301 Funds Management – Income

> *Canon 1284 §1 All administrators are bound to fulfill their function with the diligence of a good householder.*
> *§2 Consequently they must:*
> *1° exercise vigilance so that the goods entrusted to their care are in no way lost or damaged, taking out insurance policies for this purpose insofar as necessary;*
> *2° take care that the ownership of ecclesiastical goods is protected by civilly valid methods;*
> *3° observe the prescripts of both canon and civil law or those imposed by a founder, a donor, or legitimate authority, and especially be on guard so that no damage comes to the Church from the non-observance of civil laws;*
> *4° collect the return of goods and the income accurately and on time, protect what is collected, and use them according to the intention of the founder or legitimate norms;*
> *7° keep well organized books of receipts and expenditures;*

301.1 Introduction

Responsible stewardship demands that all gifts from the faithful be given appropriate care and consideration as each site's most vulnerable financial asset. The weekly offertory and tuition payments, which represents the monetary lifeblood of the parish and school communities, must be properly safeguarded, counted, deposited and recorded. As stated previously, a system of internal control that emphasizes honest and capable staff and a clear separation of duties is essential. This segregation should preclude any one individual from performing all aspects of the funds management (receipts) function. Fundamentally, handling and safekeeping of assets must be separated from the bookkeeping for those assets. Each of the parties in any funds receipting process should play a clearly defined role and generally, the greater the number of individuals involved, the stronger the internal control. This applies to all sites. The only element that will vary is the degree to which those duties and responsibilities can be separated by considering its size, the number of personnel (employees and volunteers), and other resources available. In all cases every effort must be made to achieve the greatest separation possible.

Establishing secure funds management (receipts) procedures will accomplish three important goals:

- The proper depositing and recording of parishioners' gifts, parents' tuition payments and other receipts for goods/services,
- The protection of volunteers and employees involved in the funds receipt process from suspicion in the event of an unexplained loss (i.e. a good internal security system will protect the ethical volunteer/employee and ensure their good will and peace of mind), and
- The removal to the maximum extent possible of any significant temptation to pilfer.

This section of the manual contains several sub-sections including: a basic description of the roles of key players in the funds receipt processes; general overarching requirements; required and recommend practices for offertory collections, other receipts, bookkeeping and donor contributions. Appendix 5 provides a step by step collections handling and counting process for consideration. Sample funds handling documents are included in Appendices 10.9 and 10.10.

301. 2 Roles

Pastor/Administrator
While the pastor/administrator may play any role in the collection and count of weekly offertory or other receipts, his/her primary function should be one of oversight and not one of actually handling the "cash" in any manner. This protects the good name of the pastor/administrator. Often the first accusation by a disgruntled parishioner or employee is that the pastor/administrator "has his/her hand in the till". If the procedures at the site are such that the pastor/administrator never handles funds under any circumstances and everybody knows that, allegations against the pastor/administrator of misappropriating church funds are minimized.

He/she should, however, periodically observe the collection/funds receipt process and the performance of those involved from the beginning to the end. The physical control and safety of funds prior to counting is critical, with only the pastor/administrator and his/her designee having safe combinations or lock keys. Periodic observation of the count team is most beneficial, as is an occasional comparison of tally sheet totals to deposit totals to recording of deposits in the parish books. The pastor/administrator's involvement in the process should not be routine, but rather variable and unpredictable. If an emergent situation should occur where it is necessary that the pastor/administrator become more involved in a specific collection/receipt process, he/she should have at least one additional employee/volunteer involved as well to avoid undue criticism.

Principal
The level of responsibility for oversight of the funds receipting processes at a parish absolutely extends to principals. This is particularly true due to the multiple sources of funds that are received by schools and the widely varying fundraising events that are constantly underway during a school year. A lack of involvement by the principal and senior management staff is an invitation for less than scrupulous personnel to take advantage of poor or no oversight.

Parochial Vicar
The parish pastor may delegate some or all of his responsibilities for the weekly offertory to the parochial vicar. Acting as a team, they may increase their observation and coverage of the process.

Ushers
The collection, bagging and initial security of the offertory is a critical responsibility of the usher staff. Ushers should work in teams when handling collection proceeds. No one individual should be permitted to have sole custody of the offertory without the opportunity for observation by an independent party. Ushers should not have safe combinations or lock keys. Their responsibility ends when the offertory is properly secured in tamper evident security bags and placed in an appropriate safe.

Count Team
In addition to the obvious tasks of opening bags, sorting collections, counting money, accumulating checks and preparing the deposit, a team member must complete a weekly offertory collection count sheet for control, recording and audit trail purposes. Well functioning count teams should also be used to count and record other receipts that may come into a site. Teams and/or members must be rotated and not related whenever possible; longevity in the same position is not desirable.

Bookkeeper
Ideally, the role of the bookkeeper is only the recording of the detail deposit information in the organization's records. The source documents are the receipted deposit slips and the detailed count sheets whether from the weekly offertory collections or from funds received in the office. While the bookkeeper may provide consultative support with other count functions (clarifying the process or the completion of forms), he/she should not have control over the preparation of the count sheets, the applicable deposit slip(s) or make the physical deposit at the bank.

Office Staff
The members of an organization's office staff play a significant role in ensuring an efficient, effective and segregated funds management process. Since the bookkeeper should not be involved in the custody portion of funds handling, the office staff (administrative assistant, receptionist, etc) plays a large role in the actual receipt and documentation of funds received at the office from other than collections. Their responsibilities include the functions of the ushers and count team members for in-office receipts, the accurate posting of donations to donor records and the preparation of donor acknowledgement letters.

Finance Council Members
Since the Finance Council must assist the administrator in implementing sound internal control practices and any diocesan financial policies applicable to the business affairs of the organization, they can play a large role in the funds management (receipts) function. They can be involved with such processes as:

- Accompanying a count team member when deposits are made at the bank.
- Performing random checks of collection documents, office receipt records, donor. contribution postings and official bank deposit slips.
- Checking documentation for completeness and accuracy to ensure a solid audit trail.
- Training volunteer personnel on the details of their responsibilities.

301. 3 General

Policy
The following are required general practices for all diocesan organizations:

- As soon as practical after receipt of a check it must be restrictively endorsed FOR DEPOSIT ONLY with the organization's name and account number noted.
- Checks are never to be cashed and expenses are never to be paid directly from any funds received. All receipts must be deposited intact at least weekly unless the amount being held is large as compared to normal operations; in those cases, the funds must be deposited the same day as received.
- Detailed records supporting each deposit are required and must be maintained in accordance with the record retention guidelines contained in Appendix 11.
- Banks must be told to immediately contact the organization should it be evident that a deposit bag was tampered with and funds removed. Tamper resistant bags must be used to secure funds for transport to the safe/security cabinet on campus and to the bank. No other type of bank bag is approved for use by any diocesan organization.
- All personnel, whether an employee or a volunteer, who handle credit cards, checks or cash as a part of their regular duties must be bondable. This includes individuals who work in gift

shops, thrift shops, etc.. Bondable means they must agree to and successfully complete a pre-employment credit check in addition to a criminal background screening.

The following are strongly recommended general practices for all diocesan organizations:

- When the safe/security cabinet holding funds is opened by a combination/key holder it should be witnessed by another person and the opening logged on a record sheet indicating the time and date of the action plus the purpose. Appendix 10.11 has an example of a safe opening log.
- The safe used for securing funds should be a drop safe that will permit "depositing" funds into it without requiring it be opened by a combination or key holder. If the site can afford it, the safe should require two people with access to open it by having either dual combinations or double key locks.
- Only in extreme situations should the bookkeeper, administrator or the Finance Council members handle any receipts. If any of these persons must be involved with receipts for a specific instance, they must have at least one other unrelated person (preferably two) witness the proceedings to deflect any perception of wrongdoing.
- If the organization can afford the cost, all personnel involved with any aspect of handling cash or checks at the site (including offertory count teams) should successfully complete a national background screening check and a credit check. This would also include volunteers who work at fundraising events.

301. 4 Offertory Collections (Parishes Only)

Policy

In addition to the general practices cited above, the following are required offertory collection practices for all diocesan organizations:

- At each service:
  - Offertory collections must be removed from the altar immediately after Mass and before everyone has left the church.
  - If the parish has decided that counting after each service is not feasible then the following practice must be followed:
    - Two ushers must place the collection in a tamper evident bag while still in the church and place the bag in a safe/security cabinet located on the premises. A separate tamper evident bag should be used for second collections.
    - The bags should be pre-labeled by the office staff prior to each weekend to ensure that the count team will be able to account for all bags. The tamper evident bag numbers can easily be labeled using a ball point pen and the serial number recorded on a log such as the one included in Appendix 10.12
    - The ushers must be identified so that if anything unusual should happen it would be possible to contact everyone having access to the collection. The best method for identifying the ushers is a schedule and a signature log where each indicates his/her presence for the specific Mass. An usher sign in log is included at Appendix 10.13. Another method would be for at least two ushers to sign the tamper evident bags they handled during a service prior to placing them in the assigned safe/security cabinet.
- When the collections are counted:
  - The counting process must be in an area that can be secured and where the counters will not be interrupted. The parishioners who count the collections must be assigned to teams that are rotated on a scheduled basis. The teams must be composed of at least

two unrelated people. Family members of employees are prohibited from being count team members. Many alternatives are available to meet the intent of the rotating teams, but in no case will two related persons be allowed to function as a counting team by themselves.
    - The amount inside offering envelopes must be noted on the outside of the envelope.
    - All loose checks in the collection must be copied, grouped together by purpose and labeled appropriately (offertory or special collection).
    - Each collection must be documented (in ink) separately on count sheets indicating the cash and checks received and for what purpose. All members of the team must sign the count sheets. The information from the count sheets is then posted to a summary sheet for each offertory or special collection. For smaller organizations, using only a summary sheet is adequate so long as the detailed needed by the bookkeeper is provided on the sheet, is signed by the team members and is supported by envelopes and copies of loose checks.
    - The count team prepares the bank deposit slip in duplicate for each collection. The original slip goes with the deposit; the copy goes to the bookkeeper along with copies of the summary and count sheets for recording the deposit.
    - After the counting team has completed the preparation of the weekly deposit, the offertory envelopes and the copies of the loose checks are set aside for input to the donor contribution database.
    - The parish must maintain the offering envelopes for six months beyond the end of the calendar year to which they apply. That means on July 1 of a year, the envelopes for the period January through December of the previous year can be destroyed. However, this practice does **not** apply to any other supporting documents for deposits including copies of loose checks.
- Deposit activity:
    - Offertory collections are to be deposited not later than the next business day following the weekend.
    - The bundled cash and checks along with the deposit slip for each collection must be placed in a tamper evident bag for transport to the bank as stated in Section 301.2. When the validated bank deposit slip is received it must be given to the bookkeeper.

The following are recommended offertory collection practices for all parishes:
- Funds should be placed in tamper evident bags prior to taking the collection to the altar at the offertory.
- Collections should be counted after each service, proper documenting records created and then taken to the night depository of the bank.
- The count team leader should retain copies of all the count and summary sheets produced and signed by the team.

301. 5 Other Receipts

Policy
The "other receipts" practices listed below are normally accomplished by office staff members or regularly scheduled volunteers and are in addition to the general practices previously stated:
    - Distribute all general mail that is received in the office to the appropriate office staff and open envelopes that from all indications contain funds.
    - Endorse all checks received "For deposit only to the account of XXXXXXX (name of parish/school)" when received.
    - Issue and sign a pre-numbered, self duplicating receipt to individuals who bring funds to

the office for fees/donations etc. Receipts should include date, name, amount and purpose of funds.
  - Consolidate and document by purpose on a designated count sheet all funds received. A daily receipts count sheet is included in Appendix 10.10.

Maintain all funds received in a secure manner and keep any cash received separated from the petty cash fund.
  - Make a copy of all checks received for retention with the count sheet.
  - Prepare the bank deposit slip for each designated count sheet maintained for the day.
  - Have another independent individual verify the funds against the count sheets and the bank deposit slip and have that individual sign the documents.
  - Provide all documents to the bookkeeper including a copy of the bank deposit slip
  - Place the funds in a tamper evident bag and make the deposit.
  - Provide the official bank deposit slip to the bookkeeper (if obtained at the time of the deposit).

The following is strongly recommended other receipts practice for all diocesan organizations and **required** for parishes with only one staff member who is the bookkeeper:

- An independent responsible person, i.e., Pastor, Administrator, Parochial Vicar, Finance Council member, must be involved with counting other receipts and helping to prepare bank deposits. Bookkeepers are not to perform these tasks by themselves.

301. 6 Fundraising Events

Policy
In addition to the general practices previously stated, the following are recommended funds handling practices for fundraising events for all diocesan organizations:
Note: If the fundraising event is operated by the parish/school staff and volunteers for the benefit of the parish/school, then these practices are not optional. If the fundraising event is operated by an identified auxiliary group with its own balance of funds which may or may not be used to benefit the parish/school, these practices are recommended.

- When planning a fundraiser, the number of collection points should be minimized. Ideally, plan the event so that there is only one place where payments are made.
- The change fund check must be made out to a responsible person within the fundraising team and not to “Cash.” The responsible person must sign a voucher acknowledging receiving the change fund (the petty cash voucher in Appendix 10.20 can be used). He/she must be provided a receipt acknowledging the return of the change fund. The accounting for the change fund should be posted separately using the Petty Cash account to adequately document the issuance and return.
- For mutual protection and accountability, two or more designated persons should be assigned to each funds collection point. In addition, two or more designated persons should be assigned responsibility for periodically collecting from the funds collection points in excess of that which is needed to make change. If receipts are collected throughout the event, the funds should be transported to a secure area for counting.
- All checks received should be endorsed as soon as practical “For Deposit Only”, followed by the bank account number. All checks must be copied to support the deposit and be retained.
- A count sheet should be prepared and signed by the counters using the same procedures as the offertory collection count teams.
- After being counted and documented, all cash and checks received must be stored in a tamper evident bag in a locked receptacle (preferably a safe) while awaiting deposit activity.

- Bank deposits should be made throughout the event if significant amounts of funds are collected.
- Any material discrepancy that cannot be resolved should be reported to the administrator immediately.
- The administrator and/or finance council should review fundraising event accounts as soon as possible after each event.
- When applicable, pre-numbered tickets should be sold for admission to events and for purchases of food, merchandise, etc. The office should maintain the ticket inventory using a log denoting the first and last ticket numbers issued, and the person(s) responsible for the tickets. All unused tickets should be returned to the office.
- A reconciliation of the number of tickets sold to the amount of revenues received at each funds collection point should be performed. Any discrepancy in the reconciliation should be investigated and resolved as soon as possible. The duties of receiving fundraising revenues and reconciling the dollar value of tickets sold to the amount of revenue received must be performed by different people.
- The reconciliation schedule (for ticket sales), count sheets and deposit receipts should be stapled together and filed with bank records maintained by the bookkeeper after posting the receipt appropriately to QuickBooks.

The following are funds handling practices for votive/poor boxes for all diocesan organizations:
- The funds are to be collected at least weekly.
- At the time collected, the funds are to be counted and the amount documented, signed, and dated by the two persons performing the count using the same procedures as the offertory collection count teams. They are to be placed in a tamper evident bag in a safe until ready for depositing activity. As an option, the funds collected can be given to the offertory count team and they can include the results on their count sheets.
- The count sheet and deposit receipt should be stapled together and filed with bank records maintained by the bookkeeper after posting the receipt appropriately to QuickBooks.

301. 7 Bookkeeping

Policy
The following are required bookkeeping policies for all diocesan organizations:
- Upon receipt of the count sheets and deposit slips from either the collections count team or the person(s) responsible for receiving/recording daily receipts, the bookkeeper is to post the deposit to the financial records in the appropriate accounts.
- Upon notification of a deposit discrepancy from the bank, the bookkeeper must immediately investigate the situation to determine the cause and make adjusting entries to the financial records if appropriate. Differences discovered must be noted in detail on the retained collection summary sheet(s), the bank statement/reconciliation report or a journal entry approved and signed by the Administrator.
- For parishes, the bookkeeper must ensure that the total of the envelopes and checks, deposits and postings agree, without exception, to the parishioner records. This reconciliation process must be done weekly and properly documented.
- Except in offices staffed with only one person, the bookkeeper must not open/distribute the mail received in the office, handle funds from daily receipts or prepare any deposit documentation.
- Even in offices staffed only by the bookkeeper, he/she is not permitted to handle the

cash/checks received from either the offertory collections or other means. The bookkeeper may provide advice to count team members, but must not be routinely or actively involved with handling any cash/checks or preparing the deposit slips.

301. 8 Donor Contributions

Policy

The following are required donor contributions practices for all diocesan organizations:

- All parishes are now required to use ChurchDB to perform all donor and sacramental records until superseded by another diocesan approved church management system.
- The actual offertory envelope or copies of checks should be the source document for posting contributions from a parishioner or other donor.
- The individual recording contributions from this source data should be independent of bank deposits. For small parishes, this may be impractical and the bookkeeper may be required to post both deposits to QuickBooks and donations to the church management system. In these cases, the administrator and/or a Finance Council member must periodically review the weekly reports from both databases to ensure the amounts agree.
- If requested by a donor, annual contribution statements are to be mailed no later than January 31 of the subsequent year to all who made identifiable contributions (i.e. envelope, check, etc.):
    - Statements should be pre-printed 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 with the office as soon as possible.”
- All organizations must keep a record of all single contributions of $250 or more. Although the taxpayer bears the burden of requesting appropriate acknowledgment, all such donations should be acknowledged within 30 days of receipt, except for recurring offertory gifts of $250 or more, in which case acknowledgments may be sent quarterly. The written acknowledgment must contain the following information:
    - The amount of funds contributed, or a description (not a valuation) of contributed property other than cash/checks and its condition (for items of closing or household items).
    - The date of the contribution.
    - An indication whether the receiving organization provided any goods or services in whole or partial consideration for any contribution (if not, the acknowledgment must specifically so state).
    - A description and good faith estimate of the value of any goods or services provided by the organization in consideration for the payment; or if such goods or services consist solely of intangible religious benefits, a statement to that effect.

The following are recommended donor contributions practices for all diocesan organizations:

- If practical and not cost prohibitive, parishioners/donors should be encouraged to use electronic funds transfers when making offerings and other gifts to the organization. This method actually increases the amounts received for offertory even when the cost for transactions is considered.
- If not cost prohibitive, the organization should automatically send donor statements not later than the 31st of January each year.

301. 9 Contributions to Needy Individuals & Benevolence Funds

The Internal Revenue Service makes a distinction between the types of funds “donated” to a 501(c) (3) organization as to their tax deductibility for the donor. The intent of the donor ordinarily determines whether the money given is treated as a charitable contribution or a nondeductible transfer to an individual. Did the donor intend to make a contribution to the organization or only to benefit a designated individual (using the organization as an intermediary in order to obtain a tax deduction for an otherwise nondeductible gift)? The fact that the money was given to the organization is not the sole determining factor whether it is a deductible contribution or not.

An organization may want to establish a fund to help a particular family to pay medical bills or other extraordinary personal expenses. Contributions to that fund are not deductible. An option is to establish a fund at a financial institution. Contributions are still not deductible, but the organization is not placed in a compromising position.
Other examples of nondeductible transfers:

- Scholarship assistance to pay the tuition for a particular child.
- Payments made to a fund to rebuild the Smith family home that was destroyed by fire.

The organization may establish a general benevolence fund to assist needy individuals as identified. The organization must exercise discretion over the use of the funds **and** must not follow the “suggestions” from donors. Contributions to benevolence funds are deductible if they are not earmarked for particular recipients. A gift to the organization benevolence fund to assist the unemployed is deductible; if the gift is restricted for the Smith family, the gift is not deductible. Guidelines for the fund should be formalized and the Finance Council should oversee the fund.

Example guidelines for establishing a benevolence fund are included below.

- Organization has a ministry to needy individuals and desires to establish a Benevolence Fund (Fund) to support needy individuals.
- Organization intends to operate the Fund according to the highest standards of integrity.
- Organization will develop written guidelines to document the need, establish reasonable limitations on support per person during a specified time period and obtain external verification of the need.
- Organization will follow the guidance in Section 401.3 General polices for Funds Management – Expenditures with respect to writing checks for charitable purposes to assist individuals.
- Organization will accept only contributions to the Fund that are “to or for the use” of the organization and their use must be subject to the control and discretion of the Finance Council. Donors may make suggestions, but not designations or restrictions concerning the identity of the needy individuals.
- Organization will provide evidence of charitable contributions for gifts that meet the criteria outlined in this guideline.

Summary of Revisions effective August 2014:

Changed name to Funds Management – Income

301.1 Introduction:

- Previously was not numbered;
- Changed wording to conform to generic definitions from introduction and made minor language improvements.

Section 301.2 Roles:

- Previously was 301.1;
- Changed wording to conform to generic definitions from introduction and made minor language improvements;
- Added section on the role of principals;
- Added language to Count Team section to encourage their use for any other receipts that may come into a site.

Section 301.3 General:

- Previously was 301.2;
- Changed wording to conform to generic definitions from introduction and made minor language improvements;
- Added requirement for higher than normal receipt of funds to be deposited the same day;
- Moved language on bookkeeper restrictions on the handling of funds to the Bookkeeping sub-section;
- Added language requiring tamper evident bags to be only approved bag for transporting funds on campus and to the bank;
- Added language to require a criminal background screening for regular funds handlers in addition to a credit check;
- Added "strongly" to heading for recommended practices.

Section 301.4 Offertory Collections:

- Previously was 301.3;
- Added (Parishes Only) after title;
- Changed wording to conform to generic definitions from introduction and made minor language improvements;
- Added language that prohibits two related personnel from functioning as a count team alone;
- Deleted duplicative language regarding check endorsing;
- Added language permitting the use of a summary count sheet only at small parishes if the required detail, signatures and supporting envelopes/copies of loose checks are provided;
- Added direction on the retention of envelopes permitting destruction 6 months after the end of the calendar year during which the envelopes were received.

Section 301.5 Other Receipts:

- Previously was 301.4;
- Changed wording to conform to generic definitions from introduction and made minor language improvements.

Section 301.6 Fundraising Events

- This section was originally part of 301.4, it was separated out to provide more emphasis on the proper handling of funds at events operated by sites.
- Changed wording to conform to generic definitions from introduction and made minor language improvements;
- Added language requiring the practices as stated if the event is operated by the site; if the event is run by an auxiliary organization, then the practices are recommended;
- Deleted and regrouped language related to the use of tickets at applicable events;
- Changed the account to be used for temporary change funds from In/Out to the Petty Cash account.

Section 301.7 Bookkeeping

- Previously was 301.5;
- Changed wording to conform to generic definitions from introduction and made minor language improvements.

Section 301.8 Donor Contributions

- Previously was 301.6;
- Changed wording to conform to generic definitions from introduction and made minor language improvements;
- Added requirement for all parishes to use ChurchDB as their church management software for donor and sacramental records;
- Added language stating the entry into the donor database should be independent of bank deposits and allowing smaller parishes to have the bookkeeper perform both the donor database input and the financial recordkeeping.

Section 301.9 Contributions to Needy Individuals & Benevolence Funds:

- Previously was 301.7;
- Changed wording to conform to generic definitions from introduction and made minor language improvements.