

POLICY – Cash disbursements must not be made until such time as there is proper authorization.

CASH DISBURSEMENTS

This section provides guidelines to improve the accountability and safeguarding of the parish's or schools cash disbursement activity. These procedures are for all payments from the parish or school for operations, as well as religious education, youth ministry and other ministries or activities of the parish or schools.

The check signing authority is to rest **only** with the pastor or Parish Administrator.

All disbursements should be approved by the pastor; and the pastor (or a designated member of the finance council) should periodically review the distribution of expenses to account classifications and, if applicable, the allocation between church and school records. A comparison should also be made to budget on a monthly, quarterly and annual basis.

The use of a rubber signature stamp is not encouraged; however, if a rubber signature stamp is used, the stamp should remain in the pastor's custody at all times. The use of a signature stamp, if other than by the pastor, should be restricted to a designated individual and its use monitored. The pastor should review all checks stamped with his signature and the corresponding invoices prior to those checks being mailed. The "checks" custodian (parish bookkeeper or treasurer of affiliated organizations) should not have access to the signature stamp and should not be listed as an authorized signer on the bank accounts.

The use of parish credit cards is also not encouraged. However, if utilized, there should be only one printed card and should remain in the pastor's custody at all times. If a pastor wants a credit card, the credit card application will need to be completed by the pastor and he will be personally responsible for the credit card.

Blank check stock should be kept in a locked location, preferably in the safe or fireproof filing cabinet, and access limited to those who are authorized to prepare checks. This helps reduce the risk of stolen and forged checks. The parish should obtain the system printed checks which the stock is a completely blank sheet of paper and only during the check generation process is the bank account name and number printed on the check.

Blank or partially blank checks should **never** be pre-signed. The practice of signing blank checks severely decreases the effectiveness of other cash controls established related to accuracy and propriety of transactions. Checks should only be signed when the date, the payee and dollar amount are filled in and the supporting documentation (original invoice and check request) is with the check so the signer can review it. Having this information readily available makes the process more efficient if there is a question related to an expense (especially if the pastor signs checks after regular business hours). It also provides for a double check of the accuracy of the payment being made.

Expenditures that exceed \$x,xxx (except for utilities, diocesan obligations, clergy/religious compensation, and payroll expenses) should be reported to the Finance Council at their periodic meetings. In addition, total paid to vendors to date in dollar descending order should be prepared so that the top vendors and the activity is monitored by the Finance Council.

Expenditures expected to exceed \$xx,xxx require prior approval from the Most Reverend Bishop.

All parish disbursements should be made by check except for small expenditures, which can be paid from petty cash. Under no circumstances should disbursements be made from undeposited funds or undeposited collections.

All check disbursements should be made out to a specific party, individual or business. **Checks should never be written to "Cash"**. In addition, all payments to individuals for services will require a W-9 to be completed prior to the individual being paid. At the end of the year, all independent contractors who earn more than \$600 a year will receive a IRS Form 1099 for their services.

All withdrawals from savings accounts/instruments must be deposited first in the parish's checking account before disbursement.

Cash disbursement activity should be recorded in the parish's financial records at least weekly, preferably daily. The disbursement should be recorded to the account classification assigned prior to payment.

Cash Disbursement Procedures

Prior to placing an order for goods or services, the office administrator/manager or program director should review the program budget to insure sufficient funds remaining in the budget to cover the purchase expense. When the goods are received, the person that ordered the goods should verify that the goods received were that which was ordered and the invoice amount is correct. The invoice must accompany a request for payment and be submitted to accounting personnel in a timely manner. The request must be attached to the invoice and specify the vendor, the date of the invoice, invoice due date, the signature of the requestor, and appropriate account distribution (if the invoice covers several account numbers). The bookkeeper or accountant prepares a check and forwards the check, invoice, and check request to the Pastor/Parish Director/Administrator for signature. The bookkeeper or accountant then cancels the invoice by stamping it "paid" and writing the check number on the check request form. After the check has been signed, it should be mailed to the vendor. Internal controls require that someone other than the person who has prepared the check mail the check. Invoice, check request, and check stub (if applicable) are then be filed.

1. All payments and services are paid by check.
2. Check requests are used to initiate disbursements.
3. Checks should be pre-numbered and controlled.
4. Check signers include the Pastor, and the Parish Director/Administrator and additional individuals at the discretion of the Pastor. *We strongly recommend limiting check signers. And at no time should the "checks" custodian (bookkeeper for a particular account) be listed as an authorized signer.*
5. As a rule the Pastor or Parish Director/Administrator should sign all checks. Signature stamps are not recommended to be used.
6. Checks equal to or over a certain amount (i.e. \$500 at the discretion of the Finance Council) requires two signatures.
7. Parishes/Schools may want to consider that checks issued as a result of release of temporarily restricted funds, regardless of the amount, require two signatures.
8. Pre- signed blank checks should never be allowed.
9. Checks presented for signing must be attached to the original invoice, purchase order, or check request. Vouchers should not have copies or faxes of invoices to avoid duplicate payments.

10. No checks may be issued as payment on a "statement." If there is no invoice the department that placed the original order must request a duplicate invoice for processing.

11. No checks may be issued as payment unless original receipts or other documented support is attached.

12. Vouchers, invoices, and other supporting documentation must be noted "paid" after checks are issued.

The disbursement of Christmas bonuses is under the discretion of the pastor and should be reported to the Finance Council for their input. Christmas Bonuses must be included as compensation on the employee's W-2 form and must be paid through the payroll process, not accounts payable.

Manual checks should only be permitted in the rarest of circumstances. Check request should be submitted in a timely fashion and should coincide with the stated "payables" schedule. All parish/school personnel should be made aware of the regular "check run" schedule.

Note: St. Vincent de Paul organizations that utilize a Parish Federal ID Number must account for all cash receipts and expenditures through the parish bank accounts. This account is also reflected on the parish balance sheets.

PETTY CASH FUND

A petty cash fund should not be maintained at a level above \$xxx. The petty cash fund should be listed as a current asset to properly show all cash accounts held by the parish/school. Not listing the petty cash as an asset could lead to loss of income to the parish and/or misappropriation of parish funds.

Petty cash disbursements should not individually exceed \$xx; large disbursements should be made by check. Under no condition should petty cash be used for cash advances, for cashing personal checks, or for cashing of payroll checks.

A purchase receipt or petty cash voucher, both initialed by the custodian of the petty cash fund should support petty cash disbursements.

Access to the petty cash fund should be restricted to no more than two individuals at any one time (i.e. the pastor and the custodian, if not the pastor).

Replenishment of the petty cash fund should be done on an as- needed basis, at least monthly, but never above the predetermined level (not to exceed \$100).

Replenishment of the petty cash fund should be done by check in the name of the fund's custodian/petty cash or the words petty cash could appear under the person's name in the address location.

To properly account for petty cash funds, the following should be implemented. A check should be drawn payable to the pastor or another person designated by him and noted as petty cash for a fixed amount of money, say \$50. Two asset accounts should be established for petty cash titled as follows: "Parish Petty Cash" and "School Petty Cash" and this \$50 should be expensed to one of these two asset accounts to establish the petty cash. This check should be cashed and the proceeds

deposited into a locked cash box, which should be stored in a secure area like the parish safe. When various payments are needed, the exact cash amount should be taken from the cash box and a petty cash receipt which notes the date, payee, amount, purpose, and account to be charged. This receipt should be signed by the pastor or his designated representative and placed into the cash box. The items should be purchased within 24 hours and a receipt obtained from the store. This receipt and any change given back from the store should be turned in to the petty cash custodian to be used as back up for the expense.

When almost all of the cash in the box is depleted, another check should be drawn equal to all of the signed receipts. The receipts are then cancelled and the various amounts charged to the cash disbursements journal under their appropriate account categories. At all times, the total of cash and signed receipts contained in the cash box should equal the beginning petty cash amount.

Exchange and Conduit Accounts

Occasionally a parish/school may collect funds on behalf of a related group or program. These funds are neither income nor expense to the parish/school. As an example, members of the Youth Group may be required to pay for the bus for a ski trip. The parish/school deposits the payments into the parish/school checking account so one check can be written to the bus company. The parish/school collects the money as an agent. It is not income to the parish/school, and should not be recorded in an income or asset account. One of the ways to handle this is by using account Exchange.

When monies are received, that money would be placed in the Exchange account (credit entry). When the parish/school pays the bus company, the check would also be recorded in the Exchange account (debit entry). Exchange or Conduit accounts should be listed on the parish/school Balance Sheet as a Liability account.

Prepaid Expenses

Prepaid expenses represent amounts that have been paid but the related service or benefit due the parish/school has not yet been received. Examples of this type of expense could be a deposit paid in advance, insurance premiums, lease or rent payments. The accounting personnel are responsible for identifying and preparing records of prepaid expense amounts. Once the prepaid amount is identified, a determination of the portion of the amount paid that is "prepaid" will be made. For example, if the parish/school pays its six-month insurance premium in advance, the amount recorded as prepaid after the first month would be five/sixths of the premium. Prepaid expense amounts should be tracked in a schedule. Information should include the description of the type of service or benefit, vendor, benefit period, amount paid, amortization amount and any other pertinent information. The prepaid expense amounts should then be coded and recorded in the general ledger via a journal entry. Prepaid Expenses are Current Assets and should be listed on the parish/school Balance Sheet.

Reimbursements

Expenses will be reimbursed with prior approval of the Pastor/Parish Director/ Administrator. The parish/school should pay all vendors directly. However, in the normal course of business, the parish/school may have employees, parents, or parishioners make purchases for the parish/school and request reimbursement. Anyone requesting reimbursement should be required to provide original receipts for the entire amount. The parish/school should keep receipts attached to the properly prepared check request or expense report in the invoice file. Expense reports should be completed by the individual requesting reimbursement and authorized by the pastor.

Related Organizations

Altar Society, Men's Society, PTO's Women's Groups, etc. must follow the instructions for reimbursements. Whether reimbursements are made to individuals or payments are to be made from invoices, each organization should have an appointed individual assigned to pre-approving request for payment.

Sales Tax

Parishes/schools in the Diocese of _____ are not-for-profit organizations and are exempt from paying sales tax on purchases in the state of New York. Parishes/schools should provide vendors with the Sales Tax Exemption number prior to making purchases and should be alert to sales tax charged improperly on purchases. Sales tax exemption is granted by the individual states, so out-of-state purchases may not be tax-exempt. The parish will need to make sure that the sales tax exemption number and the use of sales tax exemptions be limited to parish authorized purchases.

Accounts Payable

The control and monitoring of parish obligations is critical to ensuring that complete and proper recognition is given to all of the expenditures of the parish in the annual report. This section provides guidelines to improve the accounting for parish obligations.

Take advantage, when feasible, of purchase discounts. All vendor bills should be reviewed and approved by the pastor; the pastor's initials should document approval. The parish bookkeeper should assign an account classification to be written on the vendor bill prior to payment. Delivery of goods or services should be verified before authorizing payment.

All unpaid bills should be entered into the Accounts Payable ledger and held until approved and paid according to their due date. Vendor invoices should be filed separately, by due date. Disputed bills should be filed separately and resolved timely.

At the end of each month, a listing of the parish's unpaid obligations should be prepared for review at the next finance council meeting.

The amount of outstanding obligations of the parish should be reflected on interim and year-end financial reports to properly present the parish's financial position and operating results.

The pastor based on the terms of payment and availability of funds should direct the timing of payment of vendor bills.

Paid bills should be appropriately canceled (i.e. marked **PAID**, check date, check number) and coded for distribution to the appropriate expenditure classification.

Paid bills should be filed separately in alphabetical order by fiscal year.

Budget Control

Disbursements should be made in accordance with the parish/school budget. The budget is an important part of parish/school financial planning. It is also an important tool in the day-to-day management of parish and school expenses. The Pastor/Parish Director/Parish Administrator, and Finance Council should make every effort to prepare a budget that realistically projects income and expenses for the year, and the parish/school should work within the budget.

The Pastor/Parish /Director/Administrator should monitor the expenditures of each office, program, or cost center to ensure it does not exceed its budgeted amount. Major purchases should be planned during the budgeting process. Offices should be required to justify expenditures beyond their allotted budgets.

Directors and supervisors should be given responsibility to monitor their program expenditures and should approve purchases, which will be charged to their budgets. They should be consulted in the budgeting process and should be required to conduct their programs within the budgeted amounts.

Recording Payments

The standard chart of accounts is designed so parishes/school record their expense in general ledger accounts governing specific programs or activities. Parishes/schools have certain expenses that apply to more than one cost center. For good financial management and accurate financial reporting it is important to classify all costs into the cost center to which they apply. The decision of when and how to allocate these costs will depend on the administrative burden on the accounting staff and their level of expertise. For example, if the parish/school receives one utility bill that applies to all parish/school buildings, it may want to allocate that expense to the church, school, rectory, and parish office. There are many accepted methods of allocating costs. The parish/school should choose one that makes sense and is easy to use. For instance, utility bills may be allocated on a square footage basis, hours of days of use, or simple percentage basis (e.g., 25% for the church, 50% for the school, 35% for parish/school offices, and 15% for the rectory).

Construction and Renovation Contracts

It is the policy of the Diocesan to oversee all architectural and construction contracts of the parishes/schools in order to standardize all agreements, reduce the liability of the Diocese, and monitor all certificates of insurance of vendors/contractors.

- Pastors/Parish Directors/Administrators are reminded the \$25,000 or more threshold applies to any single project or service, regardless of the amount of the individual payments on the contract. For instance, if the Pastor/Parish Director/Administrator contracts to have the stained glass windows in the church refurbished at the cost of \$5,000 per window, and there are six stained glass windows, that is a contract for \$30,000, which must be approved by the Bishop of the Diocese.
- All long term contracts or leases, which represent extraordinary administration, that parishes/school enter into must be approved and signed by the Bishop of the Diocese.
- Pastors/Parish Directors/Administrators contemplating consulting agreements, professional agreements, or other miscellaneous agreements should contact the Diocesan Controller's Office.
- Pastors/Parish Directors/Administrators contemplating major construction or renovation projects should contact the Diocesan Construction and Renovation Office.