

The Role of the Parish Finance Council

Internal Controls

The Role of the Parish Finance Council

- **The Finance Council monitors** the parish financial condition, including regular reviews of the financial statements and **the system of internal controls.**
- The Finance Council assists with identifying time, talent and treasure resources of the parish.
- The Pastor is to seek the advice of the Council in long-range planning & in financial & business practices of the parish.

From Parish Finance Council Presentation October, 2015

The Role of the Parish Finance Council

- Advisor to Pastor or Pastoral Administrator
- Must work closely with the Pastoral Council
- The Financial Experts for the parish
- Significant to the Strategic Planning Process
- Key to Implementing and Maintaining Internal Controls

Internal Controls

Defined as:

“Internal control is a process, effected by an entity’s board of directors, management and personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.”

Internal Control-Integrated Framework

In Other Words...

The Pastor, the Finance Council, all personnel and volunteers play a part in safeguarding the assets of the parish.

Assets include physical assets like real estate, monetary assets and intangible assets, such as reputation.

Internal Control

The internal control process consists of five components:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Control Environment

To control the environment of the parish you should have:

- Job descriptions for all staff and key volunteers that include clear lines of authority and accountability
- Purpose statements and operating guidelines for all groups
- Understanding and enforcement of the employee handbook
- Budget process
- Competent Personnel
- Annual employee reviews

Risk Assessment

The parish leaders should understand and review the processes used for handling and reporting transactions. This should include:

- Periodic review of internal controls for all transaction cycles (income, disbursements, payroll, computer security and financial reporting)
- Implementation and monitoring of new policies and procedures
- New hire training process

Control Activities

To control the activities of the parish you should have:

- Cash handling processes for ALL cash received or paid out
- Controlled access to computers with adequate back up processes utilized
- Limited access to the parish safe
- Proper supervision of all staff (paid or volunteer)
- Periodic reporting from each parish group or organization

Information and Communication

The parish leaders should understand what information is given and to whom as well as the source of the information. This should include:

- The use of system generated financial statements and reports
- Communication of the Ethics Point hot line for employees, volunteers and parishioners to report suspected irregularities or illegal acts (1-888-286-5186 or Diocesan web site)
- Annual financial and activity report to the Parishioners
- Information packets given to or received from parish committees, commissions, or groups
- Proper communication with Diocesan committees or commissions and an understanding of when those are required

Monitoring

The parish should have a process for checking that the systems are working. This would include:

- Receiving and promptly acting on reported problems. This would include the recommendations made in the Diocesan review.
- Quarterly review of computer system generated financial statements (balance sheet and operating statement) with prompt follow up on questions or concerns
- Quarterly review of cash reconciliation(s)
- Prompt follow up on unusual variance(s) from budget
- Periodic review of physical assets including cemetery plots, sacred vessels, historic treasures, office equipment, etc. This can be completed using the annual video inventory of assets

Basic Elements of Internal Control

- Employees must be honest and capable (good hiring and review practices)
- Delegation and segregation of duties (job descriptions)
- Proper procedures used when handling and recording transactions (cash, payroll, vendor payments)
- Proper documentation for transactions and good accounting records (reconciliation and process reviews)
- Physical control over assets (tamper resistant bank bags, limited access to the safe, locked doors or offices)
- Computer passwords and back ups (no password sharing)
- Asset verification and reconciliation (bank reconciliations, video inventory reviews)