



## Managing the Checkbook and Bank Statements

## Table of Contents

<a href="#"><u>Managing the Checkbook</u></a> .....	002
<a href="#"><u>Signing Checks</u></a> .....	003
<a href="#"><u>Determining Who Can Sign Checks</u></a> .....	003
<a href="#"><u>Dual Signature Requirements</u></a> .....	003
<a href="#"><u>Signature Authority</u></a> .....	003
<a href="#"><u>Bank Signature Cards</u></a> .....	003
<a href="#"><u>Writing Checks</u></a> .....	005
<a href="#"><u>Authorizing Payment by Check</u></a> .....	005
<a href="#"><u>Use A Check Request Form</u></a> .....	005
<a href="#"><u>Check Preparation and Recording</u></a> .....	006
<a href="#"><u>Recording Deposits</u></a> .....	006
<a href="#"><u>Recording Withdrawals</u></a> .....	006
<a href="#"><u>Balancing the Checkbook or Reconciliation</u></a> .....	007
<a href="#"><u>Physical Security</u></a> .....	008
<a href="#"><u>Online Banking</u></a> .....	009
<a href="#"><u>Manual Banking</u></a> .....	010
<a href="#"><u>References and Resources</u></a> .....	011
<a href="#"><u>Forms</u></a> .....	012

## **Managing the Checkbook**

Accurate record keeping in a church begins with maintenance of the checkbook, whether it is maintained by hand or as an electronic register within your church's financial accounting software. The following internal controls dealing with church checkbooks and banking should be incorporated into your church's [Financial Operating Procedures \(FOP's\)](#).



## Signing Checks

### Determining Who Can Sign Checks

A church's Financial Operating Procedures (FOP's) should state who within the church has the authority to sign checks and other financial documents. Usually the Board of Directors may sign these documents as they have [fiduciary responsibility](#) for the church.

### Dual Signature Requirements

Dual signatures should either be required for *all* checks or for checks above a designated nominal amount. In the latter case, multiple checks or partial payments should not be used to circumvent the dual signature requirement. These signatures must correspond to those on the bank's signature authority form. The Board of Directors has discretion as to who is designated as an [authorized signer](#), depending on the circumstances of the church. Board members (all or officers only) are typically authorized signers. However, specific staff members (who do not handle disbursements) and even lay volunteers (an Assistant Treasurer, perhaps) can also be authorized to sign checks. Remember that the responsibility for obtaining two signatures rests with the church (it is possible to have checks printed with the reminder "two signatures required"). Many banks will not flag checks containing only one signature. [See Sample Signature Authorization Motions](#).

### Signature Authority

The advantages of Board-only check signers is that fiduciary responsibility rests with them as duly elected officials of the church, and they directly and legally are responsible to the congregation. In addition, Board members are (should be) covered by a liability insurance policy that protects the church in the event of financial misconduct or malfeasance. The drawback to Board-only signers is that circumstances may arise in which a disbursement needs to be made quickly and no Board members are available. In this case, a designated staff member (who can also be covered by a liability policy) or volunteer may be designated to serve as a check signer. Under no circumstances should volunteers be given single signature authority. [See Sample Signature Authorization Motions](#)

### Bank Signature Cards

Signature authority forms are provided by the bank and are required to be up-to-date. This means they must be updated when Board members are elected or leave the Board or other authorized signers are no longer serving in that capacity. Signature cards carry the printed name, title, and signature of authorized signers. Many banks also require a

copy of a Board resolution and may require the cards to be notarized. [See Sample Bank Resolutions Authorizing Signature Authority.](#)



## Writing Checks

### Authorizing Payment by Check

Bills to be paid by check should be approved for payment in writing by a person or persons with approval authority.

### Use a Check Request Form

A [check request form](#) (also called a purchase form) should be used to indicate the name of the person requesting the check; the purpose, amount, and date of the check; and the account or budget line to be charged; as well as an approval signature or signatures. (See sample below.) Original invoices or receipts should accompany the request. A good practice is to record the check number on the receipt and to include the invoice or vendor account number in the memo line of the check to prevent duplicate payments. See '[Online Banking](#)' for further discussion of payment approvals. [See Sample Check Request Forms.](#)

## Check Preparation and Recording

Checks should be prepared, if possible, by someone who **DOES NOT** have signature authority. The memo line should contain the invoice number of the purchase or the receipt for same. Each expenditure paid by check should be recorded immediately in and posted to the [General Ledger](#). Checks should be prepared sequentially—do not skip numbers.

Blank checks should never be signed, for any reason. Neither should checks be made out to 'cash.'

### Recording Deposits

Deposits are income items and are recorded in the General Ledger as a credit. ([See Debits and Credits Quick Reference Guide.](#)) Samples of deposits are: Contributions, Facility Rental, and Bookstore Receipts.

### Recording Withdrawals

Withdrawals are expense items and are recorded in the General Ledger as a debit. ([See Debits and Credits Quick Reference Guide.](#)) Samples of withdrawals are Checks, and Automatic Debits.

## Balancing the Checkbook or Reconciliation

[Reconciliation](#) involves comparing the balance in the monthly bank statement with the balance in the church's accounting records or ledger. Whether reconciling bank statements with a simple checkbook or with a ledger or with the church's computerized accounting records, this process helps confirm that banking transactions are correctly documented and helps identify mistakes. It also ensures accurate reporting of the church's financial position. The church Treasurer or designated person should reconcile the books at least once a month, as finding mistakes in the records for a single month is easier than finding errors at the end of a twelve-month period when the accounts need to be balanced and closed.

Deposits, cancelled checks, and [bank service fees](#) must be accounted for, as should any outstanding checks or unposted deposits. Remember to account for all check numbers, including voided checks. Also, check the [endorsement](#) on the back of all cancelled checks to ensure that the appropriate party received and deposited the check.

The bank statement balance will need to be adjusted by adding any deposits made during the month that are recorded in the general ledger but have not yet been posted to the bank account. Any checks for the month that have not cleared should be subtracted. Likewise, any bank service fees indicated on the bank statement should be recorded in the ledger. Any check amounts recorded in the ledger incorrectly should also be noted and corrected. When the check register, bank balance, and ledger balance all match, then the bank statement has been reconciled.

## Physical Security

It should go without saying that the checkbook and extra checks should be kept in a locked, secured place accessible only to individuals authorized to disburse funds. Church checks or checkbooks should not leave church premises.



## Online Banking

[Online banking](#) has revolutionized how individuals and organizations—including churches—do business. Ready access to funds and the immediacy of electronic receipts and payments save time and resources. They also add a new wrinkle to the church internal controls discussed above.

Online banking requires a different level of vigilance with regard to security. Access to online accounts must be authorized and restricted to designated individuals. [Log-in credentials](#) must be safeguarded, and security protocols to limit the possibility of hacking must be in place.

[Electronic payments](#) or [direct debits](#) from the church's account also alter authorization and approval procedures. In the same way that limitations are placed on who can sign checks, identifying the appropriate persons to authorize electronic payments is important. While physical signatures are no longer required, the importance of the expenditure approval process is magnified. Paper payment request forms are still viable for approval of electronic payments. However, financial software and many banking institutions have incorporated electronic approval mechanisms.

Online banking and direct debits change how transactions are recorded, but the process by which accounts are reconciled is essentially the same. Increasingly financial software has the capability to interface with financial institutions to enhance the ability of organizations to monitor their finances.

## **Manual Banking**

Manual banking is the traditional form of banking in which paper checks, deposit slips and withdrawal forms are used, and transactions are enacted through actual, physical interaction between the church's representative and the bank's employee.



## REFERENCES AND RESOURCES

[www.AccountingCoach.com](http://www.AccountingCoach.com)

[www.COGpension.org](http://www.COGpension.org)

Brethren of Christ in North America [www.BrethernofChristinNorthAmerica.org](http://www.BrethernofChristinNorthAmerica.org)



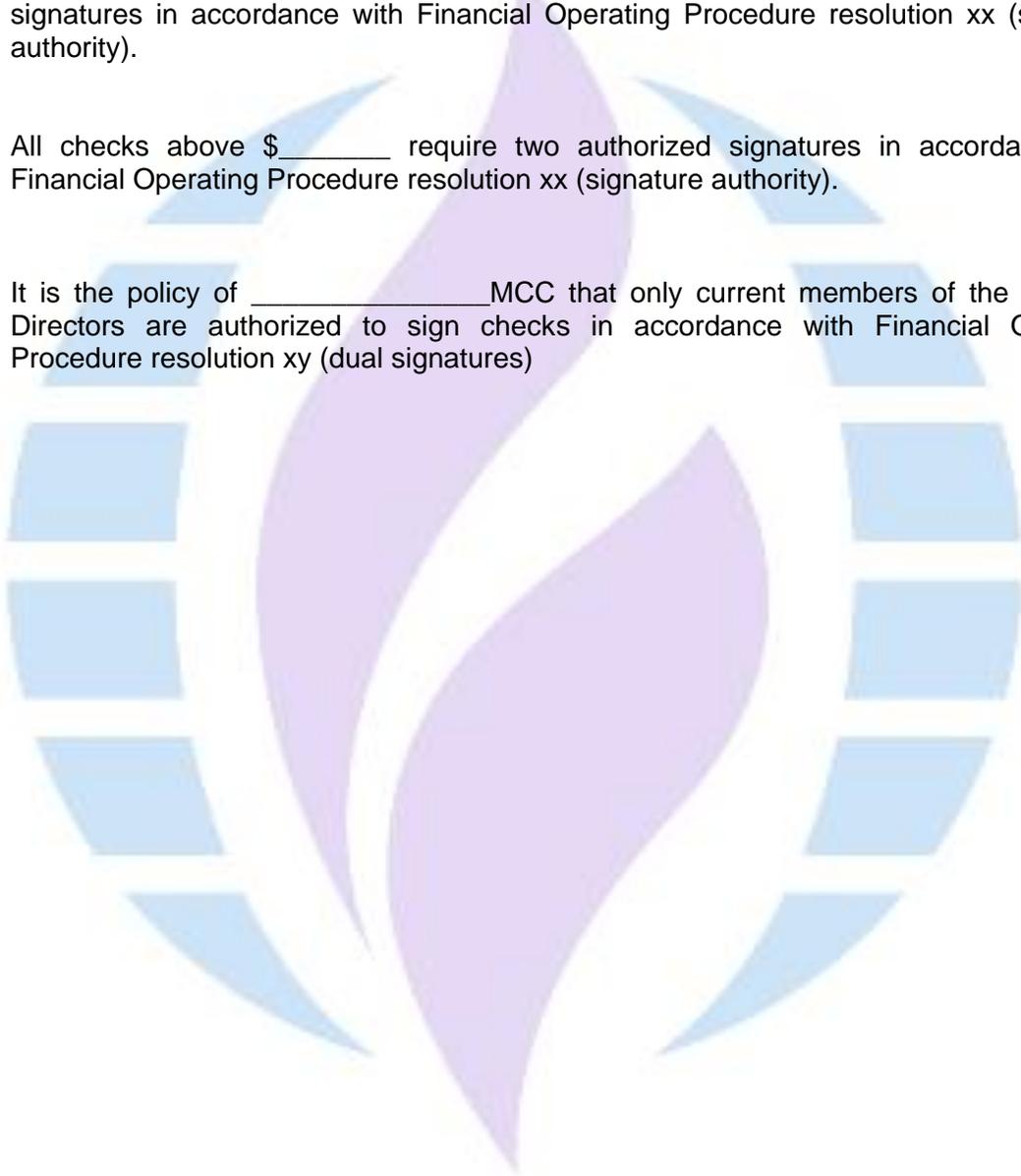


<a href="#"><u>Signature Authorization Motions</u></a> .....	014
<a href="#"><u>Bank Resolutions Authorizing Signature Authority</u></a> .....	015
<a href="#"><u>Check Request Form</u></a> .....	017
<a href="#"><u>How Debits and Credits Work</u></a> .....	019



**SIGNATURE AUTHORIZATION MOTIONS (SAMPLE)**

1. It is the policy of \_\_\_\_\_MCC that all checks require two authorized signatures in accordance with Financial Operating Procedure resolution xx (signature authority).
2. All checks above \$\_\_\_\_\_ require two authorized signatures in accordance with Financial Operating Procedure resolution xx (signature authority).
3. It is the policy of \_\_\_\_\_MCC that only current members of the Board of Directors are authorized to sign checks in accordance with Financial Operating Procedure resolution xy (dual signatures)



**BANK RESOLUTIONS GRANTING SIGNATURE AUTHORITY (SAMPLE)**

Be it resolved that the undersigned certifies that they are the duly elected Board of Directors of \_\_\_ MCC (“company”) organized under the state laws of \_\_\_\_\_, Federal Tax ID # \_\_\_\_\_

hereafter known as the company, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of the Board of Directors of the company duly called and held on day, month, year. As such we are authorized to

- 1) Open any deposit or share accounts in the name of the company.
- 2) Endorse checks and orders for the payment of money or otherwise withdraw or transfer funds on deposit with this financial institution.
- 3) Borrow money on behalf and in the name of the company, sign, execute, and deliver promissory notes or other evidence of indebtedness.
- 4) Endorse, assign, transfer, mortgage or pledge bills receivable warehouse receipts, bills of lading, stocks, bonds, and real estate or other property now owned or hereafter owned or acquired by the company as security for sums borrowed, and to discount the same, unconditionally guarantee payment of all bills received, negotiated, or discounted and to waive demand, presentment, protest, notice of protest, and notice of non-payment.

We further certify that the Board of Directors (or governing body) of the company has, and at the time of adoption of this resolution had, full power and lawful authority to adopt the foregoing resolutions and to confer the powers granted to the persons named who have full power and lawful authority to exercise the same.

~~~

WHEREAS, \_\_\_MCC, (Church) has a number of accounts at \_\_\_Bank,  
AND WHEREAS, the Board of Directors of \_\_\_MCC desires to  
update the authorized signatories for all such accounts held by \_\_\_Bank for \_\_\_MCC

NOW THEREFORE, BE IT RESOLVED THAT: any two (2) of the following named  
individuals be and hereby are authorized to sign for any transfer of any and all accounts  
held by \_\_\_ Bank,

| <u>Full Legal Name</u> | <u>Position Held on Board</u> |
|------------------------|-------------------------------|
| _____                  | <u>Vice Moderator</u>         |
| _____                  | <u>Treasurer</u>              |
| _____                  | <u>Assistant Treasurer</u>    |
| _____                  | <u>Clerk</u>                  |
| _____                  | <u>Assistant Clerk</u>        |
| _____                  | _____                         |
| _____                  | _____                         |

## CHECK REQUEST FORM (SAMPLE 1)

**Payable to:** [Name of the Person or Vendor to be paid]

**Address:** [Street or P.O. Box to which the check will be mailed]

Address 2: [if needed to complete the address]

**City/State/Zip:** [City, State, Zip code of recipient]

**Telephone Number:** [Vendor Phone Number]    **Fax Number:** [Vendor Fax Number]

**Account Number:** [The account number given to the church as a corporate identifier]

**Amount:** [Amount due to the vendor]

**Due Date:** {Date payment is due to the recipient}

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**Requested by:** [Name of the person making the request]    **Date:** [Today's date]

**Contact Number:** [Phone number where requestor can be reached to answer questions]

**Reason for Request:**[ Why was this purchase made]

**Accounting/Budget Line Item Number:** [The church's Accounting or Budget number]

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**Approved by:** [ Name of Person Approving Payment]

**Declined due to:** [If payment is declined, reason for the decline]

Vendor Number: [ If you church assigns vendor number recorded it here for the person inputting the check information]

**Signature:** [ Signature of the person approving the issuance of a check]

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**Check Number:** [ Record the check number here]

**Check Date:** [ Record the date the check was issued]

**Invoice(s) must accompany a completed check request form.**

**MCC \_\_\_\_\_ - CHECK REQUEST FORM (SAMPLE 2)**

|                                                                                          |  |
|------------------------------------------------------------------------------------------|--|
| Date Requested:                                                                          |  |
| Pay To The Order Of:                                                                     |  |
| In the Amount Of:                                                                        |  |
| For the Purpose Of:<br>(Memo Line / Comment)                                             |  |
| <input type="checkbox"/> Send Check To:<br>OR<br><input type="checkbox"/> Give Check To: |  |
| Requested By:                                                                            |  |
| Approved By:                                                                             |  |
| Special Instructions:                                                                    |  |

**General Ledger/Personnel:**

- \_\_\_ 501300 Medical Insurance
- \_\_\_ 501400 Honorariums
- \_\_\_ 501650 Professional Dues & Subscriptions
- \_\_\_ 501700 Pension (UFMCC)
- \_\_\_ 501800 Workers Compensation Insurance

**General Ledger/Administration:**

- \_\_\_ 503100 Pastor / Board Discretionary
- \_\_\_ 503200 Permits and Fees
- \_\_\_ 503300 Software Support (ACS)
- \_\_\_ 503400 Ministry Support
- \_\_\_ 503420 Office Supplies
- \_\_\_ 503430 Postage
- \_\_\_ 503440 Copier

**General Ledger/Ministry:**

- \_\_\_ 507100 Communication
- \_\_\_ 507200 Congregational Care
- \_\_\_ 507300 Worship & Celebration
- \_\_\_ 507400 Children & Youth
- \_\_\_ 507500 Education and Enrichment
- \_\_\_ 507550 Teaching Church
- \_\_\_ 507600 Music
- \_\_\_ 507800 Social & Fellowship
- \_\_\_ 507900 Welcome Team

**Restricted Funds:**

- \_\_\_ 810100 Benevolence
- \_\_\_ 810200 Building
- \_\_\_ 810300 Christian Social Action
- \_\_\_ 810400 Conference
- \_\_\_ 810500 Pastor's Education
- \_\_\_ 810600 Building Maintenance
- \_\_\_ 810700 Equipment
- \_\_\_ 811100 Tithe (UFMCC)

**Restricted Funds (DONOR):**

- \_\_\_ 815000 Donor Restricted Fund
- \_\_\_ 816000 DR Ground Spring

**Obligated Funds:**

- \_\_\_ 820100 Love Offering
- \_\_\_ 820200 Retreat
- \_\_\_ 820300 Flowers
- \_\_\_ 820400 Special Events
- \_\_\_ 820401 Education Events
- \_\_\_ 820402 Musical Concerts / Events

OTHER (please specify \_\_\_\_\_)

**QUICK REFERENCE GUIDE  
HOW DEBITS AND CREDITS WORK IN ACCOUNTING**

How Debits (Dr) and Credits (Cr) affect accounts:

- For Asset accounts, debits increase the balance and credits decrease the balance.
- For Liability accounts, debits decrease the balance and credits increase the balance.
- For Equity accounts, debits decrease the balance and credits increase the balance.
- For Income accounts, debits decrease the balance and credits increase the balance.
- For Expense accounts, debits increase the balance and credits decrease the balance.

| <b>Account Type</b> | <b>Debit</b> | <b>Credit</b> |
|---------------------|--------------|---------------|
| <b>Asset</b>        | <b>+</b>     | <b>-</b>      |
| <b>Liability</b>    | <b>-</b>     | <b>+</b>      |
| <b>Equity</b>       | <b>-</b>     | <b>+</b>      |
| <b>Income</b>       | <b>-</b>     | <b>+</b>      |
| <b>Expense</b>      | <b>+</b>     | <b>-</b>      |