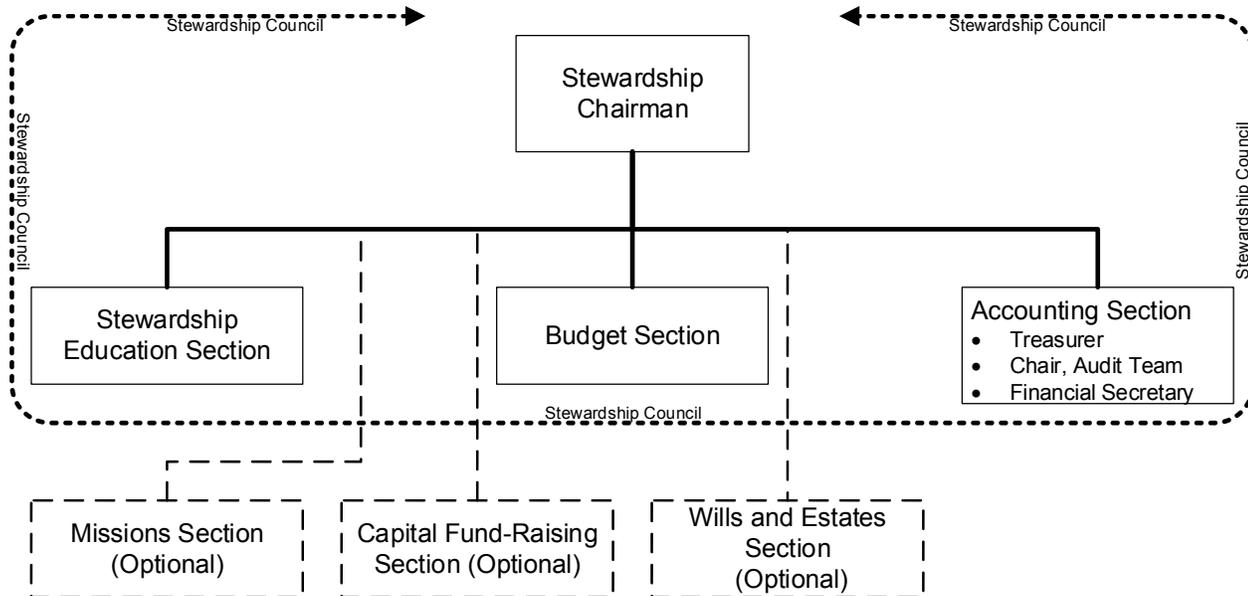


The Association Stewardship Team

Sample Policies from the Office of Cooperative Program & Stewardship Development
Alabama Baptist Convention State Board of Missions



Organization

The preceding chart pictures the association stewardship team organization.

The team shall consist of a chairman and members the sections. The stewardship chairman and the leader of each section shall comprise the **stewardship council**. The responsibilities and functions of each section shall be discussed in further detail on the following pages.

The Association Stewardship Team

The mission of the association stewardship team is to develop in members of association churches an understanding of and commitment to the biblical concepts of individual and corporate stewardship.

The team shall utilize all functions of the association and of each church (including worship, ministry, proclamation education and application) to accomplish its objective.

Expressions of stewardship responsibility fall naturally into two major categories of stewardship responsibility. These may be further divided into two areas:

Individual stewardship:

Giving
Money Management

Corporate stewardship:

Mission Support
Association Budgeting

Stewardship materials are available which are related to each of these four areas of responsibility. The stewardship chairman shall distribute to each section the materials needed to help in its work.

The team shall meet as necessary, but at least two meetings of the entire team are essential.

1. As soon as practical after being elected by the association, the full team shall hold a planning meeting. At this meeting the stewardship calendar for the year shall be outlined.
2. The second essential meeting shall be held immediately after the budget section has completed work on the budget to be recommended to the executive committee. The entire team shall review the budget, and when the members have voted to join in the recommendation, the chairman shall, on behalf of the team, present the recommended budget to the executive committee.

Other meetings shall be held as needed to review the work of the sections and lend support to them.

Glossary of Terms for the Association Stewardship Team

Association Stewardship Team

The total number of members shall be *[determined by association]*. The team consists of an association stewardship chairman, a stewardship education leader, a budget development leader and an accounting section consisting of a leader and other members. The association treasurer serves as accounting section leader. The association may designate other team members.

The team may also have a missions leader, a capital fundraising leader and a wills and estates leader.

Stewardship Council

The stewardship chairman and the section leaders shall form the stewardship council. The work of the council is to coordinate all stewardship activities designed to develop in association members an understanding of and commitment to the Biblical concepts of individual and corporate (or group) stewardship.

Stewardship Chairman

The stewardship chairman is the elected leader of the association's stewardship ministry. This individual is responsible for coordinating the financial phase of the association's activity.

Section

The work of the stewardship team is divided into areas of responsibility or sections. These are stewardship education, budget, and accounting. *[The association shall determine the number of members needed in each section.]*

Other sections may be added to the team as the association determines they are needed. This may include a missions leader, a capital fundraising leader and a wills and estates leader.

Section Leader

Each section of the team shall have a leader. The leader is responsible for guiding his section in accomplishing the section objective

Ex-Officio Members:

Director of missions

Other Association Ministers

Financial Secretary (if a paid staff member)

The Stewardship Council Duties

The objective of the stewardship council is to develop in association members an understanding of and commitment to the biblical concepts of individual and corporate stewardship. The work of the council is to coordinate all stewardship activities.

The stewardship council consists of the stewardship chairman and the leaders of the sections. The stewardship chairman serves as chairman of the council.

Council members shall meet periodically to develop and coordinate a year-round process of stewardship development. Frequency of meetings shall be determined by need.

Each section shall recommend to the council activities related to its area of responsibility. The council shall schedule these to provide a balanced stewardship education process throughout the year.

Biblical concepts of personal stewardship — God's ownership and man's stewardship responsibilities in earning, spending, giving, and final distribution — shall receive frequent attention through all association ministry areas. Teaching corporate (or group) stewardship may be covered through the budgeting process, mission emphases, regular reporting of the flow of funds, and other activities related to the association's corporate stewardship responsibilities.

The council shall:

- Study and implement ways to develop distinctive Christian stewards. (Individual stewardship involves giving and money management.)
- Lead the association to understand and accept a worthy corporate stewardship responsibility. (Corporate stewardship involves mission support and budgeting.)
- Utilize the functions of the association and each church including worship, ministry, proclamation, education, and fellowship.
- Instruct the treasurer regarding the designated disposition of all funds received from wills and trusts.
- Report to the association regarding the disposition of designated funds received from wills and trusts.
- Recommend to the association (for approval) an association financial record system and software.
- Recommend to the association (for approval) any changes needed in the association financial record system.
- Make a proper report of the financial audit to the association.

The Stewardship Chairman Job Description

The association stewardship chairman is the leader of the association's stewardship ministry. The association stewardship chairman shall be elected by the association in the same way other leaders such as Sunday School director, Discipleship director, and others are elected.

The stewardship chairman is responsible to the association for fulfilling the objective of the association stewardship team to develop in the association's church members an understanding of and commitment to the biblical concepts of individual and corporate stewardship.

The stewardship chairman shall:

- Be responsible to the association for carrying out plans to fulfill objectives adopted by the team and the association.
- Work with the association staff in stewardship areas.
- Serve as a member of the association leadership team (or association council) and work with association ministry organization leaders in planning inclusion of stewardship material in their activities.
- Schedule and preside at meetings of the stewardship team and stewardship council.
- Serve as an ex officio member of each section and meet with the sections often enough to remain familiar with their plans and activities.
- Understand stewardship resources and concepts.
- Serve as resource person to all association ministry areas in the stewardship field to implement plans of the stewardship team.
- Teach leaders and members of association churches in the areas of biblical, individual, and corporate stewardship commitment throughout the year.
- Present to the association, the budget, the audit, and all recommendations from the various functioning units of the accounting section.

The Stewardship Education Section Duties

The objective of the stewardship education section is to develop an understanding of the commitment to the biblical concepts of individual and corporate stewardship. The section shall develop and recommend methods of using the appropriate channels of the association to introduce biblical stewardship concepts to members of the churches of the association.

Biblical stewardship involves both individual and corporate stewardship. The following information on these two vital areas of stewardship and the suggested stewardship activities and resources shall be helpful as a guide to the stewardship education section of the association stewardship team.

Individual stewardship

Any attempt to discuss individual stewardship calls for biblical understanding. In the Scriptures, the word for steward (oikonomos) means manager. This means that God owns everything: What individuals have, is entrusted to them by God. Each person is responsible for managing that with which he or she has been entrusted.

How can Christian stewardship/management be understood? There are five areas of development for the individual Christian steward: earning, spending, saving, giving, and planning for the future. It is this truth that must be communicated to the members of the churches of the association.

Corporate stewardship

Corporate stewardship involves the areas of receiving, spending, giving, and planning for the future.

The Mission Section Duties¹

The objective of the mission section is to develop an understanding of and commitment to financially supporting Acts 1:8 missions and ministries. This section shall seek to increase mission understanding and develop Christian stewards through sharing mission educational materials and mission support information. [You may wish to include each association mission organization leader and mission team members on this team.]

One of the responsibilities of this section is to encourage members of the churches of the association and the association leadership to become involved in missions. This shall be achieved through informing the members of the churches of the association about all of the association's mission activities — local, associational, state, national, and global.

Lead the association in planning, implementing, and evaluating activities mission activities designed to help the association accomplish its purpose.

The Budget Section Duties

The objective of the budget section is to develop an understanding of and commitment to the biblical concepts of individual and corporate stewardship. The budget section shall discover ways to plan and support association ministries through budget development, promotion and commitment.

The purpose of the association and the ministries to be performed to accomplish this purpose shall provide the basis for the work of the budget section of the association stewardship team.

The process for carrying out this work shall include five basic steps: Planning the Budgeting Process and Developing the Budget, Presenting and Promoting the Budget. Administering the Budget, Evaluating the Process, and Adhering to the Principles of Individual and Corporate Stewardship Development.

Persons serving on this section of the association stewardship team shall be distinctive Christian stewards; however, since ministry leaders, team leaders and team chairmen shall be requesting funds for their area of ministry, they may not serve as members of the budget section.

Duties expanded:

Plan and Developing the Budget

1. Encourage the ministries requesting budget funds to relate to the basic purpose of the association as they develop their budgets.
2. The budget shall reveal and support the ministries being performed to accomplish the purpose of the association.
3. The procedures of budgeting shall be "Ministry-Action Budgeting".
4. All budget requests shall be made in writing; and the leader from each association ministry or team may come before the budget section and serve as spokesperson for their ministry, committee, team, or group.

¹ This is an optional section. In many associations the missions council will do this work and their chair will serve as leader of the Mission Section.

5. In the event alterations are necessary the chairperson of the ministry or team affected shall be consulted as to changes that are to be made.
6. Each ministry requesting budget funds shall have examined its goals for the year and ministries to be performed, including the cost of each.
7. A procedure for establishing priorities for the budgeting areas shall be developed so that top priorities may be considered first by the budget section.
 - a. Essential areas of work shall be considered first;
 - b. Second, those areas that are important, but not essential;
 - c. Finally, additional ministries if funds are available.
 - d. No consideration shall be given to items that fail to relate to the basic purpose of the association.
8. Work with the association stewardship team and recommend the budget features for the annual stewardship calendar.

Present and Promote the Budget

1. When the proposed budget is completed, the budget section shall present the proposed association budget to the association stewardship team for their review and input.
2. When the budget is approved by the association stewardship team, the stewardship chairman shall present the proposed budget to the executive committee, and it shall be the responsibility of the budget section to be prepared to discuss and answer any questions concerning the proposed budget.
3. The association stewardship chairman may use any of several methods for presenting the budget for consideration by the executive committee. It is important that the executive committee and the messengers to the annual meeting understand the budget and how it will help the association accomplish its purpose.
 - a. Audiovisual budget presentation.
 - b. Panel presentation by the association stewardship chairman and members of the budget section.
 - c. Group discussion. Plan and announce to executive committee members the date for a meeting of the executive committee when each member shall be given opportunity to listen to a presentation of the budget and ask questions concerning it.
 - d. Mail the proposed budget, along with a letter of explanation, to each executive committee member for study and evaluation prior to consideration. (This, when used alone, is probably the least effective method.)
4. Following the presentation of the budget to the executive committee and prior to its adoption, the budget section is responsible for promoting the proposed association budget.

Adoption of the Budget by the Association

The proposed association budget shall be adopted by the association at the annual or called meeting of the association following the budget presentation to the executive committee and promotion which follows.

Administering the Budget

- 1) Review budget spending to assure that money is spent according to the adopted budget.
 - a) Determine a specific time and attend regular meetings for budget review as necessary.

- b) Review the monthly financial report. As the report is reviewed, check the spending of all funds. Available funds shall be determined by monthly income. Check to see if budget allocations are being spent as dictated by the budget.
- 2) Make necessary recommendations to the executive committee through the association stewardship team chairman when unanticipated emergencies arise.
 - a) Instruct those who originally made budget requests that revisions in their portion of the budget shall be made in writing to the association stewardship team.
 - b) Assist in revising the budget when necessary.
- 3) Consider budget revisions when there are unanticipated emergencies, greater income than expected or inadequate budget support for association ministries.
 - a) Make budget revisions only when it will strengthen the association's handling of gifts received and more reasonably provide for the association's ministries.
 - b) Make budget revisions in light of the determined purpose of the association.
 - c) Present budget revisions to the executive committee in a similar manner as was the original approved budget.
- 4) Administer the purchase order system for budget funds.
 - a) Utilize a purchase order system for spending association income in order to avoid irresponsible spending and to help assure that money spent is in accordance with the adopted budget.
 - b) Review the purchase order system every six months to see that it is working properly.

Evaluate

- 1) Evaluation shall be a continuing part of the work of this section and shall relate to every step in the process.
 - a) The primary purpose of evaluation is to help answer the question: Is the best possible job being done in budget planning, developing, presenting, promoting, and administration, in light of developing Christian stewards and helping the association understand and fulfill its purpose?
 - b) Evaluation may best be accomplished by asking certain questions related to the work of this section. The following is a guide:
 - i) How effective was the work in planning the procedure for developing the budget?
 - ii) Did we choose the best budget development approach for our association? Will the same type of process be used again next year or would another approach work more effectively?
 - iii) Was the procedure for requesting budget funds effective?
 - iv) Were all areas in need of budget funds able to follow the request procedure without unnecessary difficulty?
 - v) Did they do so effectively? If not, what can be done to assure this in the future?
 - c) Was the process for determining priorities satisfactory? If not, what change shall be made in the future?
- 2) Was the budget developed according to the chosen plan?
 - a) What were the strong points?
 - b) What weak points will be strengthened next year?

- 3) Were the methods of presenting and promoting the budget effective?
 - a) What were the strong points? Will these be repeated next year?
 - b) What were the weak points? What can be done to strengthen these or will they be replaced with other activities?
- 4) Is the plan for administering the budget working effectively?
 - a) If not, what areas need attention? What can be done to strengthen these areas?
 - b) As evaluation is done throughout the year, keep records of decisions related to the evaluation. Review these from time to time to determine the best ways to make the plans work more effectively.

The Accounting Section Duties

The objective of the accounting section is to develop an understanding of and commitment to the biblical concepts of individual and corporate stewardship. The section shall take steps to insure that sound procedures are instituted for collecting, counting, safeguarding and disbursing funds.

Persons and teams involved include the association treasurer, the financial secretary (a non-voting member) and the auditing team chairman.

Duties expanded:

- 1) Review the association financial report system. Recommend to the association stewardship team any needed revisions.
- 2) Evaluate the association financial record system periodically. Recommend to the association stewardship team any needed changes.
- 3) Draft and recommend financial policies regarding accounting.
- 4) Specific duties of individual members:
 - a) Ministry Directors, Team Leaders, Team chairmen and staff members are responsible for:
 - i) Receiving requests from members.
 - ii) Approving above requests.
 - iii) Submitting approved requests to appropriate associational staff member.
 - b) Associational staff (director of missions and other ministers) are responsible for:
 - i) Receiving requests from ministry directors, team leaders, team chairmen, and staff members.
 - ii) Reviewing requests.
 - iii) Making the purchase or designating an individual to do so.
 - c) Treasurer—The association treasurer is responsible for:
 - i) Receiving duplicate deposit slip for all deposits.
 - ii) Receiving deposit slips from all other association gifts deposited.
 - iii) Receiving information regarding all designated gifts.
 - iv) Disbursing all association funds according to the adopted association budget.
 - v) Seeking direction from the budget section in the event that monthly receipts are insufficient to meet budget requirements.

- vi) Supervising the recording of all receipts and disbursements of association funds.
- vii) Making a regular monthly report of the financial condition of the association to the association stewardship council.
- viii) Serving as leader of the accounting section of the association stewardship team.
- d) Financial Secretary—The association financial secretary is responsible for:
 - i) Making and maintaining a record of all individual gifts.
 - ii) Mailing quarterly and annual giving records to all association churches.
 - iii) Filing used remittance forms or envelopes for three full years.
 - iv) Destroying envelopes after three years.
- e) Auditing team chair—The auditing team chair is responsible for:
 - i) An official audit of association receipts, disbursements, and accounting records and reports.
 - ii) Reporting all audit findings to the association stewardship team.
 - iii) Revising the list of association leaders who should be bonded.
 - iv) Studying the association insurance program and recommending to the association stewardship council any changes needed.
 - v) Studying the association staff insurance and retirement plans and recommending to the association stewardship team any changes needed.
- f) Relationships

Note: Responsibilities of the association stewardship team chairman and the association stewardship council that are related to the accounting section of the association stewardship team.

- i) The association stewardship team chairman—The association stewardship team chairman is responsible for:
 - Presenting the budget, the audit, and all reports and recommendations from the various functioning units of the accounting section of the association.
- ii) The association stewardship council—The association stewardship council is responsible for:
 - (1) Recommending an association financial record system to the association for approval.
 - (2) Recommending any changes needed in the association financial record system to the association stewardship team for approval.
 - (3) Making a proper report of the financial audit to the association stewardship team.

Association Financial Procedure

The association procedure for handling funds is clear and precise.

The procedure includes seven basic areas: receiving, counting, depositing, disbursing, recording, reporting, and auditing.

Receiving

Other gifts received

- 1) Gifts received in the association office during the week, or special gifts at year-end, shall be noted as to source and designation and then deposited by the financial secretary the day they are received.
- 2) The deposit slip shall be completed in triplicate and a copy given to the treasurer and the audit committee.
- 3) Information regarding the individual making the gift shall be given to the financial secretary or the person responsible for recording gifts.
- 4) Designated gifts requesting restriction to a specific cause(s) shall be deposited and duplicate deposit slips (along with the information regarding gift designation) given to the treasurer and audit team.
- 5) Income received from wills and trusts shall be handled by the accounting section, reported to the association stewardship chairman, who in turn shall report to the association and seek instruction as to the disposition of the funds.

Depositing

- 1) Immediately following the service, the money shall be taken to the bank and placed in the night depository. At least two members of the counting team shall make the deposit.
- 2) This same procedure shall be used for the evening services if needed.
- 3) **NEVER** take the offering receipts home or place them overnight in a safe at the executive committee.

Counting

- 1) The counting team shall count the Sunday offering at the bank on Monday morning.
- 2) Counting money:
 - a) Separate loose offering from the envelopes.
 - b) Count the loose offering and record the amount.
 - c) Separate budget offering envelopes from any special offering envelopes.
 - d) Open each envelope and remove the money.
 - e) Verify the amount enclosed with the amount recorded on the face of the envelope.
 - i) Shall there be any discrepancy or shall the figures not be legible, have a second person verify this and record the amount with red on the right hand upper corner of the envelope.
 - ii) Both persons shall initial this.
 - iii) The financial secretary shall notify the affected parties.
 - f) Add the amounts from budget offering envelopes and record the total, using the corrected amount where applicable.
 - g) Add the amounts from special offering envelopes and record the total.
 - h) Checks that are received which are not enclosed in envelopes shall have an envelope prepared for them. This shall assure that amount being credited to the individual record.
 - i) Separate the cash from the checks so that a deposit slip can be made.
 - j) After counting the money, prepare deposit slips in triplicate and deposit the money.
 - k) The duplicate deposit slips shall be given to the treasurer and the audit committee.

Disbursing

- 1) All organizations, teams, staff or individuals shall abide by the financial policies and procedures of the association.
- 2) All purchases shall be made by the association purchase agent.
- 3) All **budgeted** expenditures shall be approved by the appropriate staff member.
 - a) Associational staff members (director of missions and other ministers) can approve budget expenditures of \$2,000.00 or less without prior approval from the stewardship council by completing a purchase order.
 - b) The individual wishing to make an expenditure shall submit the request to the appropriate organization or team, who shall submit the request to the appropriate associational staff member who shall approve the request by completing a purchase order.
 - c) The purchase shall be made by the associational staff member or a designated purchasing agent.
 - d) The associational staff member shall give a copy of the purchase order to the financial secretary indicating the purchase has been authorized.
- 4) All **budgeted** expenditures over \$2,000.00 must have stewardship council approval before the expenditure is made. Exceptions to this policy are utilities, debt retirement, payroll checks and **emergency** repairs in the event of a breakdown in mechanical equipment (or similar emergencies).
 - a) The ministry, team, or individual wishing to make an expenditure shall submit his request to the appropriate associational staff member.
 - b) The associational staff member shall review the request before submitting the purchase order to the stewardship council for approval.
 - c) After approval by the stewardship council the expenditure shall be made.
- 5) All non-budget expenditures must be recommended by the stewardship council and approved by the executive committee. They shall make decisions and/or recommendations, if deemed necessary, to the association concerning the need.
 - a) The organization, team, or individual wishing to make an expenditure shall submit the request to the appropriate associational staff member.
 - b) The associational staff member shall review the request and submit a written proposal along with a purchase order to the stewardship council.
 - c) The stewardship council shall make a decision concerning the request and if approved submit the request to the executive committee.
 - d) After approval by the executive committee, the expenditure shall be made by the designated purchase agent.
 - e) The association shall have final authority concerning non-budgeted expenditures. If a request is denied by the stewardship council, the request may be considered by the association in annual meeting upon a motion and second by a stewardship council member, association council member, minister or director of missions.
- 6) The association shall be responsible only for authorized expenditures. (Authorized expenditures are those approved by the designated associational staff member and/or the stewardship council and/or the association)
- 7) The association shall have an annual audit.

- 8) No purchases shall be made or checks issued without a proper check request or a purchase order.
- 9) The authority for disbursements comes from the budget as adopted by the association and/or from non-budgeted expenditures approved by the association according to association policy.
- 10) Only the financial secretary or administrator's secretary may prepare a check. Preparers may NEVER sign checks.
- 11) Checks shall be cosigned by any two of the following: treasurer, the association stewardship team chairman, association stewardship team section leader, other designated signer.
- 12) In the event that monthly receipts are insufficient to meet budget requirements
 - a) An emergency decision for distribution of funds shall be made by the budget section of the association stewardship team
 - b) A report of such decisions shall be made to the association by the association stewardship team chairman.
 - c) Spending priorities shall be established by the ministers and the association stewardship council.

Recording

- 1) The association treasurer is responsible for supervising the recording of all receipts and disbursements of association funds.
- 2) The association financial secretary is responsible for recording individual gifts of association members. The purpose of the record is twofold:
 - a) That the association may have a record of the giving by association members
 - b) That the association members may have a record of their contributions.
 - c) In the event the association is without a financial secretary, this duty shall fall under the responsibility of the association treasurer or some other designated person in the association.

Reporting

- 1) The association treasurer shall be responsible to make a regular monthly report of the financial condition of the association to the association stewardship council using the attached form.
- 2) The association stewardship team chairman shall be responsible for making a report of the financial conditions of the association at the monthly business meeting and for distributing copies of the printed report.
- 3) The financial secretary shall be responsible for seeing that quarterly and annual giving records are mailed to all association members.

Auditing

- 1) The auditing team shall have an official audit of receipts, disbursements, and accounting records and reports on an annual basis.
- 2) The auditing team shall further study the insurance program of the association to determine if sufficient amounts are being carried.
- 3) The auditing team shall check to see if proper insurance and retirement plans are being carried for association staff members.
- 4) The auditing team shall submit annually a list of members to be bonded.

- 5) The results of the association audit shall be submitted to the association stewardship team chairman who shall make a proper report to the association.

Bonding

- 1) The following association members shall be bonded:
 - a) The association treasurer.
 - b) Association financial secretary.
 - c) Association secretary.
 - d) Any other association member who handles a significant amount of the association's money.
 - e) This list shall be revised annually by the auditing team.

The Estate Section Duties²

Your estate is the single largest opportunity for stewardship you will ever have. The Bible is filled with good teachings on estate planning.

By faith Abel offered God a better sacrifice than Cain did. By faith he was commended as a righteous man, when God spoke well of his offerings. And by faith he still speaks, even though he is dead. Hebrews 11:4 NIV

The estate section is responsible for:

Creating awareness of the options available for giving from your estate.

Handling income received from wills and trusts and reporting it to the association stewardship council.

The Capital Fundraising Section Duties³

Work with our ministry partners at the State Board of Missions to develop a customized capital campaign to enable your association to grow and realize its dreams.

The capital fundraising section is responsible for:

Leading the association to select and conduct a capital fundraising campaign.

Audit Team Policyⁱⁱ

The audit team or committee is elected annually by the association and is composed of three members who are not connected with the receipt or disbursement of funds. It is the duty of this team or committee to secure a professional auditor (accountant or bookkeeper) to audit the financial records of the association annually or as instructed by the association.

The word "audit" is a positive word. An audit of a association's financial records can support the association treasurer and financial secretary and prevent controversy. An audit also protects a

² This is an optional section. For additional assistance contact the Baptist Foundation of Alabama.

³ This is an optional section.

association. Occasionally, a person gets elected as treasurer who is not skilled for the position. Perhaps more importantly, an audit can protect the association from inadequate or improper record keeping.

If the association chooses not to have a professional audit of its financial records, a reasonably good audit can be conducted by the audit team or committee.

Auditing financial records is a relatively simple task when the audit team or committee allows adequate time for the work. If, however, significant problems are identified, the services of a professional auditor should be sought immediately.

Responsibilities of the association auditing team or committee

When the audit team or committee audits the financial records, the following procedures can be used.

Preparation Procedures

Collect the appropriate records:

- 1) Bank account statements, deposit slips, all canceled checks, and any voided checks.
- 2) Savings account records (if the association has a savings account).
- 3) The counting team or committee record book where details of deposits are kept with the breakdown of designated and undesignated receipts.
- 4) Treasurer's monthly financial statements detailing disbursement transactions.
- 5) Treasurer's log or ledger
- 6) Paid bills with documentation or authorization for all disbursements.
- 7) Association's checkbook.
- 8) Copy of association budget for period of audit.
- 9) Payroll records.
- 10) Copies of association approved policies for finances (travel reimbursements, vacation pay for staff, etc.).

Auditing Procedures

The team or committee should meet at a time when each member can best give attention to details.

Receipts

- 1) Compare all receipt records for accuracy and consistency. Counting team or committee record book entries should be the same as the deposit slips and entries on the bank statement. Receipt records and bank statement should also agree with the entries in the treasurer's checkbook and monthly financial statement.
- 2) If differences are found in the above procedure, account for such differences and the funds involved.
- 3) For proper accounting, all money received must have been deposited in the checking account before being disbursed.

Disbursements

- 1) Check to insure that each check is written for a legitimate association expense and that a bill or other authorization is available for the exact amount of the check as written.
- 2) Any payment to the treasurer or his family should be signed by an authorized signer other than the treasurer
- 3) Disbursements from checking to savings accounts should be verified for accuracy. Funds withdrawn from savings should be verified as having been deposited in the checking account.
- 4) As a general rule, any document (either receipt or disbursement) that has an erasure or change noted should be reviewed very carefully.
- 5) Each check in the treasurer's checkbook marked void should be located and verified as having been actually voided. (Review the following example for possible problems.)
 - The monthly bill for electricity is \$100.
 - Canceled check #101 found in **bank statement** is written to electric company for \$100.
 - Entry for check #101 in **checkbook** is found to be for \$200.
 - Treasurer's **monthly statement** shows electric expense as \$200.
 - Check stub #102 in **checkbook** is marked void
 - Check #102 found in **bank statement** cleared for \$100 made payable to cash or some other payee.

(Many variations in the above are possible. Misappropriation of funds is suggested.)
- 6) Obtain reasonable evidence that expenses have been approved. If the budget serves as authorization for expenses, the audit team or committee should compare the expenses with the budget.
- 7) Review of salary and wage allocations might include an examination of ministry reports, job descriptions, and employee time or activity reports.
- 8) Determine whether budget categories are consistent with those of the preceding year or, if not, that the changes are adequately noted.
- 9) An inventory should be made of equipment and building assets.
- 10) Obtain copies of bank account reconciliations and see that they agree with ledger accounts.
- 11) Confirm bank balance directly with the bank including, but not limited to, checking accounts, savings accounts, and loan accounts.

Restricted Funds (special offerings, etc.)

- 1) Review the receipts and disbursements for special fund and special "pass-through" offerings (Lottie Moon Christmas Offering, Annie Armstrong Easter Offering, etc.).
- 2) Review restricted funds to determine that amounts received and disbursed are properly recorded according to donor instructions (memorial funds, trust funds, etc.).

The association audit team or committee should report all findings to the association stewardship team or committee whose chairperson will then report to the association. If a association does not have a stewardship team or committee, the audit team or committee chairperson will report directly to the association.

Other suggested procedures

To make auditing as easy as possible and to insure proper handling of association funds, evaluate the way association funds are currently being handled. (See The Association Counting Team or Committee leaflet for suggestions on handling association funds.)

- 1) Everyone handling association funds should be bonded:
 - a) The association treasurer
 - b) Members of the association counting team or committee
 - c) The association financial secretary
 - d) The association secretary
 - e) Any other members who handle any association money.
- 2) The association audit team or committee should review this list annually.

The Internal Audit Team

A. Team (or committee) Make-up

The Internal Audit team will be made up of the following individuals:

- 1) Director of missions, ex-officio member with voting rights
- 2) Representative from the Trustees
- 3) Two members at large, with accounting, business and finance background.

B. Weekly Duties

- 1) Receives copy of all original offering reports.
- 2) Receives corrected copies of offering reports
- 3) Test the correctness of these reports on a periodic basis and review corrected reports on a weekly basis.

C. Periodic Duties

- 1) Review cash handling procedures and be familiar with association accounting policies and procedures.
- 2) Determine that computer records are adequately safeguarded.
- 3) Determine that important records on the association computer are backed up regularly. Daily records should be backed up. A hard copy should also be on file.
- 4) Determine that payroll documents are complete, accurate, backed up on disk and a hard copy is on file.
- 5) Insure that safeguards for assets are in place.
- 6) Insure that valuables are properly protected.
- 7) Set controls for entry/exit. Determine if association offices are locked when not in use and if the computers are locked or password protection is properly used. Insure that passwords are changed at least every 30 days.
- 8) Insure that keys are properly controlled

- 9) Insure that contribution reports are properly maintained
- 10) Assure the accuracy of accounting information
- 11) Review internal controls.
- 12) Conduct a surprise audit of petty cash fund annually
- 13) Review errors and insure training for ushers and accounting staff as appropriate.
- 14) Insure that accounting records are safeguarded and backed up
- 15) Insure that proper accounting procedures are in place
- 16) Insure that the inventory of securities, valuables, equipment and other non-cash assets are maintained.
- 17) Insure that ushers training and financial staff training is sufficient
- 18) Review insurance coverage at least annually. Make recommendations for changes as necessary.
- 19) Monitor the performance of the Association Financial Secretary. Send a report on performance to the Director of missions at least annually.
- 20) Review association stewardship ministries and make recommendations for changes.
- 21) Review records retention at least on an annual basis.
- 22) Insure that a list of all assets is maintained and updated as necessary. Insure that a backup copy of the inventory list is kept off site.

D. Monthly Duties

- 1) Review offering counters reports, corrections, and balance to bank statement on a test basis.
- 2) Test individual funds each month. Test at least one fund each month.
- 3) Review monthly expense reports with the Association Financial Secretary prior to presentation to the Association Leadership Team.
- 4) Compare expense account totals to budgeted amounts looking for any large unusual budget variances.
- 5) Test accounts payable data.
 - a) Insure documentation is on hand.
 - b) Verify accuracy of invoices.
 - c) Make sure all invoices are properly approved.
 - d) Verify any past due invoices and determine why they were not paid.
 - e) Insure that any outstanding invoices not paid in the current month are included on the "Unpaid Accounts Payable from Previous Month" report given to the Association Leadership Team.
 - f) Insure that charges are going to the correct department and expense code.
- 6) Review line items periodically. Test 2-5 line items each month.
- 7) Insure bank reconciliations are done monthly.

E. Quarterly

- 1) Review numerical sequence of checks issued.

- 2) Review check disbursements by tracing the item as recorded in the disbursements register, (computerized checking account), to the canceled checks agreeing dates, amounts, payee, signature and endorsement.
- 3) Send out quarterly contribution reports
- 4) Answer periodic question from contributors
- 5) Receive feedback from quarterly contribution reports
- 6) Periodically review payroll taxes, Forms 941 and Forms 8109.

F. Year-End Review

- 1) Obtain Year-End Financial Report
- 2) Compare beginning balances per current report to ending balances on prior year-end annual report.
- 3) Check clerical accuracy of the year-end financial report.
- 4) Compare ending cash balances for each fund to:
 - a) Bank Statement reconciliation
 - b) Ending balance per check register or savings account.
 - c) Identify outstanding checks and trace subsequent clearing of those checks and deposits in transit for previous year.
- 5) Prepare a written report of the Internal Audit Team (or committee) to be included in the annual report to the congregation.
- 6) Oversee preparation of annual W-2s and 1099's
- 7) Ensure that the annual audit is completed.

Confidentiality of salaries policy

Confidentiality of salaries policy

Staff salaries are not published in the budget by individual but as a line item including all staff compensation. Only the personnel & stewardship teams see an individual's compensation.

Our bylaws charge the personnel team with setting salaries (taking into account a supervisor's recommendations, of course) and the stewardship team with determining available dollars.

A member may make a written request to the personnel team for an individual's salary information provided adequate reasons are presented.

Internal Audit Team

The Internal Audit Team

A. Team or committee Make-up

The Internal Audit team will be made up of the following individuals:

- 1) Director of missions, ex-officio member with voting rights
- 2) Association Financial Secretary, ex-officio, non-voting member.
- 3) Representative from the Board of Directors
- 4) Two members at large, with accounting, business and finance background.

B. Weekly Duties

- 1) Receives copy of all original offering reports.
- 2) Receives corrected copies of offering reports
- 3) Test the correctness of these reports on a periodic basis and reviews corrected reports on a weekly basis.

C. Periodic Duties

- 1) Review cash handling procedures and be familiar with association accounting policies and procedures.
- 2) Determine that computer records are adequately safeguarded.
- 3) Determine that important records on the association computer are backed up regularly. Daily records should be backed up. A hard copy should also be on file.
- 4) Determine that payroll documents are complete, accurate, backed up on disk and a hard copy is on file.
- 5) Insure that safeguards for assets are in place.
- 6) Insure that valuables are properly protected.
- 7) Set controls for egress/ingress. Determine if association offices are locked when not in use and if the computers are locked or password protection is properly used. Insure that passwords are changed at least every 30 days.
- 8) Insure that issuance of keys are properly controlled
- 9) Insure that contribution reports are properly maintained
- 10) Assure the accuracy of accounting information
- 11) Review internal controls.
- 12) Conduct a surprise audit of petty cash fund annually
- 13) Review errors and insure training for ushers and accounting staff as appropriate.
- 14) Insure that accounting records are safeguarded and backed up
- 15) Insure that proper accounting procedures are in place

- 16) Insure that the inventory of securities valuables, equipment and other non-cash assets are maintained.
- 17) Insure that ushers training and financial staff training is sufficient
- 18) Review insurance coverage at least annually. Make recommendations for changes as necessary.
- 19) Monitors the performance of the Association Business Administrator. Send a report on performance to the Senior Director of missions at least annually.
- 20) Review association stewardship ministry and make recommendations for changes.
- 21) Review records retention at least on an annual basis.
- 22) Insure that a list of all assets is maintained and updated as necessary. Insure that a backup copy of the inventory list is kept off site,

D. Monthly Duties

- 1) Test at least one fund each month.
- 2) Review monthly expense reports with the Association Financial Secretary prior to presentation to the Association Leadership Team.
- 3) Compare expense account totals to budgeted amounts looking for any large unusual budget variances.
- 4) Test accounts payable data.
 - a) Insure documentation is on hand.
 - b) Verify accuracy of invoices.
 - c) Make sure all invoices are properly approved.
 - d) Verify any past due invoices and determine why they did not get paid.
 - e) Insure that any outstanding invoices not paid in the current month are included on the "Unpaid Accounts Payable From Previous Month" report given to the Association Leadership Team.
 - f) Insure that charges are going to the correct department and expense code.
- 5) Review line item periodically. Test 2-5 line items each month.
- 6) Insure bank reconciliation's are done monthly.

E. Quarterly

- 1) Review numerical sequence of checks issued.
- 2) Review check disbursements by tracing the item as recorded in the disbursements register, (computerized checking account), to the canceled checks agreeing dates, amounts, payee, signature and endorsement.
- 3) Send out quarterly contribution reports
- 4) Answers periodic question from contributors
- 5) Receive feedback from quarterly contribution reports
- 6) Periodically review payroll taxes, Forms 941 and Forms 8109.

F. Year-End Review

- 1) Obtain Year-End Financial Report
- 2) Compare beginning balances per current report to ending balances on prior year-end annual report.
- 3) Check clerical accuracy of the year-end financial report.
- 4) Compare ending cash balances for each fund to:
 - a) Bank Statement reconciliation
 - b) Ending balance per check register or savings account.
 - c) Identify outstanding checks and trace subsequent clearing of those checks and deposits in transit for previous year.
- 5) Prepare a written report of the Internal Audit Team or Committee to be included in the annual report to the congregation.
- 6) Oversee preparation of annual W4's and 1099's
- 7) Make sure the annual audit is completed.

Miscellaneous Policiesⁱⁱⁱ

Controls on Expenses:

- 1) The person who approves purchases should not prepare the checks for payment.
- 2) The person who prepares the checks should not be authorized to sign them.
- 3) The check signer should not be the person who approves invoices for payment.
- 4) Two signatures. More than one signature should be required on checks over \$1,000. One signature is generally adequate on checks of a modest amount.
- 5) The Association Financial Secretary approves purchases, and all check requests require the approval of the association treasurer before checks are written.
- 6) Limited signers. Access to the association checking account is limited to 5 individuals.
- 7) Director of missions and ministers shall not be authorized to sign checks.
- 8) No blank checks. Checks should never be signed in advance of filling in the amount of the check and the payee. Use petty cash for minor cash expenditures. Larger expenditures that might require an immediate disbursement are better handled by establishing open accounts with vendors or charging items on an association credit card. Otherwise, an expenditure should wait until an exact amount can be determined and documented.
- 9) No more than one account. One bank account is sufficient for the association since the accounting system breaks down various types of funds (for example, operating, building, and scholarship).
- 10) If the association has active trust or endowment funds, those funds should be handled through a separate bank account.

Reimbursement policy

Reimbursement policy

In accordance with IRS regulations 1.162-17 and 1.274-5(e), the Baptist Association hereby establishes a reimbursement policy for all ministers and employees with the following terms and conditions:

- 1) The association will reimburse only reasonable ministry-related business expenses incurred by a minister or employee. Subject to budget limitations, such expenses will include:
 - a) Business use of automobile, up to the current IRS standard mileage rate;
 - b) Business travel away from home: transportation, lodging and meals on overnight trips,
 - c) Convention and conference expenses;
 - d) Educational expenses, if otherwise qualified as an itemized deduction and within the limits of current law;
 - e) Subscriptions, books and tapes, if related to ministry or employment;
 - f) Entertainment/hospitality expenses, if business connection requirement is met.
- 2) The minister or employee will account for each allowable expense in writing at least every 60 days. Documentation will include the amount, time and place, business purpose and business relationship of each expense. A receipt will accompany the documentation.
- 3) The minister or employee will return advances that exceed actual business expenses within 120 days.
- 4) Under this accountable arrangement the association will not report reimbursed amounts as taxable income on the minister's or employee's Form W-2. The minister or employee should not report reimbursed amounts as income on Form 1040.

FYI

Examples of taxable non-accountable arrangements and included on the W-2:

- 1) The association pays a monthly "car allowance" to the minister or staff member, without requiring any accounting or substantiation.
- 2) The association reimburses business expenses without requiring adequate written substantiation of amount, date, place and business purpose of each expense.
- 3) The association only reimburses business expenses once each year. Business expenses must be accounted for within a "reasonable time," generally 60 days or less.
- 4) The association provides the minister or staff with travel advances and requires no accounting for the use of these funds.

Salary restructuring and salary reduction arrangements will be discovered and questioned even more by auditing agents.

Also, employees cannot claim a deduction for business expenses for which they did not seek reimbursement. If the employee voluntarily chooses not to seek reimbursement for an expense from an employer, when the employer has an accountable expense reimbursement plan, then the expense is not deductible, the presumption is that the expense was not "necessary"

Also, if any expenses reimbursed under this arrangement are not substantiated, or are an excess reimbursement that is not returned within a reasonable period of time by an employee, the association cannot treat the expenses as reimbursed under an accountable plan. Instead, the expenses are treated as paid under a non-accountable plan

Spending Policies:

- 1) Limited terms for treasurers. The term of the treasurer is limited to three years. After at least one year off, a former treasurer may serve again.
- 2) Annual review of check signers. Once a year, the association should adopt a resolution authorizing check signers.
- 3) A benevolence fund. Contributions made directly by a donor to needy individuals are not tax-deductible. To qualify for a charitable deduction, contributions must be made to a association or a qualified charity.
- 4) Your association would be wise to establish criteria for individuals who may receive assistance. It should also adopt policies on how benevolence funds should be disbursed. A board-approved benevolence fund is an excellent way to handle gifts for needy individuals.
- 5) A housing allowance. The stewardship team (or committee) shall establish a housing allowance for every minister. Ministers who live in parsonages should have a housing allowance, too, even though that will be a more modest amount than what is provided for a director of missions who provides his/her own housing.
- 6) An expense-reimbursement plan.
- 7) Guidelines for travel.
 - a) Actual travel expenses shall be reimbursed (rather than a per-diem method).
 - b) The association will reimburse a staffer for the use of a personal vehicle, at the IRS rate per mile.
 - c) Type of transportation. The association will pay for air travel under circumstances where time-cost analysis warrant.
 - d) Family travel. Expenses will be reimbursed for a minister's spouse and children if they accompany him/her on association business as long as they travel in the same vehicle and stay in the same motel room. Meals and other additional charges reimbursed will normally be considered by the IRS as additional taxable income.
- 8) How to Pay Bills
 - a) Most bills can be paid once a month.
 - b) Payments should be based on original invoices and supporting documentation, however. If payment is based on copies of original documentation, it can be easy to pay the same item twice.
 - c) Invoices should be checked for accuracy before being paid.
 - d) Payments should not be made from month-end statements. Typically, such statements do not include the details of products or services provided and are not an adequate basis for payment.
 - e) When each check is written, the supporting document should be marked with "paid" as well as the date and check number.
 - f) If someone other than the treasurer prepares the checks, the treasurer should review supporting documents before signing the checks.
 - g) The supporting material should then be filed in a paid-bills file alphabetized according to payee.

- h) Checks should never be written payable to cash because it is essential to know how funds are used.
- i) It is acceptable to issue checks to petty cash, however, when replenishing that fund.

How to Approve Expenditures:

1. The approval process for expenditures
2. The approval of a departmental representative is required before an expense is paid.
3. Documentation of expenses. Every check should have written document to support it:
 - a. An invoice,
 - b. Petty-cash voucher,
 - c. Travel-expense report,
 - d. Payroll time sheet.
 - e. Written documentation may not be required in all cases:
 - i. For example, the association may have a policy that no documentation is required for travel-related expenses of \$75 or less (other than airfare or motels). This policy is reasonable and within guidelines of the IRS.
 - ii. In other cases, the association may require receipts for all reimbursements. Even then there may be a good reason why written documentation is not available. The treasurer should determine when the lack of documentation is acceptable. For example, an honorarium may be requested for a visiting speaker. A written check request indicating the date of the speaking engagement and the event would normally be sufficient. Or, a director of missions may have lost an invoice for a ministry expense he paid out of pocket. If the amount paid is within reason,^{iv} a written explanation of the item and why documentation is missing should be adequate.

This resource is possible by the gifts of Alabama Baptists through the Cooperative Program.

Compiled by state missionary Jim Swedenburg, director

Office of Cooperative Program & Stewardship Development

Alabama Baptist Convention State Board of Missions,

State missionary Rick Lance, executive director

ⁱ Separation of duties is essential. No one who makes checks or reconciles checks may also sign checks. Adjust signatories accordingly.

ⁱⁱ Written by Ron Byrd, CPA, Mainesville, Ohio. Reviewed and expanded by Ray L. Clinebelle. Jr., CPA, Raleigh, North Carolina

ⁱⁱⁱ Based on ideas from Dan Busby, CPA, is a speaker, author, and consultant with Capin Crouse LLP, with offices in Atlanta, Chicago, Colorado Springs, Indianapolis, and Los Angeles. *Your Association*. May/June 1999, Vol.45, No. 3, Page 60.

^{iv} IRS rules limit this to amounts less than \$75 per item.