

# **ARCHDIOCESE OF SEATTLE**

## **SECTION A**

### **PARISH ACCOUNTING POLICIES**

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# ARCHDIOCESE OF SEATTLE

## I. ANNUAL REPORTS

(A&F Section II)

1. Each parish (and its dependent organizations) and Archdiocesan institution shall submit a Parish Annual Report (PAR) to the Archdiocese in the format provided by the Archdiocese, along with accompanying financial statements (i.e. Balance Sheet/Statement of Financial Position, Profit & Loss/Income Statement/Statement of Activities). Parishes are also encouraged to submit a Statement of Cash Flows.
2. The PAR shall be submitted in accordance with the timetable set by the Archdiocese. Late PARs may result in the Archdiocese imputing ordinary income for assessment purposes.
3. Each parish shall issue an annual report to its parishioners no later than October 31<sup>st</sup> of the fiscal year immediately following the fiscal year being reported on (e.g. annual report for FY 16/17 should be issued by October 31, 2017).
  - a. The annual report must show the financial position of the parish at fiscal yearend, provide a summary of all financial activity for that fiscal year, and show the budget for the current fiscal year.
  - b. The parish must submit a copy of the annual report to the Archdiocese (Parish Financial Services) as soon as it is available.

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## **II. PARISH REVOLVING FUND (PRF) SYSTEM**

(A&F Section III)

1. All parishes and archdiocesan institutions must participate in the Archdiocesan Savings and Loan System.
2. Parishes must deposit funds in excess of an average of 45 days operating expenses into a PRF Savings account.
3. Parishes are permitted to have interest bearing checking accounts or combined checking/savings accounts, but are not permitted to have separate savings accounts, securities, or real estate.
4. To deposit to the PRF, parishes must issue a check payable to “CCAS” or “PRF”. Address the envelope to the attention of the PRF to ensure that it is routed to the correct office. It is important to include your savings account number on the check so that it is credited to the right account.
5. To withdraw PRF savings, parishes must make a written request including the purpose of the withdrawal. The signed written request may be transmitted electronically through fax or e-mail. The form is available through Parish Financial Services or the Archdiocesan website.
6. Parishes are not permitted to go to outside banks, other organizations or individuals for loans without prior approval from the Archbishop.
7. Requests for PRF construction loans should be addressed to the PRF Commission. Construction projects must be approved by the Archbishop and conducted in accordance with archdiocesan construction policies.
8. The PRF Commission may provide operation loans in case of temporary financial difficulty. Prior to request for an operation loan, the parish must meet with the Director of Parish Financial Services.
9. Parishes are responsible for repaying loans in accordance with the Loan Agreement.
10. Monthly or quarterly PRF Savings and Loan Statements are available for download via DLS online. Annual statements will be mailed to the parish. Statements must be reconciled at least quarterly.
11. Parishes should limit their PRF savings accounts to seven if the parish has no school and cemetery, and additional two accounts each if the parish has a school and/or cemetery. A maintenance fee may be charged to accounts that are over the limit. The PRF will inform the parish when an account is over the limit and fees, if any, that may be charged. The PRF Commission will periodically review the account limits.

(See Section G of the Parish Accounting Manual for procedures related to PRF Savings and Loan accounts.)

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## **III. CEMETERIES**

(A&F Section IV)

1. A cemetery administered by a parish is considered a program of the parish.
2. The cemetery's operating financial records must be maintained separately from the general parish organization within the parish accounting system. Records must be maintained in accordance with Archdiocesan Administration and Finance Policies found within "Many Gifts, One Spirit."
3. The parish must maintain a Cemetery Care Fund in accordance with Archdiocesan Administration and Finance Policies. Important among these policies are:
  - a. The Care Fund must be kept as a separate account in the Parish Revolving Fund and not commingled with other parish or cemetery funds. If not otherwise designated, the parish cemetery account in the Parish Revolving Fund shall be designated a Care Fund. These funds cannot be spent for any purpose other than the care of the cemetery.
  - b. The principal of the Care Fund must be left untouched. Unless otherwise specified by the donor, only the interest and capital gains (if any) may be withdrawn to be used for care and maintenance of the cemetery. The principal of the Care Fund may only be reduced with written approval of the Archbishop.
4. Unless otherwise established, the parish Finance Council shall be designated the parish Cemetery Board. At least one meeting per year must be held at which the financial status of the cemetery shall be discussed. Minutes of that meeting shall be made available to the Director of Parish Financial Services.
5. The parish should establish its own cemetery rules and provide a copy of these rules to the Director of Parish Financial Services and Director of Cemeteries. In the absence of parish rules, the rules in Many Gifts, One Spirit shall be deemed the cemetery rules.

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## IV. INSURANCE (A&F Section XII)

1. The Corporation of the Catholic Archbishop of Seattle (CCAS) maintains the Property and Liability insurance for Archdiocesan entities.
2. As specified in the Archdiocesan Administration and Finance Policies, individual parishioners, non-profit organizations or outside groups using archdiocesan facilities must either provide Certificate of Insurance coverage or purchase Third Party Coverage through the Archdiocese's current insurance provider.
3. All archdiocesan vehicles are legally owned by CCAS but the parish is the registered owner.
4. Priests are responsible for their own insurance coverage on any personal vehicle.
5. Individuals (employees and volunteers) who use their personal vehicles for parish business are required to provide proof of liability insurance coverage that meets the state minimum requirement.

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## V. INVENTORY LIST

1. Parishes should maintain a complete inventory list of parish property and equipment with a replacement cost of over \$10,000 regardless of whether the item is capitalized or expensed.
2. The inventory list should include a description, picture, date of purchase or acquisition, or date when the asset was first put in service, original cost, location, and estimated useful life. See sample below.
3. The inventory list should be updated annually and include the date of the previous inspection.
4. A backup of the inventory list must be stored offsite. If no offsite location is available, Parish Financial Services can keep a copy of the list.

FIXED ASSETS INVENTORY LIST

Description of Asset	Purchase/ Acquisition Date	Date Asset Was First Put in Service	Original Cost	Location of Asset	Estimated Useful Life (Years)	Date of Previous Inspection



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## VI. CAPITAL ASSETS & DEPRECIATION

1. All capital acquisitions must be recorded on the books as assets.
2. A capital asset is defined as any item purchased or any capital improvement which costs \$10,000 or more and is expected to have a useful life of more than one year. Both criteria must be met in order to classify something as a capital asset.
3. Generally accepted accounting practices require depreciation to be recorded. However, parishes are not required to depreciate but there should be a capitalization policy that says capital assets are to be funded by capital campaigns.
4. The recommendation to allow parishes to choose whether or not to depreciate fixed assets was based on the following:
  - a. Most parishes fund major projects through capital campaigns, not operations.
  - b. The use of depreciation is very inconsistent. For example, a recently constructed parish will have the accounting records to support depreciating major facilities. However, older parishes do not. Capitalization of major expenditures is inconsistent.
  - c. When parishes record depreciation, if their budgets are breakeven or better, they should be accumulating cash to replace capital assets. However, most parishes are not experiencing this increase in cash reserves.
  - d. The Archdiocese believes that the best measure of parish operating performance is surplus before depreciation expense.
  - e. When parishes fund capital assets through Capital Campaigns as is generally the case, the assets are constructed with proceeds from the campaign. In this case, additional revenues from capital campaigns are realized and used to pay for the capital assets added. It is also true that financing from the PRF is used and proceeds from periodic payments of pledges are applied to reduce the liability and pay interest.
5. Parishes which elect to discontinue depreciation should:
  - a. Discontinue depreciation as of the beginning of the fiscal year. For assets partially depreciated, simply stop computing depreciation.
  - b. Asset purchases under the capitalization threshold of \$10,000 should continue to be expensed.
  - c. Capital Campaign proceeds should be accounted for and reported on a separate line item in revenues.
  - d. Fixed asset acquired should be recorded with a charge directly to the asset account.
6. For all parishes:
  - a. Parish Financial Services will prepare a new format for annual reporting of the statement of activities that will capture the results of operations before depreciation and capital campaign proceeds.
  - b. Cash flow reports will continue to reflect adjustments to the results of operations for non-cash items, debt service, and fixed asset additions.

(See Section E of the Parish Accounting Manual for the accounting procedures relating to the recording of capital assets and depreciation.)

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## VII. BANKING (A&F Section XX)

1. All parish funds are to be deposited only in accounts that bear the parish name.
2. No checks made payable to the parish may be endorsed and converted into cash or deposited in accounts other than parish accounts.
3. Personal funds and parish funds may never be commingled in any bank account.
4. Each parish is to have its own Taxpayer Identification Number (TIN). The TIN is to be used in all reports requiring this number, such as payroll tax returns, W-9's and other government forms. See Policy XI for more information.
5. Each parish should maintain a complete list of all bank accounts using the parish name and/or TIN number(s).
6. No parish or parish sponsored organizations shall get their own Uniform Business Identification (UBI) number. Any parish with a UBI number shall let its UBI lapse.
7. All bank accounts including parish sponsored organizations bank accounts must be included in the parish general ledger and the Parish Annual Report that is submitted to the Archdiocese.
8. Separate accounts for parish sponsored organizations may exist. Such accounts should contain reference to the name of the parish. (See Policy XVIII for policies regarding these accounts.)
9. The pastor must be a signer on all parish, school, and parish sponsored organization bank accounts. However, authority to sign checks and other financial documents may be delegated by the pastor using approved Archdiocesan forms and instructions. Regardless of the delegation of signing authority, the pastor is always responsible for the financial affairs of the parish.
10. All unused checks are to be kept in a safe or locked cabinet.
11. Checks or copies of the front and back of checks should be returned with the bank statement. While copies of the front and back of all checks may be available online through the financial institution, having copies of canceled checks with the bank statements will facilitate review of the bank statement and bank reconciliation.
12. Bank statements and bank reconciliations should be reviewed by the pastor or an independent party (a person not involved in the check approval or writing process). The reviewer should sign and date the statement and reconciliation to indicate that the review was completed.

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The review should cover such items as:

- a. Unusual withdrawals, debit card activity, and Electronic Funds Transfer (EFT) or Automated Clearing House (ACH) transactions
  - b. Deposit patterns to see if they match normal operations
  - c. Large items
  - d. Normal payroll entries
  - e. Long outstanding items
  - f. Duplicate payments or unauthorized payments
  - g. Transfers in and out of an account which could be sign of theft.
13. Bank reconciliations should be performed on a timely basis, preferably within ten working days of receipt of the bank statement. The preparer of the bank reconciliation shall sign and date the reconciliation.

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## **VIII. PARISH FINANCIAL OPERATIONS REVIEW**

(A&F Section XXII)

1. The Archdiocese will conduct a Parish Financial Operations Review (PFOR) at each parish when there is a change in pastor, priest administrator, pastoral coordinator, or other appointed pastoral leader or every three years, whichever comes first.
2. A review may also be completed at the direction of the Archbishop or request from the pastor.
3. The review shall include HR compliance procedures including Safe Environment.

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## IX. CASH RECEIPTS

(A&F Section XXIV)

### I. Counting Mass Collections

1. A collection counting committee should be established in sufficient number to count collections as expeditiously as possible. Selection of members is extremely important. Prospects should be screened and approved by the pastor. The number of members should be sufficient to cover the counting requirements without overburdening the members; consider absences, vacations, etc.
2. The cash counting procedure should be in writing and furnished to each member of the counting committee. Members of the counting committee must be given copies of the procedures and be trained on these procedures. Sample cash counting procedures are in Appendix A-8.
3. The collection count should be done in a secure area in the parish office or other parish facility. Counting collection in parishioners' homes is not permissible.
4. Collections should be counted and checks endorsed for deposit as soon as possible after the service. Endorsement may be made by stamping the back of the check with the parish bank account information or writing "For Deposit" at the back of the check.
5. Deposits should be made no later than the first business day following the service. However, if there is no safe on the premises, collection proceeds should be deposited immediately. Remote deposit may be made by the parish.
6. All collections must be placed in pre-numbered tamper evident bags which must be tracked in a bag log. The collection must be placed in the bags by two unrelated people, at least 18 years old, either at the back of the church at collection time or when they remove the basket from the altar after mass. The bags must be sealed with at least two persons present and these persons must sign and date the bags. After the bag is sealed, it can be in the presence of one person; however when the bag is opened two people must be present. A suggested tamper evident bag procedure and sample log are included in Appendix A-1.
7. Collections must be counted by individual mass.
8. All counters must successfully complete a background check.
9. At least two unrelated people must be involved in counting parish collections and they should be rotated on a regular basis. As a policy, counters should be all volunteers. However, parish staff other than the bookkeeper or other employees involved in financial recordkeeping for the parish may participate in the count with a volunteer as warranted by circumstances.

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10. The same two unrelated people must make the final tally in ink and should sign and date the tally sheet in ink. The amount of the bank deposit should agree with the final tally.
11. The amount of offering and the check number or “Cash” should be indicated on the outside of the envelopes for subsequent posting to parishioners’ records. All envelopes must have an amount written on them. Loose checks should be listed or copied for subsequent posting to parishioners’ records.
12. The envelopes and check listing should be forwarded to the appropriate individual to update the offering records. The individual should not have participated in counting the collection and should not be the bookkeeper or another employee involved in financial recordkeeping for the parish.
13. The amount deposited to the bank must be reconciled to the amount posted to parishioner records. This reconciliation should be done weekly by a party not involved in either the count or the posting. The reconciliation report should be part of the deposit records.

### II. Miscellaneous Cash Receipts

1. Each parish must have a written policy documenting the processing of receipts. Staff and volunteers should be trained on these procedures. Sample procedures are in Appendix A-9.
2. Funds received during the week (other than collections) must be recorded and deposited in a timely manner.
3. Checks should be restrictively endorsed (bank stamped or writing “For Deposit” at the back of the check) upon receipt.
4. All cash and checks received must be recorded using a three part receipt book with the original given to the individual, the second copy staying with the cash/check, and the final copy staying in the book.
5. For major fundraising events, the parish/school should consider utilizing tamper evident bags when proceeds are transported for counting and depositing. Procedures should follow mass collection procedures (i.e. counting by two unrelated individuals, preparation of tally sheet and signing the tally sheet in ink, reconciling amounts in the tally sheet with the amounts for deposit, etc.).
6. Cash and checks collected during fundraising events and other events must be deposited intact. Expenses should not be paid out from the funds collected during the event.

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## X. PARISHIONER STATEMENTS

(A&F Section XXIV)

1. Contributions are free will offerings. Payments for services (tuition, CYO fees, facilities usage charges, etc.) are not contributions.
2. A person not involved in the collection count or deposit must post contributions to individual parishioner records.
3. Parishioner contribution records are confidential financial records and must be treated as such. Parishioner contribution records must be maintained in a secure (locked) file or password protected computer in the parish office. Access must be limited to individuals delegated by the pastor or pastoral leader.
4. Parishioner contributions must be acknowledged in accordance with IRS requirements. A separate acknowledgment may be provided for each single contribution of \$250 or more, or one acknowledgment, such as an annual summary, may be used to substantiate several single contributions of \$250 or more. The written acknowledgment is typically sent to the donor no later than January 31<sup>st</sup> of the year following the donation and must be received by the donor no later than the date the donor files the tax return for the year the contribution is made.
5. Parishioner statements for donated goods should only acknowledge the receipt of goods with a description of the goods received but a value for the goods should not be indicated in the statement.
6. Statements should be preprinted with the following confirmation request: “This statement is for your records. Please examine it carefully. If it does not agree with your records, please communicate this directly to (name of responsible person who is not involved in posting contributions).”
7. The parish must mail out parishioner statements no less than twice a year. Mailing out statements quarterly is recommended. Parishes may send out statements through e-mail.
8. Acknowledgement receipts from sponsored giving programs (e.g. United Way) shall be given out by the sponsored organization.

Documentation requirements for charitable contributions can be found in Appendix A-2.

Sample contribution acknowledgement receipts and letters are in Appendix A-3

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## XI. PAYROLL (A&F Section XXIV)

1. All parishes must use the payroll system used by the Archdiocese.
2. Federal Income tax, Social Security and Medicare taxes are deducted from all employee paychecks and automatically swept from the parish's bank account.
3. Bonuses are taxable income and must be included in payroll expenditures and employee W-2 forms. According to IRS regulations, "gift cards", SCRIP or merchandise bonuses or gifts not considered de minimis fringe benefits are reportable income and must be included on the employee's W-2. Cash or cash equivalent items provided by the employer are never excludable from income.
4. All parish personnel must be classified properly as either employee or independent (self-employed) contractor. Independent Contractors are responsible for their own withholding taxes. Classification should be accomplished in accordance with the IRS guidelines found at <https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>. All Independent Contractors or stipended volunteers or project pay must be vetted through the Human Resources office of the Archdiocese prior to engagement.
5. Parishes must obtain a W-9 from independent contractors prior to making a payment. Independent contractors who do not submit a W-9 may be subject to 28% backup withholding.
6. If it is absolutely necessary to store social security numbers, the parish must store these numbers in a secure location or safe or in a computer that has adequate safeguards and access controls.
7. All Independent Contractors paid \$600 or more in a year must be given a Form 1099-NEC. No individual should receive both a W-2 and a 1099-NEC from the same employing unit unless their status changed in the calendar year. This includes priests providing weekend and/or sacramental help.
8. Incardinated priests are required to pay Self Employment Tax and are prohibited from electing out of the Social Security System without the express written permission of the Archbishop and only under extraordinary circumstances (e.g., if a priest will not have completed 40 quarters of participation in order to be eligible for the program). Priests may elect to withhold self-employment tax by making a W-4 election.
9. Payroll advances are not the norm and should be granted only in exceptional circumstances. If granted, payroll advances to employees more than one month in advance are not permitted. Payroll advances must be approved by the pastor, priest administrator, pastoral coordinator or other appointed pastoral leader.
- n 10. The payroll register reports should be reviewed and reconciled to the payroll general journal entry every month by the pastor or an authorized person not involved in the payroll process. This person should sign and date the payroll report to indicate that the review is completed. At a minimum, the reviewer should review the employees included in the payroll, pay rates, and accuracy of hours worked.



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## XII. CASH DISBURSEMENTS

(A&F Section XXIV)

1. All disbursements, excluding petty cash transactions, must be made by check, electronic funds transfer (EFT), or direct deposit. The use of debit cards is highly discouraged. Withdrawing funds from the bank should also be avoided.
2. All disbursements must have supporting documentation in the form of an invoice, check request with receipts, or a voucher with receipts. A check request form (see Appendix A-4) or voucher is to be used for non-recurring expenditures and disbursements that are not accompanied by a formal invoice. The check number and General Ledger account coding should be written on the invoice or check request form for proper recording.
3. Disbursements must have proper written authorization prior to payment. The person having budgetary responsibility for the expense may authorize the disbursement by initialing and dating the invoice (for recurring expenses) or signing and dating the check request or voucher. No one shall authorize their own reimbursement request.
4. Reimbursement requests must be submitted within three months after the expense was incurred. All reimbursements for business expenses must comply with an Accountable Expense Reimbursement Plan.
  - a. In accordance with the IRS rules, reimbursement of business expenses is considered taxable income unless there is a detailed report of the expenditure made to the employer. This report is the employee's responsibility.
  - b. All expenditures must be supported by documentation including amount, date, time, place, business purpose of each reimbursement and the original cash receipt. If under extraordinary circumstances a receipt is not received or is lost, and no duplicate is available through the vendor, all substantiating information including date, expense, and purpose must be provided in writing.
  - c. The same information is needed when paying for business expenses by credit or debit card. The detail may be recorded on the back of the charge slip with the original receipts attached, if applicable.
  - d. Any reimbursable mileage must be documented.
5. Checks payable to "Cash" must be avoided. Under extraordinary circumstances these checks may be issued; however two signatures are required on the check and all expenditures must be documented. We recommend that the checks be made payable to the person responsible for the money. (e.g. John Smith – Cash).
6. No one shall sign a check payable to oneself.

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7. Funds received in Custodial Collections should be remitted within four weeks.
8. Signature stamps should not be used for signing checks. The pastor should designate another check signer in case the pastor is not available to sign checks.
9. Only the pastor and parish employees can sign parish checks. The Treasurer of parish-sponsored organizations (except Scrip) may also sign checks only for the organization.
10. The check signer must ensure that there is supporting documentation for the disbursement.
11. The person mailing the check should not be the signer or preparer of the check.

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## XIII. PETTY CASH

(A&F Section XXIV)

1. Parishes may establish one or more petty cash funds for convenience. The size of the fund should be determined by its activity, but should not exceed the amount of one month's activity.
2. The funds should be maintained on an imprest basis. In an imprest system, the total of the amount of cash in the box and receipts for disbursements made from the fund (including IOUs) must equal the General Ledger amount at all times.
4. Petty cash must be periodically replenished for exactly the amount of expenditures from the fund.
5. The fund should be in the sole custody of one employee. The custodian should balance the fund at least monthly. Periodically the pastor, priest administrator, pastoral coordinator, or his/her delegate should count and review the fund.
6. Disbursements from the fund must be supported by petty cash vouchers prepared in ink and signed. All supporting data such as receipts should be attached to the voucher. Upon reimbursement of the fund, every voucher and related supporting documentation (such as receipts) covered by the reimbursing check should be canceled in such a manner as to prevent their reuse.
7. The petty cash fund should be maintained on the books as a balance sheet account. Cash should be replenished and expenses recorded when petty cash vouchers are submitted and the fund is reimbursed.

A sample Petty Cash policies and procedures is in Appendix A-5.

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## XIV. SCRIP (A&F Section XXIV)

1. A SCRIP program may only be started with permission from the pastor.
2. A minimum of 85% of SCRIP hours must be accomplished by uncompensated volunteers.
3. A separate bank account must be maintained for all SCRIP activity.
4. SCRIP must be treated as cash and stored in a secure facility.
5. SCRIP inventory will be accounted for and reconciled regularly (at least monthly). If a Scrip account is not reconciled at least monthly, the Parish Financial Services office would be recommending to the pastor and principal of any school that sells Scrip that the sale of Scrip must be discontinued until they are in a position to reconcile on a monthly basis. Reconciliation must include inventory, Scrip sales and bank deposits.
6. SCRIP volunteers who have individual access to inventory must successfully complete a background check.
7. All persons working for the SCRIP program must have a job description that lists responsibilities.
8. Adequate controls over the delivery of SCRIP must be in place. This must include proof of delivery, such as having a form (e.g. sales tracking form) that shows the signature and date of the persons delivering and receiving the Scrip card. Volunteers must never store SCRIP at home. If absolutely necessary for volunteers to take home SCRIP for delivery (e.g. to the elderly), adequate controls must be in place.
9. The Scrip coordinator is not allowed to approve and release his/her own Scrip purchases under electronic purchasing and payment for Scrip where the Scrip coordinator releases Scrip to the purchaser after verification that payment has been received. Another Scrip volunteer or parish staff (e.g. bookkeeper) must approve and release Scrip after verifying that payment has been received.
10. SCRIP inventory must be maintained at a reasonable level.
11. SCRIP inventory should be maintained in the books as a balance sheet account.
12. Financial Reports for the SCRIP program must be generated monthly and reviewed by the pastor and/or his delegate.
13. Scrip procedures must be document in writing. Procedures should cover sales, purchases, recording Scrip transactions, inventory reconciliation, and financial reporting. Responsibilities of volunteers involved in these areas must be clearly defined.

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## **XV. CREDIT CARDS**

(A&F Section XXIV)

1. Parishes may obtain one or more credit cards with the approval of the pastor, priest administrator, pastoral coordinator or other appointed pastoral leader.
2. Only employees normally making parish purchases may be issued a credit card.
3. Parish credit cards must not allow access to cash advances.
4. The credit card should be in the name of the parish/school but the employee name may be indicated on the card.
5. The credit limit on the card should be minimal. Credit limits should be reviewed annually to ensure that the limits are not excessive.
6. The card must be used only for legitimate business expenses. Personal expenditures are not allowed and may subject the cardholder to cancellation of credit card privileges or other sanctions.
7. Credit payments must be approved by the person having budgetary responsibility for the expense prior to charging them to the credit card.
8. The monthly credit card statement alone is not sufficient documentation for the expenses. Receipts must be obtained for all credit card charges. The receipts must contain the same information as is required for cash reimbursements (See Policy XII). For online purchases a printout of the payment receipt or e-mail acknowledgment of the payment is sufficient documentation for the purchase.
9. In accordance with IRS regulations, undocumented expenditures will be considered compensation and will be included on the individual's W-2 or 1099-MISC.
10. The parish/school must document its credit card policy. Employees who are issued a credit card must sign this policy to signify that they understand and accept the policy. A sample credit card policy is in Appendix A-6.

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## XVI. ELECTRONIC RECEIPTS, DISBURSEMENTS AND WIRE TRANSFERS

### I. Electronic Receipts

1. We encourage parishes to offer electronic payment methods to their parishioners. Different methods include third party merchant services, local bank set-up, and personal online banking.
2. All donor credit card information must be handled in compliance with current PCI (Payment Card Industry) regulations. Parishes must use the services of a third party vendor who is PCI compliant.
3. Any parishioner bank or credit card information submitted to the parish must be stored in a secure (locked) file or safe or password protected computer.

### II. Electronic Disbursements

1. Retail online payments to infrequent suppliers should be made by credit card. Adequate paper trail must be maintained with documented approval of the transaction.
2. Parishes and schools are allowed to pay recurring expenses through automated payments. The pastor, priest administrator, pastoral coordinator, or other appointed pastoral leader must approve the list of vendors for which automated payments are to be made.
3. Automatic payments must be reviewed annually to determine the continued necessity of the expenses.
4. Electronic Funds Transfers (EFTs), including ACH, should be limited to specific pre-determined bank accounts (e.g. payroll bank account) and amounts. All limits on EFTs should be documented by the parish and noted in writing by the bank. For large payments or transfers by EFT, the initiator of the EFT must not be the approver of the EFT. The parish should avoid making EFT, and particularly ACH, payments to any vendor that is not part of the regularly scheduled or pre-approved EFT payments but instead make payments by check or credit card. In any case, the decision to make an EFT payment must be made by the parish after verifying the legitimacy of the transaction and not merely responding to a vendor request for a particular payment method.
5. Parishes must have adequate computer safeguards and software to protect all financial information. Appendix A-7 contains tips for safer online banking.

### III. Wire Transfers

The parish may only do wire transfers upon instruction of the pastor, priest administrator, pastoral coordinator, or other appointed pastoral leader. Instructions must be made through personal contact. Instructions through e-mail or other communication other than personal contact is absolutely prohibited.

All hard copy of parishioner records with identifying information such as credit card, debit card, or social security numbers must be stored securely, under lock and key with access only by the PAA and/or bookkeeper, and properly cross-cut shredded after the information is no longer needed.

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## **XVII. GAMBLING ACTIVITIES**

(A&F Section X)

1. All parishes and schools must follow federal, state and local gambling and recordkeeping guidelines. The federal regulations can be viewed at <https://www.irs.gov/pub/irs-pdf/p3079.pdf> and the state guidelines can be viewed at <https://app.leg.wa.gov/WAC/default.aspx?cite=230>.
2. If applying for a gambling license, the parish may be asked for an authorization letter. This letter must be furnished by the Archdiocesan General Counsel. Please contact Parish Financial Services or the Office of the General Counsel to get this process started.
3. The State has the right to audit gambling activities. A separate bank account must be maintained for all gambling activity. All revenues/expenditures are to be recorded in this account and proceeds must be distributed as defined in the parish/school's application.
4. Raffle winnings are reported on form W-2G (not 1099-MISC). Raffle winnings include both cash and noncash prizes.
  - a. The parish must report raffle prizes if:
    - the amount paid, reduced at the parish's option by the wager (the amount a person paid for the chance to win a prize), is \$600 or more; and
    - payout is at least 300 times the amount of the wager.
  - b. The regular gambling withholding applies to winnings of more than \$5,000. The parish must withhold 25% from the winnings and report this amount to the IRS on Form W-2G. If the parish fails to withhold correctly, it is liable for the tax.

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## **XVIII. PARISH SPONSORED SOCIETIES AND GUILDS**

(A&F Section XXV)

1. Parish sponsored groups, clubs, societies, circles, etc. are accountable to the pastor, priest administrator, pastoral coordinator, or other appointed pastoral leader. The purpose of each parish group must clearly indicate the way in which funds will be raised and expended before the parish group is approved and sponsored. All funds raised by the group are part of the overall parish financial structure and must be treated as such.
2. Parish organizations are not to be separately incorporated.
3. All fundraising activities, including one-time and special events, must be pre-approved by the pastor, priest administrator, pastoral coordinator or other appointed pastoral leader, in conjunction with the appropriate Archdiocesan office, prior to the fundraiser being announced. Approval must be documented in minutes of meetings, e-mail or other written documentation.
4. Each parish organization should have written guidelines or bylaws documenting the purpose, rules and procedures of the organization. A copy of the procedures should be given to all concerned parties, including parish administration, and incoming officers should sign a statement that they have read and understand these guidelines. All organizations must adhere to all policies found in this manual.
5. Parish staff should periodically meet with each organization to review policies, fundraising, and contribution acknowledgment practices.
6. Financial activity for parish sponsored organizations should be maintained in the parish general ledger as a custodial liability.
7. Parish and school groups are only allowed to have a separate checking and/or PRF account with the written approval of the pastor, priest administrator, or other appointed pastoral leader. The pastor, priest administrator, or other appointed pastoral leader must be a signer on all accounts.
  - a. All bank accounts must be included in the parish general ledger, and bank statements for these accounts must come to the parish or school office for review prior to forwarding to the appropriate group. The parish/school bookkeeper or the Treasurer of the group may prepare the bank reconciliation.
  - b. Each parish organization with a separate checking account must submit a report of financial activity to the sponsoring parish at least annually.
  - c. All organizations with separate accounts are subject to periodic financial review by parish staff appointed by the pastor, priest administrator, or other appointed pastoral leader.
  - d. If the financial records of the organization are not maintained by the parish offices, a checkbook, a simple ledger or a computer spreadsheet are ordinarily adequate to maintain financial records for these organizations. All financial transactions are to be entered.



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- e. As a general rule, all receipts should be deposited in the checking account and all disbursements should be made by check. Cash payouts are discouraged.
  - f. In general, direct payments to vendors for operating expenses is the acceptable method of payment. Reimbursement to individuals should be allowed only in exceptional circumstances. Receipts are required for all reimbursements.
8. No one shall sign a check payable to oneself.
  9. When an organization makes a donation to the parish/school for a specific item, the organization should issue a check to the parish/school, which, in turn, should pay the vendor. This allows the donation or purchase to be properly recorded in the parish/school financial records.
  10. Accumulation of funds in these checking accounts beyond what is required to carry out annual activities is not allowed. Any such excess should either be presented to the parish or program as a donation or deposited in the PRF in the name of the group.

### St. Vincent de Paul

St. Vincent De Paul Councils and related conferences are separate entities for Federal Income Tax purposes. We understand that a separate group ruling letter has been obtained by the National Council of St. Vincent De Paul.

1. The best practice for handling St. Vincent De Paul donations would be to give these donations directly to the St. Vincent de Paul Society without being processed through the parish. The members of St. Vincent de Paul are responsible for acknowledging donations according to IRS guidelines.
2. Alternatively, parishes may continue to handle and process donations for their St. Vincent De Paul conference as custodians. Donations should be recorded in the parish family database. Funds must be remitted to S.V.D.P. within 30 days with an accompanying donor list.

# ARCHDIOCESE OF SEATTLE

## XIX. VOLUNTEERS

### 1. Compensation

Any compensation in exchange for work performed must be recognized as income to the individual. Compensation includes tuition reduction, fee waivers, salaries, gift cards, etc.

### 2. Donated Services

Donations of services by parishioners or others must be handled in accordance with IRS regulations. The value of donated services is not deductible by the donor.

### 3. Out-of-Pocket Expenses

Although the value of services given to a qualified organization cannot be deducted, some amounts that the volunteer pays (e.g. travel expenses) in giving services to a qualified organization may be deducted. The amounts must be:

- unreimbursed
- directly connected with the services
- expenses incurred because of the services rendered
- not personal, living, or family expenses.

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## XX. RECORD RETENTION

Records must be retained in accordance with applicable sections of Canon and Civil Law.

(Contact Archives & Records at (206) 382-4352 or e-mail [archives@seattlearch.org](mailto:archives@seattlearch.org) for more information.)