



DIOCESE OF JUNEAU, ALASKA

Diocese of Juneau Administrative and Finance Policies & Procedures

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INTRODUCTION

This Diocese of Juneau Administrative and Finance Policies and Procedures Manual is designed to provide guidance and assistance to those involved in the financial and administrative activities of the diocese and its parishes, missions, and school.

The policies and procedures herein are meant to provide guidance to Diocesan Chancery Business Office staff, pastors, and parish bookkeepers in their efforts to safeguard the assets of the diocese, to operate within canon law, and to abide by federal, state, and local statutes, regulations, and ordinances—all in a consistent and efficient manner throughout the diocese. The policies and procedures contained in this manual reflect common business practices for non-profit Catholic parishes and schools.

Pastors are encouraged to share and use this policy and procedures manual in conjunction with their finance councils and with their finance/administrative staff.

All entities within the Diocese of Juneau should follow a consistent methodology for the handling of administrative and financial activities. Proper care and efficient handling of parish/school finances and administrative matters help ensure that we are good stewards in the pursuit of the various ministries of the parish/school. As good stewards, we are charged with safeguarding the assets entrusted to us.

This policy and procedure manual will be kept updated and will incorporate appropriate changes proposed by users. Pastors and their staffs, therefore, are strongly encouraged to pass along suggestions pertaining to the manual to the Chancery Office Business Manager.

BUDGETING

Purpose

To assure responsible budgeting, budget monitoring, and budget transparency at all levels of the diocese.

Policy

The Diocese and its parishes and schools shall prepare an annual operations revenue and expense budget to guide the administration through the fiscal year's financial transactions.

Procedures

The fiscal year extends from July 1 through June 30. The revenue and expense budget shall be approved by the appropriate Finance Council and by the Bishop (i.e., for Chancery Office budget) or Parish Pastor (for Parish budget) by June 30 of each year. The budget will be entered into *ParishSoft* (i.e., *ConnectNow Accounting*) by the following July 31.

If possible, the Diocesan Chancery Office shall provide parishes the budgetary information needed for budget development (e.g., workers' compensation rates, insurance costs, payroll taxes, etc.) no later than May 31 previous to a new fiscal year. If not possible (because of the dependence on insurance carriers for the information), Chancery Office staff, by that date, shall inform parishes of the delay and provide guidance as to how to proceed with budget development.

Operations expense budgets shall include full provision for interest, assessments, insurance, debt obligations, and necessary capital maintenance and improvements.

Financial statements (i.e., revenue expense reports) shall be prepared and presented to the appropriate Finance Council at least quarterly.

Each parish shall close out its previous year budget by September 30th. Chancery Office staff shall be available to assist with close-out.

Each parish shall present to its parishioners an annual financial statement no later than December 30th following the end of a fiscal year.

Pastors and Diocesan and Parish Finance Councils are responsible for compliance with this policy.

Scope

Diocesan Chancery Office and all diocesan parishes and schools.

DIOCESAN FINANCE COUNCIL

Purpose

To establish guidelines for the membership and functioning of the Diocesan Finance Council.

Policy

The Diocese must have, according to the norms of canon law, a Diocesan Finance Council to assist the Bishop, who is the administrator of the temporal goods of the Diocese (c. 492). The Finance Council shall operate under the policies identified herein.

1. It shall be called the “Diocese of Juneau Finance Council.”
2. The Diocesan Finance Council is advisory and consultative to the Bishop of the Diocese.

Membership

The members of the Diocesan Finance Council shall be constituted as follows:

1. The Bishop is ex officio President of the Council. The Bishop need not preside over the Finance Council personally; he may delegate another to preside in his place. However, given his ultimate responsibility for the financial administration of the Diocese, it is advisable for the Bishop to preside himself.
2. Membership is to consist of a minimum of three members, appointed by the Bishop.
3. Members of the Diocese Finance Council are to be appointed for five years, and at the end of the five-year period can be appointed for other five year terms, with no limits to terms.
4. Members of the Diocesan Finance Council are to be of the Christian faithful, be competent in financial matters and civil law, and be of outstanding integrity.
5. Other than the Vicar General, who may serve on the Finance Council, members may not be employed by the diocese and may not have a material business or professional interest with the diocese.
6. All members are bound to observe discretion in the confidential matters they consider as members of the Diocesan Finance Council.
7. A member may be removed from the council prior to the expiration of his/her term of office only by the Bishop of the Diocese and only for grave reason.

Meetings

The Diocesan Finance Council shall meet a minimum of four times per year, preferably quarterly.

Written minutes of its meetings are to be maintained for at least 7 years in the Diocesan Chancery Office.

General Functions

It is the function of the Diocesan Finance Council to support the Bishop in the administration of the temporal goods of the Diocese as follows:

1. Oversee the annual preparation of the diocesan budget and approve the subsequent fiscal year budget before the beginning of that fiscal year (on or before June 30th).
2. Review the annual financial report and the annual diocesan audit.
3. Review accounting and internal controls policies and practices.
4. Review and approve material dispositions, acquisitions, leases, borrowings, or encumbrances of diocesan assets.
5. Review and approve material payments made by third parties (e.g. insurance companies) on behalf of the Diocese.
6. Make recommendations regarding fund raising.
7. Review periodically the revenues and expenses in light of the annual budget, balance sheets, and income statements.
8. Provide guidance regarding the handling of law suits involving significant financial resources or which may have a material effect on the diocese.
9. Select a finance officer if he or she is chosen at the time of a vacant see.

Decisions Requiring Consent of Finance Council

The following decisions of the Bishop require the consent of the Finance Council:

1. The performance of acts of extraordinary administration (c. 1277).
2. The alienation of property beyond a stipulated amount determined by the Conference of Bishops (c.1292).
3. The completion of any transaction, in addition to alienation, which could worsen the financial condition of the diocese (c. 1295).

Scope

Diocese of Juneau.

DIOCESAN PASTORAL COUNCIL

Purpose

To establish guidelines for the membership and functioning of the Diocesan Pastoral Council.

Policy

The Diocese should have, according to Canon Law 511, a Diocesan Pastoral Council to investigate, consider, and propose practical conclusions about those things which pertain to pastoral works in the diocese.

It shall be called the “Diocese of Juneau Pastoral Council.”

The Diocesan Pastoral Council is advisory and consultative to the Bishop of the Diocese.

Membership

The members of the Diocesan Finance Council shall be constituted as follows:

1. The Bishop is ex officio President of the Council. The Bishop need not preside over the Pastoral Council personally; he may delegate another to preside in his place. However, given his ultimate responsibility for the pastoral administration of the Diocese, it is advisable for the Bishop to preside himself.
2. Membership of the Council must consist of members of the Christian faithful who are in full communion with the Catholic church—clerics, members of institutes of consecrated life, and especially laity—who are determined by the Bishop. (Canon Law 512, §1)
3. Members are to be selected in such a way that they truly reflect the entire population of the diocese, with consideration given to the different areas of the diocese, social conditions and professions, and the role they have in the apostolate. (Canon Law 512, §2)
4. No one except a member of the Christian faithful outstanding in firm faith, good morals, and prudence is to be designated to the Pastoral Council. (Canon Law 512, §3)
5. The Council has no defined number of members; however, the Council should be large enough to be reflective of the diocese and yet not so large that it defeats the Council’s purpose.

Meetings

The Diocesan Pastoral Council shall meet a minimum of one time per year (Canon Law 514, §2), and preferably quarterly.

General Functions

The Diocesan Pastoral Council is to assist the Bishop in setting the direction of the diocese in various pastoral matters as well as surfacing for him areas of pastoral concern among the faithful entrusted his care. The Council is to provide the Bishop proposals and suggestions (not limited to):

1. Regarding missionary, catechetical and apostolic undertakings within the diocese;
2. Concerning the promotion of doctrinal formation and the sacramental life of the faithful;
3. Concerning pastoral activities to help priests in the various social and territorial areas of the diocese;
4. Concerning public opinion on matters pertaining to the Church.

When the see is vacant, the Pastoral Council ceases. (Canon Law 514, §2)

Scope

Diocese of Juneau.

FUNDRAISING

Purpose

To assure that the Diocese of Juneau and its parishes' fundraising activities are conducted in an ethical, fiscally responsible manner.

Policy

The Diocese of Juneau and its parishes shall conduct all fundraising activities in accordance with applicable local, state, and federal requirements. All fundraising activities must be approved by the Bishop (at the diocesan level) or the Pastor (at the parish level) prior to the activity.

In all fundraising activities, the purpose for which solicitations are being made shall be accurately described. Funds shall be expended only for the purposes for which they were solicited, with the exception of reasonable costs for administration of the fundraising activity, and accounting segregation shall be maintained for restricted funds.

Costs and benefits of each fundraising activity shall be analyzed, taking into account the reasonableness of fundraising costs in comparison to dollars raised.

The confidentiality of donors who request anonymity shall be guaranteed by ensuring that such donors' names are not published or listed in newsletters, articles, annual reports, or other publicly available documents regarding the organization.

Though not prohibited, the Diocese does not encourage or promote bingo as a means of raising funds for parishes/schools. Parishes/schools should not consider bingo as a morally neutral endeavor or a form of good stewardship. Parishes/schools may not become involved with commercial bingo operators, nor may they operate bingo off parish/school grounds. The only exception to this prohibition is if the parish/school obtains a temporary license to conduct bingo at a bazaar or festival that will take place off parish/school grounds and no commercial bingo operator is involved. Written permission from the Bishop is required in this unique situation.

Particular regard for state and local laws should be in effect when fundraising activities involve raffles and/or the dispensation of alcoholic beverages.

All persons participating in events or operations at which food will be prepared and/or served must receive instruction in proper food handling procedures to minimize the risk of contamination and possible illness.

Independent church organizations, such as the Knights of Columbus, as well as lay organizations that operate special activities for the benefit of the diocese, parish or school must carry sufficient liability insurance coverage. The Diocesan Business Manager of the Pastor must advise these organizations of the insurance requirement, and obtain from the organization a certificate of

insurance indicating the type, amount and effective dates of the insurance coverage, or a special event insurance coverage.

Such church or lay organizations also must accurately describe the purpose for which solicitations are being made, and funds must be expended only for the purposes for which they were solicited, with the exception of reasonable costs for administration of the fundraising activity, and accounting segregation shall be maintained for restricted funds.

As described in the policy regarding cash, separate accounts for church organizations may exist. Such accounts must, however, contain reference to the name of the parish to which they pertain. The Pastor must be one of the authorized signers on such accounts. All bank statements for these accounts must be mailed directly to the Pastor, who is to review them for accuracy. These accounts must be reflected on the general ledger.

Likewise, lay organizations operating special activities for the benefit of the diocese, parish, or mission may have their own separate accounts. However, those accounts shall not be in the name of the diocese, parish, or mission. It is the responsibility of the Pastor and/or the Bishop to assure that such lay organizations in no way misrepresent their association with the diocese, parish, or mission or misrepresent the purpose and use of the monies raised on behalf of the diocese, parish, or mission.

During a special event, access to cash should be strictly limited, and sufficient records maintained to account for any access to and movement of cash (e.g., transfers of revenues received to a safe during the event).

At bazaars, carnivals, festivals, and auctions it is prudent to designate specific cash handling locations at which customers can purchase tickets for use throughout the event. In such situations, each activity booth would only accept tickets in payment of the required entrance or purchase fee. This arrangement maintains reasonable accountability over cash funds, while at the same time helping to ensure the safety of those persons handling cash.

Scope

Diocesan Chancery Office and diocesan parishes and missions.

PARISH FINANCE COUNCIL

Purpose

To establish guidelines for the membership and functioning of a Parish Finance Council.

Policy

Each parish must have, according to the norms of Canon law, a Parish Finance Council to assist the Pastor who is the administrator of the temporal goods of the parish (c. 537). The Finance Council shall operate under the policies identified herein.

1. It shall be called the Parish Finance Council of "Parish Name."
2. The Parish Finance Council is to be a separate body from the Parish Pastoral Council, but work in collaboration with it and be responsible directly to the Pastor.
3. The Parish Finance Council's role is advisory and consultative to the Pastor.

Membership

The members of the Parish Finance Council should be animated by a Christian spirit and be deeply conscious of the mission of the parish to promote the works of the apostolate and of charity, especially toward the needy. The Parish Finance Council shall be constituted as follows:

1. The Pastor is ex-officio President of the Council.
2. Membership is to consist of a minimum of three and a maximum of eight including the Pastor.
3. Members of the Parish Finance Council are to be competent in financial matters and civil law. Finance Council Members shall be appointed or determined by the Pastor or recommended to the Pastor by members of the parish. Members are to serve for one, two or three year fixed and renewable and staggered terms.
4. Within three months of taking possession of the parish, a new Pastor must confirm the existing appointments in writing or make new appointments to the Parish Finance Council.
5. Members are to be drawn from the parish community. This requirement may be waived in the event of special expertise if all other conditions are met.
6. If practical, members should be listed on the parish website.
7. If a parish has a Parish Pastoral Council, one member of the Parish Finance Council should also be a member of the Parish Pastoral Council.

8. All members are bound to observe discretion in the confidential matters they consider as members of the Parish Finance Council.
9. A member may be removed from the council prior to the expiration of his/her term of office only by Pastor and only for grave reason.

Officers

The officers of the Parish Finance Council shall be a Chairperson and a Secretary.

The pastor shall appoint the Chairperson after the members have gone through a period of discernment.

The Chairperson will preside in a parliamentary manner at all meetings and, in consultation with the Pastor, will be responsible for selecting the hour and location of meetings, preparing the meeting agenda, and any other duties so assigned by the Pastor.

The Secretary will be responsible for the recording and distribution of minutes, notifying members of upcoming meetings, maintaining a permanent record of each member's tenure and of business conducted by the Parish Finance Council, and any other duties so assigned by the Chairperson.

Meetings

The Parish Finance Council shall meet a minimum of four times per year, preferably quarterly. Written minutes of its meetings, approved by attendees, are to be maintained for at least seven years in the parish office.

General Functions

It is the function of the Parish Finance Council to support the Pastor in the administration of the temporal goods of the parish as follows:

1. Review and coordinate the parish annual budget in consultation with other groups and in accordance with the goals set by the Pastor or by the Parish Pastoral Council;
2. Assist with the formulation of the annual financial report published to the Parish community (c. 1287.2), which is to include at least all assets, liabilities, revenues and expenses of the Parish;
3. Review periodically the revenues and expenses in light of the annual budget, balance sheets, and income statements;
4. Advise on how to use undesignated bequests or other unbudgeted revenue;
5. Review contracts and agreements prior to obtaining approval from the Diocese when Diocesan approval is required;

6. Encourage support and promote the annual Catholic Faith in Action appeal;
7. Inventory parish assets at least annually by documenting their existence (such as an itemized list of real and tangible personal property along with photos and videos of items on that list);
8. Assist with parish financial campaigns, drives or systems of special collections;
9. Assess the effectiveness of fund raising programs and recommend new programs or changes to existing programs if revenues are insufficient;
10. Review fund raising activities such as raffles and concession sales for acquisition of required licenses;
11. Advise in the management of parish funds and banking arrangements, including approval of a new parish bank account before it is opened;
12. Review any indebtedness of the parish and assist the Pastor to pay the interest on a loan or mortgage when it is due and to take care that the capital debt itself is paid in due time (c. 1284.5);
13. Review parish internal control procedures to assure proper procedures are being followed for cash receipts, cash disbursements, administration of bank accounts, petty cash, and payroll;
14. Review the activities of any parish auxiliary group to verify cash balances of bank accounts and to assure proper internal control procedures;
15. Evaluate compliance with diocesan administration and finance policies and procedures as set out in the Diocese of Juneau Administration and Finance Policy and Procedures Manual and assist the Pastor in maintaining compliance;
16. Assist in the planning for repair, replacement, or service of property and equipment to ensure that parish buildings and properties are adequately maintained;
17. Advise on the construction or renovation of parish facilities, the sale or purchase of parish property, and lease agreements;
18. Advise on hiring of staff providing business/financial services to the parish as well as training that might be beneficial to parish business staff; and
19. Help the Pastor establish and manage a parish endowment program.

Special Functions

The Pastor is to consult with the Parish Finance Council prior to performing the following acts of financial administration which also require either the Bishop's signature or his written approval:

1. Making any extraordinary expenditure, including capital repairs. An extraordinary expenditure is understood to be anything more than \$5,000;
2. Signing any contract related to a capital project that exceeds the financial limits of ordinary administration and/or exceeds one year;
3. Using restricted funds or restricted donations for any reason beyond that to which it was initially restricted by the donor or competent authority; and
4. Performing any act of extraordinary administration reserved to the competency of the Diocesan Bishop in accordance with the norms of canon law.

Reporting to the Diocese

Annually, preferably at the end of the fiscal year, each parish shall send a letter to the Diocesan Bishop containing:

1. The names of the members of the Parish Finance Council;
2. The dates on which the Parish Finance Council met during the fiscal year for which the report was prepared, along with the dates of all meetings since fiscal year end;
3. The date(s) on which the approved (i.e., by the Parish Finance Council) parish financial statements/budgets were made available to parishioners during the preceding fiscal year and since the end of the fiscal year. A copy of said published financial statements/budgets should be provided to the bishop; and
4. A statement signed by the Pastor and Parish Finance Council members that they have met, developed, and discussed the financial statements and budget of the parish.

Relationship to Pastoral Council

Since the Parish Finance Council relates to the administrative responsibilities of the Pastor, it should not be a part of the Parish Pastoral Council structure. However an officer from the Parish Finance Council may serve as an ex officio member of the Parish Pastoral Council.

Communication between the two councils is essential to share information regarding the parish finances in order to implement the pastoral plans and priorities.

The Finance Council is distinct from the Parish Pastoral Council in the following way: An appropriate means of communication should be developed between the Parish Finance Council and the Parish Pastoral Council and this should be done so as to ensure that the Parish Finance Council does not enter into areas of policy and mission, which are the prerogative of the Parish Pastoral Council. The Parish Finance Council advises on the adequacy of resources to accomplish the mission and specific ministries of the parish.

Scope

All diocesan parishes.

PARISH FINANCIAL ADMINISTRATION

Purpose

To establish guidelines regarding the financial administration of a parish.

Policy

The Pastor with the assistance of the Parish Finance Council, is financially responsible for the administration of parish goods. He is to exercise sound stewardship and management of the financial and physical resources entrusted to him and is bound by the parameters of canon and civil law, particularly those aspects relating to tax exempt organizations. He is to employ sound business practices in conducting all financial and administrative matters of the parish within the limits of ordinary administration. A Pastor acts invalidly if he goes beyond the limits of ordinary administration without first obtaining the written permission of the Diocesan Bishop.

Acts of Ordinary Administration

Acts of ordinary administration are defined as those acts which occur regularly in the operation, maintenance, and administration of parish property and activities. The limits of ordinary administration are determined not by universal law, but by particular law enacted by the Diocesan Bishop (c. 1281, par. 2). The following are examples of ordinary administration:

1. The collection and banking of money;
2. Employment of parish personnel and payment of their salaries and benefits following diocesan human resource policies and procedures;
3. The purchase of what is required for the day to day operations of the parish and ordinary repairs such as roof repairs that do not exceed the financial limits of the ordinary administration in one amount or series of amounts for a single purpose (\$5,000), as described in the policy “Facility Alteration, Construction, or Repair”;
4. Replacement of standard equipment, i.e. office supplies, text books, audio and visual equipment, liturgical and religious supplies, etc.;
5. Acceptance of donations which are free from any stipulation or requirement for service or advantageous preferences to be performed/granted by the parish on behalf of the donor;
6. The reparation of damages done to real estate; and
7. Execution of vendor or service contract necessary to the maintenance of the parish to the extent not limited by other policies herein.

Acts of Extraordinary Administration

Acts of extraordinary administration are defined as those acts that go beyond the limits of ordinary administration that are reserved for the competency of, and must receive the written

approval of, the Diocesan Bishop for the transfer or rights over the stable patrimony of the public juridic person or the parish from one person to another, in order to be valid. The following are examples of extraordinary administration:

1. To buy, sell, exchange, mortgage or lease real or immovable property (including mobile homes);
2. To sell, exchange, mortgage objects of art, historical documents or other movable property of great importance;
3. To accept or renounce an inheritance, bequest, legacy or foundation;
4. To borrow money, except from the Diocese of Juneau;
5. To build, raze, or rebuild in a new form a parish building or to make extraordinary repairs to such buildings;
6. To accept any gift of real property;
7. To enter as a party to a lawsuit on behalf of the parish in civil court;
8. To donate, spend or obligate the parish by contract greater than one year and/or for an amount or series of amounts for a single purpose over and above that specified as being ordinary administration for the parish (\$5,000), as described in the policy “Facility Alteration, Construction, or Repair”;
9. To establish a cemetery, columbarium, below ground crypt or new memorial garden;
10. To create or be a party to the creation of a civil corporation, partnership, trust, foundation, endowment, or other legal entity, for purposes other than personal management; and
11. To erect, establish, or close down a Catholic school, shrine, parish, mission, etc.

Cooperative Decision Making Between Pastor and Parish Finance Council

1. The Pastor, as administrator of the parish, shall coordinate the implementation of policies recommended by the Parish Finance Council and ratified by him. He shall be responsible for the day to day supervision and administration of parish life.
2. No action or decision of the Parish Finance Council can take effect until the Pastor has explicitly ratified it.

Scope

All diocesan parishes.

PARISH PASTORAL COUNCIL & PARISH SCHOOL ADVISORY COMMITTEE

Purpose

To establish guidelines for the membership and functioning of a Parish Pastoral Council and a Parish School Advisory Council.

Policy

Each parish must have, according to the norms of Canon law, a Parish Pastoral Council to provide guidance regarding the pastoral life and growth issues of the parish community (c. 536). The Pastoral Council shall operate under the policies identified herein.

1. It shall be called the Parish Pastoral Council of "Parish Name."
2. The Parish Pastoral Council is to be a separate body from the Parish Finance Council, but work in collaboration with it and be responsible directly to the Pastor.
3. The Parish Pastoral Council's role is advisory and consultative to the Pastor.

Similarly, a parish school shall establish a School Advisory Committee, and shall operate as follows:

1. It shall be called the "Parish Name" School Advisory Committee.
2. The Parish School Advisory Committee role is advisory to the Pastor and school principal.

Membership

The members of the Parish Pastoral Council should be animated by a Christian spirit and be deeply conscious of the mission of the parish to promote the works of the apostolate and of charity, especially toward the needy. The Parish Pastoral Council members must:

1. Be registered in the parish;
2. Have demonstrated a commitment to the parish community;
3. Be in full communion with the Catholic Church;
4. Commit themselves to spiritual growth;
5. Commit themselves to skill development as part of the Christian leadership process; and
6. Be willing to commit the necessary time and energy to offer effective consultation.

In addition, the Pastor may supplement the Council by appointing other members for balanced representation of the parishioners.

Purpose

The Pastoral Council is to be a representative body of the faithful, whose focus is on the whole community, uniting the whole community and pursuing the mission of the Church. The Council is convoked by the Pastor, must respond to his call and questions, offer the best consultation possible, and seek consensus when circumstances permit.

Organization

Each Pastoral Council should determine its leadership by an appropriate process. Such leadership should include a chairperson, a vice-chairperson and a recorder. Each Council should meet at least quarterly, as well as when called by the Pastor or Council leadership. Each Council is to develop its own organizational and functional guidelines. However, the Pastoral Council should consist of at least three to six members. The recorder is responsible for preparing minutes of each meeting for the Pastor or to approve and permanently file.

Role of the Pastor

The Pastor must preside at Pastoral Council meetings and participate in its activities. He, in response to the Church's call to consultation, must call the Council, seek counsel on matters affecting the life of the parish, participate in the interaction, be open and respectful to the voice of the parishioners and weigh seriously and respond appropriately to the collective wisdom or consensus of the Council. He should also insure that the membership is representative of the whole parish, assist in the formation of all members, ensure that the Council's concerns reflect the whole Church, facilitate Council members in building its own community of faith and assist in the preparation of Council agenda.

Non-acceptance of Counsel

Normally, the Pastor should not act contrary to the counsel given, especially when there is consensus. However, in matters that violate Church teaching or that are contrary to diocesan policy, the Pastor, after explanation to the Council, must withhold acceptance. In cases of non-acceptance of the counsel, for whatever reason, appeals may be made to the Diocesan Bishop or his designee for clarification, consideration or arbitration.

Parish School Advisory Committee

A parish School Advisory Committee is advisory to the Pastor or designee and the school principal. The Committee assists the two by recommending policy and by identifying and articulating the educational needs and aspirations of the school and school community. These goals become the basis for program objectives, policies, and action plans for the educational program. The Committee also assists the Pastor or designee in hiring the principal. It is important for Committee members to understand that a Committee member's assignment is to give advice and not to become involved in the day-to-day operation of the school.

The parish School Advisory Committee shall comply with the following guidelines:

1. The Advisory Committee should meet monthly during the school year.
2. The Advisory Committee should consist of between five and nine members.
3. Minutes of Advisory Committee meetings shall be taken and filed.
4. The Advisory Committee shall review and provide guidance to the Pastor and the school principal regarding the educational budget.
5. The educational budget shall be reviewed by the Parish Finance Council.
6. The Advisory Committee shall participate with the Pastor or designee in the selection of the principal.
7. The Advisory Committee shall exclude employees of the school from its membership; the school principal shall serve as an ex officio member of the Committee.

Scope

All diocesan parishes and parish schools.

CASH

Purpose

To prevent actual or apparent misappropriation of cash.

Policy

All diocesan employees and volunteers have a fiduciary responsibility to ensure that all cash received is used in a manner consistent with the diocesan, parish, or mission and/or donor restrictions.

Procedures

1. All church funds shall be deposited only in accounts that bear the entity's name. There should be no more than one general account, and where appropriate a Mass stipend account. Organizational accounts (e.g., Holy Name School) are acceptable when deemed necessary (see procedure #6).
2. All receipts shall be recorded within the church accounting system. The existence and use of bank accounts not maintained within the general ledger is expressly forbidden.
3. Bank accounts in the name of the parish or school may be established only by resolution of the Pastor. The Pastor must be a signer on all bank accounts. Anytime a change of signature(s) on the bank is required, the Pastor must sign the new card(s). There should be an alternate signatory on all accounts for emergency circumstances.
4. No checks made payable to the institution may be endorsed and converted into cash nor deposited in accounts other than church bank accounts set up in accordance with procedure #3.
5. No priest or other employee shall maintain a personal account that contains church funds or to which church funds are deposited.
6. Separate accounts for church organizations (e.g., Holy Name School) may exist. Such accounts must, however, contain reference to the name of the parish to which they pertain. The Pastor must be one of the authorized signers on such accounts. All bank statements for these accounts must be mailed directly to the Pastor, who is to review them for accuracy. These accounts must be reflected on the general ledger.
7. Personal gifts to a priest or staff member are not to be made payable to the parish but to the individual beneficiary.
8. The Pastor is to establish a Parish Finance Council. This council should review the financial status of the entity on a regular basis.

9. The Pastor, or designated staff or volunteer, is to receive unopened bank statements. He or the designated staff or volunteer should then scan the statements and the enclosed cancelled checks for unusual items prior to forwarding the statement for reconciliation.
10. When possible, bank accounts should be reconciled by someone other than the Pastor or bookkeeper, such as the secretary, or a council member. If the bookkeeper reconciles bank accounts, the reconciliation should be reviewed by the Pastor or the Finance Council.
11. All unused checks are to be safeguarded in a safe or locked cabinet.
12. The following suggestions insure proper control over a petty cash fund:
 - a. The fund should be recorded in the Petty Cash general ledger account and periodically replenished for exactly the amount of expenditures from the fund. The size of the fund should be determined by its activity, but should not exceed \$500. (See policy on Petty Cash for more detail.)
 - b. The fund should be in the sole custody of a single employee. The custodian should balance the fund at least monthly, and periodically the Pastor, or some other person so designated, should randomly audit the fund.
 - c. Disbursements from the fund should be supported by petty cash vouchers prepared in ink. All original supporting data should be attached to the voucher. Upon reimbursement of the fund, every voucher (and related supporting data) covered by the reimbursing check should be canceled in such a manner as to preclude its reuse.
 - d. The petty cash fund should be maintained on the books as a cash account.

Scope

Diocesan Chancery Office and all diocesan parishes, missions, and schools.

CASH DISBURSEMENTS

Purpose

To prevent inappropriate cash disbursements.

Policy

The following procedures are to be employed for all cash disbursements.

Procedures

1. Pre-numbered checks should be used and numerical control maintained. Unused checks must be safeguard in a safe or locked cabinet. Voided checks must be accounted for.
2. The individual who prepares the checks should not be authorized to sign the checks, and should be rotated with a replacement on a periodic basis.
3. Checks should be signed by the Pastor or his delegate; supporting documentation should be reviewed before signing.
4. When possible, checks should be mailed or distributed by someone other than the person preparing checks.
5. It is NEVER permissible to pre-sign checks. The value of adhering to this is that it provides check signers with detailed knowledge of programs and insures that at least one person is maintaining day-to-day financial control according to the approved budget. Only in unusual circumstances may the Pastor delegate the signing of checks to others. This procedure should reduce the church's exposure to embezzlement.
6. Signature stamps should not be used to sign checks.
7. The person who signs the checks should not reconcile the bank statement.
8. Budgets should be developed and approved for all accounts. Disbursements not specified in the approved budget should not be allowed without direct approval from the Pastor.
9. Each month, actual disbursements should be compared with the approved budget. Significant differences between actual and budgeted expenses should be investigated and resolved.

10. A review committee of at least two individuals should be established to determine that proper control is being exercised over cash disbursements. Checking accounts should be reviewed for accuracy or irregularities. Cancelled checks should be inspected for legitimacy of expense, and endorsement by the proper party. In addition, checks should be reviewed to insure that they were not altered.
11. Checks clearing the bank should be reviewed and any large and/or unusual amounts investigated.
12. Reasonable limits on credit cards issued in the parish's name are to be maintained. Original receipts are to be matched to the credit card statements prior to payment.
13. Debit cards are NOT to be issued, as they are difficult to monitor and provide the user access to the entire account balance.

Scope

Diocesan Chancery Office and all diocesan parishes.

FRAUD PREVENTION

Purpose

To prevent fraud within the diocese and establish policies to respond to fraud should it occur.

Policy

The Bishop has the duty to ensure that no abuses exist in the administration of Church goods within the diocese.

An environment which allows any embezzlement or fraud is not acceptable, and all criminal, civil and canonical laws will be strictly enforced and obeyed.

The principles for preventing fraud and safeguarding assets are outlined in this manual in the Internal Control Policies and Procedures section. This document in no way supersedes those requirements, but is intended to reinforce them. It will outline the steps that are to be taken in the event of suspicion of fraud or actual fraud, and communicate how fraud will be dealt with. These actions apply to priests, religious, lay employees, volunteers, parishioners, or any person suspected of fraud or embezzlement.

Procedures

Course of Action:

1. All suspected or documented fraud or embezzlement should be immediately reported to the office of the Diocesan Business Manager Office. An initial report of the incident must be documented in writing by the complainant and provided to the Business Manager. All complaints and reports of suspected embezzlement or fraud will be kept confidential, other than the timely reporting by the diocese of the suspected activity to law enforcement, in order to protect both the complainant and the suspected embezzler. The complainant will be notified of the action taken by the Diocese within 14 days.
2. The Business Manager will coordinate closely with the Pastor of the parish, as necessary, during the investigative process until final resolution.
3. The suspected embezzler should not be approached or apprehended. No personnel action shall be taken without prior consultation with legal counsel and the Business Manager.
4. The premature approach might jeopardize the gathering of necessary evidence, result in a needless lawsuit or cause physical harm to the persons involved. The clergy, religious, lay employee or volunteer, reporting the suspected activity to the diocese shall not communicate with any other priest, lay person, employee, parishioner, volunteer or Finance Council member concerning the suspected embezzlement until he/she is notified by the Business Manager. All information regarding the incident should remain confidential by the complainant, unless the complainant is contacted by law enforcement, in which case the complainant should cooperate fully.

5. Neither the pastor, Parish Finance Council nor any person at the parish level has the authority to release the suspected person from liability or agree to terms of restitution. There should be no attempt to contact law enforcement agencies or a lawyer at the parish level, or to deal with the suspected embezzler at the parish level. The Diocesan Business Manager Office will coordinate contact with appropriate law enforcement agencies on behalf of the diocese.
6. The Business Manager will consult with the proper diocesan officials and consultants to discern appropriate actions to pursue in light of canonical, civil and criminal statutes, the nature of the allegation and other significant circumstances.
7. In order to protect the innocent and secure evidence, no internal control procedures or other operating controls, or employees, should be changed until requested or instructed by the Business Manager. The parish must contact Office of Business Manager immediately upon suspicion of fraud or embezzlement. In all instances the parish shall work in conjunction with the Business Manager and the diocese to resolve the fraudulent financial situations. The matter must not be handled at the parish level in any way. The parish should not attempt to conduct its own investigation. Such an investigation could lead to erroneous information being obtained, improper allegations being leveled or the inability of the diocese to properly pursue the matter in line with canon, civil and criminal law.
8. The Diocesan Business Manager will also notify the appropriate insurers.

Fraud Response Plan:

The Bishop or his delegate and the Diocesan Business Manager, in consultation with the Diocesan Finance Council and any other consultants deemed necessary, will make the determination of how fraud and embezzlement is handled. This decision includes decisions regarding when criminal and civil authorities and insurers are to be notified. All civil, criminal and canon laws will be strictly adhered to.

General guidelines are as follows:

1. Once sufficient facts have been uncovered to determine that a fraudulent activity has occurred, the Diocesan Business Manager shall contact appropriate law enforcement authorities and insurers to report the circumstances.
2. In all instances the offender will be removed from the situation in which the fraud occurred. At the direction of the Diocesan Business Manager, administrative leave may be invoked on a temporary basis during the investigative process.
3. As a matter of justice and vigilance in preventing the creation of an environment which allows for fraud, restitution will be sought in all cases, regardless of the amount of the embezzlement, theft or fraud.

Types of Fraud

The following list includes fraud and embezzlement to be aware of and watch for. While several types are listed below, others may happen that are not included in the list.

Collusion

Two or more individuals overriding the control system can collectively perpetrate and conceal actions from detection. This could include collusion between an employee and a vendor or customer, or another employee.

Lapping

This is one of the most common types of fraud. It is the postponement of entries for the collection of receivables to conceal a cash shortage. The fraud is perpetrated by a person who records cash in the cash receipts journal and the accounts receivable journal. The employee defers the recording of the cash receipts from one source and covers the shortage with receipts from another source.

Theft

Theft is the diversion of cash, checks or other assets before they are recorded by the accounting system of the parish or school. It can take the form of removing cash from the collections basket or mail, taking cash or goods donated to the parish or school or diverting checks to another bank account.

Forgery

Occurs when a person passes a false or worthless instrument, such as a check, with the intent to defraud or injure the recipient.

Accounts Payable

An employee may create payments to false vendors or create phony addresses to which payments are sent. Invoices could also be overpaid, with the refunds pocketed by the employee.

Payroll Ghosts

Another common form of fraud is to create false employees. Paychecks are then issued to the false employee and diverted into a bank account. Unauthorized pay charges and not recording vacations taken are other frequent forms of fraud.

Kickbacks

An employee may take bribes or kickbacks from suppliers or vendors. This is more difficult to document because they are usually in cash.

Supplies or Inventory Embezzlement

An employee may purchase, with the parish or school's funds, supplies or equipment for personal use. Inventory or supplies may also be stolen from the parish or school.

Other Types of Fraud or Embezzlement

Individuals may come up with other methods of fraud or embezzlement. These include inflating personal expense reimbursement amounts, using the parish gross receipts tax exemption for personal purchases, stealing stamps or other office supplies, falsifying time cards, misappropriating petty cash, or other theft.

Scope

Diocesan Chancery Office and all diocesan parishes.

INTERNAL CONTROLS

Purpose

To reduce possibility of theft and/or loss of assets, to ensure compliance with laws and regulations, and to provide timely and accurate information via financial statements.

Policy

All diocesan employees and volunteers have a fiduciary responsibility to ensure that the available resources are used in a manner consistent with the diocesan, parish, or mission and/or donor restrictions.

Procedures

Although the size and type of a parish or mission affect internal controls, basic controls are always relevant. The Diocese Chancery Office, parishes, and missions are to implement as many of the following basic internal controls as possible.

Cash

- Control the opening of mail, preferably using two people.
- Restrictively endorse checks when received.
- Prepare a daily list of cash receipts when mail is opened.
- Compare daily list to bank deposit.
- Deposit funds as soon as possible.
- Reconcile cash receipts with cash deposited by a person not involved with cash receipts.
- Separate the handling of cash from the processing and recording of receipts.
- Require documentation so as to monitor conditional pledges to donate; record the unconditional pledges to donate in the general ledger.
- Require documentation of non-cash contributions for determination of proper accounting.
- Require approval and support for adjustments, write-offs, or other items reducing contributions, promises to give, and accounts receivable.
- Resolve complaints from donors, using a person not involved in the cash receipts function.
- Train and supervise volunteers who assist in the cash receipts function.

Church Offerings

- Implement clear procedures to be followed from the time the money is put in the offering plate until the money is deposited in the bank. These procedures are to be used to train all people involved in the collection process.
- Whenever possible follow the principle of at least two: A minimum of two unrelated people should collect and count offerings. Count teams should be rotated on a regular basis, and the teams should not include the same two people each time.
- Encourage the use of electronic offering, and offering envelopes. Envelopes provide a paper trail for cash receipts and provide another way to avoid possible embezzlement.
- Count the offerings as soon as possible; safely secure before and after the count.

- Use a secure area for counting. Count team members should not bring coats, purses, or briefcases into the count room.
- Have counters complete offering count sheets in ink, sign and date.
- Use a restrictive endorsement for checks ("For Deposit Only Account number").
- Verify amounts indicated on offering envelopes with the envelope contents. Any variance should be noted on the envelope.
- Properly identify restricted funds; note on the envelope & the count sheet.
- Place offerings in a secure location while stored in the church. This may be accomplished by using a safe or by placing offerings in locked bags.
- Segregation of duties is important. Someone other than the count team should record offerings on parishioners' statements. Offering count sheets should be reconciled regularly with deposits by someone other than the person who deposits the offering. The same person is not to handle all of the following aspects of a cash transaction:
 - Receiving the cash
 - Processing the deposit
 - Recording the transaction
 - Reconciling the bank statement

Disbursements

Internal controls should ensure that disbursements are made only upon proper authorization, for valid business purposes, and that all disbursements are properly recorded.

Segregation of duties regarding expenditures is similar to that for cash receipts. This generally means the same person does not handle all of the following aspects of a transaction:

- Authorization
- Processing
- Check signing
- Recording
- Bank reconciliation

Payroll

Internal controls should help ensure that payroll payments are made to the proper employees for services actually rendered, at approved rates of pay, with all required deductions for payroll taxes being made. All other deductions should be properly authorized by the employee in writing, including 403(b), health insurance, etc. Withheld items should be remitted to the proper governmental or other entity on a timely basis.

There are four functions accomplished through the payroll cycle:

- *Personnel administration.* Includes interviewing, reference checking and hiring, along with processing personnel and wage records. A copy of the employee's driver's license and background check are to be maintained on file.
- *Timekeeping and payroll preparation.* Includes preparation of time sheets, payroll records, checks and summarization and calculation of payroll.
- *Payment of payroll.* Includes signing and distribution of the checks. The authorization for signing checks should be limited to a responsible employee who does not prepare the payroll, preferably the Diocesan Business Manager.
- *Preparation of payroll tax returns and payment of taxes.* The careful and timely preparation of all payroll tax returns and the payment of taxes are necessary to avoid penalties and criminal charges.

Fraud

Fraud can be defined as the act of deceiving or misrepresenting. Management is responsible for establishing and maintaining effective internal controls to prevent fraud. Some of the common internal controls that could detect fraud or prevent it from occurring include the following:

- Adequate segregation of duties.
- Administrator to receive the unopened bank statements for review.
- Timely review and comparison of contributions to budget.
- Timely review of expenditures by management or board member.
- A control environment that advocates strong internal controls.
- Volunteer training.

Scope

Diocesan Chancery Office and all diocesan parishes and missions.

PARISH BANK CARDS

Purpose

To establish guidelines for the use of bank cards in parishes.

Policy

Use of debit cards is not permitted under any circumstances.

All credit cards are to be authorized and approved by the Pastor. Upon issuance of a card, the card holder (user) agrees to the following:

1. The card is for parish business only and cannot be used for other purposes (including personal expenses).
2. Cardholder is to protect and safeguard from unauthorized use.
3. Detailed original invoices and receipts are to be provided as support for all credit card purchases. Details include: date, item description, unit and total cost, business purpose with attendee names, and any other source of information to support expenditure.
4. Purchases over an amount to be determined by the Pastor require prior approval from the Pastor/Administrator.
5. Monthly spending dollar limit as determined by the Pastor.
6. Any misuse of the credit card may result in revocation of card privileges or disciplinary action, up to and including termination of employment.
7. In the event of lost or stolen credit card, it is the user's responsibility to call and cancel the card immediately and contact the Parish or Finance Manager/Bookkeeper.
8. Upon termination or leave of absence, all credit cards are to be surrendered immediately to the Pastor or Finance Manager/Bookkeeper who will acknowledge the card was returned. Cancellation date is to be effective on discharge date.

Scope

All diocesan parishes.

PARISH CHECKING ACCOUNTS

Purpose

To establish guidelines for establishing and maintaining parish operating checking accounts.

Policy

Each parish shall maintain only one operating checking account through which all the financial transactions of the parish and parish organizations shall pass.

Procedures

The parish operating checking account shall be established and maintained with the Pastor as the primary authorized signatory. The Bishop must also be a signatory on the account. There may be one additional authorized signer on the account; that signer must be a member of the Parish Finance Council and will sign only when a second signature is required.

The parish operating checking account shall be established in the name of the parish and maintained as an interest earning checking account whenever advantageous to enable unused funds to produce additional income through interest earned while at the same time being readily available for disbursement.

No other checking accounts shall be established in the Parish's name by other parish/Church-related entities (e.g., Knights of Columbus).

Any single check of \$5,000 or more shall require the signature of the Bishop of the Diocese. Checks sent to the Diocese of Juneau are excluded from this requirement and require only one authorized signature. Facsimile signatures are prohibited.

No signatures stamps are permitted.

Checking accounts are to be reconciled on a monthly basis in a timely manner and detailed reconciliation reports are to be retained and filed along with bank statements. The Pastor/Parish Administrator is to receive the bank statements unopened and is to review it before providing to the bookkeeper to be reconciled. The actual reconciliation is to be compared with the financial statements by the Parish Finance Council at least annually. Check images are to be received from the bank on a monthly basis. On a periodic basis, check endorsements are to be reviewed for appropriateness.

At the end of the fiscal year, financial and accounting records such as check stubs, paid and canceled checks, voided checks, bank statements, books of account, bills, invoices, etc. of the parish shall be maintained in the parish office for permanent safekeeping for a period of no less than seven years.

Scope

All diocesan parishes.

PARISH COLLECTION CONTROLS/OTHER CASH RECEIPTS

Purpose

To assure adequate collection controls and handling of cash receipts within each parish.

Policy

Every parish must maintain collection control and cash receipts procedures that, at a minimum, meet the threshold of what is described below.

Procedures

Physical control

1. Each parish should own a safe. Collections and all cash should be stored in the safe. The safe must be kept locked at all times (even during parish business hours).
2. Deposits should be made on a regular basis. Accumulations of cash and checks totaling \$1,000 or more should not remain in the parish safe for a time period longer than 48 hours.
3. If possible, parishes should make arrangements for evening and Sunday deposits.
4. Church money must never be taken home by anyone unless in a sealed, secure, tamper proof pouch/bag, and only when necessary for transport to another location.

Money counting

1. Ideally, each parish should have three teams of money counters (consisting of at least two members per team), appointed by the Pastor. If three teams cannot be formed, there must be at least two. There should be at least two members per team. Members of teams must also be shuffled on a periodic basis. The members of each team should be unrelated.
2. Cash counting procedures should be in writing and furnished to each member of the counting team.
3. All checks received should be immediately endorsed to the appropriate account. A self-inking endorsement stamp is recommended for this purpose.
4. A tape of the cash and checks to be deposited, along with the deposit, should be prepared by one of the individuals. A tape of the receipts of envelopes, along with a summary of totals by account classification should be prepared by a second individual. The totals should then be compared to verify that the amounts are the same. All members of the money counting team should sign the collection summary tape to verify the amount of the collections.
5. The recap of the receipts or envelopes along with the tape should then be forwarded to the bookkeeper for entry into the books of record. The deposit slip and second tape

should accompany the cash and checks and be deposited intact the day of collection by the team of money counters.

6. A comparison of the total of the receipts to the deposit slip must be done by the bookkeeper.
7. Cash withdrawal from the deposits must not be allowed.
8. If second collections are held, the funds are to be segregated in a separate tamper proof bag. Second collections should be sent to the Diocese within 20 days.
9. Collection records should be compared from week to week and with the same week of the previous year.
10. A yearly “giving” statement should be distributed to all parishioners no later than January 31st.

Questions to be addressed by each parish

1. After each mass what arrangements are made for securing the collection?
2. Where is the collection stored after each mass?
3. Is the general collection kept separate from special collections and recorded separately?
4. Are the collections from each mass kept separate and recorded separately?
5. Who is responsible for transporting the collection to the area where is counted?
6. When is it transported to the area where it is counted?
7. Where is it taken to be counted?
8. Is the collection stored in a safe until it is counted and taken to the bank?
9. How long is the collection stored before it is counted?
10. What are the names of the members of the collection counting team/s?
11. How are second collections taken? What is the frequency of second collections?

All Other Cash Receipts

1. All other cash receipts should be deposited as soon as reasonably possible to reduce the risks associated with holding cash and checks on site.

2. The Pastor should determine a limit for cash and checks on hand that should not be exceeded. For example, a deposit might be required when cash and checks on hand exceed \$1,000.
3. All receipts (cash and checks) should be maintained in a locked file or safe until deposited. Only the Pastor (or delegated agent) should have a key or combination to this safe.
4. All Diocesan and national collections should be remitted to the Chancery Office within 20 days following collection in order to expedite the distribution of funds to the specified charities.
5. Mail should be opened by someone other than the person responsible for cash receipts. Checks received should be listed before being turned over to the person responsible for deposit.
6. Banks should be instructed in writing not to cash checks made payable to the Parish or and not to accept them for deposit in accounts other than the designated depository account.

Scope

All diocesan parishes.

PARISH INCOME

Purpose

To clarify the definition of and the handling of parish income.

Policy

All donations received by the parish are considered parish income.

Procedures

1. The parish shall maintain on a calendar year basis a detailed list of contributions made by each parishioner. A detailed statement of annual contributions shall be made available to each contributing parishioner at the end of the year, no later than January 31st.
2. Bequests and donations are to be received by the parish free of any stipulations or requirements for any service or advantageous preferences to be performed or granted by the parish in behalf of the donor.
3. Offertory collections, bequests or donations in the form of stock certificates, bonds, and real estate are treated as follows:
 - a. Stock certificates or bonds shall be received, registered or endorsed in the parish name. The Chancery Office Business Office shall be informed of the bequest or donation and shall provide guidance regarding maintaining or liquidating the stock certificate or bond.
 - b. Any donation of real property or an interest therein requires the written approval of the Bishop prior to acceptance of the gift. Real Property shall be received and registered for the parish in the name of "Most Reverend Edward J. Burns, Bishop of the Diocese of Juneau, a corporation sole, and his successors in office." These donations shall be recorded as non-cash offertory collections at the time of sale using the fair market value of the said real property.
4. All national and Diocesan collections are to be segregated from weekly and Holy Day collections and remitted to the Diocesan Chancery Office within 20 days following the date on which the collection is taken.

Scope

All diocesan parishes.

PETTY CASH FUND

Purpose

To provide guidance on the establishment and maintenance of a petty cash fund in the Chancery Office, parishes and schools.

Policy

To the extent possible, all parish expenditures should be paid with a check. A petty cash fund is discouraged, but can be set-up with no more than \$500 to be used for expenditures that are \$50 or less. Basically, the petty cash fund should only be used for situations where an immediate payment is essential. This fund is never to be used for major expenses or payments that are consistently a part of parish/school/department operations.

Procedures

1. Petty cash is set-up by writing a check payable to the custodian of the fund. The check must be prepared payable to the custodian with the notation for petty cash.
2. Petty cash is a balance sheet item and the amount of the fund must appear on the balance sheet.
3. The fund is an imprest fund, which means that the total of the cash and the receipts is always the same amount.
4. One person should be in charge of the petty cash fund and named as the custodian.
5. The custodian must maintain the petty cash in a locked cabinet, desk or safe where the custodian is the only one with access.
6. Persons having approval for withdrawal from the fund should be so designated by the Pastor or Principal.
7. The maximum of expenses covered by the fund should be specific (i.e., \$50). Expenses in excess of that amount should be handled through the issuance of a check.
8. The use of petty cash vouchers provides the best support and monitoring of fund use. Numbering, dating, describing expenses, listing amount and signing the voucher ensures the safeguarding of proper petty cash use. Receipts are to be attached to vouchers.

9. All replenishment and receipt maintenance is the sole responsibility of the custodian.
 - a. Replenishment of petty cash must be supported with proper petty cash vouchers supporting the receipts.
 - b. The replenishment check must equal the vouchers/receipts.
 - c. The check should be coded to the expense accounts as determined by the supporting vouchers and receipts.
 - d. The replenishment check is to be made payable to the custodian of the fund with the fund designation denoted on the face of the check (e.g., Jane Doe-Petty Cash Fund).

10. The Pastor, Principal, or someone independent of the fund should periodically review the petty cash fund (at least quarterly) to ensure it is being properly administered. Initials and dates are recommended to indicate when review has been conducted and by whom.

Scope

Diocesan Chancery Office, all diocesan parishes and schools.

PURCHASING

Purpose

To insure that purchases are properly authorized and that goods were received or services performed prior to paying on an invoice or a request for reimbursement.

Policy

The Diocesan Chancery Office and all diocesan parishes and schools shall establish procedures for the purchasing of, and payment for, goods and services. Procedures shall include the establishment of dollar limits for purchases by individual employees that require pre-approval.

Procedures

For the Diocesan Chancery Office, all purchases of more than \$500 must be pre-approved by the Bishop, Business Manager, or the Bishop's Executive Secretary on a *Request to Purchase Supplies & Services* form. This form also shall be used for reimbursement to employees for purchases made and paid for by an employee.

In each parish the Pastor shall establish a limit on purchases for individual employees. In consultation with the Parish Finance Council, the Pastor also shall set a limit on his own purchasing authority that will require consultation with the Parish Finance Council prior to "extraordinary" non-budgeted items. It is suggested that the Pastor's limit for non-budgeted items not exceed \$1,000; however, the actual limit may vary from parish to parish, as agreed upon by the Pastor and the Parish Finance Council.

In no instance may a Pastor make a purchase of more than \$5,000 without the Bishop's written approval.

All payments on purchases, including employee requests for reimbursement, require an invoice, receipts, or other evidence of purchase. Invoices shall be reviewed for terms and prices before being approved for payment. At the diocesan level, the Bishop, Business Manager, or the Bishop's Executive Secretary must approve in writing such payments. At the parish level the Pastor/Parish Administrator or his designee(s) must approve in writing payment for all purchases and reimbursements. In all instances, the approval authority must be assured that the goods invoiced were received or the services performed.

Invoices and requests for reimbursements must be filed and maintained in accordance with the diocesan record retention policy.

Scope

Diocesan Chancery Office and all diocesan parishes and schools.

CAPITAL ASSETS

Purpose

To assure that the diocese, parish, and schools will have the necessary information on the value of land, buildings and renovations along with major furniture and equipment in order to facilitate decision making regarding the administration of resources and insurance coverage.

Policy

All capital acquisitions must be recorded on the books as an asset. A capital asset is defined as any item purchased or any improvement made which costs more than \$1,000 and is expected to be used in the parish/school more than three years. Both criteria must be met in order to classify something as a capital asset.

Parish buildings and lands should be recorded on parish balance sheets, recorded at cost. (Please see Depreciation Policy regarding depreciation.)

Procedures

The documentation of all capital assets shall be maintained on a permanent basis. Once the asset is disposed of, the original purchase documentation may be pulled and combined with the disposal documentation and maintained with the current year's general ledger activity files, which are to be kept for seven years.

Scope

Diocesan Chancery Office and all diocesan parishes and schools.

DEPRECIATION

Purpose

To assure that diocesan/parish/school capital assets are appropriately depreciated.

Policy

The diocese and its parishes and schools shall record depreciation on capital assets.

Procedures

Capital assets are assets that are long-term in nature, thus benefiting the organization over a period of time. A purchase or improvement will be considered a capital asset if the item purchased cost more than \$1,000 and is expected to be useful to the organization for more than one year. If a purchase does not meet both criteria, the purchase should be recorded as an expense for the current year.

Capital assets should be recorded at cost (except assets owned but not currently recorded which will be explained later). This record shall detail the name of the item(s) purchased, a short description of the item(s), the vendor, the date of purchase, the cost of the purchase and any related depreciation.

Renovations versus Ordinary Repairs

The cost of major renovations to church facilities should be recorded as a capital asset if the renovation costs exceed \$1,000 and is expected to be useful for more than one year. Conversely, ordinary repairs are expenditures that meet one of the following criteria: The cost of repairs is less than \$1,000 or they will last less than one year. Ordinary repairs should be recorded as an expense in the current year.

Recording Unrecorded Assets

Parishes may own property that has not been recorded as a capital asset. These unrecorded assets are normally land, buildings and improvements. These assets are to be recorded at their current replacement.

Recording Donated Capital Assets

Donated capital assets should be recorded using an estimate of their fair market value at the time they are donated should a reliable cost amount not be available.

Depreciation

Depreciation is the means of recognizing, within financial records, the loss in value of capital assets over time. This loss in value is treated as a cost to the diocese/parish/school over the years that the asset is in service.

Assets are typically assigned an estimated useful life, or amount of time that the asset will continue to be useful and productive. The total cost of the asset is then depreciated evenly over the determined longevity of the asset.

The main reason for capitalizing assets (rather than expensing them) is to spread the actual cost of the asset over its useful life rather than expensing the entire amount in one fiscal year as well as a means of tracking of the remaining usefulness of diocesan/parish/school assets. re.

Depreciation Guidelines

The following are estimates for the useful lives of various assets. These estimates are guidelines that should be adjusted when more accurate information is available.

- Small Office Equipment 3 to 5 years
- Vehicles 5 to 7 years
- Building Renovations 10 to 30 years
- Buildings 30 years

Depreciation Methods

There are a wide variety of depreciation methods. The “Straight-Line” method is appropriate for diocesan/parish/school assets.

Scope

Diocesan Chancery Office and all diocesan parishes and schools.

FACILITY ALTERATION, CONSTRUCTION, OR REPAIR

Purpose

To provide guidelines to parishes regarding facility alteration, construction or repair.

Policy

The following requirements will be considered policy:

1. Any parish or agency contemplating a facility, alteration, or construction project that exceeds \$5,000, requires a building permit, involves the worship space, or is done under several contracts, must submit a written proposal to the Bishop that includes the following:
 - a. Needs assessment
 - b. Non-technical drawings
 - c. Financing proposal
2. Prior to starting a building fund pledge drive; the parish or agency must obtain written approval from the Bishop.
3. Prior to approval to proceed with the building project, proposed financing must be approved which includes but is not limited to the following:
 - a. 50% of the project cost must be in hand.
 - b. The remaining 50% of the cost must be covered by a sound source of funding.
 - c. If the remaining 50% is a pledge drive, the pledge drive must cover the entire 50% with solid pledges.
 - d. If any portion of the above financing includes donated material or volunteer labor, an itemized listing must be provided.
 - e. If volunteer labor is to be used, a description of how supervision will be implemented must be provided.

4. Final architectural design, review for new construction, and remodel projects must be approved in writing by the Bishop or his designee.
 - a. The guideline in the "Art, Architecture and Worship, Built of Living Stones" is to be followed for both new construction and renovation of worship spaces.
 - b. The Bishop must approve construction or purchase of primary items used in the worship space (altar, ambo, font, tabernacle, etc.).
 - c. Each parish and most agencies are not legal entities; all contracts (including design contracts) must be signed by the Bishop or his designee in order to be legally binding. Pastors are authorized to sign contracts up to \$5,000.
5. Certificate of Insurance for liability coverage must be provided by all contractors performing work with a value in excess of \$10,000 on property owned by the Diocese.
6. The contractor must provide a "Schedule of Payments" for projects over \$10,000.
7. A project manager must be retained for projects over \$10,000 and be approved by the Bishop or his designee.
8. Payments to a contractor must not be made without a progress/work review and approval by the project manager.
9. The Bishop or his designee in writing must approve payments outside the parameters of the "Schedule of Payments."
10. Project modifications must be reviewed by the project manager and approved by the Bishop or his designee.
11. A final inspection of the project with the appropriate "punch list" must be completed by the project manager and reviewed by the Bishop or his designee. Note: A "punch list" is a list of items identified before the final walkthrough with the contractor and project manager, which do not meet, contract specifications or are not complete.

12. Final payment of the "Schedule of Payments" must not be made until the following conditions have been met:

- a. All punch list items are complete or negotiated;
- b. The final city/borough building inspection is complete;
- c. Verification that all claims by all sub-contractors have been satisfied; and
- d. The Bishop or his designee has given written approval.

13. Occupancy and/or use of the project location must not take place until all the above conditions have been met.

Facility Repair

Facility repairs fall into the three categories of Major Repairs, Minor Repairs, and Emergency Repairs.

Major Facility Repair

For major facility repairs the same guidelines as those outlined for alteration and construction apply. The criteria for identifying major repairs are as follows:

- Exceeds \$5,000;
- requires a building permit;
- involves the worship space; or
- is done under several contracts.

Minor Facility Repair

For minor facility repairs (repairs less than \$5,000) Pastors are authorized to sign contracts up to \$5,000. Where insurance issues are involved the Chancery Business Office must be contacted.

Emergency Facility Repair

Emergency repairs can fall into either the major category or minor category. When additional damage may occur or where safety issues are involved immediate action to expedite repairs must be taken regardless of its major or minor status. Here also it's important to contact the Chancery Business Office for insurance issues, granting possibilities and legal ramifications.

When considering a new facility, facility repair, or facility alteration all elements of the project must be considered in the total cost estimate not just the construction cost. Below is a list of most of the major items for which various fees and expenses may apply and must be considered.

This list is not all-inclusive and will be updated at additional items are identified.

| | |
|------------------------|-----------------------|
| Architect & Design | Liturgical Consultant |
| Fund Raiser Consultant | Fund Raising Expense |
| Acoustical Consultant | Long Term Loan Fee |

| | |
|-----------------------|----------------------------|
| Appraisal Fee | Survey Fee |
| Construction Loan Fee | Construction Loan Interest |
| Pews & Chairs | Altar |
| Baptismal Font | Ambo |
| Landscaping | Parking Lot Paving |

Scope

Diocesan Chancery Office and all diocesan parishes.

FACILITY USE/INDEMNIFICATION

Purpose

To ensure proper liability coverage and indemnity for use of Diocese of Juneau properties and facilities, including its parishes, missions, and schools, when used by organizations not affiliated with, or sponsored by, the diocese or its parishes or missions.

Policy

In all instances of a diocese, parish, mission, or school facility being used by an organization not affiliated with, or sponsored by, either of the three, the organization must assume liability for use of the facility.

Procedures

For facilities owned or leased by the diocese, parish, mission, or school, the Pastor or designee (at the parish level) or the Diocesan Business Manager (at the diocesan level) must require the organization using the facility to either

1. sign and date a *Facility Usage/Indemnity Agreement*, which requires evidence of liability coverage of not less than one million dollars; or
2. submit a request for special event coverage.

Any questions or problems with submission of the request should be directed to the Diocesan Business Manager.

If at the parish level the organization chooses (1) above, the Pastor or his designee is responsible for submitting the signed *Facility Usage/Indemnity Agreement* and the evidence of liability coverage to the Diocesan Business Manager at least seven calendar days before use of the facility.

If at the parish level the organization chooses (2) above, the Pastor or his designee is responsible for verifying that the organization has submitted a request for the special event coverage along with payment at least 15 days ahead of the event. Proof of insurance should be provided to the Pastor.

In order to determine if an organization qualifies as "affiliated with" or "sponsored by" the diocese, parish, mission, or school, the following guidance should be followed:

- Any group or organization that provides services or is responding to the call of the Gospel of Jesus Christ is included as a parish sponsored or affiliated group, (e.g., Knights of Columbus, Catholic Daughters of America, Prayer Groups, ACTS, Altar Societies, Parish Guilds, Alcoholics Anonymous, etc);
- Any organization/group defined above is considered to be following the call of the Gospel of Jesus Christ when conducting its meetings in our facilities; and
- Any activity sponsored or conducted by such groups for the immediate social benefit of the parish/group/organization is also included, (i.e., pancake breakfasts, coffee and donuts, potluck, holiday celebrations).

Fund raising activities conducted by any of these organizations/groups where the obvious purpose is to support other activities either within or without of the parish are also included.

Exceptions

Ideally, individuals using parish premises for activities that are neither parish sponsored nor affiliated, should be providing the parish with a certificate of insurance naming the parish and the Diocese as an additional insured or purchase special event coverage. However, in certain instances when groups or individuals do not have insurance, the *Adult Hold Harmless/Indemnity Agreement* can be used. The *Adult Hold Harmless/Indemnity Agreement* has not been designed to be a replacement for insurance, but has been developed only for certain situations. Specifically, the *Adult Hold Harmless/Indemnity Agreement* may be used for the following situations that are often encountered by parishes:

1. *Craft Fairs*: Considering that a parish craft fair usually involves a large number of craft vendors it is impossible to obtain a certificate of insurance from each vendor. Instead, an *Adult Hold Harmless/Indemnity Agreement* should be distributed with the craft vendors' registration material for the vendor to sign. A craft vendor who does not sign an *Adult Hold Harmless/Indemnity Agreement* should not be allowed to participate in your parish's craft fair.

2. *Other Small Groups*: In rare instances, the *Adult Hold Harmless/Indemnity Agreement* can be used for very small groups that do not have liability insurance. In these cases an *Adult Hold Harmless/Indemnity Agreement* must be obtained from each individual of each group who utilizes parish facilities. When dealing with large groups, it is not feasible to have each group member sign an agreement. Considering this, large groups must sign the *Facility Usage/Indemnity Agreement*, which requires insurance.

The *Adult Hold Harmless/Indemnity Agreement* is a legal contract between your parish and the individual who signs the agreement. The agreement will effectively bar the signer of the agreement from making a claim against the parish. Please note that the *Adult Hold Harmless/Indemnity Agreement* is only valid when the signer is at least 18 years of age. The parish should not alter the agreement in any way as an alteration could result in nullifying the legality of the agreement. Original copies of signed *Adult Hold Harmless/Indemnity Agreements* should be kept in parish files for at least two years. Injuries and accidents are often not promptly reported necessitating the need for original copies to be maintained.

All questions regarding facility usage, indemnity, insurance coverage for use of diocesan/parish/mission facilities should be directed to the Diocesan Business Manager.

Scope

Diocesan Chancery Office and all diocesan parishes, missions, and schools.

REAL ESTATE

Purpose

To assure the orderly and legal purchase and sale of parish real estate.

Policy

Only the Bishop can enter into an agreement to buy, sell, lease, mortgage, or encumber real property. All real estate matters are to be directed to the Chancery Business Office.

As the corporate sole, the Bishop of the Diocese of Juneau holds title to all real property of the Diocese in its parishes, missions, and schools under both civil and canon law. He is empowered to receive and hold title to real property, administer all property, and to dispose of all property of each and every entity of the Diocese of Juneau. Deeds for all real property must be in the name of the "Most Reverend Edward J. Burns, Bishop of the Diocese of Juneau, His successors in office, Corporation of the Catholic Bishop of Juneau, a corporation sole."

Procedures

Sale of Real Estate or Interest Therein

The following requirements shall be followed when the parish sells real estate:

1. After the discussion to sell parish property is made at the parish level, permission of the Bishop is required and must be arranged through the Diocesan Chancery Office;
2. The Diocesan Business Manager will arrange all aspects of the real estate transaction;
3. The deed or land contract must be submitted in triplicate to the Diocesan Chancery Office for review and signature by the Bishop;
4. The Diocese will arrange for title commitment;
5. The deed is given to the buyer upon receipt of a certified check or a wired transfer of funds to the Diocesan checking account;
6. The parish is to expect to pay what are generally regarded as seller's expenses including documentary stamps, costs of title insurance and broker's commissions. (5% is commonly accepted as broker's commissions for the church.)

7. Following the closing, the Chancery Office is to promptly receive the following:
 - a. Closing Statement signed by all parties;
 - b. Copy of recorded deed to purchaser (showing purchaser's address); and
 - c. Original Promissory Note and recorded mortgage, if not a cash transaction.

Purchase of Real Estate

The following policies shall be followed when the parish purchases real estate:

1. After the decision to purchase property is made at the parish level, the permission of the Bishop is required and may be arranged through the Diocesan Chancery Office.
2. Seller is to furnish a survey, at seller's expense, or pay for the recertification of an existing survey to reveal any possible changes or encroachments on the land. Seller is to also furnish an updated abstract or a title policy from an insurance company acceptable to the Diocesan attorney and realtor.
3. Broker's fees for both the selling and purchasing broker are to be the responsibility of the seller.
4. Prepare an Offer to Purchase for the signature of the Bishop.
5. Have an attorney examine the abstract or title policy and give a written opinion that the seller can give good marketable title, free of encumbrances, and that the existing zoning will not prevent the use of the property for the purpose it is being purchased.
6. Title is always taken in the name of "Most Reverend Edward J. Burns, Bishop of the Diocese of Juneau, His successors in office, Corporation of the Catholic Bishop of Juneau, a corporation sole." The address on the Deed is to be 415 6th Street, Suite 300, Juneau, Alaska 99801.

7. When the contract is accepted, it is to be submitted in triplicate to the Diocesan Chancery Office for review and signature by the Bishop. The title insurance commitment and closing statement with the necessary funds or a request for the funds to close is to be submitted to the Chancery Office sufficiently in advance to allow for the transfer of funds and the execution of the necessary documents by the Bishop.
8. Following the closing, copies of the following documents are to be promptly forwarded to the Chancellor's Office:
 - a. Original Recorded Deed;
 - b. Title Insurance Policy;
 - c. Survey;
 - d. Appraisal;
 - e. Copy of Note or Mortgage, if not a cash transaction.

Donation of Real Estate

Any donation or bequest of real property, or an interest therein, requires as a condition precedent the explicit written approval of the Bishop prior to acceptance of the gift. A site inspection must be done prior to any approval.

Scope

Diocesan Chancery Office and all diocesan parishes.

EMPLOYEE VS. INDEPENDENT CONTRACTOR

Purpose

To clarify the difference between an employee and an independent contractor.

Policy

All workers who are hired to provide services for a parish are to be assumed to be an employee for tax purposes (and receive a Form W-2), unless the parish is able to prove that the individual meets the Internal Revenue Service criteria to be classified as an independent contractor for tax purposes (and receive a Form 1099).

Procedures

Failure to correctly classify a person as an employee or independent contractor can result in penalties, interest and back taxes for both the parish and for the employee personally. The determination of a worker as an employee or independent contractor must be done on a case by case basis, and can only be determined by comparing the facts and circumstances to IRS guidelines. The IRS has viewed this determination as an area of increased audit focus. It is imperative that the classification of an employee be reviewed in advance of being hired by the parish.

Definitions

Employees: Compensated on either an hourly or salary basis. Social Security, Medicare and federal income taxes are withheld from their paychecks unless specifically exempt (such as priests). Compensation is reported on Form W-2 as required by IRS instructions.

Independent contractors: Non-employees paid for services. Payments are reported on Form 1099 as required by IRS instructions. Prior to paying an independent contractor, parish must have a signed Form W-9 on file which includes the Social Security Number or Federal Employer Identification Number.

A worker's status is determined by applying relevant facts that fall into three main categories: behavioral control, financial control, and the type of relationship itself. In each case, it is very important to consider all the facts—no single fact provides the answer.

Behavioral Control

These facts show whether there is a right to direct or control how the worker does the work. A worker is an employee when the business has the right to direct and control the worker. The business does not have to actually direct or control the way the work is done—as long as the employer has the right to direct and control the work. For example:

- *Instructions*—If you receive extensive instructions on how work is to be done, this suggests that you may be an employee. Instructions can cover a wide range of topics, for example: how, when, or where to do the work, what tools or equipment to use, what

assistants to hire to help with the work, and where to purchase supplies and services. If you receive less extensive instructions about what is to be done, but not how it is to be done, you may be an independent contractor. For instance, instructions about time and place may be less important than directions on how the work is performed.

- *Training*—If the business provides you with training about required procedures and methods, this suggests that the business wants the work done in a certain way, and you may be an employee.

Financial Control

These facts show whether there is a right to direct or control the business part of the work. For example:

- *Significant Investment*—If you have a significant investment in your work, you may be an independent contractor. While there is no precise dollar test, the investment must have substance. However, a significant investment is not necessary to be an independent contractor.
- *Expenses*—If you are not reimbursed for some or all business expenses, then you may be an independent contractor, especially if your unreimbursed business expenses are high.
- *Opportunity for Profit or Loss*—If you can realize a profit or incur a loss, this suggests that you are in business for yourself and that you may be an independent contractor.

Relationship of the Parties

These are facts that illustrate how the business and the worker perceive their relationship. For example:

- *Employee Benefits*—If you receive benefits, this is an indication that you are an employee. If you do not receive benefits, however, you could be either an employee or an independent contractor.

Scope

Diocesan Chancery Office and all diocesan parishes and schools.

PAYROLL AND WITHHOLDING TAXES

Purpose

To insure the accuracy of amounts paid for payroll, prevent attempts at overpayments, and insure compliance with tax regulations regarding payment and withholding.

Policy

Payroll is to be processed and paid in accordance with Diocesan policies, federal and state laws. A photocopy of every employee's social security identification and driver's license as well as a document or documents verifying eligibility to work in the United States must be retained in the personnel file of each employee.

Procedures

The Diocese of Juneau payroll system is centralized through the Diocese Chancery Office. The following procedures define that system.

1. The payroll period is from the 26th of each month to the 25th of the following month.
2. The Pastor or delegate (e.g., direct supervisor) in each parish is responsible for review of hours worked and overtime claimed on each employee's time sheet.
3. Each time sheet must be approved through the signature of the Diocesan Pastor/Parish Administrator or delegate.
4. Timesheets for each month must be submitted to the Chancery Office by the end of the day on the 25th of each month; parishes should fax or email copies to the Chancery Business Office.
5. Chancery Business Office staff is responsible for calculating and applying all deductions for each employee's pay.
6. Checks or electronic fund transfers are to be used for all payroll disbursements.
7. Payroll payment should be reconciled monthly by Chancery Business Office staff.
8. All payroll checks are to be signed by the Chancery Office Business Manager, the Executive Assistant to the Bishop, or the Bishop.
9. Payroll checks should be distributed at least monthly. Mid-month draws must be approved by the Chancery Office Business Manager.
10. Withholding taxes must be deposited in accordance with federal, state and specific diocesan directives.

11. Under no circumstances is anyone to be paid in cash or by checks not properly accounted for in parish payroll records.

The proper recording and maintenance of payroll records is not only essential in assessing parish and school operations, but also for federal and state tax purposes. The Internal Revenue Service (IRS) and local tax authorities require the maintenance of records that reflect the remuneration paid to each employee performing services for the parish or school. Also required are numerous reports relating to payroll that must be prepared and submitted in accordance with specified filing dates.

The Diocese payroll system must readily provide the following information:

1. Current period earnings, by employee;
2. Quarterly and annual earnings, by employee;
3. Current, quarterly, and annual totals for taxes withheld from employees; and
4. The distribution of these expenditures to the appropriate accounts.

Not all who provide services to the parish/school are employees. The following section will outline the status and treatment of workers.

Who is an Employee?

The IRS defines an employee as "anyone who performs services subject to the will and control of the employer both as to what shall be done and how it shall be done" and receives some type of remuneration for such services.

The term "employee compensation" can refer to the payments made to office staff, teachers, coordinators, ground keepers, custodians, musicians, and part-time helpers, as well as many others. Most regular staff members will be considered employees.

Who is an Independent Contractor?

All individuals receiving payment for services from the parish/school and who are not considered employees are generally independent contractors. An example might be a person hired to paint a parish building for a fee.

The primary distinction between employees and non-employees or independent contractors is that employees have Income Tax and Social Security amounts deducted from their wages and may be entitled to other diocesan benefits. Non-employees do not have these payroll deductions withheld from their payment and are thus solely responsible to the IRS for remitting their required amounts.

Note: Aggregate payments made to independent contractors totaling \$600 or more per calendar year must be reported by the employer to the IRS, utilizing form 1099- MISC for tax purposes. A W-9 must be maintained on file for each independent contractor.

Diocesan Priests

For payroll and government reporting purposes diocesan priests have a hybrid status. For Social Security purposes, diocesan priests are generally considered to be self-employed and, as such, FICA tax is not to be withheld from their gross wages. However, unlike other self-employed individuals (painters, etc.), priests annual wages are to be reported on a form W-2, not a 1099. Priests' wages will be reported on payroll tax returns (quarterly 941). Priests may pay their own federal taxes quarterly, if they desire, or can arrange for monthly withholding by the institution if preferred.

Payroll Record Retention Requirements

The IRS requires the diocese parish/school, as an employer, to maintain, for at least four years, the following payroll records:

1. The name, address and social security number of each employee.
2. The periods of employment.
3. The total amount and date of each payment of remuneration and the period of service covered by the payment.
4. The amount of tax collected with respect to each payment and the date collected.
5. The withholding exemption certificates (Forms W-4) filed by each employee with the parish/school.
6. Any agreement between the parish/school and the employee for the voluntary withholding of additional amounts of tax.
7. The total amount paid to employees during the calendar year.

8. Copies of tax returns filed with the IRS or other taxing agency and the dates and amounts of the deposits made with tax depositories.
9. Records or schedules supporting items reported on the tax returns under #8 above.

Additional Payroll Requirements

Employees and independent contractors must be paid by check, never cash.

All non-exempt employees' payroll payments should be based on time sheets, which specify when work was performed. Time sheets must be signed by authorized staff members before being processed for payment, at the parish level by the Pastor/Parish Administrator or delegate.

Exempt employees also must submit time sheets, noting days worked as well as absences from work for vacation, sick leave, family leave, jury duty, etc.

Regarding gifts and bonuses to employees, volunteers, or to independent contractors, the IRS draws a strict line over taxability. Generally speaking, only de minimis gifts like a turkey or ham are nontaxable. Any other gifts, whether cash, gift certificates, weekend trips, etc., are all considered taxable income subject to withholding, as appropriate, by the entity. Please contact the Diocesan Chancery Office regarding taxability of gifts.

Taxes withheld from employees' paychecks must be deposited with the respective federal and state agencies. Failure to make timely deposits will subject the diocese to stiff penalties.

A new employee is required to establish eligibility to work in the United States by completing an I-9, Immigration and Naturalization form.

Scope

Diocesan Chancery Office and all diocesan parishes and schools.

CONTRACTING

Purpose

To assure a consistent, ethical, and fiscally responsible process for soliciting and administering contracts.

Policy

This policy applies to contracts for supplies, services, professional services, and construction.

Except as otherwise provided in this policy, a contract of \$10,000 or more shall be awarded through a competitive bidding or competitive proposal process. For contracts estimated to total between \$10,000 and \$25,000, bids or proposals from at least two appropriate vendors shall be sought. For contracts estimated to total more than \$25,000, bids or proposals from at least three appropriate vendors shall be sought.

When a competitive bidding or proposal process is employed, the Chancery Office Business Manager (at the diocesan level) or the Pastor or his designee (at the parish level) shall issue an invitation to bid or request for proposals, which must include a purchase description; the time, place, and date by which the bid or proposal must be received; and a description of all contractual terms and conditions.

The selection of a contractor may not be based on race, religion, color, gender, pregnancy, marital status, sexual orientation, national origin, disability, mental status or status as a covered veteran in accordance with applicable federal and state laws.

Invitation to Bid

An invitation to bid is generally used for the contracting of supplies and construction projects.

An invitation to bid must contain specifications for the supplies, services, or construction sought. Specifications must, to the extent practicable, emphasize functional or performance criteria necessary to meet the needs of the agency.

The Chancery Office Business Manager or Pastor or his designee shall award a contract based on the solicited bids to the lowest responsible and responsive bidder whose bid conforms in all material respects to the requirements and criteria set out in the invitation to bid, only after the approval of the Bishop of the Diocese or his designee.

If only one responsive bid is received in response to an invitation to bid, an award may be made to the single bidder if the bidder is responsible and if the Chancery Office Business Manager or Pastor/Parish Administrator or his designee finds that the price submitted is fair and reasonable, only after the approval of the Bishop of the Diocese or his designee. Otherwise, new bids may be solicited or the proposed contract may be canceled.

Request for Proposals

A request for proposals is generally used for contracting of services and professional services.

A request for proposals must contain a specific description of the supplies, services, professional services, or construction to be provided under the contract. The request must provide a description of the factors that will be considered by the evaluators of the proposals received, including the relative importance of price and other evaluation factors.

A numeric rating system must be used for evaluation. Unless a waiver is granted by the Chancery Office Business Manager, cost must be 40 percent of the total evaluation criteria points. The lowest price proposal will receive the maximum number of points allocated to cost. Other proposals for cost point allocation will be determined by the following formula:

$$\text{Lowest Cost Proposal} \times \text{Maximum Points for Cost} / \text{Cost of Each Higher Priced Proposal} = \text{Total Points for Cost}$$

Evaluation factors may include, but not be limited to, the offeror's past experience with similar work or supplies sought in the request for proposals; the proposed method for providing the service or supplies; and adherence to former contract schedules, terms and conditions; and references.

A Proposal Evaluation Committee (PEC) must consist of at least three members, two of which must be employees of the diocese or parish for which the contractual services will be provided.

The Chancery Office Business Manager or Pastor shall award a contract under the request for proposals process to the responsible and responsive offeror whose proposal is determined to be the most advantageous to the agency (i.e., proposal scored the highest by the PEC), taking into consideration price and the evaluation factors set out in the request for proposals, only after the approval of the Bishop of the Diocese or his designee. Factors and criteria other than those set out in the request for proposals may not be used in the evaluation. The contract file must reflect the basis on which the award is made.

If only one responsive proposal is received in response to a request for proposals, an award may be made to the single offeror if the offeror is responsible and if the Office Business Manager or Pastor or his designee finds that the price submitted is fair and reasonable, only after the approval of the Bishop of the Diocese or his designee. Otherwise, new bids may be solicited or the proposed contract may be canceled.

Standards for Responsibility

Factors that may be considered in determining whether a prospective contractor is responsible include:

1. Whether the prospective contractor has a record of performance, and the nature of that record;
2. Whether the prospective contractor is qualified legally to contract with the agency;
3. Evidence that the contractor possesses the necessary items to fulfill the contract, or a documented commitment from, or explicit arrangement with, a satisfactory source to provide the necessary items; and
4. Any other information required to establish responsibility.

Exemption from Competitive Solicitation Requirements

A contract for \$10,000 or more may be awarded without competitive bidding or competitive proposals process if:

1. It is not practicable to award the contract under either of the two processes; and
2. Award of the contract to a single source is in the best interest of the agency.

Award of contracts for \$10,000 or more without competitive bidding or competitive proposals must be approved by the Chancery Office Business Manager. To the extent practicable, the contract will be negotiated with the single source to obtain terms advantageous to the diocese and/or parish.

Negotiation and Award of Contract

The Chancery Office Business Manager and/or the Pastor or his designee shall negotiate with the selected offeror. Contract negotiations shall be directed toward:

1. Making certain that the offeror has a clear understanding of the scope of the work and the requirements involved in the provision of supplies, services, or construction;
2. Determining that the offeror will make available the necessary personnel and facilities to provide the contracted supplies, services, or construction within the required time; and
3. Agreeing upon compensation that is fair and reasonable.

Contract Contents

All contracts must contain, at a minimum, the following:

1. A statement of the amount of the contract;
2. When appropriate, language clarifying contingencies and/or change orders;
3. The date for the supplies to be delivered or the dates of construction, services, or professional services to begin and be completed;
4. A description of the supplies, services, professional services, on construction to be provided; and
5. A plan for timely payment.

Retention of Contract Documents

Contract files must be retained for seven years from the contract end date.

Contract files must contain, at a minimum, the following:

1. A copy of the contract;
2. All solicitation documents, including documentation of any phone calls associated with solicitation; and
3. Copies of all bids or proposals received.

Scope

Diocesan Chancery Office and all diocesan parishes and schools.

DONOR ACKNOWLEDGEMENT

Purpose

To meet substantiation and disclosure requirements, including those imposed by the Internal Revenue Service.

Policy

Contributions with Donor Restrictions

Donations presented to a parish that are restricted by the donor to a specific purpose or period of time can only be accepted by the parish with the written approval of the Bishop. Any documentation or correspondence related to these restricted donations must be permanently maintained by the parish receiving the donation, and copies of this documentation must be forwarded to the Diocesan Chancery Office to be maintained in the Diocesan archives (can. 1306). In addition, the parish is required to maintain a historical listing of all such donations along with their related obligations (can. 1307).

Determination of Value

A determination of the value or fair market value of non-cash donation (e.g., used clothing, household goods, cars, etc.) is the responsibility of the donor, not the diocese or parish. Written acknowledgements of non-cash donations are to include items #1-4 below, but no value of the donation made.

Written Acknowledgement

Internal Revenue Service guidelines allow for charitable deductions of greater than \$250 only if a written acknowledgement of the donation is obtained from the recipient organization by the earlier of the date the taxpayer's return for the year of the donation is due or filed. The IRS rules do not require the recipient organization to provide such written acknowledgment. However, the support of such donors would continue only with the cooperation of the recipients, by providing such written acknowledgements.

Such written acknowledgements must include the following:

1. The name of the donor;
2. The amount of cash and a description of any other property contributed;
3. A statement about whether any goods or services were provided in return for the contribution; and
4. A good faith estimate and description of the value of items provided in return for a contribution, if any. If the only benefit provided consists of "intangible religious benefits," a statement to that effect is to be made. Intangible religious benefits are those items provided by a church or other religious organization that generally are not sold in a commercial transaction outside of a donative context.

Donations Greater than \$5,000

Special rules apply for donations greater than \$5,000. In order to substantiate a deduction of greater than \$5,000, a qualified appraisal must be secured. This appraisal must be prepared no more than 60 days before the donation is made and no later than the due date for the return for the year in which the donation occurred. The appraisal must be paid for by the donor. If the donor fails to obtain the necessary appraisal, the charitable donation may be limited or denied entirely by the Internal Revenue Service.

The following types of donations are exceptions to this rule:

1. Contributions of publicly traded stocks;
2. Contributions of non-publicly traded stock valued at less than \$10,000 or less;
3. Contributions made by C Corporations, other than closely held corporations or personal service corporations; and
4. Certain contributions of inventory or other property made by closely held corporations or personal service corporations that are for the care of the ill, the needy, or infants.

Any questions regarding these types of donations are to be directed to the Chancery Business Office.

Form 8282 – Donor Information Return Form

Form 8282 is required to be filed if the diocese of parish receives donated property which is valued at more than \$5,000 and disposes of such property within two years of the date the property was received. Any questions about this form are to be directed to the Chancery Business Office.

Quid Pro Quo Donations

This is a common term used to describe a certain type of contribution. Quid pro quo transactions are defined as a donation that is given with the condition that the donor receives something in return. A common example would be a fundraiser dinner where part of the ticket price is a contribution to raise funds and part is the price of the dinner received. For Quid Pro Quo donations, the Internal Revenue Service requires a disclosure statement be provided to all donors that are to include:

1. An explanation that the amount of the deductible contribution for federal income tax purposes is the excess of the amount of money contributed over the value of the goods or services provided by the religious organization; and
2. The organization's good faith estimate of the value of the goods or services furnished to the donor. This disclosure is to be made in a reasonable manner to be noticed by the donor.

Donor Acknowledgement Examples

- Sam Smith donated \$25 per week for 52 weeks in the offertory plate. Since the individual contributions are less than \$250, no written acknowledgement is required to substantiate his deduction.
- Sam Smith makes two separate contributions of \$200 during the year. Since the individual contributions are less than \$250, no written acknowledge is required to substantiate his deduction.
- Sam's brother, Steve, makes a contribution of \$400. Steve's contribution would require a written acknowledgement to substantiate his charitable deduction.
- Steve Smith also makes contributions of \$250 each week in the offertory plate for 52 weeks. Since the contributions are on an ongoing basis, each contribution of \$250 does not require separate acknowledgement. In order to reduce administrative costs, the church can acknowledge Steve's total contributions in a single letter at the end of the year.

Scope

Diocesan Chancery Office and all diocesan parishes.

FEDERAL, STATE, AND LOCAL TAX OBLIGATIONS

Purpose

To clarify diocesan, parish, and school federal, state, and local tax obligations.

Policy

Because the Diocese of Juneau Chancery Office administers a centralized employee payroll program, the Chancery Office is responsible for withholding and payment of employee and priest federal taxes (e.g., income tax, social security, Medicare) as well as provision to employees of required federal tax forms (e.g., W-2, 1099).

Parishes are responsible for nonexempt local sales and property taxes.

Procedures

Federal Tax Obligations

1. All parishes in the diocese share the same federal employer identification number ("FEIN"), under the "Corporation of the Catholic Bishop of Juneau."
2. All parishes and organizations listed in the Official Catholic Directory are exempt from income taxes on parish income under Internal Revenue Code Section 501(c)3. They are eligible to receive tax deductible charitable contributions as evidence by a group letter ruling.
3. Tax on unrelated business activities: Income from unrelated business activities such as advertising, sale of merchandise, are subject to normal business taxes. Any question regarding liability for the unrelated business activities is to be referred to the Chancery Business Office.
4. Under Internal Revenue Guidelines, every lay employee is subject to mandatory payroll tax deductions which may not be waived by the employer. FICA taxes, Social Security and Medicare must be withheld on each employee's earnings in accordance with the rates and limits set by the Federal Government. Compliance in this area is satisfied by participation in the Diocesan centralized payroll program.

State and Local Tax Obligations

1. Real property that is predominantly used for charitable or religious purposes is exempt from Ad Valorem real property taxes. Such taxes are based upon the value of the real property owned. Property which is vacant or not used for charitable or religious purposes may not be exempt from such taxation. The parish may be responsible for various special assessments or Non-Ad Valorem taxes. Any questions regarding parish responsibility for real property taxes/assessment are to be referred to the Chancery Business Office.
2. Churches are not exempt from the payment of most licenses, permits and fees (e.g., automobile license plates, inspection fees, building permits, etc.).
3. Each parish is to obtain its own local sales tax exemption number.
 - a. The exemption applies to all goods purchased for consumption/use by the parish. The parish should not be charged sales tax on utility bills.
 - b. Parishes are exempt from local property taxes for property used for church use; however, that exemption does not apply to property not used for church use.

Scope

Diocesan Chancery Office and all diocesan parishes and schools.

ISSUANCE OF 1099 FORMS TO SERVICE VENDORS

Purpose

To provide clarification regarding the issuance of 1099-MISC forms to service vendors.

Policy

1099-MISC forms shall be issued to service vendors as described in the procedures below.

Procedures

All vendors receiving more than \$600 annually (cumulatively) who perform services or a combination of services, must be issued to the vendors Form 1099-MISC by January 31 and filed with IRS by February 28. Examples of circumstances that would apply include the following: Printing services; painting services; vendors performing repairs and maintenance, such as electrical or plumbing; professional services, such as computer, accounting or legal services; counseling services; and lay people doing missions or teachings.

1099-MISC forms do not need to be issued if the entire payment is for tangible items, such as office supplies or religious textbooks, missals, etc.

1099-MISC forms must be issued to all entity types, including LLC's, unless they are legally incorporated. You must obtain Form W-9 from all vendors for the file in order to document their entity status.

If the parish rents any real property from a third party, such as equipment, rectory, hall or parking lots amounts over \$600 must also be reported on Form 1099.

The IRS can assess penalties against the parish for filing late or incomplete returns. Those penalties range from \$30 to \$100 (\$500,000 maximum per year) for failure to file timely 1099's. However, if the 1099 is not filed by the parish at all, the penalty is \$250 per 1099, with no maximum amount.

Scope

Diocesan Chancery Office and all diocesan parishes.

PARISHIONER CONTRIBUTION STATEMENTS

Purpose

To provide a record for parishioners' personal and tax record keeping purposes and to provide assurance that the total contributions recorded in the financial records are reasonable in relation to total offertory received.

Policy

Periodic statements (quarterly and/or annually) shall be sent to parishioners noting contributions to the parish and to special collections. An annual statement shall be provided no later than January 31st. Payment of school tuition or fees may not be credited as charitable contributions.

Note: The IRS requires written acknowledgment of any single donation exceeding \$250. The acknowledgment letters must include the following information to conform:

- The name of the donor
- The amount of cash and a description of any other property contributed. (A religious organization is not responsible to determine fair market value.)
- Value of any item(s) provided in return. However, if the only benefit provided consists of "intangible religious benefits," a statement to that effect should be included.

Please note that donation of non-cash property in excess of \$5,000 requires an additional IRS filing of Section B, Form 8283, completed by the donor and signed by a qualified appraiser, the donor and the Administrator.

Procedures

1. A record of each parishioner's contribution should be kept by someone not having responsibility for counting collections or handling mail receipts.
2. Statements should be pre-printed with the following confirmation request, "This statement is for your records. Please examine it carefully. If it does not agree with your records, please communicate this directly to the (specify official title of chief administrative position)."
3. Prior to mailing statements, the total of the posting source (envelopes) should agree with the total postings (what has been deposited and entered into the financial records).
4. Statements should be mailed to the parishioners under conditions that make it impossible for anyone who has manipulated these statements to suppress delivery or intercept replies.
5. The Parish Finance Council or other designates may perform the following steps related to statements:

- a. Trace amounts listed on envelopes and loose check listing to parishioners' statements on a random test basis one Sunday each month.
- b. Periodically check total envelope amounts and loose checks amounts against control totals for parishioners' statements.
- c. Total parishioners' statements which should agree with control totals in the financial records.
- d. Control the mailing of statements to parishioners.
- e. Review actual procedures in use at the parish/school on a periodic basis.

Scope

All diocesan parishes.

PARISH OPERATIONAL REVIEWS

Purpose

To assure compliance with Diocesan Lay Personnel and Administrative and Finance Policies and Procedures.

Policy

Parish operational reviews will be performed to insure compliance with Diocesan Lay Personnel and Administrative and Finance Policies and Procedures. The following are reasons parish operational reviews will be performed by the Diocesan Chancery Business Office staff:

1. At the request of the Bishop;
2. During the transition of the Parish Pastor/Administrator; or
3. On a regular rotational basis.

Prior to an operational review, the Pastor/Parish Administrator will be notified in writing of the upcoming review. The parish will then be contacted to establish a time for such review, provide the bookkeeper with a list of records that will be necessary, and to answer any questions. Once the review is completed, a written report of the review findings will be provided to the Pastor and to the Bishop.

Scope

All diocesan parishes.

Request for Approval to Purchase & for Reimbursement

All purchases charged to the Diocese of Juneau of more than \$500 must be approved in advance. This form is to be used for pre-approval to purchase, to request a check, and to request reimbursement. All receipts must be attached to this form as noted below.

| Supplies & Services Short Form | | | | Reimbursement | |
|--|-----------------------------------|--|-----------------------|-------------------------------|-----------------------------|
| Check method of payment to be used. | | Printed or Typed Name of Requester | | Initials of Requester | |
| Personal Funds? | | Signature of Requester | Date | Date | |
| Diocesan Credit Card? | | Authorizing Official Bishop Burns, Mike Monagle, or Robbie Izzard | | Authorizing Official Initials | |
| Charged to Business? | | Signature of Authorizing Official | Date | Date | |
| <u>Explain purpose of purchase:</u> | | | Anticipated Amount | Date of Expense | Actual Amount |
| Dept. # | Describe Supply or Service | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

| | | | | |
|--|--------------|--|--------------|--|
| Affix receipts for all items listed above in the space provided below or on the reverse if additional space is needed. | Total | | Total | |
|--|--------------|--|--------------|--|

FACILITY USAGE/INDEMNITY AGREEMENT

PARISH : _____

PARISH is understood to include the Diocese of Juneau

FACILITY USER: _____

DATES OF FACILITY USAGE: _____

TYPE OF FACILITY USAGE: _____

The above named FACILITY USER agrees to defend, protect, indemnify and hold harmless the above named PARISH against and from all claims arising from the negligence or fault of the above named FACILITY USER or any of its agents, family members, officers, volunteers, helpers, partners, organizational members or associates which arise out of the above identified FACILITY USAGE at the above named PARISH.

FACILITY USER agrees to provide a certificate of insurance to the PARISH, which provides evidence of general liability coverage of not less than one million dollars (\$1,000,000) per occurrence. FACILITY USER also agrees to have the PARISH named as an "Additional Insured" on its general liability policy for the DATE(S) OF FACILITY USAGE in relationship to the TYPE OF FACILITY USAGE for claims which arise out of FACILITY USER'S operations or are brought against the PARISH by FACILITY USERS' employees, agents, partners, family members, students, customers, function attendees, guests, invitees, organizational members or associates. FACILITY USER also agrees to ensure that its liability insurance policy will be primary in the event of a covered claim or cause of action against PARISH.

If and only if FACILITY USER fails to comply with the above (second) paragraph, then the above named FACILITY USER agrees to protect, defend, hold harmless and fully indemnify the above named PARISH for any claim or cause of action whatsoever arising out of or related to the usage which takes place during the above identified DATE(S) OF FACILITY USAGE that is brought against the PARISH by the above named FACILITY USER or its employees, agents, partners, family members, students, customers, function attendees, guests, invitees, organizational members or associates, even if such claim arises from the alleged negligence of the PARISH, its employees or agents, or the negligence of any other individual or organization. If any sentence or paragraph of this agreement is held invalid, it is agreed that the balance thereof, shall continue in full legal force and effect.

SIGNED BY: _____
(Must be an official agent of FACILITY USER)

NAME (Please print): _____

DATE: _____

ADULT HOLD HARMLESS/INDEMNITY AGREEMENT

PARISH: _____

PARISH is understood to include the Diocese of Juneau

ACTIVITY PARTICIPANT OR FACILITY USER: _____

DATES OF ACTIVITY OR US AGE: _____

TYPE OF ACTIVITY OR USAGE: _____

The above named ACTIVITY PARTICIPANT OR FACILITY USER agrees to defend, protect, indemnify and hold harmless the above named PARISH against and from all claims arising from the negligence or fault of the above named ACTIVITY PARTICIPANT OR FACILITY USER or any of their agents, family members, officers, volunteers, helpers, partners, organizational members or associates which arise out of the above named ACTIVITY OR USAGE at the above named PARISH.

Additionally, the above named ACTIVITY PARTICIPANT OR FACILITY USER agrees to protect, defend, hold harmless and fully indemnify the above named PARISH for any claim or cause of action whatsoever arising out of the above mentioned ACTIVITY OR USAGE which takes place during the above identified DATE(S) OF ACTIVITY OR USAGE that is brought against the PARISH by the above named ACTIVITY PARTICIPANT OR FACILITY USER or their family members whether such claim arises from the alleged negligence of the PARISH, its employees or agents or ACTIVITY PARTICIPANT or FACILITY USER'S negligence. If any portion of this agreement is held invalid, it is agreed that the balance thereof, shall continue in full legal force and effect.

SIGNED BY: _____

NAME (Please Print): _____

DATE: _____