

# Diocese of Rockford



## Parish Administrative Best Practices Guide

Office of Internal Audits

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## A) CASH RECEIPTS & COLLECTIONS

### 1. Collection and Counting Practices (04/20/2020)

Sunday offertory donations represent a major source of support for the parish. Accordingly, great diligence should be exercised in handling and processing these funds.

Best Practice procedures:

- A group of Diocesan Business Managers has developed a “Counter’s Manual” that is a great resource for counter training. This guide can be found at the Diocesan website at [rockforddiocese.org/pdfs/internal-audit/Counter-Manual.pdf](http://rockforddiocese.org/pdfs/internal-audit/Counter-Manual.pdf)
- Collection proceeds should be counted and deposited as soon as possible after Mass.
- Parishes must store collection funds in a secure location. A drop safe that is secured (bolted) to the floor is the best choice. Hiding the safe in a vestment closet or other location that is “out-of-sight” can also enhance the safety of the funds.
- Parishes should recruit and adequately train volunteers from the parish to act as counters. Parish staff can be used to train and supervise the volunteers, but generally should not be a part of the counting and/or deposit (bank transport) process. This is especially true for parish fiscal staff.
- Counters should work in relatively close proximity to each other and not be spread out in the counting area. One large table shared by all counters can generally provide enough room while maintaining closeness.
- Best practice asks that the volunteer counters should process ALL income received in the collection. This includes Diocesan Stewardship, Diocesan periodic collections, votive candle donations, and other items received in the collection. (Mass intentions could be forwarded to the staff member who handles them.) Counting teams should be well trained to accurately segregate these envelopes, count and segregation the income, and deposit the money while giving the verified envelopes to the bookkeeper or business manager for recording and transmittal. If the regular counting team cannot stay to process special collections, perhaps two to three different volunteers could be recruited and trained to handle this task.

- Access to the unassigned tamper-evident bags or bag log sheet should be limited to staff members who do not have access to the location where the filled bags are stored. Perhaps the previous week's counting team can prepare the next week's bags for Masses and complete the log sheet.
- All envelope donations must be promptly recorded in PDS, ParishSoft, or some other electronic data tracking system. This information should be balanced to the deposit ticket, deposit summary, and bank receipts for each deposit. An important internal control requires that deposit information should match PDS donor information for contributions made by envelope. Please compare the PDS batch report to the envelope donations recorded on the tally sheets to make sure that they match. Loose checks from parishioners should be entered as a separate batch. Individual Masses could be entered as separate batches to help detect entry errors.
- Date all envelopes from a particular collection date as of the collection date, not necessarily the date of the envelope. If a parishioner provides several weeks' worth of envelopes on one Sunday, all envelopes should be dated with the date received, even if there are many different envelope dates in that collection.
- Parishes should send contribution statements to parishioners on a periodic basis, but at least annually. To help "close the loop" on parishioner contributions, the criteria for sending a statement should be reasonable to help the parish save on postage expense, while still allowing for many parishioners to receive a statement. Consider mailing (or emailing) statements automatically for all parishioners who give \$250 or more per year. Statements should include a notation such as "*This statement is for your records. Please examine it carefully. If it doesn't agree with your records, please contact the pastor directly.*" (See Topic A-11) Others can be sent on request.
- If locking bags are used to hold funds at any point in the process, either two people must be with the bag or the bags should be locked AND anyone who has access to the locked bag should not have access to a key to open the bag. If someone has access to the bag and the key, (even though they may be in different areas), the bag cannot be assumed to be secure.

## **2. Best Practices for Handling Other Parish Income (04/20/2020)**

- All money received, no matter its form, must be handled in a safe and secure manner. The collection counting practices above are also applicable to other income received at the parish.

- Cash should never be left unattended in an open area regardless of the amount of cash or time left alone.
- The employee responsible for opening the mail should prepare a log of all money received that lists the date, payer, amount, form (cash, check, etc.) and a note about its purpose if available. This log is updated while the mail is opened or when the money is otherwise received and should be totaled by bank deposit.
- The person opening mail or receiving money should be independent of (not involved in) from the accounting (QuickBooks recording) function.
- Any checks received should immediately be stamped “for deposit only” with the correct bank account stamp.
- “Post Dated” checks should never be accepted for tuition or fee payment.
- Do not accept a check for an amount greater than the amount owed. NEVER give a parish check or cash back for a check received.
- All income items must be deposited INTACT. This means that all money is deposited in the same form (cash, check, money order) that was collected. No change is made and no checks are cashed. Retain a copy of the deposit slip at the parish.
- Someone other than the person receiving the money or the person recording the income into QuickBooks should periodically compare the income log to the bank deposit information.
- Other parish income should be deposited no less frequently than weekly. If a large amount of cash is included in the deposit, a separate deposit should be made on that day. Avoid keeping a substantial amount of cash onsite overnight. When asked, “How much is a substantial amount?” one may consider any amount that one would not want to have to reimburse from personal funds if it is lost or stolen. In no case should it exceed \$500.

### **3. Income Documentation Standards (04/14/2021)**

All income received at the parish should be properly documented. To achieve this level of documentation, each item on the deposit ticket/summary report should have supporting documentation in the form of a PDS batch report (if the income is recorded in PDS), a detail listing of payers and amounts, a cash receipt (if cash is received), or a copy of each check. This documentation could be in electronic form if adequate backups exist and the data can be easily



retrieved. When a PDS batch report is used, the report total should match the collection tally sheet (for collections). The total of all detail items should match the deposit ticket total. Online deposits should attach a detailed listing report of the payers from the payment service provider with amounts (and fees) that matches the deposit amount on the bank statement. Record online donations (or other payments) at the full amount given by the donor in the proper QuickBooks income account and PDS (or ParishSoft) and code the fees to Credit Card Fees (#44002) to reduce the deposit to the actual amount that was put into the checking account.

A 3-part receipt should always be issued whenever cash is received – including religious education tuition payments and Mass stipend income received. When issuing receipts:

- The top copy (white) should be given to the parishioner, the second (yellow) copy should be clipped to the money received and saved with the funds, and the third copy (pink) should always remain in the receipt book as a control copy. Please ensure that a receipt is issued for all cash received, even if the parishioner does not want their copy.
- When preparing a deposit with cash in it, take the yellow receipt copies and attach them to the deposit documentation packet. The total of the yellow receipts should match the amount of cash deposited.
- When receipt books are first issued, the beginning and ending receipt numbers should be written on the book cover in marker to identify the first and last receipts in the book. Periodically, each book in use should be skimmed by someone not writing receipts from the book to ensure that all pages are in the book. A missing page of receipts should be promptly investigated since it could indicate that funds may be missing as well.
- In a situation such as the ham dinner, a bake sale, or small fundraiser where issuing receipts is not practical, then strong cash handling rules should be exercised and a cash count sheet should be prepared after the event by the person(s) responsible for the event that lists each denomination and totals the amount delivered. This cash count sheet should be attached to the deposit documentation packet for that event.

## Sample Event Counting Sheet

Event Name: \_\_\_\_\_

### Income Counting Detail Sheet

Date: \_\_\_\_\_

Drop Time: \_\_\_\_\_

Drop Time: \_\_\_\_\_

Bag Number: \_\_\_\_\_

Bag Number: \_\_\_\_\_

CURRENCY:

CURRENCY:

\$1 \_\_\_\_\_  
\$2 \_\_\_\_\_  
\$5 \_\_\_\_\_  
\$10 \_\_\_\_\_  
\$20 \_\_\_\_\_  
\$50 \_\_\_\_\_  
\$100 \_\_\_\_\_

\$1 \_\_\_\_\_  
\$2 \_\_\_\_\_  
\$5 \_\_\_\_\_  
\$10 \_\_\_\_\_  
\$20 \_\_\_\_\_  
\$50 \_\_\_\_\_  
\$100 \_\_\_\_\_

SUBTOTAL: \$ \_\_\_\_\_

SUBTOTAL: \$ \_\_\_\_\_

COINS:  
\$1.00 \_\_\_\_\_  
\$0.50 \_\_\_\_\_  
\$0.25 \_\_\_\_\_  
\$0.10 \_\_\_\_\_  
\$0.05 \_\_\_\_\_  
\$0.01 \_\_\_\_\_

COINS:  
\$1.00 \_\_\_\_\_  
\$0.50 \_\_\_\_\_  
\$0.25 \_\_\_\_\_  
\$0.10 \_\_\_\_\_  
\$0.05 \_\_\_\_\_  
\$0.01 \_\_\_\_\_

SUBTOTAL: \$ \_\_\_\_\_

SUBTOTAL: \$ \_\_\_\_\_

CHECKS:  
(attach tape) \_\_\_\_\_

CHECKS:  
(attach tape) \_\_\_\_\_

TOTAL: \$ \_\_\_\_\_  
(cash + coins + checks)

TOTAL: \$ \_\_\_\_\_  
(cash + coins + checks)

We attest that the above count is complete and accurate to the best of our abilities:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_



## **4. All Souls / Father's & Mother's Day Mass Offerings**

If your parish receives envelope donations for All Souls Day, Father's Day Masses or Mother's Day Masses, these amounts are to be deposited into the Mass stipend checking account and the required number of Masses must be recorded in the Mass Intention Book. Per 4<sup>th</sup> Synod #263 §3, a Mass intention should be recorded for the "poor souls of the parish," "purgatorial society," or "Mothers & Fathers" for every \$10 in All Souls Day envelope offerings. The process outlined below should adequately address the issue of All Souls envelopes:

- Segregate all envelopes marked for All Souls Day Masses
- Total the donations received in these envelopes and divide by \$10
- This is the number of "All Souls" or "Purgatorial Society" Mass intentions that the parish should record in its Mass book and offer throughout the upcoming year
- Any fraction less than \$10 remaining should be recorded as an additional Mass with a stipend of that remaining amount. To maintain account balance, the priest who offers this intention should be paid this remaining amount, not the regular stipend amount.
- If the parish chooses, all names listed on the back of the envelopes could be mentioned in the next bulletin as "All Souls" or "Purgatorial Society" intentions for the coming year. Some parishes choose to place these envelopes in a bowl near (but not on) the altar when an All Souls intention is offered.
- Any Mass intentions that cannot be offered within one year's time should be forwarded to Moderator of the Curia at the Diocesan Administration Building.

Additional information regarding the proper handling of Mass Intentions can be found on the Diocesan website by clicking on Documents/Forms | Internal Audit | Mass Intention and Stipend Handling Guide or by following this link:

<http://www.rockforddiocese.org/pdfs/internal-audit/DOR-Mass-Stipend-Guide.pdf>

## **5. PayPal / Square Account Precautions (07/24/2019)**

Parishes, Schools, or Support Societies may wish to set up and operate an electronic payment collection system such as Square or PayPal. Individual Square or PayPal accounts and Business Square or PayPal accounts that are not properly set up and managed present a tremendous risk of misappropriation and should not be used. These accounts also incur expenses for all payments received.

PayPal and Square require someone to establish an account with them for transaction processing. All funds received are deposited into these internal accounts. Funds are released to the bank account associated with the account either automatically or manually.

If a parish wishes to create a Square or other type of account, the account should be one with multiple users where each user can be assigned different access rights. The users with administrative access should be limited to the pastor and perhaps the principal or business manager only. No other users should have access to change bank routing information. Other staff and volunteers could be given limited access to accept payments only. Any account established for the parish, school, or support society must use the parish FEIN (tax ID number), not a person's social security number. As of this update, only PayPal allows the use of an FEIN to open an account. Square REQUIRES someone's SSN, but allows them to add an FEIN to the account. This can be a significant problem if the volunteer or staff person leaves the organization. **No one should be authorized to open a transaction account such as this in the parish or a society name without following these guidelines and obtaining the pastor's approval.**

When you transfer funds from the PayPal account, remember to only transfer whole transaction amounts. While PayPal allows transfers of any amounts, transferring whole transactions will greatly simplify the reconciliation process between bank deposits and income received. Always print documentation of the income received to include in a deposit packet for the transfer.

If a parish finds that its credit card transaction volume increases substantially, it may wish to investigate establishing their own "merchant account" to help reduce fees. These accounts require parishes to institute standardized security protocols to protect credit card information. Please contact the Diocesan Finance Office if you have an interest in exploring this option.

## **6. School Tuition Processing Guidelines (05/03/2018)**

All schools rely on tuition income to maintain their operations. Families are generally charged and pay tuition for their students attending school. Since these funds can be accepted in cash or check and (possibly credit card), the procedures in use should provide an adequate level of protection from risk of loss. Historical practices shall not constitute justification for deviation from the following guidelines. These practices can also be used for Pre-school, Religious Education, Extended Care, or other ministries that process tuition-type payments.

### ***Third Party Tuition Services***

Parishes are encouraged to contract with third party tuition processing providers such as "Smart Tuition," "FACTS," "TADS," and others. One major benefit of these services is that the school is relieved of the tuition cash handling risks if 100% of tuition is collected through the service. Even with a service, the school should balance deposits to detail collection listing reports and reconcile bank deposits to vendor reports monthly. If the

school still allows direct tuition payments, the guidelines below will still need to be implemented to mitigate tuition handling risks for the funds handled by the school.

### *Segregation of Duties*

A key internal control philosophy is that the various duties of a financial process should be performed by different individuals and that no one person should control more than one key process (collecting, depositing, or reconciling). Segregation of Duties is a primary internal control used in cash handling. If the school secretary accepts tuition payments, someone else should record the tuition payments into the tuition-tracking program. The person operating the tracking program should not accept payments. The parish bookkeeper or business manager should complete bank deposits.

### *Receipts*

A written receipt must be completed immediately for each cash transaction and preferably for all transactions, even if the payers do not want their copy. Checks should be promptly endorsed “for deposit only.” Receipts should be prepared from a 3-part receipt book that is stored in a secure location whenever it is not in use. See Section A-3 “Income Documentation Standards.”

### *Compensating Controls*

If adequate segregation of duties is not feasible, then strong compensating controls should be implemented and consistently followed. These could take the form of the principal comparing cash received for the week (from the receipt books) to the cash delivered to the parish office for deposit. A deposit summary or worksheet form that splits out cash and checks received by income type should be completed. Monthly tuition actually collected should be compared to expected tuition amounts and even cash tuition could be predicted by knowing which families typically pay in cash.

### *Deposit All Cash Promptly*

If the school receives more than a predetermined amount of cash in a day, a separate deposit should be made and delivered to the parish office for prompt deposit into the bank account. The preset amount of cash should be low (e.g. \$100) but should be established by the pastor and principal. When that accumulated amount is reached or at the end of each month, ALL cash at the school should be included in the next deposit. The second copy of the receipt that is attached to the cash should be stapled to the deposit worksheet and the total cash listed on the worksheet should match the total of the yellow cash receipt copies. Do NOT hold out any cash or checks for any purpose. All cash must be deposited and all cash should have a corresponding yellow receipt copy. Do not cash checks from cash received.

Any funds retained at the school overnight must be stored in a locking desk drawer or safe. A best practice requires keeping the location locked throughout the day as well. Cash

amounts over \$100 should be stored in a locked safe. Any safe should be located in an inconspicuous place and be secured to the floor. Access to the keys or combination for this safe should be very limited with a copy provided to the pastor. Mail “cubbies,” unlocked desk drawers, or other non-secure places should never be used to store cash – even for a short period of time.

### ***Additional Deposit Documentation***

After the deposit worksheet is prepared and the yellow receipt copies attached, the person who entered the payment information into the tuition-tracking program should print out a payment listing report for the deposit. The payment listing must match the total tuition deposited. Once a deposit is prepared and a listing printed, do not add more payments into the system for the same day. If additional payments come in, record them as of the next school day (in both the receipt book and the tuition-tracking program)

### ***Accepting Credit Cards***

Credit cards offer a method of payment that provides families with some flexibility in financing their tuition payments or managing their cash flow. They can additionally provide rewards to the consumer who pays for products or services using their credit card. Schools can benefit from accepting credit cards by receiving their payment in a more prompt manner. Any time a school accepts a credit card payment, several bank fees can be applied which reduces the net amount received by the school. Additionally, credit card processing is subject to the “Payment Card Industry Data Security Standard” or PCI compliance. These guidelines were established to help protect data during and after a financial transaction that is made by a credit card. If a school chooses to accept credit cards directly (not through a tuition service), they should discuss the appropriate security safeguards that they will need to be followed to maintain PCI compliance. This information is available from your merchant processing institution.

### ***Tuition Receivable***

The principal and pastor should discuss any delinquent tuition accounts on a regular (monthly or quarterly) basis. Personal meetings with families who have delinquent tuition should be scheduled promptly to discuss the situation and establish a payment plan or explore tuition assistance options, depending on circumstances. The pastor must approve all credits, adjustments, tuition aid, or payment arrangements.

### ***Pastor Approval of Tuition Adjustments***

If a school family requires tuition assistance in the form of a non-standard payment plan or tuition reduction, the principal may evaluate the level of need or a third party need evaluations service may be used. Before assistance is granted, the pastor should always be consulted and give his approval whenever a modification to current payment plans is requested or a tuition reduction/assistance is sought since the parish is ultimately responsible for any financial shortfalls

at the school.

### ***Required Contributions to Receive “In-Parish” Tuition Rates***

Elementary schools may implement a “non-parish” tuition rate along with an “in-parish” rate for tuition. To qualify for the in-parish rate, parishes may impose non-financial criteria to indicate “active” participation at the parish. They may NOT require a minimum contribution to the church as a stipulation for in-parish rates. Since the IRS views required contributions for a tuition discount as additional tuition that is not tax deductible, the Diocese of Rockford’s policy is not to allow parishes to require ANY particular level of contributions to obtain the “in-parish” tuition rate. Valid indicators of “Active Participation” could include parish registration, Mass attendance, ministry involvement, or other non-financial demonstrations of active participation.

### ***Other Topics***

Do not accept post-dated checks that cannot be promptly deposited. Do not pay refunds from cash received; instead process a request for refund with the parish office. Do not allow “cash-back” from a tuition payment. No cash may ever be used to pay an expense – all cash received must be deposited.

## **7. Internal Controls for Fundraisers (05/18/2020)**

*By: Donald Borisch*

Parish, Schools, and Support Societies may choose to hold fundraising events from time to time. These events can take many forms from bake sales to festivals or dinners and auctions. Since the primary goal of these events is to raise money for a parish purpose, it is in the best interest of the volunteers and the parish to ensure that preparations have been made to minimize the risks that funds might be diverted from parish purposes. To this end, the following basic internal controls for fundraising events are presented.

Please remember that since each event can be structured in a unique manner, these basic controls will need to be modified to fit your particular situation. A small bake sale would not demand the same level of control that a parish-wide festival would need. If you have any questions or would like assistance in customizing these controls for your event, please contact the Diocesan Finance Office or the Internal Auditor.

### ***GENERAL***

One of the most important internal controls available for fundraising is the concept of *segregation of duties*. This practice asks that multiple unrelated people should be used throughout an income or disbursement process to ensure that one person does not control all of the functions. For disbursements, one person should approve the invoice to be paid, another



person should print the check and record the expense, and another person should sign the check. The person printing the check should not have signing authority on the account. Temptation and opportunity for embezzlement increase when segregation of duties is not present. In small operations, complete segregation may not be feasible. In these situations, *compensating controls* need to be implemented to minimize the risks. Compensating controls generally take the form of checking the process after-the-fact to see if any problems have occurred. For disbursements, this could include an initial review of the bank statement by someone other than the check writer to see if any unauthorized transactions have occurred.

Individuals should be identified for each required process prior to the event. Training should be scheduled prior to the event to ensure that all volunteers understand and can complete their assigned tasks.

If holding a raffle, ensure that a license is obtained and that tax rules are followed (Sections G-3, G-4, and G-5). All raffles should have a set of rules prepared that are available to anyone wishing to purchase a ticket. Please consult with the Diocesan attorney to review your rules if the prizes are substantial.

Per Federal Law, raffle tickets may NOT be mailed to parents, parishioners, or others through the United States Postal Service. (DMM 601.9.3 – 18 USC 1302) To be prohibited, the tickets must have three parts: 1) a payment or ticket cost; 2) a prize; and 3) an element of chance. If the contest is missing one or more of these items, it is not prohibited.

To avoid this prohibition, tickets may be delivered to buyers in-person, through a private delivery service such as FedEx or UPS, or buyers may pick up tickets at a specified location(s). Another possibility includes emailing the ticket (or a message with the ticket number in it) to the buyer. All tickets purchased via online/email should be recorded in a register along with the owner name and other important information. Nonresident foreign purchasers require additional reporting paperwork and tax issues as outlined in section G-4 below. You may wish to limit buyers to residents with a valid social security number.

## ***INCOME CONTROLS***

Strategic goals of income control include limiting cash access points and documenting cash transactions for reconciliation later. In a large event setting:

- Set up a secure counting area for process all income for the event
- This area should be out of the general event area, but not too far away
- A minimum of two unrelated people should staff the counting area at all times
- The area should preferably have a secured drop safe
- Keys for locking bag or supplies of tamper-evident bags should remain in this area
- For tamper-evident bags, serial numbers of bags issued for pickup should be recorded
- Utilize tickets for purchasing items or services at the event
- Tickets should be pre-numbered and sold in sequential order (roll)

- If different ticket prices are charged, obtain different ticket colors for each price
- Limit ticket booths to the minimum number needed to facilitate sales (1-2)
- Each ticket booth should be staffed by at least two unrelated people
- Have one cash drawer and one ticket roll of each color used for each sales station in the booth
- Each cash drawer should be started with the same amount of startup (change) cash
- Each sales station should have a ticket reconciliation form
- Any checks received should be immediately stamped “for deposit”
- Periodic randomly timed cash pickups should occur throughout the day
- At least three unrelated people should be used for each cash pickup
- Cash/checks should be placed in a locking or tamper-evident bag
- Each bag should be identified for ticket booth, sales station, & drop date/time
- Bags must be secured (locked or sealed) before leaving the ticket booth
- Bags should be immediately taken directly to the secure counting area
- If not counted immediately, bags should be placed in a secured locked drop safe
- Serial numbers of bags returned are matched to the issuing log and confirmed by the counters
- Counters will process each bag individually using a tally sheet to record income
- At the end of the day, the cash drawer and the ticket roll(s) should be returned to the counting area
- Completed deposits should be taken to the bank daily – for multi-day events, only the next day’s startup cash should remain at the parish and be stored in the locked safe
- At least two unrelated volunteers should remain in the counting area until the deposit has been taken to the bank
- Transport the deposit to the bank in a logged tamper-evident bag or locked bank bag.
- If a locked bag is used, the key must remain with someone NOT transporting the deposit to the bank
- If multiple deposits are made during a day, vary the timing and route to the bank to enhance security
- The ticket reconciliation form should be completed comparing the cash received to the ending ticket number minus the beginning ticket number
- Ticket reconciliation form should be completed by the supervisor
- Ticket sales volunteers, counters, and supervisor should sign the reconciliation form
- **NO PAYMENTS TO ANYONE ARE ALLOWED FROM CASH RECEIVED**
- **ALL CASH AND CHECKS MUST BE DEPOSITED IN THE BANK DAILY**

### ***DISBURSEMENT CONTROLS***

Strategic goals for disbursements include ensuring that the expense is authorized, paid from the parish checkbook, adequate documentation is maintained, and tax rules are followed.

- **NO PAYMENTS TO ANYONE ARE ALLOWED FROM CASH RECEIVED**
- Establish a budget for the event expenses based on projected income

- Requests for disbursement should be approved by event supervisor after verifying that the items/services purchased were received and the request is not a duplicate
- All disbursements must have adequate documentation from an invoice or a signed “disbursement request form”
- Ensure that sales tax exemption is received on all purchases
- Obtain Taxpayer ID number for all service vendors (including caterers) and large prize raffle winners on a W-9 form
- All disbursements must be made by parish check
- On the day of the event, the supervisor could be issued a petty cash check in a fixed amount that is cashed and used for emergency purchases
- In this situation, receipts must be obtained for all disbursements from this fund and all remaining funds & receipts must be returned to the parish and reconciled at the end of the event

### **WRAP-UP**

- All ticket reconciliation forms and counter tally sheets should be reviewed against income deposited to ensure balance
- A detailed financial report should be promptly prepared indicating the types of income received, expenses paid, and net profit from the event
- The financial report should be shared with the pastor and finance council within a few days of the event
- Make notes about areas for improvement and ask workers for suggestions if the event will be held again next year
- 1099-NEC forms will need to be issued at the end of the calendar year for service vendors who are paid \$600 or more
- Raffle winners may need a W-2G form if the winnings are over \$600 – contact the Diocesan Finance Office for exact rules
- If the event requires sales tax to be paid to the State, ensure that all records are complete and that the proper forms are filed and payments made.

These guidelines do not attempt to cover all of the possible contingencies or risk exposures. Please make use of the Diocesan Office of Finance and Administration or the Diocesan Internal Auditor if you have any questions or would like additional guidance. They can be reached at the Administration Building in Rockford.

## **8. Votive Candle Income Handling (01/10/2022)**

Some parishes may collect votive candle money on an “as needed” basis. While candle trays generally have a slot to accept and store candle donations, these devices are not always the most secure. To reduce the risk for loss, it is recommended that the votive income should be regularly collected on a weekly or monthly basis by two unrelated volunteers and promptly placed into a tamper-evident bag labelled “Votive Candles” and sealed. The exact frequency will depend on

the number of candle trays and the amounts donated each week, but should remain fixed once it has been established. The goal is to reduce the amount of funds at risk for theft. The regular counting team should count candle funds, record the income on the counting sheet on a line for votive candle income, and deposit the funds with the other collections into the parish bank account.

Ensure that votive rack donation receptacles are theft resistant and secured to the rack. Reinforced containers that are an integral part of the racks with a slot to access funds should only be used. Do not use open dishes, cans, etc. that are set on top of the racks to hold donations.

These donations should be collected by two unrelated volunteers, if possible. If two volunteers are not available, then one volunteer and one staff member can be used. A single individual should not be used to collect votive income. Always have a “helper” work with the person collecting income from the candle racks.

Please record votive candle income to accounting code #31500 and all votive candle purchases to code #31600. Other church candles and votive candles used for parish purposes should be coded to #42600.

Recorded candle income should be periodically compared to candle expenses to make sure that 1) the suggested donation level is covering the cost of the candles and 2) there is no diversion of funds. Since candle purchases happen infrequently, the income to expense comparison should be reviewed over a several year period.

Votive income and expenses must be handled by the parish, not an auxiliary organization such as the Ladies Guild or Altar & Rosary Society. While such organizations are encouraged to support the parish by donating to the parish for items such as altar breads and votive candles, all income and expenses for these candles should be processed through the parish accounting records. The parish may utilize auxiliary group members to help collect and count the votive funds, but all funds should be placed into the parish account.

## **9. Vending Machine Controls**

While vending machines on parish or school grounds do not always generate large amounts of income, good internal controls should still be followed to safeguard cash from the operation and inventory. If a vendor collects the money from the machine and refills it with product, then the parish has no responsibility. However, if the machines are filled by staff and money processed through the parish or school, then consider some basic money handling controls.

- Inventory should be stored in a secure location such as a locked closet
- Try to use two people to fill the machine if practical
- Someone not involved with the refilling process should reconcile the product added to the money deposited using a form similar to the one below.
- Periodic inventory counts should be made if a problem is suspected



### Vending Machine Control Form

Date of Service: \_\_\_\_\_

Service Performed By: \_\_\_\_\_

Machine Location: \_\_\_\_\_

Product Information:	Quantity Added:	Selling Price:	Value:
Product #1: _____	_____	_____	_____
Product #2: _____	_____	_____	_____
Product #3: _____	_____	_____	_____
Product #4: _____	_____	_____	_____
Product #5: _____	_____	_____	_____
Product #6: _____	_____	_____	_____

#### For Office Use

Total Product Value Added: \_\_\_\_\_

#### Vending Income Collected:

Bills: \_\_\_\_\_

Coins: \_\_\_\_\_

Total: \_\_\_\_\_

Deposit Prepared By: \_\_\_\_\_

Date: \_\_\_\_\_

## **10. Donated Financial Securities and Grain Receipts (04/24/2020)**

- Diocesan policy does not permit the parish, its ministries, or related organizations to purchase or hold financial securities or commodities except with approval of the Moderator of the Curia. This includes stocks, bonds, mutual funds, etc.
- All securities received as a donation must be liquidated promptly unless a donor restriction prevents this. The donor's restrictions must be in writing.
- The Diocesan Finance Office stands ready to assist a parish in liquidating any donated securities without a commission charge. Please contact the Diocesan Finance Office for more information.
- Stocks privately held (belonging to a private company and not sellable on a stock market exchange) are not to be accepted.
- Cash donations from parishioner's grain sale proceeds are the best method of contributing from harvests.

## **11. Donation Acknowledgments (01/27/2022)**

All donations of any substance should be promptly acknowledged to the donor. Donation tracking software such as PDS or ParishSoft will allow the parish to print out donation statements for all recorded contributions. In some circumstances, such as an in-kind gift that is not entered into PDS, a thank you letter should be generated and sent. The below sample letter combines a thank you with the IRS wording required to help substantiate a tax deduction for the donation. For in-kind donations (including real estate), no value should be assigned to the items.

For the four collections originated by the Diocesan Office of Charitable Giving (Diocesan Appeal, Combined National, International and Mission Appeal), the donor acknowledgment will come from the Diocese. Examples of other collections for which the parish should record the donation and send the acknowledgement include Missionary Cooperation Plan, Rice Bowl, Holy Land, and Disaster Relief. Please follow this process to ensure donors receive gift receipts for all donations while also avoiding duplication of an acknowledgment, both of which could lead to potential tax problems. When in doubt, please check with the Diocese.

After researching IRS rules and interpretations, the Diocese of Rockford treats Mass Intention Stipends given to the parish as tax-deductible donations. Please record these contributions in your parish's tracking software and distribute year-end statements to donors according to your parish's standard procedure. While some people may believe that the donor is receiving a service for this contribution, the benefit is an "intangible religious benefit" and is not required to be deducted from the donation as a "Quid-pro-Quo."

Due to the unique tax considerations of direct gifts of grain to the parish (as opposed to the gift of money from a farmer's grain sale sales), please contact the Diocesan Office of Charitable Giving or the Diocesan Finance Office for gift acknowledgment requirements.

Note that it is always a better practice for the donor to contribute cash for a particular item rather than purchasing it directly for the parish.



13 January, 2018

Mr & Mrs. Donor  
1212 Generosity Drive  
Your Town, IL 61101

Dear Jack & Jill:

Thank you for your generous gift of a life-sized Sacred Heart Statue to Our Church Parish in Your Town. This letter will also serve as our acknowledgment of your gift pursuant to Section 170 (f)(8) of the Internal Revenue Code.

Contributor Information:     Mr. & Mrs. Jack and Jill Donor  
  1212 Generosity Drive  
  Your Town, IL 61101

Date of Contribution: December 25, 2017

Description of Contribution:

6' tall wooden statue of the Sacred Heart of Jesus from Comploj Alberto in Val Gardena, Italy –  
Excellent Condition

Our Church in Your Town either did not provide any goods or services in whole or partial consideration for the above contribution or provided only intangible religious benefits. Please consult with your tax advisor regarding any potential tax-deductibility of this contribution.

We are deeply grateful for your gift and will place the statue in the narthex of Our Church in Your Town.

Sincerely,

Reverend John Priest,  
Pastor, Our Church Parish – Your Town

## **Gifts of Services**

Occasionally, a donor may contribute services to the parish as request a thank you letter. Contributions of personal services are not deductible to the person providing the services. However, any contributed supplies or mileage can be deductible. An acknowledgement of this type of donation needs to be slightly different. A sample letter is provided below.

13 January, 2018

Donor's Plowing Service  
1212 Generosity Drive  
Your Town, IL 61101

Dear Jack:

I wish to sincerely thank your donation of snow removal services for our parish parking lot during the upcoming winter. The parish accepts your donation, which will help parishioners to access the church after snow storms.

Through your contribution, you have become a part of the mission of St. XXX Catholic Church.

While the IRS generally does not allow the deduction of donated services from income taxes, you should consult a tax professional to help determine any deduction (such as supplies or mileage) that might be available to you. No goods or services other than intangible religious benefits were given in exchange for this donation.

Thank you again for your contribution. Please know how much your gift is appreciated. Know, too, that you are in our prayers.

Gratefully yours,

Reverend John Priest,  
Pastor, Our Church Parish – Your Town

## Gifts from IRA Distributions

Gifts from distributions of IRA funds should not be included in PDS or ParishSoft as tax deductible since the donor receives the tax benefit directly as a tax-free distribution. The Diocesan Office of Charitable Giving can provide guidance on an appropriate thank you letter in this situation.

## 12. Reporting Donation Restrictions (01/06/2023)

The Diocese of Rockford requires that ALL donations of \$25,000 or more must be reported to the Diocesan Finance Office on the Chancery's "Statement or Waiver of Restrictions Placed on Proposed Charitable Gift" form BEFORE accepting the gift. The purpose of this reporting is to determine if the gift contains restrictions that could be problematic for the parish accepting the gift or to document that the donation does not have restrictions. This form can be found on the Diocesan website under "Documents / Forms" or by following this link:

<http://www.rockforddiocese.org/pdfs/chancery/Statement-of-Conditions-Gift.pdf>

Please also use this form to report any GRANTS of \$25,000 or more that have been requested and received.

Completion of this form is NOT required for capital campaigns. For example, if the parish were running a capital campaign for a new steeple, then donations of \$25,000 or more toward that campaign would not be required to complete the form.

If the capital campaign was multiple purposes (such as for a new steeple, new carpeting, or new pews) and donors are allowed to select which projects they wish to provide a donation, extra care must be exercised to make sure that each contributor's intent is recorded, but this form will not be required.

While no Diocesan reporting form is required for gifts of less than \$25,000, staff are requested to inform the pastor/administrator of ANY gifts that contain donor restrictions and seek his approval before accepting these donations on behalf of the parish/school. (Canon 1267§2)

### 13. Offering Envelopes and Second Collections (11/06/2018)

Parishes are highly encouraged to adopt a "Stewardship Parish" model that incorporates the teachings presented in the 1992 U.S. Bishops' Pastoral Letter, "Stewardship: A Disciple's Response." To answer this call, the Diocese of Rockford has developed a framework called "Eight Characteristics of a Stewardship Parish in the Diocese of Rockford." Characteristic #5 states:

*Parish should strive to incrementally move toward the elimination of second collections, special envelopes, and special fundraisers for expenses related to **normal** parish operating activities and ministries. Annual celebrations or festivals should mainly exist for the purposes of building community, not fund-raising.*

Following these guidelines, the Diocese of Rockford allows a limited number of offertory envelopes to be included in parishioner packets without express permission from the Moderator of the Curia. Other types of envelopes and **ALL** second collections require Diocesan approval **BEFORE** implementing. Below is a list of offertory envelopes that do not require additional permission:

	<u>Description</u>	<u>G/L Account</u>
•	Weekly Regular Offering	001-30100
•	Initial Offering	001-30100
•	Children's Offering	001-30150
•	Easter	001-30400
•	Thanksgiving (if proceeds given to food pantry)	001-30450
•	Christmas	001-30500
•	Holy Day Offerings	001-30550

- Fuel / Utilities (Heat – A/C) 001-30600
- Contributions for St. Vincent de Paul 001-32900
- Flowers – Christmas & Easter 001-35000
- Diocesan Stewardship Appeal 050-48200
- All Souls Day Envelopes MASS ACCOUNT

## 14. Tickets for Sporting and Other Events

At events where cash is collected for admission, rolls of numbered tickets should be used and a reconciliation of the cash received for the event to the number of tickets dispensed should be performed to help ensure that all cash collected was counted and deposited into the parish/school bank account.

This procedure should include at least the following:

- Rolls of consecutively numbered tickets should be used for all events where admission is charged (available from office supply stores).
- A different color ticket roll should be issued for each different admission price.
- Ticket rolls and cash boxes should be stored at the school business office.
- A cash box, the ticket rolls, and a gate reconciliation form should be requested prior to each game/event.
- A serialized tamper-evident bag should be included in the cash box to hold gate proceeds after the game. This bag should have the event name and date identified in permanent marker. The bag should be sealed at the end of the event immediately after all cash box funds are placed into it.
- All filled cash bags should be stored in a secure (locked) location and delivered to the school business office promptly along with the ticket rolls, cash box, and completed gate control form.
- All cash counting will be completed at the school business office. At least two people should count the proceeds, but one of these people could be from the department that sponsored the event. Use of volunteers is highly recommended.
- If the same color tickets will be used each week, tickets should be taken at the gate, torn and half given back to the patron, or cancelled with a small date stamp to prevent re-use by patrons in future weeks.

A sample ticket reconciliation form is presented below. Instructions for completing the form follow after that. You may use this form as-is or modify it to suit your needs.

## Gate Receipts Control Form

Parish: \_\_\_\_\_

Event: \_\_\_\_\_

Date: \_\_\_\_\_

### Ticket Reconciliation

Ticket Color: \_\_\_\_\_

Ticket Description: \_\_\_\_\_

Ending Ticket Number: \_\_\_\_\_

Starting Ticket Number: - \_\_\_\_\_

Tickets SOLD \_\_\_\_\_

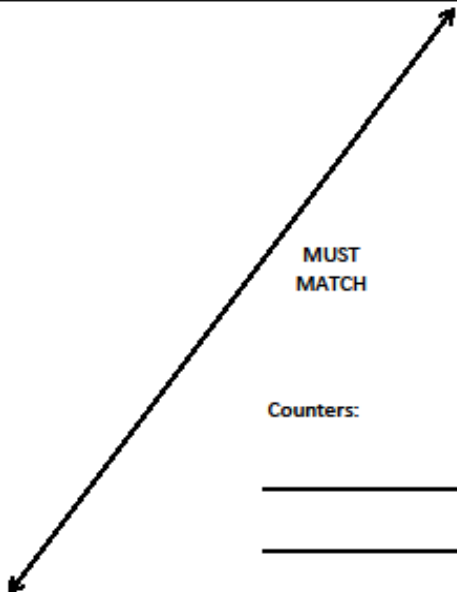
Ticket Price x \$ \_\_\_\_\_

Gate Revenue: \$ \_\_\_\_\_

TOTAL GATE REVENUE: \$ \_\_\_\_\_  
(add all columns)

### Cash Reconciliation

	\$100	
	\$50	
	\$20	
	\$10	
	\$5	
	\$1	
Total CASH	\$ _____	MUST MATCH
Total COINS +	\$ _____	
Total CHECKS +	\$ _____	
Total DEPOSIT =	\$ _____	
less Starting Bank -	\$ _____	
Gate Revenue =	\$ _____	Counters: _____ _____ _____



## Gate Receipts Control Form – Instructions

Parish Enter the name of the parish or school sponsoring the event

Event Enter a description of the event

Date: Enter the date of the event

### **TICKET RECONCILIATION**

Ticket Color: Enter the color of the ticket roll used for the event. If different admission prices are charged, please use a different ticket color for each admission price (i.e. Adults, Seniors, Students) and enter the ticket color selected for each admission in the appropriate column

Ending Ticket Number: After the event, write down the next ticket number for each ticket roll used for the event in the appropriate column

Starting Ticket Number: Before selling tickets, please write down the first ticket to be sold from the roll in the appropriate column based on ticket color. (The office may have completed this item for you)

Tickets SOLD: After the event, take the starting ticket number and subtract it from the ending ticket number. This is the number of tickets sold at the event. Write that number on this line. Complete for each ticket color used.

Ticket Price: Enter the selling price for each type of admission in the appropriate column.

Gate Revenue: Multiply the ticket price times the number of tickets sold. Write the product for each column in the appropriate space

TOTAL GATE REVENUE: Add the gate revenue from all columns and write the total here.

*\*\*\* Include this completed form with the money that is given to the counters \*\*\**

### **CASH RECONCILIATION**

Counters will sort and count the proceeds from the event and complete the bottom half of the form.

Total cash by denomination and add all cash to get TOTAL CASH.

Add up all coins to get TOTAL COINS.

Add up all checks to get TOTAL CHECKS (You may want to attach an adding machine tape if several checks are included)

Add total cash, coins, and checks to get TOTAL DEPOSIT. This amount should match the deposit slip and bank receipt.

Subtract out the starting change bank to get determine the actual revenue from the event.

Compare GATE REVENUE from the cash section to the TOTAL GATE REVENUE from the ticket section. These items must match.

Counters processing the event revenue must sign the form indicating that they have completed this process completely and accurately to the best of their ability.

## **B) CASH DISBURSEMENTS & BANKING**

### **1. Checking Accounts – General (04/20/2020)**

- Each Diocesan parish, school, or department/ministry should strive to minimize the number of checking accounts maintained by the entity. Make use of the Diocesan departmental accounting system to track different types of funds rather than another checking account.
- Only the pastor is permitted to open or close bank accounts for the parish, its ministries, and for support organizations. All accounts must use the parish's Federal Employer Identification Number (FEIN) – no other Taxpayers number (such as a Social Security Number) may be used.
- If possible, consider maintaining all parish and society bank accounts at one institution to ease administrative burden. Additionally, a larger banking relationship may provide some negotiating advantage in terms of services, fees, etc.
- Only checking accounts are approved and all must be reported to the Diocese on an annual basis. Other types of accounts such as savings, CD's, brokerage accounts, etc. as well as unreported checking accounts are prohibited.
- Accounts are limited to banks operating in the State of Illinois unless written permission is received for the Moderator of the Curia
- All bank accounts should be established in the name of the entity (parish, school, ministry, or integrated support organization) and the account name should contain the name of the parish in the title.
- The mailing address should be the entity's office address and never a personal residence.
- The entity's Tax Identification Number (TIN) must be used for each account.
- Accounts should be set up to ensure that copies of all checks cleared through the bank are returned to the parish with the statement. If statements are printed on-line, ensure that all checks cleared that month are printed as well.
- It is recommended that each entity maintain a balance of two months' operating expenses or less. Surplus funds should be transferred to a DIAL savings account or possibly the Catholic Foundation.

- The pastor / parochial administrator must be authorized signers on all checking accounts and must be the primary signer on all parish / school accounts.
- Departments within the parish or school (Youth Ministry, Religious Education, RCIA, Cemetery, etc.) should not have separate checking accounts.
- All bank accounts must have a completed check register (paper or electronic) listing each transaction (checks, deposits, and other transactions) with an adequate (brief) explanation of the transaction.
- ALL checking accounts including support society accounts must be reconciled to the bank statement on a monthly basis and someone not involved in the disbursement process should review this work. Detailed reconciliation information should be documented on paper, even if prepared electronically.
- The pastor should periodically discuss bank accounts and any other cash funds with support societies to determine if there are any changes, additions, or deletions.

## **2. Old, Outstanding Checks (04/14/2020)**

Parishes must ensure that all checks that are issued clear the bank in a relatively timely manner. If a check has not cleared the bank after six months, the person or company to whom the check was written should be contacted to find out why the check has not cleared. If you write to the payee, the sample letter below can be adapted to help resolve your old checks:



## Sample Old Check Inquiry Letter

April 16, 2016

Ms. XXX XXXXX  
100 Main Street  
Anytown, IL 60000

Dear Ms. XXXXX:

After going through our records of outstanding checks, we found that the following check was issued to you, but has not yet been cashed:

<u>Check #</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
1001	07/22/14	Reimbursement of Travel Exp. – June, 2014	\$99.99

We appreciate the services that you have provided on behalf of St. XXX Parish. To help us close out this old check, please indicate your choice of the options below, initial, and return this letter to us by 04/30/16.

- Thank you for contacting me about this old check. Please void this check and apply the donated funds to St. XXX Parish.
- Thank you for contacting me about this old check. Please void it since I will not be cashing it and issue a new check to me for the above amount.

Initials: \_\_\_\_\_

Again, thank you for all that you have done to help St. XXX Parish. If you have any questions or need additional information, please feel free to call me at 999-999-9999.

Sincerely,

Business Manager

Some typical situations and their resolution include:

- The payee has the check and they just need to be reminded to cash it.
- The check never arrived or arrived, but is now lost. Reissue to payee unless they want to donate it to the parish (void the original check in this case)
- The vendor never received the check, but they included that amount on the next billing that was paid by the parish. Void the original check since the amount was transferred to the next statement and paid at that time.

If a payee asks that the original check should be a donation, please document this intent.

Parishes must make a great effort to ensure that these checks are promptly resolved in a legal manner. **You cannot just void an old check because it was not cashed.** This effort may include phone calls, letters, internet searches, publication of a desire to contact an individual in the bulletin, or even hiring a private investigator.

Uncleared checks that have not been resolved within **THREE** (down from five) years from the date of issue become “unclaimed property” in Illinois under “Escheat Laws” and the value must be sent to the State Treasurer along with reports of unclaimed property every year from that point forward. Fines and penalties can be charged if current or future reports are not filed or values forwarded to the State. The best option is to make sure all checks clear within one year or promptly resolve any issues with old outstanding checks. Contact the Diocesan Accounting Office for assistance if you find that you cannot resolve an old, outstanding check.

### **3. Old, Outstanding Deposits (03/03/2017)**

Parish, School, Society, or Ministry checking accounts should never have outstanding deposits beyond a few days. If a deposit is made at the end of the month, it may not clear prior to the printing of the bank statement, but should definitely clear by the next statement. Deposits that are outstanding for more than a few days are a cause for concern and should be promptly investigated since this means that money you thought was put in the bank did not arrive there. The answer may be simple, such as a duplicate recording of a deposit, or it may potentially indicate missing funds. The pastor should be informed of the circumstances surrounding these transactions and the results of the investigation.

### **4. Petty Cash Operation (04/20/2020)**

Parishes or Schools may establish a small petty cash fund with the approval of the pastor. This fund should only be used for small, infrequent purchases and reimbursements. To the greatest extent possible, all parish expenditures should be paid with a parish check rather than petty cash.

The value of the fund must be recorded on the parish balance sheet and the fund should be operated in an “imprest” manner as described below. In an imprest fund, the value of the receipts and remaining cash should always equal the fund’s stated balance.

- The fund should be created by writing a check to the custodian of the fund for the total amount of the fund (typically \$50 or \$100). Code the check to account #0-10900
- One person should be named “Custodian” of the fund and be responsible for fund replenishment and its safekeeping. The pastor must approve any other “Operators” of the fund.
- The Custodian will cash the check and place the funds into a metal box or zippered bank bag.
- Store the petty cash fund in a secure (locked) location. The best practice is for only the custodian and pastor to have access to the fund.
- Payments of funds from the petty cash should only be made when a receipt is turned in for reimbursement. Only reimburse the amount of the receipt.
- While not a best practice, funds may be advanced from the petty cash for a purchase, but only if a note is placed in the fund showing who was advanced funds and how much was advanced. A receipt for the purchase and the excess funds must be promptly returned to the fund after the purchase before the note may be removed.
- When the fund cash balance reaches a low amount, the fund should be replenished by writing a check to the custodian. The words “- petty cash” can be added after the person’s name to help show what the check was for. Never use another method to replenish the fund such as cash from collections or other sources.
- The amount of the replenishment check should always be determined by adding up the receipts in the fund. Expenses should be coded to the ledger accounts that best describe the purchased items. The total can be split over several accounts if needed.
- At this point, someone other than the custodian should count the remaining cash and coins. The total cash plus receipts should match the original value of the fund. Any shortage should be investigated. Repeat shortages should be brought to the pastor’s attention.
- If there is an excess in the account (due to someone buying a stamp from the parish or reimbursing for a long distance phone call), this amount should be deducted from the replenishment check amount and coded as income to proper account (such as postage or telephone.) Donations or any other regular parish income should not be put into the petty cash fund.
- At any time, the amount of cash in the fund plus the value of the receipts (and any outstanding advances) must equal the established fund value as listed on the balance sheet. If the fund does not require replenishment for an extended period of time, someone other than the custodian should perform a count of remaining cash and receipts.
- If the fund does not require replenishment for one year or more, please replenish the fund by June 30<sup>th</sup> to ensure that expenses are recorded in the correct fiscal year. Lack of replenishment could indicate that the fund value is too high or that a petty cash fund might not be needed at all.

- If the fund is to be permanently closed, deposit the remaining cash and coins into the parish checking account and credit ledger account #0-10900 for the total. The remaining receipts should be coded to their proper account(s) and a journal entry should be created debiting the expense account(s) for the receipts and crediting the petty cash account #0-10900. This process should zero out the petty cash fund.

## 5. Backup Signers on Checking Accounts (11/04/2021)

The “Advisory Directive” of April 30, 2009, compiled into Diocesan Particular Law #254 (Appendix XIII) requires that the pastor or parochial administrator must be the primary signer on all parish checking accounts. The pastor also must ensure that the area Dean or Diocesan Moderator of the Curia are backup signers for these accounts. No other signer may be added by the pastor, not even an associate pastor, without delegation directly from the Bishop. Additionally, no mechanical (or electronic) method of reproducing an authorized signature may be used. Signature cards should be promptly updated whenever employees leave or priests transfer.

A business manager or bookkeeper could be added to any or all parish checking accounts with “Information Access” rights ONLY. Some banks will not give out balance or transaction information to anyone who does not have authority to inquire into the account. This access level allows the business manager/bookkeeper to investigate transactions and balances for the account(s) without providing check-signing access to them.

Previous signers should be promptly removed from an account when a new pastor / parochial administrator begins at a parish or when a backup signer changes positions.

A backup signer on a school or society account should be the current principal or society treasurer. Former employees or society officers should be promptly replaced with current ones to reduce the risk of unauthorized access by these former employees/officers.

When completing a new resolution for the bank, please understand that any reference to “Secretary” on the forms is for the “Corporate Secretary” for the parish, who is Mrs. Ellen Lynch-Harrison at the Diocesan Administration Building, not the local parish secretary. All completed change forms need to be sent to her to be approved and returned.

**Remember to update signature card when your area Dean of the Moderator of the Curia (whomever is listed as a backup) is changed.**

## 6. Religious Priest Payments Should be Paid to Order

Priests and women religious who belong to a religious community and take a vow of poverty are not required to pay income taxes provided that they submit all of their earnings to the community. The religious community has received a tax exemption from the IRS, not the

individual priests. When a check is made payable to an individual priest for services performed, the IRS will consider the funds were paid to the priest, not the religious community and treat the payment as taxable income, even if the recipient is a member of a religious order.

To prevent the possibility of confusion, it is a best practice to make all earnings payments (including clergy assistance, Mass stipends, mission lectures, professional allowances, and regular parish earnings) payable to the religious order.

There may be an occasion when the order prefers that the local priest should deposit the check for living expenses (such as if the motherhouse is located a great distance away). In this instance, the first line of the payee should still be the religious order. The second payment line can state “c/o Sister XXX” with the appropriate priest’s or sister’s name on that line.

## **7. Parish Credit Card Guidelines (04/28/2020)**

Parish credit cards must be closely controlled to prevent misuse and misappropriation.

Any cards kept at the office for approved staff use must be kept in a locked location such as a safe or desk drawer. A custodian must maintain a log of anyone requesting the use of the card and the dates/times lent and returned. Receipts must accompany the return of the card when checking it back into the parish.

When an authorized signer is no longer affiliated with the parish or school, any parish cards in his/her possession must be cancelled and any other access to the account terminated.

Current Diocesan policy on credit card use (as revised June 24, 2014):

The use of credit cards, or revolving store accounts, for diocesan purchases should be held to the same level of accountability as any other cash disbursement. Guidelines for proper use include the following:

- The Pastor, Parochial Administrator, Principal or Agency Director should approve any authorized users prior to the first purchase.
- For security purposes, the number of authorized Diocesan credit cards should be limited, an appropriate maximum credit limit established (typically no greater than \$2,000), and no PIN number should be requested as the card should never be used as a debit card. Individual card limits should not exceed two month’s average merchandise purchases for a particular department.
- The cardholder name, number and expiration date should be kept on file in a secure location in the parish/school/agency office. The phone number for the issuing bank should be included as well.

- Cards are to be used only for the purchase of goods or services for use by the parish/school/agency. No personal purchases may be made on Diocesan cards.
- Receipts and supporting documentation for all purchases need to be submitted to the bookkeeper or business manager immediately. An online purchase may be documented by either an invoice or an electronic order confirmation that shows prices and quantities.
- Monthly statements should be reviewed as soon as they are received. Original purchase receipts should be matched to each charge and attached directly to the statement. Unmatched charges should be investigated for legitimacy. Repeated lack of documentation could lead to loss of charge privileges.
- The total amount due on the statement must be paid in full monthly on or before the due date to avoid service charges. Each charge should be coded to the appropriate general ledger account number for appropriate posting of the payment.
- The employee to whom the card is issued is responsible for the use of their credit card and all associated purchases. Lost or misplaced cards must be reported immediately.
- All parish/school/agency credit cards must be immediately surrendered upon termination of employment or at the request of the pastor/principal/director.

If a personal credit card needs to be occasionally used for diocesan travel or business purposes, detailed receipts need to be submitted with the reimbursement request for proper coding and an appropriate approval authorization prior to payment being issued.

## **8. Bank Debit Cards**

Parishes are generally not allowed to obtain a debit card or ATM card that is attached to a parish checking account. While debit cards may look like credit cards, the rules governing debit cards are significantly different from credit cards and offer fewer protections than credit cards.

Electronic Funds Transfer Act regulates debit transactions. It requires the fraud victim to quickly discover the problem and report it to the bank. If you are alert enough to track the problem in two business days you are lucky to be liable for not more than \$50. If it has taken you up to two months, you might have to say good-bye to as much as \$500. After 2 months, your liability is unlimited.

Many banks claim that they offer zero liability if unauthorized transactions have been made to your debit account. However, it is up to the bank to decide whether your case qualifies for reimbursement. For example, the bank might state that you have not exercised reasonable care in protecting your card. So, very often you will be to blame for the situation and you will be held liable for the transactions.

Due to the above and other potential risks, a credit card that is operating according to Diocesan guidelines, (see Section B-7) is the preferred method of accomplishing electronic transactions. In very rare circumstances showing a demonstrated need, a debit card attached to a completely separate bank account could be approved by the Diocese on a case-by-case basis. Any request for an exception to this policy should be directed to the Diocesan Finance Office.

## **9. Disbursement Documentation Standards**

All disbursements of parish funds should have adequate documentation to support the transaction. Examples of adequate disbursement documentation include original vendor invoices; charge card statements with ALL charge tickets attached; or a request for reimbursement of expenses with invoices or receipts attached to substantiate the request. Whenever a credit card is used, all charge tickets (receipts) must be included with the statement to document the expense. Vendors should not be paid directly from a monthly statement without copies of ALL applicable invoices included. Online orders should include a printout of the invoice or order confirmation page (if no invoice is available). These receipts should include a note on them mentioning the business purpose of the disbursement and others in attendance. In the instances where no documentation is available, the parish should use a “disbursement request” form to document the circumstances for a disbursement. This form should be used as a last resort and every attempt should be made to obtain vendor documentation, especially for larger purchases. A sample disbursement request form follows below. You may use it as-is or modify it to suit your parish needs.

## **10. Employee Mileage / Expense Reimbursement (04/20/2020)**

Generally, all parish / school purchases should be paid directly through the regular operating checking account. However, parish staff or volunteers may occasionally make business purchases or use their personal vehicle for parish business. It is the policy of the Diocese of Rockford for parishes to reimburse employees and volunteers for these purchases and for the use of their vehicle with valid documentation, if for a valid business purpose and upon pastor’s approval. Requests for reimbursement should be made in the same fiscal year as the expense, whenever possible.

Any reimbursement that does not involve accountable documentation as described below should not be allowed. If it is paid without adequate documentation, it **MUST** be put on the employee’s payroll as additional income rather than an expense reimbursement. This includes giving gas or other gift cards in lieu of cash payment.

### **For expense reimbursements:**

Ensure that the original receipt or paid invoice is attached for EACH purchase where reimbursement is being sought. For online orders, please print out the invoice or final order

confirmation screen to serve as documentation of the purchase. Please list the business purpose of each purchase on the receipt. Original receipts are needed to help reduce the potential of an item being returned to the store after a reimbursement has been made.

If the purchase was made on a personal credit card, the reimbursement **MUST** be made to the individual and **NOT** the credit card company.

### **For mileage / travel reimbursement:**

Employees are reimbursed for all related, reasonable, and actual expenses in connection with legitimate and authorized business. Employees are expected to exercise prudent business judgment for travel related expenses; obtaining the lowest reasonable cost should prevail over personal preferences.

It is Diocesan policy to reimburse vehicle expenses on a “per mile” rate based on the highest allowable IRS reimbursement rate (57.5¢ per mile in 2020). When a “per mile” rate is paid, no other vehicle expenses should be submitted for reimbursement such as gas, oil, repairs, etc. Tolls and parking are not vehicle expenses and may be submitted for reimbursement along with mileage. Please document these additional expenses.

When using a personal vehicle for parish business, the operator must maintain adequate liability insurance. If an accident occurs when a personal vehicle is used, the employee’s personal insurance is liable even if the employee is travelling for parish purposes.

Other non-reimbursable travel expenses include, but are not limited to: traffic/parking violations, in-room movie rentals and other entertainment, purchase of clothing or other personal items, and expenses for family members traveling with the employee.



# Sample Disbursement Request Form

## CATHOLIC CHARITIES -DIOCESE OF ROCKFORD

### DISBURSEMENT REQUEST

**OFFICE:** \_\_\_\_\_

**PURPOSE:** \_\_\_\_\_  
\_\_\_\_\_

**PAYEE:** \_\_\_\_\_

**PAYEE ADDRESS:** (Please include zip code)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ACCOUNT (S) TO BE CHARGED:**

ACCOUNT	AMOUNT	ACCOUNT	AMOUNT
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
		<b>TOTAL DISBURSEMENT</b>	_____

**SUBMITTED BY:** \_\_\_\_\_

**APPROVED BY:** \_\_\_\_\_

**DATE :** \_\_\_\_\_

PLEASE ATTACH SUPPORTING DOCUMENTATION TO SUBSTANTIATE OUR REQUEST FOR DISBURSEMENT

## Sample Mileage Reimbursement Form



### Diocese of Rockford Travel / Expense Reimbursement

\_\_\_\_\_ *( Employee name )*

\_\_\_\_\_ *( Office/Agency – job title )*

Reimbursement Period: \_\_\_\_\_

Date	Location or Project	Mileage	Tolls	Food	Motel	Misc. *
<b>Subtotal:</b>						

*\*Miscellaneous requires explanation. PLEASE ATTACH RECEIPTS FOR ALL ITEMS.*

**SUBTOTALS**

Mileage \_\_\_\_\_  
 Tolls \_\_\_\_\_  
 Food \_\_\_\_\_  
 Motel \_\_\_\_\_  
 Misc. \_\_\_\_\_  
**GRAND TOTAL:** \_\_\_\_\_

Date Submitted: \_\_\_\_/\_\_\_\_/\_\_\_\_

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Supervisor Approval

## **11. Priest Business & Professional and Table Reimbursements (03/24/2021)**

On January 1, 2017, the Diocese of Rockford implemented an “Accountable Reimbursement Plan” for priest business & professional expense reimbursements as well as priest food and meal (table) expenses. All flat monthly allowances have been eliminated and detailed receipts are required for reimbursement of valid expenses.

The detailed memorandum on this topic as well as reimbursement request forms can be found at the following link:

<http://www.rockforddiocese.org/pdfs/accounting/Expense-Reimbursement-Forms-for-Priests-2021.pdf>

This document is available in Spanish at:

<http://www.rockforddiocese.org/pdfs/accounting/Expense-Reimbursement-Forms-for-Priests-2021-spanish.pdf>

With this change, there has been some confusion regarding which products and services qualify as valid reimbursable items and which ones do not. The Diocese has prepared an example sheet as a guide for this new program. While it lists several items in a “Yes / No” format, it is not all-inclusive. Please use the list as a guide and periodically check for updates. It can be found at the following link:

<http://www.rockforddiocese.org/pdfs/internal-audit/Business-Professional-Expense-Sample-Items.pdf>

This document is available in Spanish at:

<http://www.rockforddiocese.org/pdfs/internal-audit/Business-Professional-Expense-Sample-Items-SPANISH.pdf>

## **12. Disbursement Processing Best Practices (05/18/2020)**

- General disbursements should be made in accordance with the parish budget. Current budget balances should be reviewed by the ministry director PRIOR to making larger purchases and by the pastor if budgets have already been exceeded.
- When possible, the person entering bills for payment should be someone different from the person who creates or edits vendor records. If this is not possible due to limited staff, please have the pastor or a finance council member periodically review a list of all vendors in the accounting system.
- Payments should only be made from the original invoice, not a copy or monthly statement. Payments from an invoice copy / FAX / PDF / email should only be made as

an EXCEPTION requiring additional scrutiny and review.

- When an invoice arrives, before processing the payment, always make sure that someone at the parish is aware of the order and that all of the goods or services that are being billed were actually received. Have someone familiar with the items approve the invoice. Best practice will have a receipted packing list delivered to the parish office signed by the person who received the items. Again, make sure the items were actually ordered and not just “pushed” to the parish in the hopes that the parish will pay for them. Some unscrupulous companies send solicitations for business that look like invoices or government notices. If you suspect that a correspondence might be fraudulent, feel free to contact the Diocesan attorney to investigate.
- A person who is familiar with the order should also verify that the ordered and received quantities and prices agree with the amounts ordered. Any discrepancies should be resolved before paying the bill.
- As you prepare to enter an invoice for payment, make sure that the invoice is mathematically correct. While the risk of mathematical errors has been reduced with introduction of computer-generated invoices, some vendors do not use computers to generate invoices and an unscrupulous vendor may even program a computer to calculate totals incorrectly. Due to a vendor addition error, a parish was discovered to have overpaid a contractor invoice that was selected in my disbursement test.
- When entering bills received, best practice asks that an adding machine tape that totals all bills to be entered should be run. After entering the bills, run a listing of bills entered into the system and compare to the adding machine tape. If they match, it is unlikely that an entry error was made.
- In order to observe good stewardship of parish financial resources, each invoice should be reviewed to ensure that the parish does not pay any tax that the parish is legally exempt from paying. When volunteers or employees are making a purchase at a store or on a credit card, they should bring a copy of the parish tax exemption letter with them and request the exemption from tax. While each incident usually represents only a small amount, over time these payments of tax can add up to a sizeable amount. The parish is not exempt from certain taxes such as telephone use tax, utility taxes, or restaurant and hotel taxes. In these cases, the tax must be paid. Additionally, employees and volunteers may not always receive the exemption since the vendor is only obligated to exempt sales tax when the purchase is *directly* made to the parish.
- Reimbursement payments made to employees or volunteers should always be made payable to the employee or volunteer, never directly to a credit card company.

- Prepare checks through the QuickBooks program from standard check stock that is always used in numerical order. Use of manually written checks is a poor practice and should be avoided.
- **Except for petty cash funds, under no circumstances are any disbursements to any employee, contractor, or vendor to be paid in CASH.** Checks should not be written to an employee to be converted to cash to pay a bill. See also Section B-16.
- Disbursement checks should never be post-dated.
- When presenting the checks to the signer for signature, please always include all of the original disbursement documentation (invoices, receipts, etc.) so the signer can confirm the payment and has the information readily available if he has any questions. Paper clipping each check to the top of its supporting documentation provides a convenient packet for the signer.
- All disbursement checks should be promptly mailed directly to the payee unless some other delivery arrangement has been requested. The person mailing the checks ideally should be someone other than a person involved in the process of creating or signing the check. Checks should not be prepared and “held” due to cash-flow concerns. If sufficient funds are not available to cover a disbursement, do not print the checks.
- All invoices paid by a particular check should be stamped “PAID” or otherwise cancelled. A copy of the check stub could be attached to the disbursement documentation packet if the invoice cannot be cancelled.
- If a check must be voided, please write “VOID” on the face of the check in permanent marker or pen and cut off the signature block. File this check with other checks in case there is a future question. Ensure that the VOID is recorded in QuickBooks.
- Depending on the volume of checks written, the parish may wish to consider “positive pay” services from their bank to help ensure that checks presented for payment have been authorized by the parish. This service matches checks presented for payment to a list of approved checks sent by the parish to the bank.

### **13. Security of Blank Check Stock (04/20/2020)**

Check stock that has not been printed with the disbursement information, including all preordered boxes of checks, needs to be secured when not being used to print checks. If blank checks are not secured, someone could remove checks from this supply. The removed documents might be from the middle of the package and not missed for weeks or months. These missing documents could be forged and possibly cleared through your bank account before the theft was detected.

To reduce any temptation, all blank check stock should be secured in a locked location when not being used for printing checks. Some parishes store their checks in a fireproof cabinet. This is not needed because these blank documents can be replaced in case of a fire but feel free to store blank checks in a fireproof cabinet if you have room in them.

If a bank account is closed or switched to another bank, all remaining check stock should be promptly shredded to prevent fraudulent use. Vendors may accept unknowingly unauthorized checks from this obsolete stock and sustain a loss.

#### **14. Do Not Sign Blank Checks (03/26/2018)**

Pastors should **never** sign blank checks for any purpose. All checks should be completely prepared with payee and amount before the check is signed. Signing blank checks subjects the parish to the risk that a check could be lost and then completed and cashed by an unauthorized person. If the pastor is away for an extended period of time, completed checks can be mailed or delivered to the account's backup signer and then returned to the parish or mailed to the vendors in an emergency. The Moderator of the Curia and Area Dean should be listed on all parish checking accounts as backup signers.

In an emergency situation where the vendor is known, but the total amount is not known, the check should be written to the vendor with the amount blank, but a notation should be legibly printed above the signature that states "NOT VALID OVER \$XXX.XX" where the X's are replaced by an amount estimated to cover the cost (with a small cushion.) This practice defeats primary disbursement controls and should ONLY be used in a dire emergency.

#### **15. Signature Stamps & Scanned Signatures Prohibited (03/23/2018)**

A signature stamp for an authorized check signer, even if not officially used for disbursements, could potentially be accessed, lost, or stolen and misused to forge checks. This situation represents a weakness in parish fiscal security as well as a violation of Diocesan regulations (Synod #254). It is imperative that any existing stamp should be destroyed.

The same risks and prohibitions apply to electronic data files with a scanned signature of an authorized check signer. Please delete all copies of any scanned signature file. If the pastor insists on "signing" a pastor letter in the bulletin or some other duplicated document, please consider a script font instead of an actual signature. Optionally, an information signature (such as "Fr. Tim") could be scanned if it is very different from the bank's signature card and does not include his complete name.

#### **16. Avoid Checks Written to CASH or Bank**

Parishes should strive to avoid making any check payable to CASH or the bank. The practice of

writing a check to cash or bank disguises the true payee and could potentially create an appearance of impropriety. Additionally, a check written to CASH or Bank could be easily negotiated by anyone if lost or stolen. This practice should not be allowed and all checks should be made payable to an individual or business. If cash is needed to replenish a petty cash fund or for event start-up cash, then the check should be written to the custodian of the fund. A notation of “– Petty Cash” or “– Startup Cash” could be made after the person’s name to help identify the purpose of the check. Please follow these guidelines for all parish, school, or society/booster accounts.

## **17. ACH Electronic Payment Precautions (11/02/2020)**

Parishes are discouraged from using the ACH (Automated Clearing House) system as a method to pay bills. This is sometimes referred to as “Online Bill Pay.” With the exception of payments to the Diocesan offices, all disbursements should be made with a parish check. The Diocese of Rockford currently does not have policies in place regarding ACH electronic payments, but some high-profile thefts of church funds through the ACH system have been reported. To reduce the possibility for misappropriation, if a parish truly wishes to use this service, it should explore various mechanisms to safeguard its funds with its bank. These might include a form of “positive pay” for ACH debits or a “white list” of approved ACH initiators. Pastors should be the ONLY individuals to establish ACH debits for a parish or school. An “ACH Debit Block” should be added to accounts that will not be using the ACH service to provide an extra layer of protection. This service prevents ACH debits to the account.

Each payment made by ACH must have written documentation of pastor approval such as initials on the invoice indicating approval to pay by ACH.

If a relationship with a vendor drawing ACH payments from the parish account is terminated, contact BOTH the vendor and bank to inform them that the relationship has ended and that future ACH withdrawals should not be made / honored.

## **18. Bank Statement Cut-Off Date**

Since most of their customers prefer an end-of-month bank statement cut-off date, banks try to use different cut-off dates whenever they can. This procedure helps the bank to spread out the processing and printing of statements throughout the month. Unfortunately, Diocesan accounting happens on a monthly basis with an end-of-month cut-off. A bank statement with an ending date other than the end-of-month could cause confusion when attempting to reconcile the bank accounts to the end of the month. It is a best practice to align all bank statement cut-off dates with the accounting period dates. If you have an account with an ending date other than the end-of-month, the parish should contact its bank and ask them to adjust their processing to give your account(s) an end-of-month statement cut-off date. Always reconcile your QuickBooks system to the bank statements as of the end of the month.

## **19. Reconcile Advances & Scrip Cards Used by Parish or School (11/27/2017)**

Advancing parish funds to anyone for a parish purchase does not represent a best practice. It is much better to have someone make the required parish purchase and then reimburse them when a receipt is presented. If funds are advanced for a purchase, please ensure that a reconciliation of the advanced funds is promptly prepared after the purchase. If the advanced funds were not enough to completely cover the purchase, a parish check should be issued for the remaining amount. If the advanced funds were more than the amount required for the purchase, these excess funds should be promptly returned to the parish and deposited in the parish checking account.

Shopping cards purchased with parish funds from a scrip program for use by the parish or school represent an advance of parish funds and receipts should be maintained for ALL purchases made with these cards. Card value should be reconciled to ensure that all value is used or if additional reimbursement to the user is necessary. Cards with value remaining should also be promptly returned to the parish or school office with the receipts for later use.

## **20. School Activity Accounts (05/26/2017)**

Schools are not required to operate a separate activities checking account for field trips, yearbooks, etc., but may do so if approved by the pastor and operated according to Diocesan guidelines. If an account is approved, it should be established at the beginning of the school year at a fixed amount, such as \$500 or \$1,000, operate on an “imprest” basis similar to a petty cash fund, and listed on the parish balance sheet. This account must have a completed check register, be balanced to the bank statement monthly, and the reconciliation should be reviewed regularly by the business manager/bookkeeper.

The ONLY expenses paid from this account should be student activity related disbursements (field trips, clubs, etc.) and occasional small emergency purchases that will be directly reimbursed from the parish checkbook. The school should not generally use this account for any regular school operating expenses or any other type of school income.

Throughout the year, transactions will take place and at the end of the school year, the account should be reset back to the starting amount. If there is an excess in the account at the end of the school year, that money should be transferred to the parish checking account and credited to the school under “School Miscellaneous Income.” If the account balance is less than the initial starting amount, (perhaps due to a child not paying for a field trip) the account should be replenished from the parish checkbook and the amount charged to “School Miscellaneous Expense.” ALL donations and other income not directly related to these activities should be processed through the parish checkbook and if donor restrictions require that funds must be used for certain purposes, those purposes should be implemented from the parish checkbook within the current school year. Any restricted donations for longer-term projects must be placed into a DIAL savings account segregated for that purpose and reported on the balance sheet.



## **21. Deposit Surplus Funds in DIAL (02/15/2017)**

Per Diocesan Prosynodal Legislation, surplus funds are to be deposited with the Diocesan Investment And Loan Office (DIAL). Surplus funds are defined as excess monies, liquid assets, or investments that exceed 60 days of normal parish operations. DIAL investments are considered “demand” deposits where withdrawals can be requested at any time and will be processed within 10 days. These accounts pay a fixed rate of interest that is established from time to time.

Surplus funds may not be invested in any other securities or bank account whatsoever without the expressed approval of the Ordinary. The only other exception is investments in the “Catholic Foundation for the People of the Diocese of Rockford,” which is an endowment fund where only account earnings are available for withdrawal. Additional information on this topic can be found in the “Fourth Synod of the Diocese of Rockford” in Appendix II.

## **22. Loans to Individuals or Other Entities (05/18/2020)**

- Under no circumstances may the parish, its programs or related organizations make a loan of money or property to any individual, non-parish organization or any other entity.
- A payroll advance to an employee is permitted provided that repayment through a payroll deduction is made in the following pay period; otherwise, the advance becomes a loan, which is not permitted. Any payroll advance must be approved by the pastor in writing prior to making an advance to any employee.

## **23. Charity Plates for Parish Vehicles (05/05/2017)**

Parishes that own and operate vans, small buses, and pickup trucks for parish, school, or cemetery duties can register their vehicles as “Charity Vehicles” with the State of Illinois to save money. Vehicles registered as standard vehicles with the Secretary of State pay \$151 per year for registration. Charity vehicles require only a \$10 fee for 2 years. Prior to registration renewal time, check with the Secretary of State’s website to see if your vehicle(s) qualify. Note that standard cars DO NOT qualify for this reduced rate. The link to the charity plates webpage:

Charitable Vehicle License Plates ([ilsos.gov](http://ilsos.gov))

## **24. Electronic Payments Bank “Clearing” Account (11/30/2022)**

To enhance the security of the main parish account, some parishes prefer to operate a separate “Clearing” account. This account is used to accept all electronic payments so that the main parish checking account number is not disseminated too widely.

Proper operation of this account includes the following practices:

- The account should be ONLY used to accept the electronic payments and transfer the funds to the parish account. No other transactions are permitted except perhaps an ACH reversal if the funds do not arrive from the payer.
- The account should be set up with the minimum balance to avoid bank charges.
- Depending on volume, the account should be “emptied” (except for the starting balance) each week or monthly at an absolute minimum.
- Transfers to the main parish account should be for made in a batch for the exact amount of the deposits received. Do not “round” the amount to an even number.
- Each payment into the account should be documented and identify the date, payer, amount, and payment purpose. A copy of this documentation should be kept with the transfer deposit into the main parish account.
- Coding to the general ledger should be made when funds are transferred into the main account.
- Complete an “Authorization to Electronically Transfer Funds Between Accounts” form and have it signed by an authorized signer on the “FROM” account. Store this completed form in your disbursement records.
- This account must be balanced monthly to the bank statement and a check of transfers FROM this account should match transfers TO the main parish account each month.
- If the Clearing Account is used for an “Off-the-Books” account such as “Home & School,” use G/L Account number 001-32900 – “Miscellaneous Income” to record the transfers IN and OUT. If this process will be occurring regularly, it may help to create a sub-account for the different groups in your parish QuickBooks.

**Catholic Diocese of Rockford**  
Authorization to Electronically Transfer Funds Between Accounts

**All Transfers Must be Within the Same Bank**  
**Complete a form for each transfer**

Parish Name: \_\_\_\_\_

Date: \_\_\_\_\_

Purpose:

Bank Name: \_\_\_\_\_

Amount

**Transfer From:**

Bank Account Number \_\_\_\_\_

Bank Account Name \_\_\_\_\_

**Transfer To:**

Bank Account Number \_\_\_\_\_

Bank Account Name \_\_\_\_\_

Requested By: \_\_\_\_\_

Approved By: \_\_\_\_\_  
Authorized Check Signer on "From" Account

\*\*\* This form MUST be signed by an authorized check signer BEFORE any transfer may be made \*\*\*  
Please retain this form in your parish documentation

Date of Transfer:

Bank Transaction Number:

Completed  
by  
  
Initials

## **25. Prompt Bank Account Reconciliation (08/02/2018)**

All parish and society bank accounts should be reconciled to parish/society registers on a monthly basis and should be completed within 2 to 3 weeks after receiving them from the bank. Recent revisions to the Uniform Commercial Code, the laws that govern check processing have shortened the amount of time the bank customers have to notify the bank of errors on their accounts. While each bank's rules are slightly different, some banks can refuse to correct errors in the account if they are not notified within 30 days after sending out the statements – even if it is the bank's error! Delays in balancing can expose parishes to the risk of loss through uncorrectable errors. Any errors or suspicious transactions that are noticed should be promptly brought to the bank's attention and discussed with the pastor.

## C) PAYROLL & HUMAN RESOURCES

### 1. Exempt versus Nonexempt Workers (05/18/2020)

The Illinois Wage & Hour Commission and the Federal Department of Labor have defined certain employees as “Non-Exempt” or “not exempt from receiving overtime pay.” As such, these workers are entitled to overtime, even if they are salaried, when they work over 40 hours per week. The parish is now required to track all employees’ time to ensure compliance (Section C-4). If the employee’s weekly schedule cannot be adjusted to 40 hours or less, overtime will need to be paid when more than 40 hours are worked. Holiday, sick, or vacation time are not counted in calculating the total time worked.

Only employees who are Executive, Administrative, Professional or Computer employees are exempt from overtime pay. The table from the Illinois Department of Labor (below) explains the two-part test -- a salary test and a duties test – that must be satisfied for an employee to be deemed an Executive, Administrative, Professional or Computer employee.

<b>Employees</b>	<b>Salary Level</b>	<b>Duties</b>
Executive	No less than \$684 per week	Whose primary duty consists of the management of the enterprise in which the employee is employed or of a customarily recognized department or subdivision thereof; and  Includes the customary and regular direction of the work of two or more other employees therein.
Administrative	No less than \$684 per week	Whose primary duty consists of the performance of office or non-manual work directly related to management policies or general business operations of the employer or the employer’s customers; and  Which includes work requiring the exercise of discretion and independent judgment.
Professional	No less than \$684 per week	<b>Learned Professional:</b>  Whose primary duty consists of the performance of work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction and study; and  Consistently exercises discretion and judgment  <b>Creative Professional</b>

		Performs work requiring invention, imagination, or talent in a recognized field of artistic endeavor.
Computer	No less than \$684 per week  or No less than \$27.63 an hour	<p><b>Salary Test:</b> Primary duty of performing work that requires theoretical and practical application of highly-specialized knowledge in computer systems analysis, programming, and software engineering, and employed and engaged in these activities as a computer systems analyst, computer programmer, software engineer, or other similarly skilled worker in the computer software field, as provided in which includes work requiring the consistent exercise of discretion and judgment.</p> <p><b>Hourly Test:</b> Whose primary duty consists of one or more of the following:</p> <ol style="list-style-type: none"> <li>1. The application of systems analysis techniques and procedures, including consulting with users, to determine hardware, software or system functional specifications;</li> <li>2. The design, development, documentation, analysis, creation, testing or modification of computer systems or programs, including prototypes, based on and related to user or system design specifications;</li> <li>3. The design, documentation, testing, creation or modification of computer programs related to machine operating systems; or</li> <li>4. A combination of the aforementioned duties, the performance of which requires the same level of skills.</li> </ol>
Outside Sales	No minimum salary required	<p>Who is employed for the purpose of and customarily and regularly engaged away from the employer’s place or places of business in making sales; or obtaining orders or contracts for services or for the use of facilities for which a consideration will be paid by the client or customer; and</p> <p>Who does not devote more than 20 percent of the hours worked by nonexempt employees of the employer to activities that are not incidental to and in conjunction with the employee’s own outside sales or solicitations.</p>

For assistance in determining the exemption status of a particular employee, please contact the Diocesan attorney for assistance or visit the Department of Labor website:

[Fact Sheet #17A: Exemption for Executive, Administrative, Professional, Computer & Outside Sales Employees Under the Fair Labor Standards Act \(FLSA\) | U.S. Department of Labor \(dol.gov\)](#)

Some employees may wish to “donate” the extra hours to the parish and not seek additional payment. According to the Illinois Department of Labor, this direct donation of time is not allowed unless the employee is volunteering for a job that is sufficiently different from their normal duties AND the employer does NOT request the extra duties. (Bookkeepers could volunteer to play music at Mass, if that is not part of their regular duties and not requested by the employer.) A better donation option for extra time in the employee’s regular job would be for the employee to donate back to the parish additional money paid for the extra hours worked. The parish would need to pay for the extra hours and the employee would then donate these funds back to the parish. This donation can be accomplished through the payroll system, if desired.

## **2. Pay Frequencies (06/02/2017)**

Illinois labor law requires that nonexempt workers must be paid at least twice each month. Once per month payroll is only permitted for exempt salaried workers.

Since nonexempt workers are entitled to overtime pay for hours WORKED over 40 in a week, it may be helpful to have a bi-weekly or weekly payroll to make potential overtime calculations much easier. Payroll payments must be received by the employees within 13 days from the end of the pay period for semi-monthly and within 7 days for weekly payrolls.

## **3. Employment Law Posters (09/12/2018)**

State and Federal employment laws require that certain posters must be displayed at the workplace. To comply with this requirement, the parish should obtain this information by periodically downloading all of the required notices from the government agencies’ web sites, obtaining the information from the Diocesan Human Resources department, or purchasing and displaying a combination federal/state poster. A listing of required State and Federal posters can be found at (<https://www2.illinois.gov/idol/employers/pages/posters.aspx>). If the parish chooses to purchase a poster, the parish should consider an online vendor such as [www.laborlawposters-online.com](http://www.laborlawposters-online.com) or [www.AllinOnePosters.com](http://www.AllinOnePosters.com). These vendors offer combination poster for as little as \$4.95. Other vendors can charge as much as \$100 for the same type of poster. An internet search may reveal other vendors who sell a combination poster for less. Please ensure that the parish displays all of the required information in an area where employees can view it.

## **4. Employee Timesheets (05/18/2020)**

Hourly employees must complete a timesheet or timecard that is used to calculate their pay. Effective September 1, 2019, all other employees are required to complete and submit timesheets as well. Please see "Employee Handbook" on the Diocesan website.

Each timesheet should list the employee's name, each day of work, and the hours worked that day. Starting and ending time should be included to help ensure accuracy. Each timesheet must be signed by the employee attesting that the hours claimed are true and correct. Additionally, the employee's supervisor or pastor should always review the time and document their approval. Emails with work hours listed should be avoided unless the timesheet is an attachment that contains all of the required information mentioned above. A scanned timesheet with the employee's signature is the best electronic method.

## **5. Appreciation Payments (07/06/2023)**

### **Bonuses Paid to Priests:**

Bonuses paid to priests most commonly occur at Christmas time and are allowed subject to the guidelines and calendar year limits below. Payments from all assignments apply to the cumulative annual limit. Gifts at special occasions such as "farewell" gifts paid to priests who retire or begin a new assignment are prohibited from parish funds. This policy does not affect the acceptance of gifts given directly from parishioners.

### **Bonuses Paid to Lay Employees:**

While diocesan policy does not strictly prohibit the payment of bonuses to lay employees, the practice of paying bonuses to lay employees is not customary. Consideration should be given to the financial resources of the parish/school/agency in determining if funds are available. Payments/gifts to employees of ANY amount are required to be reported to payroll in full. There is no \$100 annual reporting threshold for paid employees.

### **Bonuses Paid to Volunteers:**

Occasionally, a pastor may wish to reward volunteers, such as CCD instructors, with a cash or gift card bonus. The IRS allows such payments to be made without tax reporting if the total amount is less than \$400 per year per volunteer. (Volunteers are still required to report the income on their tax return.) Amounts of \$400 or more should be run through payroll. For payments to volunteers, the detailed listing of recipients should be included with the shopping card disbursement documentation at the parish rather than being sent to payroll.

### **General Guidelines Include:**

1. The pastor, parochial administrator, superintendent, principal or agency director decides whether or not bonuses may be paid to lay employees. Parish Finance Councils or other



consultative bodies do not have the authority to authorize such payments, whether to priests, staff, or volunteers.

2. Appreciation payments may not exceed \$300 per employee or priest per calendar year. Please note: ALL payments from the parish, Home & School, or auxiliary organizations such as DCCW or Altar & Rosary are considered toward the combined annual limit.
3. Any appreciation payments or bonuses that are paid to priests may be made by a parish check and must be reported on the W-2 worksheets submitted to the Payroll Office at year-end. Appreciation payments or bonuses to employees should be paid through the Diocesan payroll system, not with a parish check, cash, society check, or scrip cards.
4. Shopping cards, scrip, or gift certificates are considered cash compensation by the IRS and must be included in the amounts reported to the Diocesan Payroll Office. Other token gifts, such as a rosary, turkey, ham, book, or statue (with a value of \$75 or less) are generally not considered compensation and can be given without tax consequences. Likewise, a volunteer or employee “thank you” luncheon, if not extravagant, can be enjoyed without tax consequence. If the parish or support society insists on giving cash (including checks) or scrip cards to a priest or staff, a detailed listing of each employee and the bonus value that each one received should be attached to the purchase request and a copy MUST be promptly forwarded to the Diocesan payroll office before the end of the calendar year for inclusion in year-end W-2 reporting regardless of the amount of bonus paid to the employee. If payments to employees are not reported to payroll, the IRS could assess your parish fines and penalties as well as the taxes that should have been reported.
5. Although the full amount of the bonus is subject to Federal and State tax withholding, a separate payroll can be run and a separate paycheck generated to help preserve the special nature of the payment. Additionally, asking the payroll department to “gross-up” the check will result in a check to the employee for the amount you specify, after FICA taxes. Asking for a \$50 payment will result in a check to the employee for exactly \$50. The FICA taxes will be added to your payroll invoice.

Please contact the Diocesan payroll department if you have any questions regarding the taxability of Christmas or other appreciation gifts.

## **6. Pastor Approval of Payroll**

If a parish uses an automatic process to pay for its payroll run (such as payment from a DIAL savings account or an ACH transfer from a checking account), payment is made without written approval of the pastor such as signing a check. In this case, the pastor should review and sign the “Labor Distribution & Invoice” report from the Diocesan Payroll Office for each payroll as an indication of his approval.

## **7. Pastor Approval of Payroll Changes**

An important method of verifying that pay rates and scheduled hours for each employee are correct is to ensure that any changes to an employee's pay record are documented and authorized. Always complete a "Payroll Change Form" to document any changes to an employee's record. While employees can authorize an address or exemption change for themselves, any changes regarding pay rates, hours, or additional benefits must be in writing and approved by the pastor. Changes to withholding should be accompanied by an IRS Form W-4 and an Illinois IL-W-4 (or the withholding form from the employee's home state, if not Illinois.) This documentation should be retained in the employee's file at the parish as a record of the change.

## **8. Sacramental Stole Fees (10/18/2017)**

According to the Diocesan Priests' Personnel Policies:

*"Any and all stole fees, in their entirety, from baptisms, weddings, funerals and quinceañeras, are to be deposited singly in the parish account, noting the donor, the occasion and the date of the donation. The Diocesan policy directs that these items be entered in column #30700 in the ledger, under parish receipts."*

Sometimes, a family or funeral home will want to issue one check to the parish that includes gifts / fees for various services provided during a sacrament. This process is discouraged due to the increased bookkeeping burden on the parish. If a family insists on making only one payment, the "one-stop" approach is permissible ONLY if all tax laws and Diocesan rules are followed.

If the parish receives a fee or gift for any employee providing wedding/funeral/etc. services that are supposed to be forwarded to the employee, then ALL of the amounts paid to them must be paid through the payroll system. If the parish is disbursing fees for any person who is not an employee of the parish, then these people must have a completed IRS form W-9 on file and be sent an IRS Form 1099 if total payments during the calendar year meet or exceed \$600. A priest may receive a gift payment for a sacrament ONLY if it is a second gift directed to the priest after the stole fee or parish gift has been received. ALL parish payments to Diocesan priests MUST be reported on the priest's W-2 worksheet at the end of the calendar year.

## **9. Complete and Document Employee Reviews (03/24/2021)**

While supervisors and subordinates both generally dislike employee performance evaluations, this process provides a good opportunity for communication and generates an important record of past performance. All parish employees should have a written performance review each year.

*It is recommended that an evaluation be conducted for each employee by the supervisor or pastor on an annual basis. New employees should be reviewed*

*after a 90 day period, then annually thereafter. Documented on the Appraisal of Performance report should be, but is not limited to, the employee's accomplishments, areas of improvement, and goals for the future. During the evaluation, the supervisor may elect to establish parameters of wage increases. The annual evaluation should not come as a surprise to the employee, but be used as an opportunity to resolve and address issues openly and honestly.*

*The Appraisal of Performance form should be retained in the employee's permanent file. The employee and supervisor should sign the completed appraisal form. The employee's signature does not necessarily indicate agreement with the review, only that the employee has had the opportunity to read and discuss the appraisal. If an employee submits a written response to the review, it too should be made part of the review and be included in the permanent file.*

Please try to complete these evaluations every year. A fillable Diocesan form can be found at:

<http://www.rockforddiocese.org/pdfs/human-resources/Performance-Appraisal-Employee-fillable.pdf>

## **10. Employee Job Descriptions (08/01/2017)**

Parishes should ensure that they have developed detailed job descriptions for all of its paid staff positions. Important regular volunteer positions should also be considered for duties descriptions. A detailed job description should include several different pieces of information such as: position title, who this position reports to, a listing of the duties and responsibilities for the position, and hours required, as well as educational and experience qualifications for the position and required skills. Complete, up-to-date job descriptions can be very valuable in providing staff with information to help write an employment advertisement for a position; new employees with an outline of their duties; and supervisors with a structure to form a basis to performance evaluations.

Here is a format that you could use if you like:

<p>&lt;Your Parish Name&gt; &lt;Job Title&gt; Position Description</p>
Reports to: <immediate supervisor>
Status: <Full-time/Part-time, hours per week, salaried or hourly, FSLA exempt / non-exempt>
General Description: <brief 3-5 line description of position>

Priorities: <describe 2-3 most important duties – optional>

Duties and Responsibilities: <detail listing of job functions>

Education Requirement: <any minimum educational level for this position>

Experience Requirement: <any required/desired work history and/or job skills>

Updated: <date of last update of this description>

## **11. Paid Time-Off Tracking**

Authorized employee time-off for parish or school staff should be tracked and recorded to corroborate balances in the office with employee accounts of vacation owed. To improve the controls over paid time-off, a rudimentary tracking system should be established to record paid time-off for each employee who receives this benefit by using attendance cards, a ledger, or computer program. The business manager/bookkeeper should operate this system and reporting could occur with emails or written requests. By implementing a tracking system, vacation and sick balances can be verified prior to approval or payment. The Diocese of Rockford Accounting Office has an Excel spreadsheet for tracking paid time-off on the Diocesan website under “Documents & Forms | Accounting & Payroll”. You may use this format; however, any robust system would be acceptable.

## **12. Annual Vacations for Fiscal Staff**

Corporate security experts recommend that all staff members with financial responsibilities should take an uninterrupted vacation each year of at least one to two weeks. During this time, another staff member or volunteer who has been cross-trained in cash receipt and payment functions should process deposits and payments for the parish. This short-term personnel substitution can help prevent or uncover potentially suspicious activities that require constant attention. While forgoing vacations alone does not indicate any suspicious activity, all parishes should adopt a policy whereby financial staff is required to take time-off in sufficient quantity to allow another person to process income and expenses.

## **13. Forms I-9 and W-4 are Required for All Employees (03/24/2021)**

U.S. Customs Service Form I-9 is required for every person hired since 1986. The I-9 form is needed to verify the employee’s legal employment status. A current IRS (Federal) and Illinois Form W-4 form should also be on file for each employee to verify that employee’s tax withholding rates. These forms can be found on the internet addresses below:

To Download the Current version of the I-9 form:

USCIS Form I-9 (treasury.gov)

The I-9 forms must be retained for the longer of:

- 3 years past the hire date; or
- 1 year past the termination date

Employers can be fined \$250 to \$11,000 for not maintaining completed I-9's for employees or for the use of workers known to be unauthorized to work in the United States. These penalties apply for each worker not in compliance.

To Download Federal W-4: <https://www.irs.gov/pub/irs-pdf/fw4.pdf>

To Download Illinois IL-W-4:

<https://www2.illinois.gov/rev/Forms/Withholding/Documents/CurrentYear/IL-W-4.pdf>

Parishes and schools should ensure that all employee files have these forms and that a new W-4 (Federal and State) should be completed whenever the employee has a change in status or wants to adjust their withholding.

#### **14. W-2 Worksheets for Visiting Priests (02/24/2017)**

At the end of each calendar year, the Accounting & Data Processing Department will send each parish a "W-2 Worksheet" to capture amounts paid to priests as compensation. If you do not receive one in December, please download one from the Diocesan website under "Documents/Forms," then "Accounting." Make a copy for each priest who received any payments for service from the parish. In addition to reporting payments for the assigned Diocesan parish priests (including any Christmas bonuses), use this form to report all additional compensation for clergy assistance received by visiting Diocesan priests (active or retired). Religious order priests should not be included. These forms should then be promptly returned to the Diocese for processing. Please also remember to include other payments to priests for any other services such as confessions, parish missions, speaking events, or other services performed by Diocesan priests. Priests from other dioceses receiving payments from the parish should follow the IRS contractor reporting rules outlined in Section G-6.

If the Bishop and/or his Master of Ceremonies are given a gift or honorarium for administering confirmation or visiting a parish, these amounts should also be included in the year-end W-2 worksheet reporting. Any permitted priest bonuses should also be reported on this form.

#### **15. Contractor / Employee Classification (07/28/2023)**

If the parish employs workers at the church or school who receive parish checks and are treated as independent contractors, they should be evaluated against the guidelines offered in the IRS

publication #15-A, *Employer's Supplemental Tax Guide* to determine if they are properly classified as independent contractors or if they really should be considered employees for tax purposes and, as such, should be included on the payroll for the parish rather than paid directly from the checking account.

Additionally, the National Labor Relations Board (NLRB) under the "National Labor Relations Act" has established another set of criteria that must ALSO be used to evaluate a worker to determine employment status. Let's look at the IRS rules first and then the NLRB guidelines.

Be aware that both bodies of law can (and do) change periodically and that the most up-to-date evaluation criteria from the IRS and NLRB should be used when considering the status of a particular worker. Also, even if a worker has been determined to be a contractor in the past, changes to rules can effectively void that determination.

As a general rule, classifying workers as employees is safer than classifying them as independent contractors. When considering a classification as a contractor, parishes are advised to "proceed with caution." The Diocesan Human Resources Department can provide additional guidance to help you determine the correct classification or a service provider.

## **IRS Rules**

IRS rules are quite subjective in this regard, but include tests for behavioral control, financial control, and attributes of the relationship. All parishes should closely evaluate any workers that they pay as independent contractors to determine if they should be classified as employees instead and paid through the payroll system. Please follow the new employee hiring policies including the Bishop's approval letter for these people.

Below are some typical attributes of employees and contractors. This list is not comprehensive and not having all of the attributes does not automatically exclude a worker from a particular classification.

### Attributes of an Employee

- Works only for the parish
- Parish determines when the person works
- Paid a salary or hourly
- Uses parish tools, equipment, & supplies
- Does not send an invoice
- Does not carry business insurance
- Services are an integral part of operations
- Tends to be a continuing relationship

### Attributes of a Contractor

- Provides this service for other customers
- Worker determines days and hours of work
- Paid by the job
- Uses their own tools, equipment, & supplies
- Sends an invoice for work
- Carries business insurance
- Services are not integral to normal operation
- Tends to be a job or project relationship only

The parish can be subject to the following substantial penalties if an incorrect classification decision is made:

- If an employer treats a worker as an independent contractor when in reality and legally he is an employee, and fails to withhold payroll taxes due on that employee's account, the employer is liable for the amount of the taxes, plus substantial penalties.
- The penalty for an unintentional failure to withhold income tax is 1.5% of the employee's wages, and for not withholding FICA tax it is 20% of the employee's share of the tax. These amounts are doubled if no 1099 Form was filed and if the employer intentionally disregarded all withholding requirements (or withheld income tax but not FICA tax). The employer and any "responsible" corporate officer are liable for 100% of all taxes that should have been withheld.
- Failure to cover an employee by Workers' Compensation insurance subjects an employer and its officers to a fine.
- Non-payment of overtime compensation due under Wage-Hour-laws can result in back-pay liability in double amount.

A pamphlet is available from the IRS that contains additional guidance:

<https://www.irs.gov/pub/irs-pdf/p1779.pdf>

A worker should not be considered an employee and contractor in the same calendar year. Exceptions are **very** limited and tend to catch the eye of IRS auditors.

### **NLRB Rules**

The National Labor Relations Board rules have recently changed (as of June, 2023) and actually have reverted back to the guidance from before 2019 changes. The following are common factors applied in this evaluation with no one single factor being determinative.

- The extent of control, which by agreement, the employer may exercise over the details of the work.
- Whether or not the individual is engaged in a distinct occupation or business.
- Whether the work is usually done under the direction of the employer or by a specialist without supervision.
- The skill required in the particular occupation.
- Whether the employer or individual supplies instrumentalities, tools, and the place of work.
- The length of time for which the individual is employed.
- The method of payment.
- Whether or not the work is part of the regular business of the employer.
- Whether or not the parties believe they are creating an independent contractor relationship.
- Whether the principal is or is not in business.
- Whether the evidence tends to show that the individual is, in fact, rendering services as an independent business.

## **16. Barter Transactions (08/25/2017)**

Some schools may solicit parents to perform lunch duties such as cafeteria and playground supervision. Other parishes may ask for “volunteers with trade skills to perform services for the school or parish. These workers are then compensated with a tuition credit; an application of credit to annual fundraising commitments; an application of time toward required volunteer service hours; or some other item or service in exchange. These situations are considered *barter* arrangements since services are provided for a return service. While barter arrangements of this type are not illegal (if properly reported and taxes paid), they could increase the complexity of tax reporting for the parish and should be avoided.

If the pastor insists on allowing barter transactions, please know that these transactions are subject to the same IRS withholding and reporting requirements as an employee who is paid money for services. The parish would need to comply with all required laws including minimum wage rules, payroll withholding, FICA payments, and unemployment contributions. Since no funds are paid to the employee, these taxes would need to be paid by the parish and either reduce the credit offered to the parent or increase the expense in the area where the parent worked. Additionally, the parish will need to ensure that all other labor laws are observed. If the barter transaction is with an independent contractor, then 1099 rules (Section G-6) will need to be followed.

One semi-exception to these rules involves tuition reductions for student work programs at schools (generally at high schools.) While all student compensation (whether in cash or tuition reduction) is subject to income tax, if a student will be exempt from income tax withholding (as documented on his completed W-4 form in the school office), then no income tax withholding is necessary. FICA (social security) tax offers a limited exemption from that tax as well but only for students (not parents) who work at the school they attend. Please ensure that the students complete a W-4 form and withhold income tax if they are not “exempt”. Additional information can be found on the IRS website link below:

<https://www.irs.gov/charities-non-profits/student-exception-to-fica-tax>

## **17. Referral Bonuses are Taxable Income (05/15/2019)**

If a school offers an incentive to current families to bring in new students to a school, whether in the form of a cash payment or a tuition credit, these payments are considered taxable income to the family that receives the payment. The IRS looks at these payments in a similar manner to commissions paid to salesmen. The best advice is to avoid these referral payments and credits. If the pastor insists on implementing them, the next best advice is to limit the maximum payments to a family to \$500 to avoid 1099 reporting requirements. (Any amount received by the family is taxable income, but total amounts under \$600 do not trigger a reporting requirement for the parish.) The least preferable option is to offer higher amounts and obtain W-9 information from the referring family. If they receive a total of \$600 or more during a calendar year, then they will need to be sent a form 1099-NEC (See Section G-6).



## **18. Unemployment Separation Form (10/12/2022)**

In the event that an employee leaves the service of the parish, for any reason, an “Unemployment Compensation Separation Report” must be completed and sent to the Diocesan Unemployment Office in Rockford. Email or FAX the completed form to Lori Glenn:

[LGlenn@Rockforddiocese.org](mailto:LGlenn@Rockforddiocese.org). Additionally, a copy should be retained in the former employee’s personnel folder. All parishes, school, and ministries should follow this procedure whenever an employee leaves its employment. A copy of this form can be found on the Diocesan website under “Documents/Forms” | “Accounting/Payroll” | “Unemployment Compensation Separation Form” or at the link below:

<http://www.rockforddiocese.org/pdfs/accounting/Unemployment-Compensation-Separation-Memo-Report.pdf>

## **19. Volunteering Requirement for Financial Assistance or Tuition Reduction**

If a parish requires that a person who receives financial assistance is supposed to “volunteer” around the church or school, this arrangement will probably be treated as an employer-employee relationship and payments made will be subject to federal and state taxes as well as all other labor rules including minimum wage, overtime, etc.

Best practice would not require that volunteer hours must be given, but could allow the recipient to freely offer time. If the grant is to remain tax-free to the individual, the amount of the grant must not be dependent on a certain number of work hours or any work at all.

Schools should not have side agreements requiring an additional tuition or fee payment if the parents/guardians do not participate in fundraising events. Parents/guardians who work at fundraising events should not receive tuition credit for doing so. This would constitute taxable compensation to the parents/guardians that would require withholding, employer taxes, and compliance with all employment laws.

## **20. Employee Handbook (02/20/2018)**

The Diocese of Rockford has prepared an “Employee Handbook” that provides valuable information concerning the employee-employer relationship. This password-protected document is located on the “Documents & Forms” section of the Diocesan website.

Please contact the Diocesan Human Resources Department to obtain the password to open this document. All employees should be provided access to this document in printed or electronic form and sign the “Employee Handbook Receipt and Acknowledgement” at the end of the booklet.

The Handbook can be accessed by clicking **HERE** (password protected)

Attendance Benefit Status Communication with the Media Computer Use Policy Confidentiality Creative Works Agreement Dress Code Drug-Free and Alcohol Free Workplace Employment Status Gratuities Grievance /Problem Clearance Procedure Personal Information Personal Items and Diocesan Property Personal Use of Telephone, Email Personnel Records Political Involvement Prohibition on Discrimination Prohibition on Harassment Prohibition on Sexual Misconduct Reasonable Accommodation Policy Safety and Workplace Injuries Solicitation Smoking Visitors in the Workplace Weather Emergencies/Office Closings	Workplace Inspections Workplace Violence Meal and Rest Periods Overtime Payday Benefit Plans Employee Benefit Classification Retreat Days/Seminars/Educational Assist. Vacation Eligibility Bereavement Leave Blood Donation Leave Domestic Violence Leave Family and Medical Leave Family Military Leave Holidays Jury Duty Personal Day School Visitation Leave Sick Leave Vacation Discipline Rules of Conduct Termination after 12 Month Absence Voluntary Termination
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The document addresses the following topics:

## **21. Tax Treatment of Donations Made by Priests (11/08/2019)**

A Diocesan priest may choose to contribute all or a portion of a fee/stipend that he receives from a parish to a charitable organization, expecting that the transaction is tax-free. Unfortunately, if the priest chooses which organization should receive the benefit of his stipend, the stipend becomes taxable income to him (and he would have a charitable contribution that could be tax deductible.) This concept is called “constructive receipt.” However, the priest is subject to FICA and possibly income taxes on the stipends that he donates in this manner.

To create a tax-free transaction, the priest could refuse the stipend, in effect donating it back to the parish. If the *parish* decides to keep the funds or donate them to a charity, the priest refusing

the stipend is not taxed as long as he does not choose the charity. In the case of Mass stipends, if a priest refuses his stipends, the amounts remain in the Mass account and are handled in accordance with the wishes of the Bishop (currently a donation to the priest retirement fund.) If the priest who is supposed to receive the funds instead instructs the parish to write his stipend check to another charity, the stipends are taxable income to him (added to his W-2 Worksheet) and the charity receiving the gift should record and acknowledge it back to the donor.

The issue is addressed in the Priest Personnel Policies booklet in Chapter XII, Sections D-4 & D-5. While these sections address retired priests, the principles apply to all priests.

## **D) AUXILIARY GROUPS**

### **1. Support Society Guidelines**

Support/Booster organizations represent an important source of funds for the parish or school. These groups are allowed to maintain small checking accounts to facilitate their fundraising operations. However, to maintain their tax-exempt status under the parish's exemption number, support societies must be accountable to the pastor and follow the guidelines and rules established for these groups by the IRS and the Diocese.

The following information comes from the Diocese of Rockford Education Policies Manual Section #3540, but applies to all support groups including Altar & Rosary or Men's Groups.

#### **Policy #3540 – Auxiliary Support Groups**

All school and/or parish support organizations and auxiliary groups such as Home & School Association, Booster, etc. (referred to as "Auxiliary Support Groups") are required to receive permission from the parish pastor and school principal to operate as a support or auxiliary organization for the benefit of or on behalf of the parish and/or school. These authorized Auxiliary Support Groups shall be supervised and controlled by the school/parish. Each Auxiliary Support Group, in accordance with section 501 (c) (3) of the IRS tax code, must demonstrate the Diocese has control of its respective organizations in the following manner:

- A) All bank accounts must be authorized by the corporation president (Bishop) and secretary (Chancellor) or his legal representative (Pastor, Principal or Superintendent).
- B) The Pastor/Superintendent/Principal must have signature authority over all bank accounts.
- C) Each organization shall provide the school/parish an annual financial report.
- D) The Pastor/Superintendent/Principal shall be an ex officio member of the executive committee of the group.

- E) The Pastor/Superintendent/Principal shall have final authority for the scheduling and implementing of all activities.
- F) All funds, other than a 90-day operating fund, raised during the fiscal year shall be allocated by the Pastor/ Principal/Superintendent on or before June 30<sup>th</sup> of each year.
- G) All excess funds earmarked for long-term projects must be kept in DIAL.
- H) Each Auxiliary Support Group is subject to Diocesan audits at the request of the Diocese.

Only those Auxiliary Support Groups that adhere to these rules shall be authorized to operate, and to use the school /parish's tax-exempt number. Home & School Associations are optional.

### **Appendix #3540 – FUNCTIONING OF AUXILIARY SUPPORT GROUPS**

#### Items Purchased by School from Auxiliary Support Group Proceeds

The school, and not the Auxiliary Support Group, purchases items for the school. Items purchased for the school with money earned by an Auxiliary Support Group must be recorded in the following manner:

1. A check from the Auxiliary Support Group shall be written to the school.
2. The school shall record the Auxiliary Support Group's check as a donation.
3. The item(s) shall be purchased by the school and recorded as an expense.

#### Auxiliary Support Groups - Annual Financial Report

Each Auxiliary Support Group shall submit to the Pastor/Superintendent/Principal an account balance and statement of revenue and expenditures for each activity on an annual basis. The fiscal year for organizations/Auxiliary Support Groups shall be July 1<sup>st</sup> through June 30<sup>th</sup>. The financial reports shall be submitted by July 15<sup>th</sup>.

The account balance shall show the June 30<sup>th</sup> balance in each bank or other asset account. The income statement shall show all revenues, all expenditures and the resulting net excess or loss for the year.

The Pastor/Area Superintendent/Principal/School President shall provide copies of the financial reports to the Education Commission, Council of Administration/Board of Consultants and/or Finance Committee as appropriate.

Education Commissions, Home & School Associations, Booster groups, and other entities comprised of parents/volunteers not otherwise serving on the professional staff of the School play an important role in their development, promotion, operation and faith mission. However,

due to civil and canon law requirements, each such organization's role is consultative in nature. Therefore, at all times all organizational, educational and other decisions affecting the School must be made by the Principal and Pastor (elementary schools) or the Principal/School President/Area Superintendent (high schools). In furtherance of this requirement, all Education Commissions, Home & School Associations, Booster groups and similar entities should adhere to the following:

- A. All bank accounts (of whatever type), investments or other financial matters are subject to the ultimate discretion and control of the Principal and Pastor (elementary schools) or the Principal/School President/Area Superintendent (high schools).
- B. While the Principal or Pastor may consult with the organization with respect to policies and practices, the ultimate decision-making authority with respect to such matters remains with the Principal and Pastor (elementary schools) or the Principal/School President/Area Superintendent (high schools).
- C. A Pastor or Principal may not delegate to such an organization ultimate decision-making authority with respect to matters which remain the ultimate responsibility of the Principal and Pastor (elementary schools) or the Principal/School President/Area Superintendent (high schools) under canon and/or civil law. Such issues include, but are not limited to, faith, financial, educational, employment and student/participant issues.
- D. No such organization has the authority to enter into a contractual obligation on the School's behalf or otherwise to legally commit the School without the express written permission of the Principal and Pastor (elementary schools) or the Principal/School President/Area Superintendent (high schools).

Effective September 23, 1999

Revised May 8, 2006

Revised December 1, 2014

## **2. Sports Programs Should be Operated by the School (05/30/2017)**

Occasionally, the athletics program for a parish school is operated by the school's Athletic Booster organization through its society checkbook. While support from auxiliary organizations in providing fundraising and volunteer manpower is a welcome gift to the school, these groups should not be directly involved in operating the financial aspects of the school's sports program. Since the sports program is affiliated with the school, the operating income and expenses for it should be processed through the parish financial records and transacted through the main parish checking account. Please refer to the Education Office Policy Handbook Sections #6200 & #6210 found on the Department of Educational Services web page (password protected).

The parish should establish a separate department for athletics activities and code transactions to

that department or operate the program through an “Athletic Income” and “Athletic Expense” ledger accounts. Examples of the items to include: sports participation fees, gate ticket sales, gym rentals, donations from the Athletic Boosters, purchases of athletic equipment, athletic department salaries, referee costs, travel costs, and tournament fees. Gate tickets sales should be reconciled to income as mentioned in section A-14.

Income and expenses relating to fundraising activities for the benefit of the school athletics program should still be handled through the Athletic Boosters checkbook. The school or the booster group can operate concessions, but this distinction should be clearly established at the beginning of the school year. If control of concession sales is retained by the parish, concession and gate income should be segregated and recorded in different ledger accounts to aid in tracking these income items. Concession sales are subject to sales tax reporting as mentioned under section G-8.

## **E) COMPUTERS & ELECTRONIC DEVICES**

### **1. Computer Data Backup Safety**

Full computer backups should be performed on a regular basis for ALL parish computers. Multiple sets of backup media should be used and rotated on a regular basis.

Flash drives, while fairly reliable, are known to fail and therefore are not considered the best form of backup media. USB external hard drives are now reasonably priced and can hold several backup sessions on one drive. When backing up to an external disk, best practice uses multiple sets of backup media and rotates them to an offsite location on a regular basis. Do not leave external hard drives connected to the server since some viruses can corrupt all data attached to a computer at a particular time. Plug them in just prior to making the backup.

Do not store the backup media on or near the computer that contains the data you are backing up. Do not store the backup in a desk drawer in the same office (or building) as the computer. Those locations are not fireproof and while it could help in the event of a hardware failure; there is no protection from other perils. All backup media should be stored at an offsite location such as another building at the parish or a location away from the parish. Some parishes rent a bank safe deposit box for this purpose.

While the fire resistant cabinet provides adequate protection for papers during a typical fire, the design does not guarantee that delicate electronic devices such as flash-drives or hard disks will be safe. Fire ratings on a typical cabinet are Class ‘C’, ‘D’, or “350-1” which means that the cabinet should keep the internal temperature to 350 degrees during a typical fire for up to one hour. Since paper burns around 450 degrees, this rating is adequate for documents. However, electronic devices generally will melt or otherwise be destroyed at these temperatures.

The Diocese of Rockford has established a “cloud” backup system that stores backup data at the Diocesan Administration Building in Rockford. This service is available to parishes for a small

fee (starting at \$100 per year) and provides a “cloud” type backup with the added benefit that the parish will know where its backup data is stored (in Rockford) versus an unknown location for commercial cloud services. All data is encrypted during transmission over the internet. Contact the Diocesan IT department for details if you are interested.

## **2. Computer Hardware Protection**

Computer equipment is subject to potential damage and data loss during voltage surges. To reduce the likelihood of damage and/or data loss, best practice asks that delicate equipment such as computers and network electronics should be protected by a surge suppressor. Some people confuse a power strip with a surge suppressor since they can look similar, but power strips generally provide little or no protection from voltage spikes. Surge protectors come in varying sizes and protection ranges, but to provide any meaningful protection, they should have at least the following minimum specifications:

- A UL listing under standard UL-1449 TVSS
- A clamping voltage of 180 volts (lower is better)
- An energy dissipation of 800 joules (higher is better)

Please review the surge suppressor protection currently afforded to your electronic equipment and install upgraded protection to devices that meets or exceeds the above specifications, if needed. Uninterruptible Power Supplies (UPS) are also an option since they generally provide the above protection and give the computer operator some time to shut down the computer in an orderly fashion by supplying temporary power from a battery in the unit during a power outage.

## **3. QuickBooks / Computer Passwords**

A basic security measure for accounting programs requires that a password should be required to start the QuickBooks program. By not having a password on the QuickBooks program, if the computer is running, someone could start the program and possibly cause problems.

Current guidance for passwords recommends that strong passwords should be at least 15 characters long, but can be a phrase that is easy to remember. Use upper and lower case letters and try to include numbers and special characters. A simple misspelling will help thwart the “dictionary word” attack. For example, “I\_h8\_comPuters!” is a very strong password, whereas “q5#Y8” is much harder to remember and not as strong. Ensure that your email account password is especially strong since this account is usually where websites will send a temporary password if you logon and forget your password. If your email account is hacked, the criminal can then request your password from various websites where you have an account. Do not use the same password for QuickBooks that is used for any other computer access password. You may write down your passwords, but then store them in a secure (locked) area that is accessible by only the bookkeeper and pastor. Do not write them on a sticky note attached to the monitor or placed under the keyboard. The list

could include a simple encryption technique of adding a couple bogus letters or a word to the passwords stored on the list. The computer password “tyme\_Flies\_4\_me!” could be written on a reminder sheet as “Why\_anytyme\_Flies\_4\_me!”. Just remember that the first six letters and the first space on the cheat sheet are discarded when entering the password in the computer.

Best practice asks that all important computer access codes and passwords should be changed on a periodic basis to heighten security. It is recommended that all users should periodically change important passwords, especially when staff changes, to increase the safety of their information systems. If staff is not changing, the passwords should be updated at least every six months or so.

Additional cyber safety information can be found at: [Choosing and Protecting Passwords | CISA](#)

#### **4. Online Storage of Parish Data**

Different companies are offering data storage services on their servers through the “Cloud.” Product names include: iCloud, Google Drive, Google Docs, SkyDrive, OneDrive, DropBox, etc. Some of the benefits of these services include:

- Data access from different computers or even different locations worldwide
- The ability to collaborate with others without the need for a local network
- Automatic backup of data on the remote server

All providers assure users that their data is safe and secure. However, there have been publicized breaches at some of these companies and several other risks also exist.

Current Diocesan guidance does not prohibit the use of these services, but sensitive or confidential data should not be uploaded to these sites.

Parishes that choose to use these services should be aware of some of the potential pitfalls that could potentially lead to data loss, data theft, or other irritations:

- Most “Terms of Service” (ToS) agreements (those length legal documents that most people ‘click’ through to accept) include language that could allow the provider “royalty-free and non-exclusive license to reproduce, adapt, modify, translate, publish, publicly perform, publicly display, and distribute any content which you submit, post, or display...” The companies state that this license is needed to provide the service, but the “all encompassing” language could potentially be used for other purposes in the future.
- The ToS also could allow these companies to scan your documents ostensibly to look for pornography or copyright infringements, but this same scan could also potentially be used to find data for “targeted marketing” ads.



- Services of providers located in the United States are subject to NSA (National Security Administration) rules and its PRISM program that collects data from these online services in order to hunt terrorists. Other law enforcement agencies could also attempt to obtain data from these servers.
- These services have been the subject of “Phishing” scams where people unwittingly provide login credentials or accept viruses purporting to be from the service providers.

## **5. Anti-virus Software**

Anti-Virus Software: All PCs should have a current version of an anti-virus software installed on it. The anti-virus program should scan any Internet files, or downloaded files, as well as flash drives for viruses that come in contact with the PC. When one accesses web pages, downloads files or use flash drives, one can unwittingly infect the PC with a virus. The anti-virus software helps to prevent the virus from infecting the PC and/or your information. Contact the diocesan Information Technology Office for more information.

## **F) CEMETERIES**

### **1. Cemetery Administration of Burials**

Under the “Cemetery Oversight Act,” parishes must be more involved in the burial process than in years past. The Diocese of Rockford requires that parishes act as the contractor for the gravediggers and handle the financial aspects of that transaction. Additional requirements are spelled out in a letter from Diocesan Cemeteries (below). For this additional service, a small mark-up (15-20%) on the grave opening cost could be implemented to offset some of the other cemetery operating expenses. You may want to discuss this matter as well as other cemetery fiscal items with the Director of Catholic Cemeteries, at 815-965-1450.



## Office of Catholic Cemeteries Diocese of Rockford

8616 West State Street  
Winnebago, IL 61088  
(815) 965-1450

February 26, 2010

Diocesan Catholic  
Cemeteries:

Catholic Cemeteries  
8916 W. State Street  
Winnebago, IL 61088  
(815) 965-9732 fax

St. Mary's, James Cemetery  
Rockford

St. Oliver Cemetery  
278 Ashland Avenue  
Aurora, IL 60505  
(630) 897-9250  
(630) 897-9261 fax

Resurrection Cemetery  
Geneva, IL  
(630) 897-9250  
(630) 897-9261 fax

St. Mary Cemetery  
P. O. Box 7454  
Evanston, IL 60121  
(847) 468-6910  
(847) 468-6909 fax

Dear Funeral Director,

The Illinois Cemetery Oversight Act, which is effective March 1, 2010, requires our Catholic Cemeteries to change some of the procedures now in place. We need to be in full compliance with the new law, and therefore we please ask for your cooperation.

One requirement of the Act is that for each burial we meet with the family and provide the family with a map of the grave area, make sure the gravesite is correct, explain the procedures that will take place at the cemetery on the day of the funeral, and go over other specific information with them. In addition, since the gravedigger is actually a subcontractor of the cemetery, the parish will now collect the grave opening money from the family and then, in turn, pay the gravedigger. This would allow the cemetery to provide an accurate contract to the family of exactly the services the cemetery is providing, as is mandated by the Cemetery Oversight Act, Section 20-10 that all cemeteries in Illinois must follow.

We appreciate your understanding and cooperation as we all begin a new way of serving our grieving families.

Sincerely in Christ,

Reverend Monsignor Thomas C. Brady, P.A., Ph.D.  
Vicar General

*"Lord Jesus Christ, by your own three days in the tomb, you hallowed the graves of all who believe in you and so made the grave a sign of hope that promises resurrection even as it claims our mortal bodies."*

## 2. Income Care Funds (05/01/2019)

Parishes with cemeteries are required to establish and adequately fund "Income Care" accounts to provide money for the maintenance of cemeteries after all lots have been sold. Accounts can be held in DIAL and/or the Catholic Foundation and should eventually be funded to provide enough income to support the cemetery so it does not become a burden on the parish. Please ensure that all income care funds are promptly transferred to these accounts on a quarterly or at least annual basis.

To ensure the safety of principal amounts in cemetery income care funds, no withdrawal of principal is allowed – only earnings may be withdrawn. Additionally, a *minimum* of 20% of all grave and niche sales (\$200 minimum per grave) should be deposited for income care per

Diocesan rules. A higher percentage is highly encouraged, especially for income care accounts that are underfunded.

Recurring costs for parish cemetery maintenance generally include staff, supplies, mowing, and plowing. To adequately support the expected level of maintenance expenses, a parish should have access to an income care fund of at least 25 times the annual maintenance costs. This level is needed to generate enough earnings to pay for these routine cemetery expenses without reducing the corpus. The full balance is not required until the cemetery is full, but parishes should be diligent in funding their income care accounts with each grave sale.

In addition to increasing income care savings, parishes could also seriously evaluate the operating costs of their cemetery. If the parish can permanently reduce these operational costs, the total amount required in its income care fund to adequately cover the expenses would drop considerably. Every \$1,000 in permanent cost savings translates into a corresponding \$25,000 reduction in the required income care balances.

### **3. Illinois Cemetery Law Compliance (04/06/2020)**

Parishes with Cemeteries must comply with the “Cemetery Oversight Act.” Requirements include:

- a) Parishes must obtain and display their “Illinois Registration Certificate” in plain sight in the cemetery office.
- b) The displayed certificate must be current (not expired.)
- c) The “Certain Rights” poster must be displayed in a “conspicuous” location.
- d) A detailed map of the cemetery and all additions must be displayed on the office wall.
- e) The pastor must sign this map and all cemetery addition maps.
- f) Parish must print ILCOD database burial log reports on a monthly basis.
- g) Burial records must be easily retrievable three ways: by name, by location, and by date of death.
- h) Parish must retain a copy of the Oversight Act law book onsite. This document might be called “Collection of Cemetery Statutes.”
- i) Pastor and a member of the family must sign the sales contract.

## **G) TAX & GOVERNMENTAL ISSUES**

### **1. Quid-Pro-Quo Donation Notification (08/07/2017)**

The following rules apply when a donation is made to a charity, but the donor receives something back in return for the donation that is not insignificant. They also apply to auctions (silent and regular) where the donor receives some merchandise for their contribution. For auctions, the fair market value should be written in an auction catalog, bidding sheet, or on the item description card. The business or individual donating the items should provide fair market value for auction items. If the fair market value is not provided prior to the auction, winning bids in excess of the fair market value cannot be deducted. Items purchased for less than the fair market value have no donation component.

A Quid-Pro-Quo donation is a payment a donor makes to a charity partly as a contribution and partly for goods or services. For example, if a donor gives a charity \$100 and receives a concert ticket valued at \$40, the donor has made a quid pro quo contribution. In this example, the charitable contribution part of the payment is \$60. Even though the deductible part of the payment is not more than \$75, a disclosure statement (below) must be provided by the organization to the donor because the donor's payment (quid pro quo contribution) is more than \$75. Failure to make the required disclosure may result in a penalty (listed below) to the organization.

#### **IRS Rules for Quid-Pro-Quo Notification**

##### Disclosure Statement

The required written disclosure statement must:

- a. Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the fair market value of goods or services provided by the charity, and
- b. Provide the donor with a good faith estimate of the fair market value of the goods or services that the donor received. The charity must furnish the statement in connection with either the solicitation or the receipt of the quid pro quo contribution. If the disclosure statement is furnished in connection with a particular solicitation, it is not necessary for the organization to provide another statement when it actually receives the contribution.

No disclosure statement is required if any of the following is true:

- i) The goods or services given to a donor have insubstantial value as described in Revenue Procedures 90-12 and 92-49,

ii) There is no donative element involved in a particular transaction with a charity (for example, there is generally no donative element involved in a visitor's purchase from a museum gift shop).

iii) There is only an intangible religious benefit provided to the donor. The intangible religious benefit must be provided to the donor by an organization organized exclusively for religious purposes, and must be of a type that generally is not sold in a commercial transaction outside the donative context. For example, a donor who, for a payment, is granted admission to a religious ceremony for which there is no admission charge is provided an intangible religious benefit. A donor is not provided intangible religious benefits for payments made for tuition for education leading to a recognized degree, travel services, or consumer goods.

iv) The donor makes a payment of \$75 or less per year and receives only annual membership benefits that consist of:

1. Any rights or privileges (other than the right to purchase tickets for college athletic events) that the taxpayer can exercise often during the membership period, such as free or discounted admissions or parking or preferred access to goods or services, or

2. Admission to events that are open only to members and the cost per person of which is within the limits for low-cost articles described in Revenue Procedures 90-12 and 92-49 (as adjusted for inflation). Also, please see the discussion of insubstantial value above.

#### Good Faith Estimate of Fair Market Value

An organization may use any reasonable method to estimate the fair market value (FMV) of goods or services it provided to a donor, as long as it applies the method in good faith. The organization may estimate the FMV of goods or services that generally are not commercially available by using the FMV of similar or comparable goods or services. Goods or services may be similar or comparable even if they do not have the unique qualities of the goods or services being valued.

Example 1. A charity provides a one-hour tennis lesson with a tennis professional for the first \$500 payment it receives. The tennis professional provides one-hour lessons on a commercial basis for \$100. A good faith estimate of the lesson's FMV is \$100.

Example 2. For a payment of \$50,000, a museum allows a donor to hold a private event in a room of the museum. A good faith estimate of the FMV of the right to hold the event in the museum can be made by using the cost of renting a hotel ballroom with a capacity, amenities, and atmosphere comparable to the museum room, even though the hotel ballroom lacks the unique art displayed in the museum room. If the hotel ballroom rents for \$2,500, a good faith estimate of the FMV of the right to hold the event in the museum is \$2,500.

Example 3. For a payment of \$1,000, a charity provides an evening tour of a museum conducted by a well-known artist. The artist does not provide tours on a commercial basis. Tours of the museum normally are free to the public. A good faith estimate of the FMV of the evening museum tour is \$0 even though the artist conducts it.

#### Penalty for Failure to Disclose

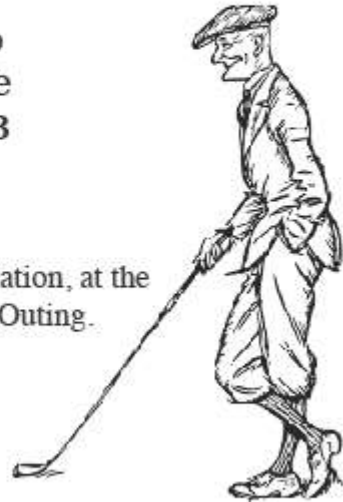
A penalty is imposed on a charity that does not make the required disclosure of a quid pro quo contribution of more than \$75. The penalty is \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing. The charity can avoid the penalty if it can show that the failure was due to reasonable cause.

Source: <https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contributions-quid-pro-quo-contributions>

Quid – Pro – Quo Sample Disclosure

**GOLF OUTING**  
**Wednesday May 31, 2017**

Westover Country Club  
401 S Schuylkill Avenue  
Jeffersonville PA, 19403



Join us, with the National Fire Sprinkler Association, at the  
11th Annual Fireman's Hall Museum Golf Outing.

**Fee: \$150 per person**

Includes green fees, cart, box lunch, cocktail hour, dinner, and prizes

**Box Lunch and Registration at 11:00 a.m**

**Shotgun starts at 12:00 p.m**

**Cocktails and Dinner starting at 5:00 p.m**

To make reservations or to learn about sponsorship opportunities,  
contact Carol Smith at 609-320-1417 or [pfdhe@firemanshallmuseum.org](mailto:pfdhe@firemanshallmuseum.org).  
Register online at [www.firemanshallmuseum.org](http://www.firemanshallmuseum.org)

Philadelphia's Fireman's Hall Museum is a registered 501(c)(3) charitable organization. In accordance with IRS guidelines, the fair market value for attendance at the 2017 Golf Outing has been set at \$115 per person. Any amount contributed above that value is tax deductible to the fullest extent allowed by law.

The official registration and financial information of the Philadelphia Fire Department Historical Corporation may be obtained from the Pennsylvania Department of State by calling, within Pennsylvania, 1-800-732-0999. Registration does not imply endorsement.





## **2. Bingo (08/01/2017)**

Groups wishing to hold BINGO games must follow the rules and laws of the State of Illinois. These rules include registration, reporting, and payment of a BINGO tax. “Pull-Tabs” can also be offered and must adhere to the rules for that game. It does not matter if the game is called another word besides “BINGO.” State law defines the game as BINGO regardless of the word used. Additional information can be found on the State’s website at:

<https://www2.illinois.gov/rev/research/taxinformation/charitygaming/Pages/bingo.aspx>

## **3. Raffle Licenses (07/14/2017)**

Raffles are regulated in most locations by either the city or county. Charitable organizations generally can apply for a license to hold a raffle with their controlling agency. The application requirements and fees vary by locality. Please check the city and county websites or call the county clerk for information on your specific locality’s requirements. Some jurisdictions require that the license must be obtained prior to selling any tickets. You might also need to factor in time for a county board hearing, depending on requirements. Failure to obtain a license could result in penalties and potential embarrassment for your parish or organization.

## **4. W-2G Required for Certain Raffle Winners (04/14/2023)**

Whenever a raffle is conducted, if certain prize levels are exceeded, IRS gambling winner reporting is required on form W-2G. This reporting is an important part of required raffle procedures and must be completed. The parish must obtain a completed IRS W-9 form from each winner who is subject to reporting BEFORE the prize winnings are distributed. If the winner refuses to provide the W-9 information, then 24% (Federal) and 4.95% (Illinois) withholding from the total prize (if a cash prize), or a tax payment from the winner (for product or services prize) is required before prize distribution. The parish should also stipulate on the raffle ticket and/or in the rules that the winner will be required to furnish this taxpayer information. Higher value prizes will require an automatic withholding (or payment from the winner if a non-cash prize.) Please comply with these IRS rules to avoid penalties.

The basic rule for raffles is that W-2G reporting must be made if the value of the prize awarded (less the cost of the ticket) is 300x the ticket price and at least \$600. If the prize (less the ticket price) is \$5,000 or more, then mandatory FEDERAL (24%) AND STATE (4.95%) withholding is required. These threshold limits DO NOT APPLY TO ANY NONRESIDENT ALIEN who wins a prize. Special income reporting forms and withholding (30% - if not exempted by treaty) is required. Note: Mexico, Philippines, Poland, and other Central / South American countries do not include gambling winning in their treaty. See Section G-7 below.

Check the IRS website for details on the current prize limits requiring reporting. IRS.GOV W-2G Instructions.

The Diocesan Accounting Office can help answer reporting questions and assist with the remittance of withholding amounts.

If there are multiple individuals sharing one ticket, then an IRS Form #5754 may be required to determine the pro-rata share of the prize won by each person. This form is retained by the parish and not sent to the IRS.

## 5. Tax Effect of Donating a Raffle Prize (04/21/2020)

On occasion, a parishioner may purchase a raffle ticket and win a raffle prize, then choosing to donate the prize back to the parish or sponsoring support society. The tax treatment of this donation (from both the parish and winner's perspectives) varies greatly depending on how the transaction is structured. IRS guidance (INFO 2004-0003) provides some clarity. Consider the following four scenarios:

- a. An individual purchases a raffle ticket in a church-sponsored drawing. After purchasing the ticket, but **before** the raffle drawing, the individual gives the ticket to the church, or lists the church on the ticket as the beneficiary if the ticket is drawn. The church holds the raffle drawing and the church draws the winning ticket.

The church does not have to withhold income tax and does not need to issue a Form W-2G since the individual was not paid the raffle prize by the church and need not include the prize in his gross income. Here, the individual transferred his beneficial interest in the underlying raffle ticket to the church prior to the raffle drawing. In addition, although the church holds the winning ticket, it need not include the prize in its gross income because it does not have an accession to wealth.

- b. The facts are the same as Situation 1 but the purchaser makes another charity (not the charity sponsoring the raffle) the beneficiary of his raffle ticket.

The church in this case must issue a Form W-2G to the designated charity and must withhold tax based on the amount of the prize. The charity will have to file for a refund of the tax withheld. In addition, the recipient charity must include the amount of the prize in its gross income.

- c. An individual purchases a raffle ticket in a church-sponsored drawing. The church holds the raffle drawing and the individual holding the winning raffle ticket immediately **refuses** the prize without any qualification. The holder does not take any action that indicates he has accepted the prize. Therefore, the church retains the prize.

The church does not have to withhold income tax and does not need to issue a Form W-2G to the individual because the individual refused the prize, and thus the church has not made a "payment" to the individual.

- d. An individual purchases a raffle ticket in a church-sponsored drawing. The church holds the raffle drawing and the individual holding the winning raffle ticket takes actions that indicate he has **accepted the prize**. Subsequently, the individual assigns the prize to the church (or another charity).

If the individual takes actions that are inconsistent with an absolute refusal of a prize, the individual is deemed to have accepted it and must include its value in gross income. The church must withhold and issue a Form W-2G to the individual.

## 6. IRS Contractor Reporting Requirements (05/13/2020)

**Note: Beginning with calendar year 2020, contractors will no longer receive a 1099-MISC, but rather need to receive a 1099-NEC (Non-Employee Compensation). The due date for this form is now JANUARY 31<sup>st</sup>. Please refer to the updated instructions for this new form at the IRS website listed below.**

All businesses (including parishes, schools, and support organizations) are required to file informational returns with the IRS for total annual payments of \$600 or more paid to unincorporated vendors who provide services. Please review the instructions for form 1099-NEC at <https://www.irs.gov/pub/irs-pdf/i1099misc.pdf>. To comply with this requirement, a parish should send out an IRS Form W-9 to any vendor that the parish, school, or any support society expects will provide over \$600 in services (including landlords, repairmen, and caterers) to the parish or a support society during a year (This could be based on last year's purchases or this year's actual payments). When determining if \$600 or more will be paid, please add together ALL parish, school, or society payments for entities that share a common FEIN. You do not need to include providers of only products (such as Walmart or Office Depot) in this request since the rule applies to services only. However, parts and materials that are "incidental" to providing the service, such as wire and switches for an electrician, pipes and faucets for a plumber, or vents and motors for an HVAC technician need to be included.

These vendors will complete the form and return it to your business manager for review and filing. As the W-9 forms arrive, tagging the vendor records in QuickBooks as vendors who should get a 1099 (based on their status) will help ease the burden of preparing the 1099 forms at the end of the calendar year. Once the information has been received, future mailings of the W-9 form to those vendors will not be necessary unless their status changes. Sample wording for an information request letter follows:

*Dear Vendor:*

*In an ongoing effort to comply with the IRS 1099 regulations, we are requesting that you complete the following W-9 form and return it back to us in the enclosed envelope. You may FAX the completed for to: {parish} at {FAX number}.*

*The IRS requires that you complete this form and return it to us. Failure to promptly return this form will result in a 28% “backup withholding” that will be deducted from all future payments to you and sent directly to the IRS on your behalf. Additionally you may be assessed a \$100 penalty by the IRS for noncompliance.*

*If you have any questions regarding this form, please feel free to contact us or your tax professional.*

A parish or school should no longer use any independent contractor who refuses to provide a completed W-9 form.

All vendors not exempt from 1099 reporting should be issued a 1099-NEC or 1099-MISC form (depending on the type of compensation received) at the end of any calendar year where total purchases of services are \$600 or more. This includes all individuals and companies who do not list “Corporation” or “S-Corp.” as their business type on the W-9 form. If a repairman uses parts to fix something and charges the parish for those parts, the value of the parts should be included in the amount reported on the 1099.

Note that LLC’s are generally NOT treated like corporations for 1099 reporting unless the LLC type is a corporation or S-Corp. Payments to medical practitioners and lawyers require a 1099 even if they are incorporated. Another tricky situation arises if the parish issues payments on behalf of the needy to vendors in excess of \$600. Since the parish is making the payments, a 1099 will need to be sent to the vendor if it is not exempt. Payments from other parish/school or support society accounts that use the parish’s tax exemption also need to be included. If the parish experiences trouble with obtaining the W-9 information from a vendor or has any questions about 1099 reporting, please contact the Diocesan Finance Office for instructions.

If a support society makes payments to a vendor that requires IRS contractor reporting, then the society must provide payment and taxpayer information to the parish by December 31<sup>st</sup> of each year to ensure that the parish can send the proper 1099 form when needed. Support societies should obtain taxpayer identification information whenever total annual payments to a vendor for services approaches \$600. Since the society is using the parish taxpayer ID number, payments to a particular vendor from the society and the parish should be combined to determine the \$600 cut-off and the total payments that should be reported on the 1099.

## 7. Paying Priests / Contractors from Foreign Countries (04/22/2020)

Paying non-resident priests or other foreign contractors can be a complicated matter. If you wish to have an international person provide a service such as giving a presentation, leading a retreat, singing a concert, or creating art at the parish or school, please contact the Office of Internal Audits or the Diocesan Finance Office for assistance **BEFORE** committing to the foreign person. Several countries have tax treaties that could exempt the provider from income tax withholding in this country or reduce the required amount that you must withhold. While many treaties have similar provisions, each treaty between the United States and another country can be different and must be researched.

An overview of tax treaties can be found at:

<https://www.irs.gov/individuals/international-taxpayers/tax-treaties>

A link to the treaties for each country can be found at:

<https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z>

Typically, to qualify for treaty status, the person's country of residence must have a treaty with the United States; the person must not have a "substantial presence" in the United States; and must complete a W-8BEN form that is given to the parish. A form 1042-S must also be completed and filed for the payment regardless of any tax withholding.

## 8. Sales Tax Liability for Fundraisers

**Illinois Retailers' Occupation Tax (Sales Tax)  
for Parishes and Schools of the Diocese of Rockford  
by Wayne M. Lenell, C.P.A., Ph.D.  
2007**

Parishes and schools incur Retailers' Occupation Tax (sales tax) liability when they engage in selling tangible personal property at retail (i.e., to the end consumer) except in seven situations. These rules apply to diocesan organizations using the exempt status of a parish, school, or diocesan agency, not to outside organizations. Therefore, if a parish allows the Knights of Columbus to use the parish hall for fish fries, it is the responsibility of the Knights of Columbus to determine whether the event is subject to sales tax, not the parish.

If a parish or school sells tangible personal property at retail, and does not qualify for one of the exemptions, the parish or school must register with the Illinois Department of Revenue and remit sales tax. Contact Mr. Daniel O'Malley, Diocesan Senior Accountant, for assistance.

## Exception I

Since the parish or school becomes liable for sales tax when selling **tangible personal property**, a few common items are exempt because the items are not tangible personal property such as:

Gift certificates	Car washes	Card party admission
Table/gate fees for bazaars	Dance admissions	Tickets to dramas/musicals
Gate fees for athletic events	Golf outings	Scrip
Entrance fees	Textbook rental fees	

## Exception II

The second exception to sales tax liability is “sales to members” (parishioners and students) **primarily for the purposes of the parish or school**. The regulations define “primarily for the purposes of . . .” very narrowly.

Examples of exempt items under this exemption include:

Missals	Rosaries	Scapulars
Advent candles	“Why Catholic?” DVDs	Spirit wear

Examples of sales to members that do **not** qualify for this exemption include:

- Sales of school books and supplies to students (because the State of Illinois deemed sales of books as primarily for the purposes of the students rather than the school)
- Sales of sweaters, tee shirts, sweatshirts, gym shoes, and jackets **not bearing school insignia**
- Sales through gift shops, bookstores, and thrift/resale stores
- Concession stand sales at non-school Bingo, or non-school athletic events

## Exception III

The third exception to sales tax liability is for sales by parishes and schools to the public that are “noncompetitive with business establishments.” The Attorney General has outlined four criteria to assist in determining whether sales are noncompetitive as follows:

1. The sales must be conducted by members or students, and not by outside salespeople or promoters.
2. All proceeds must go to the charity, and not a portion accruing to the individuals running the sale.
3. The sale must not be a continuing one, but rather should be held either annually or a reasonably small number of times within a year.

4. The dominant motive of the purchase must be the making of a donation to the parish or school, not the acquisition of property.

Examples of sales qualifying for this exemption include:

Parish Anniversary books	Fall fruit sale	“Put Christ in Christmas” magnets
Poinsettias/wreaths	Yearbooks	Window clings

Examples of sales **not** qualifying for this exemption include:

Wrapping paper	Greeting cards	Hats (without school insignia)
Book fairs		

### **Exception IV**

The fourth exception to sales tax liability are meals for members. To qualify for exemption, all profits must be used for charitable purposes, the meals are confined to the members and guests and are not open to the general public, and the serving of the meals is connected with some religious service or function. There is no limit on the number of events qualifying under this exemption.

Examples of meals qualifying for this exemption include:

School cafeterias	Donuts after Mass	Card party luncheon
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### **Exception V**

The fifth exception to sales tax liability are for sales by “Teacher-sponsored student organizations.” Such organizations include student councils, student clubs, choral and band groups, etc. This exemption does not extend to sales by the school itself, a school bookstore, or a PTA or PTO.

Examples of sales qualifying for this exemption include:

Sales of magazines, candy, calendars, etc. by a student organization for the benefit of that organization.

### **Exception VI**

The sixth exception provides a broad exemption for schools. Sales of donated merchandise or food prepared by a volunteer fundraising group, for an event utilizing volunteers including parents and teachers, approved by a school, and for the benefit of a school, are exempt from sales

tax. There is no limit on the number of events qualifying under this exemption. Diocesan parochial schools and central high schools qualify, but Religious Education programs do not.

Examples of sales qualifying for this exemption include:

Fish fries, spaghetti dinners, bake sales, school concession stand sales, etc. in which volunteers make the food **and** the proceeds benefit a school. Also, rummage sales or auctions in which all items are donated qualify.

Examples of sales **not** qualifying for this exemption include:

Fish fries, spaghetti dinners, bake sales, concession stand sales, etc. in which the proceeds do **not** benefit a school. If the Catholic Women's Association of a parish operates a fish fry during lent, with the proceeds benefitting the parish, it does not qualify under this exemption because the proceeds do not benefit a school.

Catered events or sales of ready-to-sell items such as greeting cards, wrapping paper, holiday ornaments, candy bars, and frozen pizzas for resale from a supplier who profits from the sale to the fundraising group.

## **Exception VII**

The seventh exception to sales tax liability are "occasional dinners and similar activities." If a parish or school sells food or merchandise that does not meet one of the six exceptions listed above, the parish or school is allowed **two events annually** without incurring sales tax liability.

Examples of events qualifying for this exemption include:

- A school fundraising dinner that is catered
- A parish carnival, bazaar or fun fair
- A parish bake sale, pancake breakfast, spaghetti dinner, or fish fry
- A parish rummage sale, barn sale or garage sale

When counting the number of events for a calendar year, parishes and schools must aggregate all activities utilizing the exemption of the parish or school. For example, if the parish has a barn sale, the parish elementary school has a catered fundraising dinner, and if the parish Altar and Rosary Society has a bake sale, one of those events incurs sales tax liability.

The attached flowchart may be of assistance in determining whether a parish or school incurs sales tax liability for a particular activity.



If you have any questions, please contact the Diocesan Finance Office for clarifications of the rules outlined above. It is the intention of the Diocese of Rockford to comply with all tax regulations of the State of Illinois.

## Determining Sales Tax Liability For Parishes and Schools of the Diocese of Rockford

Answer the following questions until you reach a “<STOP>” which means that you have not incurred sales tax liability. If you answer question number 7 without reaching a “<STOP>,” you must collect and remit sales tax to the Illinois Department of Revenue.

1. Are the proceeds derived from selling tangible personal property (food or merchandise)?

YES, continue ↙

NO . . . . .<STOP>

You are exempt from sales tax

2. Are items sold only to members (parishioners or students) for the purposes of the parish or school?

NO, continue ↙

YES . . . . .<STOP>

You are exempt from sales tax

3. Are the sales noncompetitive with business establishments, **and** sold by parishioners or students, **and** with all proceeds accruing to charity, **and** not continually operated, **and** sold with a dominant motive of making a donation rather than the purchaser acquiring merchandise?

NO, continue ↙

YES . . . . .<STOP>

You are exempt from sales tax

4. Are they meals for members connected with a religious service or function?

NO, continue ↙

YES . . . . .<STOP>

You are exempt from sales tax

5. Are they sold by students of a teacher-sponsored student organization?

NO, continue ↙

YES . . . . .<STOP>

You are exempt from sales tax

6. Are they sales of donated merchandise or food prepared by a school fundraising group sold primarily by volunteers including parents and teachers, for the benefit of a school?

NO, continue ↙

YES . . . . .<STOP>

You are exempt from sales tax

7. Is this the third or more sale for the year not passing any of the above criteria?

YES, There are no more

NO . . . . .<STOP>

exceptions. You  
must pay sales tax.

You are exempt from sales tax

## 9. Unrelated Business Income Tax (UBIT) (05/26/2017)

Adapted and condensed from the USCCB *Financial Issues Report*:

<http://www.usccb.org/about/financial-reporting/upload/Diocesan-Financial-Issues-Manual.pdf>

Although parishes and schools are exempt from federal income tax, they are subject to tax on the income from any unrelated trade of business in which they regularly engage. Unrelated Business Income Tax (UBIT) is imposed at the normal corporate rates. An IRS Form 990-T must be filed if an organization has gross income from unrelated trade or business of \$1,000 or more, regardless of whether tax is due. The Diocesan Accounting Office can assist with the preparation of these forms if they must be filed.

An "unrelated trade or business" is as follows: the production of income from the sale of goods or the performance of services that is regularly carried on and is not substantially related to an organization's exempt purposes. Typical sources of income subject to these provisions include (but are not limited to): fundraising and parish bulletin advertising. To be considered "regularly carried on," a trade or business must exhibit "frequency and continuity" and be carried on in a manner similar to its commercial counterpart. The fact that an organization uses funds derived from its unrelated business activity in order to further its exempt programs does not convert an unrelated activity into a related one. Further, even if an activity relates to exempt purposes, it may be carried on to an extent greater than necessary to achieve those purposes. In such situations, income derived from excess activity will be subject to unrelated business income tax.

There are a number of exceptions to the UBIT rules, including the following:

- **Volunteer Exception.** This exception applies when volunteers perform substantially all of the work in a particular activity. The IRS's standard for "substantially all" is a minimum of 85%. This exception typically applies to activities like church raffle, bingo games, and other fundraisers, although many such activities could also avoid being characterized as subject to UBIT because they are not regularly carried on.
- **Convenience Exception.** This exception applies to any trade or business carried on primarily for the convenience of its members, students, patients, officers, or employees. Classic examples of this exception include the hospital pharmacy sales made to patients, the sale of books by a university bookstore to students, sales in hospital gift shops, and laundry and vending operations provided for student use.
- **Donated Merchandise and Low Cost Item Exceptions.** The donated merchandise exception applies to the sale of merchandise that has been received as a contribution or gift. This exception applies to thrift stores operated by churches and other charitable organizations. The

Code also contains an exception for the distribution of low-cost items incident to charitable solicitations. If a church mails unrequested, low-cost items as part of a fundraising effort, the church is not liable for UBIT on the income received.

- **Mailing List Exception.** Income from the rental or exchange of mailing lists between or among charitable organizations is not subject to UBIT, but rentals or exchanges with non-501(c)(3) organizations is subject to UBIT.
- **Bingo and Gambling Activities Exception.** An important UBIT exception for many churches and related entities is the bingo exception, which applies to bingo games. The bingo exception does not apply to scratch-off bingo cards, bingo machines or to other forms of "walk-away" games.
- **Qualified Corporate Sponsorship Payments.** Corporate sponsorships of events can be exempt from UBIT if certain rules are followed. A "qualified sponsorship payment" is defined as a payment made by any person engaged in a trade or business for which there is no expectation or arrangement that the payer (or persons designated by the payer) will receive any substantial return benefit from the exempt organization. "Payment" means the payment of money, transfer of property, or performance of services. Advertising is considered a "substantial return" and is not exempt. Many criteria must be met to ensure the exemption. Please contact the Accounting Office if you have income from this source.
- **Miscellaneous Exceptions.** There are also UBIT exceptions for convention and trade show activities and for certain services, including data processing, food services, and laboratory services provided at cost to hospitals with one hundred or fewer beds.
- **Income from certain other sources will be excluded from the computation of unrelated business income including dividends, interest, annuities, rents, and royalties.** Please contact the Accounting Office if you have any of these income sources.

## **10. Fundraising Proceeds Directed to an Individual's Required Payment**

If a parish or school holds a fundraising event to help reduce the cost of an expensive activity (such as a foreign trip) and reduces an individual's participation cost based on that person's sales amount or hours worked, then the cost reduction is considered taxable income to the individual by the IRS. If the fundraising proceeds are distributed evenly across all participating members, regardless of effort or outcome, then the cost reduction is non-taxable to all participants.

## **11. Fundraising Events / Gifts to Benefit Individuals (08/01/2017)**

Generally, when a parishioner donates to a parish, it is considered tax deductible under the Catholic Church's 501(c)3 tax exemption. However, certain types of donations are NOT considered tax deductible by the IRS and could place a parishioner at risk for an audit, additional

taxes, and penalties. The primary situation where a tax deduction is not allowed is when a donor directs the parish to forward funds to a specific individual. There may be instances when the donor has a bon-a-fide reason to give a directed donation through the church such as the desire to remain anonymous. Due to the potential for tax fraud, parishes are strongly asked to avoid processing donations given for individuals through the parish bank account. One method of handling this situation is asking the donor to obtain a cashier's check from their bank without their name showing as "remitter." The parish can offer to deliver this check to the recipient while maintaining the anonymity of the donor. No tax letter should be provided to the donor.

Fundraisers to benefit individuals should not use parish checking accounts to receive income or pay expenses.

It is permissible to use parish facilities for these gatherings, but any donations should be made payable to the benefitting individual directly or to deposited directly into a special bank account established directly by the individual using the family's Taxpayer Identification Number (TIN). The parish must not act as a trustee of these funds or has its name or TIN associated with the account.

If the parish accepts a gift to forward to someone (perhaps the donor just wants to remain anonymous), the donor **MUST** be informed that this donation is **NOT** tax deductible and that no gift substantiation letter will be given. Do not put this donation into the parish's donation tracking software. For donations from parishioners to general parish charitable funds, be certain not to accept "suggestions" from donors regarding particular individuals who they think could benefit from donations.

## **H) SAFETY**

### **1. Emergency Action Plans (01/18/2021)**

While it is a good practice to have an emergency action plan in place for the parish, it is essential that any religious education or youth ministry program should have an operational plan. This plan should address the appropriate reactions to various natural and man-made perils that could affect the safety of the children and staff. The Diocese of Rockford Catholic Education Office has developed a thorough plan for Catechetical Leaders that should be implemented for all religious education and youth ministry programs. Each parish should develop and implement some type of emergency action plan for the religious education and youth ministry programs and periodically hold evacuation drills for the risks most likely to affect the classrooms.

The Catholic Education Office document can be found at:

<https://www.ceorockford.org/wp-content/uploads/2018/08/Catechetical-Leaders-Handbook-August-1-2018.pdf>

or by going to the Diocesan website and selecting “Education” from the top bar, then choosing “Religious Education” Box / Button and selecting “Catechetical Leader Handbook” from the “Handbooks and Forms” Box. Scroll to Section 10 - “Physical Plant and Safety”

Another good resource for developing an emergency action plan is FEMA. They have created a document to help you prepare a good emergency plan:

How to Plan for Workplace Emergencies and Evacuations (osha.gov)

### **2. Safe Environment Tasks and Record-Keeping (03/22/2021)**

The Diocese of Rockford has established an office devoted to implementing the “Safe Environment” procedures. Information regarding this office and required tasks can be found on the Diocesan website at: <https://www.rockforddiocese.org/safe-environment/>

This website details the required training and forms for all employees and volunteers serving in the Diocese of Rockford as well as other important information regarding the implementation of Safe Environment Protocols.

Please feel free contact the coordinators via the website under “Contact Us” or call the Diocesan Administration Building at 815-399-4300 x 417 if you have any questions.

### **3. Contractor Liability Insurance Certificates**

To help protect a parish from potential liability loss when utilizing contractors for projects around the parish, school, cemetery, or with an auxiliary organization, a certificate of liability insurance coverage should be obtained for every contractor providing services to the parish. These certificates of liability insurance should be issued by the contractor's insurance company, be in the amount of \$1 million or more, and name the parish, Diocese, and Bishop as additional insureds. If the contractor employs workers on the project, he should also have workman's compensation insurance and provide proof of that as well. All contractors and service providers working at the parish should have insurance and provide these certificates prior to starting work. In an emergency situation, these certificates should be obtained as soon as practical after the work begins. Since certificate expire annually, please obtain a new one each year.

### **4. Proof of Insurance for Rentals (07/19/2017)**

Whenever an event that is not directly sponsored by the parish (such as a baby shower, birthday party, or use of the premises as a polling place) occurs on parish property, the people hosting the event must have adequate liability insurance coverage and provide proof of this insurance. Groups or individuals who rent or lease other parish property must also have insurance. Like the contractor insurance certificates, these certificates of liability insurance should be issued by the renter's insurance company, be in the amount of \$1 million or more, and name the parish, Diocese, and Bishop as additional insureds. If a renter's homeowner's policy does not have adequate protection limits, additional coverage could be purchased from the renter's own insurance agent or a special event policy (TULIP) can be purchased from the Diocese. Application for this insurance is online and information about the program can be found on the Diocesan website: <http://www.rockforddiocese.org/pdfs/property-insurance/Special%20Events-TULIP-Program-Forms-2018.pdf>

Make sure that all rentals follow Diocesan facilities use policies. This policy is on the Diocesan website under "Documents/Forms" | "Property Insurance" | "Facilities Use Policy." This document is password protected so you will need to obtain the password to access the document.

### **5. Use of Volunteers (05/18/2020)**

All employees and volunteers should be encouraged to work in a safe, thoughtful manner. Proper training and appropriate skills are essential to adhere to this guideline.

Additional guidance from the Diocesan attorney is that parishes are not to use volunteers for hazardous duties. Professional contractors with proof of insurance should be hired instead.

The "Hazardous" category includes any use of a scaffold or lift. Additionally, trades such as roofing, electrical, plumbing, working with strong chemicals, etc. could be considered hazardous as well as gutter cleaning or working with dangerous equipment (power saws, etc.) Be very judicious in allowing volunteers to use ladders and make sure they are trained in safe and

appropriate use. Any ladder over 6 ft. should be considered hazardous as well as any job requiring extended time on a ladder or many trips up & down the ladder.

Our insurance would probably not accept a claim where we knowingly had allowed a volunteer perform a “hazardous” act and then the situation would become difficult. Please avoid those situations.

## **6. 15 Passenger Vans Prohibited (04/21/2020)**

Per Diocesan Memo dated May 11, 2010:

The use of and insurance for passenger vans equipped for over 10 passengers will cease on July 1, 2010. Legislation signed by Governor Pat Quinn (Public Act 96-0410) eliminates the use of passenger vans which seat over 10 passengers for interscholastic or other school sponsored non-curricular related activities takes effect on July 1, 2010.

The passage of this bill brings the state regulations into compliance with previously established Federal guidelines. We have been advised that although the reference is to public school districts, the interpretation of these laws also apply to private schools. School superintendents and principals were advised at their December 2009 meeting to eliminate any 15-passenger vans. The prohibited use of vans equipped to hold 10 or more passengers applies to ALL parishes, schools and agencies. This includes the purchase, rental or borrowing of these vans for any diocesan activity. The safety concern surrounding the use of these vehicles applies to passengers of all ages regardless of the number of seats actually installed.

An exemption for cargo vans used solely for transporting furniture, equipment or goods may be requested in writing to the Property Insurance Office.

The Insurance Institute for Highway Safety lists the following vans as 15-passenger models: This list is not all-inclusive as 11-14 passenger vans may have other make/ model numbers.

Model Years	Make and Model
1996-2009	Chevrolet Express 3500
1978-2009	Ford Econo Club E-350
1990-1996	Chevrolet Sportvan 1T
1997-2009	GMC Savana 3500
1975-1980	Dodge Maxivan B300
1990-1996	GMC Rally 1T
1981-2002	Dodge B350/3500



## **I) OTHER TOPICS**

### **1. Finance Council By-Laws and Duties**

Parish finance councils are convened and operate to serve as a required consultative body per Canon Law (#537). These councils should be operated in accordance with the By-Laws of the council. The By-Laws and duties of a parish finance council are outlined in the following document:

<https://www.rockforddiocese.org/pdfs/parish/financecouncil.pdf>

Please review this document if you have any questions regarding finance council operation.

### **2. Finance Council Meeting Minutes**

A finance council member or parish secretary should be assigned to take minutes at each meeting. Maintaining a written record of the important topics discussed and the various positions on those topics as well as all resolutions is an integral part of the finance council's consultative function. Best practice includes recording the names of members who present the ideas. A copy of these minutes should be stored at the parish office.

### **3. Segregation of Duties**

Segregation of Duties is a basic internal control process where the following financial activities have different people completing them:

- Custody of Assets (handling cash and other items of value)
- Authorization or approval of transactions affecting assets (depositing and spending cash)
- Recording or reporting on those transactions (entering into QuickBooks)

Most parishes and schools have good segregation with the authorization function, since the pastor generally has the sole authority to approve transactions, but handling of assets and recording those assets can be an area where some parishes can have a weakness since the business manager or secretary/bookkeeper generally handles both functions.

If it is not financially prudent to have different employees handle the different functions, then another option is to look at asking for volunteers (such as finance council members or other parishioners) to help with some of these tasks. If qualified volunteers cannot be found, then "compensating controls" should be established to provide a "double-check" in areas where the risks cannot be reduced.

Examples of compensating controls for a scrip/manna program include bank statement reconciliation review by an independent person, periodic verification of inventory counts (or use of two volunteers to count the inventory), and reviews of program performance against typical benchmarks. Examples for an extended care program include reviewing a report of program utilization against income, spot-checking family accounts to bank deposits, or surprise attendance checks against the sign-in log. In a school, independent verification of deposit documentation including the deposit receipt, deposit slip, income summary, cash receipt books, and PDS batch reports can help to double-check deposit information. Requiring pastor approval of tuition reductions, credits, and refunds is another good step to take to reduce risk. Sometimes the principal or parish fiscal staff could perform some steps to help improve segregation.

Sample Two Person Office:

<b>Bookkeeper</b>	<b>Pastor, Finance Council, or 2nd Person</b>
<ul style="list-style-type: none"> <li>• Record Accounts Receivable entries</li> <li>• Mail Checks</li> <li>• Write Checks</li> <li>• Record general ledger entries</li> <li>• Reconcile bank statements</li> <li>• Receive cash: Use a 3-part receipt form when money personally delivered. Consider the use of a locked box secured to the wall/floor where donors can drop their money to be deposited by the weekly money counters.</li> <li>• Disburse Petty Cash</li> <li>• Authorize check request</li> <li>• Authorize invoices for payment</li> </ul>	<ul style="list-style-type: none"> <li>• Sign Checks</li> <li>• Complete Deposit Slips</li> <li>• Perform interbank transfers</li> <li>• Reconcile Petty cash</li> <li>• Detailed review of bank reconciliations</li> <li>• Process Vendor Invoices (Mark: paid, date, sign/initial)</li> </ul>

Sample Three Person Office:

<b>Bookkeeper</b>	<b>Office Manager</b>	<b>Pastor or Finance Council</b>
<ul style="list-style-type: none"> <li>• Record AR entries</li> <li>• Reconcile petty cash</li> <li>• Write checks</li> <li>• Record general ledger entries</li> <li>• Reconcile bank accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Record AR entries</li> <li>• Reconcile petty cash</li> <li>• Write checks</li> <li>• Record general ledger entries</li> <li>• Reconcile bank accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Sign checks</li> <li>• Complete deposit slips</li> <li>• Perform interbank transfers</li> <li>• Review bank reconciliations</li> </ul>

Sample Four Person Office:

<b>Bookkeeper</b>	<b>Clerk</b>	<b>Office Manager</b>	<b>Pastor or Finance Council</b>
<ul style="list-style-type: none"> <li>• Record AR entries</li> <li>• Reconcile petty cash</li> <li>• Write Checks</li> <li>• Record General ledger entries</li> </ul>	<ul style="list-style-type: none"> <li>• Receive cash</li> <li>• Disburse petty cash</li> <li>• Authorize purchase orders</li> </ul>	<ul style="list-style-type: none"> <li>• Complete deposit slips</li> <li>• Process vendor invoices</li> </ul>	<ul style="list-style-type: none"> <li>• Sign checks</li> <li>• Perform interbank transfers</li> <li>• Review bank reconciliations</li> </ul>

<ul style="list-style-type: none"> <li>• Reconcile bank statements</li> </ul>	<ul style="list-style-type: none"> <li>• Authorize check requests</li> <li>• Mail checks</li> </ul>	<ul style="list-style-type: none"> <li>• Approve invoices for payment</li> </ul>	
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The above table was created for the Archdiocese of Miami by Verdeja & De Armas, LLP

#### 4. Finance Council Review of Bank Reconciliations (02/24/2021)

Typically, the business manager or bookkeeper receives and opens the bank statement. He/She then prepares the reconciliation without outside review. To provide a compensating control in this situation, please ask that the pastor or a member of the parish finance council review the bank account reconciliations on a monthly or quarterly basis. This process will also provide the finance council with additional information about the details of parish finances. The pastor could also open and review the bank statements before giving them to the business manager for reconciliation as an additional measure.

Checking accounts for the school or auxiliary support groups should be balanced to the bank on a monthly basis and the parish business manager/bookkeeper should review these statements in a similar manner.

#### Bank Statement Review Guidelines

\* Look at the cleared checks. Are there missing check numbers not on the “uncleared list”?

*At the beginning of the month, you should see the outstanding checks from the prior month clearing. There may be some irregularity in the numbers. At the end of the month, there should be some irregularity in the numbers because of outstanding checks.*

*If check images are provided, look at the cleared checks. Are the signatures consistent? Do you print your checks on a printer? Are there any handwritten checks? That would be unusual.*

\* Look at the vendors on the cleared checks. Do they match the vendor name on the QuickBooks Report?

*In some fraud cases, the bookkeeper sets up a phony vendor and then issues checks to the phony vendor business. Make sure you recognize every vendor name. Question the pastor or staff about vendors you do not recognize.*

*Also, check the amounts paid to this vendor. Do they seem reasonable for this type of payment? If electric bills are typically \$300 and you see a payment for \$500, inquire about the difference.*

\* Look at outstanding checks.

*Checks that have not cleared after six months should be investigated per Topic “B-2” in this guide.*

- \* Look for direct debits.

*Some frauds involve the bookkeeper making wire transfers or other direct debit transactions. Make sure any you see look reasonable and familiar – confirm with the pastor. Direct debits are generally prohibited and should be minimal to nonexistent.*

- \* Look for bank fees.

*Often a fraud will involve an unusual transaction and will trigger an unusual bank fee. Also, fraud will also cause the bank balance to be dangerously low, triggering insufficient funds charges. A dishonest bookkeeper will try to cover those up in the accounting records.*

- \* Look at the deposits

*Do you make deposits every day? Are they all there? Do the amounts look right? Is the total for the month what you expect?*

*Closely look for any outstanding deposits that have not cleared at the start of the next month. (Topic “B-3”) An outstanding deposit means that money you put into the bank has not reached the parish account yet. Outstanding deposits of more than a few days should be promptly investigated,*

Sign and Date the reconciliation sheet to indicate that you have completed the review.

## **5. Financial Report to Parishioners**

In recent years, the USCCB has been encouraging all Dioceses to strive toward greater transparency in the financial matters of the church. Parishioners generally respond well to receiving updates on the parish financial situation and feel comfortable making greater contributions, knowing how their money is spent. The Diocese of Rockford requires each parish to submit a detailed financial report to the parishioners on an annual basis (4<sup>th</sup> Synod #255). This report should include **all revenues and expenses** for each ministry that the parish has (including schools, cemeteries, etc.), but individual line items could be combined into reasonable groups to aid in presentation clarity. Smaller ministries could even be reduced to an “income” line and an “expense” line if desired. Also, please include ending balances for assets and liabilities. Information presented in these reports should be complete, accurate, and balance to Diocesan accounting records. A best practice format would include columns for last year’s actual, this year’s actual, and next year’s budget amounts.

## **6. Journal Entry Documentation**

When journal entries are made into the parish financial records, these entries should be

documented showing the accounts affected, the reasoning for the entry, and the approval from the pastor. This documentation can provide important information at a later date regarding the rationale for the entry as well as an indication that the entry was approved. Be descriptive enough to provide good information for someone who is unfamiliar with the transaction. All documentation should be retained to provide a basis for the journal entry.

## **7. Sacramental and Cemetery Record Safety**

Parish Cemetery and Sacramental record safety are of the utmost importance. These documents are subject to a variety of perils and must be protected. Even though the Diocese of Rockford has made a digital copy of these files in 2009, each parish is still responsible for the safekeeping of these important records since the entries may not all be legible on the copies and these copies are several years old. Each parish should store their original documents in a fireproof file cabinet or safe to help reduce these risks. Any fire resistant storage purchased should have a fire rating comparable to a “UL 350-1” rating or better to provide adequate protection for most fires. This storage should be installed in a location that is not subject to potential flooding or water damage.

If a parish is concerned about the cost of new fireproof cabinets (they do tend to be expensive), it could visit a used office furniture store and locate a used fireproof cabinet at potentially less cost. Another option is to locate a fireproof cabinet online such as eBay.com or Craigslist.org. Beware that these units are very heavy and that special equipment or professional movers may be needed to deliver them.

A supplemental electronic backup of this information that is stored offsite could further enhance the parish’s ability to recreate this data in the event of a catastrophe. This electronic backup copy could be a scan of the originals or a spreadsheet or database containing the pertinent information. An electronic backup recordkeeping system does not relieve the parish of dutifully maintaining its original records in sacramental books.

## **8. Pro-Synodal Reporting**

Effective June 1, 2007, Bishop Thomas Doran enacted Pro-Synodal Legislation requiring all parishes to:

1. Submit a letter to the Diocesan Bishop each year signed by the Ecclesiastical Administrator listing the names and professional titles of each member of the parish /institution’s finance council; this letter should be submitted no later than July 31<sup>st</sup>.
2. Submit a separate letter to the Diocesan Bishop listing the dates when the parish’s/institution’s finance council met in the preceding fiscal year and since the end of the fiscal year; this letter is to be submitted no later than July 31<sup>st</sup>.

3. In the same letter mentioned in number 2 above, copies of the parish's/institution's budget for the just-ended fiscal year and for the next fiscal year are to be sent to the Diocesan Bishop along with the date when these budgets were made available to those to whom they pertain.
4. In the same letter mentioned in number 2 above, a letter dated and signed by the members of the parish's/institution's finance council attesting that they have seen and discussed with the Administrator the institution's budgets for the just-ended fiscal year and for the next fiscal year is to be sent to the Diocesan Bishop.
5. The Diocesan policies currently in force which govern conflicts of interest and those who report acts of seeming mismanagement of the temporal goods and/or affairs of any Ecclesiastical institution are, by this action, made particular law for the Diocese of Rockford.
6. The monitoring of compliance with this Pro-Synodal legislation is the responsibility of the Diocese's Internal Auditor who continues to report to the Diocesan Bishop and the Vicar General/Moderator of the Curia.
7. Any Ecclesiastical Administrator found not to be in compliance with this Pro-Synodal legislation and the universal and particular law which it further specifies, will be subject to the norms of Canons 1740 and 1741, 5° of the Revised Code of Canon Law.

## **9. Permission for Projects in Excess of \$12,500 (02/06/2019)**

In January, 2004, the USCCB, in accord with Canon 1292 §1 of the Code of Canon Law, approved legislation changing the point at which administrators would need the written permission of the Diocesan Bishop or his Delegate to projects with an anticipated cost exceeding \$12,500.00. This change has been promulgated as prosynodal legislation reflected in the *Diocese of Rockford Capital Projects Procedural Manual* (Fourth Revision – 2017) available on the Diocesan website at the following link:

<http://www.rockforddiocese.org/pdfs/chancery/Capital-Projects-Procedural-Manual-2017.pdf>

or by visiting the Diocesan website and selecting “Documents and Forms” then “Chancery” and then “Capital Projects Procedural Manual.”

This manual provides guidance on Diocesan policies and required permissions that parishes, high schools, and other Diocesan organizations should follow when undertaking a project that is expected to cost in excess of \$12,500. These requirements apply to all contracts for goods or services (not just projects affecting structures) except for regular routine expenses (such as payroll, utilities, insurance, etc.)

## 10. Copyrighted Works (03/09/2020)

By: Ellen Lynch

Parishes and schools in Dioceses around the country, including our own, have received copyright infringement notices, demanding monetary damages for the unauthorized use of copyrighted images in parish bulletins, websites, school newspapers, and newsletters. The recent notices have come from Agence France-Presse or Getty Images, through their agent PicRights, Ltd. If the initial notice is disregarded, a subsequent notice comes from a law firm, often Higbee & Associates, and the amount demanded increases significantly. Do not disregard these or dismiss them as scams. Although the sums of money demanded may seem high, and their tactics appear unseemly, the infringement claims themselves may be valid.

**Copying and using a photograph or other image without permission violates copyright law,** unless one of very limited exceptions applies. This is true even when the image is found online such as through Google Images. The presence of a photograph or image online does not mean you have the right to copy or use the photo or image. Those rights belong to the photographer or publisher.

The entities making claims of copyright infringement against churches and schools have technology that finds unauthorized online uses of their images, and have been aggressively using this technology to seek financial restitution from churches, schools, and other non-profit entities that have used photos and images without their permission.

Therefore, in order to avoid exposing your parish, school, or Diocese entity or department to liability for copyright infringement, please note the following:

- Do not use in your parish bulletins, web pages, school newspapers, newsletters, PowerPoint presentations, or anything else that you may post online, any photo or image you find online, unless you have a license to do so. Do not copy photographs from Google Images or any unknown source, inasmuch as you may be exposing your organization to liability. The following link has good information on this subject: <https://transformyourparish.com/2019/01/03/image-information/>
- To obtain permission (a license) to use a photo or image or other copyrighted information such as a poem, song lyrics, music, movie, article, or excerpts from a published book, you must request permission of the copyright holder (usually the author or publisher). See these two links on the permission process, and determining who owns the rights to an image or other copyrighted information: <https://transformyourparish.com/2019/01/03/image-information/> and <https://fairuse.stanford.edu/overview/introduction/getting-permission/>. The process of finding the owner of the rights may be easy or in some cases, difficult. When you have obtained permission to use a copyrighted photo or image, get it in writing.

- To avoid the process of identifying the owner of the rights and obtain its permission, consider using a photo image from a free stock photo/image provider such as Free Images, Pexels, Unsplash or Pixabay, or through a paid service like iStockphoto or Shutterstock, but you should be sure to follow the terms and conditions allowing such use, and keep a copy of the license for your records.
- Make sure all those working on your parish, school, or other entity publications and websites is aware of these rules, including employees, volunteers, and students. You are responsible for their actions, and the parish, school, or other Diocesan entity or department can be held liable even when it did not knowingly or intentionally violate the law.
- Review your websites and your online postings by your parish, school, or other Diocesan entity or department, to identify and remove any photos and images that were used without a license, or for which you cannot confirm you have a license, including archived materials. A parish in another diocese was recently notified of infringement from its use of an image in a 2016 publication, which was recently discovered due to web searching technology. Other parishes have received notices based on archived parish bulletins. Regardless of when the photo or image was originally published, if it is online today, the infringement is occurring today.
- Although the most common claims of infringement relate to photo and images, be aware they may arise for other types of content, such as poems, excerpts from books, song lyrics, music, and movies, articles, and other intellectual property. Do not simply take and use these kinds of materials from the internet. They are the intellectual property of another, and you must have permission to use them.
- If you receive a notice of infringement, send the notice to the Diocese's legal department promptly, along with an explanation of the manner in which it was used. Do not disregard the notice. These claims do not go away, and early in the process is our best chance to negotiate a reasonable settlement that saves your parish, school, or other Diocese entity or department money.
- If you have received a notice of infringement and have not notified me, please do so.

Churches and schools around the country are rapidly becoming the target of copyright infringement claims, so please make sure you are compliant with the law. The best way to prevent an infringement claim is to avoid using any photograph, image, or other intellectual property without the clear written permission to do so, and removing from your online presence all photos and images and other intellectual property for which you do not have permission.



## 11. Priest Move Checklist (01/11/2022)

Pastor / Associate moves can be a busy time at a parish. Many moves tend to occur towards the end of a fiscal year which can increase administrative burden on a parish at an already busy time. Realize that even if your parish is not transitioning priests, the change of your area Dean could require some actions on your part.

To help smooth this process, we offer a checklist of items to consider:

- Signature cards – update priest and/or dean account signers
- Remove previous pastor from any parish credit cards or store accounts and add new one
- Receiving parish pays moving expenses (if any – Should be reasonable amount)
- Parish should not pay for departing priest to have a farewell dinner or an elaborate welcome party for new priest
- Reception with coffee & cake or donuts is OK
- Parish should NOT be involved with any “going away” or “welcome” gifts – parishioners may wish to give something on their own DIRECTLY to the priest. Checks must not be written to the church. May act as “mailbox” to accept cards dropped off (to deliver.)
- Review budget with new pastor/administrator before submitting it
- Priest salary & benefits are paid by the parish where he is on the first day of the month
- Ask for final “Business & Professional” reimbursement request before his last day at the parish
- If the move is not at the end of a fiscal year, coordinate with the priest’s previous parish to learn of your new priest’s business/professional account balance.