



**THE ARCHDIOCESE
OF KANSAS CITY IN KANSAS**

“A Guide to Best Practices”

**January, 2020
From the Office of Finance & Control**



THE ARCHDIOCESE OF KANSAS CITY IN KANSAS

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INTRODUCTION

From a doctrinal perspective the Catholic Church is highly centralized under the authority of the Pope and his Bishops. However, from an administrative perspective the Church is very decentralized with each parish within a diocese having a great deal of autonomy. Dioceses virtually have no external or regulatory oversight of their financial activity. Unlike corporations which provide quarterly financial statements to stockholders and the SEC, the church is subject to almost no outside financial scrutiny. Many times, embezzlements occur when trusted employees have access to both assets and financial records. Parishes often have small accounting departments which make the separation of duties difficult and employees often have little supervision by qualified financial managers.

The primary governing document for good financial practices can be found in the Code of Canon Law, which became effective in 1983. Canon Law contains several provisions directed at financial accountability, but the overall responsibility for ensuring effective internal controls falls into the hands of the diocesan Bishop. Archbishop Naumann employed the Office of Finance and Controls in July of 2007 to assist in helping the parishes, schools and other entities within the Archdiocese of Kansas City in Kansas promote transparency, visibility and accountability. This “Guide to Best Practices” is designed to serve as a tool to assist the priests and management personnel of the Archdiocese in achieving these goals.

Internal Controls should be an integral part of any organization’s financial and business policies and procedures. Internal controls consist of all the measures taken by the organization for the purpose of; (1) protecting its resources against waste, fraud and inefficiency; (2) ensuring accuracy and reliability in accounting and operating data; (3) securing compliance with the policies of the organization; and (4) evaluating the level of performance in all organizational units of the entity. Internal controls are simply good business practices.

PASTORAL COUNCIL

a) Establishment

Canon 536.1 states, “If, after consulting the council of priests, the diocesan Bishop considers it opportune, a pastoral council is to be established in each parish. In this council, which is presided over by the parish priest, Christ’s faithful, together with those who by virtue of their office are engaged in pastoral care in the parish; give their help in fostering pastoral action.”

The pastoral council has been mandated in the Archdiocese of Kansas City in Kansas.

The name of the parish pastoral council shall be the same name as the parish, e.g. The Pastoral Council of the Cathedral of St. Peter.

b) Function

The pastoral council is established to serve as a consultative group to the pastor, to assist him in fostering pastoral activities and in providing for the continued growth of parish life.

c) Areas of Service

The pastoral council is established to assist the pastor in reaching out in service to his people; the areas of parish life listed in Canon 528-529 are its special concerns. They include, but are not limited to; the spiritual formation and growth of the people of the parish in liturgical celebrations; the education of adults and youth in the faith; the fostering and nurturing of “community” in the parish; the evangelization of the non-participating Catholics in the parish; witnessing to the Gospel of social justice in one’s community through service; pastoral planning; review, evaluate and make recommendations to the pastor and the finance council concerning the funding of parish programs.

d) Membership

The pastor will choose a Selection Chairperson who will invite other parishioners to serve in the selection process of persons to be chosen by parishioners to serve on the pastoral council. Any parishioners may submit names to the Selection Chairperson for consideration. The pastor has the right to approve all names to be presented to the parishioners for their selection.

Information concerning all persons to be presented by the Selection Chairperson to the parishioners for their selection is to be published in the parish bulletin or otherwise made known to the parishioners.

The selection of the parishioners may be by election or another method approved by the parishioners. If an election is the method chosen, the time and place is to be duly publicized, and voting will be by secret ballot. If another method of selection is chosen, the details of the selection process are to be made known to the parishioners so all may participate.

e) Meetings

At a minimum, quarterly meetings of the Council should be held at a fixed time and place. Since the pastoral council is consultative to the pastor, a quorum is not necessary.

The pastor may call a special meeting at any time. Likewise, if the members of the council have immediate concerns, they may ask the pastor to call a special meeting.

An agenda for each meeting is to be sent to the members at least one week prior to the meeting and detailed meeting minutes should be recorded and retained.

f) Cessation

Since the pastoral council is consultative to the pastor it ceases to exist when a parish is without a pastor by reason of transfer or death, until the new pastor reconvenes it or establishes a new council.

FINANCE COUNCIL

a) Definition

The Parish Finance Council is a consultative body of lay persons mandated by Canon law to advise the Pastor in matters pertaining to the financial affairs of the parish.

Canon 537 states, “In each parish there is to be a finance committee to help the parish priest in the administration of the goods of the parish. It is ruled by the universal law and by the norms laid down by the diocesan Bishop, and it is comprised of members of the faithful, selected according to these norms.

b) Function

The Parish Finance Council is advisory to the Pastor and its recommendations are valid only when accepted by the Pastor. The Parish Finance Council should take the lead role on protecting the assets of the parish. The Council should review internal controls regularly and make recommendations to change existing policies and procedures as needed. In short, the Parish Finance Council should hold the parish staff accountable for all financial activity conducted on behalf of the parish.

c) Membership

The person chosen to be the Chairperson of the Parish Finance Council may not be a lay member of the parish staff or Parish Corporation.

The Parish Finance Council shall be composed of the Pastor (ex officio), at least one and no more than two lay members of the parish staff (ex officio), and no fewer than three reputable and practicing members of the parish who are knowledgeable in financial matters.

Membership shall be by appointment of the Pastor.

Members of the Parish Finance Council may not be related to each other (e.g. husband and wife), nor to the Pastor, nor to any associate Priests or Deacons assigned to the parish, nor to any employees of the parish.

d) Terms of Office

Members are to be appointed for a three year period renewable once. At least two years must intervene before reappointment after two terms.

e) Guidelines & Norms

The Pastor of the parish presides over meetings of the Finance Council.

The Pastor shall appoint a Chairperson to assist in coordinating the work of the Council, in preparing for meetings and in implementing Finance Council proposals which have been accepted by the Pastor.

f) Meetings & Minutes

The Parish Finance Council shall meet at least quarterly. Meetings and agendas shall be arranged by the Chairperson in consultation with the Pastor. An agenda for each meeting is to be sent to the members at least one week prior to the meeting. The Pastor and members are expected to attend all meetings.

Minutes of the Parish Finance Council meetings must be recorded and retained in accordance with the Archdiocese of Kansas City in Kansas records retention policy. The records retention policy requires Finance Council meeting minutes to be retained permanently.

g) Topics of Discussion

Review and evaluate current internal controls concerning the accounting function, practices and procedures. Review and discuss the parish monthly/quarterly financial reports, as well as the annual report. Monitor actual results to budgeted comparisons and discuss variances. Assess the condition of parish buildings and plan for improvements as needed. In short, take responsibility for the entire process of accounting, reporting and control.

FINANCIAL REPORTING

a) Recordation of Financial Transactions

It is strongly recommended that all entities within the Archdiocese of Kansas City in Kansas use an automated accounting system for recording financial transactions. Although a uniform accounting software system is not required, QuickBooks offers all the necessary accounting options to effectively record and report financial activity. A QuickBooks template using all applicable Archdiocesan chart of account numbers is available through the Office of Finance & Control.

b) Accessing Parish Financial Records

All financial records documenting transactions should be available to the parish as needed. Records should not be kept offsite at the residence of employees or other locations where access to the records is limited. Financial records are the property of the parish and should be kept on the parish premises at all times.

c) Annual Budget Preparation

An annual financial budget can assist in projecting the normal income and expenses of the parish, as well as help forecast any anticipated increase in costs or capital expenditures. A properly completed annual budget can be the single greatest tool in controlling parish expenses. The Archdiocese of Kansas City in Kansas requires all entities to prepare an annual income and expense budget each fiscal year to be completed and approved by the Finance Council no later than May 1.

d) Financial Statement Preparation

Financial Statements are formal records of an entity's financial activities and provides an overview of the entity's profitability. Properly completed financial statements promote transparency and visibility within the parish community. The Archdiocese of Kansas City in Kansas recommends that, at a minimum, a quarterly balance sheet and income statement be prepared and reviewed by the Pastor and Finance Council. Current income statements should be compared to the annual budget and the same time period of the previous year. Cash flow reporting and other significant financial statements are available on most accounting software packages and should also be considered for review. Detailed payroll records are required as well.

e) Timely Financial Reporting

In the Code of Canon Law, Canon 1284 section 2.8 requires Parish administrators to draw up an account of their administration at the end of each year. Canon 1287 section 2.0 requires administrators to render accounts to the faithful concerning the goods they have given to the Church. Delays in fulfilling these obligations limit transparency to parish finances for both the parishioners and the Archdiocesan leaders. This can also be damaging to parish leaders' efforts to model good stewardship. The Archdiocese of Kansas City in Kansas requires each parish and school to issue an "Annual Parish/School Financial Report" to be received no later than July 31st of the next fiscal year end. Additionally, parishes are required to prepare a year end report of like nature to the parish community. The required time frame for the parish community report is no later than September 30th of the next fiscal year end.

f) Organizational Reporting

The Archdiocese of Kansas City in Kansas requires that all parish related organizations (e.g. Altar Society, Mothers of Young Children, CYO, etc.) report financial activity, at least annually to the Pastor and Finance Council. Additionally, all parish related organizational activity is to be included on the Annual Parish Financial Report to the Archdiocese.

COMPUTERS/INFORMATION TECHNOLOGY

a) Computer Access

Sensitive information is often present when accounting for the many assets found within the parish. Because of this sensitive presence, it is important for parish administration to make every effort to safeguard the information stored on parish computers. Log in passwords should be required before access to parish computers is allowed in all instances.

b) Computer Backup, Storage & Testing

Depending on the size of the parish, parish computer systems should be backed up at regular intervals. Larger parishes may wish to back up their computer systems daily, while smaller parishes may be able to back up on a monthly basis. Regardless of parish size a consistent back up procedure and time frame should be established.

All computer backups should be stored offsite in a safe and protected environment. Additionally, copies of backups should be tested to ensure that backups were successful.

c) Cross-Training

The cross-training of parish employees is a good business strategy because it is a proactive way of keeping all aspects of parish financial activity running smoothly in the event of a sudden vacancy. Additionally, cross-training of parish employees allows individuals to take time away from work with the confidence that things will continue to operate efficiently. Cross-training also helps to identify potential fraudulent activities that can be present when a single individual is responsible for specific aspects of parish accountability.

Smaller parishes often find it difficult to properly cross-train employees because there may be a very limited staff available. In these instances it is recommended that Finance Council members step up and share in the responsibility of learning the applicable accounting programs, policies and programs.

LEGAL & TAX

a) Christmas Gifts & Employee Bonuses

Cash (whether currency, check, direct deposit etc.) and cash equivalents (gift cards) given to employees are considered taxable compensation according to IRS guidelines. Such gifts should be accounted for through the payroll system and social security and Medicare taxes should be withheld. Only “de minimis” fringe benefits are excluded from wage reporting. Traditional holiday gifts (such as a turkey, gift basket, etc.) with nominal value are considered “de minimis”. For a complete overview of fringe benefit taxation, please visit www.irs.gov.

b) 1099 Reporting

IRS guidelines require that form 1099MISC be issued to any individual or sole proprietor that earns in excess of \$600.00 in a single calendar year, weather the individual itemizes deductions or not.

c) Special Event Coverage

The Archdiocese of Kansas City in Kansas’ insurance provider, Catholic Mutual Relief Society of America, requires all Archdiocesan entities to obtain special event coverage or a properly completed evidence of insurance certificate noting both the parish and the Archdiocese of Kansas City in Kansas as additionally insured when renting any properties associated with the parish.

OFFERTORY COLLECTION PROCEDURES

a) After Mass Collection Procedures

Immediately after Mass, or immediately after the Offertory collection if the collection is not taken down to the Altar with the Gifts, two separate and unrelated individuals will gather the collection and place the collection in a previously “marked” tamper evident bag. The bag will be placed in the parish safe immediately after Mass or after the Offertory collection if the collection is not taken down to the Altar. At no time should an individual ever be in sole possession of the Offertory collection

b) Tamper Evident Bags

Tamper Evident Bags can be purchased from a number of sources and are available in several different sizes. The Office of Finance and Control will gladly provide ordering information if needed.

A single tamper evident bag should be utilized for each Mass. The bag(s) should be marked with the date and time of the Mass it is to be used prior to placing the bag(s) in the Sanctuary, ushers room, etc. Each tamper evident bag comes standard with a tracking number and this tracking number should be recorded on a log sheet to ascertain that the bag issued for a given Mass is in fact the same bag presented to the count team members when the bag is opened for counting. After Offertory collection monies are placed in the previously marked tamper evident bag(s), the ushers or individuals placing the monies in the bag(s) should initial the applicable bag prior to placing the bag(s) in the safe or other secure storage device.

c) Safe or Other Secure Storage

All parishes should have a safe or other secure storage device to keep Offertory collections if the count is not completed and deposited immediately after each Mass. A detailed listing of those having access to the safe should be maintained and updated, with the combination changed; each time there is a change in personnel that have access to the safe.

d) Count Team Structure

Count teams should be established in each parish to be responsible for the counting of Offertory collections, completing the collection report and completing the tamper evident bag log. Count teams should also be responsible for the preparation of the deposit slip and taking the monies to the bank. Each count team should have at least three members and no greater than six. Count team members should be separate and distinct; no husbands and wives or related individuals should serve together on the same count team. Additionally, count teams should be rotated on a regular basis.

Count team members should each sign, in pen, the collection report once completed.

e) Count Procedures

Under no circumstances should a single individual be in possession of the Offertory collection at any time or be allowed to conduct the count alone. Additionally the parish bookkeeper or other parish staff personnel should not be involved in the count.

Once the tamper evident bag(s) have been gathered and delivered to the count team, bag numbers should be confirmed to the tamper evident bag log.

The back of each check should be restrictively endorsed with the parish name, bank account number and state "For Deposit Only."

Each Offertory collection should be counted separately by using a separate collection report for each Mass. The count should be confirmed before proceeding to the next bag and this procedure continued until all bags are counted.

The collection report should designate all funds. In order to complete the report, envelopes will need to be sorted by applicable fund type and a calculator tape must be attached to the group of envelopes for that fund. These totals are to be transferred to the collection report. The totals of the envelope postings should tie to the parishioner's account.

A single deposit slip can be used and should be confirmed by totaling the individual count sheets. Duplicate deposit slips should be attached to the collection report and the validated deposit slip from the bank should also be attached to the collection report. Collection envelopes should be retained for one full year after the end of the fiscal year.

f) Deposit Procedures

Offertory collection deposits should be made on Sunday via the bank's night depository. If this is not possible, funds should be placed in a tamper evident bag and locked in the parish safe to be deposited the following morning.

The parish bookkeeper should reconcile the collection report, duplicate deposit slip and the validated deposit slip from the bank. Tamper evident bag numbers should also be reviewed at this time.

g) Parishioner Contribution Statements

Every parishioner should receive a tax receipt annually, whether they itemize deductions or not. This helps to ensure that all contributions are deposited and accounted for properly. Discrepancies between amounts donated by parishioners and amounts recorded by the parish should be investigated promptly.

OFFICE RECEIPTS

a) Pre-Numbered Receipts

It is typical for the parish staff to receive loose checks and cash during the work week from parishioners walking in. For walk in cash and check receipts it is recommended that a duplicate pre-numbered receipt be issued. The pre-numbered receipt should be signed by the parish staff and the payee, a copy should be given to the payee, and one kept for the parish records. Receipts should be issued by some one other than the person responsible for preparing the deposit.

b) Mail in Receipts

In addition to walk in receipt, parish staff routinely receives cash or checks through the mail. Although it may be difficult to distribute receipts for such monies, it is recommended that mail in cash and check receipts are recorded in a log book or journal. Log book or journal entries should be made by some one other than the person responsible for preparing the deposit.

c) Receipt & Log Book Reconciliations

Deposits for walk in and mail in receipts should be made on a regular basis. An individual separate from the person issuing walk in receipts and recording mail in receipts should be responsible for preparing weekly deposits. Weekly deposits should be reconciled to the total receipts issued and the log book/journal as they are made.

CASH DISBURSEMENTS

a) Invoice Approval

Original supporting documentation should be reviewed and approved by the Pastor or his designee (other than the parish bookkeeper or person responsible for preparing the invoices for payment). The supporting documentation should include invoices or receipts that provide evidence of the transaction and the expense account to be debited when applicable. Invoice approval should be recorded by signature or initials prior to check preparation in all instances.

b) Documentation Review

To ensure that disbursements are made for their intended use, supporting documentation should accompany all checks when presented for payment. Supporting documentation would include previously approved invoices and other such documentation for the proposed payments.

c) Defacing of Paid Invoices

It is important to “deface” all invoices after payment has been made to prevent duplicate payments. Noting the date of the payment and check number on the paid invoice, the use of an ink stamp stating “PAID”, or simply stapling a copy of the check receipt from the parish operating system to the invoice are all acceptable ways of defacing invoices.

d) Checks Made Payable to Cash

Although it is recommended by the Archdiocese of Kansas City in Kansas that checks not be made payable to cash or to individuals for the purpose of converting the check to cash, it is understood that on occasion the need does in fact present itself. Specific controls should be in place for such activity. If there is a need to convert a check to cash, checks should be made payable to “cash” and not to an individual. Additionally, detailed recordkeeping of the transaction should be maintained and signed off on by the Pastor and the individual requesting the cash.

e) Issuance of Blank Checks

Under no circumstances should a blank check be issued for any reason.

f) Facsimile Signatures

Under no circumstances should the use of facsimile signatures or signature stamps be permitted.

PETTY CASH FUND

a) Transaction Procedures

All petty cash transactions should be recorded in a “Petty Cash Register” to maintain a clear record of all activity. The petty cash register should include the date of the payment, the amount of the payment, the entity or person paid and a brief description of the transaction.

b) Supporting Documentation

Receipts for all purchases made from the petty cash fund should be retained and reconciled to the fund at regular intervals. At any point in time, remaining petty cash and transaction receipts should equal the total fund balance.

c) Authorized Custodian & Physical Safeguards

A primary and a secondary person should be assigned to serve as custodian for the petty cash fund. Custodian responsibilities should include; processing transactions, making certain that receipts are received for all activity and replenishing the fund. The petty cash fund (box, bag, etc.) should be stored in a locked safe or other secure storage device with limited access.

d) Fund Limit

A reasonable limit should be assigned to the petty cash fund. The limit should be set to a level that the replenishing of the fund occurs on an average of once every thirty days.

BANKING ACCOUNT PROCEDURES

a) Banking Accounts

Banking accounts should be kept to the minimum number necessary to accomplish the business of the parish. If the parish has a school, a single checking account should be used to handle the operations for both the parish and the school. Most accounting systems used today by the parishes within the Archdiocese of Kansas City in Kansas are capable of operating with a single checking account for all parish related activity. Parish related activity is easily tracked in the general ledger of the accounting software system. For ease of accountability Parish Administration should consider maintaining bank accounts (operating, organizational, etc.) at one financial institution. Higher combined account balances may enable the parish to negotiate better rates and terms.

All parish related checking accounts should be registered in the name of the parish and should use the parish tax ID number. No accounts shall be registered in the name of an individual whether clergy, religious or lay. Additionally, no individual's social security number shall be used for parish related accounts.

b) Signature Card Compliance

Without exception, the Pastor should be noted on the signature card of all banking accounts operating on behalf of the parish. Depending on the size of the parish, any or all of the Pastor/Administrator, Parish Administrator, Business Manager, Associate Pastor or Finance Council member may be signatories on the account. Under no circumstances should the parish bookkeeper or person responsible for the financial recordkeeping be allowed to be on the signature card. Additionally, any and all individuals that leave the parish should immediately be removed from the signature card upon their departure.

c) Bank Statement Review

Proper bank statement review is the single most effective way to safeguard the assets within the parish community. The Archdiocese of Kansas City in Kansas requires that all parish related banking account statements be mailed to the parish office for review by the Pastor or his designee prior to distribution to the various auxiliary groups and/or school. A copy should be kept for parish records and the original statement forwarded to the applicable organization leader. Bank statement reviews should include a detailed analysis that includes checking for proper signatures, verifying payee's validity and evaluating any transfers. If bank statements do not include photocopies of deposits and paid checks, parish administration should negotiate with the bank to ascertain that these items are included in the future.

d) Bank Reconciliation Review

All parish related banking accounts should be reconciled on a monthly basis and reviewed by an individual independent of the handling and recording of cash for the applicable organization. Bank reconciliations for the general parish banking account, and any other parish accounts that accounting is handled by the parish bookkeeper, should be reviewed by a member of the Finance Council. Reconciled balances should be tied to the reported book balance (balance sheet) and ending bank statement balance should be confirmed. Additionally, bank reconciliations should be printed and retained in accordance with the Archdiocese Record Retention Policy.

e) Parish Organization Bank Accounts

As a convenience to the association, the Pastor may allow a parish organization to open a bank account using the parish name. Organizations may have banking accounts only with the Pastor's permission and the Pastor must be noted on the signature card.

Organizational banking accounts and financial records are the property of the parish. Organizations may not deny the Pastor access to financial records, bank statements or any other requested information. Organizations that refuse to comply with Archdiocesan guidelines will not be considered to be a parish related organization. Use of the parish sales tax exemption, parish tax ID # and any benefit from the parish's non-for-profit status will be denied. Additionally, evidence of adequate liability insurance coverage will be required of the Organization for use of the parish facilities.

f) FDIC Insurance

The Archdiocese of Kansas City in Kansas requires all parishes to bank with an institution that is affiliated with the Federal Deposit Insurance Corporation (FDIC).

g) Closing of Bank Accounts

Inactive bank accounts should be closed to prevent unauthorized banking on behalf of the parish. Parish Administration should also consider closing or merging minimally active banking accounts. When closing a bank account all left over check inventory should be shredded to prevent fraudulent use of the remaining checks.

h) Verification of Parish Accounts

Bank confirmation testing can assist the Pastor in confirming all existing bank accounts operating on behalf of the parish and help in recognizing any account that may not have been previously known to the Pastor. Parish administration is encouraged to send formal bank confirmations on an annual basis to all banks they are currently doing business with, as well as other local banks in the surrounding area. Bank confirmations will confirm existing banking accounts and identify any accounts that may not be known to the Pastor or parish staff. Please refer to Appendix H of the Parish Administrative Handbook for a sample bank confirmation.

PARISH CREDIT CARD PROCEDURES

a) Credit Card Distribution

The issuance of parish credit cards should be kept to a minimum whenever possible. Only those individuals in an administrative capacity should be issued a credit card. If the parish retains a single credit card for several to use, a detailed sign out sheet should be established indicating the name of the individual using the card, the date and time checked out, proposed use and time and date and time returned.

b) Receipt Retention

Parish employees using the parish credit card should be required to retain a receipt for any and all purchases made. The credit card receipts should be given to the parish bookkeeper at regular intervals for review and eventual reconciliation.

c) Personal Use of Parish Credit Card

Under no circumstances should an individual be allowed to make personal purchases with the use of the Parish credit card. Additionally, under no circumstances should a payment be made directly to an individuals personal credit card account.

d) Credit Card Reconciliations

Credit card reconciliations proving the credit card statement to the previously received receipts should be made each and every month upon receiving the credit card statement. If receipts are consistently missing from a particular individual, the Pastor may consider terminating credit card privileges from that individual.

OTHER BEST PRACTICE OPPORTUNITIES

a) Tuition Receipts

The back of each check should be restrictively endorsed with the school name, bank account number and state "For Deposit Only." Pre-numbered receipts should be issued for cash payments of tuition and fees.

b) Tuition Tracking & Reconciliation

Tuition receipts should be tracked and reconciled to the individual student accounts and to the total tuition revenues posted on the parish financial system's general ledger. If an independent third party (FACTS, SMART, etc.) assists in tuition collection, the monthly statement received from that party should also be reconciled to the school tracking system and the general ledger. These reconciliations should be performed at least monthly.

c) Development Receipts

The parishes and schools of the Archdiocese of Kansas City in Kansas often receive donations throughout the year. IRS guidelines state that all donations of \$250.00 or more received in a single calendar year require a written acknowledgement form from the charitable organization receiving the donation. Acknowledgements must be received by the donor prior to the end of January of the year following the calendar year the gift was given.

d) Development Tracking & Reconciliation

Development receipts should be recorded as they are received. Detailed reconciliations of the tracking system in use by the parish or school should be performed. The reconciliations should include tying the tracking system to the parish accounting system's general ledger at least monthly.

e) Records Retention

The records retention guidelines for the Archdiocese of Kansas City in Kansas were prepared to assist parishes' needs to establish control over routine records and to preserve records of permanent value. Please refer to the Parish Administrative Handbook for a complete listing of retention policies and procedures.