

Diocese of Sioux City

Diocesan Financial and Internal Control Policy



I. Purpose

The establishment of internal controls and safeguards within parishes, schools, and other diocesan entities is essential. System processes must be in place to protect the assets, minimize errors, and establish a process in which errors can be detected and corrected timely. To help ensure appropriate controls and safeguards are in place, it is necessary to establish parameters within which the parish, school, and other diocesan entity offices must function. These Diocesan policies, as approved by the Bishop and Diocesan Finance Council, have been issued to assist the business offices in achieving and maintaining critical financial and internal controls. While some of the following policies make reference to parishes and schools, all diocesan entities are required to follow these policies.

This document should be shared on an annual basis at a minimum with your finance council and others with fiscal responsibilities.

II. Governance

- A. Parish Lay Directors
 - 1. The Norms for Parish Lay Directors must be followed.
 - 2. These Norms address that the lay directors are also members of the finance council
 - 3. The lay director must be approved by Bishop via the Diocesan Resolution and have an approved background check prior to serving in this capacity.
- B. Finance Council/School/Board
 - 1. The Norms for Finance Councils must be followed. These Norms include holding regular quarterly meetings (or more frequently) and maintaining minutes of the meetings that document pertinent discussions, decisions, actions, etc. The minutes must include approval of the annual budget and annual financial report.
 - 2. Conflicts of Interest: Finance council/board members should reveal any conflicts in business dealings with the location and abstain from discussions/votes that involve such conflicts. Example, if the finance council member is also the parish banker or investment advisor, this is a conflict of interest, and they must abstain from related discussions and votes.
 - 3. The bookkeeper/business manager should attend the finance council meetings to present the financials, i.e., comparative balance sheets & profit & loss statements, budget vs. actual.
- C. Foundations, Cemeteries and Other Separate Civil Entities
 - 1. Bishop is the President of all foundations, cemeteries, and other separate civil entities of the Diocese of Sioux City. He must be listed in the Articles of Incorporation and as an authorized signer on the Corporate Resolution.
 - 2. The IRS tax reporting requirements must be followed for foundations, cemeteries, and other separate legal entities.
 - 3. These entities are expected to follow Diocesan Financial and Internal Control Policy.

III. Resolutions

- A. Diocesan Resolution

Approval from the Bishop must be obtained via completion of a diocesan resolution for the reasons noted on the resolution form. These reasons include capital expenditures of \$35,000 or more (examples: capital improvements, renovation/remodeling, major equipment), raising money of \$35,000 or more, borrowing money for any amount, investing money (such as stocks, mutual funds), establishing endowments, foundations, and/or trusts, selling property for any amount, property leases greater than one year, appointment of parish lay directors and other significant or unusual transactions.

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III. Resolutions (continued)

B. Corporate Resolution

A corporate resolution certifying the authorized representatives of the parish, school, and other diocesan entity is required. This form must include the bishop as an authorized signer. The resolution must be approved annually by the finance council/school board and documented in meeting minutes. Each location typically approves one or two persons as signers in addition to Bishop, pastor and/or principal. The bookkeeper is not allowed as an authorized signer and should not be on the corporate resolution.

IV. Bank/Investment Accounts

- A. All parishes, schools, and other diocesan entity bank/investment accounts must use the parish/school/entity tax identification number (TIN).
- B. The pastor and Bishop must be a signer on all bank/investment accounts that use the parish TIN.
- C. The principal and Bishop must be a signer on all bank/investment accounts that use the school or other entity's TIN.
- D. The bookkeeper must not be a signer on any of the parish/school accounts if he/she writes the checks and/or reconciles the accounts. This is not allowed even with dual signature checks.
- E. A parish lay director and/or finance director and/or other approved signer as indicated on the location's corporate resolution should be on the signature cards to sign in the pastor's absence.
- F. All bank/investment accounts that use the parish or school TIN must be recorded on the parish/school financial statements. This includes parish auxiliary groups and school activity funds.
- G. The mass stipend account must also be managed through the parish business office. The payment to the priest for mass stipends is \$10 per mass with a maximum payment of \$10 per day per priest. Note: There are exceptions to the mass stipend payment when a donor specifically gives an amount for one mass. When a priest says a mass intention for more than one person in a day, the excess mass stipend can be paid to a charity of the parish's choice. The mass stipends for the parish priest(s) will be included in their monthly payroll check. Payments to priests outside of the parish will be subject to the filing requirements for 1099 NEC reporting.
- H. A copy of the monthly bank/investment statements/reports must be given to the pastor and/or principal along with the bank reconciliation print-out. Upon review and approval, this should be initialed and filed in the respective month. Note: In lieu of the principal or pastor, another authorized signer may complete the review.
- I. The location should not use manual checkbooks, subsequently keying transactions into the accounting software.
- J. It's most efficient to utilize one checking and one savings account with subaccounts to segregate funds.
- K. National organizations such as Catholic Daughters, Knights of Columbus, Forresters, etc. must not use the parish/school TIN.

V. Mail and Email

All mail for parishes, schools, and other diocesan entities (e.g., bank & investment statements, vendor invoices, payments including dues, contributions...) must be directed to the location's physical business office. This should not be a personal address. This includes mail for the cemetery, religious education groups, investments, auxiliary (e.g., women's guild), school organizations (e.g., booster club), etc. All email communications should be conducted through email accounts assigned by the parish, school, or other diocesan entities. Use of personal email accounts for work related business is not permitted.

VI. Parish and School Organizations (i.e Men and Women's groups, Athletics and Activities)

Most schools and parishes have affiliated organizations that provide invaluable support to the school. However, they must comply, and all activity must be handled through the school/parish business office. Disbursement and receipts should follow the internal controls included in this policy and any additional guidelines set for by the parish/school business office.

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VI. Parish and School Organizations (i.e Men and Women's groups, Athletics and Activities) (continued)

- A. The bookkeeper/business manager must handle the accounting for all parish and school accounts. The accounting includes paying the bills, making deposits, reconciling, etc. Parish and school organizations include parish sponsored (e.g., women's guild, altar/rosary society, men's club) and school sponsored organizations (e.g., booster club, student activity, extra-curricular), cemeteries, religious education, choir, youth groups, hot lunch, food pantry, thanksgiving, endowments, investments, etc....
- B. Only those persons listed on the Corporate Resolution should be on the signature cards. It is expected that you should keep the number of checking/savings accounts to a minimum.
- C. The pastor, school administrator, parish lay directors, finance council/school boards, other governing boards are responsible for all financial activities of organizations acting on behalf of the parish and school.
- D. Tamperproof bags must be used for all activities where there is cash/paper check handling. Serialized number tracking is required. It is always best to have more than one person engaged in the handling of money.

VII. Accounting Software/QuickBooks

- A. All parishes, parish schools and separately incorporated cemeteries are required to use QuickBooks software to manage their accounting transactions. Exceptions are K-12 schools.

VIII. Deposits

Deposits must be made at least weekly and support for all deposits must be kept on file. For offertory collections, this would be the tally sheet that the counters completed. For all other deposits, the check stubs, or other supporting documentation must be on file to support the deposit. For donations made electronically, the EFT noted from the credit card or other types of electronic transmission should be included.

IX. Offertory Collections

To ensure appropriate internal controls exist in handling offertory collections, certain procedures are required as followed:

- A. Unused tamperproof bags must be maintained in a secure location by a designated individual. Bags must be individually assigned to each mass or event by logging the serial number on a control sheet. Damaged bags should also be logged.
- B. Ushers shall be instructed to put offertory collections in the appropriate numbered, tamper proof bag immediately after the collection is taken and prior to being taken up to the altar at offertory time.
- B. Count teams must consist of at least two unrelated people. No husband/wife teams unless an unrelated third person is also involved.
- C. Offertory collections must be counted and deposited weekly.
- D. The offertory receipts must always remain locked up on church premises, until deposited. Access to these funds must be limited.
- E. Offertory count teams must rotate at least quarterly. More often is recommended.
- F. The bookkeeper and pastor must not be on the offertory count team.
- G. The offertory counters must use a count/tally sheet to record details of the offertory. Each counter must sign this to indicate his/her approval. The serial number of the tamperproof bag should be noted on the count sheet and reconciled with the tracking control sheet.

X. Other Activities and Events

When cash is handled at other parish activities such as parish dinners, bake sales, etc. tamper proof bags must be used. It is always best to have more than one person engaged in the handling of money.

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XI. Contribution Records

- A. All locations are required to maintain electronic contribution records.
- B. All collection receipts must be posted at least weekly to the contribution records/general ledger accounting software. This ensures the records are kept current.
- C. Contribution records must be reconciled to the deposit slip, offertory count sheet (for parishes), and QuickBooks/accounting software each week to ensure they agree.
- D. IRS requirements must be followed for handling grain, stock, and other charitable donations. Copies of acknowledgement and thank you letters issued to donors must be maintained.
- E. Detailed contribution statements must be issued at least annually, by January 31, to all donors. These must include the appropriate IRS language on all donor statements that have single contributions of \$250 or more.

XII. Cash Disbursements

- A. Blank checks must not be signed in advance.
- B. Signature stamps must not be used to sign checks. Electronic signatures are acceptable with proper prior approvals.
- C. Adequate purchasing procedures are required. At a minimum,
 - 1. The pastor/principal, or other supervisor must initial and date the accounts payable voucher and/or invoice to indicate his review and approval prior to a check/EFT being created.
 - 2. Only authorized signers may sign checks for payment and pre-approved electronic payments (EFT or ACH). Banking dual control features must be utilized for electronic disbursements, with the authorized signer releasing the electronic transactions. The bookkeeper cannot have the rights to disburse funds, other than transfers within bank accounts of the entity. Note: Reimbursements to the principal or pastor must be approved by the chairperson of the finance council/board* prior to a check/EFT being created. *Note: Another authorized signer is acceptable.
 - 3. Advance approval is required for conventions, meetings, and non-standard expenses.
 - 4. Payments must be supported via an invoice, bill, receipt, or progress billing. They should not be made from a statement or without support. This includes:
 - credit cards (every line item of the statement must be supported by a receipt; the statement alone is not sufficient support)
 - employee expense reimbursements. Detail including purpose of trips, where the meeting was held, who is involved... should be included.
 - Bishop's priest compensation schedule must be followed for handling priest stipends, cell phone, mileage, and retreat expense reimbursements.
 - Reimbursements to employees shall only be for business expenses paid by the employee. Other reimbursements to employees shall be kept to a minimum.
 - Employees shall not use their personal credit card so they can build up credit card points.
 - 5. A single purchase or payment of \$5,000 must have the approval of both the pastor/principal and an additional authorized signer via a purchase order.
- D. Debit cards, Venmo, Apple Pay, Pay Pal and related payment methods are not allowed as they do not provide adequate internal controls and circumvent the purchase order approval process. However, if deemed necessary, a request can be made to the diocesan parish accounting office. Submission of compensating control procedures will be required, and written approval must be obtained prior to utilizing these payment methods.
- E. Purchase of gift cards shall be kept to a minimum.
- F. The use of petty cash is acceptable with a maximum balance of \$250. This can be replenished when used up. A complete accounting is expected for expenses from petty cash.

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XII. Cash Disbursements (continued)

- G. The pastor is allowed to request payments for those in need from the emergency assistance fund.

Document the name of the person for whom the contribution was made. When paying utility bills, these must be paid to the utility company and a copy of the bill be attached to payment voucher.

XIII. Payroll

- A. IRS requirements must be followed in determining an employee vs. independent contractor.
- B. IRS Forms, including 941, W-2, and W-3 must be issued in compliance with IRS regulations.
- C. Federal and State payroll tax withholding requirements must be followed.
- D. All full-time lay employees (30 hours per week or more, eight months per year or more) should be treated equally for benefits, e.g., accrual of vacation time should be the same for all employees at each site.
Priests must be paid in accordance with Bishop's priest compensation schedule.
- E. Employees must be paid following Federal and State labor laws. The Fair Labor Standards Act requires payment of at least minimum wage for non-exempt (hourly) employees and prohibits paying hourly workers a salary.
- F. Hourly workers must be paid overtime for 40+ hours worked in a single week.
- G. Hourly workers must complete a timesheet and all timesheets must be signed by the employee and supervisor prior to processing payroll.
- H. Verbal, email, or other electronic notifications of bank changes for the deposit of employees payroll checks are prohibited. The employee must complete the appropriate change form and submit it to the payroll office on a paper form with a live signature.

XIV. Independent Contractors

- A. IRS Forms, including the 1099NEC and 1096, must be issued in compliance with IRS regulations. The current threshold is \$600+ in any calendar year for non-employee compensation.
- B. The IRS Form W-9 must be on file for all contractors that perform services for the location to properly identify the status of the contractor for taxation.

XV. Scrip

- A. The financial activity of the scrip program must be recorded in the parish or school financial statements, as applicable. This includes recording scrip inventory as an asset on the balance sheet.
- B. Scrip inventory must remain on church or school premises in a secure (locked) location.
- C. The amount of Scrip inventory maintained on hand should be kept to a minimum.
- D. Physical inventory counts must be taken frequently (monthly at a minimum) and compared with perpetual inventory records. At least two individuals must be present anytime scrip is handled, including inventory counts.

XVI. Raffles

- A. IRS Forms, including the 1096, W-2G, 945 must be issued in compliance with IRS regulations.
- B. Locations must obtain the required state licenses and permits and issue the state sales tax return.
- C. When holding raffles, it is the location's responsibility to work with the State and IRS to ensure the proper tax handling takes place and the proper reports are filed.

XVII. Budget

- A. An annual budget approved by the governing board is required for each parish, school, and other diocesan entity. All budgets must be adopted prior to the beginning of the fiscal year to which it pertains.
- B. The budget must be entered in QuickBooks for parishes or in the local accounting software for all others. The budget vs. actual reports should be printed monthly. Budget discrepancies should be evaluated and reported at finance council/school board meetings.

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XVIII. Annual Financial Report

- A. Each parish, school, and other diocesan entities other than K-12 school systems and nursing homes are required to submit an annual financial report approved by the pastor and finance council/school board to the Diocesan Parish accounting office. This includes the financial report certification, internal control questionnaire, QuickBooks backup, and other requested documents. K-12 schools, retirement homes, and Catholic Charities are required to submit a financial report to the Diocesan Finance office annually.
- B. The council/board member that approves and signs the annual financial report should not be the bookkeeper or related to the bookkeeper.
- C. A summary of the annual financial statement should be provided to parishioners after approval and submission to the diocesan chancery office.

XIX. Financial Guidelines for Pastoral Planning

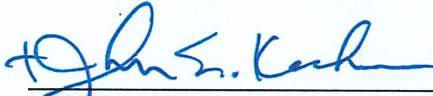
These are available under a separate policy to direct parishes during parish mergers. Exceptions to these norms may be allowed during the interim merger period.

For further clarification of the Diocesan Financial and Internal Control Policy, please contact:

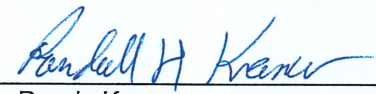
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Reviewed and approved by:


 Bishop John E. Keehner
 Bishop, Diocese of Sioux City

5/14/25
 Date


 Mr. Randy Kramer
 Chairperson, Diocesan Finance Council

5-14-25
 Date

** Amended Policy Presented & Approved at May 9, 2025 Diocesan Finance Council meeting*

**Amended Norms Presented & Approved at May 5, 2023 Diocesan Finance Council meeting*

**Amended Norms Presented & Approved at July 27, 2018 Diocesan Finance Council meeting*

**Amended Norms Presented & Approved at July 23, 2015 Diocesan Finance Council meeting*

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