

NATIONAL LEADERSHIP ROUNDTABLE
ON CHURCH MANAGEMENT

Stewarding Finances

Diocese of Worcester 3

With thanks to Dr. Chuck Zeck of Villa Nova University Church
Management program

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Churches too trusting

85% of U.S. Catholic dioceses reported embezzlements within the past 5 years

- 93% of cases a police report was filed
- 91% filed an insurance claim

Greatest risks faced by their diocese

- Potential litigation was named by 36%
- Concern over parish finances and controls named by 34%

(Survey of diocesan CFOs 2013)

Person Most likely to detect fraud

- Pastor (43%)
- Parish bookkeeper (25%)
- Internal auditor (25%)
- Parish finance council (23%)
- External auditor detected fraud in 6% of the cases

(Survey of diocesan CFOs 2013)

Fraud and financial audits policy

- 39% of the dioceses have a formal written fraud policy
- The frequency with which parishes underwent internal audits
 - Annually” 3%
 - Seldom or never” 21%
- The most frequent response was “when there was a change in key personnel (bookkeeper or pastor)

(Survey of diocesan CFOs 2013)

Canon 1284 of the Code of Canon Law

- Requires Church administrators to carry out their responsibilities with the prudence of a "good householder."
- Individual bishops and pastors can delegate the authority, but not the responsibility, to implement sound internal financial controls.

Internal audits

Annual parish financial report

- signed by the pastor and all parish finance council members
- submitted to the diocese.
- Parish's financial statements for the fiscal year
- Prospective budget

An attestation that the signers affirm that

- The financial statements, to the best of their knowledge, accurately reflect the financial condition of the parish,
- The parish finance council has reviewed and approved the financial statements and the budget
- The signers have not received any credible report that has not been reported to the diocesan bishop or his delegate of fraud, abuse, or misappropriation.

USCCB approved *Diocesan Internal Controls: A Framework* in 1995

- Like all USCCB recommendations, this document contains just that, recommendations. Individual dioceses are free to implement all, some, or none of them
- This document clearly places parish internal financial controls within the arena of responsibility of the parish finance council.

Parish Finance Council Survey

Top three priorities

- Parishes should be required to adhere to a prescribed budget process, resulting in an annual budget
- Over 90 percent of the parishes prepare an annual operating budget
- Parish finance council was involved at some level in all but 2 percent of the parishes
(Survey of parish finance councils 2013)

Education/Formation of PFC Members

Source of Education/Formation

- Diocesan consulting support -- 26%
- Parish-based education/formation programs – 26%
- Orientation program offered by diocese -- 21%
- Diocesan-sponsored formation programs (retreats, etc.) -- 9%

Type of Education/Formation

- Financial management -- 48%
- Issues of physical property (real estate, insurance, etc.) – 29%
- Canon law – 23%
- Investments – 20%
- Group process – 14%
- Personal spirituality – 11%

(Survey of parish finance councils 2013)

Transparency

“I told them” versus “I engaged them”

Communication of Parish Finance Council Minutes to Parishioners

- Available on Request -- 40%
- Parish Bulletin – 16%
- Posted on Parish Grounds – 9%
- Parish Web Site – 3%
- Parish Newsletter – 2%
- Mailed to Homes 1%
- Minutes not Shared – 48%

(Survey of parish finance councils 2013)

Communication with Parishioners on Budget Preparation

- Ask Ministries for Budget Request -- 76%
- Preliminary Budget Presented to PPC – 49%
- Preliminary Budget Explained in Bulletin – 14%
- Preliminary Budget Explained at Mass – 10%
- Hold Open Parish Budget Hearings – 9%
- Preliminary Budget Presented to Parish – 4%
- Preliminary Budget Explained in Newsletter – 4%
- Preliminary Budget Mailed to Homes – 4%
- No Opportunity for Typical Parishioner to view Preliminary Budget – 60%

Communication of Parish Budget to Parishioners

- Parish Bulletin -- 38%
- Oral Reports at Mass – 33%
- Parish Newsletter – 19%
- Mailed to Homes – 19%
- Posted on Parish Grounds – 16%
- Parish Web Site – 8%
- Budget not Shared – 1%

(Survey of parish finance councils 2013)

A policy and procedures manuals to ensure that similar transactions are handled in similar manner

- About two-thirds of the parishes use materials provided by the diocese
- But one-sixth of the parishes did not adhere to a policies manual for its PFC, and a similar number fail to follow any accounting procedures manual

(Survey of parish finance councils 2013)

The number of bank accounts should be strictly limited

More than 40 percent of parishes had more than one checking account (not including parochial school accounts), presumably held by individual parish organizations.

(Survey of parish finance councils 2013)



Check signing

- The person most frequently authorized to sign checks is the pastor.
- In 4 percent of the parishes, a parishioner who is not a staff member had the authority to sign checks.
- In 91% of the parishes check signers are required to be provided documentation to support each check before they signed.

(Survey of parish finance councils 2013)

Separation of duties

- In 80 percent of parishes reconciling bank statements is assigned to one individual
- In 80% of parishes the same individual is the sole person responsible for reconciling the bank statements and for five different routine parish financial transactions
- In 20% of the parishes, one individual is solely responsible for depositing the Sunday collection and for reconciling bank statements
- In 33% of the parishes one individual deposits non-collection revenues and reconciles the bank statements
- In 40% of parishes one person has the sole authority to both approve routine disbursements and reconcile bank statements
- In 5% of parishes, one individual has sole responsibility for both writing checks and reconciling bank statements

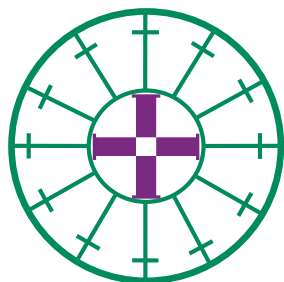
(Survey of parish finance councils 2013)

Counting collections

- No one person should count the collection on a regular basis and there are rotating crews of counters, staffed by both parish staff and volunteers
- In about 5 percent of the parishes, only one individual counts the Sunday collection.
- About 40 percent of the parishes employ a regular crew of counters with an average of about 5 members.
- Nearly 50% these fail to include any staff members among the counters
- Over 50% of parishes utilize a system of rotating collection counting teams with an average of about four members per crew

(Survey of parish finance councils 2013)





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