

ROMAN CATHOLIC ARCHDIOCESE OF ATLANTA BEST PRACTICES FOR PARISH AND SCHOOL ACCOUNTING

Goals and Objectives:

It is the goal of the Administrative Offices of the Archdiocese of Atlanta to assist the management of the parishes and schools with implementation and maintenance of a system of internal controls. The objectives of a proper system of internal controls are to provide a reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Protection of assets
- Compliance with applicable laws and regulations

Every system of internal control has inherent limitations including the following:

- Mistakes and human errors in applying the established policies and procedures
- Circumvention of controls by collusion of two or more people
- Intentional disregard of controls (management override, forgery, etc.)
- Cost. Common sense dictates that the cost of controls should never exceed the potential benefit.

The Archbishop of the Archdiocese of Atlanta expects each parish, mission and school to implement the Best Practices or adequate alternative procedures that effect proper internal control. Requests for major internal control exceptions should be directed to and approved by the Archbishop or delegate in writing.

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GOVERNANCE

1. A Finance council must be established for parishes/missions. A Finance committee must be established at regional schools as subcommittee of the advisory council. Finance councils/committees should establish bylaws, meet at least quarterly, and generate and retain official minutes. Note: See Archdiocesan Parish Finance Council Guidelines and Archdiocesan Office of Catholic Schools Policy Manual for more information.
2. Finance council/committee members serve in a financial advisory/oversight capacity and should not have conflicting business interests and should not serve in conflicting positions such as usher, counter, business manager, bookkeeper, etc. Members should be independent of the activities they are overseeing.
3. Parish finance council should assist in the timely submission of the Year End Parish Certification Letter to the Archbishop. The form letter is included in Appendix 2 of the Archdiocesan Parish Finance Council Guidelines and is due within 90 days of the end of the fiscal year. Pastor, appropriate staff member e.g., business manager or bookkeeper, and finance council members should certify via the letter that: year-end financial statements were made available to parishioners; to the best of their knowledge, the financial reports accurately reflect the financial condition of the parish; finance council reviewed and approved the financial statements; none of the individuals know of any credible reports of fraud, abuse or misappropriation not reported to the Archbishop or his staff, of financial fraud, abuse, or misappropriation; and none of the individuals, or any members of their families, have engaged in any activity with the parish from which they could personally benefit and be considered to have a conflict of interest without fully disclosing the conflict to the pastor and to the full finance council. Additionally, the letter should include: the names and occupations of the members of the finance council; the dates on which the finance council met during the year; copies of the most recent fiscal year-end published financial statements and the current fiscal year annual budget; and the signatures of the pastor, staff member, and finance council members attesting to the above items.

FINANCIAL REPORTING

1. Canon Law requires each parish/mission to provide, at least annually at fiscal year end, a financial accounting of all income and expenditures to the parishioners.
2. Financials should be closed and published for internal use monthly. Pastor, administrator or principal should review and approve and date financial statements before they are published and approved financial statements should be retained. All parishes, missions and schools should provide the approved financial statements to the Archdiocesan Finance Office monthly. Statements may be sent to the Finance Office by uploading the month end files to the FTP site, e-mailing the file or sending a hard copy.

3. Bookkeeper should document/explain all journal entries. Journal entries should be approved before financial statements are published; pastor, administrator, or principal should initial and date journal entries evidencing approval, and approved journal entries should be retained.
4. Bookkeeper should provide monthly financial information to individuals in leadership position of department/ministry/organization: e.g., transactions booked to revenue and expense accounts and performance against budget.
5. Once closed, the financial periods should not be reopened. Contact the Archdiocesan Controller for exceptions.

CASH RECEIPTS

General Guidelines

1. Two persons should always control money.
2. Every parish and school should own a drop safe that is securely attached to the building in an inconspicuous but accessible location. Money collected from all sources should be placed in the drop safe.
3. Access to open the drop safe should be limited to the pastor, parochial vicar, administrator or principal. Another person without cash handling responsibilities can be appointed as backup in the event that the aforementioned persons are unavailable. The safe combination or lock should be changed periodically.
4. Two persons should be present whenever the drop safe is opened. A log should be kept at the safe and both individuals should sign and date the log when the safe is opened. If two keys are required to open the safe, two persons should control the keys.
5. Pastor, administrator or principal should consider installing payment box to prevent miscellaneous monies from being received in an unsecured manner e.g., under office door or handed to individuals in hallway, parking lot, etc. Payment box should be clearly labeled "For checks only." and physically secured to facility. Only pastor, administrator, principal or designated back up individual should open payment box with a witness and both individuals should sign/date log at box. Receipts should be removed from payment box daily and two people together should log receipts.
6. Tamper-resistant and tamper-evident envelopes or bags should be used for all collections and internal remittances, with or without prepared deposit slips. Money should not be dropped in the safe without first being placed in a bag. Tamper-resistant and tamper-evident envelopes should be numbered and controlled by someone not handling money. Unsecured paper envelopes and plastic, canvas, zippered or key-locked bank bags should not be used.

7. To achieve proper segregation of duties, the bookkeeper and other record keepers should not receive, handle, or have access to money.
8. Bookkeeper should list all deposits separately on a deposit summary/recap sheet by type: e.g., offertory by Mass, by collection and by miscellaneous receipts. Individual deposits should be combined into two deposits (cash and checks) or one large deposit, if bank separately identifies amount of cash deposited on bank validated deposit documentation.
9. For safety purposes, a security service should be considered to transport money to the bank for deposit. If not, two individuals should travel to bank in same vehicle and make deposit together achieving dual control.
10. Receipt of money should be properly documented and acknowledged via pre-numbered receipt tickets, statement and/or letter. Cash receipt procedures should be established in writing and implemented at each parish or school.

Offertory Receipts

1. Immediately following the collection, two ushers together should remove receipts from baskets, place receipts into tamper resistant and tamper evident moneybags, sign the bag log and seal of moneybag, and place moneybag in the drop safe. Ushers should not sort or precount collection. Money counters will do this. Note: Prior to the weekend, an appointed person should note bag numbers on a bag log and counters should account for the bags before counting.
2. Pastor/principal should appoint at least three volunteers to count the money. Care should be taken to choose counters who are detail oriented and capable of using an adding machine. Counters should be independent of other conflicting duties: i.e., usher, bookkeeper, record keeper, finance council member, etc., thus achieving a proper segregation of duties. Counters' duties should be rotated periodically. One volunteer should be appointed as lead counter to liaison with office staff.
3. Bookkeeper should supervise the volunteer money counters. Supervisor's role includes monitoring counters, answering questions, ensuring proper documentation and accuracy, assisting in deposit preparation, but not counting. Lead counter could supervise if properly trained and controls implemented.
4. If possible, collection should be counted on Mondays in a controlled, secure environment capable of being locked. Windows should be covered for security purposes. All counters should sit at one table facing one another. All counters should be present and ready to count before the money is retrieved from the safe. Counting on Sunday is not recommended because the environment is generally chaotic and the count is rushed, resulting in errors.
5. A batch processing system should be used to count receipts as it is easier to identify errors when counting in the smallest batch possible. Counters should sort by Mass

and collection and further by envelope checks, envelope cash, loose checks, and loose cash.

6. A count sheet should be used to document count. A separate count sheet should be used for each Mass and collection. Note: Small second collections could be counted in aggregate for all Masses.
7. Count sheet should include space for Mass date and time, count date, and counters signatures. Total cash, checks, and amount collected should be documented. Count should be further documented by total envelope checks, envelope cash, loose checks, and loose cash. Total number of checks counted should be documented for envelope checks and loose checks. Envelope cash and loose cash should be documented on count sheet by currency and coin denomination.
8. Count sheets, parishioner envelopes, etc. are official church documents. Count sheets and notations on envelopes should be completed in ink. Count sheets, parishioner envelopes, etc. should be neat/free from errors and any changes should be initialed/dated/explained.
9. Two people should count each Mass/collection achieving dual control. One person should count/document envelope checks and envelope cash and second person should count/document loose checks and loose cash, and then they should verify each other's count. Both counters should sign count sheet evidencing dual control.
10. Counters should open each parishioner envelope, verifying amount received agrees with amount noted on envelope front. Counters should distinguish between cash/check received in envelopes and note cash or check amount and check number on envelope front.
11. Counters should restrictively endorse checks immediately, i.e., before beginning count. Bank endorsement stamp should list entity name, for deposit only, bank name, and bank account number.
12. Loose checks should be copied; however, no money should be removed from count room until accounted for. One counter should generate a calculator tape of loose checks and a second person should copy loose checks. Upon return from copier, a second tape should be generated ensuring no missing checks and effecting dual control. Small, portable copier should be considered for count room so that checks do not have to be removed.
13. Deposit should be prepared in count room with lead counter and/or other counters present. Deposit should not be removed from count room until placed in a tamper-resistant/tamper-evident moneybag.
14. Under federal banking law requires banks to complete a Currency Transaction Report for all cash deposits of \$10,000 or more. Although cash deposits of this magnitude are rare, before the money is taken to the bank by either armored car or individuals in a private vehicle, the Archdiocesan Finance Office should be contacted for assistance

on information banks need to complete their report. Under no circumstances should the money be taken to the bank and left there without being processed.

15. Record keeper should be appointed to post receipts to Parishsoft. Record keeper should be an employee or volunteer who does not have conflicting duties: i.e., usher, counter, bookkeeper, finance council member, etc., thus achieving a proper segregation of duties.
16. Contributions posted to Parishsoft should be balanced to count data in detail and total. Record keeper should post contributions to Parishsoft by Mass/collection in the following batch order: envelope checks, envelope cash, loose checks, and loose cash. Upon completion of posting, record keeper should export Parishsoft data to Excel by Mass/collection. Record keeper should use Excel to total data in detail by the four smaller batches and agree the posted and count totals by the four smaller batches. Record keeper should print the Excel posting report as supporting documentation. Record keeper should also print the Parishsoft batch summary query report listing all batches and date closed. Bookkeeper should supervise record keeper, ensuring compliance.
17. Receipts should be posted in a timely manner: i.e., within two to three days of collection. Record keeper should post from records of receipts: i.e., parishioner envelopes, loose check copies, and count sheet and not the physical cash, check, money order, etc.
18. Record keeper should close batch immediately upon completion of posting/balancing and generate weekly Parishsoft Batch List, which should be attached to count/posting documents evidencing timely opening/closing of batches. Bookkeeper should review Parishsoft Batch List weekly ensuring timely opening/closing of batches.
19. Independent party such as pastor/administrator or delegate should ensure amounts counted, deposited, and posted agree. Immediately following count, original count sheets should be handed to independent party, who should compare amounts to bank-validated deposit documentation and Excel posting reports. Independent party should initial/date deposit summary/recap sheet evidencing review. Material differences should be investigated.
20. Management should monitor fluctuations in offertory, especially cash. Data from weekly collections should be transferred to an Excel spreadsheet and reported by the four small batch categories of envelope checks, envelope cash, loose checks, and loose cash. Large or unusual fluctuations should be investigated.
21. Parishioner offertory envelopes should be retained for two years and then shredded. Other records of receipts should be retained in accord with record-retention guidelines.
22. Offertory cash should not be exchanged for split checks, Mass stipends, etc., as the cash cannot be properly accounted for when agreeing count, deposit, and posting data. Cash collected should be deposited intact. Counters should count/document

split checks as a separate batch. Mass stipends should be recorded separately along with other miscellaneous receipts, deposited, booked as a liability, and paid via payroll, not accounts payable and not cash.

23. Deposit summary/recap sheet, bank-validated deposit documentation, count sheets, and Parishsoft/Excel posting reports should be attached together and filed by month/week.
24. Statements should be mailed to all parishioners at least annually regardless of contribution amount. Someone other than record keeper should generate/issue statements and field questions.
25. Second collection contributions received before or after original date of collection should not be recorded as regular offertory: i.e., counters should always honor donor's request regardless of date or amount received.
26. All diocesan second collections should be remitted to the Archdiocese via check within 30 days of collection date. Parish/mission may not retain an amount as an administrative handling fee.
27. All parish-specific second collections should be approved in writing by the Archbishop before scheduled. Second collections should not be regarded as free from assessment unless pastor/administrator requests and obtains approval from the Archbishop in writing.
28. Offertory should be booked as revenue on general ledger. Only the Archbishop-approved second collections should be booked as exchange.
29. Offertory receipt procedures should be established in writing and implemented at each parish/mission.

Miscellaneous Receipts

Miscellaneous receipts include all monies received via mail and walk-ins by clergy, employees and volunteers in all parishes, schools, ministries, departments, organizations, etc.: i.e., all receipts other than those received through the offertory collection process.

1. Miscellaneous receipts should be processed in one, consistent manner.
2. Cashiers should be designated as those individuals authorized to receive money on behalf of the Church. Receipt books, bank endorsement stamps, cash box, and other appropriate supplies should be provided to cashiers as necessary.
3. Receipt books should be prenumbered/preprinted with parish, mission, or school name. Generic receipts should not be used. Receipts should be used to acknowledge receipt of money and assist in the reconciliation of revenue.

4. A receipt should be provided anytime money changes hands to record the transaction, regardless of payment type: i.e., cash, check, money order, and credit card. However, a receipt may not be necessary if the receipt of money will be acknowledged in some other manner: e.g., statement for tuition or letter for donation or it is an event where another method can be used to account for the money received. For sporting events, dances, etc., prenumbered tickets can be used and accounted for/reconciled after the event: e.g., cashiers at the event are issued tickets in series 1 to 100 and if 50 tickets are sold at \$5 each, the remittance should be \$250 and a reconciliation form should be used to document/evidence that the entire amount was remitted.
5. Receipt books should be periodically collected from cashiers and the receipts traced to deposit with receipt ticket initialed and dated evidencing it has been accounted for.
6. Cashiers should restrictively endorse checks immediately upon receipt.
7. Remittances should be properly documented. Cashiers should create a cash journal or log, which is an automated or manual spreadsheet listing name, cash/check number, amount/date received, and purpose. Cash journal should be remitted with receipts supporting remittance.
8. Income Remittance Form (IRF) should be generated for all internal remittances. IRF should be prenumbered/preprinted with parish/school/mission name. Cashiers should complete IRF in ink, noting total cash/checks remitted, date/type of remittance, and signature. Cashiers should place IRF, receipts, and cash journal in tamper-resistant/tamper-evident moneybag and drop safe daily. Cashiers should provide a copy of IRF to a third party, who should be the business manager, administrative assistant, or other individual not directly involved in processing receipts, at time of remittance and keep a copy for their records. Third party should compare IRF copy to deposit documentation, initial/date IRF evidencing agreement, and provide copy of IRF to cashier as a receipt and evidence of deposit.
9. Parish and mission volunteer money counters should process for deposit all miscellaneous monies received during prior week. School employees or volunteers should process monies for deposit in a dual control environment under business manager's supervision.
10. Record keepers should maintain automated financial receipt records employing only diocesan approved software. Volunteer organizations should use Excel at a minimum.
11. To effect a proper segregation of duties, the two functions of cashier and record keeper should be performed by two different people. Record keepers should not both receive money and post receipts. Record keepers should post from receipt records generated by cashiers: e.g., cash receipt book, cash journal, or other appropriate receipt documentation and not the physical cash item. One individual can be appointed as record keeper in each parish/mission/school and post all receipts or record keepers can be designated in each department, ministry, or organization,

depending on the transaction volume and available resources. Receipts should be posted to the automated financial record-keeping system in a timely manner.

12. Independent party such as pastor, administrator, principal or his delegate should ensure agreement between general ledger and receipt records.
13. Record keeper should record stock donation at gift value, which is mean value on donation date. Bookkeeper should record revenue at gift value and compare gift value to liquidated value, as reported on broker confirmation, and book the difference as a gain or loss on sale of stock.
14. Record keeper should record the fair market value of material in-kind donations. Tax letter should acknowledge only date/description of goods donated and standard tax verbiage. Copy of tax letter should be retained. Bookkeeper should record fair market value on general ledger via journal entry: i.e., capitalized asset or expense debit and revenue credit for same amount with zero net effect on books. Note: Only the fair market value of donated goods should be recorded; i.e., the value of services rendered is not tax deductible and should not be recorded or acknowledged to donor.
15. Miscellaneous receipts should be booked to proper general ledger account: e.g., revenue or liability. Receipts should not be booked as credits to expense. Bookkeeper should reconcile general ledger accounts in writing periodically ensuring accuracy. Pastor, administrator or principal should approve reconciliation in writing.
16. Pastor, administrator or delegate should contact the Archdiocesan Finance Office to determine what type of receipts are assessable versus non-assessable and what type of receipts should be recorded as revenue versus exchange to maintain consistency.
17. Prepaid tuition, registration, etc. for schools, preschools, religious education, etc. should be recorded as deferred revenue. If the fee is to hold a spot, then it should be deferred. If tuition will be reduced by amount of fee, then it should be deferred. All prepaids should be reconciled and approved in writing.
18. Pastor, administrator or principal must approve all fundraisers.
19. Statements acknowledging receipt of various miscellaneous monies should be provided to parishioners or parents throughout the year. Payments for day care should be acknowledged at calendar year end. Tax-deductible donations received by parish or school organizations should be recorded on the books of the parish or school and acknowledged by the parish or school. For donations over \$75, the donation amount and the fair market value of any benefits received should be acknowledged in tax letter to donor. The parish or school organization received its tax status from the parish or school. The record keeper should not generate the statements or field questions from those receiving the statements.
20. Miscellaneous receipt procedures should be established in writing and implemented at each parish or school.

Reconciliation of Expected Revenues

1. Expected revenue should be reconciled. The automated financial records maintained by record keepers should include amounts owed (expected revenue), amount paid, and amount due by each family or individual. Record keepers should provide the bookkeeper with a copy of rosters, registration forms and other receipt documentation to aid in the reconciliation/verification process. Bookkeeper should meet periodically with record keepers and reconcile expected revenue in writing. Bookkeeper should compare general ledger records to record keepers' receipt documentation ensuring all money expected has been properly collected, remitted or otherwise accounted for. Expected revenue should be reconciled for each revenue-generating event: e.g. building fund, fundraisers, summer camps or programs, etc. Material differences should be investigated and resolved.
2. Waivers of payment for scholarship or financial hardship or other exceptions, including refunds, should evidence proper approval. Record keepers should present a list of families/individuals recommended for waiver with the reason to the pastor, administrator or principal for approval. Record keepers should not approve the waivers.
3. For building funds, annual funds or other capital campaigns involving pledges, contributions in excess of the pledged amount or without a corresponding pledge should not appear as credits. This understates the receivable. The pledge should be increased to the amount of the overpayment.
4. For school bookstores, concessions and cafeterias, parish gift shops and other similar operations with inventories, the bookkeeper and operation manager should meet monthly and reconcile the sales per operation to the general ledger. Sales should be verified in writing. Inventory should be conducted at least annually, documented and retained. Bookkeeper should conduct inventory spot checks periodically throughout the year.

Pass-through Donations

1. Pass-through donations are receipts given by a donor to one charity with specific instructions that they be sent in whole to another charity. The receiving charity has no control over how the receipts are spent, should not recognize the receipts as revenue, and should not acknowledge the tax deductibility of the donations to donor.
2. For U.S. charities, the final recipient of the donation should acknowledge the tax deductibility of the donation. Donations to foreign charities that have no U.S. affiliation are not tax deductible. Examples of pass-through donations include those to the local chapter of St. Vincent de Paul Society and Habitat for Humanity as well as to foreign-based charities such as Peter's Pence and sister parishes in Latin America.
3. St. Vincent de Paul Society, Habitat for Humanity, and other local charity receipts should be collected under dual control and properly safeguarded until remitted to

charity representatives for deposit, posting, and tax acknowledgement, as they are separate, legal charities.

4. Peter's Pence donations should be posted, but the tax deductibility should not be acknowledged because they are to be sent to a non-US based charity.
5. Donations to other foreign-based charities should be reviewed on an individual basis. The donations should be made to a U.S.-based charity affiliated with the foreign charity and the U.S. affiliate should acknowledge the tax deduction and forward the donations on to the foreign charity. However, if the parish/mission specifies how the donated funds will be spent and verifies/evidences that the monies were spent as specified, then the parish/mission can serve as the U.S. affiliate and acknowledge the tax deductibility. Receipts collected and remitted to the foreign charity without control over how they will be spent are not tax deductible.

Electronic Giving Donations

1. Electronic Giving (E-Giving) or electronic funds transfer is accomplished via the Automated Clearing House (ACH) and parish, mission, or school should implement proper safeguards. Overview: Parish, mission, or school representatives should establish E-Giving through a third party. Third party should provide parish, mission, or school with written procedures describing E-Giving security, fee structure, and donation receipt, reporting, deposit, debit cancellation, etc. Third party should provide reports online listing donor name and donation type, amount, and date. Bookkeeper should confirm ACH deposits online and via bank statement. Bookkeeper should print third party-provided documentation supporting deposit and post amounts to general ledger (Logos, Blackbaud). Record keeper should post donations from third party-provided documentation to subledger (Parishsoft, Blackbaud). Bookkeeper should ensure general ledger and subledger agree. Independent party such as pastor, administrator, or principal and finance council/committee member should review E-Giving documentation supporting deposit and financial recordkeeping for propriety.
2. Parish, mission, or school should establish E-Giving via secured website operated by third party.
3. Donor should contact parish, mission, or school business office for E-Giving instructions.
4. Donor should complete form including name, address, member identification number, and bank information including account number and donation date(s), frequency, and amount to be debited from account. Note: Donor may be able to complete form online via parish, mission, or school website.
5. Donor should remit form directly to third party, or if that service is not available, to bookkeeper, who enters information on third party's secured website.

6. Third party should create reoccurring file for each debit date(s) containing donor's name and amount of donation and total deposit to parish, mission, or school.
7. Bookkeeper should properly secure donors' forms containing confidential bank information onsite at parish, mission, or school in locked safe or filing cabinet that has limited access. Note: Parish, mission, or school bank account number should not be disclosed to donors.
8. Donor should contact third party directly for any changes e.g., to cancel automatic debit, stop payment, etc., or if service not available, contact bookkeeper, who should document all changes to donor's ACH records and pastor, administrator, or principal should approve and date all changes. Documented changes should be retained evidencing timeliness of approval.
9. On a weekly basis, bookkeeper should access third party's website and print the ACH reports for the files supporting amounts credited to parish, mission, or school bank account during the previous week.
10. Bookkeeper should create a weekly Excel spreadsheet summarizing the individual files and ACH amounts credited that supports the amounts recorded on the general ledger and deposited per bank statement.
11. Bookkeeper should include the total weekly ACH deposits by type on the weekly deposit summary sheet below the amounts manually deposited by cash and check.
12. Recordkeeper should post ACH donations weekly to Parishsoft or other software as a separate batch directly from the documentation generated by the bookkeeper from the third party's website.
13. Bookkeeper should file all ACH reports and Excel spreadsheet noting Parishsoft batch number weekly with other receipt documentation.
14. On a weekly basis, pastor, administrator, or principal should ensure ACH receipts per weekly deposit summary sheet agree with supporting documentation i.e., ACH reports and Parishsoft or other software reports.
15. On monthly basis, in conjunction with review of bank reconciliations, independent party such as finance council/committee member should ensure ACH deposits per bank statement agree with supporting documentation i.e., weekly deposit summary, ACH reports, Parishsoft or other software reports, and general ledger.

Remote Deposit Capture (RDC)

1. RDC can be used to safely and conveniently deposit checks electronically into Wachovia bank accounts. An RDC scanner should be purchased through Wachovia or other financial institution and software is easily installed on a designated, internet ready personal desktop computer.

2. Wachovia bank account numbers will be downloaded onto computer as part of software configuration process. Scanner is plugged into computer's USB port.
3. Personal, business, treasury, and traveler's checks and money orders can be deposited, as long as all items are payable in U.S. dollars and drawn on U.S. banks. Foreign currency items are not eligible for RDC.
4. RDC has safeguards and controls built into the system to safely and securely scan and transmit deposit such as user identification and security password protection, batch processing, digital imaging of front/back of check, automatic on screen listing of checks deposited, automatic balancing of deposit, and automatic error and duplicate check detection. Wachovia customer support is available for assistance.
5. Goal is to achieve and evidence dual control throughout deposit process. Checks should be restrictively endorsed immediately upon receipt.
6. Deposit should be prepared before RDC process begins. One individual such as volunteer money counter or delegate removes all staples, paper clips, and rubber bands from checks, generates calculator tape listing of checks to be deposited, and records total dollar amount and number of items to be deposited on count sheet, deposit summary sheet, or other original documentation, which is handed to a second individual such as pastor, administrator, principal or delegate.
7. Original checks and calculator tapes should be handed to lead volunteer money counter or bookkeeper, who manually enters total amount to be captured (batch total) into computer creating virtual deposit ticket and scans checks. The system reads the numeric and written check amount and notifies individual of any discrepancies.
8. When individual has corrected any reading errors on screen and system's automatic total balances with the manual batch total entered, individual should transmit deposit and generate deposit confirmation listing deposit total and number of items transmitted. Note: System should automatically send an email confirmation including processing date and deposit total to designated individual(s) such as pastor, administrator, business manager, principal or delegate, who agrees deposit amount and number of items deposited with original count sheet or deposit summary sheet and prints/attaches email confirmation.
9. Detailed deposit report should be printed and bookkeeper should securely store the scanned checks with the detailed deposit report for future reference. Bookkeeper is responsible for preventing any scanned, original check from being redeposited.
10. Scanned checks should be stored in locked filing cabinet in secured room with limited access for as long as necessary for business purposes and then destroyed via shredder. Copy of detailed deposit report should be attached to/filed with count documentation.

ACCOUNTS PAYABLE

1. Before checks are prepared, the invoices should contain written evidence of receipt of product or service and appropriate approval. Clergy, employees and volunteers incurring business-related expense should sign and date check request, invoice, etc., indicating that the goods or services were received in satisfactory condition. Each individual's supervisor should approve payment of the expense and initial/date document evidencing approval. Individuals in leadership positions in departments, ministries, or organizations should not approve their own expenses.
2. After checks are prepared, the documentation supporting a check should be attached to each check and presented to check signer, who should review completed check and attached documentation for propriety before signing check. All supporting documentation should be attached to the copy of original check and filed in vendor files.
3. Only pastor, administrator or principal should sign checks. However, in the event of an emergency, one back-up check signer should be designated: e.g., parochial vicar, deacon, assistant principal, finance council chairperson or other individual in position of authority. Bookkeepers and other individuals who maintain financial records, reconcile bank accounts, etc., should not have check-signing authority, as these are conflicting duties and unauthorized disbursements could go undetected. The use of rubber signature stamps for check signing is strictly prohibited.
4. Advance planning is required for vacations and other times when check signer(s) are scheduled to be out of the office. A completed check can be signed and held until due. Blank checks should be secured and under no circumstances should blank checks be signed.
5. All disbursements should be made by check except if from petty cash. Under no circumstances should disbursements be made from undeposited funds. All check disbursements should be made out to a specific party. Under no circumstances should a check be made payable to "Cash".
6. Under no circumstances should a check be made payable to "Petty Cash". Payments to establish or replenish petty cash accounts should be made payable to the individual responsible for administering petty cash. To effect a proper segregation of duties, someone other than the bookkeeper should administer petty cash, which should be properly secured. Petty cash administrator should submit original petty cash receipts monthly or as necessary to bookkeeper, who should reconcile petty cash in writing before replenishing account.
7. Cash disbursements activity should be recorded in the financial records at least weekly, preferably daily. The disbursement should be recorded to the appropriate general ledger account. All disbursements must evidence approval and proper supporting documentation (i.e., invoices and receipts).

8. A minimum of three competitive bids should be obtained for all major expenditures for goods and services. Pastor, administrator or principal should determine what constitutes a major expenditure. Competitive bids should be documented and retained.
9. Capital expenditures above a certain limit require prior approval from the Archdiocesan Finance Office. Catholic Construction Services should be consulted on any capital project, including repairs and maintenance.
10. Purchase Order (PO) system should be instituted for high dollar purchases to aid in cash management and budgeting. Pastor, administrator or principal should establish a dollar limit above which a PO is required to place an order for goods and services. Purchaser should complete PO and pastor, administrator, principal or his delegate should approve and date the PO. PO is an official document and should be prenumbered/preprinted with the parish or school name. PO should be monitored/tracked.
11. Expense reports should be used to claim reimbursement of out-of-pocket business expenses. Clergy, employees and volunteers should complete an expense report, attach original receipts, and submit documentation to supervisor, who should review documentation for propriety, approve and date expense report, and submit documentation to business office for payment. Expense report should be used to clearly distinguish expense payment from compensation payment.
12. Expense reports should be used to claim employee expenses charged on business credit cards. Payments to business credit card companies should not be made from monthly statements without receipts to authenticate the expenditures as Church-related. Clergy, employees and volunteers should submit expense reports to their supervisors detailing the date, amount, and reason for the expenditure. All original receipts should be attached to expense report and supervisors should review, approve and date expense report before submitting for payment.
13. Business credit cards issued in the name of an employee should be used to charge business expenses incurred by the individual on behalf of the parish, mission or school. Personal expenses and general expenses such as parish, mission or school utilities should not be charged to the individual's business credit card.
14. Check request forms should be used to document description and approval of expenditures when an invoice, receipt, or other appropriate document is missing or not available. Note: Expenditure should be disallowed if proper documentation is not provided.
15. Advances to clergy, employees or volunteers for business trips, fundraiser cash bank, etc., should be established on general ledger as accounts receivable in individual's name. Receivable should be eliminated upon return of funds and/or proper documentation. The purpose and approval of advance should be documented on expense report, check request, or other appropriate document.

16. Payments to clergy, employees or volunteers for business use of personal vehicles should be properly documented. Priests have a choice of claiming actual (not estimated) business miles at the approved mileage rate or 80% of actual auto expenses. If expenses are claimed, priest should retain original receipts for gas, minor maintenance, insurance, taxes, etc., and attach the receipts to expense report when claiming reimbursement. If business mileage is claimed, priest, employee or volunteer should maintain proper documentation, which consists of a log or calendar indicating date, beginning and ending odometer readings, miles traveled, and purpose of each business trip, and attach documentation to expense report supporting total mileage claimed. The expense report and documentation should be submitted to the individual's supervisor for approval. Reimbursements for mileage should be paid via accounts payable and are not reportable to the IRS, if the employer requires proper documentation and pays the IRS-established business mileage rate. Reimbursement of auto expenses is compensation and should be included in priests' pay and Form W-2, Wage and Tax Statement, with taxes withheld. If priest decides to change from claiming expenses to mileage or vice versa, it should be done at beginning of new calendar year.
17. Dual control should be evidenced on fund transfers between bank accounts: i.e., documentation authorizing each transfer should include two signatures. Alternatively, funds can be transferred via check or electronically via computer using Wachovia Connection. For electronic transfers, after pastor, administrator or principal approves transfer in writing, one person should initiate transaction and a second person should execute transaction effecting dual control. Individual executing the transaction should be someone other than the person approving transaction and dual control feature should not be circumvented or overridden.
18. Unpaid invoices should be processed for payment in a timely manner.
19. Payments should be booked to proper general ledger account. Expenses should not be booked as debits to revenue.
20. Accounts payable procedures should be established in writing and implemented at each parish, mission or school.

BANKING AND BANK RECONCILIATIONS

1. Only one bank operating account should be established at each parish, mission or school.
2. All savings should be deposited in either an Archdiocesan deposit and loan (D&L) account or common fund account. All other savings/investment accounts are prohibited and should be liquidated/closed with funds transferred to operating account.
3. Approximately two months of operating funds should be kept in operating account with excess funds transferred to D&L account maximizing interest earnings.

4. All cash and investment accounts (operating, D&L, investment, volunteer organization, and petty cash) should be recorded on the general ledger of parish, mission or school. All other accounts maintained off the books for volunteer organizations, Mass stipends, etc. should be closed.
5. Written bank reconciliations should be performed on all cash and investment accounts in a timely manner. All bank accounts, including imprest accounts, and D&L accounts should be reconciled monthly. All common fund investment accounts should be reconciled quarterly. Petty cash accounts should be reconciled as necessary.
6. Outstanding checks that have not cleared bank for more than 90 days should be researched and voided and reissued, if necessary. There are escheat laws pertaining to unclaimed property that must be followed and parishes, missions and schools are subject to The Disposition of Unclaimed Property Act. Anyone holding abandoned property must remit it to the State when they have held the property for longer than the holding period. Bookkeeper must attempt to notify the owners (payees) of outstanding checks and retain copies of correspondence. After period of dormancy has expired (one year for wage-related checks and five years for vendor and other official outstanding checks), the unclaimed property must be reported to the State of the last known address of the owner. When the owner address information is unknown, incomplete or foreign, the holder organization reports unclaimed property to the Georgia Department of Revenue, Unclaimed Property Program. Bookkeeper must complete a report describing the unclaimed property/owner and remit a check payable to the State. Reporting year is 7/1-6/30 and report is due by the following November 1. Please see link for more information:
<http://www.etax.dor.ga.gov/ptd/adm/taxguide/ucp.aspx>
7. An Independent party such as finance council member should review all bank reconciliations monthly and initial/date the bank reconciliations evidencing timely review. Finance council member review should include agreeing deposit documentation to bank validated deposits, sampling cancelled checks and reviewing endorsement, reviewing miscellaneous deposit debits/credits, and ensuring old, outstanding items are resolved.
8. Hard copies of cancelled checks should be obtained for bank accounts if transaction volume is substantial. If bank will not provide hard copies, copies of both front and back of cancelled checks should be requested to allow for review of endorsement.
9. Bank reconciliation procedures should be established in writing and implemented at each parish, mission or school.

Volunteer Organization Bank Accounts

1. Volunteer organizations should not establish a bank account. However, if pastor, administrator or principal approves a bank account for volunteer organization, the bank account should be recorded on the parish, mission or school general ledger and

established as an imprest account, which has limited exposure. Note: The U.S. Conference of Catholic Bishops (USCCB) states that “The number of bank accounts should be strictly limited to those absolutely required. Obviously, the fewer accounts, the greater the control and the smaller the opportunity for errors or wrongdoing. All accounts should be opened in the name of an entity, never an individual. The mailing address should not be a private residence.”

2. Imprest accounts have a maximum balance, as determined by pastor, administrator or principal, and operate similar to a petty cash account. Imprest account should be used for incidental expenses only: i.e., all large disbursements should be made from the operating account.
3. Imprest accounts should be established using parish, mission or school tax identification number and pastor, administrator or principal should be an authorized check signer.
4. Receipts collected through fundraisers and other activities should be deposited into parish, mission or school operating account, recorded properly on the general ledger as exchange or other income/expense, if generating P&L for organization, and earmarked for organization and transferred to imprest account as necessary. Note: Excess funds should be transferred to a D&L account to maximize interest earnings.
5. Organization representative should submit disbursement documentation, including original invoices, receipts, check requests, etc. to bookkeeper, who should reconcile imprest account and transfer funds to replenish account.
6. Original bank statements for imprest account should be addressed to and maintained at parish, mission or school, as they are Church property and should be retained in accord with record retention guidelines.
7. Organization treasurer or representative should copy bank statement, reconcile bank account monthly, and submit reconciliation to bookkeeper for review.
8. Finance council/committee member should be assigned responsibility for a volunteer organization and each organization should prepare an annual budget.
9. Organizations should present a written financial report including sources and uses of funds and variance to budget quarterly to pastor, administrator or principal.

PAYROLL

1. It is critical that the employer correctly determine whether persons providing services are employees or independent contractors. Employer must withhold and pay taxes on wages paid to an employee. A general rule is that the employer has the right to control or direct only the result of the work done by an independent contractor and not the means and methods of accomplishing the result.

2. All applicable sections should be properly completed on employee forms including the federal Form W-4 and State of Georgia Form G-4 (Employee's Withholding Allowance Certificates) and federal Form I-9 (Employment Eligibility Verification). Every employee must have these forms on file. Employees and clergy should complete new forms when there is a change and original forms should be maintained on site at parish, mission, or school. I-9 forms should be filed together in one, separate file for all individuals.
3. Tax-related forms for independent contractors should be on file. All independent contractors must complete the federal Form W-9 (Request for Taxpayer Identification Number and Certification). Form 1099-MISC (Miscellaneous Income) must be filed to report payments of \$600 or more per calendar year.
4. Certificate of Insurance should be obtained directly from independent contractor's insurance company listing minimum of \$500,000 in general liability (preferably \$1,000,000), workers compensation, and the Archdiocese as an additional insured. If contractor does not have workers compensation listed on Certificate of Insurance, the total amount paid to contractor should be reported to the Archdiocese annually for inclusion in workers compensation premium calculation.
5. Employees should be properly classified. Part-time employees should not be expected to work full-time hours.
6. Pastor, administrator or principal should ensure domestics such as custodians, housekeepers, yard workers, babysitters (nursery workers), etc. are properly classified as W-2 employees eligible for related benefits. FICA is required to be paid if domestic is compensated more than \$1,600 per calendar year for 2008. Bookkeeper should report compensation paid to domestic on W-2, unless individual is the owner or employee of a legally recognized business with a business license, liability insurance, etc., in which case compensation should be reported on 1099. See IRS Publication 926 for more information.
7. Pastor, administrator or principal should identify qualified individuals to fill financial positions. Archdiocesan Finance Office is required to interview all candidates for finance positions before hired at all parishes, missions, and schools. Pastor or administrator should not perform the bookkeeping duties himself. Bookkeeping should be performed on site at parish, mission or school.
8. Pastor, administrator or principal should authorize the hiring of all employees and should provide all new employees with letters of employment indicating terms of employment and starting salary. Each employee's file should contain written evidence of the approved pay rate for that employee.
9. Parish, mission and school payroll should be processed through Paychex.
10. Employees should submit a timesheet to immediate supervisor for approval/date each pay period and bookkeeper should track vacation, sick and personal time.

11. Pastor, administrator or principal should approve payroll each pay period by reviewing and initialing/dating the Paychex prepayroll report prior to Paychex transmittal ensuring proper amount and rate paid to each employee. Upon payment, pastor should review and initial/date post payroll report ensuring total payroll amount was correct. Bookkeeper should retain approved reports.
12. The approved payroll register should be retained in accord with record retention guidelines. The payroll register should list the earnings for each employee and clergyman.
13. Payroll deductions should be listed as to type and totaled.
14. Employee paychecks should be generated bi-weekly versus weekly for efficiency purposes.
15. Cash should never be used to pay for services rendered. All clergy, employees, and independent contractors should be paid with a check or automatic deposit. Net payroll and taxes should be traced to the bank statement.
16. Payroll taxes should be withheld accurately and paid on time. Bookkeeper should review, initial and date the Paychex prepared Form 941, Employer's Quarterly Federal Tax Return, evidencing proper tax liability has been calculated and paid.
17. Payroll advances and other loans should not be paid to clergy, employees, independent contractors, parishioners, parents, etc., at the parish, mission or school level. Loan requests should be directed to the Archdiocese and paid out of the Assistance Fund.
18. Pastors, administrators, deacons, and religious receive the appropriate compensation as stipulated by diocesan guidelines. Parish, mission or school finance or other councils/committees do not have the authority to approve compensation for pastors, administrators, deacons, and religious.
19. Food allowance paid to priests is compensation and should be included in pay/W-2. Archdiocesan-approved food allowance guidelines should be followed. Note: Priests do not have to accept the Archdiocesan approved food allowance. However, amount paid by the parish or mission for groceries, meals, etc. is considered taxable income and must be included in priest's pay and W-2, unless amount is business related and properly documented with names of attendees and purpose of business meal listed on back of receipt, which should be retained and submitted with approved expense report.
20. FICA (Social Security taxes and Medicare taxes) should not be withheld on compensation paid to all ordained ministers, including deacons. If FICA is withheld, bookkeeper should file amended 941 for current tax year.
21. Deacons should be compensated via payroll with federal and state income taxes withheld but not FICA. Seminarian should be provided a letter (not 1099) advising

him of the taxable nature of payments for compensation, food allowance, etc. stating amounts paid either to him or on his behalf and indicating which amounts are to be included in income.

22. Pastor, administrator or principal should approve all salary and wage increases and bonuses in writing.
23. Regardless of amount, the IRS considers cash gifts and the value of gift cards/certificates or other similar items easily exchanged for cash as extra income. Bonuses, stipends, etc., paid to clergy, employees, independent contractors, and volunteers should be included in pay and W-2 with taxes withheld or 1099, as appropriate.
24. Deacons receiving a housing allowance should submit annual housing budget in December of each year by completing the request for housing allowance form.
25. All employees especially finance personnel should take entire annual vacation preferably one week at a time for internal control purposes.
26. For profit businesses providing private or group lessons or other goods or services such as gift shop are prohibited from operating on Archdiocesan property.
27. Payroll procedures should be established in writing and implemented at each parish, mission and school.

MISCELLANEOUS

1. Only Archdiocesan Finance Office approved accounting software (Logos and Blackbaud) should be implemented.
2. Parish preschools/day cares and school before and after school care programs are regulated by the State of Georgia. Note: Please contact Archdiocesan Office of Catholic Schools to ensure compliance with current State requirements.
3. Pastor/administrator/principal should exercise proper management control over volunteer organizations. Business, development, or other appropriate office personnel should liaison with volunteer leadership ensuring proper controls are implemented. Bylaws should be established that restrain volunteer control over funds. All funds raised on behalf of the parish/mission/school belong to the parish or school with whom the organization is affiliated. Funds raised are under management control from the moment of collection, not from the time they are transferred to the parish/mission/school, and bylaws should be written accordingly. Volunteer organizations should not operate autonomously and parish/mission/school authority over funds generated should be clarified both in writing and practice.
4. All records should be retained in accord with record retention policies and procedures, which can be found on the Archdiocesan website. Sacramental records should be kept in secured, fireproof safe or filing cabinet.

5. Potential conflicts of interest should be avoided: e.g., when hiring related parties or when business office personnel serve in financial leadership positions of related volunteer organizations/associations. For the protection of individuals as well as assets, management should ensure proper internal control over transactions involving related parties: e.g., neither party remits money or has a reporting relationship to the other and disbursements, including salary increases, are properly documented/approved. In matters involving related parties, it is important to go beyond fundamental internal controls and avoid even an appearance of impropriety.
6. Miscellaneous other procedures should be established in writing and implemented at each parish or school.

Note: The Archdiocese of Atlanta Best Practices document is a publication of the Archdiocesan Finance Office. It was originally published February 8, 2007 and revised December 28, 2008 and can be found on the Archdiocese of Atlanta website.