Guidelines for Parish
Financial Procedures and Controls

Diocese of San Diego
PREFACE

The purpose of this guideline is to provide parishes with the basic controls and procedures that should be employed by each parish and parish-related organization. The pastor and the parish Finance Council may want to add to or modify these guidelines, but should take great precaution before eliminating any of the basic controls.

This guideline can serve as the parish financial manual. The parish may want to rewrite it using the names and/or titles of the parish staff involved in each procedure. This would make it more “user friendly” for the parish staff.

At least every five years, the Office for Parish Administration will perform a financial review of each parish. Financial reviews will also be performed whenever a parish has a change in pastors. The reviewer will be going over these procedures with the pastor and others on his staff and will be in a position to recommend how internal controls may be improved and how procedures may be performed more efficiently. These recommendations will be sent to the pastor after the review is completed.
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Note: The pastor is the primary administrator for the parish. A business manager could fulfill many of the same responsibilities with proper supervision by the pastor.
1. All parish receipts and disbursements shall be entered in the parish financial records according to the parish chart of accounts.

2. Every parish in the Diocese of San Diego is to have a parish Finance Council as required by Canon 537. Minutes shall be taken at all meetings and should include which council members attended, the items discussed and recommendations made.

3. The pastor should consider establishing an audit committee as part of the Finance Council. This committee should review the parish financial records periodically, but at least annually.

4. Surplus parish funds must be on deposit with the diocese in accordance with diocesan policy. Surplus funds are amounts above what is needed for normal operations for a two month period, which is estimated to be $50,000. The parish will earn interest on all funds on deposit with the diocese.

5. Standard repayment plans should be set up for loans from the diocese.

6. If the parish uses scrip or bingo as a fund raiser, a separate bank account should be opened and proper reporting procedures should be followed.

7. The pastor should approve of all major parish events. A detailed budget of income and expenses should be prepared.

8. The parish should maintain an inventory of all furniture and equipment. The parish furniture and equipment should be numbered and inventoried for control purposes. A physical inventory should be taken, annually if possible, to ensure that all items are accounted for. Any missing items would then be investigated.

9. The parish should maintain a listing of all keys to parish property. It is important to keep track of the keys because it allows the pastor to control who has access to the parish facilities.

10. The parish should develop a long term maintenance plan for building repairs/landscaping.

11. Construction projects over $100,000 require review by the Diocesan Building and Renovation Committee and, approval by the Bishop. Note: there are special directives for projects including Liturgical furnishing.

12. Purchases of real property, plant and equipment should be in the name of the Diocese.

13. All contracts, such as leases, should be signed by the Bishop or his agent and not by the pastor or his representative.
PARISH CASH

1. Accounts with financial institutions may be established only with the permission of the pastor. All accounts must be in the name of the parish. The pastor must be a signer on all such parish bank accounts. Anytime a change of signature(s) on an account is required, the pastor must sign the new signature card(s). The bookkeeper may not be a signatory on any parish financial accounts.

2. No priest or other person shall commingle parish funds with personal or other funds.

3. Separate accounts for parish organizations (altar society, etc.) are permissible. Such accounts must, however, contain reference to the name of the parish to which they pertain (e.g. St. Vincent's Altar Society). The pastor must be an authorized signatory on such accounts. Subsequent changes in authorized signatures must likewise be made only with the pastor's approval and signature on the new signature card(s).

4. The pastor or his designee should receive unopened bank statements. He should then review the statements and the enclosed canceled checks for items which may need explanation.

5. If possible, bank statements should be reconciled by someone other than the bookkeeper, such as the secretary, or a member of the Finance Council. If the bookkeeper reconciles bank accounts, the reconciliation should be reviewed/audited by the pastor or a member of the Finance Council. All bank accounts, including parish related organization accounts, should be reconciled on a timely basis.

6. The following practices ensure proper controls over the petty cash fund:
   a. The fund should be fixed at a set amount (e.g. $500). The size of the fund should be determined by its activity, but should not exceed $500. The petty cash fund should be maintained on the books as a cash account.

   b. The fund should be in the sole custody of one person who should balance the fund at least monthly. It should be kept in a locked file cabinet or safe. Someone other than the petty cash custodian should review/audit the fund balance periodically.

   c. Disbursements from the fund should be supported by signed petty cash vouchers. All supporting data should be attached to the voucher. See page 3 for a sample.

   d. Cash should be replenished and applicable expenses recorded when the petty cash vouchers are submitted for reimbursement. The reimbursement is done by preparing a general account check made payable to the custodian, i.e. Jane Doe, petty cash custodian. The custodian then cashes the check which reimburses the petty cash fund.

   e. The petty cash fund should not be used to cash the personal checks of parish employees.
PETTY CASH RECEIPT

DATE ________________________ AMOUNT: $_____________________ 

FOR  ______________________________________________________________________

TO BE APPLIED TO ACCOUNT # _____________________________________________

__________________________ ____________________________
APPROVED BY RECEIVED BY
COLLECTION COUNTING

1. A collection count committee should be established in sufficient number (no less than two unrelated persons) to count collections as expeditiously as possible. In setting up the count committee, consider the selection of members carefully. Prospects should be screened and approved by the Finance Council with final approval by the pastor. The number of members should be sufficient to cover the counting requirements without unduly burdening the members, considering absences, vacations, etc..

2. Collection count procedures should be in writing and furnished to each member of the count committee.

3. Collections are to be counted and recorded in the presence of two unrelated persons so that no one person or family has sole control. Each person should recount the other’s work, and they should agree on the total.

4. The amount of offerings should be indicated on the outside of the envelopes for subsequent posting to parishioner statements. A list should be prepared of loose checks for subsequent posting to parishioner statements. See page 8 for more detail on parishioner statements.

5. The count results should be written in ink onto a standard collection count form and a deposit slip prepared. See page 6 for a sample. Copies of the collection count form and deposit slip should be forwarded directly to the pastor and the bookkeeper.

6. Collections are to be counted and checks restrictively endorsed as soon as possible after each Mass.

Note: Counting the collections after each Mass is recommended and should not be a problem, especially in the larger churches, if the collection count committee is properly organized and administered. If, however, it is not practical to count after each Mass, the pastor or two ushers should put the collection in an envelope and deposit it in a safe or locked cabinet, preferably by use of the drop slot. At the time of the count, these collection count procedures should be followed. The collection should be deposited intact. Amounts should not be withheld for any reason.
7. The Finance Council (or its audit committee) should periodically review the collection count process by:

   a. Tracing a copy of a deposit slip to the collection count form.

   b. Ascertain that at least two counters have signed the count form.

   c. Tracing collection deposits to bank statements and ascertain that deposits were timely.

   d. Determining that procedures for handling mail receipts are being followed.

Those who perform this review should not be on the collection count committee and should not have bookkeeping responsibility.
# COLLECTION COUNT FORM

**DATE** _____________________________  **MASS** _____________________________

**Plate (401)**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Coin</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 x _____ = $_______</td>
<td>.01 x _____ = $_______</td>
</tr>
<tr>
<td>$5 x _____ = $_______</td>
<td>.05 x _____ = $_______</td>
</tr>
<tr>
<td>$10 x _____ = $_______</td>
<td>.10 x _____ = $_______</td>
</tr>
<tr>
<td>$20 x _____ = $_______</td>
<td>.25 x _____ = $_______</td>
</tr>
</tbody>
</table>

**Total Currency** $_______  **Total Coin** $_______

Loose Cash (Currency + Coin) $_______
Loose Checks (1) $_______

**Plate Total :** $_______

**Envelope (402)**

<table>
<thead>
<tr>
<th>Cash</th>
<th>Checks</th>
</tr>
</thead>
<tbody>
<tr>
<td>$_______</td>
<td>$_______</td>
</tr>
</tbody>
</table>

**Envelope Total: (1)** $_______

Special Collection (490)

<table>
<thead>
<tr>
<th>Cash</th>
<th>Checks</th>
</tr>
</thead>
<tbody>
<tr>
<td>$_______</td>
<td>$_______</td>
</tr>
</tbody>
</table>

**Special Collection Total:** $_______

Grand Total Collection Count (2) $_______

**Note**

1. Amounts to be posted to parishioners' records
2. Total collection should agree with deposit (see below)

**Counters**

Signed _____________________________

**Bookkeeper**

Agreed with deposit dated _____________________________

Signed _____________________________
OTHER CASH RECEIPTS

1. Cash receipts should be deposited as soon as reasonably possible to reduce the risks associated with holding cash and checks. The pastor should determine a limit for cash and checks on hand that should not be exceeded; for example, a deposit is required when cash and checks on hand exceed $500.

2. All receipts (cash and checks) should be maintained in a locked file cabinet or safe until deposited. Only the pastor (or his delegated agent) should have a key or combination to this safe or locked cabinet.

3. All special collections should be remitted to the Pastoral Center no later than one month following the collection in order to expedite the distribution of funds to the specified charities.

4. Mail should be opened by someone other than the person responsible for recording cash receipts. Checks should be restrictively endorsed for deposit to the parish account before being turned over to the person responsible for deposits.

5. Banks should be instructed, in writing, not to cash checks made payable to the parish and not to accept them for deposit in accounts other than the designated depository account.

6. A list should be kept of all cash receipts. The list should indicate the amount of the receipt and what it was intended for. This list should then be compared to the amount deposited at the bank. The pastor should consider using a duplicate receipt book as a control over money brought in to the parish office. The person responsible for collecting the money should fill out a pre-numbered receipt, give one copy to the individual bringing in the money and retain a copy as support. This procedure would ensure that all receipts are accounted for.

7. Receipts whose use is restricted by the donor for extraordinary purposes such as the building fund or debt reduction shall be recorded in the restricted gifts account (450). Funds that are not restricted by the donor and are internally designated by the parish are to be classified as ordinary receipts. Records should be maintained to allow a proper accounting at year-end to show that the restricted purpose has been met, the funds are on hand or on deposit.
PARISHIONERS' STATEMENTS

1. A record of each parishioner's contribution should be kept by someone not having responsibility for counting collections or handling mail receipts.

2. Prior to mailing, the total of the posting source (envelopes) should agree with total postings (what has been deposited and entered into the financial records).

3. Consider having the Finance Council (or its audit committee) perform the following steps related to parishioners’ statements:
   a. Trace amounts listed on envelopes and loose check listings to parishioners' statements on a random test basis (one Sunday each quarter).
   b. Check total envelope amounts and loose check amounts against control totals for parishioners' statements (one Sunday each quarter).
   c. Total parishioners' statements to verify that they agree to the control totals in the financial records.
   d. Control the mailing of statements to parishioners.
   e. Review actual procedures in use at the parish on a periodic basis.

4. Anyone who contributes $250.00 or more at one time must be provided with a written acknowledgment of the gift to satisfy IRS requirements.
CASH DISBURSEMENTS

1. Pre-numbered checks should be used in numerical order. Voided checks should be accounted for. All unused checks should be placed in a safe or locked cabinet.

2. Checks should be signed by the pastor or his delegates; supporting documentation should accompany the checks to be signed and should be reviewed by the check signer.

3. Checks should be mailed or distributed by someone other than the person preparing checks, if possible.

4. Checks should not be made payable to cash and should instead only be issued when proper documentation is submitted such as an invoice or check request with approval signature. See page 12 for a sample. This procedure will allow the pastor to control who is paid and the amount that is paid.

5. All disbursements to independent contractors for services rendered should be tracked by recording the payments to such individuals in the professional services account (537). If the amounts paid total $600 or more in a calendar year, the total amount paid should be reported to the diocese. The survey form, called Form A, is provided in December for you to report this information and return it to the diocese so that Federal Form 1099 can be processed.

6. It is never permissible to pre-sign checks. In doing so, a check-signer loses control over disbursements. Only for very important reasons may the pastor choose to delegate the signing of checks to others. If the pastor chooses to delegate the signing of checks, he should assign two people to be co-signers. That is, two signatures are required for the check to be valid. This procedure is required to reduce the parish's exposure to embezzlement. For these same reasons, we suggest that two signatures be required on all checks over $1,000.00, even those signed by the pastor.
Purchasing

1. The pastor should set up a procedure for the purchasing of goods and services, especially for the school, and set a dollar limit on the amount that others may purchase. This policy should include separate limits for the school principal and all other key employees. In addition, a limit on the pastor's own authority should be set to ensure the Finance Council is consulted prior to all "extraordinary" non-budgeted expenditures. The pastor's limit shall not exceed $5,000 for non-budgeted items; however, the actual limit should be determined as appropriate for that particular parish, based upon consultation with the Finance Council.

2. Purchase requisitions, check requests, purchase orders or other purchase authorization documents should be used. Given the low volume of supplies and other goods received by many parishes, a check request system may be the most appropriate. See page 12 for a sample. For those parishes and schools where the volume of goods purchased is sufficient to warrant such a system, the following procedures should be adopted:

   a. A pre-numbered, four-part purchase order should be utilized for all purchases of goods or materials. Various authorized individuals would prepare the orders; however the pastor or bookkeeper should initial all orders. The original of the order would be sent to the vendor to initiate the order or to confirm a verbal order. Vendors should be informed in writing that the parish or school will not be responsible for the payment of invoices submitted without purchase order number identification.

   b. One copy of the order would be maintained at the parish in a vendor file while another would be filed numerically. The final copy would be sent to the pastor for approval of larger orders (e.g. over $500). Upon approval, this copy should go back to the bookkeeper to document approval.

   c. When goods are received, the quantity received and the date should be entered onto the parish vendor file copy of the purchase order. This receiving documentation would then be matched with the accounting copy of the purchase order.

   d. Vendors should be instructed to send invoices directly to the bookkeeper, who would match the invoice with the approved purchase order and receiving documentation, and then schedule payment. No payment would be made unless all three match.
3. Some approval in writing should be made on the invoice or check request indicating that goods were received or services performed.

4. The bookkeeper should review invoices for terms, prices, extensions and compare the information with the check request or purchase order.

5. The pastor should indicate his approval on the invoice when signing checks in payment thereof, in accordance with the approval policy discussed above.

6. Invoices should be filed and maintained in support of payment. A three part check may be used so that the portion retained at the office can be attached to the invoice to indicate payment. Otherwise, the invoice should be stamped paid and should indicate the amount paid, date paid and the check number.
CHECK REQUEST FORM

DATE NEEDED ____________________ AMOUNT $________________

PAYABLE TO __________________________________________

ADDRESS ___________________________________________________________________

_________________________________________________________________________

PURPOSE ___________________________________________________________________

_________________________________________________________________________

ACCOUNTING

Account # __________________________ Amount $________________

Account # __________________________ Amount $________________

Account # __________________________ Amount $________________

DATE ________________ REQUESTED BY __________________________

(Authorized Signature)

FOR BUSINESS OFFICE USE ONLY

CHECK NO. ______________________ DATE PAID ______________________

1099 NO ___ YES ____ TAX ID #___________________________
PAYROLL

1. All personnel should be on the diocesan payroll system. Individuals providing services to multiple locations must be on the payroll at each location. The salary and benefit costs should be divided between the locations based on the numbers of hours worked at each location. The “home” location is the location that originally hired the employee or the location where the employee works the most hours. The home location will distribute the paycheck. The employee’s insurance should be paid by the home location and reimbursed by the other locations based on the hours worked at each location.

2. Records should be maintained for all personnel of actual hours worked to ensure that the equivalent hourly wage does not fall below the minimum wage.

3. Personnel files should be maintained for all employees. The personnel files should include:

   - Federal Form W-4 (employee’s withholding allowance certificate)
   - Federal Form I-9 (employment eligibility verification)
   - Sexual harassment policy acknowledgment
   - Application or resume
   - New hire form completed and signed by the bookkeeper
   - Approved payroll change forms
   - Authorization for direct deposit
   - Authorization for automatic deductions of insurance, pension plans and tax sheltered annuities
   - Vacation and Sick Leave records*

Copies of all forms sent to the diocese should be kept at the parish and the records should be reviewed to ensure that the appropriate forms are in the files.

*A record of vacation earned and taken and sick leave should be kept for all personnel. Not only does this help control the number of days taken but is important in determining the parish’s obligation once an employee leaves. This information can be recorded manually on preprinted forms or kept on the parish’s computer system. The software package SELECTIME is user friendly and can generate many types of reports.

4. The personnel policy provided by the Pastoral Center should be used as a guideline for developing a specific personnel policy for each parish.
1. The authorization of the pastor is required before any parish-related organization may open bank accounts. See the section on parish cash for more details regarding bank accounts.

2. Parish-related organizations should reconcile their bank accounts on a timely basis and the reconciliation and banks statements (or copies there of) should be kept in the Parish office.

3. The pastor should receive an annual accounting of the financial activities of any and all parish-related organizations (altar society, etc.).

4. Parish-related organizations are subject to the same policies as parishes with respect to the holding of excess funds and are thus required to invest any funds in excess of $50,000 (beyond current operating needs) with the diocese.
PAROCHIAL SCHOOLS

1. The pastor shall have the responsibility for the financial administration of the school in consultation with the parish Finance Council. This responsibility may be delegated to the school principal:

   a. providing the school with the necessary furnishings
   b. maintaining and repairing the building, plant and equipment
   c. securing public liability and other insurance for the school buildings according to diocesan regulations
   d. paying the salaries of the school staff
   e. observing the legal requirements in regard to withholding tax, social security and workers compensation
   f. following diocesan regulations in regard to health and accident insurance
   g. determining the tuition rate to be charged by the school in consideration of local economic conditions
   h. providing the school with adequate instructional materials

2. It is a parish responsibility to supplement tuition and fees with parish funds as required by the approved budget.

3. The pastor and principal shall be ex officio members of the executive board of the school organization.

4. The pastor and principal shall be signatures on all school bank accounts, (i.e.) either is able to sign all checks.

5. Two signatures, one of which is that of the principal or pastor, are required for all expenditures from the special bank accounts of school organizations.

6. School activities which involve publicity or fundraising are subject to the pastor’s approval.

7. The principal will notify the Director of Schools by letter with the signature of the pastor if the school will not be able to meet the next payroll. This notice shall be given no later than a week before payroll is due.
PARISH RECORD RETENTION

The following is a list of the required retention time period for each type of record.

Records that should be kept PERMANENTLY:

1. Canceled checks which were made for special payments, such as taxes, purchase of property, large contracts, etc.
2. Contracts and leases (still in effect)
3. Deeds, trust deeds and bills of sale
4. Financial Statements, general ledgers and year-end trial balances
5. Insurance records (including claims, policies, etc.)
6. Legal correspondence
7. Parish annual reports and financial statements
8. Property records (including blueprints and plans)
10. List of all bank accounts for the parish and all of its entities (e.g., schools, altar society, etc.), including the account numbers, purpose, date opened, and date closed.

Records that should be retained for four (4) years:

1. Canceled checks (see canceled checks under PERMANENTLY for exceptions)
2. Expired contracts and leases
3. Journals and ledgers (hard copy or computerized equivalent):
   a. Accounts receivable journals
   b. Accounts payable journals
   c. Payroll journals
4. Payroll records (i.e., time sheets, payroll registers, etc.)
5. Vendor invoices
6. Purchase orders
7. Contribution records
8. Teacher contracts
9. Tuition records
10. Accident reports and claims (settled cases)

Records that should be kept for three (3) years:

1. Bank statements and reconciliations
2. Correspondence (general)
3. Employee personnel records (after termination)
4. Petty cash vouchers

Records that should be kept for one (1) year:

1. Duplicate deposit slips
2. Receiving reports