

# Our Lady of Mt. Carmel Accounting Policies and Procedures Manual

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## **1.0 CASH ASSETS:**

### **1.1 Bank Accounts**

All funds of the Parish should be maintained in bank accounts of Federally insured public depositories within the geographic boundaries of the Dioceses of Lafayette-in-Indiana or the Archdiocese of Indianapolis. The financial activity of all related organizations should be accounted for in the operating bank account of the Parish. Accounting for related organizations in this manner will help the parish fulfill its oversight responsibilities per Canon 1276, facilitate the reflecting of all financial activity of related organizations on the parish ledger and insure that proper accounting controls over cash receipts and disbursements are in place as described elsewhere throughout this manual.

Since the assets and liabilities of related organizations respectively represent property and obligations of the parish, it is important for the parish to properly account for them. It is important for related organizations to understand that the consolidating of their accounting with that of the parish is not intended to limit the organizations' activities or to question their integrity.

#### **1.1.1 Types of Accounts**

In addition to the parish general operating account, there are situations where state law requires, or Diocesan policy recommends, funds to be kept in separate checking accounts. All funds generated from charity gaming activities (see section 5.0) must be kept in a separate checking account. Mass stipends should be kept in separate checking accounts to help aid in accounting for them.

#### **1.1.3 Name and Federal Tax Identification Number**

All bank accounts should carry the official name and Federal Tax Identification number of the parish in order to protect the legal ownership of the funds involved.

#### **1.1.4 Bank Reconciliations**

All bank accounts should be reconciled with the bank on a monthly basis. These reconciliations should be documented. Bank reconciliations will be performed by the parish bookkeeper and reviewed by the business manager. Reconciliations should not be performed by an individual who is either an authorized signature on the account or responsible for making deposits to the account.

### **1.2 Petty Cash Funds**

Parishes and other institutions may choose to create a petty cash fund for purposes of making small, immediate disbursements that are otherwise cumbersome or inefficient to pay through normal check writing routines. Petty cash funds should only be created with the approval of the Business Manager. All disbursements from the fund should comply with the policies applicable to other disbursements that are made by check as described in the subsections of Section 3.0. In addition, the following policies apply with respect to petty cash funds:

- 1.2.1 Petty cash funds should be established with a definite cash limit that is not excessive with regard to the fund's specific needs. Petty cash funds should not exceed a maximum limit of \$100 unless specific authorization is received from the Business Manager.
- 1.2.2 Each petty cash fund shall be placed in the custody of one individual (the petty cash custodian) who alone has total responsibility for its integrity and access.
- 1.2.3 The fund should be replenished by check payable to the petty cash custodian in an amount equal to the disbursements made since last replenished, which will preserve the pre-established amount of the fund as described in Section 1.2.1. It is the responsibility of the designated petty cash custodian to cash the check and replenish the fund with the proceeds.

The petty cash fund should never be replenished from undeposited funds received by the entity from any source.
- 1.2.4 Personal checks should never be cashed from the petty cash funds on hand.
- 1.2.5 Unannounced counts of the petty cash fund should be made periodically by an individual other than the petty cash custodian.

### **1.3 Cash Change Funds**

Oftentimes it is necessary at certain activities or events for an amount of starting cash to be made available for the purpose of providing change for funds received. Cash change funds should be created by issuing a check to the individual designated as being responsible for the funds involved. The individual is responsible for cashing the check and providing the proceeds for use at the particular activity or event undertaken. All cash change funds should be re-deposited in the entity's bank account at the conclusion of the activity or event undertaken. It is important that the re-deposited cash change funds be separately identifiable from other funds received as to account for the true gross profit for the event.

### **1.4 Related Organizations**

A wide variety of groups exist for the benefit of the parish and school, contributing gifts of time, talent and treasure too numerous to describe or quantify. It is indeed a true call to stewardship that enables both the groups and the institution they are serving to come to an understanding of their respective responsibilities for ensuring that all resources reaped are used as effectively as possible.

#### **1.4.1 Definition**

The parish has the responsibility of ensuring that their related organizations operate within the confines of civil law, Canon law and Diocesan policy, and could be held legally responsible for their actions. Related organizations are defined as organizations which are run by parish staff or volunteers under the name and tax-exempt status of the church or school. Examples of related organizations of the parish and schools are The Men's Club, Women's Club, PTO's, Booster Club, Sports Association, etc. (Private Associations of the Christian Faithful, such as Knights of Columbus and Scouts, may operate at a parish or school. Because

these are chartered by and accountable to a separate incorporated body and are subject to the policies and procedures of their respective parent organizations, they do not represent related organizations of the parish and schools).

#### **1.4.2 Ownership**

All funds (and other assets) held by related organizations represent property of the parish, which explicitly or implicitly authorizes its existence. Likewise, all liabilities (including potential risks of liability) of related organizations become the responsibility of the parish. Since the operations of related organizations represent a portion of the operations of the parish as a whole, all policies that apply to the parish and schools (or any other institutions as cited in this manual) also apply to related organizations. It is important for related organizations to know that the parish/school has the responsibility of ensuring the proper administration of their goods as referred to in Canons 1276, 1279 and 532.

Funds held by groups that do not represent related organizations as described in Section 1.4.1 do not represent parish-owned funds. It is strongly suggested, however, that guidance on sound practices and procedures be given whenever such guidance is necessary.

#### **1.4.3 Legal Incorporation of Related Organizations**

Because of the Church's oversight responsibility as cited in Canon 1276, the past incorporation of an organization that is by definition a related organization does not exempt the organization from the policies and procedures prescribed by the parish. Related organizations should not pursue separate incorporation from the parish, on whose behalf they exist.

#### **1.4.4 Separate Accounting**

In cases where either a separate bank account is required by law, or it is determined by the administration of the parish that it is necessary for a related organization to maintain a separate bank account, the following policies should be adhered to with respect to the separate account created:

- a) The accounts should comply with all relevant policies that are subject to bank accounts as described in Sections 1.1.1 through 1.1.4
- b) All policies relative to cash receipts and cash disbursements should be complied with as described in Sections 2.0 and 3.0, respectively
- c) A Statement of Revenues and Expenses and a reconciled cash balance are to be submitted to the Business Manager at least annually. The Business Manager may decide that this information be obtained on a more timely basis (i.e., monthly).
- d) All provisions of the Indiana Charity Gaming law should be complied with when applicable, as described in Section 5.

It is anticipated, however, that it will be very rare that a related organization would have a separate checking account.

## **2.0 CASH RECEIPTS:**

Receipts include all monies received by the parish whether in the form of cash or check. Specific procedures relating to collection receipts, fund raising receipts, and tuition receipts are addressed below. The following procedures should be followed regardless of the type of receipt.

All receipts should be counted and deposited on a timely basis, and recorded in the appropriate parish or school records. If receipts cannot be deposited daily, they should be kept in a locked safe until a bank deposit can be made. Pre-numbered receipt forms should be used where issuance of a receipt for monies received is appropriate. All cash receipts should be summarized and reported to the finance committee or other appropriate individuals on a regular basis (at least monthly).

### **2.1 Collection Receipts Procedures**

Collections refer to cash or check contributions received from general parish collections during church services or meetings. The following procedures will help to ensure the integrity of this major source of parish revenue. Loose cash and envelopes should be collected by Ministers of Welcome during the service and should be taken immediately to a secure counting room and given to the appointed counters (on Saturday and Sunday evenings the Ministers of Welcome should leave the collection in the safe). At least two non-related people should be present when cash is counted after collections. Signed count sheets or logs should be maintained. Collections should be counted immediately following the services at which they were collected. When counting collections, loose collections should be counted separately from those received in envelopes. This will facilitate the reconciliation of the envelope amount at a later time. The counters should restrictively endorse ("For Deposit Only, Our Lady of Mt. Carmel Parish, Account #) all checks received in the collections. As amounts received in envelopes are counted, the amount should be recorded on the face of the envelope. The counters should prepare a deposit slip and all amounts should be secured in the locked, fireproof safe. Envelopes and count sheets should be forwarded to the parish bookkeeper. On Monday, the bookkeeper and two other counters should count the Sunday evening collection following the above procedures and also verify the accuracy of the work done by the Sunday counters. The bookkeeper should record the deposit in the parish ledgers. The bookkeeper should post identifiable contributions (i.e., envelope users) to each parishioner's individual record. The bookkeeper should also reconcile the amounts posted to the envelope amount plus loose collections indicated on the deposit slip. Individuals performing the counting should be rotated on a regular basis. Periodic statements should be sent to all parishioners listing the contributions made. At a minimum, annual statements should be sent. Collections for others (National Obligations, CHD, etc.) should be remitted by the specified due date for the particular collection.

### **2.2 Fund Raising Receipts Procedures**

Various fund raising events conducted by parishes generate a substantial part of the parish income. These events often involve large amounts of cash and can represent moments of high vulnerability. The following procedures should be followed by all persons involved in parish fund raising activities.

During fund raising events, the parish should appoint two individuals to control and frequently collect all cash receipts (related organizations would be responsible for appointing these two individuals at their fund raising events). Similar to collections, all cash should be taken to a secure location for counting. Large amounts of cash should not

be left to accumulate for a long period of time. At least two non-related people should be present when cash is counted. Signed count sheets or logs should be maintained. The counters should restrictively endorse ("For Deposit Only, Our Lady of Mt. Carmel Parish, Account # ) all checks received. All amounts received should be deposited in the locked fireproof safe as soon as possible after the event. Where large amounts are involved, periodic deposits should be made during the event. A copy of the deposit slip(s) should be given to the bookkeeper. The bookkeeper should verify the accuracy of the deposits as soon after the event as possible. The bookkeeper should record the deposit in the checkbook or parish ledger.

### **2.3 Book Fee Receipts Procedures**

The following procedures regarding the handling of book fee receipts should be followed. All book fees should be received at one location by one or two designated individuals. Pre-numbered receipts should be issued for all book fee collections. A copy of each receipt should be maintained by the school. Checks should be restrictively endorsed immediately upon receipt. All amounts should be forwarded to the bookkeeper and deposited in the bank account on a daily basis. The bookkeeper should record the amount in the appropriate ledger. A separate record should be maintained for each student indicating the total book fee charged, the date and amount of each payment, and the remaining balance due. The School's Administrative Assistant is responsible for following up on past due amounts.

## **3.0 CASH DISBURSEMENTS:**

While it is important to safeguard all receipts for the parish, it is equally important to ensure that disbursements are made for legitimate parish purposes. The following procedures should be followed to establish that legitimacy.

### **3.1 General**

Each Department Head is responsible for authorizing expenditures, within the limits described below, for their department. The Business Manager is responsible for those expenditures which don't fall into a department which has a department head. The Business Manager also has the authority to enter into contracts for maintenance, repairs, and construction. Before the Department Head authorizes expenditures, the parish budget should be reviewed to ensure that the expenditure had been budgeted. Any expenditure greater than \$500 (except school book orders) should be approved by the Business Manager. Any expenditure greater than \$5,000 that is not budgeted, should be discussed with the Finance Committee prior to committing to the expenditure. Expenditures for fixed assets (as defined in Sec. 3.2) should follow the procedures outlined in Section 3.2.

Receipts, invoices, and other support for all disbursements should be maintained on file, in an orderly manner, with the bookkeeper. Before approving payment, the delivery of goods or services must be verified, and the invoice reviewed for mathematical accuracy. The proper account to be charged should also be included on the invoice. Purchase discounts shall be used whenever possible. Invoices shall be processed to take advantage of early payment discounts where available. After invoices have been properly approved by those individuals designated to perform this function, the checks are prepared by the bookkeeper with the appropriate supporting documentation or invoices attached and

given to the authorized signers for their review and signature. Pre-numbered checks should be used for all disbursements (other than those made through petty cash funds).

Under no circumstances should blank checks be pre-signed, nor should a rubber stamp be used. All disbursements should be recorded in the ledgers promptly. Once paid, all receipts, invoices, etc., should be attached to a copy of the check to assure that such items are not paid twice by mistake. All disbursements that will exceed the type and ceiling figure for the parish must have authorization from the Bishop and before the disbursement can be made. The ceiling figure is determined by the Bishop's policy (presently 1991-3). The authorization requirement applies for each disbursement exceeding the ceiling figure. All disbursements should be summarized and reported to the finance committee or other appropriate individuals on a regular basis (at least monthly).

### **3.2 Fixed assets**

Fixed assets include items such as land, improvements, building equipment, furniture, tools and fixtures that have a useful life over many accounting periods. All expenditures for fixed assets must have prior approval from the Business Manager. Any expenditure greater than \$5,000 that is not budgeted, should be discussed with the Finance Committee prior to committing to the expenditure. For each fixed assets that cost more than \$1,000 and have a useful life of two or more years, the parish should maintain a fixed asset list which includes the following information:

Item description, manufacturer serial number, physical location, purchase date, and purchase price.

A periodic inventory of all fixed assets should be conducted not less than every three years. All titles and property records should be maintained in a safe place.

### **3.3 Compensation and Payroll**

The proper recording and maintenance of payroll records is important not only for insuring that employees receive their just compensation and for determining the costs to parish operations, but also is required by both the Federal and State governments. The Internal Revenue Service considers an employee as "anyone who performs services subject to the will and control of the employer both as to what shall be done and how it shall be done" and receives some type of remuneration for such services.

The parish will generally employ two types of individuals: clergy and lay people. Generally, clergy are not subject to Social Security, Medicare or income tax withholding, while lay employees are subject to these provisions. Members of religious orders are not compensated individually, rather, compensation is provided to the administration of the religious order.

Salaries and other compensation for individual parish employees should be approved by the Pastor or Business manager and documented. Compensation levels should be determined using the fiscal parameters established in the budget process. While salary levels are approved at a general level by the Finance Council during this process, the sensitive nature of salary information requires that the individual salary information not be disclosed in any public forum. The periodic change in an employee's compensation should be also be documented in his/her personnel file. This will provide adequate

support of the amounts being paid. For the schools, the teachers' contracts provide this support.

Employees paid on an hourly basis will use a time clock to document their hours worked. The resulting time record should be approved by their supervisor prior to paychecks being written. The regular payroll should be reviewed by someone independent of the preparation prior to the issuance of payroll checks. All payroll payments should be made by pre-numbered checks or by direct deposit to the employee's bank account.

The parish should maintain a payroll system which records current period, monthly, quarterly and annual earnings and withholdings by employee. The system should have the ability to generate reports that will assist with fulfilling the quarterly and annual reporting requirements of the Internal Revenue Service and the Indiana Department of Revenue.

#### **4.0 MASS OFFERINGS:**

Section 1.1.1 recommends that Mass stipends be kept in a checking account separate from the parish's operating account to more efficiently account for them. This account should follow the same internal controls as described in Sections 1.1.1 through 1.1.3, and should be used solely for the purpose of tracking Mass stipends.

#### **4.1 Diocesan Requirements**

Mass offerings are totally gratuitous. In other words, all unpaid intentions must still be said.

Priests are permitted to keep the stipend for one intention said per day. If multiple daily Masses are said, excess stipends are to be sent to the Diocese for the Diocesan Seminary Fund

Perpetual Mass intentions are not to be accepted. If such Masses are received through Last Will and Testaments, the amount of money given is to be divided by \$5 and that number of Masses is to be entered in the "Mass Stipend Account" ledger. The faithful are to be advised that Perpetual Masses will no longer be accepted

#### **4.2 Required Records**

All Mass intentions received by the parish should be kept in a "Mass Intentions Journal" which lists the designated intention, the date the Mass is to be said, the amount offered (\$5), and the date the intention is received. Once the intention has been offered, it should be "canceled" to prevent the intention from being said more than once. In addition, once the priest has received the stipend for that Mass, it too should be marked as to prevent the stipend from being paid more than once.

When a Mass intention is received, the corresponding stipend should be recorded in the Mass Intentions Journal and deposited into the Mass Stipend account following the guidelines as described for cash receipts in Section 2.0.

All disbursements from the account should follow the guidelines as described in Section 3.0. The procedure for disbursing stipends to priests is described in Section

The balance in the checking account should be reconciled on a monthly basis to the bank statement. This can be done by simply following the format provided on the back of the bank statement. In addition, the account should be reconciled periodically to the Mass Intentions Journal to determine if the balance in the account accurately reflects the number of Masses yet to be said. If after reconciling the account to the Mass Intentions Journal, an excess balance exists, it should be forwarded to a charity of the pastor's choice, which may be the operating account of the parish, if the pastor so chooses. Excess funds are usually attributable to bination (priests may only accept one stipend per day although he may say more than one Mass per day - See Section) or interest which accrues on the account.

## **5.0 CHARITY GAMING:**

Charity gaming events are limited to bingo, raffles, door prizes, a charity game night, a festival event, and the sale of pull tabs, punchboards, or tip boards. The Indiana Department of Revenue regulates and enforces charity gaming events. The Department has written Publication 2 detailing the regulations for charity gaming events. Every person or organization that sponsors or runs a charity gaming event is responsible to get a copy of Publication 2 and be familiar with the rules governing charity gaming.

It is important that for each event, whether a license is required or not, the organizers contact the parish's Business Manager/Financial Controller about such event. The Business Manager shall be responsible for the adherence to all licensing and reporting requirements for all charity gaming activities of the parish.