

**Diocese of Davenport
Parish Internal Control Questionnaire**

Parish and Location: _____

Pastor/Administrator: _____

Bookkeeper: _____

Purpose:

The recommendations of the USCCB Accounting Practices Committee and the diocesan *Accounting Guidelines for Parishes* call for the Parish Finance Council to conduct an annual review of the internal controls of the parish. This questionnaire is designed to provide a tool for an efficient and effective evaluation of the accounting controls and financial management procedures used in the parish. The answers to these questions will assist in improving the quality of financial reports as well as enhance the security of your assets.

Instructions:

Please answer each of the questions and identify the person(s) completing the questionnaire. The Finance Committee and Lay Trustees should review the questionnaire and make recommendations for change based on the information gathered. Please send the completed form to the Diocesan Finance Office by August 1, 2011. Retain a copy of the completed questionnaire in your parish permanent records.

If you have any questions or concerns relating to this questionnaire, please call Char Maaske or Nancy Karn at 563-324-1911.

Prepared By:

Pastor/Administrator

Date

Bookkeeper/Accountant

Date

Reviewed By:

Parish Lay Director (Trustee)

Date

Parish Lay Director (Trustee)

Date

Date

Date

Introduction

Administration of parish finances is a sacred trust. It is very important that the Pastor and trustees establish a strong system of internal control because they have the responsibility for overall stewardship of the Parish. This document provides a tool for an annual review by the Trustees and Finance Committee of the normal controls that should be in place in all parishes. The document follows the format of the *Standards of Internal Controls Related to Parishes and Schools*.

Bank Accounts

Internal Control Objective: Number of Bank Accounts - The number of accounts should be kept to a minimum. This generally helps to streamline the accounting process.

What is the primary financial institution used by the parish?

What other financial institutions are used?

How many accounts does the parish have:

Checking? _____

Savings? _____

Investment? _____

Are there any dormant accounts (accounts with no transactions in the previous fiscal year)? (Yes or No)

List all parish bank and investment accounts (include all societies, guilds, associated and affiliated organizations, bingo, festival, fund raising, mass stipends, etc.) on the following page.

Internal Control Objective: Name on Bank and Investment Accounts

All accounts should be opened in the name of the entity (parish or school), never an individual. The mailing address should not be a private address. Only officials designated by Corporate Resolution should be permitted to open and close bank accounts.

Are all bank and investment accounts in the name of the parish? (Yes or No)

Is the mailing address the address of the parish or school? (Yes or No)

Have any accounts been opened or closed in the past fiscal year? (Yes or No)

If yes, which accounts and who opened or closed the account(s)?

List all parish bank and investment accounts (include all societies, guilds, associated and affiliated organizations, bingo, festival, fund raising, mass stipends, etc.):

<u>Account Name</u>	<u>Financial Institution and Account #</u>	<u>Authorized Signatures</u>

Parish Organizations Bank and Investment Accounts:

<u>Account Name</u>	<u>Financial Institution and Account #</u>	<u>Authorized Signatures</u>

<u>Investment</u>	<u>No. of Shares or Face Value</u>	<u>Current Market Value</u>

Internal Control Objective: Authorized Check Signers

Authorized check signers should be very limited. The pastor/administrator must be included as an authorized signer on all bank and investment accounts as administrator of the parish/school and its affiliated organizations. Individuals with access to record entries in the accounting records and who receive and process cash receipts should not be authorized signers. This separates the duties of those with control over cash to insulate the individual from any implication of wrongdoing.

When there is a change in signers (ex. if a trustee is a signer and rotates off), the bank should be notified as soon as possible via a change in signature cards.

Is the pastor/administrator an authorized signature on all bank and investment accounts (including those of affiliated organizations)? (Yes or No)

Is the bookkeeper (person who maintains QuickBooks) an authorized check signer on any checking, savings or investment account? (Yes or No)

Are bank signature cards changed on a timely basis when there is a change in signers? (Yes or No)

Internal Control Objective: Signature Stamps

A signature stamp should never be used. In fact, it is strongly recommended that signature stamps be destroyed. In this way, all cash outflow is properly reviewed and authorized.

Is a signature stamp utilized for signing checks? (Yes or No)

If yes, whose name is on the stamp? _____

Where is the stamp stored? _____

How is supporting documentation reviewed prior to using signature stamp?

Internal Control Objective: Bank Statements

All bank statements and cancelled checks should be received directly by the pastor/administrator. This person should open and review to ensure a) payees are valid and signatures are authentic, b) endorsements, if available, appear genuine c) all other transactions have been authorized and d) the balance appears reasonable.

Who receives the bank and investment statements?

Do all bank and investment statements go to the same person? (Yes or No)
If No, please explain.

Does the person who receives the bank and investment statements:

Open and review to ensure payees are valid and signatures are authentic? (Yes or No)

Review that endorsements, if available, appear genuine? (Yes or No)

Review other transactions for authorization? (Yes or No)

Review balances for reasonableness. (Yes or No)

Internal Control Objective: Bank Reconciliations

Bank reconciliations should be performed on a timely basis, preferably within ten days of receipt of the bank statement. This helps to ensure that any errors can be found and corrected promptly by either the bank or the parish. A member of the finance committee or the pastor/administrator should review the reconciliations on a monthly basis, dating them and signing off.

Who is responsible for monthly bank statement reconciliations?

Who reviews the monthly bank statement reconciliations?

Are the bank accounts reconciled in a timely manner after the end of each month? (Yes or No)

How long after receipt of bank statements?

Are bank reconciliations prepared by a person independent of the check signing? (Yes or No)

Internal Control Objective: Accounts

Any and all checking, savings, and investment accounts should be included on the parish/school general ledger. (See section Affiliated Organizations.) This helps guarantee that the financial statements are accurate and allows the finance council and the diocese to have a complete picture of the finances of the parish/school.

Are all bank and investment accounts (including those of associated and affiliated organizations) included on the financial statements? (Yes or No)

If No, please provide a listing of those **NOT** included.

Internal Control Objective: ACH transfers, Wire transfers

It is strongly recommended that the pastor/administrator be the only individual that “releases” the funds — wire transfers, ACH payroll deposits, 403-B deposits etc. The pastor/administrator should be the system administrator of the bank password and software. He should sign and date the bank report that lists details of all transactions. In the event an outside payroll service is used, or there are ACH payroll transfers made, at a minimum, the pastor should be signing off and reviewing every report processed by the bookkeeper.

If the bank’s software makes it possible for the system administrator to set up two people to release funds — each with their own confidential password — it is recommended that two individuals jointly process a transaction. Not all bank software is programmed with this capability therefore it is important that the pastor be the person releasing funds or carefully reviewing all bank transactions on a timely basis.

Do you receive any income electronically? (Yes or No)

If Yes, please describe the nature of the income and procedures used to receive and record the income.

Are any disbursements made electronically (ACH transfers, wire transfers, etc.)? (Yes or No)

If Yes, please describe the nature of the transaction, and the method of authorizing and recording the transactions.

Cash Receipts – Weekly Collections

Internal Control Objective: Ushers

Immediately following the collection, the monies should be secured. Use of pre-numbered plastic security bags is strongly recommended. These security bags should be used in the Church immediately by the ushers once the collection has been made and **before the monies are taken to the Altar**. They should be signed and dated. The bags should remain sealed and should only be opened in the presence of two or more people who count the funds. In the event the Parish is depositing funds straight into the lockbox for counting, the bag(s) should not be opened before depositing in the lockbox. A log of the bags used is to be maintained.

It is customary to bring the collection to the Altar during the Offertory Procession. After the Mass, the collection should be transferred by the ushers to a secure place (i.e. safe, locked cabinet, bank lock-box).

.Where are collections kept during mass and after mass until counted?

Are pre-numbered plastic security bags used? (Yes or No)

If yes, when is the money put in the bags?

When are the bags opened?

Internal Control Objective: Counters

A committee of several people, divided into teams, should be established to count the weekend collection. Close relatives or husband and wife teams should not be allowed.

If sufficient volunteers are not available, consider:

- Paying a reasonable amount to individuals to do the count.
- Have your bank count the funds. The bank may charge a very reasonable amount.
The process is a lockbox deposit with two individuals and a guard counting the funds.

Under no circumstance, should you have only one individual count and deposit the collections. Nor should the bookkeeper or the pastor perform the count and make the deposit.

The members of the team should be rotated every month or at other appropriate intervals. They should be responsible for counting the money, completing the deposit summary report, preparing the deposit slip and taking the monies to the bank.

Is the weekly collection counted in a secure area or location? (Yes or No) Where? _____

How many counters are used weekly?

How many counters are used yearly?

Are all count teams composed of at least two non-related individuals? (Yes or No)

Are counters rotated? (Yes or No) If Yes, how often? _____

Internal Control Objective: Counting Process

All monies collected must be deposited intact. No cash should ever be taken or exchanged from the collections or cash received in the office.

Endorsements — the back of each check should be immediately endorsed with the parish stamp, which should have the parish name, bank account number and say “For Deposit Only”.

The deposit summary will designate all money. In order to complete the report, the envelopes will need to be sorted by type (e.g. weekly envelopes, building fund, ADA) and a calculator tape must be attached to the group of envelopes. These totals must be transferred to the deposit summary report.

The deposit summary must be accurately filled out, and members of the team must sign and date the report. The deposit summary should agree to the deposit slip.

The deposit slip can list each check by parishioner, or the checks must be included with the deposit summary report. A duplicate deposit slip must be attached to the deposit summary. The validated deposit slip from the bank must also be attached to the deposit summary.

Envelopes should be reconciled to the individual parishioner’s account (on Parish Data System, Servant Keeper or other system). The totals of the posting to the parishioners’ accounts should tie to total of the envelopes and the deposit summary.

We ask you to encourage the use of checks, automatic account withdrawals and envelopes. It is a good internal control.

Envelopes should be retained for a period of three years.

Is any money taken from the loose collection before it is counted? (Yes or No)

Is the cashing of personal checks out of the loose collection prohibited? (Yes or No)

Are checks immediately endorsed with the parish stamp “For Deposit Only”? (Yes or No)

Is the amount of the offering indicated (in ink) on the outside of the envelope for subsequent posting to parishioners’ records? (Yes or No)

Is a deposit summary form (count sheet) prepared and signed? (Yes or No)

If Yes, by whom?

Is this summary used to prepare bank deposit slips? (Yes or No)

Who prepares the deposit slip?

Are the envelopes reconciled to the individual parishioner's accounts? (Yes or No)

If Yes, by whom?

Are the envelopes retained for at least three years? (Yes or No)

Is a deposit summary form sent directly to the person responsible for the cash recording functions? (Yes or No)

Internal Control Objective: Making the deposit

The deposit is to be made preferably on Sunday. The funds should be deposited in the night drop. If this is not possible, the funds should still be placed in a security bag, and put in the safe overnight for deposit on Monday morning.

The Bookkeeper should reconcile the deposit slips, the deposit summary report and the posting to the individual parishioners' accounts.

Who makes the bank deposit?

Where are funds kept until they are deposited?

When is the deposit made?

Who compares the deposit summary form to the validated deposit slip?

If a difference exists between the deposit summary form and the validated deposit slip, how is this difference resolved?

Who is responsible for recording deposits?

What software is used to track parishioner contribution records?

(Manually, Servant Keeper or PDS)

Who is responsible for posting collections to individual parishioners' contribution records?

Is this person independent of the counting process? (Yes or No)

When are collections posted to individual parishioners' contribution records?

Is a reconciliation prepared between the amounts posted to individual parishioners' contribution records and the envelope amount plus loose collections indicated on the deposit slip or count sheet? (Yes or No) Who performs this reconciliation?

Internal Control Objective: Acknowledging donations

To deduct any charitable donation of money, a taxpayer must have a bank record or a written communication from the charity showing the name of the charity and the date and amount of the contribution. Annually all parishioners should be given a statement that meets the IRS requirements.

How often are contribution statements sent to parishioners?

Are contribution statements sent to **all parishioners** or only to ones who have contributed?

Cash Receipts – Other

Internal Control Objective:

- Processing of cash receipts (opening mail, preparing the deposit, making the deposit) should be done by an individual (two together if possible) who does not enter the information in the accounting records.
- Written, two-part receipts (carbon and original) should be given for all cash received through the parish/school office. A receipt book should be purchased with numerical sequencing.
- All checks should be restrictively endorsed “for deposit only” with the parish name and account number as soon as they are received. This ensures that any lost or stolen checks cannot be cashed or deposited to any other account
- Donations should be recorded in the proper year. The postmark date on the mailing envelope should be used to record the date received at year-end. Checks received after December 31 and postmarked later than year-end should be recorded in the following year. Checks received thru the offertory collection baskets should be recorded on the date received as opposed to the date of the check.
- If receipts are processed in batches, the batch total should match the deposit total and the total of the receipts in the receipt book. This is another way to verify the accuracy of the information being entered in the general ledger.
- All receipts/payments should be recorded in the general ledger. This is the only way to make sure that the records are complete and accurate. It also helps the finance committee as they plan and budget.
- Deposits should be made on a daily basis, or as soon as feasible. If cash/checks are received and not deposited to the bank the day they are received, they should be kept in a locked, fireproof location. No cash or checks should be retained in the office for longer

than five days, so as to safeguard the asset from theft or loss.

Who opens the mail in the parish office?

Who receives funds in the parish office?

Who makes the deposit?

Who enters the deposit in the accounting records (QuickBooks)?

Are pre-numbered receipts issued for cash received other than collections? (Yes or No)

Are checks restrictively endorsed “for deposit only”? (Yes or No)

Do you receive income from any of the following sources?

Rental of parish hall? (Yes or No)

Other parish/school facilities? (Yes or No)

Use of parking lot on weekends or nights? (Yes or No)

Advertising in the parish bulletin? (Yes or No)

Scrip? (Yes or No)

Other? (Please identify) (Yes or No)

When are deposits made for non-weekend collections?

Cash Disbursements

Internal Control Objective: Pre-numbered checks

All disbursements should be made with pre-numbered checks (except the obvious case when petty cash is used) and should be recorded in the general ledger. Cash should not be used to pay vendors or employees

Are checks pre-numbered and used in sequence? (Yes or No)

Are any vendors or employees paid with cash? (Yes or No)

Internal Control Objective: Filling out Blank Checks ahead of Time

Blank or partially blank checks should never be 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 payee and dollar amount are filled in and the supporting documentation (original invoice and check request) is with the check so it can be reviewed by the signer. Having this information readily available makes the process more efficient if there is a question related to an expense.

Is the signing of blank checks prohibited? (Yes or No)

Is the supporting documentation available to the check signer at the time he/she signs the check? (Yes or No)

Internal Control Objective: Voided Checks

If a mistake is made when preparing a check, the check should be voided before preparing a new one. The voided check should then be altered to prevent its use, retained to make sure all pre-numbered checks are accounted for and filed with other checks for a permanent record.

Where are voided checks kept?

Internal Control Objective: Check Stock

Blank check stock should be kept in a locked location, preferably in a safe or fireproof filing cabinet, and with access limited to those who are authorized to prepare checks. This helps reduce the risk of stolen checks. The blank check stock should be regularly inventoried.

Where are unused checks kept?

How often is the blank check stock inventoried?

Internal Control Objective: Purchase Authorizations

The use of purchase authorization forms should be considered particularly in larger parishes/schools. Purchase orders are used to document up front what was ordered, the individual or department placing the order, and the approval.

The parish/school should have an established policy stating who is authorized to make purchases and in what amounts. Efficiency will be improved if there are not an abundance of individuals placing orders and duplication of orders will be reduced.

When the purchased items are received, they should be matched with the invoice to be sure that the items received were, in fact, what was ordered and invoiced and that the quantity is correct.

Are purchase orders used? (Yes or No)

Who has the authority to purchase and place orders?

How are purchases listed on the invoice verified?

Internal Control Objective: Purchasing Property, Loans, Leases, Signing Contracts for Capital Projects, Fund Drives

The SYNOD V, Diocese of Davenport (1986) states that each parish or diocesan institution is to have formal approval of its Board of Directors for the entering of contracts, the borrowing of money, the purchase or sale of property, the encumbrance of property by lease or mortgage, or expenditure of parish funds of \$3,000. (Cc. 1290, 1291)

Have formal approvals been received for the expenditures listed above? (Yes or No)

If Yes, list approvals received.

Internal Control Objective: Vendor Invoice Processing

When the invoice is received, accuracy of the invoice (including quantity received and price) should be verified by the individual who placed the order. They should then prepare a check request (or note on the face of the invoice) with their initials as approval, amount to be paid, date, and general ledger account to be charged.

The individual who approves invoices for payment should not have access to the accounting records. Again, this separation of duties helps ensure accuracy of the transactions.

Who initially receives and opens the mail?

Are invoices reviewed and approved for receipt of goods and services? (Yes or No)
Explain how the approval is documented and by whom.

Are invoices or requests for expense reimbursement supported by appropriate receipts and /or approval indicating receipt of goods or services? (Yes or No)

Are invoices reviewed and approved for mathematical accuracy? (Yes or No) By whom?

Are invoices reviewed and approved for account distribution? (Yes or No)
Explain how the approval is documented and by whom.

Internal Control Objective: Expense Reimbursements

The most efficient and accurate method for reimbursing employees for expenses they incurred on behalf of the parish is to have them complete and sign an expense report form. The standard form would include the reason for the expense, the department, the account number to be charged, their signature and the signature of the supervisor approving the expense (usually the pastor).

Expense reports should be completed on a timely basis so that the accounting records will reflect the expense in the correct month (rather than an employee completing an expense report form that covers, for example, the last six months,).

Is there a standard Expense Report Form? (Yes or No)

Does the form include the reason for the expense, the department, the account number to be charged, the signature of the person requesting reimbursement and the signature of the person approving the expense? (Yes or No)

What documentation/approval is required and maintained for reimbursements to individuals or for expenditures not accompanied by an invoice or bill (what supports check requests)? (i.e. mileage log)

Are expense reports completed on a timely basis? (Yes or No)

Internal Control Objective: Credit Card Payments

If there are credit cards in the name of the parish/school, the receipts related to purchases should be remitted to the accounting department and the statement should be reviewed for accuracy. It is recommended that standard expense report forms be utilized and the receipts compared with the charges. The credit card statement and invoices should be attached to the expense report.

Are there credit cards in the name of the parish? (Yes or No)

If yes, are receipts related to purchases remitted to the parish bookkeeper and the statement reviewed for accuracy? (Yes or No)

Internal Control Objective: Writing Checks

Checks should be drawn only when there is adequate supporting documentation. To ensure that disbursements are supported by invoices that have been properly authorized, this documentation should include at least, a) a proper original invoice; b) evidence that the goods or services were received; and c) evidence that the purchase transaction was properly authorized. Payments should not be made on statements or balance-due billings unless underlying invoices are included.

What documentation is required before a check can be drawn?

Are all disbursements, except petty cash, made by check? (Yes or No)

Who prepares the checks?

Are checks made payable to specific payees and not to cash? (Yes or No)

Internal Control Objective: Signing Checks

Ideally, the pastor/administrator should be the individual signing all checks. When checks are presented for signature, the supporting documentation (ex. invoice & purchase order) should accompany the check. In this way he is aware of all parish expenditures.

The individual who signs the checks should not have access to the accounting records.

All checks should be mailed promptly and directly to the payee.

Who is authorized to sign checks?

Who actually signs the majority of the checks?

What documentation accompanies the check when it is presented for signature?

What provision is made for the issuance of checks when the pastor/administrator or bookkeeper is away?

Who mails the checks?

Internal Control Objective: Canceling Invoices

All supporting documents should be canceled or marked "paid" once a disbursement is made to avoid double payments

After a check has been prepared for payment of an invoice, how is the invoice canceled (check number, account code, date paid)?

Where is the record of disbursement, including supporting documentation, kept?

Internal Control Objective: Manual Checks

If checks are prepared manually rather than generated by computer, a process should be in place to ensure that the disbursement is recorded accurately and timely in the accounting records (rather than waiting until the bank statement is received to record the transaction from the cancelled check).

Are all checks generated by the computer? (Yes or No)

If No, what procedures are in place to assure that disbursement is recorded timely and accurately in the accounting records?

Petty Cash

Internal Control Objective:

- The petty cash fund should be administered by one individual and kept in a locked location. The custodian of the fund is solely responsible for maintaining the fund, authorizing its use, and obtaining receipts for all disbursements.
- An imprest petty cash fund should be used. A specific dollar amount should be decided upon for the fund (perhaps \$100). As money is taken out of the fund, vouchers and/or receipts are submitted. When the balance of the fund begins to run low, a check for the amount of the payments offset by any vouchers/receipts is used to replenish the fund. Receipts should always be maintained for expenditures from the fund so that the general ledger entries can be made to the proper expense accounts.
- Checks to replenish the petty cash fund should be made out in the parish name as the payee; they should not be made out to “cash”.
- The petty cash fund should periodically be counted and reconciled by the pastor/administrator or a trustee.
- The petty cash fund should never be used to cash checks or to let associates “borrow” funds.

Is a petty cash fund maintained? (Yes or No)

Who is the responsible party for the petty cash fund?

Who else has access to the petty cash fund?

How much is maintained in the petty cash fund?

How often is petty cash replenished?

Are the types and amounts of petty cash disbursements limited? (Yes or No)

Are vouchers properly supported by invoices or receipts? (Yes or No)

Is petty cash reimbursed by check only? (Yes or No)

Are petty cash reimbursement checks payable only to the parish and not cash? (Yes or No)

Is the petty cash fund subject to “surprise counts” to ensure that cash on hand plus documented expenses equals the fund total? (Yes or No)

If Yes, who conducts the “surprise counts” and how often?

Internal Control Objective - Cash Receipts – Tuition

- Tuition payments and other fees should be restrictively endorsed when received and listed on a school deposit summary sheet (by student or family name) that balances with the bank deposit. If the deposit is not made the day it is received, it should be locked in a fireproof location.
- All tuition and fee income should be deposited into the main school operating account.
- As with other collections, the individuals responsible for collecting and depositing tuition should not have access to the accounting records.
- The deposit sheet and posting to the accounts receivable should be used to post tuition and fee income to the general ledger and individual records
- Written, two-part receipts (carbon and original) should be given for all cash tuition payments. A receipt book should be purchased with numerical sequencing.
- If tuition balances are adjusted, records of the dollar amount change/forgiven or scholarships given should be kept in a file so that the finance council of the board of education can be aware of this when planning for coming years. The accounting records should reflect gross tuition income less bad debt. Unpaid tuition balances should be recorded on the general ledger as a receivable for accrual based accounting systems. For cash based systems, a regular review should be done of current and past due receivables by the finance council of the board of education.
- The collection committee should monitor delinquent tuition balances and make the appropriate year-end entries (to accrue for the unpaid balances or write off balances.)

Who receives tuition payments and other fees?

Are checks restrictively endorsed “for deposit only”? (Yes or No)

Are pre-numbered receipts issued for cash received? (Yes or No)

Who prepares the school deposit summary sheet?

Who prepares the deposit?

When are deposits made?

By whom?

How are tuition balances adjusted?

By whom?

Who reviews unpaid balances? How often?

Who approves bad debt accruals and write-offs?

Stock Gifts

Internal Control Objective - Diocesan recommendation is that stock gifts should be sold upon receipt. The donor should be instructed to have the stock certificate made out to the parish.

Have any stock gifts been received? (Yes or No)

If yes, is the stock still held by the parish/school? (Yes or No)

Mass Stipends

Internal Control Objective: Directive on managing account:

The Mass stipend bank account (10102), liability account (20403) and Mass record book need to agree at all times. At least twice a year the accounts need to be reconciled. The unsaid Masses need to be counted and multiplied by the \$5 donation for the Mass and that balance needs to correspond to the Mass Stipend bank account. This account needs detailed transactions entered for every month so that the bank account can be reconciled with the Mass record book.

If a stipend account balance is in excess of the number of Masses a priest can say within a year, the extra Masses should be forwarded to another priest or to the Vicar General to be distributed for Masses celebrated by retired priests. A priest may receive one stipend per day. A pastor, on Sundays and holy days, may retain a stipend for himself provided that the obligatory Mass pro-populo has been fulfilled. Other stipends received for that day are to be forwarded to the chancery coded as binations. This money is used for the education of seminarians.

Are requests and amounts received for masses recorded in the mass intention book in a timely manner? (Yes or No)

How are said masses accounted for in the Mass intention book?

Who reconciles the balance in the Mass stipend account to the bank balance?

Is the number of unsaid Masses in the intention book regularly reconciled to the balance in the Mass stipend checking account? (Yes or No)

Are binations sent to the chancery? (Yes or No)

Are excess Mass stipends forwarded to the chancery or other parishes? (Yes or No)

Are Mass stipend payments recorded as additional taxable income (W-2 or 1099)? (Yes or No)

Payroll

Internal Control Objective: Personnel Administration and Employment File Maintenance

- This function includes interviewing candidates, checking references, and hiring qualified personnel.
- A checklist of items to be included in employee files should be utilized. It should be used to ensure that complete documentation is obtained from and on all employees.
- Approval of pay increases should be documented in the employee file.

How many employees does the parish have? (W-2's)

_____ Full Time _____ Part Time = _____ Total Employees

Do the personnel files contain the following information?

1. Employment application, resumes, and date employed? (Yes or No)
2. W-4 Employees Withholding Allowance Certificate? (Yes or No)
3. IA W4 Employees Withholding Allowance Certificate? (Yes or No)
4. Background check report? (Yes or No)
5. Authorization to conduct background check? (Yes or No)
6. Performance appraisal records? (Yes or No)
7. Up-to-date position descriptions? (Yes or No)
8. Records of time off? (Yes or No)
9. Notes regarding disciplinary actions? (Yes or No)
10. Acknowledged human resources policy? (Yes or No)
11. Acknowledged sexual misconduct policy? (Yes or No)
12. Acknowledged internet use policy? (Yes or No)
13. Acknowledged driver information form? (Yes or No)
14. School/Parish Checklist List (Safe Environment)? (Yes or No)

Is the I-9 Employment Eligibility Verification form maintained in a separate file? (Yes or No)

Have there been new hires in the past year? (Yes or No)

If Yes, were the candidates interviewed and references checked?

Are salary levels approved by the Parish Council or Finance Committee? (Yes or No)

Is this approval documented in the minutes? (Yes or No)

Are bonuses approved? (Yes or No)

Do bonuses go through regular payroll procedures? (Yes or No)

Are new employees oriented to their jobs? (Yes or No)

Are personnel files maintained? (Yes or No)

Do policies or procedures exist for accounting for vacations, holidays and sick leave?
(Yes or No)

Are written termination notices given which properly document the reasons for termination?
(Yes or No)

Have all parish volunteers working with children and employees seen The Protecting God's
Children program and signed form? (Yes or No)

Have all volunteers working with children and employees been checked with the Iowa
Department of Criminal Investigation? (Yes or No)

Internal Control Objective: Timekeeping and Payroll Preparation and Payment

- Consideration should be given to using time sheets for all hourly employees to better monitor hours worked and benefit time (vacation, sick leave, etc.).
- Overtime should be approved in writing by the supervisor to document the approval since the bookkeeper will likely not be aware of these specific arrangements.
- All employee pay, including bonuses, should be made via a check and the appropriate payroll taxes withheld.
- A listing of payroll disbursements should be reviewed by the pastor/administrator and indicated on the register by a signature and date at the same time payroll checks are completed. The pastor/administrator should be looking for names of individuals who are not employees (such as individuals who are no longer employed and were not removed from payroll or who are fictitious) and making sure pay rates are accurate.

Are payroll hours monitored and verified (time cards)? (Yes or No)

Who prepares the payroll checks?

Who approves the payroll checks?

Who signs the payroll checks? (*List all who sign*)

Are any individuals paid cash for services performed? (Yes or No)

Are all employees and non-employees paid by a check for services performed? (Yes or No)

Are all eligible employees offered participation in the medical insurance, retirement plans, and other employee benefits? (Yes or No)

Internal Control Objective - Payroll Taxes

- IRS guidelines should be followed to determine employee status (vs. independent contractor).
- Appropriate payroll taxes should be withheld from all payments to employees, including bonuses, Mass stipends, stole fees.
- Payroll tax deposits must be made in a timely and accurate manner as required by the IRS to avoid assessment of penalty and interest.
- A copy of the quarterly 941 or annual 944, federal and state coupons with check or EFT verification, W-2's, and W-3's should be kept on file.
- The year end W-2 wages should be reconciled to the general ledger, payroll register and four quarterly 941's or annual 944 to ensure that the accounting records reflect what is being reported to the IRS.
- If W-2 forms are returned by the post office or are otherwise undeliverable, they should be given to the pastor/administrator to be looked into.
- All employees, including priests, should receive a W-2 form.

Are current federal and state withholding tables followed (Circular E)? (Yes or No)

Does the parish subscribe to QuickBooks payroll? (Yes or No)

Are payroll taxes taken out of the wages of all employees? (Yes or No)

Are payroll taxes withheld paid when due? (Yes or No)

Are the 941 Quarterly Federal Tax Reports forms maintained and up to date? (Yes or No)

Are W-2s prepared each calendar year end for all employees who are currently working in the parish and all those who have worked there during the year? (Yes or No)

Are the totals for W-3, W-2(s), and 941 quarterly forms, all reconciled to each other prior to filing the annual reports in January? (Yes or No)

How long are copies of payroll forms (W-2, 1099, 941 and federal and state tax coupons and payments) kept?

Have you received any notices from the IRS or State of Iowa in the last year? (Yes or No)
If Yes, please attach copies.

How often are the retirement plan funds submitted?

Internal Control Objective - Independent Contractor Income

W-9 forms should be obtained from all vendors to determine if a Form 1099 will be required at the end of the year (when payments exceed \$600).

Are W-9 forms obtained from all non-employee service providers? (Yes or No)

How many independent contractors does the parish have? (1099's) _____

Are 1099 Forms issued each calendar year end for all non-employees who receive more than \$600? (Yes or No)

Property

Internal Control Objective: To safeguard the assets of the parish.

List buildings owned (i.e., rectory, church, school, etc.)

(No dollar value is necessary)

List anticipated repairs over \$3,000.

List vehicles owned or leased.

Are any of the above assets recorded on the financial statements? (Yes or No)

If Yes, is depreciation recorded for these assets? (Yes or No)

If Yes, who records the depreciation?

How often is depreciation recorded?

What basis is used for depreciation?

Other

Internal Control Objective –

Journal entries to the books must be made with proper documentation and support. They should have attached work papers where necessary to document the detail of the entry and/or written description so that anyone reviewing the books can understand why and how the entry was determined.

Who makes journal entries to the books?

Are all journal entries made with proper documentation and support? (Yes or No)

Are chancery collections remitted by the end of each quarter? (Yes or No)

Charitable Activities/Fundraisers

Internal Control Objective:

To ensure that all fundraising and charitable activities are conducted in accordance with state gaming laws; that all receipts are promptly deposited, properly recorded and kept secure; and that disbursements are made only with proper authorization and properly recorded.

Fundraising Events:

List all fundraising events conducted by the parish and related organizations, include the person in charge of the fundraising event.

_____	_____
_____	_____
_____	_____
_____	_____

Does the parish have an annual festival? (Yes or No)

Are there any charity gaming activities at the festival? (Yes or No) If yes, is a separate bank account maintained for charity gaming?

How are disbursements made for expenses?

How is cash collected for food, games, rides, etc.?

Is cash counted and deposited in a timely manner? (Yes or No)

Are funds kept in a secure location until they are deposited? (Yes or No)

Are revenues and expenses posted to the general ledger? (Yes or No) By whom?

Is income transferred for the parish use if a separate checking account is used?
(Yes or No)

Are financial reports prepared? (Yes or No) Who reviews the reports? _____

Does the parish conduct bingo or Monte Carlo? (Yes or No) How often? _____

Is a separate checking account maintained for all receipts and disbursements related to charitable gaming, such as bingo and Monte Carlo? (Yes or No)

Are all expenses paid in a timely manner? (Yes or No)

Are all checks made payable to a specific person or corporation and checks made payable to "Cash" forbidden? (Yes or No)

How frequently are proceeds transferred to the parish general fund?

How are receipts and disbursements monitored and documented?

Is the organization licensed to conduct charitable gaming activities? (Yes or No)

Is the charitable gaming license displayed openly at the premises where the games are conducted? (Yes or No)

Are quarterly reports of the organization's charitable gaming activities reported to the appropriate governing body in a timely manner? (Yes or No)

Are the results of each gaming session fully and accurately documented? (Yes or No)

Is the separate gaming account reconciled monthly by someone other than the person who is authorized to sign checks on that account? (Yes or No)

Parishes with Cemeteries

Are cemetery records (perpetual care, lots, etc.) maintained in the rectory or cemetery office? (Yes or No)

Are cemetery records maintained in a safe or locked fireproof cabinet? (Yes or No)

Are there any duplicate records stored at another location? (Yes or No) If yes, where?

Are the financial statements reviewed by responsible party? (Yes or No) By whom?

Are Annual board meetings held if it is a separate corporation? (Yes or No)

Affiliated Organizations

Internal Control Objective: Affiliated Organizations

- The books of affiliated organizations must be maintained on the parish/school records.
- Affiliated organizations may have separate accounts based on approval by the pastor/administrator. The pastor/administrator must be included as an authorized signer on all affiliated organizations.
- The monthly bank statements for affiliated organization checking accounts should be sent directly to the parish/school office to be reviewed and reconciled. This keeps the parish/school management apprised of the financial activity of the organization and is also a good double check of their work for accuracy and propriety.
- Affiliated organizations should use the same purchasing and cash receipting procedures as the parish.

List all other parish organizations not included above. Include all societies, guilds, and other organizations legally under the control of the parish. List the person in charge of the organization.

_____	_____
_____	_____
_____	_____
_____	_____

(Please answer the following questions for each of the organizations listed above.)

Does the organization have a separate bank account? (Yes or No)

If Yes, is the pastor an authorized signature on the bank account? (Yes or No)

Who receives the bank statement?

Who reconciles the bank account and reviews the canceled checks?

How is cash collected?

Is cash counted and deposited in a timely manner? (Yes or No)

Are funds kept in a secure location until they are deposited? (Yes or No)

How are disbursements made for expenses?

Are all expenses paid in a timely manner? (Yes or No)

Are all checks made payable to a specific person or corporation and checks made payable to "Cash" forbidden? (Yes or No)

Are paid invoices filed and retained by the organization? (Yes or No) Location: _____

Are revenues and expenses posted to the parish general ledger? (Yes or No)

If Yes, by whom? How often?

If a separate checking account is used, is income transferred to the parish general fund?
(Yes or No) If Yes, how often?

Are financial reports prepared? (Yes or No) How Often? Who reviews the reports?

Does the organization prepare an annual budget? (Yes or No) If Yes, is the organization's budget included as part of the parish annual budget? (Yes or No)

Is any parish, rectory, convent, or religious education center expenditures paid by an affiliated organization directly? If Yes, please explain below.

Computer Safeguards

Control Objective: Computer Safeguards

- Computer files should be backed up onto disks or tapes on a regular basis (daily/weekly). The copies should be kept off site and rotated on a regular basis.
- Surge protectors should be in use on all computer equipment. Battery backup units should be considered for servers or critical workstations.
- PDS and Servant Keeper software should be password protected so that only authorized individuals have access to accounting records. The passwords should be changed periodically and secured with reasonable care. Lock the passwords away from the computer in a file cabinet. Make sure the administrative passwords are secured in a file whose whereabouts are known to the pastor or parish leadership. Security levels should be set appropriately to restrict access to certain files and special care should be taken to protect payroll data, personnel information on employees and other confidential information.
- It is advisable to have a list of the critical hardware — such as servers particularly — and software along with its reordering information maintained offsite. In the event of a disaster, this would enable you to immediately purchase replacements.
- Virus protection software and a firewall should be used on both servers and workstations especially for equipment that is online with the Internet.

How often are computer files backed up onto disks or tapes?

Are copies of computer files kept off site and rotated on a regular basis? (Yes or No)

Are surge protectors in use on all computer equipment? (Yes or No)

Is PDS/Servant Keeper software password protected? (Yes or No)

Is QuickBooks software password protected? (Yes or No)

Are passwords secured with reasonable care and changed periodically? (Yes or No)

Is a list of critical hardware and software maintained offsite? (Yes or No)

Are virus protection software and a firewall in place on both servers and workstations?
(Yes or No)

Other

Internal Control Objective –

- Safe combinations, computer passwords, and keys should be changed periodically or when there is staff turnover.
- Minutes and Bylaws for all parish affiliate organizations should be on file at the parish.
- Parish Council elections are to be held annually.

Are safe combinations, computer passwords and keys changed periodically or when there is staff turnover? (Yes or No)

Are the minutes and bylaws for all parish affiliate organizations on file at the parish?
(Yes or No)

When was the last Parish Council election held?

Finance Council

Internal Control Objective –

- According to the norms of Synod 5 of the diocese, each parish should have a Finance Council which, “Including the pastor, is to be composed of at least three, but no more than seven, members of the Christian faithful truly skilled in financial affairs as well as in civil law, of outstanding integrity and freely appointed by the pastor. The members of the finance council are to be appointed for a term of four years, and may be re-appointed once.”
- It is recommended that members of the current Finance Council and Parish Pastoral Council be reviewed for length of terms already served and the necessary steps taken to follow the guidelines from the “Ministry of Finance and Administration” document.
- Finance council meetings should be documented with official minutes and a copy of such kept at the parish.
- The finance council should be involved in the preparation of the parish budget.
- The finance council should be kept apprised of the financial activities of the parish/school with provision of at least quarterly financial statements including a detailed balance sheet and profit and loss statements that compare actual results to budget and the previous year.
- The finance council should be involved in decisions to borrow funds.
- Periodically, the bank reconciliation review process should include: comparing cancelled checks with the invoice(s) being paid and or disbursement journal printout; accounting for the sequence of check numbers; examining authorized signatures and endorsements; reviewing checks for alterations; reviewing voided checks; reviewing checks outstanding longer than 90 days to determine if a stop payment should be issued or the check voided in the system.
- Annually the finance council should review the internal controls of the parish/school using the Internal Control Questionnaire provided by the diocese.
- The pastor/administrator should consider forming an audit committee or asking an individual from the Parish Finance Council to assume the responsibility of reviewing the internal control procedures at least quarterly. This would involve actually reviewing the

processes and paperwork to ensure that the proper controls are in place and functioning.
Finance Council Members Names and Date of Term: (Indicate Lay Directors/Trustees/Date of Terms)

_____	_____
_____	_____
_____	_____

Is your Finance Council appointed? (Yes or No) By Whom?

Are parish lay directors (trustees) members of the Finance Council? (Yes or No)

Does the Finance Council have at least one member who is also a member of the Board of Education? (Yes or No or N/A)

How often does the Finance Council meet?

Are the meetings documented with official minutes? (Yes or No)

Does the Finance Council chairperson also serve on the Parish Council? (Yes or No)

Does the Finance Council prepare an annual budget? (Yes or No)

Does the Finance Council review and approve non-budgeted expenses or programs?
(Yes or No)

Does the Finance Council review and approve any decisions to borrow funds? (Yes or No)

Are the monthly financial statements received and reviewed by the Parish Council?
Finance Committee? (Yes or No)

Do these statements include?:

Balance Sheet compared to previous year? (Yes or No)

Profit & Loss Statement compared to previous year? (Yes or No)

Profit & Loss Statement compared to budget? (Yes or No)

Other, please list:

Are the financial statements complete (include all activities of all organizations associated or affiliated with the parish)? (Yes or No)

Does the Finance Council periodically review the bank reconciliation process? (Yes or No)
If Yes, how often?

Is there an audit committee? (Yes or No) If yes, attach copy of latest review.

Does the Finance Council provide parishioners with periodic reports on the financial condition of the parish? (Yes or No) If Yes, how often?

Does the parish have copies of wills or bequests on file to identify amounts reported as endowment (principal) funds and amounts available to be used for the intent of the gift?
(Yes or No)

Summary:

The *Standard Internal Controls Related to Parishes and School Finance* lists three over-arching principles of internal control. Based on the answers to the preceding questions, please rate your parish on a scale of one to five (one = poor, five = excellent) for each of the three principles.

**Internal Control Principle # 1:
Delegation and Separation of Duties**

- Employees/volunteers must know what they are to do and what others are responsible for. Establishing an organizational chart is clearly important for defining responsibility lines. Job descriptions should be used to further explain proper delegation.
- The following job duties should ideally be done by separate individuals:
 - Counting and depositing the weekly collections
 - Bookkeeping (includes recording deposits and writing checks)
 - Signing checks
 - Reconciling the bank accounts and reviewing the cancelled checks

Parish Rating:

Poor					Excellent
1	2	3	4	5	

**Internal Control Principle # 2:
Suitable Documents and Accounting Records**

- Accounting records for parishes should be maintained on the QuickBooks software package.
- The financial records should reflect all the financial transactions that have occurred.
- The recording of all transactions must be correct as to quantity and dollar amount, and must be made in the proper accounting period.

Supporting documentation for all transactions should be maintained

Poor					Excellent
1	2	3	4	5	

**Internal Control Principle # 3:
Financial Planning and Control:**

- All parishes and schools should have an annual budget.
- Monthly Comparative Financial Statements must be prepared and reviewed on a timely basis so that appropriate action can be taken should the actual results of operations vary materially from the budget.
- Transactions must be correctly recorded in accordance with the guidance provided in the Chart of Accounts.

Poor					Excellent
1	2	3	4	5	