



# *Catholic Diocese of Sioux Falls*

## **DIOCESAN POLICIES AND GUIDELINES**

### **ESTABLISHING FINANCIAL ACCOUNTABILITY IN PARISHES**

The following requirements have been set forth for pastors in the Diocese of Sioux Falls to assist them as they seek to exercise good stewardship of financial support given to their Parish. Fulfillment of these requirements reflects the establishment and utilization of sound accounting procedures, the satisfaction of legal requirements for nonprofit corporations as set forth by the State of South Dakota, and transparent reporting mechanisms for the parish.

#### **Uniform Accounting Software**

- By previous decree of the Bishop, all parishes were to have adopted of the ParishSoft suite of accounting software as of January 1, 2016. Parishes may not use a different form of accounting software for financial recordkeeping.

#### **Consultation**

- In accord with Church law (*CIC 537*) and Diocesan policy (article V, bylaws for parish corporations), finance councils are to be established in all parishes.
  - Councils must convene for scheduled meetings **at least four times per year**.
  - Councils are to be presented with **quarterly financial reports** which shall include, but not be limited to, a **Statement of Financial Position and a Statement of Activities**.
  - Additional meetings and/or reporting when appropriate is encouraged.
- Parish finance councils, comprised of anywhere from three- to twelve-lay persons, all of whom are adult members from the parish, are responsible for (article V, bylaws for parish corporations):
  - Ensuring that an inventory of all of the parish's real and material personal property is created and updated on at least an annual basis, including a description of the property, its location, and its estimated or appraised value.
  - Ensuring the development and approval of an annual operating budget.
  - Ensuring the preparation and approval of annual financial statements and ensuring the distribution of these statements to the diocese and to the parish.
  - Ensuring that the parish has processes in place for applying all donations received in accordance with the donor's intent (restricted gifts).
  - Offering advice in acts of ordinary administration of parish goods and property.
  - Assisting the pastor with any and all additional matters brought to the council by the pastor for its consideration and advice.

(continued)



## Internal Controls

- The **Priest Remuneration Plan**, updated annually, must be upheld and adhered to at all times and in every circumstance unless documented justification is made to the parish's finance council.
  - Any expenditures for the benefit of the priest assigned to the parish that exceed the allowances set forth in the Remuneration Plan shall be the personal responsibility of the priest. Excesses shall not be paid by the parish nor the diocese; they shall be the personal responsibility of the priest.
- Reimbursements for authorized expenses may *only* be paid by a parish to a pastor/employee when **proper documentation** is submitted with a reimbursement request.
  - Proper documentation shall consist of a paid receipt from a publicly-recognized vendor, place of business, or service provider that depicts the location and date of the transaction. Reimbursements shall not be paid if proper documentation is not submitted.
    - i. Lost or missing receipts (allowed only for transactions of \$25 or less) must be accompanied with a written explanation when submitting a request for reimbursement.
    - ii. In accord with IRS regulation, receipts must have been issued within 60 days of seeking reimbursement from the parish.
- **Parish disbursements**
  - The benefit of "scrip" (the use of **gift cards** provided by places of business who are offering a school or charity financial support through their use) is well-recognized. Use of scrip can be a good form of stewardship. However, to ensure that there is good stewardship, when using parish funds to purchase gift cards:
    - i. store receipts must be submitted for parish records when a pastor/parish employee has utilized gift cards for expenditures made on behalf of the parish.
    - ii. amounts advanced in the form of gifts cards are considered due to the parish from the pastor/parish employee until unused gift cards are returned, or receipts are submitted,
  - Parish funds may not be disbursed via check to "CASH".
  - Parish funds may not be disbursed via use of a debit card.
  - Parish funds disbursed via the use of a parish credit card must be supported by properly documented receipts. Failure to submit receipts shall result in a personal liability to the priest or parish employee entrusted with use of the credit card issued to the parish.
- **Dual signers**
  - The parish finance council is to affirm by majority ballot the second signer, which is to be reviewed annually. By requiring two signatures, the parish in turn holds verification that the two signers agree that the payment is proper and reasonable based upon documentation provided by the payee. The requirement of two signatures reduces the ability for improper checks to be written. The second signer does not however hold a consenting authority over the pastor.
  - For parishes with 500 or fewer registered households, parish disbursements exceeding \$2,500 shall require the signatures of both the pastor and one lay person who is a member of the finance council but not a parish employee and who has been designated to have check-writing authority on the parish's accounts.
  - For parishes with over 500 registered households, parish disbursements exceeding \$5,000 shall require the signatures of both the pastor and one lay person who is a member of the finance council but not a parish employee and who has been designated to have check-writing authority on the parish's accounts.



- **Dual signers (*continued*)**
  - i. Recurring payroll disbursements made through EFT shall be exempt from the dual signer requirement.
  - ii. Recurring payments of the same amount that are made in accord with service agreements (utilities, e.g.) or financial support agreements (Catholic schools, e.g.) shall be exempt from the monthly dual signer agreement.
  - *Both exemptions are conditioned on the respective arrangements being reviewed annually by the parish's finance council as part of the budgeting process.*
- **The Priest Remuneration Plan**, updated annually, must be upheld and adhered to at all times and in every circumstance unless documented justification is made to the parish's finance council and with the approval of the bishop.
  - Any expenditures for the benefit of the priest assigned to the parish that exceed the allowances set forth in the Remuneration Plan shall be the personal responsibility of the priest. Excesses shall not be paid by the parish nor the diocese.

### **Third-Party Review**

- All parishes will submit to a third-party review of financial statements and the internal controls in place. The reviews are to be conducted by personnel from the Diocesan Finance Office or its designee. Reviews will be conducted every six-years or whenever there is a change in pastors, whichever occurs more frequently.
  - The Bishop of Sioux Falls or the parish's Pastor may request reviews, completed either by the Diocesan Finance Office or by a firm competent in accountancy, more frequently if they so desire.

### **Annual Reporting**

- Annual reports required by the diocese must be submitted to the chancery **before October 1**. Reports include attestations by parish finance council members of regular meetings having been held and minutes from the annual meeting of the governing board for the parish's nonprofit corporation as required by State Law. Reports also include annual financial statements, sacramental and census data, and attestations that internal controls for administration of parishes are in place. Forms for each of the reports can be found on the Diocesan webpage under its portal containing forms and policies.
  - Any pastor who fails to submit annual reports by October 1 (within three months of the June 30 fiscal year end) may have restrictions placed on his pastoral ministry, including the possibility of having his faculties for public ministry withdrawn.
- Pastors are to make an annual public disclosure of the individual or entity that he has hired or designated to complete the financial bookkeeping duties on behalf of the parish.
- Pastors, in conjunction with the parish's finance council, must make a written **annual report to the lay faithful of the parish**. The report shall include statements on the financial position and operating budget for the parish.

This policy is to be reviewed annually by the parish's Finance Council.