

**The Episcopal Church of St. Swithen**

Financial Policies and Procedures

Vestry approved: [Date]

**Table of Contents**

3 Financial Policy & Procedures Overview

Purpose

Who is involved with St. Swithen's Financial Policies and Procedures?

4 Budgeting

Operating Budget Expenses

Budget Responsibilities

Finance Committee Members' Budget Responsibilities

Vestry Members' Budget Responsibilities

6 Expenses

Procedures for Approval of Expenses

Unplanned Needs

Use of Tax Exemption Documentation Required

Bill Payments

Petty Cash

8 Appendix 1 - Internal Controls

Active Controls

Passive Controls

**Financial Policy & Procedures Overview**

**Purpose**

This document puts in one place a comprehensive view of the financial policies and procedures used at St. Swithen's Episcopal Church. This document is intended to provide clear guidance to Vestry members, ministry leaders, and the congregation on the procedures that safeguard appropriate use of church funds and provide for prompt payment of debts incurred by the church as an entity or those of individuals who seek reimbursement for expenses incurred on behalf of the church.

**Who is involved with St. Swithen's Financial Policies and Procedures?**

There are several interrelated bodies involved with St. Swithen's Financial Policies and Procedures:

The **Treasurer** is responsible for the management of the Operating Funds and budget along with the bookkeeping functions.

The **Assistant Treasurer**, pays bills as instructed by the Treasurer and generally assists in the duties of the Treasurer.

The **Vestry** is responsible for approval of the budget and all major expenditures as outlined in this document. The Vestry (along with former members of the Vestry) count the Sunday offering.

The **Financial Secretary** logs the Sunday contributions and keeps track of member contributions and reports quarterly to members of the congregation.

The **Building Campaign Clerk** is responsible for management of the Building Campaign Funds and restricted funds held by the parish.

The **Finance Committee** meets to review strategic financial issues and makes recommendations to the Vestry. They also handle various other responsibilities related to the financial health of the church, such as managing the Growth Fund and providing for the annual parish audit.

**Budgeting**

**Operating Budget Expenses**

St. Swithen's Episcopal Church annual Operating Budget establishes the framework for the programs that the church will undertake during the program year. The Wardens, in consultation with the Rector, provide staff compensation inputs for the coming calendar year. The Treasurer handles all non-committee expense items such as utilities, building expenses, etc.

Initial budget recommendations are due to the Treasurer as follows: preliminary inputs in November for significant changes that could affect the Stewardship campaign, with final inputs by December. The Treasurer submits the budget to the Finance Committee for comments and recommendations. The budget is then submitted to the Vestry for final approval through a Vestry vote. The budget is then reviewed with the Congregation at the Annual Meeting by the Treasurer.

**Budget Responsibilities**

Each ministry area has a budget. Budget inputs for the coming calendar year are due to the Treasurer as per the timeline listed in the "Operating Budget Expenses." The budget is refined based on those results and approved by the Vestry.

Should the budget needs change, in either amount or a major reallocation, the Treasurer needs to notify the Vestry, and present these items for approval.

When seeking vendor quotes for expenditures, multiple bids are recommended to ensure their reasonableness. Three bids are preferred, when practicable. The committee chair or Vestry liaison is not required to take the low bid, but to judge the best bid for overall value for St. Swithen's Episcopal Church.

**Finance Committee Members' Budget Responsibilities**

The Finance Committee meets quarterly, focusing on strategic financial issues, and makes recommendations to the Vestry. The Finance Committee has representation from the Treasurer and other volunteer members of the Congregation. The Finance Committee focuses on the Operational aspects of the parish's finances. They meet quarterly, and focus on making sure the day-to-day financial operations of the church are being handled successfully. They also develop and implement (with Vestry approval) investment strategies for the parish's financial assets to seek to maximize income and growth consistent with a conservative level of risk. The Finance Committee also handles various other responsibilities related to the financial health of the church, such as audit functions.

**Vestry Members' Budget Responsibilities**

The Vestry is responsible for the approval of the annual budget.

**Expenses**

Once the budget is approved by the Vestry, funds may be used as approved for the fiscal year without formal Vestry authorization. Because St. Swithen's Episcopal Church's operating budget is dependent on contributions from parishioners, cash flow varies throughout the year. During some years the Vestry may require that Budgeted discretionary expenses over a certain amount receive Vestry approval before being spent, even items that may be budgeted. A motion passed by the Vestry, recorded in the Vestry minutes and communicated to the Treasurer would evidence this requirement.

Here are the expenditure level authorizations...

|  |  |
| --- | --- |
| **Expenditure Level** | **Required Authorization to Spend** |
| $0 - $250 | Office Staff |
| $251 - $499 | Rector - or - Treasurer - or - Warden |
| $500 - $999 | Rector + Treasurer - or - Senior Warden |
| + $1,000.00 | Formal Motion & Approval by Vestry |

**Procedures for Approval of Expenses**

Accounts payable at St. Swithen's Episcopal Church generally come in two forms: bills received through the mail and presentation of requests by members, clergy and staff to repay them for expenses they paid on behalf of the church.

The Treasurer or Assistant Treasurer are authorized to approve check requests and pay bills received that are for recurring budgeted expenses, such as utility or phone bills. In the absence of the Treasurer, the Senior Warden, Junior Warden or Pastor may also approve and submit these recurring expenses for payment. Members with oversight for these areas may request a report from the Treasurer detailing expenses by budget line item or can use budget reports they receive every month to monitor whether these expenses are running over or under budget.

Any expenditure must be approved as outlined in the expense level authorization matrix from the previous section.

Because the church utilizes electronic bill pay from the bank web sites, there isn't often an opportunity to have two people sign a check. In order to insure that sufficient controls are being followed, the bank statements will be reviewed quarterly by the Treasurer and Assistant Treasurer or Finance Committee member and documentation signed and put on file for audit.

**Unplanned Needs**

Occasionally through the year, unseen and special expenses may warrant that St. Swithen's Episcopal Church special funds be used to cover an expense. When these opportunities or needs arise, the expenditure level authorization matrix above is used.

**Use of Tax Exemption Documentation Required**

Whenever possible, purchases on behalf of St. Swithen's Episcopal should be made through vendors with whom St. Swithen's Episcopal has established an account and provided tax-exemption documentation. Those who use other vendors are responsible for providing the vendor with State of Michigan Sales Tax Exemption Certifications prior to incurring the expense. Blank state tax forms are available from the Treasurer. It is the responsibility of each Vestry member to provide information for those incurring expenses about the availability of these forms and to consult with the Treasurer for assistance.

**Bill Payments**

As a general rule, the Treasurer or Assistant Treasurer pays bills at least every other week. The Vestry officially designates bank account signatories at the first monthly meeting following the election of new Vestry members. Normally, the people authorized on behalf of St. Swithen's Episcopal Church are the Treasurer, Assistant Treasurer, Senior Warden, Junior Warden and Rector.

**Petty Cash**

It is not the practice of St. Swithen's Episcopal Church to maintain a "petty cash" fund.

**Appendix 1 - Internal Controls**

St. Swithen's Episcopal Church financial "internal controls" are a system of "special purpose" processes and procedures designed and practiced for the primary purpose of preventing or deterring fraud. The internal controls fall into two categories, active and passive:

**Active Controls**

Signatures and Countersigning

* Bank statements will be reviewed quarterly by the Treasurer and Assistant Treasurer or Finance Committee member and documentation signed and put on file for audit.
* Original voucher, invoice or receipt

Passwords

* QuickBooks Software relies on passwords for access
* State, Local and Federal payroll tax websites rely on passwords for access
* 1st National Bank website relies on passwords for access
* United Bank & Trust website relies on passwords for access

Segregation of Duties

* Segregation of Duties means that there are processes and procedures to require that duties must be divided among a number of people so that no one person or group can obtain church cash by fraud.

The following are done by different individuals for segregation of duties. No one group handles more than one step:

* Cash Receipt counting and deposit
  + Vestry members or former Vestry members count the money. There must be at least two unrelated members present.
  + The Treasurer also prints and verifies the Offertory Sheet.
* Entering Contributions and reconciling to the deposit receipt
  + Receipts are posted to the church's accounting software by the Treasurer or Assistant Treasurer.
* Invoice and voucher approval
  + Review by responsible Vestry member or Treasurer
  + Creation and entry of the bill payments and checks
  + Checks or bill payments are made by the Treasurer or Assistant Treasurer
  + All Checks must have proper backup - invoice or voucher
    - An Invoice in the case of a routine bill
    - A voucher and accompanying receipt in the case of a Vestry requested check or reimbursement
* Check signing
  + Any checks issued for more than $500.00 require two signatures.
  + No officers of St. Swithen's Episcopal Church with financial responsibility shall sign any blank checks.
  + The use of signature stamps or pre-printed signatures is expressly prohibited.
* Each expenditure over $250 requires initials from the Treasurer and Assistant Treasurer or Finance Committee member on the bank statement. This is done due to many bill payments made through internet banking which cannot have signatures.
* The Treasurer provides monthly financial reports to the Vestry and Finance Committee
* The Rector reviews and initials regular bills and utilities to be paid as outlined in the regular operating budget.

**Passive Controls**

Audit trails

* Stored backup of receipts to match deposits and checks

Annual Finance Committee audit

* Called by the Treasurer to review financial reports

Financial procedures are normally audited every three (3) years

* Focused audit on internal controls, which is done along with reporting audit.
* Surveillance of key activities.