

ARCHDIOCESE OF ST. LOUIS

Proper Controls and Handling of Cash

Best Practices

Best Practices for Cash Handling and Management for Parishes

This document serves to provide some best practices for cash handling and management for parishes and schools and is derived primarily from the Internal Control Questionnaire, which should be completed annually by a team comprised of finance council members and parish administration. While we cannot create absolute protection, we can provide reasonable assurance to our parishioners that we are taking proper measures to safeguard their contributions and fee payments.

General Financial Oversight

Under Canon Law, the pastor of the parish has complete control and responsibility for the temporal goods of the parish. However Canon Law also provides that each parish shall have a functional finance council acting in an advisory capacity to the pastor. Part of this role is to work with the pastor, the parish administration, and volunteers to establish a system of financial oversight with a system of internal controls to safeguard the parish assets.

This section serves to provide an overview of best practices for the general oversight of financial matters of the parish with an emphasis on cash oversight.

- 1) ALL activities of the parish and school, including related organizations, should be recorded in QuickBooks using complete descriptions for the nature of the activity for reference purposes. This data should be supported by appropriate source documents such as invoices or detailed deposit logs.
- 2) The parish finance council should be fully engaged in the oversight of parish activity including documented responsibilities, regular meetings on a monthly or at least quarterly basis, and written minutes kept of these meetings. The finance council should actively participate in the budgeting process of the parish, review financial performance of the parish against the budget, help establish and monitor a system of internal controls for the parish, and advise the pastor on other financial issues of the parish.
- 3) The parish should adopt spending approval limits with this policy documented in written form.
- 4) The parish should adopt a written policy regarding conflict of interest. As part of the competitive bid process, any finance council, parish council member, employee or volunteer should clearly advise of any relationship, either direct or perceived, they have with an entity bidding to provide goods or services to the parish.
- 5) The parish should retain records in accordance with the Archdiocesan policy to meet regulatory and Archdiocesan requirements.
- 6) All blank checks and undeposited funds should be properly secured.
- 7) A complete set of financial statements (minimum of Balance Sheet and Income Statement) should be presented to the parish community on an annual basis with more frequent presentation encouraged.

Cash Handling and Management – General

This section serves to provide some best practices for cash handling on a general level. Suggestions specific to offertory, office deposits or organizations and fundraising will be raised in later sections.

- 1) All bank accounts shall be in the name of the parish and bear the Federal Employer Identification Number of the parish.
- 2) In the case of the main parish bank account, approved signers are limited to the pastor, associate pastors and deacons. On organization accounts, lay members may be signers, but the pastor must be included as a signer on ALL accounts. Signing blank checks or the use of a stamp/facsimile signature is prohibited by Archdiocesan accounting policy unless allowed by the Archdiocesan CFO.
- 3) All bank accounts shall have statements issued by the bank as of month end, be mailed directly to the parish office, and shall include check images of no more than twelve per page. These statements shall be delivered unopened to the pastor, who shall review the statement and check images and inquire about any irregular items. The pastor should fully understand the nature of any ACH activity reflected on the statement before approving the statement. Copies of organization accounts are then forwarded to the organization treasurer with the original bank statements going to the parish bookkeeper for reconciliation.
- 4) Bank reconciliations for all accounts shall be done in QuickBooks in a timely manner as part of the month end process. Any items outstanding for more than 90 days past issuance/receipt date should be investigated.
- 5) Printed bank reconciliations containing a detailed listing of in transit items and outstanding checks should be reviewed by a member of the finance council monthly along with the bank statement and retained by the parish.
- 6) The parish should update signature records at the bank promptly as new signers are added or individuals are replaced.
- 7) The parish should send a letter to all banks serving the parish indicating that new accounts can only be set up with an authorized letter from the Pastor.
- 8) The parish should also reconcile in QuickBooks any accounts with St. Louis Archdiocesan Fund (SLAF). Again, with detailed descriptions for all activity reflected on these statements.
- 9) Endowment Fund accounts are to be reconciled in QuickBooks on a monthly basis, The parish should make sure that Endowed Gifts are sent to the Endowment Fund promptly to respect the wishes of the donor and to maximize earnings on these funds.
- 10) All deposits are to be made on a timely basis and should be supported by fully detailed deposit logs to allow for accurate entry in to QuickBooks and serve as future reference documents.
- 11) All deposits are to be made in tact. Money should not be pulled from undeposited funds for petty cash or incidental usage.

- 12) All undeposited funds shall be immediately secured in the parish safe until a timely deposit is prepared.
- 13) All paid invoices should be clearly marked as paid when filed and all voided checks should be defaced and retained to show all checks are accounted for.
- 14) An individual other than the bookkeeper or signer should mail the checks to vendors.
- 15) Credit card usage is restricted to parish purchases.
- 16) With the exception of minor petty cash items, all disbursements should be made by check or ACH.
- 17) The parish should establish a monthly review of online bill payments to ensure they relate to parish expenses rather than individuals or other organizations.

Cash Handling and Management – Offertory

This section focusing on best practices for properly securing, counting, depositing and recording the funds received for Offertory.

- 1) The parish should utilize tamper proof bags to secure the collection with each mass collection kept in a separate bag. Each bag should be pre-labeled with the date and mass time. At least two ushers should place the offerings in the labeled bag and then secure the bag, placing the bag in a safe or locked location as soon as practical after mass.
- 2) Access to the safe should be limited to a select few with the combination changed with the departure of any of these individuals. At least two individuals should participate in the transfer of these funds to the safe and from the safe to the count team.
- 3) Count teams should consist of at least two unrelated members who are not staff members.
- 4) The parish should have multiple count teams and periodically rotate count team members among different teams.
- 5) The count should be performed on a timely basis with the deposit taken to the bank by the count team or a priest using a secured bank bag. The deposit should not be altered by parish staff after the count team has completed the process.
- 6) All checks should immediately be endorsed for deposit during count procedures.
- 7) ALL items should be counted by the count teams. Pulling items from the offertory compromises the internal control benefit provided by the independent count team and should be prohibited. ALL monies from the collection are to be deposited and the deposit should be separate and distinct from other deposits.
- 8) The offertory collection report should be compiled and signed in ink by all count team members, with the pastor reviewing and initialing the completed sheet.
- 9) A copy of the counters sheet, deposit slip and deposit receipt are placed together in the cash receipts file of the parish with supporting documents provided to appropriate staff member for entry into ServantKeeper contribution records. The ServantKeeper report should be reconciled to the counters sheet with differences noted.

- 10) An independent person should compare the signed counters sheet to the bank statement.
- 11) ServantKeeper should include a customer Loose Cash and Checks so that the report agrees to the deposit.
- 12) An item should be added to ServantKeeper to track separately electronic offerings. This will allow the parishioner to see that money pulled from his/her bank account has been deposited properly into the parish account.
- 13) Annual Contribution statements should be prepared by an individual not involved in the counting or deposit of the offertory gifts, with these statements MAILED to ALL contributors.
- 14) If credit cards are used for contributions, the parish should fully secure this information.
- 15) Examples of offertory forms have been included. These forms may need to be amended to meet the needs of the parish.

Cash Handling and Management – Parish Office

- 1) The parish should make deposits on a timely basis and secure temporarily undeposited funds in a safe or locked location.
- 2) The parish office should utilize a cash receipts book to provide acknowledgment of funds received in the office. The individual receiving funds should document the name of the person or organization providing funds, the date, the amount and the breakdown of cash, checks and coins.
- 3) The mail should be opened by an individual other than the bookkeeper, with checks immediately endorsed for deposit in the parish bank account. A record of all mail receipts shall be prepared with a copy of this listing along with the cash and checks passed on to the bookkeeper for posting and deposit.
- 4) A copy of the bank deposit receipt shall be returned to the individual preparing the daily cash receipts report, attached and filed. The bookkeeper will attach the deposit ticket and the bank receipt to the revenue report and file with cash receipts after posting in QuickBooks.
- 5) All deposits are to be made intact.
- 6) Example revenue forms have been included. These forms may need to be adapted for use at a specific parish.
- 7) If deposits for other departments or parish organizations are prepared by the parish bookkeeper, the bookkeeper should provide written acknowledge the receipt of funds for deposit. The bookkeeper should have a clear understanding of the nature of the deposit for proper coding of revenues.

Cash Handling – School, Pre-School, PSR Offices and Aftercare

- 1) All deposits should be made on a timely basis and intact with temporarily undeposited funds secured in a safe or locked location.

- 2) Example revenue reports have been provided for tuition and fees and for other cash receipts received in these locations. Tuition and fees should be deposited separately from other school receipts allowing for easier future reference.
- 3) A cash receipts book should be utilized in the school office for funds dropped off at the office.
- 4) The school should utilize FACTS or SMART to process tuition and fees payments to assist in cash flow management and improve cash controls. The deposits should be posted promptly to allow all parties to see real time family balances.
- 5) Statements should be mailed to families on a regular basis by an individual separate and distinct from posting cash receipts.
- 6) The bookkeeper should provide reports for cash exchange activities, such as field trips, to ensure the proper amounts have been collected and deposited to meet these obligations. All such events should be pre-approved with costs outlined and supported by funding of these costs – IE – the fifth grade is going on a field trip to the science center with a cost of \$10 per student for the bus and \$10 for admission to be covered by student payments.
- 7) Payments for tuition and fees should be logged on a revenue form like the ones included, with copies of checks or cash receipt supporting the log, for both control purposes and to assist in future reference.
- 8) All tuition billing for School, Pre-School and Aftercare should be billed through QuickBooks. As most PSR students pay in total at registration, the parish may elect to bill only those who have not paid in full through QuickBooks, as long as detailed schedules are prepared for PSR tuition and fees deposits. These schedules, plus a listing of those who have not paid in full, should be reconciled to class room rosters for completeness testing.

Cash Handling – Cafeteria Operations

- 1) All daily funds from lunch sales should be recorded on a revenue report and supported by a schedule or tape detailing sales.
- 2) All prepaid sales should be logged on a cafeteria revenue sheet, such as the one attached, which should be supported by check copies. Any miscellaneous receipts can be posted to this report and should be supported by documented description and check copies.
- 3) A daily log of ALL meals served shall be maintained for governmental purposes with these totals reconciled to deposited funds.
- 4) At the discretion of the school, the cafeteria may establish a small balance cafeteria petty cash fund for emergency needs.
- 5) With the exception of Sam's and small petty cash purchases, all bills should be paid through the parish accounts payable system.
- 6) Cafeteria workers shall be paid through the parish payroll.
- 7) Food and supply inventory shall be secured to limit any loss.

- 8) Any money that is collected from a vending machine should be compared to the cost of the product to refill the machine.

Cash Handling – Athletics

- 1) Parishes are encouraged to pursue online registration. While this greatly enhances internal controls vs walk up registration, many of these programs also allow for roster preparation, scheduling of work assignments and other tasks to be completed online as well.
- 2) If the parish elects to have walk up registration, several controls can be implemented to monitor properly cash receipts. The registration form should clearly indicate form and amount of payment. The form should be marked as paid by one volunteer and include a check # or “cash”. The check number or cash should be logged on a separate revenue report by a second individual. After the session has been completed, a tape shall be run for all checks and all cash and compared to tapes run from the registration forms, with any differences promptly reconciled. A deposit should be prepared and taken to the bank or secured in the parish safe. Parishes should not hold checks.
- 3) All deposits should be made promptly and intact.
- 4) After registration is closed, completeness testing should be performed to provide assurance that funds have been accounted for properly. The athletics organization shall provide copies of all rosters for a given sport, as well as a chart showing the number of participants by rate type – ie 1 child families, two child families, three child families, etc. The parish can compare the number of participants from the rosters to the number from the chart. This number should agree or differ in the amount of refunds for participants on rosters who have withdrawn, or for individuals on rosters without a payment due to family hardship, supported by approval, or a late registration supported by a deposit in transit and followed up until deposit hits the bank.
- 5) Under Canon Law, the pastor is responsible for all parish assets including athletics, it is important to have strong internal controls in athletics. ALL Athletics bank accounts are to be titled in the name of the parish, include the pastor as a signer on the account, and the monthly statement shall come directly to the parish office for pastor review. Signature cards should be updated in a timely manner for any change in officers.
- 6) Record retention for all athletics activities shall comply with the parish standard, a summary of which has been included.
- 7) Additional controls should include, dual signatures for all athletics checks over a set amount, proper support and approval for all expenditures before payment is issued, and proper documentation for all funds received with timely deposit of these funds. At the end of each month, the president and treasurer should review the bank reconciliations for each account as well as the financial reports for athletics with comments on performance or irregularities passed on to the pastor.
- 8) Cash receipts for concession stand operations should be deposited intact and promptly, with deposits agreeing to a cash register sales report if available. A separate log should be maintained for the nightly close documenting the amount of funds on hand.

- 9) The cash drawer should have a set starting amount for change purposes and these funds should be returned separately from the sales deposit.
- 10) Athletics should have a written procedure on securing undeposited funds in the parish safe or locked location until the earliest possible date of deposit.
- 11) The concession stand operation should have a budget for sales and costs with actual vs budget analysis conducted on a regular basis.
- 12) All inventories for the concession stand shall be purchased by check at a location such as Sam's or processed through the parish accounts payable system. All inventory purchases should be supported by receipts, with these receipts reviewed and approved by the athletics president and treasurer on a regular basis.
- 13) All referees shall be paid through the parish, by check, as independent contractors with 1099's supplied for those making over \$600 per year. Proper information should be gathered from individuals such as name, address and social security number in advance to avoid problems at year end. Cash payment of officials is prohibited.
- 14) Athletics should take proper steps to secure inventory and equipment to reduce loss.
- 15) In the case of tournaments held locally, Athletics should make timely deposits of entry fees and pay costs by check. A SMALL petty cash bank may be established for such an event with signed receipts for each disbursement. Proper planning should go into securing funds for t-shirt sales or other cash receipts that may occur outside of normal office hours.

Cash Handling – Organizations

- 1) Every bank account shall be titled in the name of the parish, have the pastor as a signer on the account, and the month end statement shall be mailed directly to the parish office for review and approval by the pastor. After this approval occurs, the original statement is sent to the bookkeeper for reconciliation with a copy sent to the organizational treasurer.
- 2) The activity of EVERY organizational bank account shall be recorded in detail in QuickBooks so as to provide a complete and accurate financial picture of the parish.
- 3) Under Canon Law, the priest is responsible for all assets of the parish, including those of parish organizations. The system of controls covers organizational activity as well. Organizational treasurers shall use revenue and expense forms to detail properly the nature of organizational activity. This will allow for proper review of organizational activity as well as proper accounting for the activity. The Archdiocese allows for the netting of fundraising costs against fundraising revenues, so proper explanations are essential for proper recording. Parish organizations should set up teams to track fundraising activities, with multiple individuals involved in preparation of timely deposits, and compilation of data for the activity. Complete and detailed revenue sheets and expenditure information are a minimum requirement for accurate financials. Organizations should require dual signatures for expenditures over a certain amount and should ensure proper approval and documentation for all expenditures before payment is issued.

- 4) All deposits are to be made timely and intact. Removing undeposited cash from proceeds to pay bills is prohibited.
- 5) At the end of every month, the president and treasurer of each organization shall review the organization bank reconciliation(s) as well as the financial reports for the organization with any comments on performance or any concerns on irregularities passed on to the pastor.
- 6) Organizations should plan in advance on how to best secure cash receipts generated from fundraisers occurring after normal business hours. The use of the parish safe and prompt deposit of these funds should be central to this plan.

Scrip Programs / Festivals

- 1) Scrip is the equivalent of cash and thus should be afforded a strong set of internal controls.
- 2) All scrip activity shall be recorded in QuickBooks in detail.
- 3) Scrip should be secured in the parish safe outside of periods of sales and should not be removed from the parish.
- 4) Scrip reconciliation should occur at the parish. Reconciling inventory at the home of a volunteer is prohibited.
- 5) Inventory should be reconciled weekly to ensure that beginning inventory plus inventory purchases less sales equals ending inventory and agrees to the asset balance in QuickBooks.
- 6) The inventory should be counted at the end of each month by a person independent of the program.
- 7) The parish should prohibit sales on credit.
- 8) The parish should manage inventory levels to avoid excess inventory on hand, as some cards have reducing value over time. Inventory levels are a bit higher in November and December for Christmas sales, but should be reduced in slower months such as summer break.
- 9) Scrip should maintain a separate bank account, using the federal employer identification number of the parish, with the pastor listed as a signer with the bank statement mailed directly to the parish office. This account shall be reconciled in Quickbooks on a monthly basis as part of the month end process.
- 10) An appreciation gift of scrip for any employee of the parish is the same as cash and is viewed as compensation, whether this scrip is paid for by the parish checking account or covered by an organization.
- 11) In the case of parish festivals, we strongly encourage the use of tickets as opposed to cash at multiple sites. This limits the locations accepting cash and thus reduces parish risk. Cash should be picked up by a team of two on timely intervals throughout the day and brought to a secure area to be counted. The event planners should plan on securing all cash during the event with timely deposit soon thereafter. The planners should pay as many costs as possible before and after the event by check, with a cash bank set up in advance for any event day costs. All deposits should be made intact.

Conclusion

While we cannot build an absolute system of internal controls, we can establish policies and procedures with oversight of these procedures greatly reduce our exposure to loss. The essential elements include proper segregation of duties, complete and detailed entry of all transactions in QuickBooks, proper record retention, timely reconciliation and preparation of financial reports with a critical review of an engaged finance council. The system should be evaluated on an annual basis with training provided to new organizational volunteers and parish staff members as needed. Internal controls require a team effort to provide maximum benefit.