounts.

Q: What is the recommended level of financial control desired in each congregation?

A: In addition to the minimum controls above, the following practices are advisable:

1. Counting teams (and team members) should be rotated periodically so the same people do not always count together. Neither the Treasurer nor the Financial Secretary should be a member of a counting team.
2. The Financial Secretary or Treasurer should periodically review forms and procedures to make sure that they meet current standards, and that persons involved in counting offerings are following those procedures.
3. If a deposit can not be made immediately, a safe should be available to store the deposit.

4. If cash is temporarily stored in a safe, the combination should be known by only 2 or 3 individuals whose position requires them to have access. If possible, the combination should be changed whenever new people assume the positions.
5. Cancelled cheques should be returned with bank statements.
6. Revenue, expenditures, bank statement and bank reconciliation should be reviewed by the congregational council on a monthly basis.
7. Congregational councils should consider a formal (professional) audit when size and resources allow.

Q: Does the Synod assist congregations in maintaining proper controls?

A: One potential area of discrepancy lies in benevolence offerings remitted to the Eastern Synod. To avoid misunderstandings and reduce the possibility of fraud in this area, the Synod sends a quarterly statement of remittances received to each congregation's pastor, treasurer and council chair. This creates an opportunity to compare benevolence expenditures recorded in the congregation's books with amounts actually received by the Synod. If the amounts don't match, discrepancies can quickly be resolved (there is usually an innocent explanation).

Q: What level of audit/review of financial statements is required?

A: Your congregational constitution likely requires that financial records be reviewed or audited at least annually. Options (from least preferable to most preferable) include:

1. A review conducted by two unrelated individuals knowledgeable in finances, from outside or within the congregation and who were not involved in the day to day financial operations of the congregation for the period being reviewed
2. A review conducted by someone with a financial designation (e.g. CMA)
3. A full audit conducted by a certified professional, i.e. someone with a CA designation

Where resources allow, congregations are strongly encouraged to consider a full audit performed by a certified professional as this will minimize risk to both the congregation and members of the congregational council. However, it should be noted that even a professional audit of financial statements is not designed to detect fraud. Review or audit of financial statements is not a substitute for good controls and procedures. Remember the old saying: "An ounce of prevention is worth a pound of cure."

Q: What should we do if we suspect that money is missing through wrong-doing on the part of church employees or volunteers?

A: Call Bishop Pryse at the Synod office. He can advise you whether to call your local police service to conduct a further investigation.

Q: Where can I find more information?

A: For general information about financial controls, refer to the Treasurer's Information Booklet, updated annually and available on-line at the ELCIC web-site at:
<http://elcic.ca/Treasurer-Resources/Booklet.cfm>.