

THE EPISCOPAL PARISH OF THE HOLY COMMUNION

INTERNAL CONTROLS

MANUAL

January 13, 2025

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## **CHAPTER I: INTRODUCTION**

### **Purpose**

The Internal Controls Manual defines the roles and responsibilities of those managing the finances of The Episcopal Parish of the Holy Communion (the Parish), so no one person shall bear the sole responsibility for financial management and so there will be checks and balances between the roles to ensure all transactions are approved and errors are avoided or corrected.

The Internal Controls Manual defines and clarifies processes for

- accounting, depositing, and recording of income from collection plates, mail-ins, visitor donation boxes, e-donations, and other sources
- expenses, both standard recurring and extraordinary expenses, including recording, authorizations, approvals, and signing
- reconciliation of accounts, including frequency
- reports and report schedules

### **Financial Accounting Methods**

The Parish will use software standardized by the Episcopal Diocese of Western North Carolina, currently REALM.

The accrual accounting method, required by Generally Accepted Accounting Principles, will be used by the Parish. In this method, invoices are recorded as accounts payable and recorded when paid. Funds and expenses are recorded as soon as transactions occur, regardless of when actual cash is exchanged. This method provides a more accurate picture of a church's financial position by including accounts payable and receivable. REALM provides for a 13<sup>th</sup> month to close out fiscal year transactions.

### **Parish Background**

We are a small rural parish. Our budget does not provide for paid personnel in finance. All roles are filled by volunteers with limited hours.

We have two churches that are a 50-minute roundtrip apart. The Parish office, where the finance office is located, is across the road from one of the churches. The office is a 1-hour roundtrip from the bank. The other church is very small and there is no office, the only room that locks (for counting) is the small sacristy.

Both churches have important artwork (Frescoes by Ben Long) that attracts 20,000+ visitors a year. Visitor donations are difficult to secure, especially as churches are open 24 hours a day, 365 days a year. Visitor donations require special contribution procedures.

## CHAPTER 2: ROLES AND RESPONSIBILITIES

### Description of Roles

There are four separate roles used to spread the workload among volunteers and create checks and balances (segregation of duties) for internal control:

- Bookkeeper enters transactions and generates checks.
- Contributions Manager handles pledges and giving.
- Treasurer provides oversight, approves accounting transactions, reconciles books and bank statements, produces reports, and communicates with the Finance Committee and Vestry.
- Vestry approves expenses and has signature authority. Only Vestry members handle cash and cash equivalents (signed checks). Vestry members are fiscally responsible for all finances of the Parish.

In addition, there is a Finance Committee that assists the Vestry with reviews and recommendations and an Office Manager who assists in negotiating leases and managing service providers.

Every individual role should have a primary and backup person. To ensure the backup person can take over in an emergency, the backup person should periodically execute the role.

Volunteers in these roles should be for a specific term and staggered so not all are changed at once.

All roles are appointed by the Vestry and approved annually.

### Responsibilities

#### A. Bookkeeper

The Bookkeeper

1. Enters transactions in software systems, including
  - a. Requests for reconciliation (journal entries), e.g. posting interest for checking account or transaction corrections
  - b. Credit card transactions
  - c. Non-giving income, e.g., refunds, dividends, or special grants
2. Reviews each invoice and credit card transaction to ensure the expense is part of the budget or that it has specific approval from the Vestry
3. Handles auto pays for utilities, equipment leases, etc.
4. Combines procurement requests with approvals, bills, invoices, and receipts
5. Creates Approval Packet
6. Has sole access to blank check stock
7. Generates checks from the software system

8. Attaches unsigned check to Approval Packet for vestry authorization and signature with an envelope addressed and stamped for mailing

#### The Bookkeeper

1. NEVER touches cash or cash equivalents (e.g., signed checks)
2. Has NO signature authority
3. Has NO credit card access

The Bookkeeper should be copied on Vestry Minutes, so they are aware of Vestry decisions, like approval of unbudgeted or large expenses.

### **B. Contributions Manager**

This position requires extreme confidentiality as it handles confidential pledges and donations.

#### The Contributions Manager

1. Records pledges made by members of the church
2. Records pledge amounts received from members
3. Records checks received in collection plates or by mail
4. Records mail-in donations
5. Records donations received from online sources, e.g., Vanco
6. Sends letters required by the IRS for donations over \$250
7. Sends quarterly reports and year-end contribution reports to members
8. Creates pledge reports without member names for Vestry, Treasurer, and Finance Committee
9. Ensures appropriate safeguards for receiving contributions
10. Manages counting and deposits for collection plates, discretionary funds, and visitor boxes with Vestry
11. Makes sure boxes of collection counting materials are supplied with instructions, forms, deposit slips, plastic security envelopes, etc.
12. Sets up funds authorized by the Vestry for special purposes, like Easter flowers, Christmas flowers, ordination, and retirement
13. Records special donations (pass-through donations) for Heifer Fund, Episcopal Relief and Development, etc.
14. Ensures pass-through donations are preapproved by the Vestry.
15. Makes sure the request for disbursement of pass-through donation is sent to the Bookkeeper for processing with a cover letter to the charity from the Parish
16. Records columbarium and cemetery sales (fees) and engraving
17. Records memorial gifts

#### The Contributions Manager

1. NEVER handles parish checks, signed or unsigned
2. Has NO credit card access
3. NEVER handles Authorization Packages but, like any member, can initiate a reimbursement request for expenses

The Contributions Manager should be copied on Vestry Minutes, so they are aware of Vestry decisions, like authorizing a new fund.

### **C. Treasurer**

This is the oversight role for financial management.

Monthly, the Treasurer

1. Reviews transactions entered by the Bookkeeper for accuracy and account codes
2. Reviews Approval Packets created by the Bookkeeper and approved/signed by the Vestry
3. Reviews credit card statements with the Bookkeeper
4. Reconciles books with bank statements and investment account statements
5. Balances and reconciles the Rector's discretionary account
6. Issues requests for transactions to the Bookkeeper for interest income, dividend income, or to correct bookkeeping errors (journal entries)
7. Issues request for transactions to the Contributions Manager to correct errors
8. Transfers discretionary funds collected to the discretionary bank account
9. Prepares financial reports from Church Software, including
  - a. Cash balances for operating fund, capital fund, and other designated funds
  - b. Revenues and expenses including operating fund, capital fund, and other designated funds
10. Sends financial reports to the Finance Committee for review
11. Sends financial reports to the Vestry at least 3 days prior to the monthly Vestry meeting
12. Attends Vestry meetings
13. Reviews and seeks approval of financial reports

Quarterly, the Treasurer

1. Meets with Finance Committee to review reports and budgets
2. Posts approved reports for the Parish on a bulletin board, online, etc.

Annually, the Treasurer

1. Prepares the Parochial Report for the Diocese and reviews it with the Finance Committee and Vestry; obtains Vestry approval; and transmits the report to the Diocese.
2. Prepares the first draft of the annual budget with the Finance Committee and prepares the final budget for Vestry approval.
3. Prepares a full financial statement with approval of the Vestry for the annual parish meeting.
4. Reviews accounts of ECW and other parish groups with the Finance Committee and Vestry.
5. Cooperates with the Parish Audit Committee in its work and fulfills recommendations of the Audit Committee.

With advice and assistance of the Finance Committee and Approval of the Vestry, the Treasurer

1. Oversees the execution of deeds, stock powers, investment activities, and transfers
2. Inventories all church-owned furnishings, altar guild items, acolyte items, art, etc., and keeps one copy of inventory off site.
3. Manages Parish liquidity
4. Ensures adequate insurance is maintained
5. Ensures that Parish deeds are handled according to both Canon and civil law

The Treasurer

1. NEVER enters accounting transactions
2. NEVER touches cash or cash equivalents (e.g., signed checks) from donors
3. Has NO signature authority
4. Has NO credit card

The Treasurer should be copied on Vestry Minutes, so they are aware of Vestry decisions.

#### **D. Vestry**

The Vestry

1. Reviews Approval Packets
2. Approves expenses to be incurred
3. Authorizes payments
4. Signs and mails checks, as long as
  - a. Transactions are correct and accompanied by receipts and invoices
  - b. Expenses are budgeted and within their budget line for the month on the Annual Budget
  - c. Un-budgeted or over-budgeted expenses have been preapproved by the Vestry and noted in the Vestry minutes

**Checks greater than \$2,500 require two signatures.**

5. Returns Approval Packet with approval signature and check signature to the Bookkeeper (see Process for Procurement/Reimbursement)
6. Discusses non-approval with the Treasurer and provides written notification to the Bookkeeper and requestor with reason for non-approval
7. Reviews monthly expenditures
8. Reviews and approves financial reports or records in minutes reason why reports are not approved
9. At least one vestry member assists and manages counting for collection plates, visitor boxes, and mail-in checks or extraordinary donations. The same Vestry member deposits the collection in the bank (see Counting Process)
10. Approves restricted gifts (gifts with restrictions on their use)
11. Approves the creation of special funds, like Easter flowers, retirement, etc.
12. Approves pass-through donations (donations to a specific fund or charity, e.g., Episcopal Relief and Development, Heifer Fund, etc.). A Vestry member is assigned to create requests for checks, draft the accompanying letter, etc.



13. Is assigned areas/programs to review and authorize. For example, the Junior Warden and another designated Vestry member would review and authorize all building-related expenses: utilities, janitorial, groundskeeping, repairs, and capital improvements (see Table of Vestry Authorization, which should be reviewed and approved annually)

### **Unassigned Duties --Remain as Vestry responsibility until assigned**

1. Manage all salary-related matters including interfacing with payroll vendor, e.g., ADP
2. Create transaction requests for the Bookkeeper for salary and compensation-related matters
3. Create IRS-related forms like 1099 for supply priests

## **E. Finance Committee**

Finance Committee meetings are chaired by the Treasurer and attended by the Senior Warden and Rector.

### The Finance Committee

1. Assists the Vestry but does not relieve the Vestry of any fiscal responsibility. The Vestry must still read, understand, and approve Financial Reports and actions.
2. Is made up of people who understand financial reports.
3. Is appointed by the Vestry annually and serves a designated term with a staggered rotation. The treasurer assists in recruiting members.
4. Is copied on Vestry Minutes, so they are aware of Vestry decisions.

With advice and assistance from the Treasurer and approval of the Vestry, the Financial Committee

1. Oversees the execution of deeds, stock powers, investment activities, and transfers
2. Inventories all church-owned furnishings, altar guild items, acolyte items, art, etc., and keeps one copy of inventory off site
3. Manages Parish liquidity
4. Ensures adequate insurance is maintained
5. Ensures that the Parish deeds are handled according to both Canaan and civil law
6. Develops and monitors a Records Retention Policy, including a computer backup system.

### Monthly, the Finance Committee

1. Reviews financial reports and makes recommendations
2. Reviews bids for expenses over \$1,000 and makes recommendations
3. Makes investment recommendations for review and approval of the Vestry
4. Meets regularly prior to monthly Vestry meetings
5. Provides minutes of meetings to the Vestry with all recommendations and reviews documented

### Quarterly, the Finance Committee

1. Meets to review financial statements, the budget, and other special high-expense requests, e.g., security systems

Annually, the Finance Committee

1. Creates an annual budget for review and approval of the Vestry
2. Recruits an audit committee for approval by the Vestry
3. Reviews the annual audit and communicates any recommendations of the audit committee to the Treasurer and the Vestry.

#### **F. Office Manager**

In addition to numerous other duties, the Office Manager performs the following finance-related duties:

1. Is accountable for maintaining office equipment leases
2. Creates procurement requests for approval for office supplies and leases
3. Assists the Vestry with vendor bids and contract renewals where appropriate

## **CHAPTER 3: INCOME PROCESSES**

### **Discretionary Fund Donations**

Loose cash collected on the first Sunday of every month will be recorded by the Contributions Manager for the Discretionary Fund. Checks can be memoed to the Discretionary Fund. Total donations to the Discretionary Fund (cash and checks) will be transferred to the discretionary bank account monthly.

### **Collection Plate Process**

A plastic box is provided at Holy Trinity and at St Mary's containing forms, deposit slips, security envelopes for deposits, ink stamp for "deposit only" on the back of the check, pens, markers, and all other materials needed to count. A photocopier is provided at each church to copy checks and deposit slips.

Two counters, not related, are required. One must be a member of the Vestry.

After the service, the counters will collect the plate and basket from the sacristy and take it to a locked room for counting (St. Mary's sacristy or Holy Trinity to Finance Office in Mission House). The collection money will always remain in the custody of two counters until the process is complete. No other person should interrupt the counters or have access to the collection money.

See Counting Procedures below.

A Vestry member must deposit the collection in the night deposit box at First Citizens Bank on the same day. Deposits must not be taken home and must remain in the physical custody of the depositor.

It is very important that the deposit and the recording forms be in separate custody. Only then can the counters physically separate.

**Counting Procedures  
For PLATE COUNT (1838 account)**

**REVISED 8/21/24**

1. Stamp checks “For deposit only”
2. Copy checks making sure the check number is visible
3. Mark out routing codes on check copies
4. Record CASH by denominations on the COLLECTION COUNT Sheet and TOTAL
5. Record CHECKS by last name and amount on DEPOSIT Slip
6. Total CASH and CHECKS for THE GRAND TOTAL on the COLLECTION COUNT Sheet
7. Have the second counter verify the COLLECTION COUNT Sheet recording and totals
8. Record CASH and CHECKS and TOTAL on the DEPOSIT slip
9. Have the second counter verify the deposit slip
10. COPY DEPOSIT Slip and attach to PLATE COLLECTION COUNT Sheet
11. Both counters sign COLLECTION COUNT Sheet
12. Place ORIGINAL DEPOSIT slip paper clipped to cash and checks in the security envelope
13. Seal and initial security envelope with date and “Parish of Holy Communion.” Initial along seal
14. Place PLATE COLLECTION COUNT Sheet with copies of CHECKS and a copy of the DEPOSIT Slip in an envelope marked “Contributions Manager“
15. One counter takes the deposit envelope to the bank night deposit at First Citizens.
16. One counter leaves the envelope in the Collection Box for (St Mary’s) or places it in mail slot in the Finance Office for (Holy Trinity)

**DO NOT TAKE DEPOSITS OR ENVELOPE HOME.**

**PLATE COLLECTION COUNT SHEET**

**PLATE COLLECTION DATE:** \_\_\_\_\_

**CASH:**

**100'S** \_\_\_\_\_ **AMOUNT** \_\_\_\_\_

**50'S** \_\_\_\_\_ **AMOUNT** \_\_\_\_\_

**20'S** \_\_\_\_\_ **AMOUNT** \_\_\_\_\_

**10'S** \_\_\_\_\_ **AMOUNT** \_\_\_\_\_

**5'S** \_\_\_\_\_ **AMOUNT** \_\_\_\_\_

**1'S** \_\_\_\_\_ **AMOUNT** \_\_\_\_\_

**TOTAL CASH AMOUNT** \$ \_\_\_\_\_

**TOTAL CHECKS AMOUNT  
FROM DEPOSIT TICKET:** \$ \_\_\_\_\_

**GRAND TOTAL OF DEPOSIT:** \$ \_\_\_\_\_

**COUNTED BY:**

\_\_\_\_\_ / \_\_\_\_\_

**BATCH #** \_\_\_\_\_ **DATE:** \_\_\_\_\_

**BATCH POSTED DATE:** \_\_\_\_\_

**SMT 8/21/24**

## **Mail-In Check Process**

When mail is collected from the post office, it is opened and sorted to the proper box. At that time mail-in checks are processed.

Donor checks received by mail will be stamped on the back for deposit only and placed in the counting box in the Mission House for counting with the next, usually Sunday, collection plate donations.

Checks received in even months, when services are at St Mary's, should be counted, processed, and deposited independently on or about the middle of the week by a member of the Vestry.

Ideally, checks would be processed as soon as a Vestry member is available to do so.

See the collection plate process for methods and forms.

## **Special Donations Process**

Sometimes special donations are collected for pass-through, e.g., Heifer Fund, Humane Society, Episcopal Relief and Development. Pass-through donations must go to the charity for which they are collected. For pass-through donations, a Vestry member should be responsible for ensuring that a Procurement/Reimbursement Request Form is filled out with the name of the fund and a cover letter to the charity attached, for the amount received from donors for that fund collection.

Sometimes donations are requested and collected for specific purposes, e.g., capital fund, retirement, or other gifts, or for flowers. These gifts should be used for the purposes given but can be redirected by the vestry. That is, they are not permanently restricted (see Restricted Gifts).

Sometimes donations are received for memorial gifts, "in memory of," but not for a segregated purpose. These are for parish operations.

Congregation members should be instructed to memo checks clearly for pledge or special donation name. Checks without memos collected in Sunday plates or baskets will be assumed to be for pledge or general operations.

If donations are collected other than via Sunday plates, a Vestry member must be responsible for collection and deposit. Sometimes flower funds and Heifer Funds are collected separately.

If only checks are received and they are clearly marked, they can be combined with Sunday plate deposits. Otherwise, special donations should be counted separately in the same process as the Collection Plate Process with two counters. The counting slip should specify the fund being collected by marking out "Plate Count" on the top of the fund and writing in the name of the fund. The deposit slip for the operations bank account should have the name of the fund written clearly on it.

## **Visitor Box Process**

Visitor boxes, where approximately 20,000 + visitors each year make cash donations, are a unique challenge for counting since they are often counted more than weekly during busy visitor seasons.

In general, they follow the same Collection Plate Process, using the same forms, with “Plate Count” replaced with “St Mary’s Visitor Box” or “Holy Trinity Visitor Box” on the form and deposit slip. They do not need to follow the process for copying checks, because the checks are not pledge or congregant-related.

Donations should be counted and deposited at least weekly, more often during peak visitor seasons. Donations should be taken to night deposit immediately from St Mary’s. They should be locked in a secure box/safe in the Mission House at Holy Trinity until they can be taken to the night deposit. These Holy Trinity deposits should be made no later than the following Sunday or, in even months, on or about mid-week with mailed-in checks.

QR codes have been set up at each church for online donations. The parish may still explore the use of unmanned card scanners.

## **Online Donations**

Donations received online are designated either “General Fund” for the discretionary account or “Parish Operations” for the operations account. Deposits are automatic, and information for recording is received from the vendor managing these, currently Vanco.

## **Other Income**

Income is often received that is not a donation. Examples include refunds, dividends from utilities, etc. Because they are not donations, the Contributions Manager does not process them. The Bookkeeper processes them as accounting transactions.

They are deposited in the same manner as donations but should have separate deposit slips and count sheets for the Treasurer with copies of count sheets and checks given to the Bookkeeper for recording.

## **Restricted Gifts**

Restricted Gifts are donations with donor restrictions on use.

Endowments are Restricted Gifts that only allow the earnings on the donation to be used; the principal is maintained.

Restricted Gifts must record the date given, exact description and amount of gift, and nature of restrictions on use.

Vestry must approve Restricted Gifts before receiving them.

Restricted Gifts Must be segregated in accounting records but can be kept in general operations bank account.

The Parish currently has no restricted gifts.

### **Recording**

All donations and gifts should be recorded in a timely fashion, ideally within the same week deposited.

Members will be able to access records of their giving online and will receive statements quarterly by mail.

Donations are recorded in a batch when a counting sheet with a copy of the deposit slip and checks is received by the Contributions Manager. The Contributions Manager posts the batch when the deposit receipt is received from the bank.



## CHAPTER 4: EXPENSE PROCESSES

### Procurement/Reimbursement Process

1. All requests for reimbursement must be presented to the Bookkeeper with receipts and a Procurement/Reimbursement Request Form.
2. Requests for reimbursement do not need prior approval by the Vestry as long as they are within their budget line for the month on the Annual Budget.
3. Expenses that exceed their budget line or that do not have a budget line must be approved by the Vestry in order to be reimbursed.

An Approval Packet with a Procurement Request Form with approvals, bills, invoices, and receipts is given to the Authorizer/Approver and Check Signatory along with a generated check and payment envelope. The Approval Packet is put together by the Bookkeeper.

Both the Authorizer and the Check Signatory should review the Approval Packet for completeness and budget compliance. Both sign the Procurement Request Form.

The Check Signatory signs the check and mails it. The Check Signatory also signs the Procurement Request Form and returns the Approval Packet to the Bookkeeper for recording.

### **Disbursement checks over \$2,500 require two signatures.**

All other expenses require an Authorization name/signature, and a Check Signature recorded on the Procurement/Reimbursement Form. See Table of Authorization for who is allowed to approve expenses. Check Signatories are approved by the Vestry. The Payee or Requestor cannot approve/authorize the request. The Authorizer can approve the request before the Bookkeeper generates the check.

Recurring expenses, like utilities, insurance, etc., need only be approved once, unless there is a significant change, like the first bill on a new contract.

The Process, including Authorization and Signature, should be completed within two weeks. Delays greater than one month should be communicated to the Treasurer and Senior Warden. The Bookkeeper should contact Check Signatories when checks are ready to sign. If a check requires more immediate turnaround, the Bookkeeper should contact all those who have signature authority about the urgency.

If an expense is not approved, note the reason on the Approval Packet and return it to the Bookkeeper. It is the responsibility of the Authorizer/Signatory to discuss the reason for non-approval with the Requestor.

## **Emergency Approval**

In emergencies, where Vestry approval cannot be obtained quickly, the Senior Warden may approve non-budgeted expenses under \$500, and the Junior Warden may approve non-budgeted emergency expenses under \$500 for repairs/maintenance, housekeeping, groundskeeping, or utilities. The Vestry and Treasurer should be informed immediately.

## Table of Authorization

Expense Category	Primary	Secondary
Building Repairs	Junior Warden	Senior Warden
Building recurring Expenses eg Utilities, Janitorial, Termite and Pest Control, Groundskeeping*	Junior Warden	Senior Warden
Capital improvement	Junior Warden	Senior Warden
Christian Formation	Senior Warden	Senior Warden
Congregational Life	Senior Warden	Vestry
Discretionary Disbursement	Priest	None
DOK	DOK President	DOK Treasurer
Flowers	Flower Guild Chair	Senior Warden
Insurance, Loan Repayment *	Senior Warden	Vestry Clerk
Men's Group	Men's Group President	Men's Group Treasurer
Music	Music Director	Senior Warden
Office recurring expenses: WiFi / Internet, Website, Telephone, Security, Software Fees, Equipment Lease *	Office Manager Contracts approved by Vestry	Senior Warden
Office Expense: Credit Card Fees, Bank Fees, Payroll Fees, Vanco Fees	Senior Warden	Vestry
Office Expense: all other	Office Manager	Senior Warden
Other Expenses: Diocesan Pledge, Fire Dept Donation, Convention Expense, Misc. Expense	Senior Warden	Vestry
Outreach	Senior Warden Donations approved by Vestry	Vestry Clerk
Programs: Altar Guild, Clergy Supplies, Worship Supplies	Altar Guild Chair	Senior Warden
Staffing Costs: Accompanist *	Music Director	Senior Warden
Staffing Costs: Supply Clergy and Mileage; Continuing Education	Senior Warden	Vestry
Staffing Costs: Rector *	Senior Warden	Vestry Clerk
Vitality Fund	Priest Must comply with Vitality Grant	Senior Warden
EMERGENCY under \$500	Senior Warden	Junior Warden

\*Recurring Expenses do not need to be approved/authorized each time, unless there is a significant change, like a new contract approved by Vestry.

**The Episcopal Parish of the Holy Communion**  
**Procurement/Reimbursement Request**

<b>Payee/Vendor Name</b>	
<b>Date</b>	
<b>Reason for Expense</b>	
<b>Amount</b>	
<b>Expense Account Number</b>	
<b>Send Check To:</b>	
<b>Requested by:</b>	
<b>Approved by:</b>	
<b>Signed by:</b>	

**Attach Documentation – Invoice, Receipt, Minutes, etc.**

General Operating Account (1)

Building and Grounds:

- 01-5260-001 St Mary’s Repair and Maintenance
- 01-5260-002 Holy Trinity Repair and Maintenance
- 01-5260-003 Mission House Repair and Maintenance

Supplies:

- 01-5275-000 Housekeeping Supplies
- 01-5305-000 Office Supplies
- 01-5315-000 Publicity/Printing
- 01-5320-000 Postage

Programs:

- 01-5601-000 Acolytes
- 01-5602-000 Altar Guild
- 01-5603-000 Christian Formation
- 01-5604-000 Congregational Life
- 01-5605-000 Flowers
- 01-5606-000 Music
- 01-5608-000 Docent Ministry
- 01-5609-000 Worship Supplies

Other:

- 01-5725-000 Mileage Rector
- 01-5100-000 Fresco Docent
- 19-5101-000 Daughters of the King
- 09-5110-000 Men’s Fellowship

Approved By: See **Table of Authorization**

Vestry must approve all non-budgeted expenses over \$500.

Sr. Warden may approve non-budgeted EMERGENCY expenses up to \$500. Sr. Warden may approve expenses in absence of other designated approvers.

Jr. Warden may approve non-budgeted EMERGENCY expenses up to \$500 for repair/maintenance, housekeeping, grounds keeping and utilities.

Rector approves all Discretionary Fund expenses.

## **Autopay processes**

Wherever possible, recurring expenses can be automatically paid directly to the biller monthly, e.g., utilities, equipment leases, telephone, security, and Wi-Fi.

## **Credit Card Process**

Credit cards will only be held by the Junior Warden and the Parish Office Manager.

Credit cards will never be held by financial staff.

Credit cards will have specific limits. For example, the Junior Warden will only be able to purchase building supplies, replacement lights, and repair items up to \$500. The Office Manager will only be able to purchase copy paper and office supplies up to \$200.

When a credit card is used, the user will immediately notify the Bookkeeper and Treasurer of use, with receipts. The Bookkeeper will record the transaction. An automatic notification from the credit card company should be emailed to the Bookkeeper whenever the credit card is used. The Bookkeeper should receive credit card statements for transaction verification.

Vestry can specifically authorize use for other purposes and higher amounts.

Credit cards should not be used for recurring expenses, e.g., newspaper advertising or other vendors, unless the vendor will not accept autopay from a bank account.

The Treasurer will monitor online credit card statements weekly and reconcile them monthly.

## **Vendor List**

A vendor list should be created and reviewed annually.

## **Petty Cash**

The parish will keep no petty cash.

## **Expenses Recording**

All expenses will be recorded as payable when the Procurement/Reimbursement request is received or created from a bill or invoice. Expenses will be posted when the Procurement/Reimbursement request is returned with the check signature recorded.

## **Journal Entries**

Should only be used for adjusting or correcting financial transactions.

## **Discretionary Fund**

The Rector is the sole signatory. If there is no Rector, the Vestry will designate another signatory, usually the Senior Warden, and change the bank signature authority.

Check stock is held by the Rector. Checks should be written to a vendor, such as a landlord, not to the person in need. Adequate backup, such as the email from the person requesting, should be attached to the procurement form.

The Treasurer will transfer discretionary fund donations monthly from the operations bank account where they were deposited. The Treasurer will reconcile discretionary account bank statements quarterly, creating transaction requests for the Bookkeeper for bank fees or interest earned.

## CHAPTER 5: RECONCILIATION PROCESSES

Processes for reconciliation are available in REALM and are the responsibility of the Treasurer.

Reconciliation should occur monthly, within 10 days of receipt of the bank statement.

Reconciliation:

- Compare bank statement to cash receipts (count forms and deposit slips)
- Ensure both sides of account transfers have been recorded
- Initiate journal entry for bank charges and bank account interest to the Bookkeeper for recording
- Incorrect transactions should be voided, re-entered, and posted.
- Request corrections by the Bookkeeper and Contributions Manager, so they are aware of errors
- Review parish checks outstanding more than 90 days
- Void checks outstanding more than 180 days
- Verify balances in all accounts (operations, discretionary, and investment)
- Statement of Financial Position report should be compared to calculated balances from reconciliation.
- Reconciliation reports should be printed and filed.

Year End

If a general ledger is used,..... (DMBM PAGE III-I I)

*There is still some research to do on year-end work and the 13<sup>th</sup> month in REALM.*

## CHAPTER 6: FINANCIAL REPORTS

Use auto-generated reports from REALM. These reports can be customized in REALM as needed.

Include all bank accounts on financial reports to the Vestry and Finance Committee. The discretionary account should not include details of expenses.

Include Investment accounts.

### Monthly

*“Prior month’s balance sheet, prior month’s operating account income/expense report, investment account, and other activities such as memorial gifts and columbarium /cemetery transactions.” DMBM*

Statement of Financial Position with income and expenses

Also called Balance Sheet

Compared to the same date of the previous year.

Assets (current and long-term), Liabilities (current and long-term), and Net Assets with restrictions and Net Assets without restrictions.

Approved reports should be made available to the congregation

Statement of Activities by funds

Also called profit and loss statement

Must include current actual financial data compared with the approved budget.

Summary of Restricted Net Assets

Statement of Cash Flow

### Yearly

Annual reports for Annual Meeting

Parochial Report for Diocese



## CHAPTER 7: RECORDS MANAGEMENT

Original church records must remain on file in the church office. Only copies or scanned copies may be taken home.

Current year and previous fiscal year records must be readily accessible in files in the Financial Office. These include vendor files, bank statements, investment statements, payroll statements, Vestry Minutes and referenced documents, budgets, etc.

Contribution records for the current year must be locked and accessible only to the Contributions Manager in the Financial Office. Contribution records for the previous year should also be accessible.

The same documents for other years must be boxed and labeled with year and an inventory of contents readily accessible in the top of the box. Retention follows rules in chapter IX of the Diocesan Manual of Business Methods in Church Affairs (DMBM)

## Appendix: Sources and Notes

**Quotes from source are in italics. Comments in normal type.**

*Financial Management for Episcopal Churches Jordan.* Defines the roles used here. Defines processes. Heavy on fraud prevention.

*Diocesan Manual of Business Methods in Church Affairs (DMBM)* Written for a large church that does all functions with employees and supervisors vs a small church that must do everything with volunteers. In an urban area that has so many potential vendors that they need an authorized vendor list vs. a rural church that has a more limited vendor pool. Also not written for the complication of two small churches at a distance from each other.

Page II – 2

*“Segregation of Duties:*

*Essential to the control system is the concept of segregation of duties. Every financial transaction involves five steps.*

- 1. Request – request to purchase*
- 2. Approval - authorized personnel approve request*
- 3. Authorization – approval to purchase, issuance of purchase orders*
- 4. Execution – purchasing, receiving, and payment*
- 5. Recording -accounting*

*No one person shall handle all aspects of a single financial transaction.”*

Does not define explicit roles and responsibilities. I get confused between 2 and 3, what is the difference? Is one transaction bookkeeping approval and one request approval?

*“3)a.) Check signers should not also be authorized to approve accounting transactions.”*

II – 3 Authority Levels

*“..written notification of authority levels”*

*“Payments and Cash Disbursements ...assign authority levels for payments...ensuring that..required goods or services have been received and all supporting documentation has been presented “*

*“Accounting Transactions – The finance staff should not be able to authorize the transactions they are responsible for recording.”*

II -3 Documentation and Record Keeping Standards

*“...systematic procedures need to be in place that incorporate standard forms, approval processes and accounting procedures. An up to date policy and procedures manual ... is essential...”*

II – 10. Section C Electronic Banking/ segregation of Duties

*“At least two individuals should be involved in each electronic transaction, The authorizing and transmitting functions should be segregated and, if possible, the recording function should also be delegated to someone who has neither approval nor transmitting duties. Generally the same controls...as apply to manual preparation of checks.”*

II – 12 thru 17 Internal Control Questionnaire

Answers used to create Internal Controls.

**This is the one section I recommend everyone browse to get an idea of Diocesan requirements.**

III -5 Controls for EFT Payments: Controls over Processing

*“Typically, when processing paper checks, there is some type of control in place such that someone directly outside of accounting approves transactions and someone other than the person directly involved in the accounts payable process reviews the bank statement before it is given to accounting for reconciliation “*

Diocesan website: Treasurer Tools

Financial Job Descriptions – Duties of Treasurer used to define responsibilities

Generic Treasurer Checklist used to define responsibilities

Sample Parish Financial Procedures. Used to define roles and responsibilities;

Mission and Purpose of the Financial Committee Used to define roles and responsibilities

Financial Responsibilities-Parish of the Holy Communion from Jane Erickson

Used to define roles and responsibilities, replacing ‘Asst Treasurer’ with Contributions Manager

*“Prior month’s balance sheet, prior month’s operating account income/expense report, investment account, and other activities such as memorial gifts and columbarium /cemetery transactions.”*

Interviews with:

Paula Riggs, Senior Warden  
Barbara Sears, Junior Warden  
Ann Peters, former Junior Warden  
Faye Martin, vestry  
Ellen Pesko, vestry, mail handling  
Anand Sharma, vestry; visitor boxes and security  
Ann Reintges – ECW Chair, visitor boxes  
Sarah Joyce – assistant treasurer, visitor boxes  
Shirley Long, Deacon and former Parish Administrator  
Mary Lou Greer - Finance Committee  
Bebe Hennessy – Finance Committee  
Jane Erickson-Treasurer

REALM online tutorials and lessons

2020 Audit Committee Recommendations

2023 Diocesan Audit Review Recommendations