

# 6 Internal Controls

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## **Subsection**

- 6.1 Overview
- 6.2 Internal Control Questionnaire
- 6.3 Controls for Processing Cash Receipts
- 6.4 USCCB Memo Regarding Parish Financial Governance

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## 6.0 Overview

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

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

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

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

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

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

The questionnaire and the attachment should be signed by the pastor and the chair of the finance council after completion, and retained in the parish files. Electronic submission of the questionnaire is due on Sept. 30<sup>th</sup>.

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

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## 6.1 Internal Control Questionnaire

Archdiocese of St. Louis  
Parish Control Questionnaire2016

Parish Name \_\_\_\_\_  
Parish # \_\_\_\_\_

### General Information

1. Are ALL activities of the parish, school, and parish organizations recorded in QuickBooks? **Yes / No**  
**If No, please explain:**

2. Does the parish use ServantKeeper software to record contributions? **Yes / No**  
**If No, please explain:**

3. Does the parish or school have a website? **Yes / No**  
**If No, please explain:**

4. How does the parish ensure that the website contains appropriate and accurate information?

5. Does the parish have a Finance Council? **Yes / No**  
**If No, please explain:**

#### Skip if answered NO on question number 5

6. Are the responsibilities of the parish Finance Council documented in writing? **Yes / No**  
**If No, please explain:**

#### Skip if answered NO on question number 5

7. Does the Finance Council meet at least quarterly? **Yes / No**  
**If No, please explain:**

#### Skip if answered NO on question number 5

8. Are written minutes kept of the Finance Council meetings? **Yes / No**  
**If No, please explain:**

9. Are all bank accounts in the name of the parish? **Yes / No**  
**If No, please explain:**

10. Do all bank accounts contain the parish federal employer identification number (FEIN)? **Yes / No**  
**If No, please explain:**

11. Has a letter been written to the parish banks indicating new accounts can only be set-up with an authorized letter from the Pastor and using the address of the parish? **Yes / No**  
**If No, please explain:**

12. Does the Pastor receive all unopened bank statements with photocopies or original checks directly from the bank for all accounts for review prior to forwarding the statements to the appropriate individual?  
**Yes / No**  
**If No, please explain:**

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13. Is direct deposit offered at the parish/school? **Yes / No**

**If No, please explain:**

**Skip if answered NO on question number 13**

14. If direct deposit is offered, please describe the process for recording the individual net pay and banking account information for the various banks during each payroll.

15. Are 941's completed timely? **Yes / No**

**If No, please explain:**

16. Are IRS notices discussed timely with the pastor, the Finance Council, and the Archdiocesan Internal Auditor, including late payment of payroll taxes and retirement contributions **Yes / No**

**If No, please explain:**

17. Are mass stipends properly excluded from the financial statements? **Yes / No**

**If No, please explain:**

18. Does the parish prepare a balanced, annual budget? **Yes / No**

**If No, please explain:**

19. Is there follow-up of key budget variances? **Yes / No**

**If No, please explain:**

20. Do journal entries provide clear and thorough explanations of the transactions? **Yes / No**

**If No, please explain:**

21. Are journal entries approved by someone other than the person who prepared the journal entry?

**Yes / No**

**If No, please explain:**

22. Are spending approval limits specified in writing? **Yes / No**

**If No, please explain:**

23. Do written parish policies exist for acceptable business practices? **Yes / No**

**If No, please explain:**

24. Do written parish policies exist for conflicts of interest? **Yes / No**

**If No, please explain:**

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25. Does a written record retention policy exist? **Yes / No**  
**If No, please explain:**

26. Are records retained and available to meet regulatory, Archdiocesan, and other requirements?  
**Yes / No**  
**If No, please explain:**

27. Are critical data files stored off-site to assure continuity of processing and safeguarding of files?  
**Yes / No**  
**If No, please explain:**

28. Are important and valuable documents (e.g. blank checks, accounting records, back-up disks, sacramental records) kept in a secure and fireproof location? **Yes / No**  
**If No, please explain:**

29. Describe how the computers, magnetic media (e.g. CD, disk), inventory, and manual records will be protected in the event of an accident or catastrophe?

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### Month-End Procedures

1. Are ALL of the following reports prepared monthly: balance sheet, profit & loss statement for all classes, and budget versus actual and are the reports COMPLETE? **Yes / No**

**If No, please explain:**

2. Does someone other than the bookkeeper (e.g. pastor, business manager) review monthly the 3 reports listed above?

**Yes / No**

**If No, please explain:**

**Skip if answered NO on question number 5**

3. Does the Finance Council review monthly the 3 reports listed above? **Yes / No**

**If No, please explain:**

4. Are monthly bank statements received for all cash account balances recorded in QuickBooks?

**Yes / No**

**If No, please explain:**

5. Are ALL bank statements issued by the bank as of month-end? **Yes / No**

**If No, please explain:**

6. Are bank statements reconciled promptly upon receipt as of the month-end date and are photocopies of cleared checks provided directly by the bank for review? **Yes / No**

**If No, please explain:**

7. Do the printed bank reconciliations contain a detailed listing of the deposits in transit and outstanding checks? **Yes /**

**No**

**If No, please explain:**

8. Are the register balances shown on the bank reconciliations compared to the reported cash balances in the QuickBooks financial statements, as of month-end? **Yes / No**

**If No, please explain:**

9. Are the reconciliations reviewed for old (i.e. 90 days or more past issuance/receipt date) outstanding items? **Yes / No**

**If No, please explain:**

10. Are either the physical canceled checks or photocopies of the canceled checks reviewed every month for ALL bank accounts? **Yes / No**

**If No, please explain:**

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**Skip if answered NO on question number 5**

11. Does a qualified member of the Finance Council review monthly ALL bank reconciliations? **Yes / No**  
**If No, please explain:**

12. Are asset and liability account balances reconciled to the accounting records monthly? **Yes / No**  
**If No, please explain:**

13. Are all QuickBooks balances for The St. Louis Archdiocesan Fund (SLAF) accounts reconciled to the SLAF statements every month? **Yes / No**  
**If No, please explain:**

14. Are the Together We're Better (TWB) certificates/scripts/coupons counted as of month-end every month? **Yes / No**  
**If No, please explain:**

15. Are the month-end inventory TWB counts reconciled monthly to the inventory balances recorded in QuickBooks? **Yes / No**  
**If No, please explain:**

16. Are all files in QuickBooks, ServantKeeper, and other critical systems backed up at least monthly and stored off-site?  
**Yes / No**

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### Personnel

1. Has the parish or The Finance Council reviewed The Financial Management and Control Manual for Parishes Section 14 in order to properly classify a worker as either an "employee" or "independent contractor"? **Yes / No**

**If No, please explain:**

2. Are all parish/school-directed workers (e.g. teachers, PSR teachers, phone sitters, playground monitors, organist, housekeeper) considered employees AND included in the QuickBooks payroll system? **Yes / No**

**If No, please explain:**

3. Are individual employment files maintained for each employee? **Yes / No**

**If No, please explain:**

4. Are employment applications maintained for all employees? **Yes / No**

**If No, please explain:**

5. Do the employee files contain a Performance Review that was completed within the last 12 months? **Yes / No**

**If No, please explain:**

6. Are the current job descriptions and responsibilities for non-teaching employees documented in writing? **Yes / No**

**If No, please explain:**

7. Does the bookkeeper and/or business manager have the experience and education necessary for fulfilling their job responsibilities? **Yes / No**

**If No, please explain:**

8. Are the most current W-4 forms maintained for all employees? **Yes / No**

**If No, please explain:**

9. Is a Request for Child Abuse or Neglect/Criminal Record Form maintained for all applicable employees? **Yes / No**

**If No, please explain:**

10. Are records containing medical information on an employee kept in a separate and secure file? **Yes / No**

**If No, please explain:**

11. Are I-9 forms maintained in a separate file for all applicable employees? **Yes / No**

**If No, please explain:**



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12. Is an emergency notification form maintained for all employees? **Yes / No**

**If No, please explain:**

13. Does the Pastor approve in writing all changes in employee payroll information for new hires, terminations/resignations, and rate changes? **Yes / No**

**If No, please explain:**

14. Are all initial contracts and salary adjustments for teachers and principals sent timely (within 30 days) to the Education Office? **Yes / No**

**If No, please explain:**

15. Are time and attendance records, including hours worked, overtime, vacation and sick leave, and special benefits maintained, reviewed, and approved by authorized non accounting personnel? **Yes / No**

**If No, please explain:**

16. Do all employees with responsibilities for financial accounting, deposit preparation, or payment of invoices take vacation each year? **Yes / No**

**If No, please explain:**

17. Are payroll taxes and retirement payments paid by the required due dates? **Yes / No**

**If No, please explain:**

18. Does the parish issue a 1099 to ANY independent contractor or visiting priest paid \$600 or more during the calendar year? **Yes / No**

**If No, please explain:**

19. Is the parish contributing 5% of gross pay to the retirement plan for ALL "qualified" lay employees? Note: "Qualified" - staff working 1000 or more hours during the 365 day period or teachers with at least a ½-time contract and over 1 year of service. **Yes / No**

**If No, please explain:**

20. Are all eligible employees enrolled properly in the Self-Funded Employee Benefit Plan (Health Insurance) if they elected coverage? **Yes / No**

**If No, please explain:**

21. Are all eligible employees enrolled properly in the Long Term Disability Plan? **Yes / No**

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### Organization Accounts

1. Are ALL of the organization accounts (e.g. Athletics Association, Men's Club, Quilters) recorded in QuickBooks? **Yes / No**

**If No, please explain:**

2. Do ALL the organization accounts contain the federal employer identification number (FEIN) of the parish? **Yes / No**

**If Yes, please explain:**

3. Is the pastor included as an authorized signer on ALL organization accounts? **Yes / No**

**If No, please explain:**

4. Is the listing of authorized signers updated with the banks when changes occur? **Yes / No**

**If No, please explain:**

5. Are the bank statements for ALL of the organization accounts mailed directly to the parish? **Yes / No**

**If No, please explain:**

6. Does the pastor receive the unopened bank statements, including photocopies of cleared checks for ALL organization accounts, prior to forwarding them to the appropriate individuals? **Yes / No**

**If No, please explain:**

7. Are ALL of the organization bank statements issued as of month-end? **Yes / No**

**If No, please explain:**

8. Are the balances of the organization cash accounts in QuickBooks reconciled to the bank statements every month? **Yes / No**

**If No, please explain:**

9. Are the revenues and expenses of the organizations recorded monthly in QuickBooks? **Yes / No**

**If No, please explain:**

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### Offertory Collections

1. Are offertory collections placed in a safe or locked locations as soon as practical, following each mass? **Yes / No**

**If No, please explain:**

2. Is each mass collection kept in a separate marked bag? **Yes / No**

**If No, please explain:**

3. Are tamper-evident, sealed bags used until the count team arrives? **Yes / No**

**If No, please explain:**

4. Is access to the safe, vault, drop box, etc. restricted to only a select few? **Yes / No**

**If No, please explain:**

5. Are count teams comprised of at least two individuals? **Yes / No**

**If No, please explain:**

6. Are two or more count teams used in counting the offertory collections? **Yes / No**

**If No, please explain:**

7. Are count team members rotated among different teams? **Yes / No**

**If No, please explain:**

8. Are ALL count team members that are on the same team independent (i.e. not related or married) of each other? **Yes / No**

**If No, please explain:**

9. Are members of the parish staff excluded from the count teams? **Yes / No**

**If No, please explain:**

10. Are all checks immediately endorsed for deposit during the count procedures? **Yes / No**

**If No, please explain:**

11. Is an offertory collection report compiled during each count and signed in INK by ALL count team members? **Yes / No**

**If No, please explain:**

12. Are ServantKeeper reports compared to the count sheets, deposit slips, and QuickBooks? **Yes / No**

**If No, please explain:**

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13. Are ALL offertory collection items counted by the count teams before deposited in the bank?

**Yes / No**

**If No, please explain:**

14. Is the deposit taken to the bank by one of the counters or priests? **Yes / No**

**If No, please explain:**

15. Is the offertory collection deposit made timely? (ie by Monday following the count) **Yes / No**

**If No, please explain:**

16. Is a copy of the counters' sheet, deposit slip, and deposit receipt placed together in a parish file?

**Yes / No**

**If No, please explain:**

17. Does the deposit include ALL monies from the offertory collection? **Yes / No**

**If No, please explain:**

18. Is the removal of monies from the offertory collections prohibited? **Yes / No**

**If No, please explain:**

19. Are offertory collections deposited separately from other deposits? **Yes / No**

**If No, please explain:**

20. Are periodic parishioner reports printed and reconciled to check deposit information? **Yes / No**

**If No, please explain:**

21. Does an independent person compare the signed count sheet to the bank statement? **Yes / No**

**If No, please explain:**

22. Does the pastor review and initial the counters' sheet information? **Yes / No**

**If No, please explain:**

23. Are annual contribution statements prepared by individuals other than those who count or deposit the collections? **Yes / No**

**If No, please explain:**

24. Are annual contribution statements MAILED to ALL contributors? **Yes / No**

**If No, please explain:**

25. Do the donors' contribution statements separate the electronic gifts from the non-electronic gifts?

**Yes / No**

**If No, please explain:**

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26. Are copies of tax substantiation letters and statements maintained in a separate file? **Yes / No**  
**If No, please explain:**

27. Are any copies of donors' checks shredded immediately after they have been recorded? **Yes / No**  
**If No, please explain:**

28. Is the parish processing electronic gifts (e.g. debit or credit card donations, ACHs) using a third-party vendor or in-house resources? If using a third-party vendor, please provide the name of the vendor.

29. Is a report that lists the electronic gifts reviewed periodically? **Yes / No**  
**If No, please explain:**

30. How are donors' sensitive information (e.g. bank account number, credit card number) secured?

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### Disbursements

1. Are only priests or deacons authorized to sign checks for parish bank accounts? **Yes / No**  
**If No, please explain:**

2. Are rubber stamp or other facsimile signatures prohibited? **Yes / No**  
**If No, please explain:**

3. Is the signing of blank checks before use prohibited? **Yes / No**  
**If No, please explain:**

4. Are checks made payable to cash prohibited? **Yes / No**  
**If No, please explain:**

5. Are invoices approved for payment by the Pastor or his designee before checks are prepared?

6. Is adequate supporting documentation (e.g. original receipts, invoices, payroll register, mileage logs) examined by check signers prior to issuance of checks? **Yes / No**  
**If No, please explain:**

7. Are invoices defaced or marked "paid" with check # and date (or a carbon copy of the check attached to the invoice) to prevent reuse? **Yes / No**  
**If No, please explain:**

8. Are checks pre-numbered and imprinted with the parish name and account number? **Yes / No**  
**If No, please explain:**

9. Are continuous check numbers used and accounted for, then agreed to the internal computer (QuickBooks) generated check numbers? **Yes / No**

10. Does someone other than the bookkeeper or check signer mail the checks?

11. Are voided checks defaced by removing the signature portion? **Yes / No**  
**If No, please explain:**

12. Are voided checks retained in order to maintain proper sequential integrity? **Yes / No**  
**If No, please explain:**

13. Are the priests or school principal, when applicable, the only authorized users of parish credit cards? (e.g. Visa, Mastercard, Lowes, Office Depot) **Yes / No**  
**If No, please explain:**

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14. Does the parish have LESS than five (5) credit cards (e.g. Visa, Office Depot, Lowes, Schnucks)?

**Yes / No**

**If No, please explain:**

15. Are the credit card charges reviewed by the Pastor? **Yes / No**

**If No, please explain:**

16. Are employees and volunteers prohibited from making personal charges on parish credit cards?

**Yes / No**

**If No, please explain:**

17. Are ALL outstanding credit card balances paid in full each month? **Yes / No**

**If No, please explain:**

18. Does the parish obtain approval from the Archbishop for all capital expenditures (i.e. repairs, improvements, new constructions) that are 3% or more of fiscal year-end revenues? **Yes / No**

**If No, please explain:**

19. With the exception of minor petty cash items, are all disbursements made by check or Automatic Clearing House (ACH)? **Yes / No**

**If No, please explain:**

20. How does the parish ensure that all online bill payments are expenses of the parish and not individuals or other organizations?

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### Tuition and Fees

1. Does the parish have a school? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

2. Does the school record tuition using the accrual or cash basis of accounting?

**Skip if answered NO on question number 1**

3. If accrual basis of accounting is used for tuition, when are the tuition invoices recorded? (invoice date in QuickBooks)

**Skip if answered NO on question number 1**

4. If the accrual basis of accounting for tuition is not used, please describe how tuition receivables and revenues are recorded.

**Skip if answered NO on question number 1**

5. Are tuition revenues recognized evenly over a 12-month or 10-month period (accrual basis of accounting)? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

6. Is the parish recording gross tuition charged? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

7. Is QuickBooks used to track individual tuition amounts? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

8. Are checks received for tuition and other fees immediately endorsed for deposit when received?  
**Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

9. Are tuition and fees for services recorded and deposited weekly? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

10. Are tuition and fee receipts that are received in the offertory collections reconciled separately from offertory collections? **Yes / No**  
**If No, please explain:**



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**Skip if answered NO on question number 1**

11. Does the parish use F.A.C.T.S. or SMART to collect tuition from school families? **Yes / No**

**If No, please explain:**

**Skip if answered NO on question number 1**

12. Are tuition and fee collections initiated within 30 days of the due date? **Yes / No**

**If No, please explain:**

**Skip if answered NO on question number 1**

13. Is the aging and collectability of tuition and fees reviewed periodically by the parish finance council and the Pastor? **Yes / No**

**If No, please explain:**

**Skip if answered NO on question number 1**

14. Are all adjustments for tuition, other receivables, or free tuition arrangements approved by the Pastor? **Yes / No**

**If No, please explain:**

**Skip if answered NO on question number 1**

15. Are contra-revenue (i.e. has a debit balance and reduces net tuition revenue) accounts used to record the awarding of grants, scholarships, and other tuition reductions? **Yes / No**

**If No, please explain:**

**Skip if answered NO on question number 1**

16. Are tuition and fees received compared periodically with tuition and fee estimates? **Yes / No**

**If No, please explain:**

**Skip if answered NO on question number 1**

17. Does the school/parish prohibit using the profits generated from the sales of scripts (e.g. TWB certificates, coupons) as a tuition-reduction method? **Yes / No**

**If No, please explain:**

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### Cafeteria Receipts

1. Does the school have a cafeteria? If no active school, select "N". **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

2. Are tickets issued for children purchasing lunches? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

3. Is the number of meals served compared to daily cafeteria revenues? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

4. Are sales of inventory items (e.g. milk) compared to beginning and ending counts? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

5. Are daily deposits made of all cafeteria funds received? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

6. Are the cafeteria receipts included in the parish financial statements? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

7. Does the cafeteria maintain a separate bank account? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

8. Do cafeteria personnel only use checks (not cash) for purchases? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

9. Is cafeteria payroll processed by the parish bookkeeper? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

10. Are cafeteria bills paid through the parish accounts payable system? **Yes / No**  
**If No, please explain:**

**Skip if answered NO on question number 1**

11. Does the cafeteria participate in government subsidized milk/lunch programs? **Yes / No**  
**If No, please explain:**

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**Skip if answered NO on question number 1**

12. Is the amount of money that is collected from the vending machine compared to the product refilled in the vending machine? **Yes / No**

**If No, please explain:**

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### Other Revenues

1. Is the mail opened by an individual other than the bookkeeper? **Yes / No**

**If No, please explain:**

2. Are checks immediately endorsed for deposit to the parish bank account? **Yes / No**

**If No, please explain:**

3. Is a record of all mail receipts of cash or checks prepared? **Yes / No**

**If No, please explain:**

4. Is a copy of the list for mail receipts of cash or checks given to the bookkeeper with the checks for depositing? **Yes / No**

**If No, please explain:**

5. Does someone at month-end compare the daily receipt lists with the deposits posted on the bank statement? **Yes / No**

**If No, please explain:**

6. Are bank deposits made frequently and intact? **Yes / No**

**If No, please explain:**

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### **Closing**

1. The Parish Internal Control Questionnaire is complete. Please click the SUBMIT button to complete online submission.

You do not have to mail anything in. Thank you!

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## 6.2 Controls for Processing Cash Receipts

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

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

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

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## 6.3 USCCB Memo Regarding Parish Financial Governance

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### MEMORANDUM

March 23, 2007

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

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

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

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

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

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

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

### **USCCB ACCOUNTING PRACTICES COMMITTEE RECOMMENDATIONS**

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

### **SHORTER TERM RECOMMENDATIONS**

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



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

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

### **LONGER TERM RECOMMENDATIONS**

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