

6 Internal Controls



Subsection

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- 6.1 Internal Control Questionnaire
- 6.2 Controls for Processing Cash Receipts
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6.0 Overview

“Internal control” is a process that is designed to help a parish:

1. Operate effectively and efficiently.
2. Provide reliable financial information.
3. Comply with applicable laws and regulations.

A good system of internal controls can provide reasonable, but not absolute, assurance that these goals are met. The process will vary from parish to parish depending on the size of the parish and its staff. As controls are reevaluated, *the parish finance council should recommend to the pastor only those controls where the expected benefit exceeds the associated cost.*

The Archdiocese of St. Louis employed an Internal Auditor in calendar year 2001. The Director of Internal Audit is an experienced Certified Public Accountant (CPA) who reports directly to the Chief Financial Officer (CFO) of the Archdiocese.

Anyone suspecting misappropriation of parish resources is encouraged to call the Financial Misconduct Hotline at 866.458.3960 or report through the Archdiocesan website.

Parish finance councils are encouraged to complete the Internal Control Questionnaire annually. For each “No” answer, the parish is encouraged to prepare an attachment to the questionnaire that either explains the answer or identifies a corrective plan of action, name(s) of the person(s) responsible for the corrective plan, and a timetable for completion of the plan. (Not all items in the questionnaire may be appropriate in all circumstances or for all parishes.)

The questionnaire and the attachment should be signed by the pastor and the chair of the finance council after completion, and retained in the parish files. Copies can be mailed to the internal auditor for review and comments.

If there are any questions about the questionnaire or this process, call the Director of Internal Audit.

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6.1 Internal Control Questionnaire

Archdiocese of St. Louis
Parish Internal Control Questionnaire 2010

Parish Name _____
Parish # _____

General Information	YES	NO
1. Are ALL activities of the parish and school recorded in QuickBooks? If No, please explain: _____ _____		
2. Does the parish use ServantKeeper software to record contributions? If No, please explain: _____ _____		
3. Does the parish or school have a website? If No, please explain: _____ _____		
4. How does the parish ensure that the website contains appropriate and accurate information? _____ _____		
5. Does the parish have a Finance Council? If No, please explain: _____ _____		
6. Are the responsibilities of the parish Finance Council documented in writing? If No, please explain: _____ _____		
7. Does the Finance Council meet at least quarterly? If No, please explain: _____ _____		
8. Are written minutes kept of the Finance Council meetings? If No, please explain: _____ _____		
9. Are all bank accounts in the name of the parish? If No, please explain: _____ _____		
10. Do all bank accounts contain the parish federal employer identification number (FEIN)? If No, please explain: _____ _____		

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Archdiocese of St. Louis
Parish Internal Control Questionnaire

Parish Name _____
Parish # _____

General Information	YES	NO
11. Has a letter been written to the parish banks indicating new accounts can only be set-up with an authorized letter from the Pastor and using the address of the parish? If No, please explain: _____ _____		
12. Does the Pastor receive the unopened bank statements with photocopies or original checks directly from the bank for all accounts for review prior to forwarding the statements to the appropriate individual? If No, please explain: _____ _____		
13. Is direct deposit offered at the parish/school? If No, please explain: _____ _____		
14. If direct deposit is offered, please describe the process for recording the individual net pay and banking account information for the various banks during each payroll. _____ _____		
15. Are 941's completed timely? If No, please explain: _____ _____		
16. Are IRS notices discussed timely with the pastor, the Finance Council, and the Archdiocesan Internal Auditor? If No, please explain: _____ _____		
17. Are mass stipends properly excluded from the financial statements? If No, please explain: _____ _____		
18. Does the parish prepare a balanced, annual budget? If No, please explain: _____ _____		
19. Is there follow-up of key budget variances? If No, please explain: _____ _____		

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Archdiocese of St. Louis
Parish Internal Control Questionnaire

Parish Name _____
Parish # _____

General Information	YES	NO
20. Do journal entries provide clear and thorough explanations of the transactions? If No, please explain: _____ _____		
21. Are journal entries approved by someone other than the person who prepared the journal entry? If No, please explain: _____ _____		
22. Are spending approval limits specified in writing? If No, please explain: _____ _____		
23. Do written parish policies exist for acceptable business practices? If No, please explain: _____ _____		
24. Do written parish policies exist for conflicts of interest? If No, please explain: _____ _____		
25. Does a written record retention policy exist? If No, please explain: _____ _____		
26. Are records retained and available to meet regulatory, Archdiocesan, and other requirements? If No, please explain: _____ _____		
27. Are critical data files stored off-site to assure continuity of processing and safeguarding of files? If No, please explain: _____ _____		
28. Are important and valuable documents (e.g. blank checks, accounting records, back-up disks, sacramental records) kept in a secure and fireproof location? If No, please explain: _____ _____		
29. Describe how the computers, magnetic media (e.g. CD, disk), inventory, and manual records will be protected in the event of an accident or catastrophe. _____ _____ _____		

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Archdiocese of St. Louis
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Parish # _____

Month-End Procedures	YES	NO
1. Are ALL of the following reports prepared monthly: balance sheet, profit & loss statement for all classes, and budget versus actual? If No, please explain: _____ _____		
2. Does someone other than the bookkeeper (e.g. pastor, business manager) review monthly the three reports listed above? If No, please explain: _____ _____		
3. Does the Finance Council review monthly the three reports listed above? If No, please explain: _____ _____		
4. Are monthly bank statements received for all cash account balances recorded in QuickBooks? If No, please explain: _____ _____		
5. Are ALL bank statements issued by the bank as of month-end? If No, please explain: _____ _____		
6. Are bank statements reconciled promptly upon receipt as of the month-end date and are photocopies of cleared checks provided directly by the bank for review? If No, please explain: _____ _____		
7. Do the printed bank reconciliations contain a detailed listing of the deposits in transit and outstanding checks? If No, please explain: _____ _____		
8. Are the register balances shown on the bank reconciliations compared to the reported cash balances in the QuickBooks financial statements, as of month-end? If No, please explain: _____ _____		
9. Are reconciliations reviewed for old (i.e. 90 days or more past issuance/receipt date) outstanding items? If No, please explain: _____ _____		

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Parish Internal Control Questionnaire

Parish Name _____
Parish # _____

Month-End Procedures	YES	NO
10. Are either the physical cancelled checks or photocopies of the cancelled checks reviewed every month for ALL bank accounts? If No, please explain: _____ _____		
11. Does a qualified member of the Finance Council review ALL bank reconciliations? If No, please explain: _____ _____		
12. Are asset and liability account balances reconciled to the accounting records monthly? If No, please explain: _____ _____		
13. Are all QuickBooks balances for The St. Louis Archdiocesan Fund (SLAF) accounts reconciled to the SLAF statements every month? If No, please explain: _____ _____		
14. Are the Together We're Better (TWB) certificates/scripts/coupons counted as of month-end every month? If No, please explain: _____ _____		
15. Are the month-end inventory TWB counts reconciled monthly to the inventory balances recorded in QuickBooks? If No, please explain: _____ _____		
16. Are all files in QuickBooks, ServantKeeper, and other critical systems backed up at least monthly and stored off-site? If No, please explain: _____ _____		

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6.1 Internal Control Questionnaire

Archdiocese of St. Louis

Parish Internal Control Questionnaire

Parish Name _____

Parish # _____

Personnel	YES	NO
1. Has the parish or the Finance Council reviewed the Financial Management and Control Manual for Parishes Section 14 in order to properly classify a worker as either an "employee" or "independent contractor"? If No, please explain: _____ _____		
2. Are all parish/school-directed workers (e.g. teachers, PSR teachers, phone sitters, playground monitors, organist, housekeeper) considered employees AND included in the QuickBooks payroll system? If No, please explain: _____ _____		
3. Are individual employment files maintained for each employee? If No, please explain: _____ _____		
4. Are employment applications maintained for all employees? If No, please explain: _____ _____		
5. Do the employee files contain a Performance Review that was completed within the last 12 months? If No, please explain: _____ _____		
6. Are the current job descriptions and responsibilities for non teaching employees documented in writing? If No, please explain: _____ _____		
7. Does the bookkeeper and/or business manager have the experience and education necessary for fulfilling their job responsibilities? If No, please explain: _____ _____		
8. Are the most current W-4 forms maintained for all employees? If No, please explain: _____ _____		
9. Is a Request for Child Abuse or Neglect/Criminal Record Form maintained for all applicable employees? If No, please explain: _____ _____		

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Parish Name _____
Parish # _____

Personnel	YES	NO
10. Are records containing medical information on an employee kept in a separate and secure file? If No, please explain: _____		
11. Are I-9 forms maintained in a separate file for all applicable employees? If No, please explain: _____		
12. Is an emergency notification form maintained for all employees? If No, please explain: _____		
13. Does the Pastor approve in writing all changes in employee payroll information for new hires, terminations/resignations, and rate changes? If No, please explain: _____		
14. Are all initial contracts and salary adjustments for teachers and principals sent timely (within 30 days) to the Education Office? If No, please explain: _____		
15. Are time and attendance records, including hours worked, overtime, vacation and sick leave, and special benefits maintained, reviewed and approved by authorized non accounting personnel? If No, please explain: _____		
16. Do all employees with responsibilities for financial accounting, deposit preparation, or payment of invoices take vacation each year? If No, please explain: _____		
17. Are payroll taxes and retirement payments paid by the required due dates? If No, please explain: _____		
18. Does the parish issue a 1099 to ANY independent contractor or visiting priest paid \$600 or more during the calendar year? If No, please explain: _____		

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Parish Name _____
Parish # _____

Personnel	YES	NO
19. Is the parish contributing 5% of gross pay to the retirement plan for ALL "qualified" lay employees? Note: "Qualified" – staff working 1,000 or more hours during the 365 day period or teachers with at least a ½-time contract and over one year of service. If No, please explain: _____ _____		
20. Are all eligible employees enrolled properly in the Self-Funded Employee Benefit Plan (Health Insurance) if they elected coverage? If No, please explain: _____ _____		
21. Are all eligible employees enrolled properly in the Long Term Disability Plan? If No, please explain: _____ _____		

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Parish # _____

Organization Accounts	YES	NO
1. Are ALL of the organization accounts (e.g. Athletics Association, Men's Club, Quilters) recorded in QuickBooks? If No, please explain: _____ _____		
2. Do ALL the organization accounts contain the federal employer identification number (FEIN) of the parish? If No, please explain: _____ _____		
3. Is the pastor included as an authorized signer on ALL organization accounts? If No, please explain: _____ _____		
4. Is the listing of authorized signers updated with the banks when changes occur? If No, please explain: _____ _____		
5. Are the bank statements for ALL the organization accounts mailed directly to the parish? If No, please explain: _____ _____		
6. Does the pastor receive the unopened bank statements, including photocopies of cleared checks, for ALL organization accounts, prior to forwarding them to the appropriate individuals? If No, please explain: _____ _____		
7. Are ALL of the organization bank statements issued as of month-end? If No, please explain: _____ _____		
8. Are the balances of the organization cash accounts in QuickBooks reconciled to the bank statements every month? If No, please explain: _____ _____		
9. Are the revenues and expenses of the organizations recorded monthly in QuickBooks? If No, please explain: _____ _____		

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Archdiocese of St. Louis
Parish Internal Control Questionnaire

Parish Name _____
Parish # _____

Offertory Collections	YES	NO
1. Are offertory collections placed in a safe or locked location as soon as practical, following each mass? If No, please explain: _____ _____		
2. Is each mass collection kept in a separate marked bag? If No, please explain: _____ _____		
3. Are tamper-evident, sealed bags used until the count team arrives? If No, please explain: _____ _____		
4. Is access to the safe, vault, drop box, etc. restricted to only a select few? If No, please explain: _____ _____		
5. Are count teams comprised of at least two individuals? If No, please explain: _____ _____		
6. Are two or more count teams used in counting the offertory collections? If No, please explain: _____ _____		
7. Are count team members rotated among different teams? If No, please explain: _____ _____		
8. Are ALL count teams members that are on the same team independent (i.e. not related or married) to each other? If No, please explain: _____ _____		
9. Are members of the parish staff excluded from the count teams? If No, please explain: _____ _____		
10. Are all checks immediately endorsed for deposit during count procedures? If No, please explain: _____ _____		

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Parish Name _____
Parish # _____

Offertory Collections	YES	NO
11. Is an offertory collection report compiled during each count and signed in INK by ALL count team members? If No, please explain: _____ _____		
12. Are ServantKeeper reports compared to the count sheets, deposit slips, and QuickBooks? If No, please explain: _____ _____		
13. Are ALL offertory collection items counted by the count teams before being deposited in the bank? If No, please explain: _____ _____		
14. Is the deposit taken to the bank by one of the counters or priests? If No, please explain: _____ _____		
15. Is the offertory collection deposit made timely (i.e. Monday following the count)? If No, please explain: _____ _____		
16. Is a copy of the counters' sheet, deposit slip, and deposit receipt placed together in a parish file? If No, please explain: _____ _____		
17. Does the deposit include ALL monies from the offertory collections? If No, please explain: _____ _____		
18. Is the removal of monies from the offertory collections prohibited? If No, please explain: _____ _____		
19. Are offertory collections deposited separately from other deposits? If No, please explain: _____ _____		
20. Are periodic parishioner reports printed and reconciled to check deposit information? If No, please explain: _____ _____		

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Parish Name _____
Parish # _____

Offertory Collections	YES	NO
21. Does an independent person compare the signed count sheet to the bank statement? If No, please explain: _____ _____		
22. Does the pastor review and initial the counters' sheet information? If No, please explain: _____ _____		
23. Are annual contribution statements prepared by individuals other than those who count or deposit the collections? If No, please explain: _____ _____		
24. Are annual contribution statements MAILED to ALL contributors? If No, please explain: _____ _____		
25. Do the donors' contribution statements separate the electronic gifts from the non-electronic gifts? If No, please explain: _____ _____		
26. Are copies of tax substantiation letters and statements maintained in a separate file? If No, please explain: _____ _____		
27. Are any copies of donors' checks shredded immediately after they have been recorded? If No, please explain: _____ _____		
28. Is the parish processing electronic gifts (e.g. debit or credit card donations, ACHs) using a third-party vendor or in-house resource? If using a third-party vendor, please provide the name of the vendor. _____ _____		
29. Is a report that lists the electronic gifts reviewed periodically? If No, please explain: _____ _____		
30. How are donors' sensitive information (e.g. bank account number, credit card number) secured? _____		

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Archdiocese of St. Louis
Parish Internal Control Questionnaire

Parish Name _____
Parish # _____

Disbursements	YES	NO
1. Are only priests or deacons authorized to sign checks for parish bank accounts? If No, please explain: _____ _____		
2. Are rubber stamp or other facsimile signatures prohibited? If No, please explain: _____ _____		
3. Is the signing of blank checks before use prohibited? If No, please explain: _____ _____		
4. Are checks made payable to cash prohibited? If No, please explain: _____ _____		
5. Are invoices approved for payment by the Pastor or his designee before checks are prepared? If No, please explain: _____ _____		
6. Is adequate supporting documentation (e.g. original receipts, invoices, payroll register, mileage logs) examined by check signers prior to issuance of checks? If No, please explain: _____ _____		
7. Are invoices defaced or marked "paid" with check # and date (or a carbon copy of the check attached to the invoice) to prevent reuse? If No, please explain: _____ _____		
8. Are checks pre-numbered and imprinted with the parish name and account number? If No, please explain: _____ _____		
9. Are continuous check numbers used and accounted for, then agreed to the internal computer (QuickBooks) generated numbers? If No, please explain: _____ _____		
10. Does someone other than the bookkeeper or check signer mail the checks? If No, please explain: _____ _____		

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Archdiocese of St. Louis
Parish Internal Control Questionnaire

Parish Name _____
Parish # _____

Disbursements	YES	NO
11. Are voided checks defaced by removing the signature portion? If No, please explain: _____ _____		
12. Are voided checks retained in order to maintain proper sequential integrity? If No, please explain: _____ _____		
13. Are the priests or school principal, where applicable, the only authorized users of parish credit cards (e.g. Visa, Mastercard, Lowes, Office Depot)? If No, please explain: _____ _____		
14. Does the parish have LESS than five (5) credit cards (e.g. Visa, Office Depot, Lowes, Schnucks)? If No, please explain: _____ _____		
15. Are the credit card charges reviewed by the Pastor? If No, please explain: _____ _____		
16. Are employees and volunteers prohibited from making personal charges on parish credit cards? If No, please explain: _____ _____		
17. Are ALL outstanding credit card balances paid in full each month? If No, please explain: _____ _____		
18. Does the parish obtain approval from the Archbishop for all capital expenditures (i.e. repairs, improvements, new constructions) that are 3% or more of fiscal year-end revenues? If No, please explain: _____ _____		
19. With the exception of minor petty cash items, are all disbursements made by check or Automatic Clearing House (ACH)? If No, please explain: _____ _____		
20. How does the parish ensure that all online bill payments are expenses of the parish and not individuals or other organizations? _____ _____		

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Parish Name _____
Parish # _____

Tuition & Fees for Services	YES	NO
1. Does the parish have a school? If No, please explain: _____ _____		
2. Does the school record tuition using the accrual or cash basis of accounting? _____		
3. If accrual basis of accounting is used for tuition, when are the tuition invoices recorded (invoice date in QuickBooks)? _____ _____		
4. If accrual basis of accounting for tuition is not used, please describe how tuition receivables and revenues are recorded. _____ _____		
5. Are tuition revenues recognized evenly over a 12-month or 10-month period (accrual basis of accounting)? If No, please explain: _____ _____		
6. Is the parish recording gross tuition charged? If No, please explain: _____ _____		
7. Is QuickBooks used to track individual tuition amounts? If No, please explain: _____ _____		
8. Are checks received for tuition and other fees immediately endorsed for deposit when received? If No, please explain: _____ _____		
9. Are tuition and fees for services recorded and deposited weekly? If No, please explain: _____ _____		
10. Are tuition and fee receipts that are received in the offertory collections reconciled separately from offertory collections? If No, please explain: _____ _____		

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Parish Internal Control Questionnaire

Parish Name _____
Parish # _____

Tuition & Fees for Services	YES	NO
11. Does the parish use F.A.C.T.S or SMART to collect tuition from school families? If No, please explain: _____ _____		
12. Are tuition and fee collections initiated within 30 days of the due date? If No, please explain: _____ _____		
13. Is the aging and collectability of tuition and fees reviewed periodically by the parish finance council and the Pastor? If No, please explain: _____ _____		
14. Are all adjustments for tuition, other receivables, or free tuition arrangements approved by the Pastor? If No, please explain: _____ _____		
15. Are contra-revenue (i.e. has a debit balance and reduces new tuition revenue) accounts used to record the awarding of grants, scholarships, and other tuition reductions? If No, please explain: _____ _____		
16. Are tuition and fees received compared periodically with tuition and fee estimates? If No, please explain: _____ _____		
17. Does the school/parish prohibit using the profits generated from the sales of scripts (e.g. TWB certificates, coupons) as a tuition-reduction method? If No, please explain: _____ _____		

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Parish Internal Control Questionnaire

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Parish # _____

Cafeteria Receipts	YES	NO
1. Does the school have a cafeteria? If No, please explain: _____ _____		
2. Are tickets issued for children purchasing lunches? If No, please explain: _____ _____		
3. Is the number of meals served compared to daily cafeteria revenues? If No, please explain: _____ _____		
4. Are sales of inventory items (e.g., milk) compared to beginning and ending counts? If No, please explain: _____ _____		
5. Are daily deposits made of all cafeteria funds received? If No, please explain: _____ _____		
6. Are the cafeteria receipts included in the parish financial statements? If No, please explain: _____ _____		
7. Does the cafeteria maintain a separate bank account? If No, please explain: _____ _____		
8. Do cafeteria personnel only use checks (not cash) for purchases? If No, please explain: _____ _____		
9. Is cafeteria payroll processed by the parish bookkeeper? If No, please explain: _____ _____		
10. Are cafeteria bills paid through the parish accounts payable system? If No, please explain: _____ _____		

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Parish Internal Control Questionnaire

Parish Name _____
Parish # _____

Cafeteria Receipts	YES	NO
11. Does the cafeteria participate in government subsidized milk/lunch programs? If No, please explain: _____ _____		
12. Is the amount of money that is collected from the vending machine compared to the product refilled in the vending machine? If No, please explain: _____ _____		

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Parish Internal Control Questionnaire

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Parish # _____

Other Revenues	YES	NO
1. Is the mail opened by an individual other than the bookkeeper? If No, please explain: _____ _____		
2. Are checks immediately endorsed for deposit to the parish bank account? If No, please explain: _____ _____		
3. Is a record of all mail receipts of cash or checks prepared? If No, please explain: _____ _____		
4. Is a copy of the list for mail receipts of cash or checks given to the bookkeeper with the checks for depositing? If No, please explain: _____ _____		
5. Does someone at month-end compare the daily receipt lists with the deposits posted on the bank statement? If No, please explain: _____ _____		
6. Are bank deposits made frequently and intact? If No, please explain: _____ _____		
7. This FINAL page should be signed and dated by the pastor and president of the Finance Council after it has been electronically submitted. Please mail a copy to Mike Duffy, Internal Audit, 20 Archbishop May Dr., St. Louis, MO 63119. _____ _____		

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6.2 Controls for Processing Cash Receipts

All parishes/schools should exercise due care when processing cash receipts and implement the appropriate internal controls to help prevent loss, theft, or alteration.

The following guidelines should be used for processing cash and checks:

- Checks should be endorsed restrictively as soon as they are received. A restricted endorsement can be as simple as writing "For Deposit Only – Parish/School Name," or the parish/school can obtain a restricted endorsement stamp.
- Cash and checks should be secured in a safe or locked file cabinet and only key personnel should have access to such places. Cash and checks should never be stored in a desk drawer or left unattended.
- Cash and checks should be deposited regularly. For parishes/schools receiving large dollar amounts or high volume of cash and checks, deposits should be made daily. Further, cash and checks should be deposited at least once per week, regardless of size or volume.
- If the parish/school makes photocopies of checks received, the copies should be secured in the same way as cash or undeposited checks. Photocopies of checks should be shredded after the information has been entered into the contribution database (ServantKeeper or other).
- Credit and debit card information should be secured in the same way as cash or undeposited checks.
- All parish collections should be counted at the parish and deposited at the bank as soon as practical. After the funds have been deposited, Special Collections and other restricted or designated funds should be recorded appropriately on the parish's general ledger. Funds belonging to St. Vincent de Paul Society and other organizations should be transferred as soon as possible.

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6.3 USCCB Memo Regarding Parish Financial Governance

MEMORANDUM

March 23, 2007

TO: All Bishops
FR: Most Reverend Dennis M. Schnurr, Treasurer
RE: Parish Financial Governance

As we are all painfully aware, the Church is not immune to financial malfeasance, a fact that has become increasingly clear in recent months as financial scandals have been reported from all over the country. In fact, some of the media and elsewhere have coined Church finances as the next big scandal for the Catholic Church. A number of articles have appeared as of late on this topic in various news papers such as the *Wall Street Journal*, *New York Times*, *USA Today* and *Time Magazine*. In today's environment of the Enrons, Worldcoms, et al, the Church must remain vigilant. It must continuously seek measures and procedures that can better ensure that the monies and resources are being expended in accordance with the intention of donors and benefactors. A sampling of recent media stories follow:

- In New Jersey, a priest was sentenced in June 2006 to five years in prison after misappropriation of \$2 million.
- In Ohio, the CFO was charged in August 2006 with participating in a kickback scheme totaling nearly \$785,000. The CFO had left one diocese and was working as the Director of Finance for another diocese when the 23 count federal indictment related to the first diocese was handed down.
- In Florida, two priests were charged in September 2006 with skimming more than \$8.6 million from a parish.
- In Illinois, a priest was indicted in October 2006 on charges of stealing more than \$190,000 from a parish.
- In New York, four church procurement officials allegedly conspired to extort \$2 million from vendors who provided food to church schools and parishes.
- In December 2006, a survey by researchers at Villanova University found that 85% of dioceses that responded had discovered embezzlement of church money in the last five years, with 11% reporting that more than \$500,000 had been stolen. While this report is somewhat misleading in that it seems to imply that 85% of the institutions (i.e., over 19,000 parishes, 8,000 schools, etc.) within the dioceses are experiencing fraud, the report has received national media attention.

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6.3 USCCB Memo Regarding Parish Financial Governance

- In Connecticut, a priest was removed in January 2007 over the disappearance of approximately \$500,000. This followed a report late last year in which another priest in Connecticut had embezzled approximately \$1.4 million.
- In Virginia, a priest has just recently (January 2007) been accused of stealing over \$600,000.
- At this time, there are ongoing investigations of fraudulent activity in Texas and Pennsylvania.

The USCCB Accounting Practices Committee (APC), composed of 11 CPA/CFO members from the dioceses, four members representing LCWR and CMSM, five CPA advisers from large public accounting firms, and the USCCB CFO serving as staff, has had on its agenda for some time a study of parish financial governance. The vast majority of the aforementioned frauds appear to be occurring at the parish level. At the APC meeting in January 2007, the topic was thoroughly studied and several recommendations were made to enhance the financial governance in the 19,000+ parishes. A summary of the APC recommendations can be found on the following page.

The Committee on Budget and Finance has reviewed the recommendations of the APC and supports them as “best practices.” To that end, I recommend that serious consideration be given to the implementation of these best practices in all of our dioceses. The APC will be developing tools, such as a parish reporting form, to assist with the implementation of its recommendations.

I trust and hope this information is helpful to you. If I can be of any assistance, please do not hesitate to call me.

USCCB ACCOUNTING PRACTICES COMMITTEE RECOMMENDATIONS

The USCCB Accounting Practices Committee (APC) met on January 11-12, 2007 and discussed the financial governance challenges that face the 19,000+ parishes which deal primarily in cash from the collection plate. While the APC has drafted the following recommendations to improve existing diocesan policies relative to financial governance at the parish level, the APC acknowledges that many dioceses already have very good policies in place. Accordingly, the recommendations which follow should be viewed in the context of being enhancements and/or a re-doubling of efforts, where applicable. In addition, the APC affirms that these recommendations must be complimentary to the work being done by the Diocesan Fiscal Management Conference (DFMC) on the internal audits of parishes, under the auspices of the USCCB Ad Hoc Committee on Diocesan Audits.

SHORTER TERM RECOMMENDATIONS

- In the foreword to *Diocesan Internal Controls*, which was created by the APC and published by the USCCB Committee on Budget and Finance in 1995, Archbishop Murphy, then-Treasurer, notes that “Canon 1284 states that all administrators are to performed their duties with the diligence of a good householder. The bishop can delegate the authority but not the responsibility. He has the duty to ensure that no abuses exist in the administration of church goods within the diocese.” The executive summary of that document points out, “Although the bishop will not become too involved in the details of the internal control system, he is the only person who has the power to

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ensure that each area of a diocese carries out its responsibility for the system. The proper tone must be set at the top of the organization, and for a diocese, that is the bishop.” The APC again affirms that there must be effective oversight by the bishop for compliance with all diocesan policies in each area of the diocese, and each of the following recommendations made are made within that overarching mindset.

- The APC recognizes the extreme importance of a properly functioning parish finance council as it relates to proper parish governance and internal controls. To that end, and similar to the USCCB resolution entitled *Diocesan Financial Reporting*, the APC recommends that annually each parish send a letter to the diocesan bishop containing:
 - The names and professional titles of the members of the parish finance council
 - The dates on which the parish finance council has met during the preceding fiscal year and since the end of the fiscal year
 - The date(s) on which the approved (i.e.-by the parish finance council) parish financial statements/budgets were made available to the parishioners during the preceding fiscal year and since the end of the fiscal year. A copy of said published financial statements/budgets should be provided to the bishop
 - A statement signed by the parish priest and the finance council members that they have met, developed, and discussed the financial statements and budget of the parish
- The APC recommends that thorough diocesan training be provided to the parish finance council members relative to their roles and responsibilities.
- The APC recommends that diocesan policies exist for conflicts of interest, whistleblower, and fraud (including prosecution in all cases). These policies must be applicable in each area of the diocese.
- The APC recommends that each parish complete an annual internal control questionnaire and that a proper review and follow-up be made by qualified diocesan personnel.
- The APC recognizes that the DFMC is working on a position paper outlining the rationale and importance of internal audits of parishes, which is extremely important to the entire process of the financial governance of parishes.

LONGER TERM RECOMMENDATIONS

- The APC recommends that a parish best practices manual be developed, similar to *Diocesan Financial Issues* which has been developed for the dioceses.
- The APC recommends that financial training be integrated into current seminarian programs (and/or ongoing faith formation programs) such that students will be better prepared to handle these eventualities.