

Cash Disbursements

In this newsletter, the Internal Audit Department offers advice on how to reduce overall financial and administrative risk to your parish in regards to “Best Practices” for safeguarding the Cash Disbursement activity. These Practices 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 school.

Cash Disbursements:

1. All expenditures should be made by check or secured payment transfer (except for small expenditures which can be paid from petty cash) and should be recorded in the General Ledger. Under no circumstances should disbursements be made from undeposited funds or undeposited collections.
2. Original supporting documentation (invoices or receipts) should be reviewed by the individual who ordered the goods / services to confirm receipt of items and to identify the expense account to be charged. (Invoices should include certain minimum information such as vendor, delivery or service location, date of service or purchase, description of service provided or goods purchased). Review items received against documents for description, quantity, and prices. Indicate approval on invoice by signature or initials and date. Checks should not be issued without an approved invoice or check requisition form.
3. 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. Itemized, original invoices / receipts should be retained for each purchase and reconciled to the monthly statement. (Checks should not be issued as payment on a charge card “statement”; if there is no invoice, the department that placed the original order must request a duplicate invoice for processing). Vendor statements should be mailed to the parish address.
4. A list of the cardholders should be maintained. The list should detail the name of the cardholder, 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.
5. Limit the number of parish credit cards and users. Establish a policy that credit cards are for parish use only; prohibit use of cards for personal purposes with subsequent reimbursement. Set account limits with credit card companies or vendors. Inform employees of appropriate use of the cards and purchases that are not allowed.
6. 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. Also, blank checks should never be pre-signed (see # 14 below).

Cash Disbursements

7. If an account is closed, remaining check stock should be inventoried then shredded prior to disposal.
8. Checks should be pre-numbered and amounts should be compared to the list of disbursements (PDS Paid Invoice Batch Report) accompanying the checks; this documentation (initialed to prevent reuse) must be retained as proof of the disbursement.
9. Checks should be simultaneously posted to the general ledger through the check creation process.
10. EFT payments and manual checks should be recorded to the bookkeeping system as soon as possible using the actual check or payment date. These payments should be posted as disbursements (vs. paid invoices) using "EFT" or the check number. The disbursement should be recorded to the account classification assigned prior to payment.
11. Checks should always be issued and posted in sequential order.
12. The check preparer should be a different person than the person who performs the bank reconciliations.
13. All check disbursements should be made out to a specific party, individual or business. **Checks should never be made payable to "Cash"**. Reimbursement checks should be minimized. 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 an IRS Form 1099 for their services (includes payments made by parish, school, organizations, societies, etc. - combined).
14. Checks are to be signed only when all required information is entered on them and the original documents to support them (invoices, approval) are attached. Checks and documentation should be reviewed and approved by the Pastor or someone (other than the bookkeeper) assigned by the Pastor.
15. All checks should be signed by the Pastor (except those payable to himself); a Trustee or Finance Council member should be designated as an authorized signer in those instances and when the Pastor is on vacation. We strongly recommend limiting check signers. The parish business manager and/or bookkeeper (i.e. "check" custodian) should never be an authorized signer on parish accounts.
16. 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.
17. Checks should be mailed / distributed by a person other than the Pastor or person preparing checks.

Cash Disbursements

18. Voided checks should be defaced and retained in numerical order with the cancelled checks so as to maintain proper sequential integrity. Manually voided checks should also be voided in PDS Ledger (not deleted).
19. Invoices should be cancelled upon payment to prevent duplicate payment. The additional check remittance stub should be attached to the paid invoice or the check number, date, and amount should be recorded on the invoice.
20. Invoices and other supporting documents are part of the required records and must not be destroyed, but retained as support for the cash disbursements. These documents may only be destroyed in accordance with the Diocesan Record Retention Policy.
21. Invoices should be kept alphabetically in files by vendor for the fiscal year September 1 through August 31. Files should be kept separately for each fiscal year.
22. Capital expenditures expected to exceed \$10,000 require prior approval from the Bishop of Buffalo.
23. Use of the tax exempt number should be reserved for purchases for the church and school. Tax-exempt certificates should be dated 2011 or newer, and should not be pre-signed. Clergy, employees, friends or relatives should not use the tax exempt number for personal purchases. The number should be secured so that access is limited to authorized individuals.

We recommend you share this information with your trustees and finance council / committee and document, in a memorandum, your disbursement procedures and communicate these to affected individuals during a periodic training session.

Next topic will discuss Petty Cash.