

**PARISH FINANCE COUNCIL  
Clarification of Roles**

<i>The Finance Council is</i>	The Finance Council <i>is not</i>
Mandated by Canon Law and the particular law of the Archdiocese of Denver	Optional
Consultative	Decision making
To assist the Pastor in the administration of the parish	An administrative supervisor
To work with parish staff as requested by the pastor in order to provide additional sources of expertise and guidance for difficult financial matters.	The supervisor that directs the activities of the parish staff
The single most effective internal financial control within the parish.	A dictatorial, overbearing, decree making, statute formulating body.
To foster good financial stewardship of the parish financial resources.	-- --
To assist the Pastor in building parishioner and donor confidence in the financial oversight of the parish.	-- --
Assist with the hiring of the business manager, bookkeeper or contractors performing financial services	To hire or terminate employees or contracted services.
To work with parish committees as directed by the pastor	The supervisor of parish committees or organizations
Appointed by the pastor	A representative for a segment or segments of the parish
To meet at least quarterly	To meet only when there are questions from the Pastor and staff.
To assist in retaining a CPA firm to perform a Parish Review.	To hire or terminate the services of the CPA firm without the pastor's consent.
To assist the Pastor in preparing the written responses to the findings by the CPA as outlined in the Management Letter	To respond to the findings independent of the Pastor
To review the Internal Audit (IA) or External CPA Reports and assist with implementation of the internal control recommendations.	To discourage the Pastor or Staff from following the IA or external auditor recommendations.
To report any suspicion of fraud, theft or misuse of parish funds or property to the Pastor and/or Chair of the parish finance council and, if credible, to the Vicar for Clergy.	To launch an internal investigation without first consulting with the Vicar for Clergy and PRAS.
Members serve for a term of 3 years with a possibility of reappointment for 3 years (maximum 6 year term).	An ongoing perpetual appointment.
Members are qualified in financial administration and, if possible, matters of civil and Canon law.	-- --

**Parish Finance Council**  
**Sample Agenda**

*Information to be mailed to members no less than 7 days in advance of the meeting:*

**Agenda**

**Minutes from prior meeting**

**Most current financial statements**

**Balance Sheet**

**Income Statement (with comparison to budget)**

**Agenda**

1. **Opening Prayer**
  2. **Review Agenda**
  3. **Review Minutes from previous meeting**
  4. **Review the financial statements**
    - a. **Observations/Questions**
    - b. **Identification and discussion of unusual items**
    - c. **Discuss of significant variances from budget**
  5. **Review other financial reports/information**
    - a. **Investment Report**
  6. **Committee Reports (if any)**
    - a. **E.g., Investment, maintenance, fundraising/development**
  7. **Old Business/Current Projects**
    - a. **See Pastoral Handbook 10.2.2 for a listing of duties**
  8. **New Business**
  9. **Consideration of the Agenda for the next meeting**
  10. **Closing Prayer**
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**Member Information**

*The following lists the minimum information that each member should have in order to assist them with their duties.*

1. **Listing of all bank accounts**
  - a. **Including signature authority, location and purpose**
2. **Listing of Investments**
3. **Listing of Personnel**
4. **Copy of the parish long range plan, if any**
5. **Listing of debt or past due obligations**
6. **Current year's budget**
7. **Capital Asset Replacement Plan, if any**
8. **Most current financial statements**
9. **Copy of the most recent Internal Audit or Parish Review Report**

**ARCHDIOCESE OF DENVER PASTORAL HANDBOOK**

**Quick Reference: Synopsis of Parish Finance Council Expectations**

(Primary Reference: Chapter 10 – Parish Business Practices within the territory of the Archdiocese, but Chapters 8 and 9 are referenced as well.)

**Annual Report**

**10.2.2.4**

The parish must submit to the Office of Parish Finance, an Annual Report which includes a list of all finance council members by August 30th of each year.

**Banking**

**10.1.4.3.**

The pastor and parish finance council are to maintain a parish bank account list. The list is to include the financial institution, account number(s), purpose of the account(s), and the authorized signers for each account operated by the parish or parish ecclesiastical related organizations

**Budgets**

**10.1.7.6.**

Consistent with Canon 1287 and guidance from the USCCB, each parish must provide the Archbishop, the annual budget of the parish. A parish budget is to be developed and reviewed by the parish finance council and submitted annually by June 1 to the Office of Parish Finance. As part of the budgeting process, each parish is to make provision for savings to insure the long-term financial health of the parish. Savings should include amounts established for future building repair and maintenance, emergency funds, and general use.

**10.1.7.7.**

Parishes may not submit a deficit budget unless the deficit results from a short-term cash deficiency due to a construction project.

a. Parishes are to utilize the budget guidelines as issued and amended by the Office of Parish Finance.

b. The parish finance council is to assist with the development of the parish budget and must give its approval to the parish pastor before the budget can be completed or adopted.

**10.1.3.2.**

A pastor and his business administrator must consult with the parish finance council when operating expenditures, not included in the approved parish budget (defined as the purchase of goods or services that will be expensed in the parish's statement of activities) are greater than 2.0% of the parish's annual budgeted offertory revenue.

**10.2.1.5.**

The parish finance council must review and approve the parish budget for approval by the Pastor.

## Capital Acquisitions or Projects

**8.2.2. *Initiation of Approval Process on Real Estate Transactions.*** The approval process is initiated at the parish or related ecclesiastical organizational level through consultation between the pastor, the appropriate officer of the ecclesiastical organization and their respective Finance Councils. It is then the pastor's/officer's responsibility to communicate the proposal, as supported by his advisory councils. In the case of property purchase or sale proposals, the pastor or other responsible individual should provide a written request to the Archbishop that summarizes the basic terms of the proposed transaction, the rationale and planning that support the proposal, the support of the Finance Council and as much detail on financial aspects of the transaction as may be available at the time. The parish should bring all other types of real estate matters and questions to the attention of the Director of Real Estate. (Ref: Chapter 8 – Building, Property and Construction Guidelines - 8.2.7. and 8.2.10. below).

**8.2.6.3. *Parish property transactions valued below the minimum amount (currently \$27,373).*** In the case of a proposed property alienation or other transactions involving fair value amounts under the \$27,373 threshold, the Director of Parish Finance and/or the Director of Real Estate, after receiving the recommendation of the pastor and his parish finance council, reviews the proposal at issue and provides a recommendation for consideration to the CFO for the approval by the Archbishop or his designee.

## Conflict of Interest Reports of Fraud

### **10.1.26**

These protocols are issued and pertain to all whom work or volunteer at a parish. Any parish employee or finance council member who is concerned about a potential or real conflict of interest should report their concerns to the pastor. If the conflict of interest includes the parish pastor, the Vicar for Clergy for the Archdiocese should be notified.

A conflict of interest arises whenever a decision to enter into a transaction would convey significant benefit to the pastor, employee, a parish committee member or their immediate families. If such conflicts of interest should arise it must be disclosed to the pastor and his parish finance council before the action is taken.

### **10.2.2.8**

In the event the parish finance council members become aware of any action by the parish that may give rise to a conflict of interest, the member is to report the action or activity to the Chairperson and Pastor immediately. The matter must be disclosed to the parish finance council and a determination of appropriate action, whether the member must resign from the council or recuse themselves from a particular issue must be documented in the minutes.

### **10.2.2.9**

In the event any member of the parish finance council receives a report from someone of suspicion or evidence of fraud, theft or misuse of parish funds or property, they must

report the incident to one of the following depending on the nature of the report, the Pastor and/or the Chairperson of the Parish Finance Council. The report is to be raised in the parish finance council meetings and, if deemed credible, must be reported to the Vicar for Clergy.

### **Finance Council Operation**

#### **10.2.2**

Every parish is to have a parish finance council to assist with the responsible stewardship of resources, and to be of assistance to the pastor (Canon 537). In some circumstances, parishes administered by the same priest may have one parish finance council that acts on behalf of all the parishes administered to. In that circumstance, it is recommended that the parish finance council reflect the membership of the faithful from the participating parishes. The parish finance council is to adhere to the laws governing the administration of ecclesiastical goods under Canon Law and this Pastoral Handbook.

##### **10.2.2.1.**

The pastor is to preside over the parish finance council. In the event of a change in pastors, the finance council and the existing members continue in existence. The council shall consist of at least 3 members of the parish. The members are to serve for 3 years with the possibility of reappointment. A member who has served 6 years may be eligible to serve on the council again, but the pastor should consult with the Vicar for Clergy administration and, where possible, in matters of civil and Canon law as applicable to parochial circumstances. It is recommended that the parish finance council designate 1 member as liaison with the parish pastoral council and 1 member as a liaison with the parish school committee (if one exists). The pastor appoints and may remove the members. However, the pastor may only remove members for extraordinary reasons and after consulting with either the Dean of the parish deanery and/or the Vicar for Clergy.

##### **10.2.2.2**

The Parish finance council should recommend a chairperson from amongst its members annually for the pastor to appoint. The chairperson is to work with the pastor and parish business manager (if any) to set an agenda, identify key business issues that need to be addressed by the council and to communicate with the pastor and business manager on behalf of the council.

##### **10.2.2.3**

The finance council should meet at least quarterly (more often is recommended) and minutes of these meetings must be documented and retained at the parish.

##### **10.2.2.6.**

The duties of the parish finance council are to provide assistance to the pastor or parish administrator in administration of parochial goods and in assessing parish needs for present and long-term financial support. Such duties are numerous and include the following:

- a. Assisting the pastor in preparing the annual budget of income and expenses according to the guidelines of the Archdiocese.
- b. Assisting the pastor in monitoring the budget throughout the fiscal year and in advising the pastor in all financial matters of parochial administration, including the coordination and development of the parish school budget (if one exists) into the total budget of the parish.
- c. Assisting the pastor in reviewing the monthly or quarterly parish financial statements and monitoring payment of all obligations of the parish.
- d. Assisting the pastor with an ongoing review of internal control procedures.
- e. Assisting the pastor to insure there is active and informed participation of the parishioners in the Archbishop's Catholic Appeal.
- f. Assisting the pastor in keeping current with and conforming to Archdiocesan policies.
- g. Insuring that the parish remains current with its obligations to the parish employees, parish vendors and Archdiocesan organizations, including the payment of assessments, insurance premiums, retirement premiums and payroll taxes.
- h. Assisting the pastor in monitoring and establishing just, fair and nondiscriminatory salaries and benefits for parish employees and in the recruitment and hiring of the parish business manager and/or parish accountant.
- i. Assisting the pastor with reporting the parish financial results and the budget to the parishioners on an annual basis. In addition, the finance council shall have such other duties or responsibilities as may be identified elsewhere within this Pastoral Handbook.

#### **Internal Control – Internal Audit or CPA Review**

##### **10.1.4.4.**

Blank checks are to be limited to a one-year supply and stored in a locked place. Checks are to be used in their consecutive number order. Parishes are encouraged to maintain a log of checks. It is recommended that the pastor and parish finance council occasionally review the unused portion of checks to verify an unbroken check number sequence.

##### **10.1.8.4**

The parish finance council is to assist the Pastor in preparing a written response to all of the findings documented in the external CPA Management Letter or the Parish Review Program. This letter must be submitted to the Office of Internal Audit according to the timeline set forth in the Parish Review Program Manual.

##### **10.2.2.7**

The parish finance council is to review and assist the pastor in responding to issues identified in the CPA management letter, from the review conducted as part of the Parish

Review Program. The parish finance council must meet with the CPAs and/or Internal Auditors from the Management Corporation when a review or internal audit is completed at the parish. The parish finance council members, in addition to reviewing the findings, are to discuss with the CPAs or internal auditors any concerns they may have over the management of the funds or resources of the parish. A written response to the External CPA management letter must be signed by the pastor and the chair of the finance council and must also be sent to the Office of Internal Audit.

#### **10.1.16**

As such, the pastor, his parish finance council, and his parish staff are to make all attempts to safeguard the parish property.

### **Investments**

#### **10.1.10.1.**

Parish Finance Councils should review the parish investment portfolio on a quarterly basis and must hold stock investments in a socially responsible manner. Accordingly, parishes should carefully review and consider the Social Responsible Investment Policy of the Archdiocese as set forth in Chapter 9.

#### **10.1.10.7.**

Parishes may utilize managed funds or investment brokers. Such arrangements should clearly identify the role of the broker and the authority to invest according to documented investment guidelines approved by the pastor and parish finance council. Parishes should not grant unlimited investment authority to an investment broker. Parishes are to utilize reputable investment brokers with a proven track record. If a parish is considering using an investment broker, it should consult with the Office of Parish Finance prior to committing funds. The parish finance council should periodically review the guidance and authority given to the investment manager.

#### **10.1.10.9.**

Parishes are to ensure that investments are protected from liquidation without the pastor's approval. Only the pastor has the authority to invest, liquidate or transfer funds and investments. The pastor should consult with the parish finance council on all investment activities and typically act in concurrence with the parish finance council.

### **Pastoral Handbook and Policies**

#### **10.1.1.1.**

It is the obligation of the pastor to assure implementation of these guidelines; this will necessarily involve the pastor's periodic reexamination of the protocol for parish financial and business operations and of the financial reports. It is always important to remember that the Pastor sets the tone and interest in proper business procedures and controls. If the Pastor expresses and models an interest in proper business procedures, in order to protect the Church, the staff will emulate the same interest. Consistent with Archdiocesan policies concerning Conflicts of Interest (Ref: - Chapter 7 –Finance, Administration and Planning - Archdiocese of Denver and Related Ecclesiastical

Organizations -7.1.5.) and Professional Conduct (Ref: Chapter 7 – Finance, Administration and Planning - Archdiocese of Denver and Related Ecclesiastical Organizations - 7.1.6.), the pastors within the Archdiocese must implement Conflict of Interest Policies for their respective parishes as set forth in Section 10.1.26. of this chapter and encourage their employees to act in a fashion that represents the parish in a professional and courteous manner. The parish finance council is to assist the pastor with the implementation of these policies and recommendations. **Exhibit II** of the Handbook includes the Conflict of Interest Policy and Gift Acceptance Guidelines applicable for the parishes within the territory of the Archdiocese.

### **Personnel**

#### **10.1.2.4.**

Proper stewardship of parish assets requires that those hired to assist a pastor with management of a parish's finances be competent in business matters. Pastors are to hire individuals who are trained, experienced, and skilled in business and accounting and are to involve the parish finance council in hiring this individual. Prospective employees are to submit resumes that detail business expertise. In addition, parishes are to check references and perform such background checks and screening as required within this Handbook thoroughly to ensure the prospective employees have sufficient skill and experience to perform the required tasks and are qualified to be employed within the territory of the Archdiocese.

### **Restricted Funds and Capital Campaigns:**

**10.1.13** The following pertains to restricted funds solicited during an approved capital campaign in conjunction with the conditions set forth in Chapter 8. Prior to solicitation, the pastor and his parish finance council should review the restricted purpose and give their recommendation for soliciting the funds. The parish must clearly inform the parishioners and potential donors of the project and fundraising and that any funds received for this project will be restricted to the defined project. The parish should review the purpose for the fundraising, the timing of the campaign, the estimated timing of the fundraising and the estimated timing for completion of the restricted purpose.

#### **10.1.13**

Throughout the project, the parish finance council should meet to review the project and the minutes should reflect that the finance council has reviewed the status of the campaign and the use of the restricted gifts. At the completion of the project, the finance council minutes should reflect that the finance council has reviewed the status of the project and determined that the restricted purpose has been completed and that the restricted purpose for which funds were solicited has been met.

## **Summary of Fundamental Parish Internal Controls Finance Council Exhibit**

### **Executive Summary**

The parish still obligated to follow all of the procedures outlined in the Pastoral Handbook. Not all of the internal control procedures detailed in the Pastoral Handbook are covered below. The following is to be interpreted as a summary of key control procedures only and is not an all inclusive list of internal controls applicable to parishes. For a complete and more detailed listing, see chapter 10 of the Pastoral Handbook.

### **Segregation of Duties**

Duties should be properly segregated between the handling of receipts (cash and check), and recording of transactions in the financial system (this includes the recording of parishioner donations into PDS or another system for the purposes of tracking donations by parishioner and producing year-end tax donation letters).

If there is inadequate staff to have appropriate segregation of duties, the parish must implement mitigating controls to reduce the risk of financial loss.

### **Offertory**

- Always have at least two unrelated people with the money during collection, counting, and deposit.
- Document, in a memorandum, your offertory procedures and communicate them during a periodic counter training session. A memorandum providing the same guidance should be prepared for each fundraising event.
- Use tamper-evident bags to secure the offertory until the counting and locked bags to transport it to the bank. Someone should be charged with tracking the use of the bags and maintaining the supply. This individual should not have unrestricted access to the safe where the offertory is kept.
- Limit access to your safes and locked bags to only those who require access for a valid business reason. Change the access whenever someone who had access no longer requires the access (example: employee turnover). Properly secure your safes by affixing them to the floor or other immovable structure.
- Do not let the bookkeeper or individual who records transactions participate in the count (providing guidance to the count team is acceptable).
- Contribution letters to parishioners should be mailed at least annually and should request the parishioner contact the Pastor if their records do not match.

### **Tuition & Other Cash Receipts**

- Receipts should be issued for all monies (cash and checks) received.
- Document, in a memorandum, your tuition collection, deposit and recording procedures and communicate these to the appropriate parties.
- Reconciliations of school records to the accounting records should be performed.
- Duties between cash handling and recording should be segregated. Avoid having one individual receive, count, deposit, and record, without other checks and balances.
- Grant receipts and allocations should be tracked.
- A third party company (SMART, FACTS, etc.) should be considered to automatically bill and collect tuition.

## **Summary of Fundamental Parish Internal Controls Finance Council Exhibit**

- Documents demonstrating need and verifying income should be obtained prior to offering tuition discounts.
- Cash and check receipts stored at the school should be deposited at the bank in a timely manner. Checks should be endorsed "For Deposit Only..." as soon as possible.
- Rental activity should be tracked and supported by signed agreements.

### **Scrip, Gift Shop, and Other Sales Activities**

#### **SCRIP**

- SCRIP should be safeguarded in a similar manner to cash.
- The profitability versus cost of the SCRIP program should be periodically reviewed.
- SCRIP activity (purchases & sales) should be recorded.
- Inventory should be physically counted, compared to the books, and any material adjustments investigated.
- Duties between cash handling and recording should be segregated. Avoid having one individual purchase, sell, count, deposit, and record, without other checks and balances.

#### **Gift Shop and Other Sales Activities**

- Sales tax licenses should be obtained where required, taxes collected, and remitted to the appropriate authorities. Is your Business Manager aware of the State and Local Sales Tax Rules? They vary from county to county and city to city.
- Annual physical inventories should be taken and compared to the books, adjustments made, and material discrepancies investigated.
- Purchase, sales, and discount activity should be recorded on the books.
- Duties between cash handling and recording should be segregated.

### **Expenses**

- Obtain and retain supporting documentation (invoices, receipts, contracts, etc.) for all disbursements (including petty cash).
- Bank account signers should be limited to the Pastor and if necessary the Parochial Vicar, Deacon, or Pastoral Assistant. If any other signers are needed, the pastor should request approval from the Office of Parish Finance.
- The Pastor should receive all bank statements (including auxiliary organizations using the Parish name or tax ID #).
- Copies of all cancelled checks should accompany bank statements.
- The person preparing the checks should not be the person signing the checks.
- Access to check supply should be restricted.
- Expenses should be compared to the budget.
- Reimbursements should always be supported by expense reimbursement forms.
- Credit Card statements should be supported by actual receipts.
- Personal and Parish expenses should be separated.
- Receipts for expenses from auxiliary accounts should be retained at the Parish and reviewed periodically for reasonableness.

### **Payroll**

- All taxable compensation to employees should be included on W-2s (this includes bonuses and mass stipends).
- 1099-Misc. IRS forms should be sent to the IRS, when required (includes payments to other priests, unless paid to the religious order, totaling \$600 or more annually).

## **Summary of Fundamental Parish Internal Controls**

### **Finance Council Exhibit**

- Payroll taxes should be remitted timely. Timing depends on size of payroll and frequency of payroll runs.
- Consider the cost versus benefits of using a third party to process payroll.
- Duties should be properly segregated, when possible, to not allow one individual control over the entire payroll process.

#### **Personnel**

- Employment documents should be obtained commensurate with the employee's start date and maintained according to the Pastoral Handbook.
- The Parish should not loan money to employees or other individuals.
- Existing loan activity should be tracked and repayments demanded as soon as possible.
- Employee advances should be approved in advance and tracked.

#### **Accounting**

- All bank accounts and related activity should be recorded.
- Auxiliary organization activity should be recorded.
- Bank accounts should be reconciled monthly.
- Assets should be capitalized (purchases over \$1,000 may be recorded as assets on the books) and depreciated.
- Financial statements, including a comparison between actual and budget should be produced and reviewed by the Finance Council monthly (at a minimum quarterly).
- Duties between cash handling and recording should be segregated as much as possible. Risk to the Parish is substantially increased if the same person also performs bank reconciliations.

#### **Investments**

- Investment activity should be recorded and reconciled to the books.
- Investments should be stated at Fair Value and unrealized gains/losses should be recorded.
- Investments should be reviewed to assure that they are socially responsible and do not conflict with the mission of the Church.
- Agreements with fund/investment managers should be formalized.
- Investment account signers should be limited to the Pastor.

#### **Auxiliary Organizations**

- If any accounts use the Parish tax identification number, they should be recorded on the books and the Parish should have some oversight of the activity.
- The level of oversight should increase with the activity of the account and organization.

#### **Bingo/Raffle**

- Procedures should be documented and communicated.
- All activity should be recorded.
- A certified gaming manager is required to be involved.
- The Parish should be aware and comply with all State and Federal requirements.
- W-2Gs must be issued when appropriate
- Raffle tickets should be tracked and reconciled.

#### **Physical Safeguards**

- Pictures of assets should be taken, supported by receipts when possible, and maintained in a safe location.

## **Summary of Fundamental Parish Internal Controls Finance Council Exhibit**

- Schools and parishes should appropriately restrict access to the buildings
- Asset disposals/purchases should be tracked.
- Computer backup and restore procedures should be documented. Backups should be made regularly and stored in a safe location.

### **Fundraising Events**

In addition to the above recommendations for cash receipts, the parish should ensure:

- During all fundraising events, we recommend that two, unrelated persons should be with the cash at all times.
- Cash from fundraising events should be immediately secured following the event in a tamper-evident bag and placed in a Parish safe or night depository box. No cash should be taken home by volunteers.
- The supply of tamper-evident collection bags should be controlled and distributed by an individual who is not involved with the cash collection process or with access to the safe containing the proceeds.
- The counting of the event cash should be performed by the Parish count team, along with the weekly offertory count.
- The bookkeeper should timely reconcile all deposits to the lists of participants, registration forms, etc.
- The fundraising event coordinators should develop and maintain lists of event participants, amounts of cash received from specific participants, lists of fundraising expenses supported by invoices and receipts, registration forms, etc., as well as all other pertinent records related to the events.
- All lists, records, receipts, licenses, etc. pertinent to the event should be kept at the Business Office.
- The bookkeeper should reconcile receipts and records from the fundraising event to the deposits per the bank statements.
- We recommend that all tax donation and thank you letters from the fundraising event activity should be signed by the Administrator and mailed by the Parish. These letters should instruct that any questions should be directed to the Administrator.
- We recommend that, prior to conducting any gaming, raffles or bingo fundraising activities, the Parish establish a Certified Gaming Manager and adhere to all applicable State of Colorado regulations.
- We recommend that the Parish consult with the Office of Risk Management regarding vendor liability and insurance requirements, prior to fundraising events.