

INTERNAL CONTROLS DURING SOCIAL DISTANCING

BY DR NORMA QUINN, VICE PRESIDENT OF HORIZONS
STEWARDSHIP AND FORMER TREASURER OF THE OKLAHOMA
ANNUAL CONFERENCE



INTERNAL CONTROLS DURING SOCIAL DISTANCING

Proper internal controls are always at the forefront of maintaining and ensuring that funds given in good faith to the church are protected and used in the way in which the donor intended. Restrictions brought about by social distancing should not be used to reduce separation of duties and dual controls. This document will address challenges brought about by social distancing. It also offers an opportunity to review internal controls that should have already been in place.

- **Pastor:** Should not be involved in handling contributions in any way. It is recommended that the pastor review and sign bank reconciliations monthly.
- **Treasurer:** Responsible for processing all expense checks and making sure the expenses are recorded in the correct accounts.
- **Financial Secretary:** Records all contributions and allocates them to individual donor accounts.
- **Dual Control:** Dual control is the primary tool in ensuring adequate internal control.
 - **Whoever reconciles the checkbook cannot sign checks.**
 - **Whoever records the donor contributions cannot reconcile bank statements with the donor records.**
 - **Offering plates should be counted and recorded by two persons.**
 - **Mail addressed to the church, treasurer, financial secretary, and business office should be opened in the presence of two persons. Donations received by check should be processed with the dual controls as if it was placed in the offering plate.**

Following these practices is essential in providing a comfort level to the donors, and also provides for transparency in the financial operations of the church. All of these are essential and should be applied consistently.

In this season of social distancing, there is a deeper need to review these controls and to make adaptations as warranted.

Eliminating dual controls should not be an option.

“Eliminating dual controls should not be an option.”

Even before social distancing, an increasing number of checks, sent directly from banks to the church by donors using Bill Pay, were arriving in the church’s mail. Today, churches, like all businesses and individuals, are operating in an environment of reduced staff at the church, making the use of dual controls challenging.

HOW SHOULD A CHURCH RESPOND?

Let's consider a few situations.

Donations:

Review the different avenues of receiving contributions. Are the majority of contributions now coming in by check or electronic giving such as ACH donations, text-to-give, or giving apps?

From an internal control standpoint, the electronic giving, ACH donations, text-to-give, and giving app donations pose a lesser threat to proper internal controls. However, checks that are received by the church office pose a greater risk. As church offices are closed and staff are present as little as possible, a review of handling of church mail is warranted.

Suggestions:

1. **Move church mail delivery to a secure post office box.** This might be a good time to have mail sent to a post office box rather than having it sit in an unsecure mailbox or in the church office unprotected.
2. **Establish a plan for dual control over the church's mail.** Reviewing the mail for contributions should ideally be done under dual control similar to the handling of worship contributions. This is especially critical during social distancing when a much higher percentage of gifts will come through the mail. Opening the envelopes and depositing the checks in the bank is essential to maintaining financial stability. However, with limited staff, what are some ways that internal controls can be maintained?
 - **Livestream with another staff member.** Most smartphones have the ability to Facetime or use other video applications to allow a second person to be present virtually.
 - **Utilize a remote capture device for check deposits.** A remote capture device is a very convenient way to deposit checks whether operating in "normal" times or during social distancing. A remote capture device scans checks and immediately uploads the images to the bank and the church's accounting software. The checks are typically immediately deposited into the church's bank accounts. Again, consider utilizing some type of online presence with another staff member to observe the process.

"Consider utilizing an online presence with another staff member."

- **Utilize limited access online banking.** Virtually all banks offer online banking. Consider providing online access to appropriate staff members in order to conduct banking business offsite. *Most banks provide the ability to set levels of access to bank accounts based on the direction of the church.* It is conceivable that whoever is doing the remote capture deposit can only be given access to depositing funds. Likewise, whoever is paying bills, preparing payroll, etc., can be restricted to those functions. It is also possible to allow individuals to have inquiry rights without allowing them to create transactions in the accounts.
- **Processing of payments.** As the crisis continues, it is still necessary for churches to process payments for utilities, supplies, and payroll. When bills are received in the mail, one option is to scan the invoices and store them in the cloud. This will provide the ability for the treasurer to process payment of the invoices without having to be in the office.
- **Payroll.** Consider using a payroll service that uses a limited access online service. Another option is moving to required direct deposit to eliminate the need for payroll checks. If processing payroll for hourly employees, ensure the use of time sheets approved by a supervisor.
- **Signing checks.** Online bill payments are a convenient solution to avoid paper checks. Remember a dual control for authorizing and balancing online payments should mirror the church's practice of handling signed checks. If your bank will support it, two signers for written checks is always best. Signers cannot be the same person who is authorizing the expenditure.
- **Protecting the assets of the church.** The staff of a church is an extremely valuable asset, as are the volunteers. As you protect the financial assets and physical assets of the church, make sure that your human assets are protected as well.
- All persons who have access to the funds of the church should be bonded.

“Online bill payments are a convenient solution to avoid paper checks.”



Dr. Norma Quinn

After a number of years in public accounting, Dr. Quinn entered the ministry in answer to God's call to bring wholeness to people wherever she could. She has combined her business background with a heart for people to live out their Kingdom potential. She has served in large and medium-sized churches. Dr. Quinn successfully led congregations through financial campaigns, and multi-million-dollar capital campaigns that were only possible through the leading and empowerment of the Holy Spirit. She also served for several years as the Conference Treasurer for the Annual Oklahoma Conference.

Dr. Quinn began working with Horizons Stewardship in 2014. Since that time, she has led churches of all sizes in capital campaigns. From new construction campaigns, relocation campaigns, debt campaigns, and large capital needs campaigns, Dr. Quinn has employed her gifts to walk alongside church leaders and congregations to achieve their financial goals. Through these campaigns, Horizons emphasis on the spirituality of generosity is transformational, and Norma rejoices when churches not only raise the funds, but they begin a new journey of generosity.

Dr. Quinn holds a BBA in Accounting, a Master of Divinity, (MDiv), and a Doctor of Ministry, (DMin). In addition, she is a trained coach using her expertise to walk alongside pastors and churches as they discern God's vision. She and her husband Bryant have three grown children and three adorable grandsons. They reside in Granbury, Texas.

Horizons Stewardship helps church leaders make disciples and fund ministry through a collaborative framework that is tailored to the unique culture of the church, aligned with leadership's vision, and implemented through coaching, planning, technology, and analytics to ensure the church lives into its full ministry potential and impact. Learn more at <http://www.nextlevelgenerosity.com/> or schedule a [FREE 30-minute consultation](#) now. You can also create a [FREE Giving365 account](#) to access an on-demand library of resources designed just for you.

