

Credit and Debit Cards – Options Outlined

Credit and Debit cards can be a useful tool for churches. They can also be a major door to fraud and mismanagement, which is why we have recommended in the past that most churches not have them. But as times change, the ability to make online payments has become more necessary, and more churches are obtaining credit or debit cards.

1) There are options if your church does not want to have a credit/debit card.

If your pastor/head deacon/custodian makes many board-approved church purchases, they could obtain a personal credit card to be used exclusively for that purpose. When they receive their statement, they request reimbursement by filling out the *Check Request Form*, attaching all original receipts for that date range. They then receive a reimbursement check and pay their own credit card bill. (The church is never to send a check to pay an individual's bill.)

For annual payments that require credit/debit card payment (such as Zoom) it is always an option for treasurer or elder or deacon to pay the bill using a personal card, then receive reimbursement using the *Check Request Form*. If you can make an annual payment rather than monthly, it would save monthly checks.

If your board has decided that it is time for the church to have its own credit/debit card, here are some guidelines.

2) Corporate Credit Card: We recommend that if a credit card is necessary, that the church obtain a corporate-type credit card. Such a card provides each user with a card containing both the name of the church and the name of the authorized user. Each user should receive a monthly statement listing all purchases made with his/her corporate card.

The treasurer would receive a “master statement” listing the purchases of each user and the total purchases made by all cards. Each user would be responsible for submitting receipt back-up for every purchase. This often requires more work on the part of the treasurer than a system of reimbursement.

A corporate style card usually does not require you, as treasurer, to be the guarantor. Unfortunately, those types of cards can be difficult to acquire. Sometimes your local bank will issue them to you, but not every bank will.

One very important item to understand if you are the guarantor is that *once you are no longer the treasurer, you will need to be sure to transfer the account into the name of the new treasurer or you will continue to be personally responsible for church purchases*. This is usually something that can be done. If for some reason the company is not willing to make a transfer, you could have to cancel the credit card account, which could leave the church without a card until the new treasurer can sign up for one. Some treasurers have been willing to sign up as guarantor, but we want you to be clearly informed and understand the risks before you decide on whether you are comfortable in doing so.

3) Debit Card from your bank: Another option is a church debit card, which is easier to obtain than a credit card. And if set up correctly, it can be simple yet effective. If the board wishes to obtain a debit card, a secondary checking account should be opened at the same bank, carrying a small balance. The amount of that board-approved balance will vary based on the needs and size of your church. A debit card should only be used from this smaller account, which protects the major portion of the church's funds if the card were to be lost or hacked. The treasurer then transfers funds from the main checking to the debit checking when needed. This account should *not be connected in any way to the regular checking*. You don't want any auto transfers kicking in when the account gets low.

Recommendations to avoid unauthorized use of credit and debit cards:

- Each cardholder should be authorized by the board and be personally responsible for their card. They should also receive and sign a copy of the User Agreement. (*Tutorial #4520*)
- A card should not be passed around to multiple users. This increases the chance of loss, theft, or unauthorized use. Cards should only be issued to church leaders if it is essential for their ministry.
- As ministry leaders change, conduct a periodic review to determine if a church card is still necessary for the new leader.
- The treasurer should review and reconcile transactions monthly verifying that each user turned in all original receipts for the payment period. This policy is so important that the Church Board should revoke the authorization of any church credit card holder who has a pattern of non-compliance.
- The church should consider setting up the card(s) to prohibit cash withdrawals, reducing the risk of unauthorized use.
- Strategically consider spending and authorization limits. Some positions may have differing spending limits based on their needs.

Monthly activity forms for credit or debit card holders are available to download. (*Tutorials #4530, 4570*) They can be customized with your church name and their use should be mandatory for anyone holding or using a church credit or debit card.

If cardholders are asked by the board to sign the “Credit Card Use Agreement” upon receiving their card, they will have less leeway to claim ignorance or privilege.

For more tutorials on CREDIT, DEBIT CARDS AND REVOLVING FUNDS, see section 4500 on the gccsda.org auditor webpage.

*This information has been brought to you by the Georgia-Cumberland Conference Audit Team
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