Fiduciary Responsibility Checklist

The following items are the practices that the Vestry/Bishop’s Committee of a church are responsible for overseeing. The officers (Priest, Sr. Warden, Treasurer and Clerk) are legally required under the federal Sarbanes-Oxley law, as well as the priest being responsible under the Title IV canons of the church.

Required:

1. The books are kept on a computer in the church or online with more than one person having regular access at all times. Each person who logs in has his/her own login name and password.
2. Backups are made whenever anyone makes a change. There is at least one off-site backup that is updated at least regularly, larger churches should back up offsite daily; others weekly.
3. Internal controls are in place and observed – e.g., separation of duties. So, one person writes the checks, a second person signs the checks, and a third person, who does not have the responsibility for reconciling the statement to the general ledger, receives the unopened bank statements and reviews them. Usually the parish administrator, bookkeeper or volunteer assistant treasurer writes the checks, the Treasurer signs them and one of the Wardens reviews the bank statements. Or the Treasurer writes the checks, the Wardens sign them and a Vestry/Bishop’s Committee member reviews the bank statements. Clergy should do periodic “spot checks” to make sure all of these procedures are working properly and to see for yourself that the statement matches the checks, etc.
4. The people in a financial controls sequence or count money are not related to or married to each other. So, for example, the bookkeeper can’t be married to the treasurer or be the cousin of the warden who opens the statement or the counter can’t be the parent/child of the other counter, etc.
5. Checks received are restrictively endorsed immediately upon receipt. A stamp: “For deposit only to the account of St. X” works well.
6. If you are collecting for another organization or the diocese (e.g., Charities), deliver the checks and cash in a locked bank bag after the regular counters have counted and recorded it. Ideally deliver it the next day or at least within a couple of days. Cash should be put through your regular offering count and a check made out from the church’s checking account. Do not deliver cash.
7. Reconcile the checkbook monthly – any differences, negative balances, and/or unsupported transactions investigated and corrected promptly (i.e., within a month) and the reconciliation is reviewed by an officer each month.
8. Two people must always be present to count the money. They sign the summary sheet. Usually someone else makes the deposit – in any case, the money goes into a locked bank bag in the presence of two people. All signatures and recording of money is done in ink, not pencil.
9. Two people always receive money – e.g., at an event where there are ticket sales or a yard sale where people pay for items.
10. Money is never left unattended or in the possession of a single person. E.g., you don’t leave the offering from the 8 am service in the sanctuary until after the 10 am service – or even have it stashed on a shelf near an acolyte during the service (a good reason, besides the BCP rubric and the bishop’s request, to leave it on the altar). After each service, put the offering in a locked bag and secure as required in the presence of two people. You don’t let one person take the ticket sales from the parish hall to the safe. You don’t let one person receive and hold (or take home!) the money raised for Episcopal Charities, ECW, ECC, etc.
11. Money does not go home with anyone, ever! Not the offering. Not the Yard Sale proceeds. Not the event ticket sale revenue. Not the youth group, women’s group, Sunday School or flower guild funds. Not the Episcopal Charities volunteers or a capital campaign committee members. Not the pre-school tuition, supplies fees or fundraising money.
12. All funds for any group of the church go through the church’s books, are managed by the Treasurer in the same manner as all other church funds and are reported on the church’s finance statement. There are no extra checkbooks (except the Discretionary Fund) managed by any group unless the group has its own 501c3, files its own federal 990, etc. If that’s true, and the group is related to the church (e.g., the board is elected by the vestry), then that group has to either be audited by the church or it can have its own external professional audit and give a copy of the management letter to the church.
13. Make sure employees, the treasurer(s) and all volunteers handling money are bonded. In our case, this is one you can check off immediately because all of our churches have Church Insurance and this is included in your policy.
14. Your church’s accounts, including the Discretionary Fund, are audited annually and that the audit is submitted to the Diocese by September 1st, given to the vestry and made available to members (e.g., posted on a bulletin board or available upon request). Follow the audit process.
15. Blank checks are kept under lock and key.
16. Receipts are required for all reimbursements over an amount specified in your policy (usually something like anything over $10-20) and the appropriate person authorizes the reimbursement.
17. Current financial reports (balance sheet, revenue and expenses with actual vs. budget) are given to the Vestry/Bishop’s Committee every month.
18. The church’s financial report to the congregation at the annual meeting and to the diocese is complete, honest and factual; it does not “hide” money, categorize it in “creative ways,” etc.
19. Each December the Vestry/Bishop’s Committee approves the clergy housing allowance for the coming year.
20. The church does not spend endowment, memorial or other restricted funds on anything other than expenses that meet the restriction requirements. That is, no endowment or otherwise restricted funds are used to “balance the budget” at the end of the year or to pay for an unexpected operating expense.
21. All credit card and debit card bills are reviewed by and approved (initials on bill) by someone who didn’t incur the charges or is responsible for paying the bill. Ideally, don’t use debit cards as they are the most likely to be used in thefts – so pay extra attention to those if you have one.
22. The church sends W-2s to all employee (which is anyone who works a regular schedule at the church, including clergy) and 1099s to consultants paid more than $600 a year (someone who does a one-time, short-term project).
23. Under RI law, no loans may be made to a director of a non-profit (which includes clergy). Making loans to employees is not advised. Get professional and diocesan advice if you plan to do this.
24. If you do your own payroll, the checks are signed by individuals not involved in processing payroll. If you outsource your payroll, someone other than an employee authorizes the payroll or, if it is “called in” by an employee, someone other than an employee reviews the payroll regularly, makes sure that taxes are deducted and paid to the IRS and state as required. See proof and don’t just take someone’s word that it has been done.
25. Time sheets for employees covered by the Fair Labor Standards Act are maintained, are signed by the employee and approved by the employee’s direct supervisor each week and then filed and kept for three years. Generally, this applies to Parish Administrators and Sextons who work a set number of hours. Organists usually are considered to have salaried professional (exempt) jobs vs. being hourly workers – e.g., they don’t walk out in the middle of the service or skip choir practice if they’ve worked their designated hours that week!
26. Employees who work more than their set hours must be paid for those hours at regular hourly rate or, full time employees or anyone working over 40 hours a week must be paid at the overtime rate of time and a half or take compensatory time within a month. (Serious liabilities accrue if you don’t do this.)
27. If you receive any notice from the IRS of a delinquency, audit, penalties, etc., call the diocesan office immediately and speak to the CFO, Treasurer or Canon to the Ordinary.

Return form to the bishop’s office (Canon to the Ordinary) by June 1, 2016 or request an extension by that date along with an action plan. Signature indicates compliance of all of the above items.

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Signed by clergy Church Date

BEST PRACTICES

The following are best practices and are things that are really wise to implement. If you don’t, you’re likely to have trouble somewhere, someday!

1. In December or after each Annual Meeting, the Vestry/Bishop’s Committee reviews and approves the signatories on all checkbooks, investment accounts and for contracts. Remove people’s names when they are no longer authorized signers and add new ones each year – nothing worse than discovering that all of your signatories are dead or moved to Florida six years ago when you want to close the account, write a large check, or do something else at the bank that requires a signature!
2. Set up an administrator for the computer bookkeeping software with a login name and password. Make two copies of that information, put them in two sealed envelopes marked: “Open in presence to two authorized persons only.” and put it in two secure places, one of which is offsite (in case of fire): e.g, the safe, filed in a lockbox in the office or even given to a trusted member of the church.
3. If you are using QuickBooks, login with the admin login and make sure the Audit Trail is turned ON (see if you can do that in other accounting programs as well). In any case, make sure each person using the accounting program has his/her own login so you can track who does which transactions. That’s the only way you can prove who did what in the event of a theft.
4. File the annual report with the Secretary of State only if you have been filing before (otherwise you will lose your incorporation and will have to pay fines to regain it); do NOT file if if you never filed it before or you will have to pay a penalty for all the prior years! It is unclear whether filing an annual report is required by churches or not – but this is the practice we feel is the least costly or likely to cause problems for our churches.
5. Store all financial records securely and keep them for the required number of years (see the Business Manual for how many years to store various records).
6. Clergy should review all expenditures monthly – look at the bank statement, credit card bills, etc. If you do it every month, you’ll soon be able to spot any oddities, deviations, questionable items. And you’ll learn about where your church’s money is going!
7. Have at least one person on the audit team who is not a member of your church. E.g., swap members with a nearby church or ask Diocese for a volunteer to assist your audit team.
8. Make sure that the church is not spending more than the recommended 4.5-5% of its endowment or other restricted funds. That is 5% of the principle and it includes interest. So in a year that you make 9% interest, you take half of it and reinvest the remaining half. Do not touch the principle unless there is a specific reason (e.g, major capital expense with a plan to repay it that you actually implement). If there is a need to use principle, it is important to be totally transparent, engage the support of the congregation and have a plan. Ideally, ask the diocesan Commission on Finance for advice.
9. Review your insurance policy annually to make sure it is up-to-date and the coverage is adequate.
10. Notify Church Insurance when you add a new tenant, plan to do an event that has unusual hazards (e.g., a bouncy house) or start a ministry like a soup kitchen. Also, check with Church Insurance whenever you even suspect they might cover something. They need an “event” – e.g, wind, rain, hail, snow, accident, etc. But if your roof leaks for years and you get a bad rainstorm or ice dam and it leaks, ask them to look at it. They often cover that.
11. Have written policies that govern separation of responsibilities with respect to receiving, recording and depositing checks and cash, purchasing, expense accounts, compensation and benefits, etc.
12. Have written policies that govern, endowment gift acceptance, authorizations for larger purchases (e.g., over $500), contracts (e.g., three bids required), petty cash, what expenses are reimbursable and who approves those (e.g., Can a group decide to bill the church for their snacks or their dinner at a restaurant? Can a volunteer bill the church for a taxi ride to church?). Include who is authorized to make spending decisions. If a group has a budget, who decides what that gets spent on and when do they need to get approval first.
13. Have no receivables more than 90 days old. Make sure that clergy pension payments are paid within three months to prevent having their account frozen and that health insurance benefits are paid lest employees don’t have coverage when they need it.
14. Keep at least 60 days of operating expenses in cash or other unrestricted assets.
15. Have a conflict of interest statement that is signed by each staff person, officer, member of the Vestry/Bishop’s Committee and anyone else who has spending authority. Do this either as each new person is hired/elected/appointed or, more reliably, just do it every December along with housing allowances and signatories.
16. Maintain and audit Petty Cash logs.
17. Have a written policy whereby employees are required to report suspicious activities, conflicts of interest, or unethical behavior to the appropriate level of management – and a whistleblower protection policy.
18. Do a background check on anyone who functions as the bookkeeper (whether that is the Treasurer, Parish Administrator or other paid staff, volunteer, etc.).