

**ROMAN CATHOLIC BISHOP OF STOCKTON
PARISH ACCOUNTING AND FINANCIAL POLICIES**

May 7, 2008

**ROMAN CATHOLIC BISHOP OF STOCKTON
PARISH ACCOUNTING AND FINANCIAL POLICIES
TABLE OF CONTENTS**

CASH MANAGEMENT	3
CASH	3
SEGREGATION OF DUTIES	3
BANK ACCOUNTS	3
Authorization for Bank Accounts	4
Account Signers.....	4
Check Signer Alternatives.....	4
Transfers between Parish/School Cash Accounts	5
Bank Reconciliations	5
Outstanding and Voided Checks	5
OPERATING CASH	5
IMPREST PETTY CASH FUND.....	6
Establishing the Fund	6
Responsible Party Acknowledgment Receipt	6
Using Petty Cash Vouchers	6
Replenishing the Fund.....	6
PARISH LOAN/EMPLOYEE ADVANCES POLICY	6
PARISH MINISTRIES, PROGRAMS AND FUND RAISING GROUPS	7
PARISH ORGANIZATION ACCOUNTS - PROHIBITED	7
NATIONAL OR REGIONAL ORGANIZATIONS	7
CASH RECEIPTS	8
OFFERTORY	8
Basic Ingredients for a Secure System	8
Offertory Collections	9
Tamper Evident Collection Bags	9
Preparation for bag use.....	9
Parish Ushers.....	9
Money Counting and Depositing	10
Teams	10
Pre-numbered Tamper Evident Bag Opening	10
Deposit Preparation.....	10
Sorting.....	10
Counting and Packaging.....	11
Tabulating	11
Reconciliation of Deposit.....	12
Banking/Depositing.....	12
Proper Classification of Offertory Receipts.....	12
Cashing Checks Out of the Offertory Collection - Prohibited	13
Using the Offertory Collection to Pay Parish Expenses – Prohibited	13
Recording Returned Checks	13
MISCELLANEOUS RECEIPTS	14
Restrictive Endorsement	14
Safekeeping.....	14
Counting, Depositing and Recording	14
PARISH MINISTRIES AND PROGRAMS.....	14
FESTIVALS - DINNERS - RAFFLES	15
SCHOOL COLLECTIONS	15

MAINTAINING DONOR RECORDS	15
ACKNOWLEDGING CASH DONATIONS EQUAL TO \$250 OR MORE	16
DONATIONS OF STOCK/OTHER SECURITIES TO THE PARISH	16
CASH DISBURSEMENTS	17
APPROVAL OF INVOICES	17
Expense Account Coding	17
Allocating Expenses between Departments, Programs and Cost Centers	17
Approval by Pastor or Other Designated Authority	17
Expense Reimbursements.....	17
Credit Card Expense Reimbursements.....	17
Clergy Automobile Insurance Reimbursements	18
SIGNING CHECKS	18
Signing Blank Checks – Prohibited	18
Checks Made Payable to “Cash” – Prohibited.....	18
CANCELING PAID INVOICES	18
FILING PAID INVOICES.....	18
SAFEGUARDING CHECK STOCK	18
PURCHASES USING CREDIT CARDS AND CHARGE ACCOUNTS	19
PURCHASES USING SCRIP.....	19
1099 PAYMENTS.....	19
IRS FORM 1099-MISC	19
Extra Priests	19
Deacons	19
Independent Contractors and Non-Incorporated Companies	19
State DE 542	20
APPENDIX A	21
PRE-NUMBERED TAMPER EVIDENT BAG CONTROL LOG	22
COUNT SHEET	23
DEPOSIT RECORD FORM	24
SAMPLE CONTRIBUTION ACKNOWLEDGEMENT	25

ROMAN CATHOLIC BISHOP OF STOCKTON PARISH ACCOUNTING AND FINANCIAL POLICIES

CASH MANAGEMENT

CASH

The handling of cash is a primary concern of financial control in any organization. "Internal control" refers to the degree of cross-check between different individuals with responsibility related to a given transaction when a proper system of internal controls over cash is enforced; more than one person will be involved in every transaction involving cash. This provides the needed cross-check of one to the other for the protection of the parish, the individuals responsible for handling cash and accuracy in recording cash. It is essential that good internal controls be maintained in all aspects of cash procedures.

SEGREGATION OF DUTIES

When addressing the area of cash, proper "Segregation of Duties" must be in place.

Adequate safeguards and control over cash balances require a minimum level of segregation of the primary responsibilities involving cash transactions: authorization, custody, recording and reconciliation. Ideally, two or more of these responsibilities should not be performed by the same individual. The following guidelines should be considered when evaluating the appropriate level of segregation:

- Authorization: The Pastor has the final responsibility of committing parish resources; he should be designated signer on all parish bank accounts.
- Custody: Parish funds should be maintained in adequately protected bank accounts and limited individuals should have access to cash and cash equivalents (i.e. blank checks)
- Recording: Transactions should be recorded by a competent accountant/bookkeeper.
- Reconciliation: Reconciliation of account balances should be performed by the accountant/bookkeeper and reviewed and initialed by the Pastor or by a competent member of the Finance Council.

BANK ACCOUNTS

Each parish and each school should maintain only one checking account from which all check disbursements are to be made and to which all receipts are to be deposited. An exception may be made if the need for an additional account is mandated by special needs or legal requirements (scrip, bingo, etc).

The Pastor may deem it necessary to maintain one or more savings accounts. However, in accord with the principle stated above, cash should never be deposited directly into nor should disbursements be made directly from a savings account. Transactions to the savings account must always flow through the checking account.

All accounts should be included in the financial reports of the parish or school. All of the parish's cash accounts (checking and savings) must be recorded on one set of books, i.e., within one QuickBooks Pro company (an exception exists for a Parish School/Mission/or Cemetery which may be set up as a separate entity). The parish, as a single entity, structures its books and financial reporting system as one entity, with all of its cash and bank accounts in one all-inclusive set of books. The practice of establishing multiple QuickBooks companies to accommodate multiple cash accounts isolates and disconnects various

portions of the parish from each other, when in fact each portion is integral to the parish as a single, whole, and complete entity. The result of dividing the financial reporting system into two or more disconnected sets of books, is that the parish's financial reports become distorted and incomplete, unless the financial reports of every one of the parish's QuickBooks companies are printed concurrently and then manually consolidated into a single combined report.

Authorization for Bank Accounts

All checking and savings accounts that are maintained by the parish are established under the legal name of the Parish and are authorized by the Pastor, only. No bank accounts shall be in the name of a Pastor or individual(s).

Account Signers

The Pastor is the designated signer on all parish checking accounts. If the Pastor is temporarily away or a second signature is required, the Pastor may designate two alternate check signers. Typically, the two alternate check signers, in order of priority, should be the Parochial Vicar, a Priest in residence or the chairperson of the Parish Finance Council and a second member of the Parish Finance Council. If a separate checking account is created for a parish school, the designated signers should be the Pastor, Principal and Vice-Principal. Due to size and staffing differentials between parishes/schools, the above alternate check signers may not always be appropriate. If that is the case, please refer to Check Signer Alternatives below.

Dual signatures are required on all checks issued in excess of \$5,000. The use of a signature stamp or a signature plate for the purpose of check signing is prohibited.

Copies of bank signature cards are to be maintained at the parish and are to be reviewed periodically to ensure the cards are properly updated as authorized signers change. Signers that have left the parish or relinquished responsibilities for the account are to be removed as authorized signers.

Check Signer Alternatives

Basic internal control principles require that a person responsible for maintaining the parish books may not have check signing authority. Generally, this proper segregation of duties principle precludes all parish financial staff from signing parish checks. Due to budget constraints this may not always be the case. Below are several models that are acceptable.

1. **Business Manager and Bookkeeper:** The parish staff may include a business manager and a bookkeeper.
 - a. The business manager may be an authorized signer on the church's account.
 - b. The bank statement must be opened and reviewed by the Pastor or a Finance Council Member.
 - c. The business manager should not perform the bank reconciliation.
 - d. The business manager should not sign checks made payable to themselves or sign checks paying invoices approved by them.

2. **Business Manager/Bookkeeper:** The parish staff may include a business manager who will also assume the role of the bookkeeper.
 - a. The business manager should not be an authorized signer on the church's account.
 - b. The bank statement must be opened and reviewed by the Pastor or a Finance Council Member.

3. Bookkeeper or Bookkeeper/Secretary: The parish staff may include a bookkeeper or bookkeeper/secretary.
 - a. The bookkeeper should not be an authorized signer on the church's account.
 - b. The bank statement must be opened and reviewed by the Pastor or a Finance Council Member.
4. Pastor only: The parish has no employees.
 - a. A member of the finance council should be an authorized signer on the church's checking account and should co-sign all disbursement checks. If that is impossible, the disbursement should be reviewed and initialed by a member of the finance council (monthly).
 - b. A member of the finance council must receive and review the monthly bank statement before passing it on to the Pastor for the reconciliation process.
 - c. A member of the finance council must review all monthly financial reports.

Transfers between Parish/School Cash Accounts

Transferring funds between parish/school cash accounts requires the same level of security as signing checks. Only persons authorized to sign on the parish/school checking accounts are authorized to transfer funds between accounts. All transfers between accounts should be properly documented written requests.

Bank Reconciliations

The Pastor, or at his discretion a member of the Parish Finance Council, should receive the unopened bank statements and review deposit activity, bank transfers, cash withdrawals, and canceled checks for obvious inconsistencies prior to forwarding the statements to the individual responsible for the preparation of the bank reconciliation. This review includes thumbing through the checks looking for unauthorized or altered signatures; a quick look at the payees to determine that all enclosed checks were issued to authorized payees; a search for checks which are of a different style (shape, color, and size) than those of the parish account; a review of the bank statements to determine that all cleared check numbers are within the number sequence of checks currently in use by the parish; and a general review of the bank statement account balances, deposit transactions, cash transfers, etc. for reasonableness. Management's review of the bank statements will insure that unusual items are investigated on a timely basis.

Once the bank statements are properly reviewed, they are given to the bookkeeper to be reconciled. Bank statement reconciliations are performed on all cash accounts (checking and savings) **each month**. The bookkeeper includes a clear explanation of all adjusting entries on a detailed bank reconciliation report, which is printed and attached to the bank statement and returned to the Pastor or at his direction a member of the Parish Finance Council to review and approve in writing. The detail report option found in the QuickBooks bank reconciliation process is to be used.

To facilitate the retrieval of canceled checks, file them in a check storage box in numerical order. If only electronic check copies are received, they should be filed with the applicable bank statement they relate to.

Outstanding and Voided Checks

Uncleared (outstanding) checks that are more than six months old are to be voided and, if necessary, re-issued. Voided checks that the parish has in its possession are not destroyed, but marked "VOID" across the face of the check, defaced and filed with other canceled checks in the check storage box.

OPERATING CASH

Generally, in order for parishes to maximize the earnings potential on their cash, no more than the equivalent of two months of normal operating cash should be held in a checking account by the parish.

Funds in excess of two months of operating cash should be deposited with the Diocese of Stockton Revocable Trust.

IMPREST PETTY CASH FUND

It is a good practice for parishes to have an imprest petty cash fund on hand to pay incidental expenses such as postage due, etc. A petty cash fund should not be maintained at a level above \$200 and petty cash disbursements should not individually exceed \$50. **Taking cash directly from the offertory collection or other cash sources is not allowed.**

Establishing the Fund

If your parish/school has a need for an imprest petty cash fund, it is established by adding a cash account called "Petty Cash" to the chart of accounts and then issuing a check made payable to "Petty Cash - (Employee Name)". The initial check is charged to the petty cash account number on the parish books when the check is written. The check is then cashed at the bank, and the cash kept in a secure, locked box and stored in a secure location such as a locking file cabinet or a safe.

Responsible Party Acknowledgment Receipt

The petty cash box should remain in the custody of one person. The custodian is responsible for ensuring that adequate control is maintained over the fund, that approved receipts are returned to the custodian of the fund, and that the fund remains in balance.

Using Petty Cash Vouchers

Any person needing petty cash completes an approved petty cash voucher (voucher should include the identity of the person paid, the reason, the amount and the date of the payment) and gives it to the custodian of the fund for the amount needed. Once the purchase has been made, the purchaser returns with any petty cash "change" along with the receipt of purchase, which he or she has signed and coded, and gives both to the petty cash custodian. The custodian then removes the voucher and replaces it with the actual purchase receipt and the change. In this way, the total of vouchers, receipts, and cash will always total the initial amount in the fund.

Replenishing the Fund

When the cash balance of the fund needs replenishing, the receipts are categorized and totaled according to type of expense and ministry (e.g., postage, office supplies). A check payable to "Petty Cash - (Employee Name)", is then issued for the total amount of accumulated receipts. This check is charged in the appropriate amounts to the various expense categories represented by the receipts. The individual receipts are then canceled with some evidence of payment made, so as to prevent them from being reused. This cycle is repeated as necessary. Additionally, the petty cash fund should also be replenished at each fiscal year end to ensure all disbursements are recorded in the proper fiscal year.

The petty cash fund should always be replenished with a check. **Never take cash directly from the Sunday collections or other income.**

PARISH LOAN/EMPLOYEE ADVANCES POLICY

Parishes are prohibited from giving private loans to priests, religious, lay employees or others. Priests who need a loan are asked to contact the diocesan priest personnel office. Religious may contact their religious superior. Loans to employees are prohibited, including and especially those in the form of advances of payroll.

PARISH MINISTRIES, PROGRAMS AND FUND RAISING GROUPS

Parish ministries, programs, and fund raising activities are part of the normal operations of every parish. It is inappropriate for the parish to hold funds which are related to these activities, in trust. Rather, the income that is derived from these activities is considered to be parish income, and recorded as such on the parish books. Similarly, expenses related to parish ministries, programs, or fund raising activities are recorded on the parish books as expenses in the appropriate department or cost center.

PARISH ORGANIZATION ACCOUNTS - PROHIBITED

Parish organizations are part of the parish and are subject to the administration of the Pastor. The parish organization must recognize that all organization funds are parish assets. These organizations should **not** have bank accounts set up under your parish Federal and/or State ID number. Your Federal and/or State ID number should never be given to a parish organization.

NATIONAL OR REGIONAL ORGANIZATIONS

Certain organizations operating within the parish may be affiliated with a national or regional organization (i.e. St. Vincent DePaul Society, Knights of Columbus, etc.). These organizations are not subject to the same financial policies as organizations that are solely parish organizations. These organizations should **not** have bank accounts set up under your parish Federal and/or State ID number. Your Federal and/or State ID number should never be given to a national or regional organization.

ROMAN CATHOLIC BISHOP OF STOCKTON PARISH ACCOUNTING AND FINANCIAL POLICIES

CASH RECEIPTS

OFFERTORY

The key to achieving a secure financial operation rests in the separation of responsibilities and duties to create a system of checks and balances in which no one person alone has total control over or access to the church's funds. This applies to all parishes. The only element that will vary is the degree to which those duties and responsibilities can be separated. Each parish must determine to what degree the various duties and responsibilities can be separated, based upon their size and the number of personnel, and the resources to do that. What is required in all cases is that every effort be made to achieve the greatest separation possible.

Establishing a secure collection process will accomplish three important goals:

1. Parishioners' gifts are properly deposited in the bank,
2. Volunteers and employees involved in the collection process are kept free of suspicion in the event of an unexplained loss, i.e., a good internal security system will protect the ethical volunteer/employee and ensure them good will and peace of mind, and
3. In a spirit of "fairness", parish leaders will remove, as much as possible, any significant temptation to pilfer these monies.

Basic Ingredients for a Secure System

Before the level of security over any Sunday collection system can be considered adequate, the following general criteria must be met.

The collection for each Mass or service must be secured, immediately after it is received. The method used must be such that each person in the chain of custody (from church vestibule to counting room and all points between) will know, through simple visual inspection, whether anyone had or could have had access to the funds.

Detailed written operating procedures must be developed for the collection, transport, interim storage, opening, counting and banking operations. The counting procedures must provide for the presence of at least three counters before any sacks are opened. The latter counters must establish continuous observation and control over the funds (especially the currency) from the moment the storage containers are opened until all funds have been counted, verified, recorded on a witnessed bank deposit slip and locked/sealed in a bank deposit bag. After the collection is counted and the deposit is prepared, the entire collection/deposit is taken immediately to the bank by at least two people who are unrelated and not involved in the bank reconciliation process.

Each week's count must be documented via standardized forms. These forms, when completed, clearly reflect whether or not the required counting and verification procedures were followed. The forms should be reviewed and held each week by someone not otherwise involved in the counting and banking process.

The detailed procedures relating to the offertory collection are as follows:

The offertory collection is a valuable asset of your Church and the utmost in care should be taken to help safeguard this asset. To this order, we have prepared a process relating to offertory collections, money counting and depositing funds. The process is intended to aid in safeguarding the assets of the Church as

well as the reputation of those who come in contact with the collection. Safeguarding the reputations of those who come in contact with the collection takes the form of not leaving the collection in the sole custody of any single individual, no matter how trusted, before the funds have been counted.

Offertory Collections

Tamper Evident Collection Bags

Pre-numbered tamper evident collection bags are considered a best practice in the safeguarding of your collections. These bags are available from banks and office supply stores and are a cost-effective means of establishing the necessary level of security. Bags measuring 24"x 24" are adequate for all but the largest congregations. Anything smaller than that can make it unnecessarily difficult for the ushers to make the basket-to-sack transfer.

The bags should be purchased in sufficient quantity to provide two bags for each Mass or service. For example, a church having four weekend Masses/services and an occasional two-collection Sunday should have at least ten bags to handle two-collection Sundays and provide two spares for expanded Mass/service schedules on Holy Days such as Easter and Christmas.

To order the bags you can contact your bank, your own vendor or the following vendor:

Superior Bag Manufacturing
Rahway, NJ 07065
1-800-522-1236

Preparation for bag use

- The Parish Business Manager or other representative (other than a member of the volunteer counting group) will place a sufficient supply of the pre-numbered tamper evident plastic bags in the designated area in the church building prior to each day's services. They will ensure that the bag numbers are in numerical sequence and that no numbers are missing. At least one bag, of sufficient size, should be available for each collection at each Mass.
- Bags should be labeled as to the Mass time and the collection purpose (when there is to be more than one collection at a Mass). The bag numbers should be recorded on a **Pre-numbered Tamper Evident Bag Control Log** (Please see Appendix A for a sample Control Log) designating a specific bag number for each collection at each Mass. This roster of bag numbers and the Masses they are designated for should be kept in a secure place for later comparison when the bags are opened and counted by the volunteer counting teams.
- A designated person, such as the head usher for each Mass, is responsible for obtaining the bag(s) before Mass.
- A small emergency supply of extra, number-controlled bags can be on hand in case one of the bags malfunctions or in case another bag is needed because of collection volumes. These bags should be properly labeled with instructions as to their proper use. They should be accounted for each week by the Parish Business Manager or other representative at the time new bags are supplied each week.

Parish Ushers

- When the collection is finished, during Mass the ushers will empty the entire collection from the baskets into the pre-numbered tamper evident plastic bags and seal the bags.
- Ensure that the contents are properly secured. If the bag is spoiled or unusable **the spoiled bag should be kept and not thrown away** – it is to be put into the substitute bag that should be available.

- The sealed pre-numbered tamper evident plastic bag(s) will be put into the drop safe or other locked and secured area by two ushers no later than the conclusion of mass. The sealed bag remains in the drop safe or locked and secured area until it can be opened in the **joint** custody of the volunteer money counters according to the appropriate procedures. The access to the safe needs to be limited to safeguard both its contents and the reputation of those who have access to it.

Money Counting and Depositing

Collections must be deposited intact; no checks should be cashed from the collection and no cash should be removed for any bills to be paid with cash from the collection.

The Parish Business Manager (or designee) is to monitor the entire money counting process including verification of bag numbers assigned and used. The Parish Finance Council should monitor and periodically review the procedures followed by the Parish Business Manager (or designee) and the volunteer counting teams.

Teams

- Ideally the money counting ministry will be made up of multiple teams recommended by the Pastor for their discretion and abilities.
- Each team should have at least a minimum of three members. It is not appropriate for related individuals to be the only counters. One member of each team will be designated team captain.
- The Pastor and parish staff should not, except in emergencies, be counting the collections.
- Each team would alternate the weeks in the month when they would count the collection.

Pre-numbered Tamper Evident Bag Opening

- Before opening, the numbers on the bags shall be compared to the numbers on the control sheet and the paper strip liners.
- The money counting team(s) will open the bag(s) with a pair of scissors. The bags should not be ripped open.
- If there is a discrepancy with the control number or if the bag appears to have been tampered with, the counting team should contact the Pastor, Parish Business Manager or the Diocesan Director of Finance.

Deposit Preparation

- The counting team is to prepare the deposit.
- No currency/coin/checks are to be removed from the collection by anyone for any purpose. Collections must be deposited intact; **no checks should be cashed from the collection and no cash should be removed for any bills to be paid with cash from the collection.**

Sorting

The following sorting categories shall be maintained:

1. Collections and Other Related Income Sources

Income from collections and other Church or mission related income sources shall be separated by income category; i.e. regular collection, special collections, candles, baptisms, funerals, etc.

2. Contributions to St. Vincent de Paul, Poor Boxes and Special School Functions

If contributions to St. Vincent de Paul, poor box and special school functions are made payable to the specific organization, they shall be kept separate from all other income and shall be sorted from each other to be counted, tabulated and deposited by the appropriate organization.

3. Envelopes and Loose Currency

Envelopes are to be separated from loose checks and loose currency.

Counting and Packaging

1. Envelopes

- a. Envelopes shall be opened and the contents removed. A review shall be made to determine if the amount enclosed agrees with the amount noted on the envelope. If not, change the amount on the envelope and initial. If no amount is shown, note the amount on the envelope. Make sure written amounts on envelopes are legible.
- b. The envelopes shall be retained, bundled and forwarded to the appropriate location to be recorded by the parish staff.
- c. As checks and currency are taken from the envelopes, the checks are to be kept separate from the currency and the currency is to be sorted by denomination to facilitate the counting process.

2. Checks

- a. Each check shall be examined to determine that the payee is properly specified and that the check is signed. If the Church is the third party involved with the check, make sure the original payee has endorsed the check.
- b. All checks shall be restrictively endorsed with the Church deposit stamp as soon as possible.
- c. Copies of all loose checks (those not in envelopes) are to be made and forwarded to the appropriate location to be recorded by the parish staff. Once recorded these check copies should be maintained in a secure area and are to be shredded in a timely matter.
- d. Two adding machine tapes shall be made of all checks received, either from the envelopes or loose checks. For ease of processing, break checks into workable batches and then run two tapes for each batch. Checks shall be kept in the same order that they are recorded on the tape. Both tapes must agree for all batches. Attach one of the tapes to each applicable Count Sheet. The other tape remains with the checks for deposit.
- e. All checks shall be banded together for deposit. The deposit may include more than one group of checks with its accompanying tapes.

3. Coin

- a. All coin shall be given a cursory examination to remove foreign and bent coins as well as tokens.

4. Currency

All currency shall be counted twice before bundling. The loose currency shall be counted and tabulated separately from currency received in envelopes.

- a. One-dollar denomination should be clipped in \$25 bundles for ease in counting.
- b. Five, ten and twenty-dollar denominations should be clipped in \$100 bundles for ease of counting.
- c. After verification of count, currency should be banded using the appropriate bank wraps.

Tabulating

The collections and other income for the parish shall be kept and tabulated separately. However, the procedures for tabulating the income for each are the same.

- 1. Count Sheet** (Please see Appendix A for a sample Count Sheet)

- A separate Count Sheet should be prepared for each source of income.
- a. Record the bank bag numbers and indicate whether they were received intact
 - b. Special Collections and Other Related Income
Income from special collections and other related sources shall be counted separately and the amounts tabulated on separate count sheets. Total each Count Sheet.
 - c. Sunday Offertory
Calculate the dollar amount of checks and currency and tabulate on the Count Sheet in the spaces provided. Total the Count Sheet.
 - d. Initial each Count Sheet – two counters should initial each Count Sheet

2. Deposit Record Form (Please see Appendix A for a sample Deposit Record Form)

- a. Special Collections and Other Related Income
The total from each separate Count Sheet shall be transferred to the Deposit Record Form in the spaces provided or on the blank lines if the category is not specified.
- b. Sunday Offertory
The total from the offertory Count Sheet shall be transferred to the Deposit Record Form in the space provided for Sunday Offertory.

Reconciliation of Deposit

1. Total the amounts across and down on the Deposit Record Form.
2. Verify the “Grand Total” equals the sum of all individual Count Sheets. Research any discrepancies.
3. Two members of the money count team are to sign the Deposit Record Form.

Banking/Depositing

1. Checks and Currency

- a. Utilizing the information on the Deposit Record Form, fill out the bank deposit slip.
- b. The total of the bank deposit slip should equal the totals on the Deposit Record Form.
- c. The original deposit slip shall be placed with the checks to go into the bank bag. Bundles of checks are to have a machine tape attached. The second copy of the deposit slip is retained and shall be attached to the Deposit Record Form.
- d. Place the bank bags, Deposit Record Form and Count Sheets in the fireproof safe until pick up by armored courier or deposit is made.
- e. Bank deposits should be made by two unrelated individuals.
- f. Validated deposit slips should be retained and returned to the parish bookkeeper to support the recording of receipt activity in the parish’s financial records.

Proper Classification of Offertory Receipts

The Offertory collection is the primary source of parish income. It is important therefore that all Offertory receipts are appropriately classified by the parish. Parishes **are prohibited from** using any method by which any portion of the Offertory collection is not recorded and reported on the parish books. This includes the practice of collecting two Offertory collections at Mass, and then classifying either as nonoffertory receipts, or the practice of withdrawing Offertory funds prior to their being counted. Neither

of these practices follows donor intentions and may expose the Pastor and parish to serious financial legal entanglements.

Parishioners may occasionally make cash donations to the parish, which clearly are not part of the parish's Offertory receipts. However, all donations enclosed in an Offertory envelope, or that the parish knows from experience are the usual Offertory support from a parishioner (whether given directly to the Pastor or mailed to the parish office) are reported as Offertory by the parish. These receipts are identical to Sunday Offertory receipts in every respect except that they bypass the usual Sunday collection. The only exception to this would be a donation received in the Offertory collection which may have been formally designated by the donor in writing as intended for a specific non-operating purpose.

Offertory receipts are **unrestricted** donations which are used to pay for the operating expenses of a parish. Offertory envelopes are only appropriately used to collect Offertory money. Offertory envelopes are never used to collect money which is intended for an activity or project. Such money is "designated" or "restricted" and is collected in a separate envelope which clearly details the donated money for a purpose. Never use an envelope that lists a variety of "check-off" choices on the envelope which may include offertory, building fund, etc. Offertory envelopes are used only for Offertory. Any other monies are collected in an envelope that designates the purpose of the donation. Also, never co-mingle funds received as Offertory with designated donations. Designated monies are usually kept track of in an account within the QuickBooks Pro system of the parish. However, designated monies for medium to larger capital projects e.g. new buildings, building additions, resurfacing parking lots, etc. may be deposited into the Diocese of Stockton Revocable Trust in an account that is established and maintained solely for these donor restricted uses. As needed, amounts can then be transferred from the restricted funds account to reimburse the general operating account for expenditures that specifically qualify for a restricted use. Adequate documentation must be maintained to support such expenditures and transfers.

Cashing Checks Out of the Offertory Collection - Prohibited

Priests, employees and others are prohibited from cashing personal checks out of the currency portion of the Offertory collections. Similarly, priest's Mass offering checks are not cashed in the Offertory collection. Avoiding this practice will help to ensure that the Offertory collection is not compromised in any way.

Using the Offertory Collection to Pay Parish Expenses – Prohibited

Do not use cash from the Offertory collections to pay parish expenses, or to fund petty cash needs. Even though the parish may have the intention of recording the Offertory revenue prior to removing a portion of the cash to pay for certain expenses, all disbursements from the parish are made either by check, by a documented and approved electronic transfer of funds, or by use of the imprest petty cash fund. This practice will ensure that the Offertory collection is not compromised in any way, and also provides the parish with acceptable evidence of any disbursement in the form of the canceled parish check. A preferred means of having cash available for incidental expenditures is to use an imprest petty cash fund.

Recording Returned Checks

When Offertory donations are returned to the parish by the bank, the bank will sometimes impose a service charge for handling such returned item transactions. The proper way to record these returned checks on the parish books is to debit the Offertory income account for the face amount of the check; debit the bank service charge expense account for the amount of any corresponding bank fees; and credit the cash account for the total charged by the bank.

MISCELLANEOUS RECEIPTS

A pre-numbered receipt (utilize duplicate receipt book) must be issued to any individual who makes a payment or donation in person. Additionally, any payment or donation made in person or received in the mail is recorded on a cash receipt log (make copies of checks and or currency and attach to log). This cash receipt log is totaled each week and the total reconciled with the miscellaneous receipts as recorded on the Count Sheet form which is prepared by the counting team. If the amount of miscellaneous receipts recorded on the Count Sheet form by the collection counters is different from the amount on the cash receipt log, a clear explanation as to why is needed. These amounts will normally be in agreement. The cash receipt log along with all attachments is forwarded to the bookkeeper for proper recording to the general ledger.

Restrictive Endorsement

Checks which the parish receives during the week are restrictively endorsed "for Deposit Only ~ (Parish Name)" prior to being placed in the safe until the next deposit date. While placing the checks in the safe does provide some measure of security, endorsing them prior to placing them there provides further protection against financial loss should a break-in and theft occur.

Safekeeping

As miscellaneous receipts are received during the week either in the mail, by the Pastor, or by the parish secretary, they are identified as to source and purpose, recorded in the cash receipts log and then put into a safe or locking file cabinet or desk drawer until being counted along with the next weekly Offertory collection.

It is important that miscellaneous receipts be deposited at least on a weekly basis as part of the Sunday collection counting process. Doing so minimizes the risk created by holding them longer than necessary. Additionally, when donors notice that their checks have not cleared the bank within a reasonable amount of time, they will form the perception that the parish is inefficient, inattentive, or may be too casual in its handling of donor contributions. Donors may also form the opinion that the monies were not really needed and be disinclined from giving in the future.

Basic internal control principles require that a person responsible for maintaining the parish books should not be involved in the counting or depositing of parish receipts. This proper segregation of duties principle therefore specifically precludes the parish bookkeeper and other parish staff from being involved in the counting and depositing of the parish's miscellaneous receipts.

Counting, Depositing and Recording

The miscellaneous receipts are counted and deposited on at least a weekly basis by the Offertory collection counting team. All receipts are posted to the proper revenue accounts as of the date of the Sunday involved in the Offertory collection, not as of the date the deposit is taken to the bank. The only exception to using the Sunday date to record the deposit is if the parish makes a special deposit during the week, in which case the actual deposit date would be used to record the transaction.

PARISH MINISTRIES AND PROGRAMS

If a parish ministry or program is involved in receiving monies at an event or workshop, strict cash controls should be implemented. The handling of monies should be limited at the event as much as possible by designating one table/area for receiving payments. The payment area should be staffed with two unrelated people at all times. Rosters, tally sheets, tickets or receipts should be utilized to help record

the total number of participants and to help reconcile and ensure that the funds received are accurate. As an additional safeguard, participants should be encouraged to use a check to pay for the event.

Payments (along with the completed rosters, tally sheets, ticket logs or receipt logs) should be stored in a lock box that can be held in a secure area until delivered to the Pastor or designated person at the parish office immediately following the program/event.

FESTIVALS - DINNERS - RAFFLES

Proper controls exercised over the handling of cash and unsold tickets associated with parish festivals, dinners, and raffles will maximize accurate counting and security of monies. For example, prior to events carefully control unsold dinner tickets by using a numbering system or inventory sheets for each seller of tickets. Regularly reconcile sold tickets with the amount of cash that has been received. Limit the handling of cash at the event as much as possible. A good practice is to sell food, meal, drink, and game tickets from one cash booth, eliminating the need for multiple cash boxes, thus increasing the security of the cash on hand.

To further improve these security measures, consider making deposits throughout the day/evening in order to minimize the amount of cash on hand at the event.

The sale of raffle tickets by "roaming" through the crowd can be carefully controlled by recording beginning and ending numbers on a roll of tickets for each seller and matching this to the monies returned. This also reconciles cash proceeds. Checks are restrictively endorsed "For Deposit Only (Parish Name)" as they are received. At the end of the event, the chairperson(s) should provide the Pastor with a financial summary of the event to ensure that proper internal controls have been followed, and for purposes of evaluating the success of each area of the fund raising event.

SCHOOL COLLECTIONS

The above procedures also apply to school collections including the utilization of pre-numbered receipts (utilize duplicate receipt book), restrictively endorsing checks, maintaining a cash log, making copies of checks and currency, segregation of duties and safeguarding the funds. In addition, tuition collections are recorded and reconciled to the student accounts. Tuition collections are reconciled to total tuition revenues recorded on the parish/school financial records. Separate individuals should be responsible for the custody and recording of tuition collections.

School collections should be deposited as soon as possible. Until a timely deposit can be made, school collections should be locked in a safe.

MAINTAINING DONOR RECORDS

After the counting team has completed preparing the deposit, the Offertory envelopes and the listing (or copies) of loose checks are set aside for input to the donor contribution database. For security and confidentiality reasons, the donor records, or computer database, is kept and maintained in the parish office.

Once the entries are recorded, it is a good practice to compare the total posted to the donor records or computer database, with the total of the amounts written on the outside of the parishioners' contribution envelopes plus the listing, or copies of loose checks. Any differences in the totals are then reconciled. This will help to ensure that individual contributions have been recorded accurately.

Annual parishioner statements of contributions are mailed to or made available to parishioners no later than January 31 of each year. The statement must contain the following: "This statement is for your

records. Please examine it carefully. If it does not agree with your records, please notify your Pastor”.

ACKNOWLEDGING CASH DONATIONS EQUAL TO \$250 OR MORE

The IRS requires that any single cash donation of \$250 or more be acknowledged in writing. A separate acknowledgment may be provided for each single contribution of \$250 or more, or one acknowledgment, such as an annual summary, may be used to substantiate several single contributions of \$250 or more. The law specifies that a written acknowledgment must include the following information:

- Name of charity
- Amount of cash contribution
- Description (but not the value) of non-cash contribution
- Description and good faith estimate of the value of goods or services, if any, that the charity provided in return for the contribution
- A statement that “No goods or services were provided to you by the church in connection with any contribution, or their value was insignificant or consisted entirely of intangible religious benefits”.

These donations may include, but are not limited to, offertory donations, designated gifts, estate gifts or bequests, or un-designated (unrestricted) donations. A donor must receive the acknowledgment by January 31. (Please see Appendix A for a sample contribution acknowledgment)

DONATION OF NON-CASH PROPERTY

Donations of non-cash items to parishes are treated differently by the IRS based on the value of the item donated. The instructions of how to record and acknowledge these donations are described in the www.irs.gov website. Additionally, for donations of \$500 or more the use of Form 8283 is required (if over \$5,000, independent appraisals are required) and possibly Form 8282 (if item sold within two years of receipt). Instructions for the use of these forms and other downloadable forms are available the www.irs.gov website. You are advised to use a competent certified public accountant for these transactions.

DONATIONS OF STOCK/OTHER SECURITIES TO THE PARISH

Occasionally, parishioners may wish to make a donation of marketable securities they own in the form of stocks or bonds directly to the parish. The parish is asked to contact the Diocesan Finance Office at 209-466-0636 for assistance in converting these gifts to cash.

**ROMAN CATHOLIC BISHOP OF STOCKTON
PARISH ACCOUNTING AND FINANCIAL POLICIES**

CASH DISBURSEMENTS

APPROVAL OF INVOICES

Expense Account Coding

Prior to being paid, invoices are marked with the account number(s) to which they are charged when the invoice and/or payment is posted to the parish books. **Payments to vendors are made only on approved original invoices, not monthly vendor statements.**

Payments to vendors for services rendered should not be made until the parish is in the receipt of a W-9 form from the vendor, substantiating the vendor's IRS status, unless the vendor is a known corporation, not-for-profit, or governmental entity. The W-9 information will be necessary if the parish is required to issue a 1099-Misc. form.

Allocating Expenses between Departments, Programs and Cost Centers

Parishes usually have certain expenses which apply to more than one department, program, or cost center. In order for the parish's financial reports to be as accurate as possible, such expenses are appropriately allocated to each department when recorded on the parish books. In cases such as utility bills, where one bill may apply to more than one building or cost center, some reasonable method of allocating the charges between the respective buildings and/or cost centers is used.

Approval by Pastor or Other Designated Authority

Original supporting documentation (invoices or receipts that provide evidence of the transaction) should be reviewed and approved.

As invoices are received, they are checked for clerical and mathematical accuracy, then routed to the Pastor or other designated authority (such as a program director) to be approved for payment. Invoice approval is recorded on the face of the invoice by signature or initials and dated.

Expense Reimbursements

There may be times when an employee or volunteer will need to be reimbursed for legitimate parish/school purchases that she or he has made. An individual who requests reimbursement for out-of-pocket expenses submits a Check Request form with attached original receipts, to the Pastor for approval. The parish issues reimbursement only for original receipts, not copies, to avoid inadvertently reimbursing the same receipt more than once.

Travel, mileage reimbursement, meal and entertainment expense reimbursement requests should state their business purpose. Additionally, the date, miles driven, destination, business purpose, and a list of or approximate number of attendees should be part of the supporting documentation if applicable.

Credit Card Expense Reimbursements

Sometimes the Pastor or another parish employee will charge parish expenses on his or her personal credit card. When this happens, the Pastor or employee pays the entire statement balance of his or her personal credit card account and then submits appropriate receipts to the parish for reimbursement for the parish's portion of the bill. The payment should be made payable to the Pastor or employee, not to their credit card.

Credit card statements are insufficient support for reimbursement. Credit card receipts and the store register receipt must be submitted to obtain reimbursement. The parish/school will not reimburse for maintenance fees, finance fees or late fees.

Clergy Automobile Insurance Reimbursements

Priests are eligible to receive reimbursement up to a maximum of \$1,600 each year for the actual cost of insuring their personal automobile. The premium for the personal automobile insurance is a personal expense which priests pay directly to their carrier. Once paid, the priest provides evidence of such payment to the bookkeeper in order to receive reimbursement.

The annual roadside service club fees associated with a priest's personal car are not reimbursable expenses but are personal expenses of the priest.

SIGNING CHECKS

Usually, the Pastor signs all parish checks (if a school maintains a checking account, the Principal usually signs school checks). Checks are given to the Pastor to sign with all supporting documentation attached. Checks may not be issued without an approved original invoice, receipt or check requisition form. **All check disbursements in excess of \$5,000 require two signatures.** If the parish anticipates the need for issuing checks while the Pastor is temporarily away, or a second signature is required, please refer to the "Check Signers" section under "Cash Management".

Parishes are prohibited from using either rubber signature stamps or signature plates to sign checks.

Signing Blank Checks – Prohibited

Since the bearer of any signed blank check could use the check for any purpose if such a check were to become misplaced, good internal controls prohibit the signing of blank checks.

Checks Made Payable to "Cash" – Prohibited

For internal control reasons, checks are never made payable to cash. All checks are made payable to an entity, a vendor or an individual.

CANCELING PAID INVOICES

After being paid, invoices are canceled by recording the check number, date and amount paid on the invoice. As an alternative, it is also a good practice to attach the voucher portion of the check to the paid invoice with the invoice being stamped as "paid".

FILING PAID INVOICES

Invoices are filed alphabetically by vendor name in a paid invoices file that is rotated each fiscal year. As a general rule, vendors who receive five or more payments in a year should have their own paid invoices file, while invoices from vendors receiving less than five payments should be filed in miscellaneous letter files: e.g., Miscellaneous "A," Miscellaneous "B," etc.

SAFEGUARDING CHECK STOCK

Access to unused check stock is to be restricted.

Pre-numbered checks should be used and strict numerical control maintained. No more than a six-month supply of unused check supplies should be maintained. Check stock should be stored in a secure, locked drawer or safe. A minimal supply of blank checks can be more easily stored in a secure location than a

large supply of checks. The parish checkbook or check stock is kept under lock and key when it is not in use.

Voided checks should be marked "void", defaced and filed in the cancelled check file so as to maintain proper sequential order.

PURCHASES USING CREDIT CARDS AND CHARGE ACCOUNTS

The use of parish/school credit cards is **NOT** encouraged. However, if utilized, the use of parish credit cards and accounts must be carefully controlled to limit their misuse. If a credit card is issued, there should only be one printed card and it should remain in the Pastor's/Principal's custody at all times.

Before issuing a check in payment of credit card or charge account purchases, the original receipt for each of the purchase transactions should be approved and attached to the account statement. The statement is then coded according to the types of expenses represented by the attached receipts. The Pastor then carefully examines credit card statements and the attached receipts to ensure that all the entities on the statement are proper and valid before he approves them for payment. After the statement has been paid, it is filed in the paid invoice's file with the approved receipts attached. Parishes/schools are not allowed to incur finance charges on credit cards and are obligated to pay any outstanding balances at the end of each billing cycle.

PURCHASES USING SCRIP

Many schools and some parishes operate a Scrip program as a means of raising money. Parishes frequently buy Scrip from these programs as a way of supporting them. Issuing Scrip to an individual for the purpose of making purchases on behalf of the parish is the same as giving the individual cash. Whenever a purchase is made using Scrip instead of a parish check, a receipt for the purchase transaction is returned along with any change from the purchase, to the person responsible for the custody of the unused Scrip. The parish's unused Scrip is placed under strict controls, and safeguarded as if it is cash, in much the same way as an imprest petty cash fund is handled.

1099 PAYMENTS

IRS FORM 1099-MISC

The Internal Revenue Service requires that certain payments made to qualified individuals for services (or a combination of parts and services) of \$600 or more in a calendar year be reported on Form 1099-MISC. IRS Form 1099-MISC is the counterpart to an employee's W-2, and is to be completed, with copies given to each qualified individual or unincorporated company by January 31, each year. IRS Form 1096 is the transmittal form for the 1099 forms, and is filed, along with copies of the 1099 forms, with the IRS by February 28.

Extra Priests

Payments to visiting priests of \$600 or more in a calendar year must be reported to the priests and the IRS on Form 1099-Misc (box 7).

Deacons

Payments to Deacons of \$600 or more in a calendar year must be reported to the Deacons and the IRS on Form 1099-Misc (box 7).

Independent Contractors and Non-Incorporated Companies

Payments to independent contractors and certain non-incorporated companies of \$600 or more in a

calendar year, must be reported to the independent contractors, non-incorporated companies, and the IRS on Form 1099-Misc (box 7).

State DE 542

Parishes are required by the state to file a DE 542 **Report of Independent Contractors** for each independent contractor or visiting priest who has either received, or is contracted to receive \$600 or more in payments from the parish before the end of the calendar year. This form must be filed within twenty days of the date on which an independent contractor either has received, or enters into a contract to receive, a total of at least \$600 in payments during the year from the parish. This form must be filed annually for each independent contractor who meets either of these two conditions. The state imposes a penalty for not complying with this requirement. Forms are available on the internet site for the Employment Development Department at www.edd.ca.gov or call 1.888.745.3886.

**ROMAN CATHOLIC BISHOP OF STOCKTON
PARISH ACCOUNTING AND FINANCIAL POLICIES**

APPENDIX A

PRE-NUMBERED TAMPER EVIDIDENT CONTROL LOG22
COUNT SHEET23
DEPOSIT RECORD FORM24
SAMPLE CONTRIBUTION ACKNOWLEDGEMENT25

PRE-NUMBERED TAMPER EVIDENT BAG CONTROL LOG

SAMPLE

(Attach to Deposit Record Form)

Date	Time	Bag Number	Ushers Names	Bags Opened by
Saturday 4/30/05	5:30 PM	453128		
Sunday 5/1/05	7:30 AM	453129		
Sunday 5/1/05	9:30 AM	453130		
Sunday 5/1/05	12:00 Noon	453131		
Sunday 5/1/05	5:00 PM	453132		
		453133		
		453134		

COUNT SHEET

See attached Excel file

DEPOSIT RECORD FORM

See attached Excel file

SAMPLE CONTRIBUTION ACKNOWLEDGEMENT

(Letter to be printed on parish letterhead)

Note: Bold items are required

Date

Name

Address

City, State Zip

Dear (Parishioner),

It is that time of year to send out contribution statements so that you will have a record of your contributions to (name of parish). Your generosity to the parish over the past year has made it possible to finance a number of improvements. Were it not for your continuous help, this would be impossible. So, on behalf of the entire parish, I wish to thank you.

This acknowledgment of your contributions to (name of parish) for (year) is provided pursuant to section 170(f)(8) of the Internal Revenue Code.

Name of Contributor:

Address of Contributor:

Total Calendar Year Contributions:

Included in your total (year) calendar contributions of \$(insert total) are the following contributions of \$250 or more:

Date for Each

Amount for Each

Thank you for your continued support of our parish.

Sincerely yours,

Pastor

Check as appropriate:

Yes () No () The donee organization either did not provide any goods or services in whole or partial consideration for the above contribution or provided only intangible religious benefits.