

7 Financial Stewardship Tips For Every Church: Protecting Against Fraud, Theft and Misuse of Funds

Finances. Everyone's favorite topic, right?

Whether money is tight or you have plenty of financial breathing room, you need to keep a close watch on your church's finances. Members of your congregation are tithing to support the church's work and trusting you to spend those donations wisely.

To ensure excellent stewardship of church finances, you need strong internal controls and qualified staff to handle the accounting. If you're not familiar with the term "internal controls," don't worry. This simply refers to processes designed to protect against potential fraud, theft and misuse of funds. These practices not only protect against illegal or unethical behavior; they also protect the reputation of your staff and your church.



1. A minimum of 2-3 people must be present when counting the offering

If you only have one person counting the offering, it would be easy for that person to steal money without anyone realizing it. None of us wants to think that our staff members would do such a thing, but the temptation would certainly be there.

Also, consider your staff member's reputation. What if someone accused her of theft? There's no way to prove her innocence if she's the only person who handled the offering.

2. Use a PO process to approve expenditures in advance

Staff should submit purchase orders (POs) to the finance office for budgetary review and approval prior to purchasing.

3. Create and monitor an annual budget

The church board should create a budget each year with input from each department/ministry area leader. The finance office should produce a financial report each month that compares the budget versus actual expenses. The board should review that report and determine if any adjustments are needed.

4. Review financial reports monthly

The pastor, executive pastor and church board members should receive and review financial reports (balance sheet, income statement, budget vs. actual, financial trends, etc.) each month from the finance office. These leaders should submit any questions to the finance office to receive additional explanations for items such as financial trends or variances between budget and actuals.

5. Require multiple signatures for larger purchases

The church's bank account should require at least two signatures for checks exceeding a set dollar amount.

6. Implement segregation of duties practices

The person who enters a new vendor into your church accounting software should be a different person from the one who can enter invoices and/or write checks. This is called having "segregation of duties" and prevents instances such as a single individual from adding a bogus vendor, creating a fake invoice, then writing himself a check (and suddenly quitting).

7. Hire experienced accounting personnel

Hiring Aunt Susie's niece to oversee your finance office due to family relationship and her willingness to take a pay cut isn't wise. You can't afford to have church finances poorly managed, so invest in a qualified individual who has years of proven accounting experience.

If you can hire a CPA, that's great. If not, at least hire someone with an accounting degree and five-plus years of experience (with great references and a clear background check). Also, outsourcing tasks that require a more experienced staff could be a more economical option. Then have a CPA review your financial records at least annually.

Dealing with things like internal controls and financial reports aren't what most church leaders envision when going into ministry. However, these practices are part of being a good steward of the finances God has entrusted to us. Your reputation and the reputation of your church are at stake.

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