

# ARCHDIOCESE OF SEATTLE

## Section A

### PARISH ACCOUNTING POLICIES

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# **ARCHDIOCESE OF SEATTLE**

## **PARISH ACCOUNTING POLICIES**

### **I. ANNUAL REPORTS**

(A&F Section II)

1. Each parish and archdiocesan institution shall make an annual report to the Archdiocese.
2. Each parish shall issue an annual report, which illustrates the financial position of the parish at fiscal year end as well as a summary of all financial activity for that fiscal year, to parishioners.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### II. PARISH REVOLVING FUND (PRF) SYSTEM

(A&F Section III)

1. All parishes and archdiocesan institutions must participate in the Archdiocesan Savings and Loan System.
2. Parishes must deposit funds in excess of 45 days operating expenses into a PRF Savings account.
3. Parishes are permitted to have interest bearing checking accounts or combined checking/savings accounts, but are not permitted to have separate savings accounts, securities, or real estate.
4. To withdraw PRF savings, parishes must make a written request including the purpose of the withdrawal. The form is available through Parish Financial Services.
5. Parishes are not permitted to go to outside banks, other organizations or individuals for loans without prior approval from the Archbishop.
6. Requests for PRF construction loans should be addressed to the PRF Commission. Construction projects must be approved by the Archbishop and conducted in accordance with archdiocesan construction policies.
7. The PRF Commission may provide operation loans in case of temporary financial difficulty. Prior to request for an operation loan, the parish must meet with the Director of Parish Financial Services.
8. Parishes are responsible for repaying loans in accordance with the Loan Agreement.
9. PRF Savings and Loan Statements will be mailed quarterly and must be reconciled quarterly. Monthly statements are available on request from Parish Financial Services.

(See Section G of the Parish Accounting Manual for procedures related to PRF Savings and Loan accounts.)

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### III. PARISH CEMETERIES

(A&F Section IV)

1. A cemetery administered by a parish is considered a program of the parish.
2. The cemetery's operating financial records must be maintained separately from the general parish organization within the parish accounting system. Records must be maintained in accordance with Archdiocesan Administration and Finance Policies found within "Many Gifts, One Spirit."
3. The parish must maintain a Cemetery Care Fund in accordance with Archdiocesan Administration and Finance Policies.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### IV. INSURANCE

(A&F Section XII)

1. The Corporation of the Catholic Archbishop of Seattle (CCAS) maintains the Property and Liability insurance for Archdiocesan entities.
2. As specified in the Archdiocesan Administration and Finance Policies, individual parishioners, non-profit organizations or outside groups using archdiocesan facilities must either provide Certificate of Insurance coverage or purchase Third Party Coverage through Catholic Mutual.
3. CCAS is self insured for vehicles. All archdiocesan vehicles are legally owned by CCAS; but the parish should be the registered owner.
4. Priests are responsible for their own insurance coverage on any personal vehicle.
5. Individuals (employees and volunteers) who use their personal vehicles for parish business are required to provide proof of liability insurance that meets the state minimum requirement.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### V. INVENTORY LIST

1. Parishes should maintain a complete inventory list of parish property and equipment with a replacement cost of over \$5,000 regardless of the accounting treatment of the item.
2. The inventory records should include a description, date of purchase or acquisition, original cost, location, and estimated useful life.
3. The inventory list should be updated annually and include the date of the previous inspection.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### VI. CAPITAL ASSETS & DEPRECIATION

1. All capital acquisitions must be recorded on the books as assets.
2. A capital asset is defined as any item purchased or any capital improvement which costs \$5,000 or more and is expected to be useful to the parish for more than one year. Both criteria must be met in order to classify something as a capital asset.
3. Parishes must record depreciation on capital assets.

(See Section E of the Parish Accounting Manual for the accounting procedures relating to the recording of capital assets and depreciation.)

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### VII. PARISH BANKING

(A&F Section XX)

1. All parish funds are to be deposited only in accounts that bear the parish name.
2. No checks made payable to the parish may be endorsed and converted into cash or deposited in accounts other than parish accounts.
3. Personal funds and parish funds may never be commingled in any bank account.
4. Each parish is to have its own Taxpayer Identification Number (TIN) to be used as required on government forms.
  - 4a. The TIN is to be used in all reports requiring this number, such as payroll tax returns and W-9's. See Policy XI for more information.
5. Each parish should maintain a complete list of all bank accounts using the parish name and/or TIN number(s).
6. All bank accounts must be included in the parish general ledger and Parish Annual Report to the Archdiocese.
7. Separate accounts for parish organizations may exist. Such accounts should contain reference to the name of the parish. (See Policy XVIII for policies regarding these accounts.)
8. Every one to two years parishes should survey local banks to find any accounts using their name or TIN. A sample letter is included in Appendix A-1.
9. The pastor must be a signer on all parish, school, and parish sponsored organization bank accounts.
  - 9a. The authority to sign checks and other financial documents may be delegated by the pastor using approved archdiocesan forms and instructions. Regardless of the delegation of signing authority, the pastor is always responsible for the financial affairs of the parish.
10. All unused checks are to be kept in a safe or locked cabinet.
11. Bank Statements should be reviewed by the pastor or an independent party (a person not involved in the check approval or writing process) prior to reconciliation.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### VII. PARISH BANKING, CONT.

(A&F Section XX)

12. Checks or copies of the front and back of checks should be returned with the bank statement. At a minimum, copies of the front and back of all checks must be available online through the financial institution.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### VIII. PARISH FINANCIAL OPERATIONS REVIEW (PFOR)

(A&F Section XXII)

1. The Archdiocese will conduct a Parish Financial Operations Review at each parish when there is a change in pastor, priest administrator, pastoral coordinator, or other appointed pastoral leader or every six years, whichever comes first.
2. A review may also be completed at the direction of the Archbishop or request from the pastor.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### IX. CASH RECEIPTS

(A&F Section XXIV)

#### Counting Mass Collections

1. A collection counting committee should be established in sufficient number to count collections as expeditiously as possible. Selection of members is extremely important. Prospects should be screened and approved by the pastor. The number of members should be sufficient to cover the counting requirements without overburdening the members; consider absences, vacations, etc.
2. The cash counting procedure should be in writing and furnished to each member of the counting committee.
3. All collections must be placed in pre-numbered tamper evident bags. The collection must be placed in the bags by two unrelated people either at the back of the church at collection time or when they remove the basket from the altar. The bag must be sealed with at least two persons present. After the bag is sealed, it can be in the presence of one person, however when the bag is opened two people must be present. A suggested tamper evident bag procedure and sample log are included in Appendix A-2.
4. At least two unrelated people must be involved in counting parish collections. All counters must successfully complete a background check. These persons should be rotated on a regular basis and at least one of them should not be an employee.
5. The same two unrelated people must make the final tally (in ink) and agree on the amount of the bank deposit, which should be made as soon as possible. These persons should be rotated on a regular basis and at least one of them should not be an employee.
6. The amount of offering should be indicated on the outside of the envelopes for subsequent posting to parishioners' statements. All envelopes must have an amount written on them. Loose checks should be listed or copied for subsequent posting to parishioners' statements.
7. The envelopes and check listing should be forwarded to the appropriate individual to update the offering records. The individual should not have participated in counting the collection and should not be the bookkeeper or another employee involved in financial recordkeeping for the parish.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### IX. CASH RECEIPTS, CONT.

(A&F Section XXIV)

8. Collections should be counted and checks endorsed for deposit as soon as possible after the service.
9. If there is no safe on the premises, collection proceeds should be deposited immediately. However, deposits should be made no later than the first business day following the service.
10. The collection count should be done in a secure area in the parish office or other parish facility. Counting collection in parishioners' homes is not permissible.
11. The amount deposited to the bank should be reconciled to the amount posted to parishioner records. This reconciliation should be done weekly by a party not involved in either the count or the posting.

#### Other Cash Receipts

1. Each parish must have a written policy documenting the processing of receipts.
2. Funds received during the week (other than collections) must be recorded and deposited in a timely manner.
3. Checks should be restrictively endorsed (bank stamped) upon receipt.
4. All cash received must be recorded using a three part receipt book with the original given to the individual, the second copy staying with the cash, and the final copy staying in the book.
5. For major fundraising events, the parish/school should consider utilizing tamper evident bags when proceeds are transported for counting and depositing.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### X. PARISHIONER STATEMENTS

(A&F Section XXIV)

1. Contributions are free will offerings. Payments for services (tuition, CYO fees, facilities usage charges, etc.) are not contributions.
2. A person not involved in the collection count or deposit must post contributions to individual parishioner records.
3. Parishioner contribution records are confidential financial records and must be treated as such.
4. Parishioner contribution records must be maintained in a secure (locked) file or password protected computer in the parish office. Access must be limited to individuals delegated by the pastor or pastoral leader.
5. Parishioner contributions must be acknowledged in accordance with IRS requirements. Individual cash contributions of \$250 or more must be individually acknowledged. Documentation requirements for charitable contributions can be found in Appendix A-3. Sample contribution acknowledgements are attached as Appendix A-4.
7. Statements should be preprinted with the following confirmation request: “This statement is for your records. Please examine it carefully. If it does not agree with your records, please communicate this directly to \_\_\_\_\_ (a responsible person who is not involved in posting contributions).”
8. Parishioner statements must be mailed out annually; quarterly statements are recommended.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XI. PAYROLL (A&F Section XXIV)

1. All parishes must use ADP for payroll.
2. Federal Income, Social Security and Medicare taxes must be deducted from all employee paychecks and remitted to the appropriate agency within the required time period.
3. Bonuses are taxable income and must be included in payroll expenditures and employee W-2 forms.
  - 3a. According to IRS regulations, “gift cards”, SCRIP or merchandise bonuses or gifts are reportable income and must be included on the employee’s W-2.
4. All parish personnel must be classified properly between employees and self-employed contractors. “Independent Contractors” are responsible for their own withholding taxes. Classification should be accomplished in accordance with the IRS guidelines included as Appendix A-6 and Appendix A-7.
5. All Independent Contractors paid \$600 or more in a year must be given a Form 1099. No individual should receive both a W-2 and a 1099 from the same employing unit unless their status changed in the calendar year. This includes priests providing weekend and/or sacramental help.
7. Incardinated priests are required to pay Self Employment Tax and are prohibited from electing out of the Social Security System without the express written permission of the Archbishop and only under extraordinary circumstances (e.g., if a priest will not have completed 40 quarters of participation in order to be eligible for the program). Priests may elect to withhold self-employment tax by making a W-4 election.
8. Payroll advances are not the norm and should be granted only in exceptional circumstances. If granted, payroll advances to employees more than one month in advance are not permitted. Payroll advances must be approved by the pastor, priest administrator, pastoral coordinator or other appointed pastoral leader.
9. The ADP Payroll Register and Personnel Changes Report should be reviewed and reconciled to the payroll general journal entry every month by an authorized person not involved in the payroll process.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XII. CASH DISBURSEMENTS

(A&F Section XXIV)

1. All disbursements, excluding petty cash transactions, must be made by check, EFT or direct deposit.
2. All disbursements must have supporting documentation in the form of an invoice, check request with receipts, or a voucher with receipts.
3. Disbursements should have proper written authorization prior to payment.
4. All reimbursements for business expenses must comply with an Accountable Expense Reimbursement Plan.
  - 4a. In accordance with the IRS rules, reimbursement of business expenses is considered taxable income unless there is a detailed report of the expenditure made to the employer. This report is the employee's responsibility.
  - 4b. All expenditures must be supported by documentation including amount, date, time, place, business purpose of each reimbursement and the original cash receipt. If under extraordinary circumstances a receipt is not received or is lost, and no duplicate is available through the vendor, all substantiating information including date, expense, and purpose must be provided in writing.
  - 4c. The same information is needed when paying for business expenses by credit or debit card. The detail may be recorded on the back of the charge slip with the original receipts attached, if applicable.
  - 4d. Any reimbursable mileage must be documented.
5. Checks payable to "Cash" are not recommended. Under extraordinary circumstances these checks may be issued, however two signatures are required on the check and all expenditures must be documented. We recommend that the checks be made payable to the person responsible for the money. (e.g. John Smith – Cash).
6. No one shall sign a check payable to oneself.
7. Funds received in Custodial Collections should be remitted within four weeks.
8. We strongly discourage the use of signature stamps.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XII. CASH DISBURSEMENTS, CONT.

(A&F Section XXIV)

9. We recommend the use of Check Request Forms (see Appendix A-8) for all disbursements that are not accompanied by formal invoices.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XIII. PETTY CASH

(A&F Section XXIV)

1. Parishes may establish one or more petty cash funds for convenience.
2. The funds should be maintained on an imprest basis and periodically replenished for exactly the amount of expenditures from the fund. The size of the fund should be determined by its activity, but should not exceed the amount of one month's activity.
3. The fund should be in the sole custody of one employee. The custodian should balance the fund at least monthly and periodically the pastor, priest administrator, pastoral coordinator, or his/her delegate should count and review the fund.
4. Disbursements from the fund must be supported by petty cash vouchers prepared in ink and signed. All supporting data should be attached to the voucher. Upon reimbursement of the fund, every voucher (and related supporting data) covered by the reimbursing check should be canceled in such a manner as to preclude its reuse.
5. The petty cash fund should be maintained on the books as a balance sheet account. Cash should be replenished and expenses recorded when petty cash vouchers are submitted and the fund is reimbursed.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XIV. SCRIP

(A&F Section XXIV)

1. A SCRIP program may only be started with permission from the pastor.
2. A minimum of 85% of SCRIP hours must be accomplished by uncompensated volunteers.
3. A separate bank account must be maintained for all SCRIP activity.
4. SCRIP must be treated as cash and stored in a secure facility.
5. SCRIP inventory will be accounted for and reconciled regularly (at least monthly).
6. SCRIP volunteers who have individual access to inventory must successfully complete a background check.
7. Volunteers should not take SCRIP home for delivery. Parishioners participating in the program should pick up SCRIP at the parish or school in a centralized location.
8. SCRIP inventory must be maintained at a reasonable level.
9. Financial Reports for the SCRIP program must be generated monthly and reviewed by the pastor and/or his delegate.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XV. PARISH CREDIT CARDS

(A&F Section XXIV)

1. With the approval of the pastor, priest administrator, pastoral coordinator or other appointed pastoral leader, parishes may obtain one or more credit cards.
2. The credit limit on the card(s) should be minimal.
3. Only employees normally making parish purchases may be signers on the card.
4. The card(s) must be used only for business expenses and receipts must be obtained for all expenditures. The receipts must contain the same information as is required for cash reimbursements (See Policy XII). Personal expenditures are not allowed. In the case of internet purchases a print out of the ordering document is acceptable for the receipt.
5. Monthly statements are not adequate documentation for expenditures.
6. Parish credit cards must not allow access to cash advances.
7. Undocumented expenditures will, in accordance with IRS regulations, be considered compensation and will be included on the individual's W-2 or 1099.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XVI. ELECTRONIC RECEIPTS AND DISBURSEMENTS

#### Electronic Receipts

1. We encourage parishes to offer electronic payment methods to their parishioners. Different methods include third party merchant services, local bank set-up, and personal online banking.
2. All donor credit card information must be handled in compliance with current PCI (Payment Card Industry) regulations. As these regulations are being developed, any parishioner bank or credit card information submitted to the parish must be stored in a secure (locked) file or safe or password protected computer. Section I of this manual contains the latest regulations.

#### Electronic Disbursements

1. Parishes are allowed to pay recurring expenses through automated payments only if an adequate paper trail is maintained.
2. Automatic payments must be reviewed annually to determine the continued necessity of the expenses.
3. Parishes must have adequate computer safeguards and software to protect all financial information.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XVII. GAMBLING ACTIVITIES

(A&F Section X)

1. All parishes and schools must follow federal, state and local gambling and recordkeeping guidelines. The federal regulations can be viewed at <http://www.irs.gov/pub/irs-pdf/p526.pdf> and the state guidelines can be viewed at <http://www.wsgc.wa.gov/activities.asp>.
2. If applying for a gambling license, the parish may be asked for an authorization letter. This letter must be furnished by the Archdiocesan General Counsel, please contact Parish Financial Services or the Office of the General Counsel to get this process started.
3. The State has the right to audit gambling activities. A separate bank account must be maintained for all gambling activity. All revenues/expenditures are to be recorded in this account and proceeds must be distributed as defined in the parish/school's application.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XVIII. INTERNAL CONTROL POLICY FOR PARISH SPONSORED SOCIETIES / GUILDS

(A&F Section XXV)

1. Parish-sponsored groups, clubs, societies, circles, etc. are accountable to the pastor, priest administrator, pastoral coordinator, or other appointed pastoral leader. The purpose of each parish group must clearly indicate the way in which funds will be raised and expended before the parish group is approved and sponsored. All funds raised by the group are part of the overall parish financial structure and must be treated as such.
2. Parish organizations are not to be separately incorporated.
3. All fundraising activities, including one-time and special events, must be pre-approved by the pastor, priest administrator, pastoral coordinator or other appointed pastoral leader, in conjunction with the appropriate Archdiocesan office, prior to the fundraiser being announced.
4. Each parish organization should have written guidelines or bylaws documenting the purpose, rules and procedures of the organization. A copy of the procedures should be given to all concerned parties and incoming officers should sign a statement that they have read and understand these guidelines. All organizations must adhere to all policies found in this manual.
5. Parishes must periodically (preferably bi-annually) survey local banks asking for a list of any accounts with the parish (or school) name or TIN number. This is especially important when there is a change in pastoral leadership or Pastoral Assistant for Administration. Parish staff should also periodically meet with each organization to review policies, fundraising, and contribution acknowledgment practices.
6. Financial activity for parish sponsored organizations should be maintained in the parish general ledger as a custodial liability.
7. Parish and school groups are only allowed to have a separate checking and/or PRF account with the written approval of the pastor, priest administrator, or other appointed pastoral leader. The pastor, priest administrator, or other appointed pastoral leader must be a signer on all accounts.
  - 7a. All bank accounts must be included in the parish general ledger, and bank statements for these accounts must come to the parish or school office for review and reconciliation prior to forwarding to the appropriate group.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XVIII. INTERNAL CONTROL POLICY FOR PARISH SPONSORED SOCIETIES / GUILDS, CONT.

(A&F Section XXV)

- 7b. Each parish organization with a separate checking account must submit an annual report of financial activity to the sponsoring parish.
  - 7c. All organizations with separate accounts are subject to periodical financial review by parish staff appointed by the pastor, priest administrator, or other appointed pastoral leader.
  - 7d. If the financial records of the organization are not maintained by the parish offices, a checkbook, a simple ledger or a computer spreadsheet are ordinarily adequate to maintain financial records for these organizations. All financial transactions are to be entered.
  - 7e. As a general rule, all receipts should be deposited in the checking account and all disbursements should be made by check. Cash payouts are discouraged.
  - 7f. In general, direct payments to vendors for operating expenses is the acceptable method of payment. Reimbursement to individuals should be allowed only in exceptional circumstances. Receipts are required for all reimbursements.
- 
- 8. No one shall sign a check payable to oneself.
  - 9. When an organization makes a donation to the parish/school for a specific item, the organization should issue a check to the parish/school, which, in turn, should pay the vendor. This allows the donation or purchase to be properly recorded in the parish/school financial records.
  - 10. Accumulation of funds in these checking accounts beyond what is required to carry out annual activities is not allowed. Any such excess should either be presented to the parish or program as a donation or deposited in the PRF in the name of the group.

#### St. Vincent de Paul

There are two options for processing donations for a St. Vincent de Paul Society (S.V.D.P.) that is affiliated with the national organization:

- 1. Donations can be collected and processed through the parish bank account. These funds must be treated as a custodial. Donations should be recorded in the parish family database. Funds must be remitted to S.V.D.P. within 30 days with an accompanying donor list.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XVIII. INTERNAL CONTROL POLICY FOR PARISH SPONSORED SOCIETIES / GUILDS, CONT.

(A&F Section XXV)

2. Donations can be given directly to the St. Vincent de Paul Society without being processed through the parish. The members of St. Vincent de Paul are responsible for acknowledging donations according to IRS guidelines.

If the parish sponsors a St. Vincent de Paul Society that is not affiliated with the national organization, all donations should be processed through the parish bank account. The funds should be treated as a custodial and handled in accordance with parish policies.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XIX. VOLUNTEERS

#### Compensation

1. Any compensation in exchange for work performed must be recognized as income to the individual. Compensation includes tuition reduction, fee waivers, salaries, gift cards, etc.

#### Labor Donations

1. Donations of labor by parishioners or others must be handled in accordance with IRS regulations. Normally, donated labor is not deductible by the donor.

# ARCHDIOCESE OF SEATTLE

## PARISH ACCOUNTING POLICIES

### XX. RECORD RETENTION

1. Records must be retained in accordance with applicable sections of Canon and Civil Law.

(Contact Archives & Records at (206) 382-4352 or e-mail [archives@seattlearch.org](mailto:archives@seattlearch.org) for more information.)