

ARCHDIOCESAN POLICY  
ON  
INTERNAL CONTROL

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Updated Fall 2012

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# ARCHDIOCESAN POLICY ON INTERNAL CONTROL Updated Fall 2012

## INTRODUCTION

As found in the National Council of Catholic Bishop's pastoral letter, *Stewardship: A Disciple's Response*, "Jesus sometimes describes a disciple's life in terms of stewardship (cf. Mt 25:14-30; Lk 12:42-48), not because being a steward is the whole of it, but because this role sheds a certain light on it. A steward is one to whom the owner of a household turns over responsibility for caring for the property, managing affairs, making resources yield as much as possible, and sharing the resources with others. The position involves trust and accountability."

A natural outgrowth of this particular statement on stewardship is the need to establish an effective system of internal control throughout the Archdiocese. What is internal control? Internal control is broadly defined as a process effected by an organization's leadership, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting;
- Compliance with applicable laws and regulations.

Some of the more important aspects of internal control include the physical safeguarding of assets, necessary record-keeping, employment of skilled, trustworthy personnel, separation of duties, clear assignment of responsibility, rotation of personnel, strict adherence to established policies, and effective internal audit and review.

There are several obvious reasons for establishing an effective internal control system. The first is to prevent the misappropriation or theft of assets. A second reason, and perhaps more important, is to prevent otherwise honest employees and volunteers from making a mistake that could ruin their lives. As a church, we clearly have a moral responsibility to avoid placing undue temptation in front of those who serve us. Internal controls are designed to minimize or eliminate these so-called "near occasions of sin", thereby removing employees and volunteers from harm's way. Thirdly, internal controls ensure the reliability of financial information, which plays an essential role in any organization's strategic planning. And finally, as a church, internal controls allow us to more effectively carry out the stewardship responsibilities that we have to the faithful and general public at large who entrust us with their contributions of time, talent, and treasure.

Beyond the obvious reasons previously listed, we as the Catholic Church in Central and Southern Indiana must also be concerned about the potential impact of the *Federal Sentencing Guidelines*. Broad in their application, the *Guidelines* cover nearly all violations of federal law and affect every type of organization including not-for-profit religious entities. The *Guidelines* contain mandatory penalties to punish not only an employee for the commission of a crime, but the organization as well if it is apparent that the organization lacked reasonable controls to prevent or detect it. Because the potential for a church employee to commit a federal crime does exist (consider improper use of the mail, income tax violations, fraud associated with government-sponsored lunch programs or federal grants) a strong internal control system is not only warranted, it is absolutely essential.

Given this introduction, the remainder of this document details procedures by specific area, which are to be implemented by every Archdiocesan entity (parish, school, agency).

## **CASH RECEIPTS – GENERAL (CR-G)**

Receipts include all funds received by an entity whether in the form of cash, check, or electronic transfer. The following procedures should be utilized with cash receipts of a general nature.

1. Pre-numbered, triplicate, and sequentially issued cash receipt forms should be utilized.
2. All cash receipts should be deposited intact. No receipts should ever be used to make payments or advances, no matter how small. Bank deposits should be made daily or at a minimum no less than weekly. If deposits are not made on a daily basis, the receipts should be accumulated in a locked safe until a bank deposit can be made.
3. Banks should be instructed not to cash any check made payable to a church entity (e.g. St. Elsewhere Parish) irrespective of who presents such checks; rather, all checks must be deposited to the entity's account(s).
4. Daily cash deposits should be routinely compared against the same day's cash receipts to protect against "lapping" of cash receipts. Lapping involves the use of one day's funds to cover the misappropriation of another day's funds.
5. Mail should be opened by someone other than the bookkeeper/business manager. A listing of all mail cash receipts should be prepared by this person and separately reported to the bookkeeper/business manager and the entity's finance committee. Mail should be safeguarded at all times. All mail should be received directly in the parish office.
6. Funds received outside of Sunday collections should be clearly identified on a "deposit remittance" as to which general ledger account they should be credited. This should be performed by the person responsible for the particular budgeted area, not the bookkeeper. The "deposit remittance" and corresponding bank deposit slips are given to the bookkeeper for posting to the general ledger. The bookkeeper will file this documentation by date in a deposit detail file.
7. The physical handling of cash should be completely separated from the accounting for cash. In addition, the person accounting for cash should not be a signer on the checking account.
8. Personnel (paid and volunteer) should be rotated in jobs related to cash receipts.
9. Personnel (paid and volunteer) having access to cash or cash records should be required to take periodic vacations/breaks so they do not have exclusive and permanent access to the cash or records.
10. All cash receipts should be summarized and reported to the finance committee or other appropriate oversight body on a regular basis (a monthly financial statement is sufficient). No corrections should be "backdated" to a prior accounting period without authorization of the finance committee or oversight body, as this will change financial reports from prior months.
11. All cash that is "transferred" from one person to another should always be verified (counted) by the recipient in the presence of the person releasing custody of the funds. Both parties of the transfer should formally document the accuracy of the transaction.
12. The combination to the safe or vault should be changed periodically and also should be changed when an employee with access to the safe is terminated, laid off, or resigns. The location of the vault should be maintained in an inconspicuous place.

13. Parishes are required to track and report all unrelated business income greater than \$1000 each calendar year. If gross unrelated business income exceeds \$1000, parishes are required to file Form 990T with the Internal Revenue Service. Examples of unrelated business income may include: rental income from non-religious activities, advertising income in bulletins, etc. (See IRS publication 1828 Tax Guide for Churches and Religious Organizations).

## **CASH RECEIPTS – SUNDAY AND HOLY DAY COLLECTIONS (CR-C)**

Collections refer to cash or checks received from routine parish collections during services or meetings. The following procedures will help to ensure the integrity of this major source of parish revenue.

1. Loose cash and envelopes should be collected by appointed ushers during the service and taken immediately by at least two individuals to a secure room and given to appointed counters.
2. If the collection basket is part of the Offertory, it should be taken by at least two individuals to the counting location immediately after the conclusion of the mass. Under no circumstances should the collection basket be left unattended at the altar.
3. Counting should be performed by teams composed of at least two individuals, with no related parties on the same team. It is preferable that more than one team is utilized to enable rotation and provide backup for vacations, illnesses, etc. Counters must sign the “deposit count sheet”.
4. Signed “deposit count sheets” should be maintained which agree with deposits made to the bank. Collections should be counted immediately following the services or meetings at which they were collected. (This is the preferred method, but counting at the conclusion of all daily services is acceptable if the funds received can be properly safeguarded.)
5. Loose contributions should be counted separately from those received in offertory envelopes by at least two people. This amount is recorded on the “deposit count sheet” as “Loose Contributions”. A list of loose checks should be prepared including the name of the contributor and the amount.
6. Counters should restrictively endorse all checks received in the collections:

For Deposit Only  
St. Elsewhere Parish  
Account #999-9999

7. As amounts received in envelopes are counted in the presence of another team member, the amount received is recorded on the front of the envelope.
8. Prepare an adding machine tape of the written envelope amounts.
9. Next, add all checks, currency and coins received from envelopes. Items 8 and 9 should equal one another. If a discrepancy exists, reconciliation should be attempted performing steps 7 through 9 once again. In the rare instance that a discrepancy still exists between the envelope totals and the cash on hand, it should be reported to the parish finance committee (and the Archdiocesan Finance Office if the discrepancy is at least \$100). This amount is recorded on the “deposit count sheet” as “Envelope Contributions”.
10. Counters should next prepare a bank deposit slip, which equals all loose and envelope contribution received. The bank deposit slip(s) and the “deposit count sheet” must agree.
11. Funds should then be deposited with the bank after all collections for the day are completed. Any amounts which cannot be deposited should be kept in a locked, fireproof vault.
12. Envelopes, adding machine tapes, bank deposit slips, and “deposit count sheets” should be forwarded to the parish bookkeeper. The bookkeeper should, in turn, record the deposit(s) in the parish checkbook

and ledgers. The bookkeeper will file this documentation by date in a deposit detail file. Please note: it is vitally important that the bookkeeper is NOT a counter and does NOT prepare the deposit slip(s).

13. The bookkeeper (or volunteer) should post identifiable contributions (e.g. envelope users) to each individual parishioner's record. The bookkeeper should also reconcile the amounts posted to the envelope amount plus loose collections indicated on the "deposit count sheet". Under no circumstances should individuals responsible for posting to parishioner contribution records and the general ledger handle the actual funds to be deposited.
14. Mission collections should also be posted to the individual contribution records but posted separate in accounting records from the Sunday and Holy Day collections. All mission collections should be sent to the Mission Office in a timely manner.
15. Periodic contribution statements should be sent to all parishioners, even those who give nothing, (preferably quarterly, but at least annually).
16. No one should ever be allowed to cash personal checks or make change via the collection basket.
17. Sunday collections can be collected through ACH (Automated Clearing House) banking software or through a third party collection vendor once an authorization form for direct withdrawal from the parishioner is complete. A Sunday collection withdrawal can only be changed if there is an authorized signature from the parishioner.

## **MASS OFFERINGS (STIPENDS) (MO)**

In accordance with approved practices of the Church, any priest celebrating or concelebrating is permitted to receive an offering to apply to the Mass for a specific intention. The following are guidelines regarding Mass offerings (stipends):

1. Mass offerings (stipends) should be kept in separate checking account. This bank account should be subject to the same internal controls as outlined above, including but not limited to, the issuance of pre-numbered receipts, proper segregation of duties, and independent reconciliations.
2. The use of a Mass stipend journal is required by Canon 958. The journal should document the receipt number, the date the intention was received, the name of the person to be remembered, the amount of the stipend, the date the Mass was offered, the priest that offered the intention, and the check number of the payment of the stipend.
3. The number of unsaid Masses in the journal should be periodically reconciled with the balance in the checking account. This reconciliation should be preformed monthly, but must be performed annually.
4. If the balance in the checking account is insufficient to fund the unsaid intentions, a transfer should be made from the parish operational account for the difference. If the balance of the checking is over funded, the balance should be donated to a charity of the pastor's choice. The parish can be the charity.
5. Stipends to priests should be paid timely (at least once a month) and must be processed through the Central Payroll office. If the priest is visiting from another diocese or is from a religious order and not on Central Payroll, payment should be made directly to the priest by check. Payments should never be made in cash.
6. Priests must only be paid for one intention said per day (except on Christmas, when priests may trinate or offer and accept up to three mass intentions that day).
7. Since bination stipends (those stipends paid for the second mass intention the same day) are not compensation to individuals, they should not be reported to payroll. These should be paid directly to the charity of the priest's designation directly from the mass stipend checking account.
8. The following items regarding mass offerings are stated in Canon Law:
  - Offerings are totally gratuitous (unpaid intentions must still be said).
  - Effective October 1, 2007, large offerings should be applied to masses in \$10 increments (i.e. a \$100 offering should be broken down into 10 intentions for \$10 each) unless the offeror specifically requests the number of masses to be applied. Prior to October 1, 2007, the standard mass stipend was \$5 which can continue to be used for offerings given prior to that date. Priests may accept offerings in any amount that is freely given.
  - Mass intentions that have not been said within one year of its offering must be forwarded to the Propagation of the Faith or religious order unless the offeror specifically requested that the intention be said at the parish.



### **CASH RECEIPTS – TUITION (CR-T)**

1. Tuition receipts should be received at one location by one or no more than two, clearly designated individuals. (Reference page 2, #5 and #8.)
2. Parents should be strongly encouraged to make all tuition payments via direct withdrawal from a bank account or personal check. Schools are recommended to use a third party vendor for tuition collection.
3. Pre-numbered receipts must be issued for all tuition proceeds. A copy of each receipt should be attached to the deposit slip and maintained by the school. Photocopies of checks may be made and attached to the deposit slip.
4. All checks received should be restrictively endorsed immediately upon receipt. Amounts received should be deposited at the bank on a daily basis. A copy of the deposit slip should be given to the bookkeeper, and the bookkeeper should record this amount in the checkbook and/or ledger.
5. A separate record should be maintained for each student indicating total tuition payable, the date and amount of each tuition payment and the remaining balance due. Tuition payments posted to these records must agree with the applicable deposit slip and pre-numbered receipts.
6. Each school should have appropriate written policies concerning reduced tuition arrangements and the handling of delinquent accounts.

## **FUNDRAISERS (F)**

It is not unusual for a large portion of an entity's income to be generated through some type of fundraising event (e.g. parish festival, golf outing, reverse raffle, bingo, Monte Carlo). These events quite often involve large amounts of cash and, as such, represent moments of extreme vulnerability. The following procedures should be followed by all entities involved in fundraising activities.

1. All parishes including related organizations should have an approval process for fundraisers such as approval from Parish Council and Finance Council.
2. All fundraising proceeds should be deposited and disbursed from the parish operating checking account unless the fundraising activity is a charity gaming event. A separate banking account for charity gaming events is required by the Indiana Gaming Commission. This bank account must be subject to the same controls as the parish operating account.
3. Per Indiana Code, all net proceeds from an allowable event and related activities may be used only for the lawful purposes of the qualified organization. Expenses that are not allowed are: salaries, taxes (employee federal, state or county withholding taxes, sales tax), and alcohol, beer and wine. A detailed list of allowable expenses is available at the Indiana Gaming Commission website <http://www.in.gov/igc/2339.htm>.
4. During fundraising events the entity should appoint at least two individuals to control and frequently collect all cash receipts. Similar to collections, all cash should be taken (by the two individuals) to a secure location for counting. Large sums of cash should not be allowed to accumulate on the premises – this may necessitate frequent use of a night depository.
5. At least two people should be present when the cash is counted. Signed “deposit count sheets” should be maintained which agree with deposits made to the bank.
6. All checks should be restrictively endorsed by the counters.
7. Amounts received should be deposited as soon as possible after the event. Where large amounts of money are involved, frequent deposits during the event should be made accompanied by security. A copy of the deposit slip should be forwarded to the bookkeeper for posting. Any amounts not deposited will be kept in a secure, fireproof vault.
8. The event chairperson shall prepare a detailed summary of receipts and disbursements, which should be thoroughly reviewed with the finance committee of the entity.
9. In the event that a fundraising event involves inventory (e.g. trash bags for a school fundraiser) a detailed reconciliation of inventory on hand, inventory in process, inventory sold, and sales proceeds received shall be maintained at all times.
10. If non-religious merchandise is sold more than thirty (30) days in a calendar year, sales tax must be collected and remitted to the Indiana Department of Revenue.
11. Whenever practical, cash registers should be utilized and routinely reconciled with funds on hand.
12. All disbursements for the event will be paid through normal check writing routines. Cash should not be used for any disbursements.

13. Consideration should be given to the establishment of a “chit” system during fundraising events (e.g. patrons purchase tickets or chits from a central location; these tickets, in turn, are used to “purchase” rides, games, and refreshments). This system places cash in selective locations providing better security and control.
14. All appropriate policies, Charity Gaming licenses, registration of events, and reports must be accomplished and documented through the Indiana Gaming Commission’s Charity Gaming Division. These policies should be reviewed annually by the appropriate individuals to ensure fundraisers are compliant.
15. All appropriate Federal and State forms (W-2G’s) must be calculated and filed on any fundraising winnings.

### **RELATED ORGANIZATIONS (RO)**

Related organizations play an important role in the ministry of parishes and schools. However, if not subject to proper controls, opportunities exist for misuse of funds. Examples of related organizations that are sponsored by the parish include, but are not limited to: Schools, cemeteries, CYO, PTO, athletic, non-gaming fundraising, men's/women's auxiliaries, all sodalities, etc. The following policies should be utilized:

1. All related organization activity must be included in the parish operating account and must not have separate checking accounts.
2. All policies listed in the sections above apply to all parish and school related organizations. Each should have a budget, approved and included with the parish or school operating budget, and all revenue and expenses should be reflected on the parish or school ledger.
3. Chartered, independent organizations such as St Vincent de Paul or Knights of Columbus are not subject to the same controls as long as they are affiliated with and are reporting to a national or regional organization.

## **OTHER PARISH/SCHOOL PROGRAMS (OP)**

The following polices are for parishes and schools that operate a cafeteria, extended care or daycare programs, or a bookstore:

1. Cafeterias, extended care and daycare programs, and bookstores must follow the same controls as outlined in the sections above. Each should have a budget, prepared in accordance with the regular operating budget for the parish or school. All revenue and expenses should be reflected on the parish or school ledger, and all funds should be accounted for in the operational checking account of the entity.
2. All funds should be deposited intact. Expenses should follow normal disbursements policies as outlined above and should never be made in cash.
3. Receipts should be issued for all childcare payments received. Payments should be accepted by a limited number of individuals. These individuals should not be responsible for posting deposits to the ledger or posting payments to individual family/student accounts.
4. Cash registers should be utilized for bookstores and cafeterias. Register reports should be reconciled with the daily deposit.
5. Bookstore inventories should be listed on the balance sheet as an asset and should be properly valued at the lower of cost or market.
6. A physical inventory list should be maintained and reconciled to the balance sheet on a monthly basis.
7. If the bookstore sells clothing and other non-school curriculum items subject to state sales tax (such as school t-shirts, sweatshirts, miscellaneous school supplies, etc.), and if these items are sold thirty days or more of the calendar year, the bookstore must collect and remit Indiana sales tax to the Department of Revenue. Organizations are exempt from sales tax on the sale of religious items (prayer books, bibles, rosaries, and religious education materials) and items sold by the bookstore that are required by the school curriculum (textbooks, workbooks, physical education clothing, etc.).

## **CASH DISBURSEMENTS (CD)**

Controls over disbursements ensure the legitimacy of expenses incurred. The following duties should be separated: (1) bookkeeping, (2) access to assets, (3) independent reconciliation, and (4) authorization of transactions. The following procedures are an important part of this control environment.

1. Entities, with the approval of the Pastor or parish financial governing body, should designate only a limited number of individuals (no more than five or six, e.g. Pastor, school principal, day care director, pastoral associate, director of religious education, maintenance director, and parish secretary) who are authorized to place orders, purchase supplies, or sign contracts. These individuals will be responsible for those budgeted expense accounts assigned to them.
2. Before authorizing any expense, the budget should be reviewed to ensure that the expense has been properly anticipated or the exception/overage approved.
3. A “check request” system should be utilized which requires a signed authorization by the person responsible for the given budgeted expense account in order to pay a bill. The person requesting payment should indicate the account to be charged, not the bookkeeper.
4. All cash disbursements should contain substantiation for the expense (e.g. invoice, receipt, etc.). Requests for mileage reimbursements should include the date, destination, purpose and number of miles for each individual trip. Requests for expense reimbursements including mileage should be made timely. Mileage is measured from place of employment to destination, not home to destination.
5. Before making a disbursement, the individual who has direct knowledge of the expense incurred must certify that goods or services have been received and verify the mathematical accuracy of the charges.
6. Payment discounts shall always be taken. Because the entity has been granted tax-exempt status, state sales tax should not be paid nor reimbursed to individuals purchasing items for the entity. To purchase tax exempt, complete and provide to the vendor a Form ST-105; the transaction must be directly invoiced to the organization and directly paid via the organization’s funds. Purchases for social events, hotels, airfare, and meals (for the private benefit of an individual) are never exempt.
7. After proper certification of the expense, and after securing any other designated approval(s), invoices/check requests should be forwarded to the bookkeeper for payment. Prior to payment, the bookkeeper should review the documentation for completeness, accuracy and reasonableness.
8. Payment will be made by utilizing pre-numbered checks issued in a sequential manner with the check number and date posted on the applicable invoice and/or bill.
  - a. A check log should be maintained which details the sequential issuance of checks and clearly identifies any voided checks.
  - b. An individual recognized by Canon Law as having complete responsibility for the fiscal affairs of a church entity must be a signer on all parish bank accounts. This individual may sign all checks, which have been properly prepared and authorized. Or, as an alternative, the canonical administrator may authorize that checks will also be honored so long as they bear the signatures of at least two properly authorized and unrelated individuals associated with the church entity. Those responsible for preparing checks should not be signers on the account. If the canonical administrator is the only signer on the checking account, two other signers on the account are suggested as backup signers.

9. Blank checks shall never be pre-signed and signature stamps shall not be utilized.
10. If Electronic Banking is utilized:
  - a. Set up the bank to require the approval of two people for any electronic payment.
  - b. Print payment evidence and retain with paid invoices.
  - c. Pastor reviews all electronic transactions, verifies to supporting documents and initials to evidence review and approval.
  - d. Pastor accesses online banking on a routine basis of no less than weekly to see that all transactions paid electronically have been included in documents reviewed.
  - e. Bank reconciliation completed by an individual who does not process or approve electronic payments. The reconciliation includes detail review of electronic payments listed on the bank statement and comparison to supporting documents approved by the Pastor.
11. Once paid, all invoices, receipts, and supporting documentation will be visibly “canceled” in some manner so as to prevent duplicate payment. This documentation should be maintained on file in alphabetical order by vendor.
12. No checks shall ever be made payable to “cash” or “petty cash”. When replenishing petty cash, the check should be made payable to the custodian of petty cash fund.
13. All disbursements should be summarized and reported to the finance committee or other appropriate oversight body on a regular basis (a monthly financial statement is sufficient). No corrections should be “backdated” without authorization of the finance committee or oversight body, as this will change financial reports from prior months.
14. Advances to an employee or volunteer making purchases for the entity are allowable. However, the individual is responsible for returning all unused cash and submitting proper documentation for all expenses incurred within three business days. Advances made should always closely approximate the actual expenses incurred so as not to give the impression of granting a short-term employee loan, which is prohibited.
15. If an independent contractor is paid \$600 or more in a calendar year, then a 1099-MISC is required.

### **PETTY CASH DISBURSEMENTS (PCD)**

An entity may elect to establish a petty cash fund for the purpose of making small, immediate expenditures, which, if paid by check, could cause delay, inconvenience, and the excessive expense of maintaining additional records. The following procedures should be utilized for petty cash funds.

1. Any petty cash fund should be established with a definite cash limit (recommended limit not to exceed \$200).
2. Limits for individual disbursements from the fund should also be set (it is recommended that all expense disbursements in excess of \$25 be paid via normal check writing routines).
3. The petty cash fund shall be placed in the custody of a single individual, who, alone, has total responsibility for its integrity (and access).
4. Disbursement from the fund shall meet the same documentation requirements as any other disbursement that would normally be paid by check.
5. At any time, the sum of documentation and cash on hand shall equal the limit set in #1 above.
6. The custodian shall never cash personal checks through the fund for any reason.
7. The fund will be reimbursed periodically for the exact amount of properly documented expenses. Replenishment of the fund is accomplished through an entity's check made payable in the name of the custodian. During this reimbursement process, the bookkeeper should post expenses to the proper account.
8. The petty cash fund will show documented evidence of frequent, irregular, and unannounced counts by the finance committee of the entity.
9. The petty cash fund should not be used for financial assistance. Store and gas gift cards can be kept in the office for an assistance fund. Each parish should have a written policy regarding financial assistance and an inventory of the cards should be maintained.



### **CREDIT CARDS (CC)**

Parish credit cards are not a preferred method of payment however, credit cards are an approved option when making purchases at stores where items cannot be bought on account or purchased through personal credit cards and reimbursed. Whenever possible the vendor or store should invoice the parish or school for purchases to limit the use of credit cards. The following controls should be in place when using credit cards at the parish.

1. Parishes should only have one credit account and limit the number of card users. The pastor or administrator should be authorized on the account.
2. A policy should be established for procedures for credit card usage.
3. All receipts should be submitted with the check request for payment.
4. All credit card purchases should follow the Cash Disbursement policy included herein.
5. Upon termination of an employee, cards must be returned to the parish office and the user must be removed from the account.

## **RECONCILIATIONS (R)**

Reconciliations of cash-in-bank are a vital part of a good control environment. The following procedures should be employed.

1. All bank statements will show evidence as having been reconciled with an entity's cash records by someone who is not associated with the cash itself, its accounting, or a signer on the account. If there is not another staff person available that is not associated with cash, then a finance council member should perform the reconciliation or at a minimum perform a detailed review.
2. All bank statements should be mailed directly to the parish office. The reconciler shall receive all statements in an unopened condition.
3. Reconciliation of all cash balances shall be completed prior to the arrival of the next monthly statement(s).
4. Parishes must have no more than a parish operating account, mass stipend account, and a charity gaming account, where applicable.
5. All inter-account transfers should be reviewed by the finance council. Shortages in one account could be covered by an unrecorded check in another bank account (an illegal technique referred to as check "kiting").
6. Any large or unusual transactions should be reviewed by the Parish Finance Council.

## **BUDGETS AND FINANCIAL REPORTING (B)**

One of the most effective internal controls is the preparation and use of a budget, which is compared against an entity's actual receipts and disbursements. If significant variances from budgets are promptly investigated, the chance of a large misappropriation of funds occurring is greatly reduced. The following procedures should be utilized.

1. All entities shall prepare and have in place properly approved budgets prior to the start of each fiscal year. The annual budget guidelines established and circulated by the Office of the Controller shall be followed when preparing the entity's budget.
2. Entities will prepare a monthly statement of receipts and disbursements that are compared against the budget, preferably a five column report with the following information: current month actual, current month budget, year-to-date actual, year-to-date budget, and annual budget. This statement shall be approved by an appropriate oversight body (e.g. parish pastoral council, finance committee, board of education, agency board of directors).
3. All entities shall annually render an accounting of receipts and disbursements (Annual Financial Report) to the Chancery in a manner designated by the Chief Financial Officer.
4. Parishioners should be provided periodic (at least annual) reports on the financial condition of the parish, including a statement of revenue and expenditures and balance sheet. This can be done via the parish bulletin or an oral presentation.

## **PAYROLL (P)**

Because of Internal Revenue Service oversight, internal controls associated with payroll disbursements are critical. While not exhaustive, the following procedures should be used.

1. All employees must be on Central Payroll. (Including, but not limited to, maintenance personnel, musicians, housekeepers, cooks, and any other regularly paid person providing a service for the entity.)
2. Employees will not be paid as independent contractors. The amount paid to the individual does not determine whether they are an employee or an independent contractor.
3. Payroll advances of any kind are prohibited.
4. All payments for hourly employees will be supported with properly approved time sheets.
5. Any type of bonus paid to employees (e.g. Christmas, Easter) will be properly reported and paid through normal payroll procedures. Approval documentation for the bonus should be retained.
6. SECA reimbursements and mass stipends must be properly reported and paid through normal payroll procedures.
7. Salary levels for all salaried employees should be documented and approved by the Finance Committee or Board of Education, as appropriate.
8. Volunteers, by definition, should not be monetarily compensated for their services. Any reimbursement for mileage or other expenses should be treated under the Cash Disbursements policy included herein.

## **INFORMATION SYSTEMS (IS)**

The following are guidelines regarding computer hardware and software, networks, and data management:

1. Financial, census, and any other critical data must be backed up at least weekly and stored offsite. This data must be stored in a secure location, preferably in a safe deposit box. More frequent back-ups may be warranted for large parishes.
2. Back-up procedures must be in writing and should identify the data to be stored and the person or position responsible for performing the back-ups. The procedures should ensure the security of the data and allow for rotations of the disks or tapes being used.
3. Computer systems and software utilized should be supported by the Archdiocese or by the vendor. Accounting systems should not allow for deletions of transactions without a proper audit trail.
4. An inventory listing of hardware and equipment, including model and serial numbers, must be maintained for maintenance purposes and warranty and insurance claims.
5. Proper license documentation must be maintained for all software purchased and installed.
6. User access should be limited by the utilization of passwords at the network, workstation, and application levels, where appropriate. Cancellation of access should be done upon the termination of any employee.
7. Each location should develop a policy addressing the personal use of computers, (including email and installation of personal software), games, virus scans, illegally copied software, and output disposal.

## **CONTROLS FOR THE RESOURCE-CONSTRAINED PARISH**

The Archdiocese recognizes that the procedures detailed in the previous pages may be difficult to implement in a resource-constrained parish (e.g. budget, personnel, and number of parishioners). As such, parishes whose annual ordinary income is less than \$100,000 may exercise discretion over which of the previously detailed procedures are implemented. However, in each broad topical area, the parish must be able to demonstrate that they have endeavored to establish certain minimum, well-established forms of control that ensure that:

1. Those responsible for the physical receipt of goods and services should not be responsible for paying for those goods and services.
2. Those responsible for collections of any type should not be responsible for accounting entries.
3. Those responsible for issuing checks should not be a signer on the bank account or responsible for reconciling the bank statements with the accounting records. A member of the parish finance committee should be utilized to prepare the bank reconciliation or at a minimum perform a detailed review of the completed reconciliation.
4. Cash is always counted by two or more unrelated individuals.

## CEMETARY GUIDELINES

The following is a list of general guidelines for operating our Catholic Cemeteries.

### **Canon Law:**

1. (c. 1240) “Where possible, the Church is to have its own cemeteries or at least areas in civil cemeteries that are designated for the deceased members of the faithful and properly blessed. If this cannot be achieved then individual graves are to be properly blessed”.
2. (c. 1208) The Catholic Church regards cemeteries as holy ground and they are blessed according to liturgical books. The fact and date of the blessing is to be recorded in the parish if the cemetery belongs to a parish or in the archives of the chancery of the Archdiocese if it is an archdiocese cemetery.
3. (c. 1107 / c. 1241 / c. 1181) Parishes and even communities of religious may have their own cemeteries and the faithful of the parish have a right to be buried there but they also are free to choose the place of their burial. Families are permitted under canon law to have their own tombs or cemeteries. However, the Church’s traditional regard for the poor directs that “there is to be no favoritism toward persons in funeral and that the poor are not deprived of fitting funerals”.
4. (c. 1241) As a norm, no one is to be buried in a church. Canon law; “unless it is a question of burying in their own church the Roman Pontiff, cardinals, or diocesan bishops, including retired ones”.
5. (c. 1182) Burials in cemeteries are required to be documented in a death register.
6. (c. 1243) Bishops are permitted to make further determinations and regulations regarding the cemeteries in their dioceses as long as they do not contradict the general law of the Church.

### **State Law:**

1. Requires all cemeteries to be surveyed and recorded with their county seat.
2. Requires that all human remains placed in the ground must be covered with a minimum of 24” of soil. This includes whole body and cremations. This regulation does not apply to legally surveyed and recorded scattering gardens.
3. Requires that all burials and/or internments be recorded and a copy of the records held in a central location; said records must be available to the public and/or family members.
4. Requires a court order, obtained from the local probate court to remove and/or re-locate human remains from one cemetery to another. The family must petition the court and bare the cost(s) of this action.
5. Requires that a permit be issued by the State Board of Health to transfer human remains from one cemetery to another. State permits are not required if moving remains within the cemetery, only written permission from the family. **State law should be referenced to ensure that the family**

**member petitioning the transfer, in fact, has that right.** Permits are also required by each state when crossing their boundaries. (state to state).

6. States that burial rights cannot be transferred without written documentation from the original rights holder. (The legal/current rights holder in the State of Indiana can sell burial rights). All private party sells must be documented and recorded with the cemetery. ***The parish/cemetery reserves “first right of refusal” to re-purchase the burial rights.***

7. Requires that any person(s) securing burial rights be given a bill of sales/certificate of burial to those rights. **(You are conveying burial rights, not property ownership)**. The documentation is to include the rights owners’ name, date of purchase and a written description of the burial site and/or crypt/niche. It must also include a description of any services that may have been purchased in connection with this transaction.

8. All services and/or items that cannot be delivered at the time of purchase must be trusted. An example of services and/or items, but not limited too, are: opening/closing, headstones, foundations and vaults.

***All cemetery managers and pastors should be familiar with all state laws and regulations governing cemetery properties and their operations.***

A complete list of Indiana State Laws and Statutes governing cemeteries can be accessed at the following website:

<http://www.in.gov/legislative/ic/code/title23/ar14>

## **General Practices:**

1. All contracts and/or agreements should be in writing.
2. The description and location of all burial spaces, niches and crypts should be recorded in writing and in map form.
3. All documentation and records should be current, in duplicate and stored in separate locations. All persons involved with cemetery operations should know the locations of **all** records and their duplicates! (Tens of thousands of cemetery records have been lost due to fire and flooding).
4. Regulations covering operations, memorialization and/or decorations should be developed by the pastor, parish life coordinator, administrator and cemetery board. ***Remember, your regulations cannot contradict Canon or State law.*** Great care should be exercised during this process. The rules and regulations that are developed will have an impact on the future of maintenance, marker placement, grounds accessibility, family relationships and future sells.
5. Rules and regulations should be in written form and available to all families and/or visitors.
6. Memorials/headstones are not the property of the cemetery. Memorials/headstones are the property of the rights owner/family.



7. Hours of operation (open/closed) should be posted at all access points to the property.
8. Most, but not all, cemeteries require that ground burials be placed in vaults. The utilization of vaults minimizes ground settling and monument shifting.  
The Archdiocese recommends the use of vaults.
9. It is strongly advised that entities maintain a perpetual care fund for future maintenance and care of the property. Generally, perpetual care funds are not used for capital projects. They are used for ongoing maintenance programs. The Archdiocese recommends that 15% of all sales be placed in the fund. *For further information concerning perpetual care funds, contact the Office of Accounting Services located at the Catholic Center.* A Perpetual Care fund should be started in an endowment through the Catholic Community Foundation or in an ADLF account.
10. It is state law that pre-need sales of opening/closing and merchandise be placed into a trust account (for example an ADLF savings account).
11. Every 2 to 3 years the cemetery board should review the cemetery regulations.
12. Pricing for burial rights and services (graves, headstones, opening/closing, vaults and etc.) should be reflective of the local market.
13. All sales/certificate of burial rights documentation should state that the parish, cemetery and/or archdiocese retains the “first right of refusal” to re-purchase burial rights.