



Diocese of the
MID-ATLANTIC
Anglican Church in North America

5 Steps Toward Safeguarding Church Finances

We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of man.
2 Corinthians 8:20-21

Financial misconduct can be just as damaging to the church as sexual misconduct. Within the church, financial misconduct can damage people's trust in the church, Christian leaders, and even God. Outside the church, financial misconduct harms credibility and creates barriers to gospel witness. Following these steps helps protect your flock from the high cost of financial misconduct.¹

Step One

UNDERSTAND the risk of financial misconduct:

- In a 2021 nationwide survey of more than 700 church leaders, nearly one-third had served in congregations that suffered from some form of financial misconduct. (Source: [Church Law & Tax](#))
- Financial misconduct happens in churches that fail to take precautions because they believe “it couldn't happen here.”
- Three factors contribute to financial misconduct: *incentive*, *rationalization*, and *opportunity*.
 - *Incentive*: The motivation for committing fraud, such as debt, unexpected bills, secret addictions, or greed.
 - *Rationalization*: Making sense of the fraudulent activity; e.g., “I'll repay this” or “I work so hard, I deserve this.”
 - *Opportunity*: The ease with which fraud can be committed, due to inadequate financial controls and oversight.
 - Of these factors, only the third (*opportunity*) is within church leaders' control. Churches must take precautions to minimize and eliminate opportunities for misconduct.

¹ Recommendations in this document compiled from Church Law & Tax, Evangelical Council for Financial Accountability, and the resources of the Diocese of the Mid-Atlantic.

Step Two

SEPARATE financial duties to minimize opportunity for mismanagement. No single person (or single household) should have control over every step of a financial transaction at your church. Even the smallest churches can maintain adequate controls by separating the money-handling and recordkeeping as much as possible! Some important controls include:

- The Treasurer and finance committee members should be approved by the vestry. It is recommended that the finance committee include at least one vestry member.
- Offerings should be counted by two unrelated people.
- The Treasurer and the bookkeeper should not be the same person.
- The person who records donor contributions should not also be the person who deposits those contributions in the bank.
- The person who reviews invoices and prepares payments should not also be the person who approves payments or signs checks.
- The person who reconciles the monthly bank statements should not also be the person who approves payments or signs checks.
- Members of the same household should not serve in financial roles, even if those roles are separate. For example, the Treasurer and bookkeeper should not be members of the same household.

Step Three

REVIEW & REPORT all financial transactions with regularity, thoroughness, and transparency.

- All payments should require documentation (invoices, receipts, approval, etc).
- Clergy housing allowance approvals should be documented in vestry minutes.
- Bank statements should be reconciled monthly.
- Financial statements should be reviewed by the finance committee and vestry on a monthly basis.
- The finance committee or Treasurer should report to the congregation on a regular basis (annually at a minimum).
- Individual contribution records should be sent to donors in January of each year, and should be available whenever requested.
- Documentation of financial policies and procedures should be maintained and reviewed on a regular basis.
- An annual budget should be prepared by the Treasurer and reviewed and approved by the vestry.

Step Four

SECURE your church's money, property, and people.

- An inventory of church assets should be maintained and updated.
- Computer records should be backed up and passwords updated regularly.
- All financial files should be kept in a secure location.

- All cash and checks should be kept in a locked safe.
- The church's Treasurer and bookkeeper should be insured against fraud under the church's insurance policy.
- Individuals who handle finances should undergo criminal background checks.
- Other areas of risk to the church should regularly be assessed and insured.
- Bank accounts should not regularly exceed the FDIC insured limit of \$250,000.

Step Five

AUDIT (or review) the church's finances and practices on an annual basis. Remember, this audit is for your church's protection! There's no reason to be concerned about what an audit might reveal; this information will help you improve your financial policies and better secure your church against financial misconduct.

- The Diocese requires an annual audit or review of church finances, and provides checklists for churches to use:
 - Small churches (<\$250k annual income) may use the Diocese's small church form.
 - Large churches (>\$250k annual income) may use the Diocese's large church form.
 - ***It is highly recommended that someone outside your church assist in conducting this review.*** This protects your church by providing another layer of transparency to your finances, and may lead to helpful insights to improve your processes. The Diocese can recommend names of individuals who have performed this work in the past. Or you can partner with another small church and exchange Treasurers or financial administrators to oversee each others' reviews.
 - No matter which form you are using, ***the audit committee must not include the church's Treasurer or clergy.***
 - In addition to the review itself, ***the church must submit all required attachments (financial and insurance records) and a narrative explaining any findings or discrepancies.***
- Many churches (especially large churches that own buildings) opt for an independent audit or review from an external CPA firm.
- Another affordable option might be to alternate between the DOMA review and an external CPA audit every other year.