

2020 Additional Information: Internal Controls

Minimum Financial Practices and Internal Controls for Local Churches

The following guidelines shall be in place for all local churches as a measure of protection for those with financial responsibilities in the church. These minimum standards should be increased for churches with higher volumes of transactions but must not be compromised for lower volumes of transactions. **All local churches shall meet these minimum standards and internal controls.**

1. Treasurer and Financial Secretary shall not be the same person and shall not be in the same immediate family residing in the same household.
2. Counting teams (of at least two unrelated persons) should count offerings and document totals. The treasurer and financial secretary shall not be members of the counting teams.
3. Offerings should be deposited the same or next business day.
4. Offering count details should be given to financial secretary for recording.
5. Offering totals should be given to the treasurer to record deposit.
6. The Financial Secretary's deposit records should be compared to the bank statement to verify deposits (by bank reconciliation reviewer).
7. At least two persons should be listed as authorized signatures on all accounts.
8. Financial policy and authority guidelines should be written and approved by the Finance Committee.
9. Invoices or some documentation shall be required for all payments from all accounts.
10. Someone other than the treasurer (with authority by Finance Committee) should approve invoices for payment.
11. The Treasurer should make payments only after the invoice is approved.
12. All accounts should be reconciled monthly.
13. Someone other than treasurer should reviews bank reconciliation at least bi-annually including bank statements, invoices, checks written, and financial reports.
14. The Treasurer should make detailed report of budget and designated fund activities to the Finance Committee at least quarterly.
15. There must be a full annual audit of ALL accounts should be done (at least in as much detail as the Local Church Audit Guide) every year for all churches. *2016 Book of Discipline 258.4(d)*
16. An I-9 (Employment Eligibility Verification) Form must be completed and kept on file for all employees. When completing the form, the most up to date federal form available at <https://www.uscis.gov/i-9> must be used.

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17. Applicable federal and state tax withholding forms must be obtained and retained for each employee. Examples of these are the IRS for W-4 and WV's Form WV/IT-104. These can be found at <https://www.irs.gov/forms-pubs/about-form-w-4> and <https://tax.wv.gov/Business/Withholding/Pages/WithholdingTaxForms.aspx>. Maryland's information can be found at https://www.marylandtaxes.gov/individual/income/forms/2020_Withholding_Forms.php
18. An IRS Form W-9 must be obtained and retained from all contractors. This form can be obtained from <https://www.irs.gov/forms-pubs/about-form-w-9>.
19. W-2s must be issued for employees and 1099s issued for nonemployee compensation by January 31 for preceding year (federal law requirement).
20. Payroll tax forms and deposits done as required for payroll amount (federal and state law requirement) - payroll reporting should be completed for the IRS, SSA, and state by appropriate due date for applicable filing method.
21. Housing allowance or exclusions that are approved annually at charge conference should be kept on file (federal law requirement).
22. Churches must obtain at least the minimum required insurance coverage as directed by the General Council on Finance and Administration. These standards can be found at <https://www.gcfa.org/services/legal-services/minimum-insurance-requirements/>.
23. Prepare a list of all church property for insurance purposes - include item description, serial number and value.
24. Prepare list of safety deposit box contents - update authority as needed - access should be allowed by two unrelated people.
25. Computer records should be backed up and password protected for security.
26. Number of persons required for regular financial procedures - **four** - financial secretary, treasurer, person to review and approve invoices, person to review bank reconciliation.

Questions on implementing these standards? Call or email the Conference Treasurer's Office at 304-344-8331 ext. 35 or email at jwolford@wvumc.org.