

THE PARISH REVIEW PROGRAM MANUAL

June 30, 2006

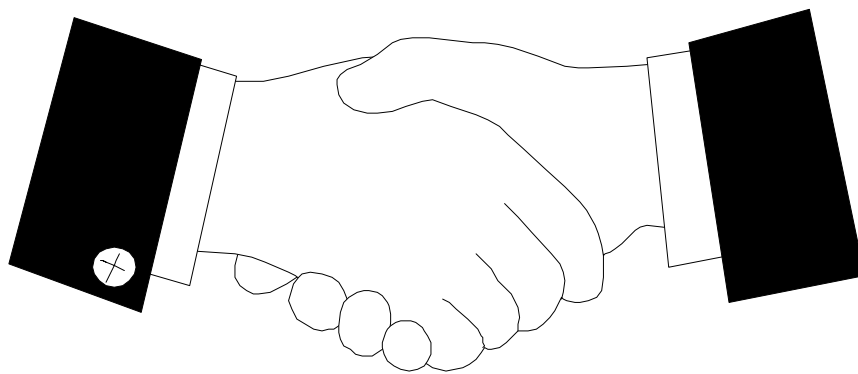


TABLE OF CONTENTS

	<u>Page</u>
I. TIMELINE FOR THE PARISH REVIEW PROGRAM	3
II. THE PARISH REVIEW PROGRAM	
A. Introduction	4
B. Requirements	4
C. Agreed Upon Procedures	5
III. HOW TO SOLICIT, SCREEN AND SELECT A CPA	6
A. Soliciting CPAs	6
B. Screening CPAs	8
C. Selecting the CPA	12
IV. GLOSSARY	14
V. APPENDIX: Forms	17
A. Request for Proposal	18
B. Engagement Letter	23
C. Sample Representation Letter	27
D. Sample Standard Review Reports	29
E. Sample Management Letter	31
F. Sample Financial Statements and Notes	34
G. Confirmation Letter Template	42
INTERNAL CONTROL QUESTIONNAIRE (ICQ)	43

I. TIMELINE

Process/Procedures	<u>Completion Date</u>
Engagement letter proposals should be received from CPAs.	03/31/XX
Review proposals, interview CPAs, select CPA, sign the engagement letter and send a copy to the Chancery.*	04/30/XX
Close the parish books for the fiscal year.	06/30 – 07/31/XX
Review and management letter must be completed prior to this date.	10/10/XX
Send reviewed financial statements and the management letter to the Chancery.*	10/15/XX
Send a written response to the management letter to the Chancery.*	11/10/XX

* Information directed to the Chancery should be mailed to the Office of Parish Review and Advisory Services.

Within this timetable, the key dates are July 31 and October 15. By July 31, the parish needs to close its fiscal year so that the CPA has a set of financials to review. In closing by July 31, the parish can send its preliminary financials to the Archdiocese before the review is complete. Once the review is complete, the parish may send adjusted financials, if changes occur as a result of the review. The second key date is October 15, the date by which the review needs to be submitted to the Archdiocese.

II. THE PARISH REVIEW PROGRAM

A. INTRODUCTION

Our parishes are challenged daily to create opportunities for and provide encouragement to our people to move closer to the loving embrace of our Creator. Our gospel call, echoed in Canon Law, reminds us to bring the good news to our people and to care for the less fortunate. The primary focus of our parishes must always remain upon the mission of our Church. However, at times, it seems that the requirements of managing the Church intrude on our efforts to accomplish its mission. This certainly identifies a dilemma in our parishes - the need for an efficient infrastructure of processes and procedures that support our efforts in accomplishing the Church's mission. If our infrastructure is inadequate, it limits our ability to accomplish our mission. If our infrastructure is burdensome, we may find that our one most precious asset, our time, is occupied with unnecessary administrative procedures instead of fostering our mission.

One step in strengthening the infrastructure and aiding the Pastor is the Parish Review Program. The Parish Review Program is an annual process by which each qualified parish will retain a Certified Public Accountant (or CPA firm) for the purpose of performing an independent review of the financial statements and internal controls of the parish. This is the key point in the design of the review program, the CPA is ***your*** consultant. The CPA will, as part of the review, develop a "management letter", addressed to you, to provide objective recommendations on how to improve the financial operation of the parish.

B. REQUIREMENTS

Application and/or implementation of the Parish Review Program are dependent upon the size of the parish, as determined by its total estimated revenue, as follows:

- i. A parish with total estimated revenues from all sources for the fiscal year under consideration equal to or greater than \$2,000,000 is a qualifying parish and must retain a CPA to perform an annual review plus additional, agreed upon procedures. The parish and CPA must use the forms contained in the Appendix. The parish review, management letter and ICQ must be completed and submitted to the Archdiocese of Denver, Office of Parish Review and Advisory Services, no later than October 15th of the same year. For example, a review for the fiscal year ended June 30, 2006 must be completed and submitted by October 15th, 2006.

A review is a technical term that describes a defined series of procedures to be performed by a CPA. In addition, the review program established by the Archdiocese of Denver includes specific “agreed-upon procedures.” The agreed upon procedures represent additional work required of the CPA in performing the parish review. Parishes may add additional procedures to expand the scope of work to be performed by the CPA.

- ii. Parishes with total revenues for the fiscal year under consideration estimated to be less than \$2,000,000 are non-qualifying parishes, and are not required to comply with this Parish Review Program. Instead, the Office of Parish Review and Advisory Services will visit and review these parishes individually. This review is separate and different than the Parish Review Program defined within this manual.

C. AGREED UPON PROCEDURES

A parish review is a specific program defined for CPAs. The Archdiocese of Denver’s Review Program expands the scope of a typical review by defining additional steps that must be accomplished. These additional steps are called “agreed upon procedures.” The agreed upon procedures are designed to provide the pastor with a more detailed review of the financial operation of the parish. The actual procedures are contained in the Engagement Letter (Appendix B), and are supplemented by specific forms in the Appendix.

The agreed upon procedures require, as part of the review, the CPA to complete the following:

- i. The parish is required to complete an internal control questionnaire (ICQ). The ICQ provides the CPA with an opportunity to review the financial processes of the parish and develop recommendations for improvement. (The ICQ is attached as Appendix H). The CPA will discuss any potential internal control weaknesses identified on the ICQ with the parish, and identify any known weaknesses in the Management Letter.
- ii. The CPA will examine the offertory collection, depositing and recording procedures.
- iii. The CPA will review the collection, depositing and recording procedures of major sources of revenue including tuition, fundraising events, grocery certificate and gift store sales.
- iv. The CPA will confirm the balances of parish cash and investment accounts and all long-term liabilities using the Confirmation Template provided in Appendix G.

The CPA will review the reconciliations and the signature authority on these accounts.

- v. The CPA will review the accounts payable and reimbursement files to determine if they are properly maintained and include sufficient documentation and approvals.
- vi. If the parish has a school and or daycare/childcare program, the CPA will review the process of collection of tuition and fees.
- vii. If the parish has bingo or raffle operations, the CPA will review the procedures and operation of the bingo or raffle.
- viii. The CPA will review the personnel files to determine if they are properly maintained with appropriate documentation, as stipulated by the Pastoral Handbook. The CPA will also review the payroll tax records to determine if they were filed accurately and on a timely basis.
- ix. The CPA will meet with the Pastor and the Parish Finance Council to discuss their findings, the reviewed financial statements, the CPA's review report, and management letter.

III. HOW TO SOLICIT, SCREEN AND SELECT A CPA

How to Solicit, Screen and Select a CPA, is a user reference for the first phase of the Parish Review Program, finding a CPA with whom you are comfortable with and in whom you have confidence. Each parish can undertake this process individually or several parishes might want to solicit and screen CPAs together. Remember, there are many CPAs who will be interested in performing this service. The challenge will be to find a CPA who is competent, reasonably priced and who can provide the type of service that will best serve the individual Pastor and parish.

A. SOLICITING A CPA

Each parish should utilize the Parish Finance Council to assist the Pastor with soliciting, screening, and selecting the CPA. The Parish Finance Council can work together with the Business Manager or Accountant to provide an ultimate recommendation to the Pastor.

i. How do I find CPAs?

You may call the Office of Parish Review and Advisory Services for a list of qualified CPAs firms, which have experience performing these reviews at parishes. You should also obtain recommendations of CPAs from available sources: Finance

Council members, parishioners, other business relations, the Colorado Society of CPAs (phone: (303) 773-2877).

Solicit as many CPAs as necessary to obtain a fair representation of competitive bids and competence level. We recommend that each parish request a proposal from a minimum of three CPAs. Multiple bids will help identify comparative strengths and weaknesses that may not be evident when interviewing one CPA only.

ii. Who is eligible?

The CPA must be a member of the American Institute of Certified Public Accountants (AICPA) and/or the Colorado Society of CPAs (CSCPA). The CPA must also participate in a quality review program. (Any CPA in private practice or CPA firm must undergo a quality review every three years.) In addition, the CPA must be independent both in fact and appearance. Independence requires a judicial impartiality that recognizes an obligation for fairness not only to the Pastor and parish, but also to those who may otherwise rely upon the CPA's report. Therefore, although not required by professional standards, it is strongly recommended that the CPA should not be a member of the parish. A CPA from another parish may be considered for solicitation.

The CPA should not have any conflicts of interest with the Parish. The conflict of interest may be any activity, financial interest or relationship with another person or organization that would a) impair or appear to impair the CPAs judgment, b) conflict with the best interest of the parish, or c) result in personal profit or advantage to the CPA at the expense of the parish.

iii. Can a volunteer perform the review?

The CPA, as a professional, has exposure to legal liability should a parish suffer a loss that can be associated with work that does not meet professional standards. The added responsibility of a CPA to maintain these high standards justifies reasonable compensation. Paying a reasonable fee will help to ensure the quality of the work performed. If the parish is considering using a CPA who will donate his or her services, extra caution should be taken to insure that they will perform the review with the same diligence as if they were being properly compensated. Parishes should also be aware of potential Conflicts of Interests, and should ensure that the CPA is independent.

It would be better if a CPA, as opposed to donating the review, would donate consulting services to aid the parish in implementing the recommendations of the management letter and/or the Pastor's Guide to Parish Finances. Such consulting does not require independence.

iv. Why are we requesting a review and not an audit?

A review of financial statements includes performing inquiry and analytical procedures that provide the CPA with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the statements in order for them to be in conformity with generally accepted accounting principles or with another comprehensive basis of accounting.

In contrast, the objective of an audit is to provide a reasonable basis for expressing an opinion regarding the financial statements taken as a whole.

A review does not provide a basis for the expression of an opinion. A review involves significantly fewer procedures than an audit. An audit includes a study and evaluation of internal accounting controls, tests of accounting records and other verification procedures including inspection, observation or confirmation.

Further, an audit requires that the financial statements be in accordance with generally accepted accounting principles (GAAP). Parish financial statements are often maintained on a modified cash basis of accounting, which is another comprehensive basis of accounting, not GAAP. The amount of time required of the CPA to convert the financial information to GAAP would be cost prohibitive.

When combined with the CPA's evaluation of the parish's internal control system and the additional, agreed upon procedures, the limited assurance provided by the review is considered to be sufficient for a parish. Without the extensive procedures needed to express an opinion, the parish review cost is substantially lower than the cost of an audit.

v. How does the Parish Finance Council solicit CPAs?

When your Parish Finance Council has received a sufficient number of referrals in which they are interested, the next step is to solicit bids from the CPAs by using the Request for Proposal (RFP) form provided in Appendix A. The RFP lists all the details that the CPA will need to know to understand their responsibilities. Included in the RFP are several requests for information that will help you in the next step, screening prospective CPAs.

B. SCREENING CPAs

After the CPAs have received the RFP, they may ask specific questions of the parish to gain a better understanding of the activities of the parish and to prepare an engagement letter.

Once the Parish Finance Council has received the engagement letter proposals, they should be reviewed along with the additional information submitted by the CPAs. Determine the number of CPAs to evaluate further and schedule interviews.

In the interview, ask questions of the CPA to determine whether they will offer you a mutually beneficial long-term relationship. The following questions are designed to provide you with the minimum information needed to choose the best CPA. Additional questions, tailored to your parish's specific needs, are encouraged.

i. Additional Required Procedures

Some questions that will help determine the CPA's ability to complete the additional procedures:

- a. Have they documented and observed cash operations in the past? If staff is used to perform this procedure, will the person performing the documentation be trained and/or have experience in this process?
- b. Have they worked with internal control questionnaires in the past?
- c. Do they have experience in non-profit school operations (if applicable)? Where and when?
- d. Are they familiar with the rules and regulations covering bingo and raffle games (if applicable)? Have they reviewed bingo and raffle operations previously? Where and when?
- e. Are they familiar with payroll tax reports, filing 1099 forms and penalties for noncompliance? How would they view and address noncompliance?

ii. The Management Letter

The CPA is required, as part of the review, to issue a management letter. This letter lists any instances where internal controls can be improved or instituted to help safeguard the assets of the parish, and ways in which the parish can improve its operation.

The management letter must identify all internal control weaknesses encountered as part of the review. For each weakness identified, the management letter must identify the following:

- a. If the same internal control weakness was identified in the prior year's management letter.

- b. If detail testing was performed, identify the sample size and the number of exceptions.
- c. Quantify the possible risk or exposure to the parish. In other words, why is this important to the parish and why the control weakness should be addressed?
- d. List the criteria that the parish should be following. In many cases, cite the applicable Archdiocesan Policy (often from the Pastoral Handbook) or law that the parish must follow.
- e. Present a recommendation including steps the parish should take to achieve compliance with the criteria identified.

A management letter template is provided in Appendix E. Generally, the CPA's process for compiling the management letter involves observing the process under review, drafting recommendations and discussing the recommendations with the Pastor before issuing the management letter. Below are some questions that will help you to screen the CPAs in this area:

- a. How do they view management letters? What is the purpose of the management letter? Are they sensitive to the users of the letter?
- b. What is their process for developing the management letter?
- c. How do they evaluate their recommendations before inclusion in the letter? Do they consider or identify the cost of their recommendations? Do they consider management's reaction to the recommendation (before inclusion in the letter)?

iii. General Questions

In addition to the specific questions listed in the selection process above, you will also want to ask some general questions of the CPA, such as:

- a. How do they view the purpose of the Church? The purpose of the review? How do they view their role?
- b. Will their work load permit completion of the review according to the timeline identified herein? What is their tentative schedule for the job?
- c. Are they familiar with the Pastoral Handbook?
- d. Will they perform the bulk of the review at the parish?

- e. How will they impact the normal operation of the parish during the review?
- f. What are their expectations of the parish staff, in terms of availability, use of space, providing assistance, etc.?

iv. Fees

As in any financial decision, you should seek a balance between cost and benefit. The expected benefits of the review include increased financial safeguards and preservation of the parish's financial integrity. The parish's commitment to obtaining these benefits, at a reasonable cost, will reassure parishioners of your stewardship of the parish resources and encourage their continued generosity.

To determine the CPA's fee structure, ask the following:

- a. What is their billing rate per hour?
- b. Do they bill for telephone inquiries?
- c. Is consultation time included at no charge?
- d. Will they be available at other times of the year, if needed, and how will they bill?
- e. How will they provide a breakdown of costs?
- f. How will they approach time spent for items that could not reasonably have been determined at the outset?
- g. What is the fee? Is the fee a firm commitment and does it include out-of-pocket expenses?

The above questions are not intended to be all inclusive. The Pastor, Business Manager and Finance Council members will most likely develop additional questions to gain the information needed to make the best selection. Please be aware that there are no "dumb questions." If you don't understand something or need more information, do not hesitate to ask and re-ask questions until you feel comfortable. If you feel lost in the accounting terminology, don't hesitate to ask for clarification.

v. Checking References

As part of the engagement letter proposal, the CPA will include a list of references. Once the interviews are complete, the parish should contact the references. Listed below are questions to ask the references (note: the references should be of similar organizations, churches or non-profits). When listening to the reference's responses, remember some of the references may be for audits, which are much larger in scope than a review.

- a. What type of services does the CPA perform for you?
- b. How long have they provided this service?
- c. Did they complete their work within established timelines?
- d. How would you describe their service?
- e. Do you feel you receive benefits equal to or greater than the cost?
- f. How would you describe the CPA's approach to you, the organization and your staff?
- g. Have they stayed within the cost of the bid?
- h. Have they ever approached you with a request for additional fees due to work being performed beyond what was originally contemplated when the bid proposal was signed? How was this resolved?
- i. How have they approached the development and delivery of the management letter?
- j. Were they able to answer your accounting/business questions?
- k. How would you describe their ability to add value to your organization?
- l. Would you recommend that another organization use their service?

C. SELECTING THE CPA

Once you have received the engagement letters and interviewed the CPAs, it is time to evaluate, rank and select one. Selection involves not only who can provide the lowest cost, but which CPA will provide the service that will allow the parish to gain the most from the review.

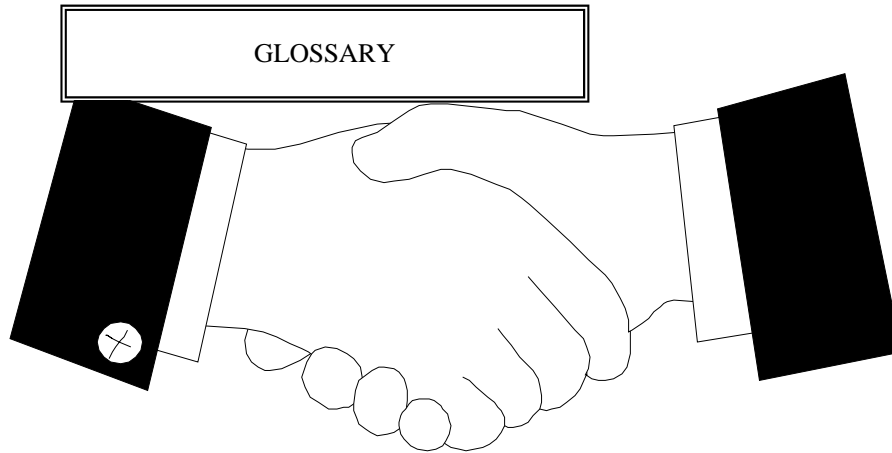
Engagement letter proposals should be compared for:

- i. Competence and experience of the CPA
- ii. The CPA's ability to communicate clearly with the parish
- iii. Compatibility and similar view of the work needed
- iv. The results of the reference calls
- v. Review cost
- vi. Additional costs (if any)
- vii. Timeliness of completion
- viii. The prospects for a long term relationship

Although the Finance Council should advise the pastor with regard to which CPA to use, the Pastor, however, must make the final decision. Upon accepting the bid, the Pastor will sign both copies of the engagement letter. One copy is returned to the CPA and the other is retained by the parish.

**THE
PARISH
REVIEW
PROGRA
M**

**GLOSSA
RY**



**Accrual Basis
Statements**

This is the method of accounting in accordance with GAAP. The philosophy is that revenue and expenses are recorded in the period earned, and not the period collected or paid. It also involves accruing or recording certain non- cash expenses, such as depreciation on fixed assets.

**Agreed Upon
Procedures**

Tests, examinations, or other procedures that the CPA has agreed to perform in addition to its standard financial statement review procedures.

AICPA

American Institute of Certified Public Accountants - The national organization of CPAs engaged in promoting high professional standards and improving the quality of financial reporting. It issues standards for conduct by CPAs and engagement performance.

Audit	Examination of the financial statements in which the CPA expresses an opinion that the financial statements are fairly presented, consistent with prior years and in accordance with GAAP.
CPA	Certified Public Accountant, one who has obtained the requisite knowledge and experience, passed an examination and is held to the professional standards promulgated by the AICPA.
CSCPA	Colorado Society of Certified Public Accountants provides technical and educational resources to CPAs as well as offering a source of CPAs. (Phone number: 303-773-2877)
Compilation	Financial statements assembled by a CPA. They are the representation of management and the CPA does not express an opinion on the statements.
Conflict of Interest	A conflict of interest may be any activity, financial interest or relationship with another person or organization that would a) impair or appear to impair the CPAs judgment, b) conflict with the best interest of the parish, or c) result in personal profit or advantage to the CPA at the expense of the parish.
Engagement Letter	A letter that confirms the CPA's understanding of the terms and objectives of the engagement and the nature and limitations of the services they will provide, and the cost of the engagement.
FASB	Financial Accounting Standards Board: an independent private body recognized by the AICPA as the source of authoritative accounting standards for the guidance of AICPA members. The goal of the FASB is to build public confidence in the dependability and comparability of audited financial statements. The development and publication of FASB statements stresses a "due process" approach by proposing standards and conducting public hearings before an official position is taken.
GAAP	Generally accepted accounting principles. These encompass the conventions, rules and procedures that define accepted accounting practices. It is commonly understood as accrual based accounting.
Independence	The professional standard prohibiting CPAs from auditing or reviewing an entity in which they have financial, executive or fiduciary interests, loans or other relationships. Independence should be achieved both in fact and appearance.
Internal Control	All the measures used by an organization for purposes of (1) safeguarding its resources from waste, fraud and inefficiency; (2) promoting accuracy and reliability in accounting and operating data; (3) providing assurance of

compliance with both internal policies and laws and regulations; and (4) judging the efficiency of operations.

Management Letter

Written documentation of deficiencies in internal control found during the CPA's study and evaluation of the system and the recommendations for corrective action.

Materiality

Quantitative and qualitative criteria which determine items considered to be of substantial importance to users of the financial statements. A subjective measure of an amount, over which any items would adversely affect the organization and its financial statements.

Modified Cash Basis Statements

A comprehensive basis of accounting other than generally accepted accounting principles (GAAP). This basis differs from GAAP primarily because the parish has not recognized selected balances, and the related effects on earnings, of long and short-term accounts payable, accounts receivable, and depreciation of property and equipment. Also, certain support and revenues are recognized when received rather than when earned, and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred.

Opinion

The CPA's report issued with audited financial statements in which the CPA expresses an opinion that the financial statements taken as a whole are fairly presented in accordance with GAAP and on a basis consistent with prior years.

Request for Proposal

Letter sent by an organization to a CPA detailing their responsibilities in the review and requesting a bid or cost proposal to complete the engagement.

Review

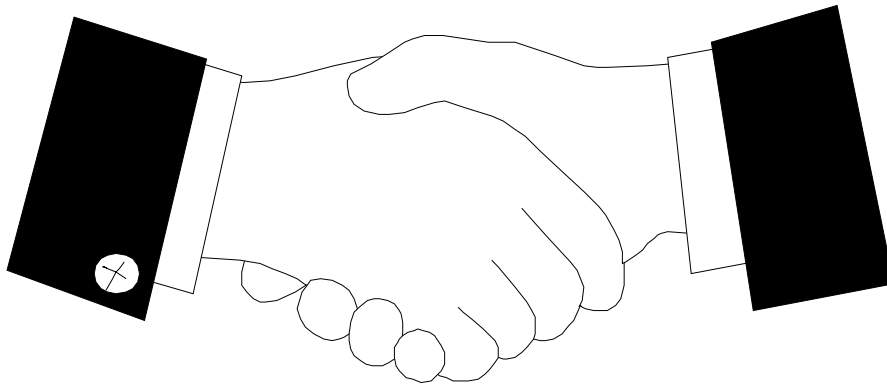
An engagement whereby the CPA performs analytical procedures and inquiry in order to conclude that no material modifications to the financial statements are required in order for them to be in conformity with GAAP or another comprehensive basis of accounting. This process is substantially less in scope than an audit.

Review Report

The report issued by the CPA that accompanies the reviewed financial statements. It communicates the character and limitations of the responsibility being assumed by the CPA, and whether the financial statements require modification.

SSARS

Statements on Standards for Accounting and Review Services: Promulgated by the AICPA, they establish performance and reporting requirements for compilations and reviews of financial statements. The CPA must perform the Parish Review in accordance with these statements.



Substantive Tests

Tests of details of transactions and balances and analytical review procedures to obtain evidence as to the validity and the propriety of accounting treatment of transactions and balances. Substantive tests are an integral part of an audit, they are not required for a review.

Tests of Compliance

Provide reasonable assurance that the accounting control procedures are being applied as prescribed.

THE PARISH REVIEW PROGRAM MANUAL

APPENDIX: Forms

APPENDIX A

REQUEST FOR PROPOSAL (RFP)
(Parish's Letterhead)

(Date)

(CPA's Name & Address)

In order to complete its Parish Financial Review, _____ (Parish Name) requires the following from an independent Certified Public Accountant:

1. A review of the financial statements of the parish for the year ending June 30, 20XX in accordance with the requirements of Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.
2. We specifically require that the CPA perform the following procedures:
 - a. Send a letter to all financial institutions, including banks, investment firms, and any debt holders, with which the parish has had accounts during the fiscal year under review. Request that the institution (usually a bank) provide a listing of all accounts open or closed during this period using the parish name or tax identification number. The letter should be signed by the pastor and request that the information be returned directly to the CPA. For each of these accounts, the bank should provide a list of all authorized account signors and balances as of June 30, 20XX. Agree the amounts to the reconciliations maintained by the parish. Determine that the parish has reconciled all bank accounts properly (including any adjusting entries) and compare the reconciled balances to the general ledger.
 - b. Randomly select one month's bank statement from the primary parish bank account and one from each bank or investment account with significant activity or material transactions and complete the following: compare a sample of check signatures to the list of authorized signors and note any differences, examine the statement for bank transfers and trace the transfers to the other parish bank account, review payments to personnel and trace a sample to payroll tax records or accounts payable reimbursement documentation, trace a sample of deposits to the deposit book and the general ledger.
 - c. Review the accounts payable files and randomly select vendor files to verify that invoices are filed properly and marked paid, evidencing approval and the date and check number issued for payment.

- d. Review employee reimbursement files to determine the files contain appropriate documentation.
- e. Obtain and review the Parish Internal Control Questionnaire (ICQ), which will be completed by the management of the parish. Should any internal control weakness (finding) result from a review of this ICQ, the finding should be discussed with management of the Parish and included in the Management Letter when appropriate.
- f. Document, or obtain documentation, of the internal control procedures for the offertory collection. Observe the procedures for at least one service's offertory collection, offertory counting and deposit preparation. Review these procedures for reasonableness and proper segregation of duties. Trace the deposit to the General Ledger and its proper account (#1010).
- g. If the parish has a school and or daycare/childcare program, document or obtain documentation, of the internal control procedures for the collection of tuition and fees. Review these procedures for reasonableness and proper segregation of duties.
- h. If the parish has bingo/raffle operations, document or obtain documentation of the internal control procedures for the bingo/raffle operations. Review these procedures for reasonableness and proper segregation of duties.
- i. For any other significant sources of revenue including fundraising events, grocery certificate and gift store sales, review the collection, depositing and recording procedures for reasonableness and proper segregation of duties.
- j. Obtain a list of personnel, randomly select and examine personnel files to insure the files contain appropriate documentation according to the Pastoral Handbook, which includes the following for each employee: W-4, pay rate authorization, sick and vacation time tracking, termination and severance, employment application form, performance evaluations, unemployment exemption status form, acknowledgement of receipt of receipt page of the Archdiocese of Denver and its Related Entities Handbook, Acknowledgement Page of the Code of Conduct, and the Workers Compensation Form. For teachers, the files should include the teacher's application, signed acknowledgement of the teacher handbook, signed teacher contract(s), transcripts, evaluation forms, professional teacher's license/certificate, and professional growth information.

Ensure that there is a background check and release report and a completed I-9 for each employee in the sample. The I-9 forms must be kept together (in alphabetical order) in a separate file, as required by the federal government. The I-9 forms should not be kept in the personnel file with other records. In addition, copies of the employee's driver's license or other ID should not be attached to the I-9, but may be retained in the personnel file. Background checks and release reports must also be

maintained in a separate file, and should not be in the personnel file with other records. If a current, valid teacher license from the State of Colorado is on file, this indicates that the background check was completed as part of the licensure process, and, therefore, no separate background check or release report is necessary.

- k. Trace the pay rate authorization to the payroll records and general ledger, review any bonus payments to determine if they were properly authorized, paid, recorded in the general ledger and declared on the appropriate tax forms.
 - l. Obtain and review the payroll tax reports at December 31, 20XX to determine if they were properly completed and filed. Obtain documentation related to any penalties and interest arising from late and/or incomplete filings. Trace the payroll expense from the payroll records to one quarter's 941. Note any discrepancies.
 - m. Prepare a management letter addressed to the Pastor and the Parish Finance Council, outlining recommendations for improvement in controls of the parish. The letter should detail any penalties and/or interest arising from late or incomplete income tax filings.
 - n. Inquire of the Pastor, bookkeeper, business manager and Chair of the Parish Finance Council if there have been any irregular, questionable or suspicious accounting, reporting, transactions or financial activity.
 - o. Meet with the Pastor and the Parish Finance Council to discuss the reviewed financial statements and your management letter to the Pastor and the Parish Finance Council. This letter will identify internal control weaknesses, the potential risks to the parish, and recommendations to address the internal control weaknesses identified.
3. The review of the financial statements and the management letter are to be completed no later than October 10, 20XX. Copies of the financial statements, management letter and any adjusting journal entries proposed as part of the Review (and entered into the General Ledger) are to be sent to the Director of Parish Review and Advisory Services, Archdiocese of Denver, 1300 S. Steele St., Denver, Colorado 80210.
 4. In submitting a proposal and accepting an engagement, please be advised that the Archdiocese of Denver will be sent a report of parish operations and accounting. The representatives of the Archdiocese of Denver, particularly the Office of Parish Review and Advisory Services, are authorized to contact you to discuss any issue pertaining to this engagement. You are requested, as part of this engagement, to contact the Office of Parish Review and Advisory Services if you encounter any problem or difficulty completing your work or if you encounter any significant item of concern including, fraud, embezzlement, incomplete financial records, misrepresented or misleading financial information, incompetent bookkeeping, poor record keeping or any unwillingness to cooperate with your staff in completing the engagement.

5. You are required to obtain signed engagement letters and representation letters that substantially conform to those attached. You are required to generate financial statements that substantially conform to those attached and in particular, to identify in the income statements, parish offertory, school tuition, capital project revenue and any material source of income.
6. You are required to meet with the Pastor, Parish Business Manager or Accountant, and the Parish Finance Council upon the completion of your review to discuss your findings and recommendations.
7. Your proposal to the parish should include a firm fee commitment which includes all out-of-pocket expenses.
8. The CPA must be enrolled in a quality review program administered by either the AICPA or the Colorado Society of CPAs.
9. You should provide brief answers and information to the items requested below:
 - a. Are you familiar with the Statements on Standards for Accounting and Review Services issued by the AICPA? What is required in a review? How is it different from an audit?
 - b. Have you had experience with church financial and operational procedures and needs? If so, where and when?
 - c. Will the work be performed by staff or by an owner? Identify the partner, manager and/or staff who will have substantial involvement in the review.
 - d. Are you and/or your firm a member of the Colorado Society of CPA's and the AICPA? What other professional affiliations do you have?
 - e. Submit a copy of your latest quality review report and response.
 - f. Are you familiar with cash and modified cash basis financial statements?
 - g. Will you be available at other times of the year to provide help to the parish, if needed? How will you bill for this help?
 - h. What benefits should a parish expect from retaining your services?
 - i. Submit three (3) references and a list of review/audits of comparable organizations (i.e., non-profit, churches).

9. The following documents are included with this request for proposal:

- a. Engagement Letter
- b. Sample Representation Letter
- c. Sample Review Reports
- d. Sample Management Letter
- e. Sample Modified cash basis Financial Statements
- f. Confirmation Letter Template

Sincerely,

Pastor

Finance Council Chairperson

APPENDIX B

Business Manager

Engagement Letter

(CPA's letterhead)

(date)

To the Pastor and Parish Finance Council
XYZ Parish
Denver, Colorado

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

1. We will review the statement of financial position of XYZ Parish as of June 30, 20XX, and the related statement of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Our review will consist primarily of inquiries of company personnel and analytical procedures applied to financial data, and we will require a representation letter from management. A review does not contemplate obtaining an understanding of the internal structure or assessing control risk, tests of accounting records and responses to inquiries by obtaining evidential matter, and certain other procedures ordinarily performed during an audit. Thus, a review does not provide assurance that we will become aware of all significant matters that would be disclosed in an audit. Our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts that may exist. However, we will inform you and the Office of Parish Review and Advisory Services of the Archdiocese of Denver of any material errors that come to our attention and any fraud or illegal acts that come to our attention. We will not perform an audit of such financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, and, accordingly, we will not express such an opinion on them.

Our report is expected to read as follows.

We have reviewed the accompanying statement of financial position –modified cash basis (or cash basis) of XYZ Parish as of June 30, 20XX, and the related statement of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of XYZ Parish.

A review consists principally of inquiries of Parish personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note A.

If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

In addition to our review, we specifically agree to perform the following procedures:

3. We will send a letter to all financial institutions, including banks, investment firms, and any debt holders, with which the parish has had accounts during the fiscal year under review. We will request that the institution (usually a bank) provide a listing of all accounts open or closed during this period using the parish name or tax identification number. The letter should be signed by the pastor and request that the information be returned directly to the CPA. For each of these accounts, the bank should provide a list of all authorized account signors and balances as of June 30, 20XX. We will agree the amounts to the reconciliations maintained by the parish, determine that the parish has reconciled all bank accounts properly (including any adjusting entries) and compare the reconciled balances to the general ledger.
4. We will randomly select one month's bank statement from the primary parish bank account and one from each bank or investment account with significant activity or material transactions and perform the following: compare a sample of check signatures to the list of authorized signors and note any differences, examine the statement for bank transfers and trace the transfer to the other parish bank account, review payments to personnel and trace a sample to payroll tax records or accounts payable reimbursement documentation, and trace a sample of deposits to the deposit book and the general ledger.
5. We will review the accounts payable files and randomly select vendor files to verify that invoices are filed properly and marked paid, evidencing approval and the date and check number issued for payment.
6. We will review employee reimbursement files to determine the files contain appropriate documentation.
7. We will obtain and review the Parish Internal Control Questionnaire, which will be completed by the management of the parish. If any internal control weaknesses are identified within the ICQ, we will discuss the findings with the Parish, and include in the Management Letter when appropriate.
8. We will document, or obtain documentation, of the internal control procedures for the offertory collection, observe the procedures for at least one service's offertory collection, offertory counting and deposit preparation and trace the deposit to the General Ledger and its proper account (#1010). We will review these procedures for reasonableness and proper segregation of duties.

9. If the parish has a school and or daycare/childcare program, we will document or obtain documentation, of the internal control procedures for the collection of tuition and fees and review these procedures for reasonableness and proper segregation of duties.
10. If the parish has bingo operations, we will document or obtain documentation of the internal control procedures for the bingo operations and review these procedures for reasonableness and proper segregation of duties.
11. We will obtain a list of personnel, randomly select and examine personnel files to insure the files contain appropriate documentation according to the Pastoral Handbook, which includes the following for each employee: W-4, pay rate authorization, sick and vacation time tracking, termination and severance, employment application form, performance evaluations, unemployment exemption status form, acknowledgement of receipt of receipt page of the Archdiocese of Denver and its Related Entities Handbook, Acknowledgement of Receipt Page of the Code of Conduct, and the Workers Compensation Form. For teachers, the files should include the teacher's application, signed acknowledgement of the teacher handbook, signed teacher contract(s), transcripts, evaluation forms, professional teacher's license/certificate, and professional growth information.

We will verify that there is a background check and release report and a completed I-9 form for each employee in the sample. The I-9 forms must be kept together (in alphabetical order) in a separate file, as required by the federal government. The I-9 forms should not be kept in the personnel file with other records. In addition, copies of the employee's driver's license or other ID should not be attached to the I-9, but may be retained in the personnel file. Background checks and release reports must also be maintained in a separate file, and should not be in the personnel file with other records. If a valid teacher license from the State of Colorado is on file, this indicates that the background check was completed as part of the licensure process, and, therefore, no separate background check or release report is necessary.

Trace the pay rate authorization to the payroll records and general ledger, review any bonus payments to determine if they were properly authorized, paid, recorded in the general ledger and declared on the appropriate tax forms.

12. We will obtain and review the payroll tax reports at December 31, 20XX to determine if they were properly completed and filed, obtain documentation related to any penalties and interest arising from late and/or incomplete filings, trace the payroll expense from the payroll records to one quarter's 941 and note any discrepancies.
13. We will prepare a Management Letter to the Pastor and the Parish Finance Council, outlining recommendations for improvement in controls of the parish. This letter will identify internal control weaknesses, the potential risks to the parish, and recommendations to address the internal control weaknesses identified. The letter will detail any penalties and/or interest arising from late or incomplete income tax filings.

14. We will inquire of the Pastor, bookkeeper, business manager and Chair of the Parish Finance Council if there have been any irregular, questionable or suspicious accounting, reporting, transactions or financial activity. We will consider and discuss with you the need for additional procedures depending on the results of our inquiry.
15. We will meet with the Pastor and the Parish Finance Council to discuss the reviewed financial statements and the management letter.
 - a. We will issue, in final form, the reviewed financial statements, Review Report Letter (Appendix D), and Management Letter (Appendix E) to the Pastor and the Parish Finance Council, by October 10, 20XX. Copies of the review and management letter and the adjusting journal entries proposed as part of the Review will be sent to the Office of Parish Review and Advisory Services, Archdiocese of Denver, 1300 S. Steele, Denver, Colorado 80210.
 - b. In submitting a proposal and accepting the engagement, we acknowledge the following: that the Parish sends a report of its operations and accounting to the Archdiocese of Denver, that we are authorized to discuss any issue pertaining to this engagement with representatives of the Archdiocese of Denver, particularly the Office of Parish Review and Advisory Services, and we are authorized and requested to contact this Office if we encounter any problem or difficulty completing our work or if we encounter any significant item of concern including, fraud, embezzlement, incomplete financial records, misrepresented or misleading financial information, incompetent bookkeeping, poor record keeping or any lack of cooperation in completing the engagement.
 - c. Our fee for these services will not exceed \$_____, including out-of-pocket expenses.

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us.

Sincerely,

(Signature of CPA)

Acknowledged by:
XYZ Parish

Pastor

Finance Council Chairperson

Business Manager

APPENDIX C

**Sample Representation Letter - Modified Cash Basis
Financial Statements**

(parish letterhead)
Date (of CPA's report)

To (CPA)

In connection with your review of the statement of financial position – modified cash basis of XYZ Parish as of June 30, 20XX and the related statement of activities and cash flows for the year then ended for the purpose of expressing limited assurance that there are no material modifications that should be made to the statements in order for them to be in conformity with the modified cash basis of accounting, we confirm, to the best of our knowledge and belief, the following representations made to you during your review:

1. The financial statements referred to above present the financial position, changes in net assets, and cash flows of XYZ Parish in conformity with the modified cash basis of accounting. In that connection, we specifically confirm that:
 - a. The parish's accounting principles, and the practices and methods followed in applying them, are as disclosed in the financial statements.
 - b. There have been no changes during the year ended June 30, 20XX in the parish's accounting principles and practices.
 - c. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities or net asset balances.
 - d. There are no material transactions that have not been properly reflected in the financial statements. All transactions and financial activity are reported in the parish financial records, are documented and all such documentation is maintained in parish files. All revenue and expense including all offertory and capital project income and expense are reported in the parish financial statements.
 - e. There are no material losses (such as the decline of investments in stocks, bonds, or any other marketable security, or theft, loss or, misappropriation of parish assets) that have not been properly disclosed in the financial statements.
 - f. There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, and there are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.

- g. The parish has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged. All assets, debt and obligations (including debts to the Archdiocese of Denver) are reflected within the parish financial statements.
 - h. There are no related party transactions including payments, purchases, loans, transfers, leasing arrangements and guarantees and amounts receivable from or payable to related parties that have not been properly disclosed in the financial statements.
 - i. We have complied with all aspects of contractual and grant agreements and restricted gifts that would have a material effect on the financial statements in the event of noncompliance.
 - j. Payroll tax reports have been properly completed and filed timely. All monies, gifts, bonuses, payments (other than documented reimbursements) or special benefits given to employees are reported through the parish's payroll system. There are no special or unique compensation arrangements with employees or volunteers other than as reported through the payroll system.
 - k. No events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - l. There are no unasserted claims or assessments that are probable of assertion and must be disclosed and there are no guarantees, whether written or oral, under which the organization is contingently liable that have not been properly disclosed in the financial statements.
2. We have advised you of all actions taken at meetings of the Parish Finance Council and Parish Pastoral Council (or other similar bodies, as applicable) that may affect the financial statements.
3. We have responded fully to all inquiries made to us by you during your review.

Pastor

Finance Council Chairperson

Business Manager

June 30, 2009

APPENDIX D
Parish Review Program - Internal Control Questionnaire

Page 29

Sample Standard Review Report –Modified Cash Basis Financial Statements

To the Pastor and Parish Finance Council
XYZ Parish
Denver, Colorado

We have reviewed the accompanying statement of financial position - modified cash basis, of XYZ Parish as of June 30, 20XX, and the related statement of activities--modified cash basis for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of XYZ Parish.

A review consists principally of inquiries of parish personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 1(b).

(CPA's signature)

(Date)

APPENDIX D

Sample Review Report - Departure from Modified cash basis Financial Statements

To the Pastor and Parish Finance Council
XYZ Parish
Denver, Colorado

We have reviewed the accompanying statement of financial position - modified cash basis, of XYZ Parish as of June 30, 20XX, and the related statement of activities--modified cash basis for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of XYZ Parish.

A review consists principally of inquiries of parish personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, with the exception of the matter discussed in the following paragraph, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 1(b).

The Parish is currently involved in the design and building of a new church. Revenue relating to the design and building of the new church is recorded as the cash received and expenses are recorded when paid. This is a departure from Generally Accepted Accounting Principals (GAAP), which would normally require the matching of revenue and expense. The effect of this departure from GAAP on the accompanying financial statements has not been determined.

As disclosed in Note 1(d) to the financial statements, the capitalization of property, plant and equipment, and the recording of depreciation over the estimated useful lives of such assets is a generally accepted modification of the cash basis of accounting. Management has informed us that depreciation has not been computed on plant and equipment included in the accompanying financial statements. The effect of this departure from the modified cash basis of accounting on the accompanying financial statements has not been determined.

(CPA's signature)

(Date)

APPENDIX E

Sample Management Letter

**Management Letter
Fiscal Year Ended June 30, 20XX**

<<Date>>

To the Pastor and Parish Finance Council

<<Parish name>>

<<Parish Address>>

In accordance with the agreed upon procedures to review <<Parish Name>>, we are pleased to submit this management letter for your review. This letter describes the findings from our review and the corresponding recommendations to strengthen internal controls.

1. CURRENT STATUS OF FINDINGS AND RECOMMENDATIONS FROM THE PRIOR FISCAL YEAR'S MANAGEMENT LETTER DATED <DATE>

As part of our procedures, we reviewed the findings and recommendations set forth in the prior year's Management Letter with the Parish Business Administrator. We noted that the following findings were not adequately addressed by the time of this review, and therefore will repeat as current year findings:

- a. Bank reconciliations are not completed monthly;
- b. Auxiliary bank accounts are not recorded;
- c. One person is left alone with the offertory; and
- d. The business administrator, who records transactions, also participates in the offertory count.

2. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

- a. Duties between tuition receipt, recording, and deposit are not properly segregated.

As part of our procedures, we interviewed the school secretary, bookkeeper, and the principal and obtained an understanding as to the process of tuition collection, recording, and deposit, and the internal controls over those functions and then documented our

understanding. In addition, we traced through the procedure and obtained copies of documents used in the process. We also compared these procedures to those outlined in the Pastoral Handbook. In the course of the review, we noted the following:

- The bookkeeper often receives tuition directly.
- The bookkeeper records tuition in the financial system.
- The school secretary is responsible for billing for tuition.
- Tuition received during the week is kept in a desk drawer.
- There is no reconciliation of tuition billed to tuition collected.

Since the same individual (bookkeeper) handles cash and records the transaction, there is an increased risk to the parish of theft or misappropriation. If this activity were to occur, it may not be detected since there is no reconciliation of tuition billed and collected. Risk to the parish is further increased since receipts are not always issued for tuition and that tuition is not properly secured until it is deposited.

Therefore, we recommend that the Parish:

- Ensure that the person who receives the cash does not have access to record transactions in the financial system. The secretary should receive tuition, copy the check, route the copy to the bookkeeper for recording. The secretary should record the check receipt into a log. -The secretary should place the tuition into an envelope marked "tuition" and drop the check into the drop safe at the parish.
- The parish should perform a reconciliation of tuition billed to tuition collected. This reconciliation could use the secretary's billing records and compare those to the logs of checks received and to the postings in the general ledger. This reconciliation will allow the parish to determine if tuition billed was collected and posted appropriately. We recommend an individual independent of the billing and general ledger recording functions perform this reconciliation.

As part of our procedures, we sent a letter to banks with which the parish conducts business to identify all accounts with the parish name or tax identification number. The bank notified us of two auxiliary bank accounts that were not recorded on the books. In addition, the bank statements were mailed directly to the homes of the volunteers; the volunteers maintained the checkbook and signed checks. The accounts are the PTA and Altar & Rosary with balances of XXX and XXX, respectively. The pastor is not a signor on these accounts. Due to the lack of oversight and control by the parish, inappropriate activity in these accounts could occur and may not be detected. Since these accounts use the parish tax ID number, the pastor and parish are ultimately accountable for activity in these accounts. In addition, since these accounts are not on the financial system, the financial reports produced for the Finance Council are not complete. According to section 10.1.4.6 of the Pastoral Handbook, all parish owned bank accounts should be recorded on the financial system.

Due to the substantial activity in the PTA account, we selected 10 disbursements to determine if the expenses were approved and properly supported. We noted that 2 of the 10 expenses were not supported by any documentation. In addition, none of the expenses were approved by the Pastor.

Therefore, we recommend that the Parish:

- Have the bank statements sent to the parish, including copies of checks attached to the statement. The pastor should open and review the activity for appropriateness.
- The bookkeeper should record these accounts and their activity on the financial system.
- Since the PTA account has a substantial balance and activity, the Parish office should maintain the checkbook. Due to the smaller size of the Altar & Rosary account and low activity, having the volunteers retain the checkbook does not present a material risk to the Parish. However, it is important to have all the bank statements sent directly to the parish (volunteers can receive copies), and have the Pastor review the bank statements and copies of the checks.
- Instruct the volunteers to obtain and retain receipts for all deposits and disbursements from these accounts. All disbursements should be properly supported, according to section 7.2.XX of the Pastoral Handbook. In addition, expenses were not approved by the Pastor. We recommend that the Pastor approve expenses. This may be accomplished if he signs the checks, and at the time of signing, the invoice or support was attached to the check for his review.
- Perform monthly reconciliations on the accounts. Have the volunteers bring in the statements, receipts, and other documentation for the bookkeeper to review and reconcile to the books.
- Instruct the volunteers to secure the checkbooks and statements in a safe or other secure location in their home.
- Add the pastor as a signor to the accounts.
- Write a letter to the bank instructing the bank that no one may open or close a parish account without the express written permission by the pastor.

If you have any questions, please do not hesitate to contact me at XXXXXXXXXXXX.

We wish to thank the parish staff, and in particular XXXX, for their thoughtful cooperation.

<CPA Firm & Signature>

APPENDIX F Sample Modified Cash Basis Financial Statements

XYZ Parish
 Statement of Financial Position--Modified Cash Basis
 June 30, 20XX

Assets

Cash	\$ 11,111
Revolving Fund deposits	22,222
Capital Expansion Fund deposits (note 2)	23,333
Capital Repair and Replacement Fund deposits (note 3)	10,000
Investments (note 4)	80,000
Other Assets	7,834
Property and equipment:	
Land	66,666
Buildings and improvements	77,777
Furniture and equipment	88,888
	933,331
Less accumulated depreciation	(99,999)
Total property and equipment	833,332
Total Assets	\$ 987,832

Liabilities and Net Assets

Deposits held for others	\$ 1,234
Loan payable (note 5)	425,398
Total liabilities	426,632
Net Assets	561,200
Total liabilities and net assets	\$ 987,832

The accompanying notes are an integral part of these statements

Sample Modified Cash Basis Financial Statements - Continued

XYZ Parish

Statement of Activities--Modified Cash Basis

June 30, 20XX

Support and Revenue

Support:

Offertory	\$855,000
Gifts and bequests	22,000
Capital collections	55,000
Other support	11,000
Total support	<u>943,000</u>

Revenue:

Bingo income	45,000
School Tuition – Full cost (net of scholarships and bad debts of \$10,000 and \$2,000)	100,000
School Tuition – Inter-parish subsidy (net of bad debts of \$4,000)	25,000
School Other Income	5,000
Investment income	1,500
Other income	1,200
Total revenue	<u>177,700</u>

Total support and revenue 1,120,700

Expenses

Personnel costs – church	500,000
Personnel costs – school	175,000
Church:	
Operating costs	10,000
Repairs and maintenance	42,000
Insurance	7,500
Depreciation	22,000
Other	20,000

June 30, 2009

Parish Review Program - Internal Control Questionnaire

Page 36

School:	
Operating costs	19,000
Repairs and maintenance	900
Insurance	20,000
Depreciation	15,000
Other	
Interest expense	33,000
Legal expense	56,000
Capital Project expense	175,000
Total expenses and losses	<u>1,103,500</u>
Change in net assets	\$17,200
Net assets at the beginning of the year	<u>544,000</u>
Net assets at the end of the year	<u>\$ 561,200</u>

The accompanying notes are an integral part of these statements

APPENDIX F

XYZ Parish
Notes to Financial Statements
June 30, 20XX

Notes to the Financial Statements

1. Organization

<<Insert Parish Name>> Parish ("Parish") is, under the 1983 Code of Canon Law of the Roman Catholic Church, an entity known as a public juridic person. It is a particular type of public juridic person known as a parish. Pursuant to Canon Law, a parish is a community of the Christian faithful stably constituted in a particular church, whose Pastoral care is entrusted to a Pastor under the authority of the diocesan bishop. Accordingly, a Parish owns its own property. The Pastor of the Parish is the administrator of the Parish's property. While the Archdiocese of Denver (the Archdiocese) is itself a distinct public juridic person with its own property, the Archbishop of Denver also has an oversight and monitoring role to ensure that the Parish administers its property according to the Code of Canon Law and the particular laws, policies and norms of the Archdiocese. Accordingly, alienation of Parish property must be done in accordance with canonical and Archdiocesan norms. The civil law articulation of these relationships for the Parish's real property is accomplished through a charitable trust in which the Archdiocesan corporation sole, acting as a trustee and known as "The Archdiocese of Denver, a Colorado corporation sole," holds bare legal title to the Parish's real property for the sole use and benefit of and in trust for the Parish.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The parish's financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). That basis differs from GAAP primarily because the parish has not recognized selected balances, and the related effects on earnings, of long and short-term accounts payable, accounts receivable, and depreciation of property and equipment. Also, certain support and revenues are recognized when received rather than when earned, and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred.

B. Property, Plant, and Equipment

Property and Equipment are carried at cost, or if donated, at their estimated fair value at the date of donation. Such donations are reported as unrestricted or restricted in accordance with the use requests of the donor.

Depreciation expense has not been calculated in the accompanying financial statements on certain fixed assets for fiscal years 2006 & 2007. The capitalization of property, plant, and equipment, and the recording of depreciation over the useful lives of such assets is a generally accepted modification of the cash basis of accounting. The effect of this departure from GAAP on the accompanying financial statements has not been determined.

C. Cash and Cash Equivalents

For the purpose of the Statement of Financial Position, the Parish considers all unrestricted, highly liquid investments within original maturity of three months or less, except for those investments in the Irrevocable Revolving Fund Trust, to be cash equivalents.

D. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. All donor restricted support is reported as an increase in temporary or permanently restricted net assets depending upon the restriction. When a restriction expires (either a time, purpose, or other restriction), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

E. Income Taxes

The Parish is exempt from federal income taxes under Internal Revenue Code Section 501 (c) (3) through its inclusion in the United States Conference of Catholic Bishops (USCCB) group ruling and its listing in the Official Catholic Directory.

F. Contributed Services

The Parish receives services donated by its members in carrying out the Parish's ministry. Because these financial statements have been prepared under the modified cash basis of accounting, no amounts of donated services have been reflected on the statement of activities.

G. Use of Estimates in Preparation of Financial Services

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Benefit Plans and Other Related Party Transactions

The Parish participates in various benefit plans administered by the Archdiocese for lay employees and priests.

A. Lay Employees

The lay employees defined contribution plan (Lay Plan) is sponsored by the Archdiocese. The plan's assets are separately maintained in trust for the plan's beneficiaries and the plan's trustee is Wells Fargo Bank, N.A. Third-party administrators of the plans collect and invest contributions and pay benefits in accordance with plan provisions. The parishes of the Archdiocese contribute 6% of participants' eligible annual compensation into the lay employees' defined contribution plan for qualified employees. The Parish contributed \$_____ and \$_____ to the Lay Plan for its employee participants during the years ended June 30, 2006 and 2007, respectively.

B. Priest Plans

The priests' pension plan, the priests' post retirement health care plan and the priests' special needs plan (the priest plans) are separately maintained in trust for each of the plans' beneficiaries by the Archdiocese. The priest plans are qualified and are funded by contributions from the various participating entities, primarily the parishes of the Archdiocese. The plans' administrator is the Archdiocese. The priests' plan's trustee is Wells Fargo Bank West, N.A. (Wells Fargo). The Parish contributed \$_____ and \$_____ to the priest plans during the years ended June 30, 2006 and 2007, respectively.

C. Welfare Benefits Trust

The Archdiocese of Denver Welfare Benefits Trust administers a self-funded employee benefit plan (the "Benefits Trust") for employee participants of the Archdiocese of Denver, certain related entities, and the parishes within the territory of the Archdiocese. The Benefits Trust purchases health insurance coverage for claims in excess of certain amounts. Such coverage also is effective if aggregate cash payments exceed defined limits. Participants covered under the Benefits Trust have access to various healthcare facilities through a contracted managed care network. The Benefits Trust agreement, as amended, holds and receives funds for the payment of claims under the Benefits Trust. The Parish contributed \$_____ and \$_____ to the Benefits Trust during the years ended June 30, 2006 and 2007, respectively.

D. Risk Management Trust

The Archdiocese of Denver Risk Management and Property/Casualty Insurance Trust (Risk Management Trust) currently procures workers' compensation, property and general liability insurance coverage for the parishes and their properties that the AOD holds in trust for the use and benefit of the parishes within the territory of the AOD. The Parish contributed \$_____ and \$_____ to the Risk Management Trust during the years ended June 30, 2006 and 2007, respectively.

4. Archdiocese of Denver Irrevocable Revolving Fund Trust

The Archdiocese of Denver Irrevocable Revolving Fund Trust (Revolving Fund Trust) is a trust that enables parishes and other Catholic entities within the territory of the Archdiocese to pool financial resources to obtain competitive terms for depositing, withdrawing and borrowing money. The Revolving Fund Trust holds title to the assets of the Trust. However, the equitable and beneficial ownership of the assets of the Trust belong to, and are owned by, each parish and other related Catholic entity participating in the Revolving Fund Trust pursuant to the terms and conditions of the Trust Agreement. The Revolving Fund Trust currently lends money at the prime rate (___% at June 30, 20XX), not to exceed __%, and currently pays interest on deposits at prime rate less __% (not to exceed __%) compounded monthly for its Depositors.

As of June 30, 2006 and June 30, 2005, the Parish had a loan due to the Revolving Fund Trust of \$_____ and \$_____, respectively. As of June 30, 2006 the Parish had deposits of \$_____ and \$_____ with the Revolving Fund Trust.

5. Temporarily Restricted Net Assets

As of June 30, 20XX, temporarily restricted net assets consisted of the following:

Purpose	Temporarily Restricted Amount
_____	_____

6. Commitments and Contingencies

On _____, the Parish entered into a ____ year lease for a printer/copier. The payments are \$_____ per month plus consumables. Lease payments made during the year ended June 30, 2006 were _____. Future lease payments will be a minimum of _____ plus consumables until _____.

If there is another lease for a printer/copier, please duplicate the above paragraph for the second lease.

7. Concentrations of Credit Risk

The Parish maintains cash balances at financial institutions located in _____, Colorado. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000 until December 31, 2013 or the Securities Income Protection Corporation for up to \$500,000. This does not include the Revolving Fund Trust.

8. Investments

Investments are stated at market value and consist of the following as of June 30, 2008:

As of June 30, 2008 the Investment's portfolio was structured as follows:

Asset Composition	Market Value/Carrying Value	% of Account Assets
Cash and Money Market Funds	\$28,917	7%
Fixed Income	\$188,281	49%
Equities	\$62,934	16%
Mutual Funds	\$41,991	11%
Other Assets	\$65,473	17%
Total	\$387,596	100%

Investment returns as of June 30, 2008 are as follows:

Dividend and Interest Income	\$12,852
Realized Gain (Loss)	\$(10,908)
Unrealized Gain (Loss)	\$(10,678)
Total	\$(8,734)

APPENDIX G

<<Parish Letterhead>>

<<Contact Name>>
<<Bank Name>>
<<Bank Address>>

<<Date>>

To whom it may concern:

<<Parish name and location>> is participating in a routine financial review. In order to complete this review, I'd like to ask for your help by mailing a listing of all bank accounts, debt, and investments (CDs, etc) using the parish name or the parish tax 84-XXXXXXX that are open or have been closed from July 1, XXXX to June 30, XXXX. Please mail this to:

<<Contact>>
<<CPA Firm Name>>
<<CPA Firm Address>>

When providing this detail, please include the account name, tax ID#, date opened (if available), current balance, date closed (if available), and a list of the authorized signors on the account. Generally, a screen print showing this information would be sufficient. Please supply this as soon as possible.

Thank you in advance for your cooperation and God Bless.

Yours in Christ,

Reverend XXXXX XXXX, Pastor
June 30, 2009

Parish Review Program - Internal Control Questionnaire

Page 43

ARCHDIOCESE OF DENVER
Parish Internal Control Questionnaire

Please check all that exist at the parish and note the person who primarily maintains the records.

Records	Yes	No	Person responsible
LOGOS Accounting Program			
Bank & Investment Accounts			
Bank Reconciliations			
Blank Checks			
Deposit Books			
School tuition accounts			
Childcare tuition accounts			
Offertory/Contribution Records			
Census Records			
Building Fund/Capital Campaign			
Fixed (Capital) Asset Records			

Accounts Payable/Bill Paying			
Payroll Records			
Investment Records			
Employee Files			
Internal Policies and Procedures (eg: offertory, facility use, etc.)			
Debt Schedules			
Mass Stipend Schedules			
Restricted Gift Schedules			

Please describe the qualifications of the person primarily responsible for maintaining the accounting records:

INVESTMENTS (List all investments owned or managed by the parish)

Account & Location	Description	Authorized Signer	Face Amount	Mkt Val last stmt Date	Interest Rate (if any)

PETTY CASH ACCOUNTS

Department (Church, school, etc)	Person Responsible	Amount of fund	How often replenished (weekly, monthly)

DEBTS, LOANS, LEASES

Name of Debt or Lease Holder	Account Number	Amount Owing	Payoff Date	Are the pymts current?

For the remainder of this questionnaire, please provide comments for those items marked as “No”. A “No” answer may indicate an internal control weakness, without mitigating internal controls.

REVENUE – OFFERTORY	Yes	No	N/A	Comments
Does the Parish maintain documented offertory procedures over the offertory collection, count, and deposit processes? Do the procedures appear reasonable? (Describe the procedures used for collecting, counting, and deposit of the weekly collection. Please note any internal control weaknesses.)				
Are there at least two unrelated people present with the offertory during collection, counting, and bank deposit processes (a minimum of three persons are recommended for the offertory count team)?				
Does the parish maintain a schedule of ushers? The parish should maintain a schedule of who is ushering & when.				
Is each parish safe containing cash, checks, Scrip or other cash equivalents properly secured/locked to the floor/building? Note: The auditor should physically inspect each safe to ensure that it is properly secured.				
Is access to the safe(s) properly restricted? Are all keys accounted for? Who has access?				
Does the Parish occasionally change the safe combination? (the combination should be changed whenever Has the safe combination been changed every time an individual who had access no longer requires access?				
Do the ushers utilize pre-numbered tamper-evident bags to secure the offertory collection prior to placing the collection into the offertory safe?				
Do the ushers sign a “log” sheet to indicate the unique serial number of the bag(s) they used and is the sheet retained by the Parish along with the offertory count sheets?				

Do the ushers seal the offertory into the tamper-evident bag and place the bag(s) directly into the safe?				
Do at least two unrelated people obtain the offertory from the count safe to bring the offertory and other receipts to the offertory count team?				
Do the persons who retrieve this offertory/other receipts from the safe (referred to as offertory counters) sign the log sheet that the ushers signed to indicate the bags they retrieved are the exact same bags that the ushers deposited into the offertory safe?				
Does someone review the log sheets to ensure the bag numbers certified by the ushers as deposited into the safe are identical to the bag numbers retrieved from the safe? Does this person evidence his/her review of the log sheet?				
Are there at least 3 offertory counters on the offertory count team?				
Are count teams rotated on a periodic basis (i.e. are there at least two separate count teams that alternate)?				
Is the entire offertory counted by the count team?				
Does the offertory count team count the entire contents of the safe?				
Are offertory count sheets used, completed in pen, and signed by all counters present?				
Are checks restrictively endorsed "for deposit only" to the parish name and account number early in the offertory count process?				
Are deposit slips prepared by the count team, completed in pen, and signed?				

Are locked bags used to transport the offertory/other receipts to the bank? Are the keys to these locked bags properly secured so that the individual(s) who take the bags to the bank cannot open them (banks should retain the key to the bag)?				
Does someone, independent of the counting or deposit processes, agree the count sheet, deposit slip, and bank deposit totals per the bank statement and are these records maintained?				
Is the person who records the revenue restricted from access to the offertory?				
Is the person entering parishioner donations into the system entering from paper records (envelopes, check copies, or lists of checks) versus entering from the original checks or cash.				
Are the totals of the contents of envelopes written on the front of the envelope, and a total of all the loose envelopes agreed to the total of loose envelopes noted on the offertory count sheet?				
Is the offertory count conducted without the active participation of the Business Manager or Bookkeeper? It would be poor segregation of duties to allow the individual who records transactions or prepares bank reconciliations to actively participate in the offertory handling.				
If the individual who records parishioner donations in the system for the purposes of preparing the tax donation letter participates in the count, are controls adequate to ensure that this individual cannot abscond with checks and adjust the donation records?				
Does someone other than the bookkeeper (or whomever records into the general ledger) prepare the deposit slip?				

Are tax donation letters mailed to all registered parishioners regardless of dollar amount? How often?				
Do the statements contain a message encouraging the parishioners to contact the pastor directly if their records disagree? (for example: This statement is for your records. Please examine it carefully. If it does not agree with your records, please communicate this directly to the pastor.) Note that we do not want the parishioner to contact the business office or the individual who is responsible for recording donations directly in the event of discrepancies. The Pastor should be aware of discrepancies that exist.				
Does the parish require a family to give a minimum amount in the offertory in order to receive certain services (use of facilities, in-parish tuition or childcare, etc.)?				
Does the parish prohibit removal of portions of the offertory, for any purpose, and deposit the total offertory collected into the parish account?				
Does the Parish record all offertory in the offertory accounts? I.E. Offertory accounts should not be reduced by tithing or other expenditures.				
Does the parish avoid debiting the offertory account for any reason other than the correction of a journal entry? For example, the offertory account should not be debited for tithing or other transaction purposes.				
REVENUE – OTHER THAN NORMAL OFFERTORY				
Is the individual who opens the mail prohibited from recording in the general ledger?				
Is there a log or record of mailed in cash receipts? Are there good internal controls over the handling of mailed in offertory or other receipts?				
Are internal controls over mailed in offertory sufficient (i.e.				

counted by the offertory count team, etc.)?				
Are cash/check receipts restrictively endorsed “for deposit only” to the name of the parish and bank account number immediately upon receipt or as soon as possible?				
Are mid-week receipts counted and deposited by at least two unrelated people?				
Are mid-week cash/check receipts counted by the offertory count team or another count team consistent of at least two unrelated individuals? If so, are these cash/check receipts properly identified so that the count team can identify them on the count sheet, and thus they can be recorded in the correct accounts using the count sheet as reference?				
Is a receipt booklet used and the original issued to the payer, one copy is retained in the receipt booklet, and one copy is used by the bookkeeper for recording?				
For program receipts (Religious Ed, Youth, etc...): a. Are monies collected by someone other than the one who runs the program? b. Is the roster of attendees compared to the receipts and deposit? c. Are the receipts and attendance roster turned over to the parish for deposit in a timely manner? d. Does the offertory count team count these receipts?				
For cash collected at fundraising/special events: a. Are count sheets used/count teams? b. Are the count sheets compared to the bank deposits? c. Are checks restrictively endorsed? d. If tickets are used, are all sold and unsold tickets accounted for? Is the cash received reconciled to the sold tickets to ensure receipts are adequate? e. Are two unrelated persons present during collection, counting, and deposit?				

f. Are the cash receipts properly safeguarded using tamper-evident bags when appropriate?				
g. Does the Business Manager reconcile the event records to the bank deposits in a timely manner?				
Does Parish have bingos or raffles?				
If the event is a bingo or raffle, does organization have certified gaming manager involved in the event(s)?				
Are the appropriate state/federal forms filed for Bingo/Raffle, including: a. Quarterly reports with Secretary of State filed? b. Are W-2Gs issued when appropriate? c. Are appropriate taxes submitted with IRS form 945?				
If Scrip is sold, are purchases, sales, inventory, and receipts properly tracked and recorded on the general ledger? Does the amount of gross profit appear reasonable (i.e. total sales multiplied by 5% less bounced checks, etc. should approximate Scrip gross profit)?				
Is the Scrip inventory properly secured, with access by anyone who records in the general ledger properly restricted/				
Are the Scrip inventory and receipts counted by at least two unrelated people and reconciled to the general ledger, on a weekly basis?				
If Scrip is given to employees is the transaction properly recorded so as to appear on the employee's W-2?				
Are candle/votive/poor box donations placed in a locked container or otherwise secured?				
Is unrealized gain or loss recorded when brokerage statements are received?				
Is realized gain or loss recorded when the brokerage statements are received?				

Does parish have "religious store"?				
Does parish have city or state sales tax license?				
Are sales tax reports filed timely and properly supported by sales records?				
Does someone independent of the store periodically reconcile: a. Goods on hand to inventory records and the general ledger. b. Purchases, Sales c. Receipts and deposits d. Sales tax records				
If the parish has rental income, are all rentals supported by adequate signed rental/lease agreements?				
Do the internal controls surrounding the collection, counting, recording, and deposit of fees/revenue from athletic events appear reasonable?				
Do the internal controls surrounding the collection, counting, recording, and deposit of fees/revenue from concerts appear reasonable?				
REVENUE – TUITION				
Are tuition rates, fees, etc., recommended by the FC and publicly announced or published in rate schedules, handbooks or bulletins?				
Has the Pastor approved the tuition rates (in-parish, etc)?				
Are tuition reductions for individual students or other parish provided financial assistance (including parish scholarships/grants) to pay tuition approved by the Pastor in writing?				

Are any tuition write offs approved by the pastor in writing?				
Are contracts used for all teachers?				
Are volunteers receiving free tuition sent a 1099 if the value is \$600 or greater in the calendar year?				
Are billing invoices used for tuition?				
School employees can receive discounted tuition and it is non-taxable. However, to parish employees it is taxable. If discounted tuition is given to a parish employee, is the amount properly included on the employee's W-2 form?				
Are summaries of billings reconciled to cash or total outstanding contracted tuition from tuition contracts?				
Are receipts issued for any tuition paid at the Parish (versus FACTS, SMART, etc.)				
Are tuition grants tracked and if restricted to certain students, is there evidence the grant went to the specified students?				
Is the parish billing other parishes without schools for subsidies (ISA)? Are these subsidy receipts properly recorded and deposited?				
REVENUE – ALL				
Does the parish have a budget for offertory, tuition and other significant sources of income and is it based on reasonable estimates?				
Are such budgets routinely compared to actual and significant differences investigated?				
RESTRICTED FUNDS				
Does the parish have monies invested that are restricted by donor or purpose? Generally, if the donation is specified in writing for a purpose other than general parish operations it is likely restricted.				
Are the restricted funds properly classified as either temporarily or permanently restricted?				

Does the parish receive restricted gifts?				
Is there a separate record of restricted gifts including donor, restriction and when the restriction was fulfilled?				
Have donor intentions been followed on restricted gifts accepted by the Pastor?				
If yes, are the donations and particularly the restriction reviewed by the FC?				
Does the parish acknowledge every gift exceeding \$250 in value?				
Does the parish keep a record or copy of the acknowledgement?				
Are records kept of all donations, including donor's name, amount, date, and any related restrictions?				
Does the parish have any gifts contingent on future events, such as bequests; and are they periodically reviewed?				
EXPENSES – GENERAL				
Are all disbursements (including payroll), except from petty cash, made by check (some exceptions for credit cards)?				
Are checks pre-numbered and used in sequence?				
Are controls over blank check stock adequate?				
Is access to blank checks restricted?				
Are invoices/receipts attached to the check when presented for signature?				
Are checks recorded in the CDR sheet or General Ledger as prepared? (Information noted should include vendor, amount, date, check number and account distribution.)				
Are all check numbers accounted for?				
Are voided/spoiled checks properly mutilated (signature portion removed) and retained?				
Are checks made payable to specified payees and never to				

cash or bearer?				
If a signature stamp is used for the Pastor (not recommended), is it properly controlled so that only the Pastor can use the stamp?				
Are paid invoices filed by vendor and retained?				
Are unpaid invoices filed in an open invoice file?				
If no, how are they kept and who determines when they are paid?				
Are invoices stamped paid or cancelled to avoid duplicate payment?				
Are expenses for non-budgeted items or in excess of budget reviewed by the Finance Council and approved by the Pastor?				
Does the parish require dual check signature if the check is beyond a specific amount?				
Are authorized check signers independent of: a. Check preparation b. Check Recording				
Is signing blank checks prohibited?				
Is custody of checks after signature and before mailing handled by an employee independent of all payable disbursing, cash receiving, and general ledger functions?				
Are copies of the bank signature cards on file at the parish?				
Is the receipt of goods/services known before payment?				
Does the parish utilize an accountable reimbursement plan? Are expense reimbursement forms used containing appropriate information with supporting documents attached?				
Is the Pastor a signer on all bank accounts?				
Is the Business Manager prohibited from being a signer on all accounts?				

<p>If the Parish has credit cards are the following controls in place:</p> <ul style="list-style-type: none"> a. Debit cards are prohibited. b. Cash advances are prohibited. c. Personal charges on parish credit cards are prohibited. d. Cards are adequately safeguarded? e. Card statements are matched up with individual receipts prior to payment. f. Spending limits are not excessive considering the parish needs. g. Cards are only used when payment by check is impractical. h. The number of cards and who can use the cards is limited appropriately. 				
<p>If disbursements are made to foreign entities/charities is there adequate evidence that the money was received by the proper entity/charity?</p>				
<p>Prior to any disbursements to foreign entities/charities, did the parish consult with the Archdiocese of Denver Management Company, Office of Parish Finance?</p>				
<p>Does the Parish utilize a third party vendor for payroll, tuition collection, electronic offertory contributions, or other cash services? Sometimes a parish may transfer money to a bank or other third party vendor and that third party will then deposit the money into the employee's account. Likewise, some parishes utilize a third party to collect tuition by withdrawing the student's tuition directly from their parent's bank account, into an intermediary account, and then to the parish. Finally, some parishes may use a third party to collect offertory from a parishioners account and then remit it to the parish account. For any of these types of arrangements, is the process documented? Has the parish</p>				

gained any assurance that it would be protected if the third party vendor defaulted on their responsibility? In other words, 1) if the third party collected tuition, but was unable to remit it to the parish, or 2) collected parish funds, and was unable to deposit them into employee bank accounts, or 3) collected offertory but was unable to remit it to the parish, is the parish reasonably protected from loss of funds due to language in the third party contract?				
EXPENSES – PERSONNEL				
Is payroll performed by an outside service? If yes, is it supported by an executed contract?				
Does the parish have an established payroll scale for employee positions?				
If yes, is this scale periodically reviewed by the FC?				
Are all employees paid through the payroll system?				
Are attendance and time records used?				
Are time cards or other attendance records signed by the employees?				
Is approval of department head on time cards or other attendance records required prior to preparing payroll?				
Are changes on time cards initialed or approved by a department head or similar person?				
Are the following steps performed in preparing payroll? a. Check attendance records and computation of hours? b. Review time card/records for proper approval? c. Review time records for alterations?				
Is the payroll subject to final approval before payment by the pastor or another person who is independent of payroll preparation and timekeeping?				
Do checks contain detail of gross pay and deductions?				
Are reconciliations prepared of gross and net pay amounts as				

shown on tax returns to total payroll in the general ledger or CDR sheets?				
Are unclaimed checks returned to an employee who is not associated with the payroll function?				
Is unclaimed property returned to the state according to State regulations? In Colorado, unclaimed payroll checks must be reported to the state after 1 year, and most other unclaimed payments after 5 years.				
Is a continuing record maintained of all unclaimed wages?				
Is the total of W-2 wages for the year reconciled to the general ledger and payroll register wages paid?				
Do the 941s agree to the W-3?				
Are W-2 forms that have been returned or unclaimed received and investigated by a person other than payroll and timekeeping personnel?				
Are 1099's issued in accordance with Federal Law? Note this includes amounts paid to visiting priests (unless payable to the religious order and/or the priest) who receive \$600 or more during a calendar year.				
Are bonuses approved, run through payroll, and appear on the W-2?				
If the Pastor received a bonus, did he obtain approval from the Vicar of Clergy?				
Were taxes properly withheld from bonuses?				
Are Mass Stipends reported on the employee's W-2 and taxes withheld appropriately?				
Are mass stipends paid to visiting priests reported on the 1099-Misc. form if they are over \$600 in the calendar year and the priest is not from a religious order? Note: payments to religious order priests should generally be made payable to the religious order or to both the priest and the religious				

order (i.e. Fr. XXX, name of the religious order.				
Is a mass stipend book maintained? I.E. a list of mass intentions.				
Is the parish prohibited from paying personal expenses?				
Are loans to any employees prohibited?				
Are salary advances given to employees approved in writing by the Pastor and repaid from the next paycheck?				
Have all tax payments been made on a timely basis?				
Do employees take annual vacations, particularly those responsible for cash, investments or accounting records?				
Has the Parish received any notices/letters from the IRS? Have all issues been addressed to prevent future letters/penalties?				
EXPENSES – PURCHASING				
Does the parish restrict purchases of goods or services from the FC members, employees, or other suppliers that would create a conflict of interest or was the conflict properly disclosed and reviewed by the Pastor and the Parish Finance Council?				
Are conflict of interest forms used and completed by key staff (Business Manager, Principal, etc) and are all potential conflicts of interest fully disclosed to the Finance Council? Note the discussion of the potential conflict of interest should be documented in the FC meeting minutes.				
Are purchase orders or a purchase approval process used before a purchase can be initiated?				
Are purchase requests compared to the budget prior to approval?				
ASSETS – CASH AND CASH EQUIVALENTS				
Does the parish receive bank statements directly from the				

bank?				
Does the Pastor open, review and initial bank statements?				
Does the Pastor receive all bank statements?				
Are bank signers limited to the Pastor, Parochial Vicar, Deacon, or Pastoral Assistant or has permission from the Archdiocese been obtained to add other signers? (small exception for the principal and a small petty cash type checking account with minimal balances)				
Do the account signers include only authorized personnel who do not prepare checks or who record into the financial system?				
Are all parish bank accounts (including auxiliary organizations) established using the parish tax ID number?				
Are all bank accounts reconciled monthly (even auxiliary)? Is the parish current with ALL bank reconciliations?				
Do all bank account statements include copies of checks?				
Are bank account reconciliations prepared independent of the receipt or disbursement of cash?				
Do the number of open bank accounts appear reasonable (i.e. should some accounts be closed/consolidated)?				
Do the reconciliation procedures appear adequate?				
Does the Pastor review the bank reconciliations and indicate so by initialing the statements?				
Does the pastor or parish finance council (FC) annually review all bank accounts and check signers?				
Are you aware of any auxiliary bank accounts that aren't on the general ledger?				
ASSETS – INVESTMENTS				
Does parish own securities? If no skip to long-term liab./debt				

Is authorization for purchases and sales of investments vested with the pastor?				
Are all investment transactions reviewed and recommended by the FC?				
Does the Pastor approve all disbursements out of the investment accounts?				
Does parish actively trade securities?				
Are all securities on deposit with a trustee or financial institution?				
Are detailed investment records maintained that include the following: a. Description of the investment. b. Date of acquisition and purchase price (or FMV at date of donation). c. Physical location of the item (trustee, safe deposit box, etc.) d. All brokerage statements. e. Any restrictions/limitations on use.				
Is record keeping functions for securities and investment income performed by employees who have no access to the securities, and cannot authorize security transactions?				
As investment income is received, is it: deposited in the proper account and posted on a timely basis to the CDR sheets or general ledger?				
Does the FC review the use of income from investments and proceeds in compliance with any restrictions?				
Does the pastor or a FC member receive the investment statements unopened?				
Does someone independent of the record keeping reconcile the investment statements to the investment records periodically?				

Does the parish utilize a fund manager or pooled investment?				
Is there a statement of Investment Policy between the Parish and Broker outlining investment authority, investment mix, etc.?				
Does the FC review the manager's authority and performance?				
Is the fund manager independent of the employees of the parish or FC?				
Do any of the parish investments result in the parish taking an ownership position, other than stock in large corporation traded on public exchanges? If yes, please describe				
Does the parish have securities that have been written down to zero?				
If yes, where are the securities stored and who has control?				
Does the parish have a safety deposit box? Are control adequate to safeguard access to the box? Does it appear that the items contained in the box belong there (i.e. stock certificates should be held by the broker and not in the box; cash and checks should not be in the box, etc.)				
Does the parish have an inventory of immovable or moveable goods either of precious or cultural value or other goods that comprise the patrimony of the parish.				
Are equity securities owned in companies that are known to be consistent with Catholic teaching and are not involved in socially unacceptable practices? I.E. These companies should not promote birth control, abortion, pornography, etc.				
ASSETS – RECEIVABLES				
Does the parish have receivables other than tuition?				
Are receivables reconciled monthly to the General Ledger?				
Are monthly statements mailed for all receivables?				
Are receivables aged each month?				

Are delinquent accounts reviewed by the pastor or FC and followed up for collection?				
Does the pastor or the FC determine or recommend the write-off of uncollectible pledges or accounts receivable?				
Are loans to employees and FC members prohibited?				
ASSETS - PROPERTY & EQUIPMENT				
Is formal approval of the pastor required for all property and equipment additions?				
Does the parish have a capitalization policy? I.E. A policy stating at what dollar amount an expense is considered a fixed asset that should be capitalized.				
Have capital expenditures been capitalized by year end according to the parish capitalization policy (eg: purchases over \$1,000)?				
Does the parish have detailed property and equipment records? If yes, do the records include description, date purchased or received by donation, cost or fair value at donation, donor or funding source restrictions on use or disposition, etc.?				
Does the parish depreciate its capitalized assets on a straight line basis?				
At least annually, is a physical inventory of property and equipment taken and compared to the records?				
Does the parish maintain pictures or a digital video inventory of all fixed assets in fireproof safe or other secure location?				
ASSETS - DONATED FIXED ASSETS				
Is there a physical inspection of donated items before acceptance and receipt?				
Are donated materials adequately safeguarded to insure they remain the property of the parish?				

Are inventory records maintained for donated materials?				
Does the FC review and recommend disposition of donated materials?				
Is there an established, approved policy for recording and valuation of donated materials?				
ASSETS - PETTY CASH				
Does the parish have petty cash?				
Are the petty cash funds maintained on an impress basis, i.e., checks to replenish are equal to the amount paid out from the fund (fund remains at a fixed balance)?				
Is there a prohibition against petty cash disbursements over a specified amount?				
Do petty cash disbursements exclude vendor or other payments that can be made by check?				
Are checks to replenish the petty cash fund made payable to a person, as custodian of petty cash? (should not be made out to cash)				
CURRENT LIABILITIES				
Does the Parish account for the current portion of the long term debt separately from the long term portion?				
Are payroll liabilities accrued?				
Is the total amount of un-accrued liabilities or outstanding obligations communicated to the Finance Council at their meetings?				
Is the Finance Council notified of unaccrued payables that may come due within 12 months?				
LONG TERM LIAB./DEBT				
Does the parish have debt or leases?				
Are there debt schedules that reflect debt description, maturity, interest rate, debt-service payment dates, collateral,				

etc.?				
Has the parish borrowed internally from restricted funds?				
Does the parish borrow or owe money to related parties, employees, employee's families, committee members, parish endowment or foundation? If yes, does the Parish maintain a signed copies of all such loan agreements. Please describe the arrangement:				
Is the Finance Council notified of any unaccrued long-term liabilities?				
Does the Parish have any life income or annuity trust funds? If yes, are detailed records kept of periodic payments to beneficiaries under life income and annuity gifts and the termination of such payments?				
NET ASSETS				
Is unrestricted/temporarily/permanently restricted net assets separately accounted for?				
Are net assets released from restriction properly accounted for?				
ACCOUNTING ADJUSTMENTS				
Has the Parish posted the accounting adjustments recommended as a result of this external CPA review?				
INSURANCE RISK				
Is auto insurance for parish automobiles placed with the archdiocese?				
Does the parish rent or lease the use of any of its facilities or property?				
If so, is a record kept of such groups and uses?				

Does the Parish keep signed copies of any rental/lease agreements?				
Is insurance obtained from the archdiocese for non-parish sponsored events on parish property or is there evidence of other insurance for these events?				
Is special event insurance obtained when necessary?				
Does the Parish School utilize the release agreements from the Archdiocese that are located in the Insurance Manual applicable to all parishes and the School Administrator's Manual for parishes with schools?				
For any contracted transportation companies, has evidence of adequate insurance coverage (\$5,000,000) been obtained prior to the event? Does the parish retain a copy?				
Does the parish conduct lawn fetes or picnics with amusement rides provided by outside vendors?				
Has the parish recently, or is it about to enter any capital repair or maintenance contract with outside vendors?				
If the answer is yes, does the parish currently have on file adequate Certificates of Insurance naming the Archdiocese and parish as "additional insured"; or rental agreements; or assumption of risk and indemnity agreements as protection from risk of loss?				
Are insured values for buildings, furniture and fixtures periodically reviewed to determine adequate insurance coverage?				
Does the parish promptly notify the Archdiocesan Risk Manager when: <ul style="list-style-type: none"> a. Properties or vehicles are acquired? b. New construction is underway and when completed c. When other significant renovation occurs that 				

changes the value of a building d. When valuable assets are acquired.				
When loss occurs (property damage, water, wind, hail, vehicle, etc.)				
BUDGETING				
Does the pastor and FC review the budget and investigate significant differences quarterly?				
If the parish encounters significant changes in expenses and income, is the budget revised during the year?				
Does the budget include funding for: a. Future maintenance or capital needs b. Tuition assistance c. Savings				
Are the department heads accountable for spending and income staying within the department budget limits?				
Do the department heads receive a monthly department financial report, including the detailed transaction report, so that they have the information to monitor and stay within budget?				
Does the pastor and FC receive a monthly financial report and detailed transaction report to be used to monitor financial activity and budget adherence?				
FINANCE COUNCILS				
Does Parish have a Finance Council?				
Is the Council made up of at least 3 parishioner members with business, accounting, or finance experience? Employees of the parish and the Pastor do not qualify as “members” of the Finance Council, although they may attend meetings. The Pastor should attend every meeting.				
Are written minutes maintained?				

Does the Parish Finance Council meet at least quarterly?				
PERSONNEL				
Are the files maintained in a secure location, with restricted access?				
Are all full time lay employees offered the same benefits?				
Does it appear that all parish workers are properly classified as either an employee, independent contractor, or volunteer?				
COMPUTER BACKUPS				
Does the parish routinely backup its programs?				
Are backup disks/devices kept in a safe location (preferably a fireproof safe)?				
Is access to the computer programs, particularly the accounting, payroll and census programs restricted?				
Does the Pastor maintain the passwords/combinations, etc. in a secure and secret location? In the event of staff unavailability or turnover, the Pastor will need access.				
Does the parish maintain documented backup and restore procedures?				
Does the parish update its programs regularly?				
GENERAL				
Based on an observation of the parish property and discussion with the Pastor: <ul style="list-style-type: none"> • Is access to the school/parish property properly restricted? • Are visible safety hazards noted during the review being addressed by the parish? 				
If applicable, is there a functioning School Advisory Council?				
Are duties between cash handling, recording and account reconciliations adequately segregated?				

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