



## THE FOURSQUARE CHURCH

# Internal Controls

### What are internal controls?

Internal controls are the checks and balances that result from intentional procedures and practices implemented by an organization to achieve its mission. They are what we do to promote efficiency, reduce the risk of loss, help ensure our financial reports are accurate, and comply with laws and regulations. Ideally, internal controls are designed to address areas of risk and, therefore, focus on the areas within the organization where things could go wrong.

Internal controls promote efficiency, reduce the risk of asset loss, minimize accusations of financial mismanagement, and ensure the reliability of financial statements and compliance with laws and regulations. We are reminded to live above reproach by the Apostle Paul in **2 Corinthians 8:20-21**:

"We want to avoid any criticism of how 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 others."

### Relevance to church operations:

It is critical to establish internal controls to protect the individuals handling ministry funds from temptation and accusations of mismanagement. This process protects ministry resources and instills confidence in the body of Christ that the church funds are handled with the utmost care.

Churches should always have more than two people responsible for the entire cycle of receiving or disbursing funds. The primary internal control principles represented in the Foursquare bylaws are focused on ensuring that:

1. The Church Council can establish and monitor accounts used by the church to transact business and
2. The pastor and treasurer are, at all times, aware of and accountable for all transactions.

### Key principles:

The Foursquare Church is accredited by the Evangelical Council on Financial Accountability (ECFA). In accordance with the ECFA's standards of stewardship, Foursquare policies require segregation of duties for the following functions with at least three people (or teams) with the following responsibilities:

- Authorization - Approval to make disbursements, authority to commit the church to make expenditures, establishing financial accounts with appropriate

thresholds (credit and transaction limits), establishing and following the procedure for counting the offering, and pre-approval of authorized cardholders, approving bills to be paid.

- Recording - Record transactions using accounting software.
- Custody + Review - Reconciliation of all financial transactions within an account and presentation of the transaction history to the Church Council.

To ensure good accountability and transparency, a church's financial systems should always involve multiple people with specific duties with these separate functions.

While it may be tempting to prioritize other responsibilities and action items, it is essential to establish internal controls. This process should not wait until the congregation becomes larger. Leaders who implement strong internal controls early on demonstrate care for the long-term viability of the church and for the team members who fill these roles.

It's important to remember that at every juncture, the church needs to expand its systems to accommodate new activities, and internal controls should be revisited and adjusted as a normal part of the process.