
Archdiocese of Chicago
Business Administration - Best Parish Practices



February 2005

A publication of the
Archdiocese of Chicago
Financial Services Department
Written By: Mary Anne Murphy



Table of Contents

TABLE OF CONTENTS I

FINANCE COUNCIL 1

A) ESTABLISHMENT 1

B) WRITTEN GUIDELINES AND NORMS 1

C) REGULAR MEETINGS..... 1

D) RECORD OF MEETINGS..... 1

E) ROLE OF FINANCE COUNCIL MEMBER..... 1

F) COMMUNICATION OF FINANCIAL RESULTS..... 1

G) TOPICS DISCUSSED..... 1

FINANCIAL REPORTING..... 2

A) RECORD FINANCIAL TRANSACTIONS AND PREPARE FINANCIAL STATEMENTS..... 2

B) FINANCIAL RECORDS..... 2

C) PARISH FINANCIAL REPORTS 2

D) REGULAR REPORT PREPARATION 2

E) COMMUNICATION OF RESULTS 2

SUNDAY AND HOLY DAY COLLECTIONS..... 2

A) COUNT TEAMS 2

B) PROPER ROTATION OF COUNT TEAM DUTIES AND MEMBERS 2

C) TAMPER EVIDENT BAGS..... 2

D) COLLECTIONS ARE HANDLED PROPERLY..... 2

E) ADEQUATE PHYSICAL SAFEGUARDS..... 3

F) ADEQUATE SEGREGATION OF DUTIES 3

G) PARISHIONER CONTRIBUTION STATEMENTS 3

H) TRACKING PARISHIONER CONTRIBUTIONS 3

I) REVIEWING PARISHIONER CONTRIBUTION SUMMARY REPORT 3

OTHER CHURCH COLLECTIONS 3

A) OTHER CHURCH COLLECTIONS ARE HANDLED PROPERLY 4

SCHOOL TUITION COLLECTIONS..... 4

A) SCHOOL TUITION COLLECTIONS ARE HANDLED PROPERLY 4

B) ADEQUATE PHYSICAL SAFEGUARDS..... 4

C) ADMINISTRATION OF STUDENT ACCOUNTS 4

D) TUITION COLLECTION PLAN 4

E) PAYMENTS RECEIVED ARE SEGREGATED BY TYPE 4

F) MONITORING TUITION RECEIVED, DEPOSITED, AND REPORTED..... 5

FOOD SERVICE PROGRAM 5

A) BANK ACCOUNT 5



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

B)	BANK ACCOUNTS ARE RECONCILED MONTHLY.....	5
C)	DEPOSIT RECEIPTS	5
D)	PAYMENT FOR MEALS SERVED	5
E)	ADEQUATE PHYSICAL SAFEGUARDS.....	5
RELIGIOUS EDUCATION COLLECTION OF PAST DUE TUITION		5
A)	TUITION COLLECTIONS ARE HANDLED PROPERLY.....	5
B)	ADMINISTRATION OF STUDENT ACCOUNTS	5
C)	TUITION COLLECTION PLAN	6
OTHER SCHOOL COLLECTIONS.....		6
A)	OTHER SCHOOL COLLECTIONS ARE HANDLED PROPERLY	6
B)	ADEQUATE PHYSICAL SAFEGUARDS.....	6
CASH DISBURSEMENTS		6
A)	DISBURSEMENTS ARE APPROVED	6
B)	DISBURSEMENTS ARE SUPPORTED BY DOCUMENTATION.....	6
C)	DUPLICATE PAYMENTS ARE PREVENTED.....	6
D)	PROPER CONTROLS OVER CHECKS.....	7
E)	LIMIT THE NUMBER OF CHECKS PAYABLE TO CASH	7
F)	USE OF CREDIT CARDS.....	7
G)	USE OF TAX EXEMPTION LETTER.....	7
PETTY CASH FUND.....		7
A)	PETTY CASH TRANSACTIONS	7
B)	REPLENISHMENT OF THE PETTY CASH FUND	7
C)	FUND LIMIT.....	8
D)	DISBURSEMENTS ARE SUPPORTED BY DOCUMENTATION.....	8
E)	AUTHORIZED CUSTODIAN.....	8
F)	ADEQUATE PHYSICAL SAFEGUARDS.....	8
G)	DESIGNATING FUNDS TO PETTY CASH.....	8
BANK ACCOUNTS AND RECONCILIATIONS.....		8
A)	IDENTIFICATION OF PARISH ACCOUNTS AT FINANCIAL INSTITUTIONS	8
B)	ACCOUNTS AT FINANCIAL INSTITUTIONS ARE REPORTED ACCURATELY AND TIMELY ...	8
C)	MONITORING ALL PARISH BANK ACCOUNTS	8
D)	BANK ACCOUNT SIGNATURE CARDS	9
E)	BANK ACCOUNTS ARE RECONCILED MONTHLY.....	9
F)	EXCESS OPERATING AND OTHER FUNDS	9
G)	SAFEGUARDING THE USE OF THE PARISH TAX IDENTIFICATION NUMBER	9
H)	CLOSING BANK ACCOUNTS.....	9
I)	AUTOMATIC ACCOUNT DEBIT	10
J)	CHOICE OF BANKING INSTITUTION.....	10
EMPLOYEE FILES.....		10



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

A)	FILES CONTAIN INS FORM I-9	10
B)	EMPLOYMENT APPLICATION	10
C)	OTHER DOCUMENTATION	10
D)	ACKNOWLEDGEMENT OF RECEIPT OF THE EMPLOYEE HANDBOOK	10
E)	BACKGROUND CHECKS FOR PROSPECTIVE EMPLOYEES	11
EMPLOYEE BENEFITS.....		11
A)	ANNUAL PENSION CENSUS FORMS	11
B)	PENSION BENEFIT IS NOT OPTIONAL	11
C)	REMITTANCE OF ANNUITY CONTRIBUTIONS 403(B).....	11
D)	EMPLOYEE HEALTH BENEFITS	11
E)	BENEFIT CO-PAYMENTS.....	12
COMPENSATION TO EMPLOYEES.....		12
A)	WAGES AND COMPENSATION	12
B)	W-2 AND W-4 FORMS ARE RETAINED IN EMPLOYEE FILES	12
C)	ISSUANCE OF FORM 1099	12
D)	CLASSIFICATION OF WORKERS	12
E)	PAYROLL IS PREPARED PROPERLY AND TIMELY.....	12
F)	TIMESHEETS AS DOCUMENTATION OF HOURS WORKED	13
G)	FILING FEDERAL AND STATE TAXES	13
H)	CHANGES TO EMPLOYEE STATUS	13
CONTRACTS AND COMMITMENTS (NON-EMPLOYMENT).....		13
A)	PARISH CONTRACTS.....	13
B)	CONFLICT OF INTEREST	14
CONTRACTS AND COMMITMENT (EMPLOYMENT: PRINCIPALS/TEACHERS) 14		
A)	EMPLOYMENT CONTRACTS	14
AUXILIARY ORGANIZATIONS OTHER THAN SCHOOLS, SUCH AS WOMEN’S AND MEN’S CLUBS		14
A)	PROPER ACCOUNTABILITIES	14
B)	SIGNATURE OF PASTOR	14
C)	BANK ACCOUNTS.....	14
D)	FUNDS REMAINING AT THE END OF THE YEAR	14
E)	RECOMMENDED BANKING INSTITUTION.....	14
F)	USE OF THE PARISH TAX ID NUMBER	15
G)	CHARTERS TO PARISHES USING THE SCOUTING PROGRAM.....	15
OTHER PARISH PROGRAMS AND EVENTS, SUCH AS MANNA PROGRAMS.....		15
A)	ADEQUATE SEGREGATION OF DUTIES	15
B)	SIGNATURE OF PASTOR	15
C)	ADEQUATE PHYSICAL SAFEGUARDS.....	15
D)	REGULAR RECONCILEMENT OF INVENTORY	16



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

E)	REPORTING OF RESULTS	16
F)	WRITTEN PROCEDURES AND GUIDELINES	16
G)	ACCOUNTING FOR EVENTS.....	16
FACILITY INSPECTIONS.....		16
A)	PERFORM SEASONAL INSPECTION OF FACILITIES	16
B)	SCHOOL ASBESTOS MANAGEMENT PLAN.....	16
REAL ESTATE		17
A)	PURCHASE / SALE OF PARISH PROPERTY	17
B)	LEASING PARISH PROPERTY	17
C)	TAX LIABILITY	17
RISK MANAGEMENT		17
A)	SELF INSURANCE LOSS PROGRAM.....	17
B)	PREVENTION SYSTEMS AND DEVICES	17
C)	NEW EMPLOYEE / VOLUNTEER ORIENTATION.....	17
D)	DETAILED INVENTORY OF CONTENTS	18
E)	LOSS REPORTING FOR PROPERTY, AUTOMOBILE, COMMERCIAL AND GENERAL LIABILITY 18	
F)	LOSS REPORTING FOR WORKERS COMPENSATION	18
G)	LOSS RESULTING FROM USE OF NON-APPROVED CONTRACTORS OR VOLUNTEERS.....	18
H)	STANDARDS FOR INSURING AUTOMOBILES	18
I)	GENERAL LIABILITY LOSSES.....	18
J)	USE OF EMPLOYEE AND VOLUNTEER LABOR	18
K)	RENTAL OF PARISH FACILITIES	19
L)	THEFT OR LOSS OF CASH.....	19
M)	ARCHDIOCESAN SELF-INSURANCE PROGRAM DEDUCTIBLES	20
RETENTION / SAFEKEEPING RECORDS		21
A)	SACRAMENTAL RECORDS	21
B)	FINANCIAL RECORDS.....	21
C)	CAPITAL RECORDS.....	21



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

Finance Council

a) Establishment

While canon law requires a parish to have a Finance Council, good management practice provides ample testimony to the benefits of having an active Finance Council.

b) Written guidelines and norms

Clearly define the duties, authority, and responsibility of the finance council in documented written guidelines. Refer to page 21 the *Appendix: Parish Finance Council*, found in the Parish Pastoral Councils, Norms Theological Reflections for the Archdiocese of Chicago for assistance. Elaboration on *Parish Finance Council's* and an example of written guidelines can be found in the Parish Finance Council Guidelines published in September 2000 by the Department of Financial Services and posted on the Archdiocesan web site.

c) Regular meetings

Meetings should occur at least once a quarter. Review and discuss the monthly budget and management of income and expenditures. Review actual results compared to budget and forecasts; consider operating and capital requirements.

d) Record of meetings

Minutes of Finance Council meetings are kept, and maintained on file. Document the main topics reviewed and any votes taken.

e) Role of Finance Council member

Serve in advisory and consultative role to the Pastor with respect to implementation of best practices. While parish staff such as a business manager or school principal may be regular attendees at a parish Finance Council meetings, their role is a staff role and not as a voting member.

f) Communication of financial results

Communicate regularly, but not less than annually, the financial condition of the parish, including sources and amounts of income, parish indebtedness, unpaid bills, and parish savings and investments. A comprehensive report is an important element of accountability. Accountability completes the circle of stewardship and directly impacts people's willingness to give of their time, talent, and treasures.

g) Topics discussed

Review and evaluate the internal controls concerning the accounting function, define specific practices, procedures, and techniques. Review and discuss the parish annual report. Monitor actual results to budgeted comparisons on a regular basis (at least quarterly); discuss reasons for variances. Assess the condition of the buildings and plan for improvements. Determine the effectiveness of fund-raising campaigns.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

Financial Reporting

- a) **Record financial transactions and prepare financial statements**
Financial transactions are recorded and monthly financial statements are prepared using a standard chart of accounts on QuickBooks.
- b) **Financial records**
All financial records documenting transactions should be available to the parish as needed. Records should not be kept offsite at the residence of employees or other locations where access to the records is limited. Financial records are the property of the parish and should be kept on the parish premises at all times.
- c) **Parish financial reports**
The parish budget and annual report should be reviewed and approved by the Pastor and Finance Council prior to submitting to the Pastoral Center.
- d) **Regular report preparation**
Financial reporting is done regularly and timely to facilitate control and corrective action.
- e) **Communication of results**
Financial results are reported to the Pastor and the Finance Council and the Parish Council on a regular basis (at least quarterly). Also, results are shared with parishioners on at least an annual basis including sources and amounts of income, parish indebtedness, unpaid bills, and parish savings and investments.

Sunday and Holy Day Collections

- a) **Count teams**
At least three people should be present when collections are counted. No one should ever sort and organize money prior to the arrival of the count team.
- b) **Proper rotation of count team duties and members**
Collections are counted by multiple count teams, which are rotated periodically.
- c) **Tamper evident bags**
The ushers immediately consolidate collections to pre-numbered tamper evident bags. The use of these bags is required and documented in Management of Sunday Collections¹.
- d) **Collections are handled properly**
Checks are restrictively endorsed during counting procedures, and a cash collection report is compiled and signed by count team members. It is helpful to establish written



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

cash handling guideline for the count teams that are consistent with the practices described in Management of Sunday Collections¹.

e) Adequate physical safeguards

All cash receipts should be deposited intact daily, or locked in a safe, in a pre-numbered tamper evident bag under dual control (access by two people). Limit entry to the safe to only those people requiring such access. The safe combination and / or key should be adequately safeguarded.

f) Adequate segregation of duties

Ideally different individuals complete the receiving, processing, recording, and bank reconciliation functions. This option is not always possible especially if there are only one or two individuals available to perform these duties. Separate these duties between the available people as much as possible. Perhaps the pastor, or a volunteer parishioner with the proper background, can perform one of these functions on a monthly basis.

g) Parishioner contribution statements

Someone who is independent of the counting, depositing, and recording of collections prepares and distributes year-end parishioner statements. Reported variances between the donation and collection are investigated and resolved.

h) Tracking parishioner contributions

Develop written procedures to instruct the person completing the data entry. Do not back date envelopes to the Sunday date printed on the envelope, use the date of the collection. For instance, school families submitting multiple envelopes (for previous Sundays on one Sunday). These should be entered with the Sunday date the multiple envelopes were received, not the day the data was entered, or the Sunday dates printed on the envelopes.

i) Reviewing parishioner Contribution Summary Report

Periodically (quarterly) print the Contribution Summary Report and compare to the Sunday collection worksheets. Depending upon the percentage of envelope usage, you can verify if the deposit is reasonable. The amount contributed on the Contribution Summary Report should be lower by the amount of cash on the Sunday collection worksheet.

Other Church Collections



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

a) Other Church collections are handled properly

Ideally, different individuals complete the receiving, processing, recording, and bank reconciliation functions. Gift acknowledgment forms are issued when donations of \$250 or more are received. Reported difference between the donation and collections are investigated and resolved.

School Tuition Collections

a) School tuition collections are handled properly

Checks received for tuition and fees are restrictively endorsed. Pre-numbered receipts are issued for cash payments of tuition and fees. Parents should be discouraged from paying by cash. The tuition collections are recorded and reconciled to the student accounts. Tuition collections are reconciled to total tuition revenues recorded on the parish financial records. Separate individuals should be responsible for the custody and recording of tuition collections.

b) Adequate physical safeguards

Tuition collections should be deposited as soon as possible. Until a timely deposit can be made, tuition collections should be locked in a safe under dual control.

c) Administration of student accounts

Document a standard policy for recording tuition and any school fees. Ensure that late fees are applied to the appropriate student account. Establish fees and guidelines for processing NSF checks. Monitor to enforce that all appropriate fees are applied and collected.

d) Tuition collection plan

On a monthly basis, outstanding tuition balances should be identified and reviewed to determine if it is collectible. Establish a plan for the collection of past due tuition. Payment plans and reminder notices should be utilized to collect past due tuition. To identify past due tuition, document all students registered under different tuition plans to monitor the accuracy of revenue collected on an on-going basis. Uncollected tuition should be written off after review and approval of the Pastor and the Finance Council. Tuition waivers should be documented and approved by the Pastor and the Principal.

e) Payments received are segregated by type

Payments received are separately recorded by type, such as, tuition (current year and previous year, kindergarten, first through eighth grade), fees, books, fundraising, and scholarships. Separating income by type will aid in reconciling and reporting actual tuition received.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

f) Monitoring tuition received, deposited, and reported

Regular comparisons using records of tuition receipts to bank deposit information should be completed. Discrepancies should be documented, investigated, and resolved. Depending on the results of the comparison, recording procedures should be modified to reduce the discrepancies between funds received and deposited. This will provide accessible information and support for tuition-related questions and correct information for reporting purposes.

Food Service Program

a) Bank account

Maintain a separate bank account dedicated exclusively to food service funds. The bank account information should be disclosed on the annual report.

b) Bank accounts are reconciled monthly

Bank accounts are reconciled each month and reviewed by an individual independent of the handling and recording of cash. Reconciling items are investigated and resolved.

c) Deposit receipts

Accept daily deposits for lunch order payments and leftover sales. Verify the accuracy of the FSP deposits.

d) Payment for meals served

Issue a check to FSP each Friday as payment for meals served.

e) Adequate physical safeguards

Monies should be deposited as soon as possible, weekly or more frequently if needed. Until a timely deposit can be made, receipts should be locked in a safe under dual control with limited access.

Religious Education Collection of Past Due Tuition

a) Tuition collections are handled properly

Pre-numbered receipts are issued for all revenue collections. Collections should be deposited on a regular basis and secured under dual control.

b) Administration of student accounts

Document all students registered under different tuition plans to determine the accuracy of revenue collected on an on-going basis.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

c) Tuition collection plan

On a regular basis, outstanding tuition balances should be reviewed to determine if it is collectible. Establish a plan for the collection of past due tuition. Payment plans and reminder notices should be utilized to collect past due tuition. To aid in identifying past due tuition, document all students registered under different tuition plans to determine the accuracy of revenue collected on an on-going basis. Uncollected tuition should be written off only upon review and approval of the Pastor and the Finance Council. Document unpaid tuition and tuition waivers.

Other School Collections

a) Other school collections are handled properly

Pre-numbered receipts are issued for all other school collections. Receiving, processing, and recording other collections are completed by different individuals.

b) Adequate physical safeguards

Collections should be deposited as soon as possible. Until a timely deposit can be made, other school collections should be locked in a safe under dual control.

Cash Disbursements

a) Disbursements are approved

Original supporting documentation should be reviewed and approved by the pastor or someone assigned by the pastor. The supporting documentation should include invoices or receipts that provide evidence of the transaction and the expense account debited. Invoice approval should be recorded by signature or initials and dated. *Be watchful for bogus invoices sent by companies who have provided no goods or services.*

b) Disbursements are supported by documentation

Verify all items were received prior to presenting for payment. Check items received against documents for description, quantity, and prices. Checks should not be issued without an invoice or check requisition form. Check amounts are compared to the list of disbursements accompanying the checks; this documentation (defaced to prevent reuse) is retained as proof of the disbursement. Invoices should include certain minimum information such as vendor, date of service or purchase, description of service provided or goods purchased.

c) Duplicate payments are prevented

Invoices are canceled upon payment to prevent duplicate payments. The number and date of the check is recorded on the invoice.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

d) Proper controls over checks

Access to unused check stock is restricted; voided checks are defaced and retained so as to maintain proper sequential integrity. If an account is closed, remaining check stock is shredded prior to disposal.

e) Limit the number of checks payable to cash

Checks are made payable to a person or organization. No check is made payable to “cash” (except to reimburse petty cash “petty cash”) and all checks should require two signatures (if neither is the pastor’s signature) for amounts over the limit set by the parish.

f) Use of credit cards

While parishes may elect to use credit or debit cards to facilitate purchases, it is imperative that adequate controls governing access, signoff, and documentation of type and purpose of purchase be monitored. Parishes are not allowed to incur finance charges on a credit card and are obligated to pay any outstanding balances at the end of each billing cycle. The account should be reconciled. If a major purchase is necessary, obtain the appropriate pre-authorization before purchasing the item. Statements should be mailed to the parish address.

A list of the cardholders should be maintained. The list should detail the name of cardholder, the account number, credit limit, and expiration date. This list should be periodically reviewed and updated to reflect changes. Credit cards should be returned when an employee or other person leaves their job or position.

g) Use of tax exemption letter

Use of the letter should be reserved for purchases for the church and the school. Friends or relatives should not use the tax exemption letter for personal purchases. The letter should be secured so that access is limited to authorized individuals.

Petty Cash Fund

a) Petty cash transactions

Record all petty cash transactions in a Petty Cash Register to maintain a clear record of the payment of expenses with a small amount of cash. A record of each petty cash payment should be maintained to identify the person paid, the reason, the amount, and the date of payment.

b) Replenishment of the petty cash fund

Write a check from the parish operating account to “Petty Cash”. Never take cash directly from the Sunday collections or other income. Determine the total for the petty cash fund and periodically make the deposits necessary to maintain this pre-determined total.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

- c) Fund limit**
Keep the limit at a minimum to cover incidental expenses, such as postage. It is advised to maintain a \$100 or \$200 limit depending on local needs. At any point in time, cash and receipts should equal the total of the fund.
- d) Disbursements are supported by documentation**
Keep petty cash receipts to document the types of expenses, the payee, and number of transactions to determine that petty cash is appropriately used.
- e) Authorized custodian**
Assign a primary person and a secondary person responsible for processing transactions and serving as a custodian.
- f) Adequate physical safeguards**
Ideally store funds in a secure and locked drawer, box, or office.
- g) Designating funds to petty cash**
Petty cash funds should be designated for small recurring expenses of the parish. Petty cash funds should not be commingled with the funds used for benevolent gifts.

Bank Accounts and Reconciliations

- a) Identification of parish accounts at financial institutions**
The Pastor is a signer and a receiver of information for all parish accounts. The parish should periodically verify the existence of all parish accounts, including those for auxiliary organizations, by surveying its various organizations.
- b) Accounts at financial institutions are reported accurately and timely**
All parish accounts are reported in the annual report submitted to the Pastoral Center and to the parishioners. Include those bank accounts with zero balances – such as sweep accounts. These accounts still reference the parish tax identification number and transactions are processed through these accounts.
- c) Monitoring all parish bank accounts**
All original bank statements are mailed to the parish where a copy is maintained and then distributed to the auxiliary group and/or school. This will ensure that the Pastor is aware of all parish bank accounts utilizing the parish tax identification number.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

d) Bank account signature cards

As personnel change in the parish, periodically verify the approved signers on each parish bank account – include the accounts where few transactions occur since these accounts are often overlooked. Signers that have left the parish or relinquished responsibilities for the account should be removed as authorized signers.

e) Bank accounts are reconciled monthly

Bank accounts are reconciled each month and reviewed by an individual independent of the handling and recording of cash. All checks that remain outstanding for more than two months should be investigated and resolved. Contact the payee if necessary, checks may need to be voided and reissued.

f) Excess operating and other funds

Excess operating funds (those over 90 days) are deposited with the Archdiocesan Bank. Funds collected for capital campaigns or building funds are deposited with the Archdiocesan Bank.

g) Safeguarding the use of the parish tax identification number

Parish tax identification number is issued only after the approval of the Pastor. Identify the reason for the use of the parish tax identification number: establish parish (church, school, and auxiliary groups) accounts, and state and city licensing. The Pastor receives copies of the resulting documents, example, bank statements and licenses. The parish should maintain a log identifying the recipient of the tax identification number and the purpose for the request.

National organizations (e.g. Knights of Columbus, St. Vincent de Paul Society) should not ask for or be given the parish tax identification number to use for their bank accounts or for their activities.

The exception to this is Scouting units chartered by the Boy Scouts of America, as scouting is youth ministry. The parish tax identification number is issued to the Scout unit: Cub Scouts, Boy Scouts, Varsity Scouts, or Venture Scouts and referenced on the bank account. The parish then receives the banking documents to maintain on file. All Boy Scouts of America units are subject to all of the policy and best practices related to parish auxiliary groups.

h) Closing Bank Accounts

Access to unused check stock should be restricted. When a decision is made to close an account, inventory the remaining check stock. The remaining check stock should be shredded to prevent fraudulent use of the checks. Blank checks from a closed account can be presented for payment resulting in a loss for local currency exchanges, banks, or merchants. Local merchants as a member of the community will often honor a parish check unaware of the consequences.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

- i) Automatic account debit**
Sparingly enter into an automatic debit arrangement. If the business relationship is ended, make sure the bank is instructed not to honor debits from the company. Determine what is required by the bank to cease this activity – complete bank forms, write a letter, and/or close the account. Make sure the requirements are satisfied. Maintain a file documenting any such arrangements.

- j) Choice of banking institution**
Consider maintaining parish bank accounts (operating, auxiliary group accounts) at one financial institution. Higher account balances may enable the parish to negotiate better terms and/or rates with the bank.

Employee Files

- a) Files contain INS Form I-9**
Verify employment eligibility of anyone hired after 11/6/86 by completing and retaining this form in the employee file. Employees must present the required documentation within three days of their hire date. Employees who do not present the appropriate documentation may not continue in our employ.

- b) Employment application**
Everyone applying for employment or volunteer service must complete an official employment application, even if she/he has submitted a resume. Retain application, employment verification, verification of academic credentials (where appropriate), job description, and employment contracts, where appropriate (only for teachers and principals, other parish and school employees are not eligible for employment contracts).

- c) Other documentation**
Retain documentation that may form the basis of any decision affecting employment. Some examples include: performance appraisals, salary reviews, letters of commendations or disciplinary memos, documentation of continuing education and development.

- d) Acknowledgement of receipt of the Employee Handbook**
Retain the documentation that shows the employee received the Archdiocesan Employee Handbook.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

e) Background checks for prospective employees

Verify employment references and academic credentials. If any deception or material omission exists, do not hire this person. All current employees and volunteers, as well as any new employees and volunteers, must complete the e-apps on-line background check. No candidate for employment or volunteer service is to be hired until this process has been completed with satisfactory results.

Employee Benefits

a) Annual Pension Census forms

As a result of the conversion of all parishes, schools and agencies to a standard format of the ADP payroll system, pension census materials are no longer sent to each location for processing. Instead, your pension census information is now transmitted directly from ADP to Hewitt.

b) Pension benefit is not optional

All full-time and benefits eligible part-time employees automatically participate in the defined benefit pension plan. This plan is funded exclusively through employer contributions, and eligible employees do not have the option to waive out of this plan.

c) Remittance of Annuity Contributions 403(b)

Employee contributions to the 403(b) defined contribution pension plan must be remitted to the 403(b)-plan administrator, currently ING as soon as possible, but not later than three days after payday. Please remember the remittance to ING should equal the deductions from the employees' pay. All 403(b) contributions must be submitted electronically to ING.

d) Employee Health Benefits

Participating employees must pay the employee co-pay for single health coverage that is appropriate for the plan they have chosen. If the dependent health option is selected, the employee must pay the appropriate dependent coverage premium in addition to the single coverage co-pay. No parish, school, or agency is authorized to waive the employee cost for any benefit, nor are they authorized to pay the employee cost for any benefit. *For example, Principal and teacher contracts cannot be amended to waive this cost.* Also, as stated in the employee handbook, no parish, school or agency is authorized to pay employees any alternate form of compensation in lieu of our standard benefits. Benefits cannot be selectively offered but must be uniformly offered to all employees. We are legally required to be consistent in administering eligibility requirements, employee cost, and the list of benefits to which employees are entitled. Inconsistency can be construed as disparate treatment among groups of employees and can result in costly litigation. Also, paying the employee portion of benefits results in taxable income for the employee and taxable obligations and reporting for the employer.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

e) Benefit Co-Payments

At least quarterly, review the Health Insurance Billing and the ADP Master Control to verify that the correct amounts are deducted from the pay of employees. Benefit rates are subject to change in January. Co-pay amounts change in July. However, employees can change from single to family coverage at any time. The first endeavor at reconciling this may be time consuming; however, each subsequent reconciliation should take about a half-hour every quarter, even including school employees. Report any discrepancies to the Benefits Administrator in the Human Resource Department.

Compensation to Employees

a) Wages and compensation

Wages for employees, and payment to vendors and service providers, must be paid by check, never cash. All compensation paid to employees, including religious employees, must be paid through the ADP Payroll on a bi-weekly basis. Payments to employees, vendors and service providers should be recorded in the financial records of the parish.

b) W-2 and W-4 forms are retained in employee files

All parish employees receive a W-2 Form by January 31st of each year.

c) Issuance of Form 1099

When payments of more than \$600 are made to a service provider or contractor during a calendar year, for other than W-2 reportable services, issue a Form 1099. Before issuing checks payable to individuals, verify the individual's social security number. Monitor payments during the year to determine if \$600 or more was paid to an individual. When an independent contractor is initially engaged, form W-9 should be signed.

d) Classification of workers

To be an independent contractor, the individual must be free to choose when, where and how the job gets done. For example, if you hire someone to do a particular job where the individual must work at your location during your work hours, using your equipment, he or she is not an independent contractor, and must therefore be paid through the regular employee payroll, with all appropriate taxes withheld, and be treated the same as any other employee for purposes of benefits. Independent contractors do not receive any employee benefits. Cleaning staff and security guards are generally parish employees, unless contracted through an agency.

e) Payroll is prepared properly and timely

All parish, school and agency employees must be paid on a bi-weekly basis through ADP. No employees are to be paid in cash. Besides being illegal, this practice often



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

imposes unintended hardships on the employee. For example, an employee who had been paid in cash for many years and now chooses to retire will not likely be eligible for pension benefits or Social Security benefits because both are based on reported payroll earnings. Employee payroll deductions for the 403(b) plan must be remitted electronically to ING within no more that 3 days after each payday. Also, employee payroll deductions for supplemental life insurance premiums must be remitted monthly to UNUM Provident.

f) Timesheets as documentation of hours worked

Timesheets are required for all exempt and non-exempt employees. There are no exceptions. By law, all non-exempt employees are required to record their actual hours worked on their timesheet each day. Absences are to be recorded with an appropriate explanation. Hours actually worked in excess of 40 in the same workweek by a non-exempt employee must be paid at the rate of time and a half. Supervisors must not complete the time records for their non-exempt employees. By policy, all exempt employees are required to submit timesheets indicating whether they were present or absent each day, noting the reason for any absences. Employees must complete and sign the timesheet before submitting it to the supervisor for payroll processing. In addition to documenting the pay the employee is to receive on payday, timesheets are the means by which the employer tracks paid time off benefits, such as sick days, personal days and vacation days for all exempt and non-exempt employees. Retain timesheets for a period of three years.

g) Filing federal and state taxes

All parishes, schools and agencies should now be filing their quarterly state and federal taxes with assistance from ADP.

h) Changes to employee status

All changes to employment status are documented and include the approval of the Pastor for parish employees and the Principal for school employees. Former employees are removed from payroll. Document the date of the status change and the date of the last check. The Archdiocesan Human Resource Department must be promptly notified of employment status changes for benefit eligible employees on the document transmittal form.

Contracts and Commitments (Non-Employment)

a) Parish contracts

Parish contracts are processed according to Archdiocesan norms. These norms include consulting with the parish Finance Council before committing parish resources in excess of \$10,000. The appropriate policies and procedures in the Archdiocese of Chicago, Policy and Procedures Book V, The Temporal Goods of the Church should be followed, particularly those outlined in sections δ600 and δ700.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

b) Conflict of interest

Engaging non-parishioners in contracts for goods and/or services best accomplishes maintaining objectivity in a business relationship. Parishioners with specific expertise can be very helpful in assisting in the proper definition of the scope of work needed, review of bids, and helping the parish and pastor understand its options.

Contracts and Commitment (Employment: Principals/Teachers)

a) Employment contracts

If there are any revisions included in the standard contract, attach the addendum page and send to OCS. The amended contract will not be effective until the Office of Catholic Schools also approves it.

Auxiliary Organizations Other Than Schools, such as Women's and Men's Clubs

a) Proper accountabilities

Auxiliary organizations are accountable to the pastor; therefore, an annual report should be submitted to the Pastor. The annual report to the Pastor should include both the activities as well as the financial results of the auxiliary organization. Suggested forms are available for group bank account information – Club Bank Accounts1 and reporting of activities - Club Financial Report1.

b) Signature of Pastor

The Pastor should be a signatory and receiver of information on any bank accounts held by these organizations.

c) Bank accounts

The auxiliary organization bank accounts are reported in the parish annual report submitted to the Pastoral Center. It is recommended that the original bank statement be mailed to the parish where a copy is retained and then forwarded on to the group.

d) Funds remaining at the end of the year

Excess funds (those more than the amount needed to begin next year's activities) in auxiliary bank accounts should be transferred to the parish to be used for ministerial purposes.

e) Recommended banking institution

Recommend a bank of choice for the auxiliary groups bank accounts. All parish bank accounts (church and school) maintained at one banking institution may result in better interest rates and more favorable fees.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

f) Use of the parish tax ID number

Groups, organizations, and clubs that utilize the parish tax ID number must account for all cash receipts and expenditures through the corresponding bank accounts. This includes national organizations utilizing the parish tax ID number as opposed to utilizing the national organizations own tax ID number, such as St. Vincent de Paul Society. Previous arrangement where the national organization uses the parish tax ID number should be corrected.

g) Charters to parishes using the scouting program

If the parish has one or more charters with one or more scouting programs, such as, Cub Scouts, Boy Scouts, Varsity Scouts, and Venture Scouts, then all of the above applies since the organization becomes a parish organization and all of its assets are parish assets. When signing the annual charter, distribute the Auxiliary Organizations Best Practices¹ to the scouting units leaders. This will inform them of their responsibilities to the pastor and parish. A copy of the signed charter should be retained on file in the parish office.

Other Parish Programs and Events, such as Manna Programs

a) Adequate segregation of duties

Ideally one person should be responsible for sales and safekeeping of certificates. A second person should be responsible for the treasury duties. The rebate program should be monitored by a third person. Also periodic inventory of certificates should be completed.

b) Signature of Pastor

The Pastor should be a signatory and receiver of information on any bank accounts held by these organizations. The original bank statement should be mailed to the parish where a copy is retained and then forwarded on to the group. Depending on the available resources, the authorized signers and reconcilers of the bank account should be administered by the parish business office, with payment requests submitted by the group. Remember, whoever reconciles the bank account should not be an authorized signer on the bank account.

c) Adequate physical safeguards

These certificates should be considered as cash and handled appropriately. The inventory of certificates on hand should be kept to a minimum based on sales activity. Under no circumstances, should certificates ever be taken off parish property to a personal residence for safekeeping.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

d) Regular reconciliation of inventory

Inventory should be reconciled on a regular basis (at least weekly) to calculate the actual inventory on hand. The reconciliation form should include inventory of certificates, purchases of additional certificates by company, adjustments + or – for back orders, sales errors, etc, and sales deposits by date to determine the calculated inventory. This should be compared to the physical inventory count. Any differences are researched, documented, and resolved. This reconciliation form should be distributed to the program moderator and the parish business office with the appropriate signatures.

e) Reporting of results

Regular income and expense statements should be submitted to the parish business office. The statements should reflect cash in accounts, an inventory of certificates, tuition rebates distributed, adjustments for prepaid certificates, and the program profits.

f) Written procedures and guidelines

Written procedures and guidelines should be developed and distributed to the program volunteers. Emphasis should be on segregating duties to distribute the responsibilities. Written procedures and guidelines will aid volunteers in carrying out their duties.

g) Accounting for Events

Revenue should be counted and deposited intact, never take cash generated from an event prior to deposit to pay for event related expenses. Receipts should be retained to document any reimbursable expense.

Facility Inspections

a) Perform seasonal inspection of facilities

Please refer to the seasonal maintenance and mechanical checklists found in the “Construction Guidelines” published by the Facilities & Construction Department. The parish maintenance staff or building committee should inspect facilities. The results of the inspection will aid in planning for upcoming expenses.

b) School Asbestos Management Plan

The school must notify the parents, teachers, and employee organizations about the availability of the asbestos plan. The annual notification should occur sometime in October. A copy of the notification and a description of how it was sent should be mailed to the Pastoral Center for inclusion in the parish’s Archdiocese management plan. A sample letter notifying parents, teachers, and school employees is available by contacting the department of Facilities & Construction.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

Real Estate

a) Purchase / sale of parish property

Contact the Real Estate Office whenever you are contemplating the purchase or sale of parish property. The Real Estate Office will obtain the necessary approvals from the local Vicar, Pastor, Director of Finance, and VAC. The Real Estate Office will originate the appropriate documents for the transaction.

b) Leasing parish property

Contact the Real Estate Office if you have property available to lease. The property will be added to the list of available property that is sent to potential tenants. The Real Estate Office will work with the parish to establish the rent amount and other terms of the lease. The Real Estate Office will negotiate with the tenant and draft the lease agreement.

c) Tax Liability

Any parish property that is used for religious purposes is tax exempt. Any new property purchased is not automatically tax exempt. You should contact the Real Estate Office to file the necessary documents with the appropriate government agency. This process usually requires a six to nine month period to complete. **If you ever receive a tax bill, please fax it to the Real Estate office.**

Risk Management

a) Self insurance loss program

All locations are insured through the protected self-insured loss program and are encouraged to engage in practices and programs that will eliminate or limit the risk of any type of loss. Our self-insurance program includes property, liability, automobile, and workers' compensation. Reduced losses will benefit all parishes and those they serve.

b) Prevention systems and devices

Locations that experience repeated occurrences of theft and flooding are encouraged to obtain and activate prevention devices, i.e., alarm systems and backup sump pumps, investments in such equipment are eligible for a reduced deductible level for property losses.

c) New Employee / Volunteer Orientation

Items to address with new employees include benefit plans and enrollments, work place rules, child safety, workplace safety, payroll periods, overtime approval, etc.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

d) Detailed inventory of contents

Covered locations must maintain a detailed inventory of assets. Items to include are works of art, items of significant cultural value, movable items of sufficient monetary value including these items: televisions, VCRs, computers, printers, etc. The inventory must list the name of the item, description of the item, acquisition cost, date of acquisition and serial number. Include a photocopy of appraisal for items that are unique. Videotape and / or photographs can be attached to supplement any worksheets. One copy of the inventory should be maintained off-site at the Archdiocesan Archives and Records Center.

e) Loss reporting for property, automobile, commercial and general liability

Covered locations must immediately report any Property, Automobile, Commercial General Liability Losses to Gallagher Bassett Claim Services at 847-273-0100. Late loss reporting could result in a Poor Practice deductible and / or a reduction in coverage.

f) Loss reporting for workers compensation

Covered locations must immediately report any employee injury / workers' compensation loss to Gallagher Bassett Claim Services at 888-296-4921. Losses should generally be reported within 24 hours of an accident. Late loss reporting could result in a Poor Practice Deductible.

g) Loss resulting from use of non-approved contractors or volunteers

Property losses must be reported to Gallagher Bassett Claim Services. Losses caused as a result of non-approved contractors or volunteers will result in a Poor Practice deductible and/or limited coverage. Damage over an extended period of time is not covered.

h) Standards for insuring automobiles

Automobile losses must be immediately reported to Gallagher Bassett Claim Services. Location vehicles are to be used for business purposes. Authorized drivers should be at least 21 years old and have a good driving record. A background check should be conducted through your local police department. Losses occurring as a result of non-location use, drivers under 21 years old, or use of drivers with poor driving records will be subject to a Poor Practice deductible.

i) General Liability losses

General liability losses must be immediately reported to Gallagher Bassett Claim Services. Losses resulting from failure to repair a known condition in a timely manner, use of a volunteer for hazardous work, late loss reporting, use of contractor without a contract, or other violations of Archdiocesan policy are examples of actions which would make a parish subject to a Poor Practice deductible.

j) Use of employee and volunteer labor

Employees and volunteers should be encouraged to complete their work in a safe, thoughtful manner. Volunteers should not engage in hazardous activities, which



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

normally include electrical, mechanical and plumbing, activities involving ladders or scaffolds and activities involving dangerous equipment or chemicals. The policy regarding the use of volunteers found in the Archdiocese of Chicago, Policy and Procedures Book V the Temporal Goods of the Church² should be followed, particularly those outlined in sections 8705. Questions and concerns regarding this policy is found in the “Construction Guidelines” published by the Facilities & Construction Department

k) Rental of parish facilities

Locations who rent their facilities for non-parish sponsored activities must follow the established instructions / guidelines in the Special Events/Facility Usage¹. This is available on the Archdiocese of Chicago web site. Loss resulting from non-parish sponsored events where the Special Events/Facility Usage¹ is not followed will result in a Poor Practice deductible.

l) Theft or loss of cash

To be eligible for coverage for theft or loss of cash, the location must adhere to the process and procedures for Management of Sunday Collections¹ that require the use of tamper evident bags.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

m) Archdiocesan self-insurance program deductibles

Effective with claims made after February 1, 2005, deductibles for the following lines of coverage will be adjusted as follows:

Line of Coverage	Best Practice Deductible	Poor Practice+ Deductible
Property Cash - Robbery/Theft \$5,000 maximum coverage	\$500	Full amount of loss
Property – Building	\$500	\$1,000,000
Property – Contents	\$500	\$100,000
Property – Faulty Workmanship	\$10,000	\$200,000
Automobile - Physical Damage	\$500	\$10,000
Automobile – Liability	\$0	\$25,000
Employee dishonesty, Forgery, alteration, Destruction, computer Fraud, robbery & safe	\$10,000	Full amount of loss
Liability-Commercial General	\$0	\$25,000
Workers' Compensation	\$0	\$25,000

+ Applied when Poor Practice is deemed material to a loss.



Archdiocese of Chicago
Business Administration – Best Practices
Issued by Financial Services – February 2005

Retention / Safekeeping Records

a) Sacramental records

All sacramental records are stored in a secure area where these records are safeguarded against physical damage and deterioration: the best choice is a fireproof safe. The Office of Archives and Records can microfilm these records to ensure a permanent copy is accessible.

b) Financial records

All financial records documenting transactions should be available to the parish as needed. Records should be retained for at least three years. Records should not be kept offsite at the residence of employees or other locations where access to the records is limited.

c) Capital records

- Construction contracts including bids and proposals should be retained for 10 years after the fulfillment of the contract.
- Architectural drawings should be retained permanently and transferred to Archives and Records.
- Facility user agreements, such as special events, rental, and companion certificates of insurance, etc should be retained for the current year plus 3 years.
- Bids and proposals for construction contracts, repair / maintenance work contracts, and certificates of insurance and rental agreements should be retained for 7 years. Prior to the destruction of records after 7 years, consult Archives and Records.

1 Please refer to the Archdiocesan web site, for copies of this and other useful policies, procedures, and reference documents.

<http://www.archchicago.org>

Click on departments, financial services, then select the document for viewing or printing.

2 Please refer to the Archdiocesan web site.

<http://www.archchicago.org>

Click on policy books.