

DIOCESE OF ALTOONA-JOHNSTOWN
INTERNAL CONTROLS & BEST PRACTICES
FOR PARISH AND SCHOOL ADMINISTRATION

Cash Receipts – General

Receipts include all funds received by cash or check. The following procedures should be utilized with cash receipts of a general nature.

- If receipts can not be deposited on a daily basis, the receipts should be kept locked in a secure place until a deposit can be made.
- All receipts in the form of cash should be deposited intact. None of the cash should be kept for convenience or petty cash.
- All checks received should be endorsed as soon as possible with proper endorsement stamps which must indicate “For Deposit Only”, the bank name, account name, and account number.
- Deposit all checks received. Do not cash any of them in. Your bank should be instructed never to cash a check presented to them.
- If possible, those responsible for collecting receipts should not be responsible for the bookkeeping entries.
- All receipts should be summarized and reported to the finance committee on a regular basis.

Cash Receipts – Weekend Collections

Collections refer to cash or checks received from routine parish collections during services. The following procedures will help ensure the integrity of this major source of parish revenue.

- Strongly encourage parishioners to use their envelopes and to pay via personal check instead of cash.
- Collection counting should be performed by at least two individuals who are unrelated.
- Counters should be rotated on an ongoing basis and to provide backup for vacations, illnesses, etc.
- If collections are not counted immediately after mass, the funds should be locked in a secure place until counting can begin.
- Counters should endorse all checks as soon as possible with proper endorsement stamps which must indicate “For Deposit Only”, the bank name, account name, and account number.
- The loose collection should be counted separately from the envelope collections by at least two people.
- Amounts received from the envelopes are to be recorded on the front of each envelope used.
- A summary log should be prepared that breaks down the total loose collections and total envelope collections. It should be further broken down between regular receipts, special collections, etc. for proper coding by the bookkeeper.
- Counters should prepare a bank deposit ticket that equals the totals of all loose and envelope contributions received.
- The entire collection must be deposited intact. None of the collection is to be kept as convenience or petty cash.
- Signed summary logs of the counters who performed the counting, the parishioner envelopes, and a copy of the deposit ticket should be forwarded to the bookkeeper.
- It is important that the bookkeeper is not a counter and does not prepare the deposit ticket.
- The bookkeeper should record the deposit amount in the checkbook and ledger.

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- The bookkeeper should post envelope contributions to each individual parishioner's record.
- Contribution statements should be sent to the parishioners at least annually.

Cash Receipts – Tuition

- Either one or two clearly designated individuals should receive tuition receipts at one location. If possible, keep this duty separate from the bookkeeper.
- Strongly encourage parents to make all tuition payments via personal check.
- All checks received should be restrictively endorsed as soon as possible with proper endorsement stamps which must indicate "For Deposit Only", the bank name, account name, and account number.
- Amounts received should be deposited on a daily basis. If not, keep the receipts locked in a secure place.
- A signed summary sheet of the deposit by name and amount, plus a copy of the deposit ticket should be given to the bookkeeper to record in the checkbook and ledger.
- A separate record should be maintained for each student indicating total tuition payable, the date and amount of each tuition payment, and the remaining balance due.
- Tuition statements should be sent to the parents on a regular basis.
- Each school should have appropriate written policies concerning reduced tuition arrangements and the handling of delinquent accounts.

Cash Receipts – Fundraisers

Fundraisers can be a large source of income. Events, such as bingo, raffles, festivals, golf outings, etc often involve large amounts of cash. The following procedures should be followed by entities involved in fundraising activities.

- During the fundraising events, the entity should appoint at least two individuals to control and frequently collect all cash receipts. All cash should be taken to a secure location for counting. Large amounts of cash should not be allowed to accumulate on the premises. A night depository should be used or another secure place if counting is not performed right away.
- At least two unrelated people should be present to count the cash. Signed logs should be maintained which agree with deposits made to the bank.
- The counters should endorse any checks as soon as possible "For Deposit Only" with proper endorsement stamps which must indicate the bank name, account name, and account number.
- Amounts should be deposited as soon as possible after the event. A copy of the logs and deposit tickets should be given to the bookkeeper to record in the checkbook and ledger.
- The event chairperson shall prepare a detailed summary of receipts and disbursements that should be thoroughly reviewed by the finance council.
- Whenever practical, cash registers should be used and reconciled with funds on hand.
- All disbursements for the event should be paid through normal check writing routines.
- For events that sell tickets to "purchase" rides, games, and refreshments, consider selling all of the tickets from one central location. This will provide for better security and control.

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- Individuals selling tickets need to account for all sold tickets. Cash Receipts then need to be reconciled to tickets sold.
- Any unsold tickets need to be accounted for and safeguarded.

Cash Disbursements

Controls over disbursements ensure the legitimacy of expenditures incurred. The following procedures are an important part of this control environment

- All invoices need to be approved verifying that the goods and services were received and the charges are accurate before submitting for payment. The person who ordered the goods or services should approve the invoice with his/her signature.
- If possible, ordering of goods and supplies should be done by someone other than the person responsible writing the checks.
- Payments must be made by sequentially numbered checks.
- Invoices, once paid, should be visibly “cancelled” in some manner to avoid duplicate payment.
- The invoice should be marked with the expense account number, date paid, and check number, or if a duplicate check stub is used, attach that to the invoice.
- The pastor, or someone designated by the pastor, should inspect all supporting documents before signing the checks. Hand stamps should not be used, all checks should be hand signed.
- Blank checks should never be pre-signed.
- Blank checks must be safeguarded at all times.
- No check should ever be made payable to “Cash,” except for petty cash. All other checks should be made payable to the payee or person responsible for cashing the check.
- Void checks are to be clearly marked “void” and kept on file with the rest of the cancelled checks. If you don’t receive the cancelled checks back, place them with your checkbook or in a separate folder in your accounts payable files.
- All disbursements should be summarized and reported to the finance committee on a regular basis.

Petty Cash Disbursements

An entity may elect to establish a petty cash fund for the purpose of making immediate small expenditures, which if paid by check could cause delay or inconvenience. The following procedures should be used for maintaining petty cash funds.

- The fund should be placed in the custody of one person, other than the bookkeeper, who has total responsibility for its integrity and access.
- Any petty cash fund should be established with a definite cash limit (recommended not to exceed \$250.00).
- Limits for individual disbursements should also be set (recommended not to exceed \$50.00). Anything over this amount should be paid by check.

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- Disbursement from the fund should be governed by the same reporting and documentation requirements for an expenditure that would normally be paid by check.
- The fund should be reimbursed periodically for the exact amount of properly documented expenditures. The check should be made payable to petty cash. During this procedure, the bookkeeper should post the expenditures to the proper accounts.
- Another person (the pastor or finance committee member) should count the petty cash fund on an irregular and unannounced basis. At any given time, the sum of the documented receipts plus cash on hand must equal the set limit established.

Bank Reconciliations

Reconciliations of cash in bank are a vital part of a good control environment. The following procedures should be employed.

- Someone who is not responsible for writing the checks and counting receipts should reconcile all bank accounts. If that is not possible, the pastor or someone designated by the pastor should at least open and review the bank statements as well as the cancelled checks (if returned) prior to submitting them for reconciliation.
- The reconciliation should be written on the back of the statement or on a separate sheet attached to the statement.
- The reconciled total must equal the checkbook total. Any discrepancies must be investigated.

Payroll

Because of Internal Revenue Service oversight, internal controls associated with payroll disbursements are critical. While not exhaustive, the following procedures should be used.

- Keep a payroll/personnel file for all employees. Each file should contain current Forms W-4 and I-9, a letter/terms of employment, Protecting God's Children certification, and if applicable, status of health insurance coverage, Life and Disability enrollment card, and 403(b) enrollment information.
- Send a copy of the W-4 for all new hires to the PA Department of Revenue New Hire Program.
- All payments for wages and salaries will be supported with approved time sheets or documentation supporting the yearly salary amount.
- All payments for wages and salaries will be made via a net check with all appropriate withholdings properly documented.
- Any monetary bonus (e.g. Christmas) will be properly reported and paid through normal payroll procedures.
- All employees of a parish, school, or cemetery will be paid on a W-2 basis.
- Any non-employee, who is paid more than \$600.00 per calendar year, must be issued an IRS Form 1099.
- All governmental reports/forms (e.g. Form 941, Form W-2, etc) will be filed in a timely manner.

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- All employees, except seasonal, are to be covered under the Pennsylvania Catholic Conference Unemployment Compensation Fund regardless of part-time or full-time status.
- Employees who are under age 65 and work at least 1,000 hours per year (average 20 hours/week) must be enrolled in the Diocesan Lay Pension Plan after three years of employment.
- Full time employees who work 35 or more hours per week and receive a W-2 are eligible for individual health coverage. If family members are enrolled, the employee picks up that extra cost.
- The employee, through a payroll deduction, will pay 15% of the individual enrollment cost.
- Full time employees who work 35 or more hours per week and receive a W-2 must be enrolled in the Diocesan Life and Disability Insurance program.

Budgets

One of the most effective internal controls is the presentation and use of a budget that is compared with the actual receipts and disbursements. The following procedures should be used.

- All entities shall prepare and have in place an approved budget prior to the start of each fiscal year.
- Entities will prepare a monthly statement of receipts and expenditures that are compared against the budget. An oversight committee (parish council, finance council, board of education, etc) should approve this statement.
- Significant variances in the budget vs. actual numbers should be promptly investigated.

General

- All school related expenses are to be paid out of the school account. If a parish wishes to pay the expense, a check should first be written to the school so the parish can receive credit for the school subsidy.
- The net profit from parish fundraising is to be reported through the parish operating account. Only fund raising expenses are to be paid out of accounts used for fund raising activities.
- The net profit from a society or affiliated organization is to be reported through the parish operating account. Only society or affiliated expenses are to be paid out of accounts used for those activities.
- Any expenditure over \$25,000.00 must have the approval of the Bishop before work is performed or goods are purchased. Any work that cost between \$10,000.00 and \$25,000.00 needs Finance Council approval.
- The pastor should be an eligible signer for all bank accounts, including those affiliated with the parish.
- The Finance Council Directives should be reviewed annually by the Council to stay informed of their duties as directed by the Bishop.
- Keep all documentation for the prescribed number of years according to the enclosed schedule.

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RECORD RETENTION SCHEDULE

Permanent

General Ledger
Payroll (journals, ledgers, W-2's, 940's, etc.)
Cash Receipts & Disbursements Journal
Depreciation Schedule
Annual Financial Reports
Finance Council Minutes
Corporate Legal Records, licenses
Legal Correspondence relating to Corporate Status
Special Contracts
Insurance Policies for General Liability

7 Years

Accounts Receivables & Payables
Expense Reports, Invoices, Petty Cash Slips
Cancelled Checks, Bank Statements & Deposit Slips
Daily Cash Reports
Payroll Data & Correspondence not in Permanent Records
Accident Reports & Closed Claims
Insurance Policies Other Than General Liability
Insurance Correspondence & Related Files
Leases & Contracts (after terminations)
Monthly Financial Reports
Personnel Files and Records (post employment)
Personnel Applications, Resumes, Job Ads
Interoffice Correspondence
Miscellaneous (meeting reports, correspondence, etc.)