

# Eparchy of Our Lady of Lebanon of Los Angeles

## Church Fiscal Policies and Procedures Manual

Even though the Church's main mission is to save souls and to look after the spiritual needs of the faithful it has an obligation to properly administer the temporal goods as well.

CCEO #1022 affirms:

"1 – It is the responsibility of the eparchial bishop to supervise the administration of all the ecclesiastical goods which are within the boundaries of the Eparchy and are not exempt from his power of governance, with due regard for the lawful titles giving him greater rights.

2 – Hierarchs are to see that the entire administration of ecclesiastical goods be suitably organized, by issuing appropriate instructions within the limits of common law and of the particular law of their own church *sui iuris* and with due regard for rights, legitimate customs and circumstances."

Therefore, we are issuing the following policies and procedures for sound financial management in the eparchy.

### Section A.

#### Principles for Administration of Parish Finances

1. The Pastor is responsible for financial decisions and must establish a balanced annual operating budget in consultation with the Parish Finance Council. The Pastor must also develop in consultation with the Parish Finance Council an annual capital expenditure budget including sources of funds. The Actual income and expenditures of the parish must be compared to the budgets monthly and reviewed by the Parish Finance Council at least quarterly.
2. Each parish must issue an informative financial report to its parishioners at least annually.

3. All parishes must follow the Eparchy's Uniform Chart of Accounts to facilitate reporting to the parishioners, the Parish Finance Council and the Eparchy.
4. All parishes must follow the Eparchy's established internal accounting controls.
5. All Parish Finance Councils must follow the Eparchy's established guidelines (See Section B: Parish Finance Council Norms).
6. Each parish must hire an independent accountant, whose assistance to the parish should include:
  - A. Reconcile bank statements;
  - B. Payroll processing;
  - C. Verification that cash disbursements and transfer of funds were properly approved by the Pastor; and
  - D. Bookkeeping services, including generation of monthly statements.
7. All parishes must follow the Eparchy's established payroll system guidelines in order to ensure that all employees receive proper benefits and in order to guarantee full compliance with ever more complex laws on taxes and employee benefits at the federal, state and local levels. No employee will be paid outside of the Eparchy's payroll system.
8. All parish financial activities shall be the subject of regular independent audits or reviews by the Eparchy. Audits will be conducted at the approval of the Eparchial Bishop.
9. All parish accounts in financial institutions must be included on the annual parish financial report and subject to the audit-review process. The Eparchy may obtain comprehensive lists of all parish accounts from financial institutions and may compare the listing of the accounts with the listings contained on the annual parish reports.

## Section B.

### Parish Finance Council Norms

1. As stated in Canon 290, §1 of the Code of Canons of the Eastern Churches (CCEO), the Pastor represents the Parish in all juridic matters. He is the person ultimately responsible and accountable in ordinary matters for all spiritual and financial actions of the Parish.
2. However, CCEO Canon 1031, 1 states that “An administrator of ecclesiastical goods is to present an annual report on his administration to his own hierarch.” Moreover, paragraph 2 of the same Canon adds “An administrator is to publicly render (e.g. to the parish) an account, in the manner provided for by particular law, of the goods given to the Church.”
3. Furthermore, CCEO Canon 295 states, “In the Parish there are to be appropriate councils dealing with pastoral and economic matters, according to the norms of the particular law of its own Church *sui iuris*.”
4. Therefore it is a matter of policy that each parish in the Eparchy must have a Finance Council, both by adherence to the Code of Canon Law and by the norms issued by the Eparchial Bishop. In this Council the Christian faithful, selected according to the same norms, aid the pastor in the administration of parish goods with due regard for the prescription of CCEO Canon 290.
5. Any exceptions to these norms are to be approved by the Eparchial Bishop. These requests must be submitted in writing.

#### NORMS

6. The advice of the Parish Finance Council should be sought both for acts of ordinary administration and acts of extraordinary administration. However, the degree of consultation varies. For certain actions of day-to-day administration, the Pastor does not need specific authorization to carry out such acts, but may find it helpful to seek the advice of the Parish Finance Council even in these matters.

7. The pastor must consult with the Parish Finance Council for a commitment of Parish resources over \$3,000 outside the approved budget.
8. The Pastor and the Parish Finance Council must seek a written approval from the Eparchial Bishop prior to performing extraordinary acts of administration. Extraordinary acts of administration are defined by the Eparchial norms. Extraordinary acts taken without such written approval of the Eparchial Bishop are invalid acts and may also be invalid from a civil law standpoint. Examples of actions that would be considered to be extraordinary acts of administration include, but not limited to, instances where the expenditure is greater than \$10,000 and involves a contract (employment, construction/repair, equipment, consulting, or services), the acquisition or alienation of real property, the entering of a lease, the collateralization or mortgaging of real property, the sale of religious artifacts that would be considered as part of a Parish's patrimony, and other important matters. In the case of extraordinary administration, the Pastor must consult with the Parish Finance Council prior to seeking approval of the Eparchial Bishop.
9. The Pastor must seek the advice of the Parish Financial Council in the management of Parish funds and banking arrangements. A limited number of bank accounts should be established. This also applies to bank accounts for auxiliary Parish organizations.
10. The Finance Council must review the Parish annual budget and Parish annual report. They must be involved in the preparation of both reports, particularly the budget report. After review, the Chairperson of the Finance Council is to co-sign each report before it is submitted to the Eparchial Bishop.
11. Each parish must send a letter, along with the annual financial report, to the Eparchial Bishop containing:
  - A. The name and professional titles of the members of the Parish Finance Council.
  - B. The dates on which the Parish Finance Council met during the fiscal year in which the report was prepared, along with the dates of all meetings since fiscal year end.
  - C. The date(s) on which the approved (i.e. by the Parish Finance Council) Parish Financial statements/budgets were made

available to parishioners during the preceding fiscal year and since the end of the fiscal year. A copy of said published financial statements/budgets must be provided to the Eparchial Bishop.

12. The Parish Finance Council must be involved in the formulation and communication of the financial report to the parishioners, as required by CCEO Canon 1031, 2.
13. The Parish Finance Council must review any indebtedness of the Parish and assist the Pastor in fulfilling his obligations under CCEO Canon 1028, 2.4, i.e. to pay the interest on a loan or mortgage when it is due and take care that the capital debt itself is repaid in due time. Planning for debt repayment should be an integral part of the budget process.
14. The Parish Finance Council should review periodic (at least quarterly) financial reports: balance sheet, income statements, comparisons to budget as well as prior year results and cash flow analysis.
15. The Parish Finance Council must review detail of budget to actual comparisons by individual program category. Significant variances from budgeted figures should be investigated and explained.
16. The Parish Finance Council must conduct a review of internal control and procedures to ensure that the Parish is in compliance with Eparchial policies and procedures for cash receipts, cash disbursements, administration of bank accounts, petty cash, and payroll.
17. The Parish Finance Council must review on a yearly basis the activities of any Parish auxiliary groups and verify cash balances of bank accounts. The Finance Council should also assess the accounting practices and internal control procedures in use to ensure compliance with Eparchial policies and procedures.
18. The Parish Finance Council must consult on the construction or renovation of Parish facilities, the sale or purchase of Parish property, and lease agreements. The Finance Council must assist the Pastor in planning for repair, replacement, or service of property and equipment to ensure that the Parish facilities are adequately maintained.

19. The Parish Finance Council must assess the effectiveness of existing fund-raising programs and recommend new programs or changes to existing programs if revenues are insufficient.
20. The Parish Finance Council must become knowledgeable on Eparchial fiscal policies and norms to provide advice on implementation.

### **Membership**

21. Members should be drawn from the Parish community and reflect its diversity.
22. Members of the Parish Finance Council should be chosen based on demonstrable skills or expertise in management and/or finance. Skill sets to consider include business, law, accounting, and communications.
23. Membership should consist of no less than five members and no more than nine members depending on the size of the parish.
24. It is recommended that the Parish Finance Council have an odd number of members.
25. A quorum shall consist of the majority of members.

### **Conflict of Interest**

26. Parish Finance Council members owe the Parish a duty of loyalty. The duty of loyalty requires a Parish Council Member to act in the best interest of the Parish rather than in the personal interest of the member or some other person or organization. In particular, the duty of loyalty requires a Parish Council Member to avoid conflicts of interest that are detrimental to Parish Finance.
27. Any person who may have a conflict of interest in view of other services, either paid or unpaid, rendered to the Parish by the Parish Finance Council member, the member's family or the member's business is ineligible to serve as a member of the Parish Finance Council.
28. On an annual basis the Parish Finance Council members should disclose in writing any known financial interest that the individual, or a member of the individual's family, has in any business entity that transacts business with the Parish.

29. No parish employee or member of the family of an employee or relative of the Pastor may serve on the Finance Council.
30. Members of the Parish Finance Council may serve in other volunteer service roles in the Parish such as other committees or boards if, in the judgment of the Pastor, such dual service will not create conflict of interest situations. The role of the Parish Finance Council should not be vitiated.
31. No member should serve on the Parish Finance Council at the same time as a closely related person (e.g. husband and wife, mother and son, siblings, etc...)

### **Officers**

32. The officers of the Parish Finance Council shall be a Chairperson and a Secretary.
33. The Pastor shall appoint the Chairperson after the members have gone through a period of discernment.
34. The chairperson will preside in a parliamentary manner at all meetings and, in consultation with the Pastor, will be responsible for selecting the hour and location of meetings, preparing the meeting agenda, and any other duties so assigned by the Pastor.
35. The Secretary will be responsible for the recording and distribution of minutes, notifying members of upcoming meetings, maintaining a permanent record of each member's tenure and of business conducted by the Parish Finance Council, and any other duties so assigned by the Pastor.

### **Terms**

36. Members are to be appointed by the Pastor for a 2 year term. Members may be reappointed or terminated in this role at the Pastor's discretion. It is suggested that reappointments are limited to a specific period of time. It may be helpful to stagger the terms so that there is continuity of service and no disruption to the function of the Finance Council.
37. When a pastorate becomes vacant, it is recommended that the Parish Finance Council remain in place for a period of time to assist the administrator and to provide continuity in a transition. After a

suitable period of transition with a new Pastor, the new Pastor can ask the Council members if they are willing to complete their respective terms or whether he would like some or all of the members to resign so that new members can be recruited to the Parish Finance Council.

### **Meetings**

38. The Parish Finance Council should plan meetings in advance and create an annual schedule of meeting dates and times.

39. The Parish Finance Council should hold no less than 4 meetings in the same fiscal year/calendar year.

### **Subcommittees:**

40. Budget Subcommittee:

- A. Assist the Pastor in the preparation, presentation, and review of an annual budget for both operating and capital expenditures based upon goals and objectives determined by the Parish Finance Council.
- B. Assist other programs and ministries in preparing and submitting their annual budgets to the parish.
- C. Study parish revenue and make recommendations to the Parish Finance Council for finding ways to maintain and increase revenues in order to meet parish objectives and priorities.
- D. Conduct self-administered audits of internal controls and procedures by focusing on areas involving cash receipts and any disbursements. Review procedures used for gathering, counting, recording cash receipts, and control of bank accounts. Confirm that duties are adequately segregated.
- E. Ensure that tamper-evident cash bags along with robust collection and counting procedure is routinely used in the parish. Tamper-evident bags with robust handling procedures are required for any event or activity handling cash.
- F. Ensure the bank reconciliations are regularly completed very soon after each bank statement is received and that the reconciliations are checked by someone other than the person performing the reconciliation.



#### 41. Facilities Subcommittee:

- A. Advise the Pastor regarding the results of quarterly inspection of all parish facilities.
- B. Recommend repairs or replacements based on priorities established by these inspections.
- C. Develop a detailed inventory of all parish assets in accordance with CCEO Canon 1025, 102 and and update the inventory on an annual basis.
- D. Assist in the development of parish energy conservation program.
- E. Develop teams of parishioners who will donate time and talents for parish maintenance tasks, taking note of the extent to which such work is allowed to be performed by volunteers under the guidelines of the Eparchial Insurance Program.
- F. Ensure that the safety and security of the parish facilities is addressed and reviewed regularly.

#### **Confidentiality:**

42. Members should maintain confidentiality on those matters designated as confidential. Materials such as agendas, meeting minutes, and review materials should not be disclosed to others if designated as confidential.

Parish Finance Council meetings are typically not open to the parish community. Reports to the community will be shared once decisions are finalized. Communications with the parish should also occur at the onset of studying an issue to solicit needs and concerns, gifts and resources of the parish community. The primary purpose of the Parish Finance Council is to provide open and honest advice to the Pastor on the best ways to keep the parish informed and involved in key issues and decisions facing the parish.

#### **Relationship to the Parish Pastoral Council:**

43. Since the Parish Finance Council relates to the administrative responsibilities of the Pastor, it should not be a part of the Parish Pastoral Council. However, a member from the Parish Finance

Council may serve as an ex-officio member of the Parish Pastoral Council to ensure that communications between the two councils is open.

The Parish Finance Council is distinct from the Parish Council in the following way:

- The Parish Finance Council does not deal with areas of pastoral policy and mission, which are the prerogative of the Parish Pastoral Council.
- The Parish Finance Council advises on the adequacy of resources to accomplish the mission and specific ministries of the Parish.

## Section C.

### Inventory List, Capital Assets and Depreciation

1. All parishes must maintain a complete inventory list of parish property and equipment with a replacement cost on any item over \$1,000 regardless of the accounting treatment of the item.
2. The inventory records must include a description, date of purchase or acquisition, original cost, location, and estimate useful life.
3. The inventory list must be updated annually and include the date of the previous inspection.
4. All capital acquisitions must be recorded on the books as assets.
5. A Capital asset is defined as any item purchased or any capital improvement which costs \$5,000 or more and is expected to be useful to the parish for more than one year. both criteria must be met in order to classify something as a capital asset.
6. All parishes must eventually record depreciation on capital assets. However, for the time being, as we are still reporting on a cash basis, we are not required to record depreciation.

## Section D.

### Internal Accounting Controls for Parishes

#### **Budget**

1. Each parish organization (e.g. societies, groups) and building center (e.g. rectory, hall) must prepare an annual revenue and expense budget for usage in guiding the parish through the coming fiscal year's financial transactions. All necessary maintenance items should be included.
2. A one year and five year capital budget should be prepared for all expected and planned capital improvements, including existing and planned sources of funds to be used to pay for such improvements.
3. All budgets must be completed and submitted for review and approval to the Parish Finance Council in time for a spring meeting.
4. All budgets should be balanced and result in a surplus. In those instances where it is not possible to balance the budget, the sources of funds (e.g. savings, loans) to be used to balance the budget should be identified and approved by the Pastor after consultation with the Parish Finance Council. Any subsidies requested by parish organizations must be approved by the Pastor after consultation and review by the Parish Finance Council.
5. Final approval of all budgets is the responsibility of the Pastor after consultation with the Parish Finance Council.

#### **Reports**

6. Financial reports should be submitted on at least a quarterly basis (preferably monthly) to the Pastor and the Parish Finance Council in order to keep them fully informed on the current and future financial condition of parish activities.
7. The financial reports should be prepared on a cumulative year-to-date basis and compare actual revenue and expense items to budgeted amounts. Significant variations from budget and any unbudgeted items incurred should be explained. The reports should also include the beginning and ending cash balances.

8. A copy of the parish annual report must be submitted to the Chancery Office by March 31 for each year. A copy shall be given to the Parish Finance Council.
9. All parish organizations shall prepare an annual financial report and submit it to the Pastor and the Parish Finance Council by March 15 of each year.
10. Financial statements and supporting records of all parish entities are subject to review and examination by the Parish Finance Council at their discretion.

### **Bank Accounts**

11. All bank accounts must bear the parish name. No bank accounts shall be in the name of the Pastor or an individual(s).
12. Personal funds and parish funds must never be commingled in any bank account.
13. Each parish must have its own Taxpayer Identification Number (TIN) to be used as required on government forms.
14. The Pastor must be signer on all parish bank and investments accounts.
15. With the approval of the Eparchial Bishop, the authority to sign checks may be delegated by the Pastor. Regardless of the delegation of signing authority, the Pastor is always responsible for the financial affairs of the Parish.
16. All parish funds must be deposited only in accounts that bear the Parish name. Bank accounts in the name of the parish may be opened or established only by decision of the Pastor and approved in writing by the Eparchial Bishop. The Pastor must be a signatory on all parish accounts.
17. The number of bank accounts should be kept at a minimum. A list of all bank accounts must be given to the Parish Finance Council.
18. All bank accounts must be included in the parish general ledger and parish annual report to the Eparchy.
19. The Pastor must receive unopened bank statements. The Pastor should then scan the statements and the enclosed canceled checks for unusual items prior to forwarding the statement for reconciliation.
20. The reconciliation must be performed each month by someone who does

not have access to cash. In those instances where it is impossible to comply with this requirement, an independent review of the reconciliation shall be made by another member in the parish. Reconciliations may be reviewed periodically by the Parish Finance Council.

21. All unused checks must be safeguarded in a safe or locked cabinet.
22. Parish surplus funds, defined as amounts in excess of 6 months non-parish operating cash expenditures of the parish for the previous fiscal year, must be deposited in a church account at the Catholic Community Foundation, the investment branch of the Archdiocese of Los Angeles.
23. Separate accounts for parish organizations may exist. Such accounts should contain reference to the parish.

### **Parish Credit Cards**

24. With the approval of the Pastor the parish may obtain one or more credit cards. A complete list of all parish credit cards must be disclosed to the Parish Finance Council.
25. The credit limit on the card(s) should be minimal.
26. The card(s) must be used only for business expenses and receipts must be obtained for all expenditures. The receipts must contain the same information as is required for cash reimbursements. Personal expenditures are not allowed. In the case of online purchases a print out of the ordering document is acceptable for the receipt.
27. Monthly statements are not adequate documentation for expenditures.
28. Parish credit card(s) must not allow access to cash advances.
29. Undocumented expenditures will, in accordance with IRS regulations, be considered compensation and will be included on the individual's W-2 or 1099.

### **Petty Cash**

30. Petty cash funds should be maintained on an imprest basis and periodically replenished for exactly the amount of expenditures from the fund. Imprest basis means that at all times the sum of the cash on hand and the disbursement forms/invoices equals the total amount that is supposed to be in the fund. The size of the fund should be determined by its activity, but can not exceed \$200 except for festivals and parish fund raising activities approved by the Parish Finance Council.

31. The petty cash fund should be in the sole custody of a single employee or a parish volunteer approved by the Pastor. The custodian should balance the fund at least monthly, and periodically, the Pastor or his delegate should count the fund on a surprise basis.
32. Disbursements from the fund should be supported by petty cash disbursement forms which should be either typewritten or prepared in ink. All supporting data should be attached to the voucher. Upon reimbursement of the fund, every disbursement form (and supporting data) covered by the reimbursing check should be reviewed for reasonableness and canceled in such a manner as to preclude reuse.
33. The petty cash fund should be recorded as a cash account. Cash should be relieved and expense recorded when the petty cash disbursements forms are submitted and the fund is reimbursed.

### **Electronic Receipts and Disbursements**

34. It is highly recommended that parishes offer electronic payment methods to their parishioners. Different methods include third party merchant services, local bank set-up, and personal online banking.
35. All donor credit card information must be handled in compliance with current Payment Card Industry regulations. As these are regularly updated, any parishioner's bank or credit card information submitted to the parish must be stored in a secure (locked) file or safe or password protected computer.
36. Parishes are allowed to make recurring expenses through automated payments only if an adequate paper trail is maintained.
37. Automatic payments must be reviewed annually by the Parish Finance Council to determine the continued necessity of the expenses.
38. Parishes must have adequate computer safeguards and software to protect all financial information.

### **Gambling/Bingo Activities**

39. All parishes must follow federal, state and local gambling/bingo and record keeping guidelines. Federal, State and local regulations can be viewed online.
40. If applying for a gambling license, the parish may be asked for an

authorization letter. This letter must be furnished by the Eparchy's Office of Legal Counsel. Contact the Office of Legal Counsel to get this process started.

41. The State has the right to audit gambling/bingo activities. In the event that an audit occurs in any of the Eparchy's parishes, the Office of Legal Counsel must be contacted immediately.
42. A separate bank account must be maintained for all gambling/bingo activities. All revenues/expenditures are to be recorded in this account and proceeds must be distributed as defined in the parish's application.

### **Internal Control Policy for Parish Sponsored Societies, Guilds, and Groups**

43. Parish sponsored groups, clubs, societies, guilds, etc., are accountable to the Pastor. The purpose of each group must clearly indicate the way in which funds will be raised and expended before the parish group is approved by the Parish Finance Council. All funds raised by the group are part of the overall parish financial structure and must be treated as such.
44. Parish organizations are not to be separately incorporated.
45. All fundraising activities, including one-time and special events, must be pre-approved by the Pastor in conduction with the Parish Finance Council prior to the fundraiser being announced.
46. All parish organizations must adhere to the financial policies of the Eparchy as outlined in this document.
47. Financial accounts for parish sponsored organizations should be maintained in the parish general ledger as a custodial liability.
48. Parish organizations are only allowed to have a separate checking account with the written approval of the Pastor in consultation with the Parish Finance Council. The Pastor must be a signer on all accounts. Usually, two officers together are needed to sign checks. The pastor, can sign the checks alone.
49. All bank accounts must be included in the parish general ledger, and bank statements for these accounts must come to the parish office for review and reconciliation prior to forwarding to the appropriate group.
50. Parishes must periodically survey local banks asking for a list of any accounts with the parish name or TIN number. this is especially important when there is a change in pastoral leadership. The Parish Finance Council should also periodically meet with each parish organization to



review financial policies, fundraising, and contribution acknowledgment practices.

51. No one shall sign a check payable to oneself.
52. Each parish organization with a separate checking account must submit an annual report of financial activity to the Parish Finance Council.
53. All parish organizations with separate accounts are subject to periodical financial review by the Parish Financial Council.
54. As a general rule, all receipts should be deposited in the checking account and all disbursements should be by check. Cash payouts are not allowed.
55. In general, direct payments to vendors for operating expenses is the acceptable method of payment. Reimbursement to individuals should be allowed only in exceptional circumstances. Receipts are required for all reimbursements.
56. Accumulation of funds in these checking accounts beyond what is required to carry out annual activities is not allowed. Any such excess should be presented to the parish as a donation.

### **Volunteers**

57. Any compensation in exchange for work performed by parish volunteers must be recognized as income to the individual. Compensation includes tuition subsidies, fee waivers, salaries, gift cards, etc.
58. Donations of labor by parishioners or others must be handled in accordance with IRS regulations. Normally, donated labor is not deductible by the donor.

### **Record Retention and Record Retention Schedule**

59. Records must be retained in accordance with applicable sections of Canon Law, Federal, State and Local Law.
60. Parishes must retain documents for the period of their immediate or current use, unless located in the following document retention schedule. Documents that are not listed, but are substantially similar to those listed in the schedule shall be retained for the appropriate length of time.
61. Electronic documents shall be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document types on

the above schedule shall be maintained for the appropriate amount of time.

62. Parishes are responsible for the ongoing process of identifying its records, which have met the required retention period and overseeing their destruction. Destruction of the documents may be accomplished by shredding, burning, or sending them to the landfill.
63. Upon any indication of an official investigation of the church by the IRS or any governmental entity, document destruction shall be suspended immediately. Destruction shall be reinstated upon conclusion of the investigation.

### **DOCUMENT RETENTION SCHEDULE**

| <b>Type of Document<br/>of Retention</b>              | <b>Length</b> |
|---|---------------|
| Articles of Incorporation                             | Permanent     |
| Audit reports from accountants                        | Permanent     |
| Audited financial statements                          | Permanent     |
| Bylaws  | Permanent     |
| Checks for important payments (taxes, property, etc.) | Permanent     |
| Contracts and leases still in effect                  | Permanent     |
| Corporate Charter, constitution                       | Permanent     |
| Correspondence (legal and important matters)          | Permanent     |
| Deeds, mortgages, and bills of sale                   | Permanent     |

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|---|---------|
| ent<br>Depreciation schedules                                       | Perman  |
| ent<br>Endowments and permanently restricted contribution records   | Perman  |
| ent<br>Insurance records (accident reports, claims, policies, etc.) | Perman  |
| ent<br>IRS examinations, rulings comments                           | Perman  |
| ent<br>Litigation records   | Perman  |
| ent<br>Minutes – board and any committees                           | Perman  |
| ent<br>Personnel files of current employees                         | Perman  |
| ent<br>Retirement and pension records                               | Perman  |
| ent<br>Tax and information returns (State and Federal)              | Perman  |
| ent<br>Tax exemption application and letter                         | Perman  |
| ent<br>Trademarks, copyrights, patents, and related papers          | Perman  |
| ent<br>Accounts payable and receivable ledgers and schedules        | 7 years |
| Canceled checks   | 7 years |
| Contracts, mortgages, and notes that are expired                    | 7 years |
| Donor contributions (numbered receipts)                             | 7 years |
| Functional expense analyses and distribution schedules              | 7 years |
| Inventories of products, materials, and supplies                    | 7 years |
| Journals  | 7 years |
| Payroll records and summaries                                       | 7 years |
| Personnel files of terminated employees                             | 7 years |
| Sales invoices  | 7 years |
| Timesheets  | 7 years |

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|---|---------|
| Employment tax records  | 4 years |
| Accounts payable and receivable                                   | 3 years |
| All correspondence (other than legal and important matters)       | 3 years |
| Bank reconciliations  | 3 years |
| Bank statements   | 3 years |
| Duplicate deposit slips   | 3 years |
| Employment applications   | 3 years |
| Insurance policies (expired)                                      | 3 years |
| Internal audit reports  | 3 years |
| Invoices (after payment)  | 3 years |
| Leases (after termination)  | 3 years |
| Monthly financial reports and statements                          | 3 years |
| Service Contracts (after terminations)                            | 3 years |
| Working papers: accounting, budgets, cash flow, financial reports | 3 years |

**Cash Receipts from Sunday Offerings and Church Events**

64. A parish representative other than a member of the Collection Committee will place an ample supply of the tamper-proof pre- numbered recyclable plastic bags in the church prior to the day's service. He/she will insure that the bag numbers are in numerical sequence and no numbers are missing.
65. The parish ushers at each church service will place the offertory collections in bags.
66. The Collection Count Committee will keep a log of the numerical sequence of the bags. All missing bag numbers and out of sequence situations will be researched by the Collection Count Committee at time of counting the collections.
67. Collections should be counted and checks endorsed for deposit as soon as possible.
68. Collections must be batched by church service (each mass must be separate) and by collection type (main offering and second collection). When counting, the volunteers should keep separate forms for each mass and for each collection.
69. Receipts from church events should be batched in a logical manner.
70. The mail and in person donations should be counted separately.
71. Mail should be opened by someone other than the person responsible for recording cash receipts. Checks received must be listed and endorsed "for deposit only" before being turned over to the person responsible for deposit.
72. No checks made payable to the parish or any of its organizations may be endorsed and converted into cash, nor deposited in accounts other than parish accounts.
73. The person responsible for making the deposit (i.e. the person who prepares the deposit slip) should be someone other than the person responsible for recording cash receipts.
74. The pastor/Administrator or his independent designee must complete a final review and sign off on the tally sheet / tally sheets for the mass or event.
75. The Bookkeeper is responsible for reviewing and reconciling the revenue and deposit as follows:
  - A. Review the tally sheet, noting that the person responsible for the

- event and the Pastor/Administrator or his designee have all reviewed and signed the tally sheet;
  - B. Review the deposit;
  - C. Match the amounts on the tally sheets to the deposit amounts;
  - D. Follow up on any variances, as necessary;
  - E. Enter the final deposit into QuickBooks; and
  - F. Maintain support, according to parish procedures.
76. Segregate duties when recording individual contributions. Someone other than a member of the counting team should record individual gifts in donor records.
77. A collection Count Committee must be established in sufficient number to count collections as expeditiously as possible. In setting up the Count Committee, the selection of members should be considered carefully.
78. Cash count procedures should be in writing and furnished to each member of the Collection Count Committee.
79. Collections should be recounted by another member and they should agree on the total.
80. The amount of offering should be indicated on the outside of the envelope for subsequent posting to parishioner statements. Loose checks should be listed for subsequent postings to parishioner statements.
81. The count results should be written in ink onto a standard count form and the deposit slip forwarded directly to the Pastor and the bookkeeper.
82. All Eparchial and national collections should be remitted to the Chancery Office as soon as possible, but no later than one month after the collection was taken and before the end of the calendar year.
83. The Parish Finance Council should perform a periodic review to determine that count by:
- A. Proper control is being exercised over the collection;
  - B. Tracing the copy of the deposit slip to the collection count record;
  - C. Ascertaining that two members of the count committee have signed for the count;
  - D. Tracing collection deposits to bank statements and ascertain that deposits were made in a timely manner;
  - E. Determining the procedures for handling mail receipts are being followed; and
  - F. Determining that special collections have been remitted properly to the Chancery office on a timely basis.

84. Church Events must be counted following these guidelines:

- A. Use a secure area for counting. For safety of the Collection Count Committee, confidentiality, and avoidance of interruptions, provide a secure area in which the receipts can be counted. (When significant, consider providing armed security when offerings are transported to the bank.) The counters should have an adding machine, coin wrappers, offering tally sheet and other supplies. The adding machine should have a tape (instead of a paperless calculator) so the counting team can run two matching adding machine tapes of the offering.
- B. Have counters complete offering tally sheets. Tally sheets should be completed that separately account for loose checks and cash that were placed in offering envelopes / received for the church event. Checks or cash placed in blank, unidentified offering envelopes should be recorded with the loose funds. This separation of money serves as a control amount for the later posting to donor records and event revenue.
- C. Deposit all funds intact. All receipts should always be counted and deposited intact. Depositing intact means not allowing cash to be used for the payment of ANY church expenses or to be exchanged for other cash or a check. If funds are not deposited intact, an unidentified variance between the count and the deposit could occur. Additionally, if an individual is permitted to cash a check from any funds, the church may inadvertently provide the person with a canceled check that could be used in claiming a charitable tax deduction.

85. If the funds are not counted immediately following the mass or event, all funds/receipts are immediately transported to the bank drop box or to a safe at the church by two people.

- A. Adequate control over the money must be maintained by providing a secure place to store the funds, usually a safe, and carefully limiting access to the storage location. However, the greater the length of time between receiving and counting the funds, the greater the potential for mishandling of funds. When funds are immediately counted, secure storing of the funds is important but not as critical because an audit trail has been established.
- B. Place funds in a secure location when they are stored in the church/rectory. If funds are stored in the church or rectory, even for short periods of time, the use of a secure location is important. A safe implies security while an unlocked desk drawer connotes lack of security, but defining security is often not that easy. Follow these steps to define a secure location:
  - Use a safe with two locks.
  - The head usher and the assistant should bag the gifts and

- seal it before it is transported to the safe.
  - Members of the same family should not transport the offering to the safe or open the safe at the same time.
  - Require two individuals to open the safe, one with the key and the other with the combination.
  - No one is permitted to have both the combination and the key to the safe.
  - Change the combination at regular intervals.
  - Maintain a Safe Log. After placing funds in the safe each individual must sign the safe opening log: name, date, time of opening.
86. Use proper controls when dropping uncounted funds at the bank. If your church drops uncounted offerings at the bank several key principles should be followed:
- A. All individuals transporting funds should have a current background check on file (updated within two years).
  - B. The funds should be placed in locked bank bags with careful control of the number of persons who have keys to the bags.
  - C. Two individuals should transport the funds to the bank.
  - D. Two people should pick up the funds from the bank on the next business day, count the funds and make the deposit.
87. Control deposit variances. Provide written instructions to the bank concerning procedures to be followed if the bank discovers a discrepancy in the deposit. The notification should go to someone other than the individual(s) who participated in the preparation of the deposit.
88. It is expected that the foregoing procedures will also be applied to monies collected by parish fund raising events and any monies collected by parish organizations.

### **Recording Transactions**

89. Duties must be segregated when counting contributions. Someone other than a member of the counting team should record individual gifts in donor records. This segregation of duties reduces the possibility of misappropriation of gifts.
90. Follow proper chart of accounts.
91. Do not modify the chart of accounts without permission from the Eparchy Office. In the event that a parish feels that they require an additional account, this matter needs to be addressed by the Parish Finance



Council, approved by all, and submitted to the Bishop for review and approval. In the event that a change is made for one parish, the change will need to be made by all parishes in the exact same way, to ensure consistent reporting.

92. All parishes must use QuickBooks.

### **Safeguarding Assets**

93. Segregation of duties is an important aspect of safeguarding assets. See separate sheet "Exhibit 1" for proposed Segregation of Duties for a two person parish office, which would include a secretary/accounting assistant and Parish Priest.

94. The Priest shall have primary responsibility for ensuring that proper financial management procedures are maintained and the policies of the Eparchy are carried out.

95. The Parish Finance Council shall provide fiscal oversight in the assets of the Church and shall have primary responsibility for insuring that all internal and external financial reports fairly presents its financial condition.

96. A proper filing system will be maintained for all financial records.

97. Actual revenues and expenses will be compared to the budget on a monthly basis.

98. Excess cash will be kept in an interest bearing account at The Catholic Community Foundation, the investment branch of the Archdiocese of Los Angeles.

99. Bank statements are promptly reconciled on a monthly basis.

100. Documents for all fixed assets and securities will be kept in a locked fireproof file.

101. Appropriate insurance for all assets will be maintained.

102. Bank checks and any signature stamps will be safely secured.

103. All checks will be restrictively endorsed when received.

### **Cash Disbursements and Expenditures**

104. All expenditures shall be consistent with and within the budget limits

approved by the Pastor and the Parish Finance Council. If possible, proposed significant expenditures beyond budget limits and non-budgeted items should be approved in advance by the Parish Finance Council and the Pastor, otherwise, especially in emergency situations, they should be advised as soon as possible of such expenditures.

105. Each expenditure (no matter the number of the invoices that comprise that expenditure) over \$10,000 must be approved by the Eparchial Bishop. An expenditure cannot be divided into two separate invoices or payments with the purpose of circumventing this required approval.
106. For any parish expenditure over \$2,500, three bids from licensed and insured companies must be received and considered before commencing work. The contract should be awarded to the highest quality and lowest cost bid.
107. Pre-numbered checks should be used and numerical control maintained. Voided checks should be accounted in the monthly reconciliation.
108. It is never permissible to pre-sign checks.
109. Checks shall be prepared from approved invoices or check requests. Check requests should be supported by receipts or other appropriate documents indicating for what the expenditure was made. Some notation in writing should be made on the invoice or check request indicating that goods were received or services performed. Invoices should be reviewed for terms, prices, extensions and compared with the check request by the bookkeeper and/or administrative assistant.
110. The Pastor must review the supporting data and approvals on the check requests/invoices prior to signing the checks.
111. It is never permissible to pay invoices in cash.
112. All disbursements must be accounted for on a weekly basis, no matter if made by check, on-line check, wires, ACH or any other type of disbursement.
113. Reimbursement requests must be submitted for payment within 60 days of the expense or by the last day to submit invoices, whichever comes first.
114. Invoices and check requests must be marked paid with the date and check number and filed.

115. Cash disbursements must be recorded timely into the parish accounting system.

## **Appendix A**

## **CHECKLISTS**

(Checklists might include the following)  
(NOT INTENDED TO BE ALL INCLUSIVE)

### Church Internal Audit Procedures:

1. Trace dually signed count sheet total to bank receipt and general ledger
2. Trace miscellaneous receipts listing to bank receipts
3. Review unopened bank and investment statements
4. Trace financial reports to general ledger
5. Review credit card statements and receipts
6. Review paid invoices for proper approval and cancellation
7. Review expense reports and receipts
8. Review payroll exception reports
9. Review non-standard/manual journal entries
10. Review foreign bank transfers/foreign grant activities
11. Review non-budgeted activities
12. Also refer to pages 145-149 per "2010 Church and Nonprofit Tax & Financial Guide" – Dan Busby

### Monthly Accounting Procedures:

1. Reconcile bank statement to the general ledger
2. Reconcile investment schedules to the general ledger
3. Reconcile donor records to the general ledger
4. Reconcile debt schedules to the general ledger
5. Budget to actual comparison and explanation of significant variances
6. Financial reports prepared for all internal/external users

### Annual Accounting Procedures:

1. Reconcile bank statements to the general ledger
2. Reconcile investment schedules to the general ledger
3. Reconcile donor records to the general ledger
4. Reconcile property and equipment inventory listing to the depreciation schedule
5. Reconcile depreciation schedule to the general ledger
6. Reconcile accounts payable to the general ledger
7. Reconcile debt schedules to the general ledger
8. Reconcile payroll to general ledger
9. Budget to actual comparison and explanation of significant variances
10. Financial reports prepared for internal/external users

### Annual Checklist Items:

1. Housing allowance resolutions updated and approved

2. Record destroyed items in accordance with document retention and destruction policy
3. Insurance policies reviewed and updated as appropriate
4. Document list of those authorized to approve expenditures
5. Document list of those authorized to sign checks and update bank records
6. Document list of approved bank accounts for bank transfers

## Appendix B

### PERSONNEL FILE CHECKLIST

#### REQUIRED FORMS

Application or its equivalent

Federal Form W-4 and state  
Form WH-4 (updated annually)

Form WH-4 or other written requests  
for voluntary withholding by pastors

Minutes in support of the minister's  
housing allowance

Form I-9, Employment Eligibility Verification

Salary reduction agreement  
for 403(b) plans

Pension request/change form

Health plan application

Payroll change authorization form

Employment contract

Job description

Employee annual review forms  
(Note: For pastors, it might be  
adequate to have a statement on  
file that a review had occurred  
at the proper time.)

Letters in follow up to the annual review  
or any disciplinary action

#### DESIRED FORMS

Employment verification form

State police check

College transcripts

Certification of ordination  
licensing or commissioning  
(if applicable)

Form 4361, Election Out of Social  
Security

Letters of recommendation

Resume

## Exhibit 1

### Duties for a Two-Person Parish Office

| <b>Office Clerk</b>   | <b>Priest</b>   |
|---|---|
| <ul style="list-style-type: none"> <li>• Write checks</li> <li>• Mail checks</li> <li>• Process payroll</li> <li>• Receive cash</li> <li>• Process vendor invoices</li> <li>• Record invoices</li> <li>• Record general ledger entries, i.e. debits / credits</li> <li>• Disburse petty cash</li> </ul> | <ul style="list-style-type: none"> <li>• Sign checks / final approval of online checks / wires / ACH's</li> <li>• Sign employee contracts</li> <li>• Authorize purchase orders</li> <li>• Review and sign tally sheet before and after deposit</li> <li>• Approve employee time sheet</li> <li>• Approve, authorize, and distribute payroll</li> <li>• Receive bills, review bills, and authorize payments and sign checks</li> <li>• Reconcile and replenish petty cash</li> </ul> |

### **Duties for a Three-Person Parish Office**

| <b>Bookkeeper</b>   | <b>Office Manager</b>   | <b>Pastor/Administrator</b>   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Record invoices</li> <li>• Write checks</li> <li>• Record general ledger entries</li> <li>• Receive cash</li> <li>• Process payroll</li> </ul> | <ul style="list-style-type: none"> <li>• Process vendor invoices</li> <li>• Make deposit</li> <li>• Mail checks</li> <li>• Approve invoices for payment</li> <li>• Approve, authorize, and distribute payroll</li> <li>• Disburse petty cash</li> </ul> | <ul style="list-style-type: none"> <li>• Sign checks / final approval of online checks / wires / ACH's</li> <li>• Sign employee contracts</li> <li>• Authorize purchase orders</li> <li>• Review and sign tally sheet before and after deposit</li> <li>• Approve employee time sheet</li> <li>• Receive bills, review bills, and authorize payments and sign checks</li> <li>• Reconcile and replenish petty cash</li> </ul> |

## **Exhibit 2**

### **Recognizing Warning Signs and Preventing Problem Situations**

*Why are consistent internal controls important?*

1. Management decisions, financial reports and company taxes rely on the accuracy of figures recorded
2. Provides control of dollars in and out
3. Standardizes good management practices and procedures

*Advantages of improved internal control:*

1. Can reveal errors and omissions
2. Discourages employee theft
3. Protects assets

*How to use the checklist:*

1. Review the concept for each internal control area and answer the questions following each section
2. Each answer identifies an area that needs stronger internal controls

### **Segregation of Duties**

*Concepts:*

1. Certain accounting/bookkeeping functions are designed to cross-reference each other for accuracy. If the same person is responsible for multiple duties, the natural check and balance of the system is removed.
2. Trust is not the issue; verifying business transactions is. Giving a single person unquestioned authority of your finances is not a wise business practice.

*Checklist (each "yes" answer identifies a potential problem area):*

- Is the person who handles your cash also responsible for recording the cash?
- Does the person who pays or orders inventory also receive the materials?
- Are two or fewer people responsible for the accounting function?
- Is only one person responsible for reviewing financial statements each month?
- Is your review of financial journals sporadic?



## **Bank Reconciliations**

### *Concepts:*

1. Bank statements can only flag discrepancies if they are reconciled on a timely basis. Reconciliations should be done once a month. Bank adjustments need to be tracked carefully from one month to another.
2. Segregating duties is also important in this area. Reconciliations should be performed by one person and reviewed by another. Also, the person who writes the checks should not have the authority to sign checks.

### *Checklist (each "no" answer identifies a potential problem areas):*

- Do you review canceled checks and endorsements on a monthly basis?
- Do you compare payroll checks with your current employee records?
- Do you question funds transferred between bank accounts?
- Do you track the number of credit card bills you sign per month?
- Are bank reconciliations performed on a timely basis?
- Is someone responsible for reviewing reconciliations each month?
- Do you verify reconciled items?
- Do you receive and open the bank statement prior to turning it over to the person who performs the bank reconciliation?

## **Supporting Documentation**

### *Concepts:*

1. Enhances communications and serves as a final check point.

### *Checklist (each "yes" answer identifies a potential problem area):*

- Do you ever sign blank checks?
- Do you ever sign blank checks without original supporting documentation?
- Do you ever sign checks without canceling supporting documentation?
- Have funds ever been transferred between accounts without review or verification?
- Do you ever sign checks for new business vendors without knowing or verifying their name and association with your company?

## **Employees/Personnel**

*Concepts:*

1. Know your employees and be aware of changes in behavior.

*Checklist (each "yes" answer identifies a potential problem area):*

- Are any of your employees extremely possessive of their work records and reluctant to share their tasks?
- Are any of your employees apprehensive about vacation and time off while always being the first in the office and last out?
- Have you noticed a substantial change of lifestyle in any of your employees?
- Do any of your employees have a possible substance abuse problem?
- Are any of your employees living beyond their means?
- Have you ever hired an employee before checking references?
- Do you permit accounting personnel to work longer than a year without taking a vacation?
- Do you have any accounting staff or key personnel who have been secured with fidelity bond?

## **Safeguarding Assets**

*Concepts:*

1. Limit and monitor access to important documents and supplies.

*Checklist (each "yes" answer identifies a potential problem area):*

- Are blank check stocks and signature stamps safely secured?
- Do you restrictively endorse all checks when received?
- Do you deposit cash and checks daily?
- Do you maintain a list of office furniture, equipment and company vehicles?
- Do you have adequate insurance coverage for assets?
- Are systems backed up on a daily basis and is backup stored off site?
- Is there password protection and security for all computer systems?

and programs?

Are passwords changed at least every six months?