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THE CHURCH TREASURER

I. IMPORTANCE OF THE RESPONSIBILITY

A. HIGHEST PRIORITY

The role of church treasurer is a very important responsibility. As in every aspect of life, the treasurer is first of all an individual Christian who is responsible to God for every act and thought. When a person is elected to a church office, the responsibility to God remains his/her first priority and should be kept in the forefront when any difficult situation arises. The work should be given his/her best effort because it is God's work. The time and efforts spent are an offering to God and nothing less than the best is appropriate.

B. STRUCTURE OF THE CHURCH

In a corporation the officers are president, vice president, secretary and treasurer. Other employees are responsible to the officers and the officers are legally responsible for the activities of the company. In the church the pastor generally functions as the president, the head elder as the vice president, the clerk is the secretary and the fourth officer is the treasurer. Together these four officers are responsible for much of the activity of the church. There are many differences, of course, between a church and a corporation. One of the most obvious, in addition to the mission, is the fact that the majority of the workers in the church are unpaid volunteers. This makes the role of leadership in a church environment more difficult than in the corporate world where the employers exercise control over the employees. Therefore, to get a more accurate picture of how a church functions we must blend the corporate scenario with an entirely different image, that of a small social club whose members all have the same goals, and, driven by zeal, organize themselves to get a job done.

When the balance tips too far in either of these directions there is trouble. Too far to the social club and we find a lack of organization, dependability, continuity and control. Too far toward the corporate concept and we lose sight of dependence on the contribution of the individual and the mission.

As an officer, the treasurer carries responsibility to help keep the structure (corporate) of the church strong so the mission (social/spiritual) can accomplish its goal.

The controlling body of the church is the church board. The pastor, as well as the elected officers of the church, are bound by the actions of the board. The pastor, of course, works closely with the board to carry out their mutual goals and the treasurer works closely with the pastor to facilitate the actions of the board. Despite the close relationship with the pastor the treasurer is responsible directly to the church board as indicated in the following quotation from the Minister's.

Manual:

The treasurer's first responsibility is to the church board, not the church pastor. The board may vote certain funds to be used at the pastor's discretion, but pastors must not pressure treasurers to give them money without church board approval. This is both unfair and unethical. Good pastors will not ask, and if they do, good treasurers will not give.

C. OTHER RESPONSIBILITIES

As an officer of the church the treasurer represents the church to the community and is responsible to protect the reputation of the church at all times.

To the members, also, the treasurer owes a responsibility. There may be times when the treasurer must insist on details that do not fit with plans of an organization or person. The treasurer must be careful to work with a Christ-like attitude while standing firm to principle. With a spirit of cooperation differences can generally be resolved.

II. QUALIFICATIONS

A. LOYAL

The treasurer must be loyal to the church above any one individual. He/she is not often tested as to where the highest loyalty lies, but it must be clearly decided in advance so that in the event the test comes the decision has already been made and there is no hesitancy.

B. CONFIDENCE KEEPER

The treasurer must be able to keep confidences. When dealing with contributions, which touch people's personal financial situations, only those authorized to have access to the information must be allowed to see or hear anything of a personal nature. Knowledge gained from working with the financial records should not be used for any personal use. Information regarding church finances should be reported only as designated.

C. ABLE TO COMMIT TIME

The work of handling the finances of the church requires a commitment of time and effort. The treasurer must be willing to take the time necessary to do it right. If there are times when the treasurer is not able to do what is required at the time it needs to be done, arrangements need to be made that another authorized person can fill in. Responsibilities should not be turned over to one who has not been authorized to assist the treasurer.

D. DETAIL ORIENTED

Much of the work required of the treasurer is tedious and detailed. He/she must be able to accurately operate a calculator, prepare and present reports, and handle all the paperwork necessary to keep appropriate records, etc. A knowledge of accounting is strongly recommended for all treasurers. It is recognized, however, that for the small churches that is not always possible. For the beginner, an aptitude for numbers and detail, an eagerness to learn and the willingness to ask questions when something new is encountered are definite requirements.

E. ACCEPTING OF VERIFICATION

Because of its nature, it is necessary for the treasurer's work to be reviewed by others. The North American Division Working Policy requires that the financial records of all churches and schools be reviewed annually by the auditor of the conference. In larger churches the records are often also examined by internal auditors. It is essential that the treasurer not be

offended by others verifying the work he/she has done. In addition to these procedures a good internal control structure should be established, including having at least two persons verify money as it is received and counted. The “Togetherness Principle” is to be applied wherever it is pertinent.

F. COMMITTED TO MEETING DEADLINES

Financial information must be timely in order to be useful. The treasurer must be committed to getting the work done on time. This is also necessary for good internal control.

G. FIRM AND TACTFUL

When it becomes necessary the treasurer must be able to say “no” to requests that do not conform to the guidelines given by the board. This must always be done with tact, understanding and a willingness to work within the system.

III. AREAS OF RESPONSIBILITY

The treasurer is responsible for three main functions: safeguarding the financial assets, seeing that funds go for their intended use and reporting on financial matters. In the process of performing these functions many specific duties are required and processes are defined.

A. SAFEGUARDING FINANCIAL ASSETS

In the corporate structure referred to earlier, the treasurer (or chief financial officer) would be responsible to safeguard all the assets of the company. In the Seventh-day Adventist denominational structure, the local church treasurer is generally responsible only for the financial assets, the care of the plant and other physical assets being assigned to the deacons or others. The treasurer may wish to verify that building maintenance and security, safety and loss control are assigned to someone else.

Cash:

Security for the church moneys involves keeping cash from being stolen (external theft) or embezzled (internal theft).

If there is not an adequate system of internal controls in place, the treasurer should insist on implementing one for his/her own protection. It averts suspicion from the honest person and deters the weak by removing temptation. The basics of a system for handling cash, known as the “Togetherness Principle,” are as follows:

Two (or more) people handle cash at all times. Two (or more) ushers take up the offering, and two ushers take it to the counting room. Two people count the loose offering and sign an offering slip. Two people open the envelopes and verify the contents, noting any discrepancy. Two people make up the deposit and give copies to two people (in addition to the bank copy).

In addition to the using the “Togetherness Principle,” money should be kept in a safe place

and deposited in the bank as soon as possible. Although the practice of the treasurer's taking the money home is prevalent, it is NOT RECOMMENDED.

The church should provide a safe with LIMITED access, or at the very least, a secure cupboard. Unfortunately, churches often fail to re-key or change the combination when officers change. A person cannot be held responsible for the security of money if more than one person has access to it. It is advisable that a safe or "lock box" require two keys so that it can only be opened when both authorized persons are present.

It is important to also have a safe place to count the money. It should not be general knowledge when and where the money is counted. If one person opens envelopes and another person counts cash this does not completely satisfy the "Togetherness Principle."

Internal controls for cash guard against understatement (loss) of cash receipts and overstatement of (unauthorized or inappropriate) cash disbursements.

How cash is handled is just one part of a total internal control system. According to THE CHURCH GUIDE TO INTERNAL CONTROLS, published by CHURCH LAW & TAX REPORT,

Generally stated, internal control can be defined as the various procedures adopted by an organization to safeguard assets, check the reliability and accuracy of financial records, and ensure compliance with managerial policies.

Some of the elements it includes are:

Qualification and training of personnel

Separation of duties

Rotation of duties

Prudent handling of cash

A properly prepared budget

Proper authorizations

Reconciliations and independent verification of records

Adequate accounting system with checks and balances.

Many elements of internal control are more difficult (and/or less practical) in some of the smaller churches, but EVERY church needs to have certain basic controls. We will be discussing many aspects of internal control throughout this material.

Investments:

A few churches hold sums of money not used in monthly activity, either as general reserves or for specified projects. The treasurer is accountable for all money that comes into the treasurer's hands. Certain types of investments are very attractive because of their high

yield. It must be remembered that in general the higher the yield the higher the risk. It is the treasurer's responsibility to see that the principle is protected. The types of investments that are approved for short-term investment of church moneys are:

Bank Savings Accounts

Money Market Accounts

Short-term instruments - Certificates of Deposit

Negotiable notes/paper - Government or Corporate, Grade A or above

Union Revolving Funds (where available)

Conference Agency Funds

Loans to individual church members are specifically prohibited.

Financial Records:

The treasurer is also responsible for safeguarding financial records. There are four aspects to this function: the records must be kept confidential - safe from unauthorized persons, available for authorized use, protected and archived for historical and statistical purposes.

1. Confidential

Information the treasurer receives in the course of his/her involvement with church finance should be used ONLY for its intended use. Any such information should not be shared among family or friends. This information is to be shared only with those persons who are authorized to know such information, and then only as needed.

Assistant treasurers who have been voted by the board should have access to what records are needed in order for them to do the work assigned to them. Persons who count money and may see envelopes should be authorized by the board. Even authorized persons should not discuss an individual's financial matters among themselves.

To avoid inadvertent disclosure of confidential material, especially when computers are used, even discarded printouts containing confidential information should be guarded and carefully disposed of.

2. Available for authorized use

It is appropriate to allow the pastor access to financial records to see individual giving patterns. It is also appropriate for the head elder, on authority from the board, to examine the records. The conference treasurer and auditor have a right (and an obligation) to review the records.

3. Protected

Computerized records should be backed up regularly to prevent loss. Manual records should

be kept protected from damage and stored in a safe place.

4. Archived

It is important to retain records for statistical purposes. Sometimes they are needed for research such as to look at a five-year trend in giving, determine the cost of the carpeting, etc. When such information is needed, the treasurer should extract the needed information keeping the records confidential. (Refer to the Document Retention Policy in the Church Treasurer's Handbook)

Care should be taken when disposing of confidential documents such as tithe envelopes or receipts. They should be shredded or burned.

Insurance:

The responsibility for seeing that the church is adequately insured may not fall directly on the treasurer but often it is not assigned to anyone; therefore, it is good for the treasurer, in the capacity of guardian of the assets, to see that someone is overseeing this important function. Failure to cover this area may result in the church's being forced to use its limited financial resources for expenses that could have been avoided.

In general, property, liability and worker's comp insurance are covered by Adventist Risk Management Services through the local conference. Employees and volunteers are also bonded. If your church has any unusual type of activity, however, the conference loss control director should be contacted. The following are a few of the items you should note:

RENTING OUT YOUR FACILITIES: If your church rents its facilities to any group there should be a "hold harmless" clause in the rental agreement.

RENTING FACILITIES FOR YOUR USE: If your church rents facilities for its use the rental agreement should be reviewed by a loss control person to assure there is no clause which would make you liable for damage due to unrelated, unforeseen causes (earthquake. etc.) during the time of your use.

SUBCONTRACTORS: When subcontractors are engaged for construction, repairs, or maintenance on your premises, be sure they have adequate liability insurance to cover any damage that could result (fire, etc.) to your plant.

TRANSPORTATION: When using any type of transportation for a church activity the owner must carry high limits of liability. Consult your loss control person.

SPECIAL ACTIVITIES: Some types of youth activities need special attention and/or counsel from a knowledgeable loss control person.

STAFFING: When staffing, whether with employees or volunteers, inquiries should be made into prior similar situations to avoid involving individuals with history of dishonesty or relational improprieties. The church should not knowingly engage persons who put the church at risk.

Taxes:

Because churches are exempt from IRS filings for income taxes and other nonprofit foundations filings, they are often thought of as exempt from all taxes. There are some taxes and forms, however that even churches must deal with.

PAYROLL TAX - If your conference handles auxiliary payroll for churches (church secretary, treasurer, etc.), be sure the conference has all the necessary information and a completed W-4 and 1-9 for each employee before employment begins. If your conference does not handle this the appropriate Federal and State returns must be filed and W-2s issued.

INDEPENDENT CONTRACTORS - Many persons paid, as independent contractors should be handled as part-time employees. If they work under the direction of a church employee, use church-provided equipment and/or are not in the business of performing a similar service for others, they should probably be reclassified as employees. Persons paid for providing music (such as choir director or organist) who are not professional musicians making their living providing or teaching music, should be handled as part-time employees. Any true independent contractor, such as a grounds maintenance or janitorial company, if not incorporated, should complete a W-9 before being engaged and should be provided with Form #1099 for the amount paid to him/her if paid \$600 or more during a calendar year.

UNRELATED BUSINESS INCOME - If a church or school 1) conducts a trade or business 2) on a regular basis 3) that is not related to the non-profit purpose of the organization (religious or educational), that organization may be required to file an IRS form 990T and pay income tax at the corporate tax rate. (State filings may also be required.) Consult a tax professional if there is an activity that may fit this category.

SALES TAX - In some states churches are exempt from paying sales tax on their purchases; however, in other states there is no such exemption. If a church or school sells any product in connection with generating income state laws should be complied with as to whether sales tax must be charged on the sales.

PROPERTY TAX - Property used for church or school use is generally exempt from property tax. In some cases the exemption may not cover special assessments. There may be differing rules in various states regarding unrelated use affecting its taxability.

Laws:

Churches should be careful to obey all pertinent laws. Some of the areas where adherence to local laws and regulations is required include:

- Obtaining appropriate licenses for activities such as a day care center, etc.
- Obtaining appropriate licenses for vehicles and the operators
- Use of premises (zoning, etc.)
- Limitations on occupancy of buildings, parking restrictions, use of satellite dish, etc.
- Permits for repairs or construction

B. INTENDED USE

The treasurer is responsible to see that the money contributed to the church is all used as intended by the donor.

In order for the funds to go for their intended use an appropriate accounting system must be used to categorize, accumulate and disburse funds by designation. In very small churches a manual system is often used. In medium to larger churches some type of computerized system is appropriate.

Conference Funds:

All Conference funds are to be remitted to the Conference on time. They should be kept safely in the bank until transmitted. Tithe and other Conference funds are never to be used for any local purpose, even on a “temporary” basis.

Authorization:

All expenditures must be authorized. The board may appoint certain persons or committees to be responsible for certain funds (Sabbath School council for Sabbath School expense, Pathfinder club for Pathfinder money, etc.). When the board votes to approve an operating budget for the year, that is authorization for routine expenses. Major and/or unusual expenditures should have specific board approval.

If a contribution is specified for a use the church does not intend to do (such as toward a new organ and there are no plans for a new organ), the money should not be receipted. The treasurer should apprise the pastor and allow him to contact the donor to see if he/she wishes to put it toward a different but related use (such as toward new hymnals) or wishes it returned. If money has already been receipted for a purpose, which has not materialized, efforts should be made to contact the donor (if deceased, a living relative) for permission to put it toward another use.

In a situation where it is impossible to find someone authorized to change the use, by action of the church board it should be used for as similar a purpose as possible and a copy of the pertinent board action should be used as documentation for the expenditure.

Budgeting:

A budget is putting numbers to the plans of an organization. The format is like the income statement, a list of income and expenditures. However, instead of reporting historical figures it projects anticipated figures. The purpose is to control expenses, keeping them within the expected income. The budget is for a specified period of time, one year, and broken into monthly segments.

Unless the Conference has specific requirements for the churches in its territory, churches and schools may use either a calendar year or any selected fiscal year for reporting purposes. The year for financial reporting purposes should coincide with the year for church officers to enable the annual budget to reflect the activities of the officers. Often churches that are tied to schools choose a July 1 through June 30 fiscal year to better work with the school personnel.

The budgeting process is very important for non-profit organizations. Budgets come in different types to be used for various purposes:

FUND RAISING BUDGET: The Fund Raising Budget is based on what the church would like to do during the next fiscal period. The incomes are optimistic and expenditures are overstated compared to past performance. This is used for purposes of encouraging people to give in order to fund the desired activities.

OPERATING BUDGET: The budget used for operating is intended to be very close to what will actually be received and expended. It will be used each month to monitor the financial condition of the church and as authorization for expenditures.

The budget that is to be used in a practical way should be projected as accurately as possible. It should take into consideration last year's "fixed" expenses (those that are the same every month), known changes in future costs of ongoing activities and anticipated changes in activities.

Because money does not always come in as planned the budget should be "prioritized." This means first determining the "primary" allocations, those costs that are relatively the same every month and must be paid in order to function. Examples of primary expenses are: utilities, telephone, salaries, school subsidies and Revolving Fund loan payments. Other allocations (called "secondary" allocations) are assigned a percent of the remaining income up to the budgeted amount. Any income over the budgeted amount would first go to make up deficits in secondary allocations for previous months, then as the board designates. It may be desirable to have more than one level of secondary allocations, especially in larger churches. These designations should be planned in advance when the budget is made up.

If there is a change during the year that appears to be permanent causing the income to be consistently substantially lower or higher than the budget, the budget should be re-studied and a new one prepared for the remainder of the fiscal year. For reporting purposes the year-to-date totals would be actual, not changed retroactively.

When the operating budget has been approved by the board it becomes authorization for paying the routine bills such as utilities, subsidies, etc. The board should determine whether the budget is to be used as a guideline or as a limit. If it is a limit no bills are paid when the limit is reached. If it is a guideline the limit is not so exact.

C. REPORTING

The treasurer is responsible to report to the contributors (usually the members), to the board, to the Conference, and to the membership (or constituency).

Receipts to Contributors:

In order for members to take advantage of the United States Internal Revenue tax deduction for contributions, receipts must meet certain guidelines.

The guidelines became quite specific beginning with the 1994 calendar year.

Cash Contributions -

When NO benefit is received by the donor, cash contributions of \$250 and over must be substantiated by a written receipt from the donee (church or school) which includes:

- Name of donor
- Itemized contributions (dates and amounts) and
- A statement that no goods or services were given in exchange for this contribution with the exception of intangible religious benefits.

When a BENEFIT IS RECEIVED by the donor cash contributions must be substantiated as follows:

OVER \$75 BUT LESS THAN \$250 - a written statement from the church which includes:

- Nature of goods or services provided to the donor,
- A good faith estimate of the value of goods or services provided to the donor, and
- A statement informing the donor that the amount of the contribution that is tax-deductible is limited to the excess of the amount of cash contributed by the donor over the value of any goods or services provided by the church or school in return.

Note: Token goods or services (less than 2% of the contribution, token not to exceed \$64) are not reportable.

\$250 AND OVER - a written receipt from the church which includes all of the items in the above statement, plus

- Name of donor
- Itemized contributions (dates and amounts)

Non-cash contributions –

Non-cash contributions are substantiated by a written letter of receipt.

Valued by donor at under \$500

- Letter containing all the same information as for a cash receipt except the item(s) is/are described and **no value is stated**.

Valued by donor at \$500-\$5,000

- Letter including the same information as for smaller non-cash contributions, plus
- Letter should include information that IRS Form #8283 must be included with donor's tax return with the appropriate sections completed. (It is not necessary for the donee to be involved with this tax form.)

Valued by donor in excess of \$5,000

- Letter as above
- Donee representative must sign IRS Form #8283 for inclusion with donor's tax return.

IMPORTANT NOTE: If the donee disposes of the property within two years after the date of receipt, the church must file IRS Form #8282 and give the donor a copy.

Although the rules given above are IRS requirements for the contribution to be eligible for

a tax deduction, good accounting requires that receipts be written for all cash receipts no matter how small and whether tax deductible or not. Additional requirements for general receipting include:

- Receipts should be dated
- Receipts should contain identification of donee, including an authorized signature
- Donated services are NOT deductible and should NOT be treated as cash or non-cash contributions. If a letter of recognition is given it should contain wording to inform the donor of the non-deductible nature of the gift.
- Offer of any unusual item or money for a non-existing project should require a vote of the board to accept.
- Contributions (such as to worthy student fund) must be for general use, not for the benefit of whomever the donor designates.
- When money is received that is not a tax-deductible contribution, such as from sales or for tuition; it should be receipted as indicated for contributions where the donor receives a benefit.
- The IRS requirement for “Itemized contributions (dates and amounts)” means that receipts with only monthly totals are not acceptable. They must list each contribution by week. Weeks can be listed on a monthly receipt and the weeks totaled for a monthly total.

Reports to the Church Board:

A monthly report should be presented to the board. This is necessary because the board is responsible for managing the organization and must have up-to-date financial information upon which to make intelligent decisions. The monthly report for churches is generally made up of four basic reports: 1) Statement of Conference Funds, 2) Statement of Combined Budget/Church Expense, 3) Statement of Local Funds, and 4) Unpaid bills and unusual expenditures. Computerized systems will print reports automatically.

Unpaid bills and unusual expenditures - If unpaid bills are not accrued a list should be supplied for the board. Any unusual expenditure should also be available for their information.

Reports to the Conference:

The Conference, as the parent organization of the church, has a right to receive reports of the church's financial activity. The Monthly remittance check is accompanied by the same report of conference funds as is presented to the church board.

The auditor needs to have available to him/her all the financial records upon request. In some conferences the auditor may request that certain monthly reports be sent to them on a regular basis. This would enable him/her to keep an eye on the local church to know when a church might need immediate assistance.

Reports to Membership/Constituency:

The members are the constituency of the church. When the situation merits it, reports may be needed to present the financial status of the church. The treasurer is obligated to provide any such reports. This type of report would be summaries of financial information without revealing any confidences. It may be in the form of an annual report to the constituency or a multiple year report. This would generally be in a simplified one-page format. Reports of a specific nature, such as on a building projects may be required.

D. CREDIBILITY

Reports of any type are worthless unless there is integrity in the record keeping. A few of the details that are important to make the reports credible are:

1. Money must be safeguarded, as previously mentioned. This includes the “togetherness principle” as well as having a safe place in which to store the money. Money should be counted and deposited as soon as possible.
2. The ones handling the money must be carefully selected and authorized by the organization, and trained in how to properly care for the money.
3. Provision should be made for the treasurer to take vacations on a reasonable basis. Qualified persons should fill in for him/her.
4. No one person should have complete control of the finances. It is best if the three basic parts of the treasury area are handled by separate individuals, a) ones who receive, count and deposit cash, b) those who authorize and disburse cash/checks, and c) the one who reconciles the bank statements, writes receipts and makes entries into the records. According to “The Church Guide to Internal Controls,”
The principle of separating duties to establish internal control is violated in the majority of churches. It could be the single most important cause of misappropriated assets and unreliable financial records.
5. Accuracy checks should be performed as part of the job.
 - a. The entries of each receipt must equal the total.
 - b. The total of the receipts for the week must equal the deposit.
 - c. The bank account(s) must be reconciled monthly when received. Some banks use cutoff dates other than the end of the month. End of month cutoffs should be requested in order to reconcile to monthly totals.
 - d. Entries for bank charges, interest credited and for NSF checks must be properly handled.
 - e. Pages in manual systems must total both vertically and horizontally.
 - f. The monthly remittance to the conference must equal the total of conference funds received.
 - g. The local funds must equal the bank account (after adjusting for the remittance).
 - h. All disbursements should be made by check. When cash is required the treasurer should make out a check to himself/herself and cash the check. A receipt (not a regular church receipt) stating what the money is for should be dated and signed by the party receiving the cash as documentation for the check.

- i. Disbursements should generally be made only when an invoice or a paid receipt is in hand, It is preferred that a person who is authorized to spend funds uses personal funds and presents a paid receipt for reimbursement, If money is required in advance, a check is written in the anticipated amount to the individual who signs a receipt stating he/she received the check as an advance for the stated purpose. When the transaction is complete, he/she should bring the paid receipt and any difference is settled with an additional check or refunding the cash. Any such cash is receipted separately on a non-deductible receipt and deposited.
 - j. All disbursements must have proper authorization. A budget, which has been voted by the board, is authorization for routine expenditures.
 - k. All disbursements must be documented, filed numerically and kept in such manner as to be easily retrieved. (If filed alphabetically, a numeric cross-reference must be maintained.) When a repeating expense is not billed a memo may be substituted for documentation for the file. The document should be stamped "paid" and the check number noted.
 - l. Checks should never be signed in advance.
 - m. A budget should be carefully followed and compared with actual. This not only helps management but can also reveal when an item is posted in the wrong account. Any substantial departure should be analyzed.
 - n. Reports should compare the current year to previous years and any substantial change should be accounted for.
 - o. Reports should be reviewed by the board on a monthly basis.
 - p. Records should be kept in an organized manner for ease in retrieval.
 - q. The treasurer must cooperate with the auditor to have records available and to answer any questions.
 - r. A review of the church records should be performed by the conference auditor annually.
6. The job of church treasurer should be changed from one person to another every few years.