

## **Best practices for congregation or synod credit cards**

We are in an increasingly fast-paced culture with an explosion of electronic transactions, whether online, over the phone or in-store. Should your congregation or synod have a credit card, and, if so, how should it be managed? Of course, payments made by credit cards are subject to the same best practices, legal and IRS regulations as any other payments and require proper authorization. Approval and recordkeeping are crucial. Here are best practices for establishing a general charge account for your organization:

### **1. Determine whether a credit card is needed.**

Ask if a card is truly necessary. While some online and telephone transactions can only be done by credit card, a prompt expense reimbursement system could process reimbursements for expenses charged to personal cards well before a credit card bill arrives. For the sake of convenience, congregations may find credit cards a good option for necessary expenses. However, on credit cards, the payment obligation occurs at the time the card is used. This makes it different from payment by check, in which case the expense is reviewed and approved according to policy before payment is issued. So, the organization should identify ahead of time what transactions will be charged.

### **2. Determine who will have custody of the card and be responsible for accounting for all charges.**

This is not necessarily the same person. Card issuers will require the name and personal identification information for the responsible individual, even on a company card. All credit card statements should be reconciled by another responsible person in order to prevent fraud.

### **3. Establish a published policy for use of the card that covers:**

- a. Who will have custody of the card (and statements) and how those will be kept secure.
- b. What charges may be made.
- c. Who may make the charges. This should be employees or officers whose names are on the card.
- d. Who and when will approve the charges.
- e. Who will be the contact with the card issuer for disputes, problems, etc.
- f. How the charges will be documented, reconciled and securely filed.
- g. How the credit card bills will be paid.
- h. Avoiding sales tax charges if the congregation is exempt under state law.
- i. Prohibiting personal (non-business) charges.
- j. Setting card limits that are reasonable based on the expected usage. If you only use the card for \$1,000 a month, keep that limit to no more than \$1,500.
- k. Prohibiting cash advances. If an advance is needed, it should be processed using the congregation's established approval policies.

### **4. Determine which credit card is best and which organization will issue it.**

Visa and MasterCard credit cards generally have better acceptance than American Express or Discover. Plus, Visa and MasterCard are issued by banks and financial institutions. It is a good idea to obtain a credit card from your lead bank as the relationship with the bank could help if problems occur. Discuss theft and misuse protection with the issuer before signing an account agreement. Ensure that you understand the terms and conditions of the credit card agreement including the APR, payment due dates and pertinent conditions affecting the use of any account checks and their related fees and interest charges. Account checks are treated as cash advances by the card issuer and should be prohibited.

### **5. Monitor the activity to ensure that the established procedures are being followed.**

The treasurer or authorized person, other than the primary cardholder, should carefully review each month's transactions. It may be wise to redact (black out) the account number on statements that are shared, reviewed or filed.

Your congregation or synod may have other unique needs or concerns that leadership should review as part of a credit card policy and card use.