



Diocesan Administration

Administration diocésaine

## MEMO

**TO:** Pastors, Administrators and Moderators  
**FROM:** Msgr. Kevin Beach, V.G.  
**RE:** Protocol for Parish Financial Administration  
**DATE:** December 20, 2011

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Attached you will find the final version of the *Protocol for Parish Financial Administration* with the cover letter of the Archbishop implementing it as a canonical *Instruction*. You will note that the *Protocol* comes into effect on January 1<sup>st</sup> 2012.

I firstly want to thank the pastors, and their parishioners involved in the temporal administration of parish goods, for the many constructive comments that we received. You will find that the final version takes into account a number of suggested changes.

You and those who assist you in the temporal administration of the parish – particularly members of the Temporal Affairs Council and of the Cemetery Committee – should be aware of the entire content of the *Protocol*. I want, however, to note the following items in particular:

- The requirement of properly constituted Councils and regular meetings;
- The requirement that there be only two or three (if a cemetery) parish accounts;
- The requirement that there be two signatures, one being the pastor, on all cheques including cheques for the parish cemetery;
- The requirement that tamper-evident bags be used for collections and similar cash receipts;
- The requirement that, at least, two unrelated persons be involved in the handling and counting of cash;
- The requirement that disbursements be done by cheque, credit card or authorized electronic transactions;
- The requirement for timely bank reconciliation of parish accounts and timely reporting to Council and parishioners;
- The requirement that long-term property commitments be pre-authorized by Diocesan Administration;
- The prohibition with respect to the hiring, as employee or contractor, of related persons;
- The requirement that Council and Committee members serve without compensation;
- The requirement that fundraising be for parish and diocesan projects only;
- The indications for parish financial reviews by Diocesan Administration.

Please note the requirement that any exceptions (derogations) to the *Protocol* will require the prior, written authorization of the Archbishop or his delegate.

Anticipating that a period of transition will be required, notably for new banking procurations requested from Diocesan Administration, the Archbishop advises that all of the provisions of the *Protocol* should be in effect in all parishes on or before March 31<sup>st</sup> 2012.

I thank you for your continuing collaboration in the Church's mission in our diocese and extend to you, and to those in your pastoral care, my prayerful best wishes for joyous celebrations of the Lord's birth and every blessing in the New Year.



Prot. N. D. 31/2011

Ottawa, 20 December 2011

Dear pastors, parochial administrators, moderators,

As the one who presides over this particular Church, it falls to me to organize the administration of ecclesiastical goods. More specifically, I am required by Canon Law to exercise careful vigilance over the administration of all ecclesiastical goods of public juridic persons subject to me (cf. *CIC*, c. 1276 § 1; c. 392 § 2). One of the ways that this is accomplished is through the issuance of *instructions* (cf. *CIC*, c. 1276 §2; c. 34).

In order to assist you in fulfilling your important responsibilities as administrators and diligent householders (cf. *CIC*, c. 1284) of the parishes that have been entrusted to you, I find it opportune at this time to issue the attached financial instruction, *Protocol for Parish Financial Administration*. I am confident that this instruction, which was initiated by Diocesan Administration and has been the subject of discussion and reflection by pastors and those who assist them in the administration of temporal goods, will benefit the promotion of a spirit of confidence, accountability and transparency as well as ecclesiastical discipline and good governance.

All pastors, parochial administrators and moderators are hereby instructed to implement the ordinances contained in the attached instruction concerning the financial administration of parishes, missions and communities within the Archdiocese of Ottawa. Any derogation from these ordinances will require my prior, written authorization or that of my delegate. The *Protocol for Parish Financial Administration* is to be implemented as of January 1, 2012.

With the assurance of my fraternal prayer, I am,



Devotedly yours in Christ,

+ Terrence Prendergast, S.J.  
Archbishop of Ottawa

Fr. Christian Riesbeck, CC  
Chancellor



Protocol for Parish Financial Administration  
Archdiocese of Ottawa

January 1, 2012

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## **1 Introduction**

In order to promote a spirit of confidence, accountability and transparency as well as ecclesiastical discipline and good governance, Pastors<sup>1</sup> are instructed to implement the following ordinances concerning the financial administration of parishes<sup>2</sup> within the Archdiocese of Ottawa. Any derogation from this Protocol will require the prior, written authorization of the Archbishop or his delegate having Ordinary authority.

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<sup>1</sup> In this protocol, “Pastor” includes Parochial Administrator and Moderator of a pastoral team *in solidum*, as the context requires.

<sup>2</sup> In this protocol, parishes include quasi-parishes, missions and communities as the circumstances require.

It is expected that parishes will institute and follow generally accepted accounting principles and follow a chart of accounts that is consistent with the Financial Report filed annually with Diocesan Administration.

Nothing in this protocol is to be interpreted as diminishing a pastor's decision-making responsibility and authority as provided in universal law, flowing from the Code of Canon Law and acts of the Holy See, and by diocesan norms. Finance Councils remain advisory bodies but are called to a more active role by the provisions of this protocol.

## **2 Parish Finance Council<sup>3</sup>**

As required by the Code of Canon Law,<sup>4</sup> every parish is to have a Parish Finance Council whose role is to assist and advise the Pastor in the administration of the temporal goods of the parish. The following norms are to be observed:

### *2.1 Membership*

In addition to the Pastor, the membership must include not less than three registered parishioners, either elected or appointed. Other than the Pastor, no person who receives a salary or other payment from a parish is to be a member of that parish's Finance Council. A Chair, other than the Pastor, must be elected or appointed from among the members of the Council.

The names and contact information for the members of the Finance Council are to be provided in the annual Financial Report sent to Diocesan Administration.

### *2.2 Meetings*

The Finance Council is to meet, as a body, regularly throughout the year and not less than four times during a calendar year. By invitation of the Pastor or of the Chair, other persons may attend specific meetings of the Finance Council. To constitute a quorum for a meeting, at least 50% plus 1 of the membership of the Council must be present throughout the meeting. The generally accepted procedures for the convocation and recording of meetings are to be followed. Minutes are to be taken and kept in the files of the parish. As a minimum, minutes should contain the following: the date of the meeting, the names of those present, and a record of the decisions made at the meeting, noting any declarations of conflict of interest by any member.

### *2.3 Reports to Parishioners*

As soon as possible – and not later than 90 days - after the close of the parish financial year, the members of the Parish Finance Council shall prepare and present to parishioners a written summary

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<sup>3</sup> Finance Council also includes the term "Temporal Affairs Council".

<sup>4</sup> Canon 537.

report of the parish's financial statements for the year just ended, as well as a budget for the current year. In addition to the written version, it is recommended that a verbal presentation of the financial statements and budget be made to parishioners.

The Finance Council is to consider the advisability of more regular reporting to parishioners concerning any temporal matter, including the state of ordinary and/or extraordinary revenues and expenses.

#### *2.4 Yearly Financial Report to Diocesan Administration*

The Finance Council is to review and approve the yearly Financial Report that is to be submitted to Diocesan Administration.

#### *2.5 Meetings with Diocesan Administration*

At the request of the Episcopal Vicar for Administration or of the Diocesan Financial Administrator, members of the Parish Finance Council may be required to meet with representatives of Diocesan Administration with respect to the temporal administration of the parish. In addition, at any time, any member of a Parish Finance Council may bring to the attention of the Episcopal Vicar for Administration or of the Diocesan Financial Administrator, any matter of concern with respect to the administration of parish temporal goods.

### **3 Parish Bank Accounts**

The parish must avoid a multiplicity of financial institutions and bank accounts. All parish funds are to be held in bank accounts, or in banking instruments, in the name of the parish and not in any individual or other organizational name.

A parish must only have two or, if the parish has a cemetery, three bank accounts:

- General operating account
- Mass account (for recording mass stipends only)
- Cemetery account (for those parishes which have a parish cemetery)

With respect to the number of accounts, the only exception permitted to the foregoing is the establishment of an account in the parish's name for funds held in trust for a specific purpose, or if required by civil law (for example, lottery accounts). Before opening an account for funds held in trust, a parish should consider, as the preferred course, the purchase of term deposits for these funds.

All parish accounts are to be authorized by a procuration issued by Diocesan Administration. A procuration must be obtained for every instance when there is a change in signing officers, or a change in bank or banking arrangements.

### 3.1 *Types of accounts*

All accounts are to be of a commercial nature. That is to say, cheques<sup>5</sup> are to be returned with the monthly bank statement so that a proper bank reconciliation can be done monthly. The style of “personal banking” based on a pass book only is NOT permitted.

### 3.2 *Mass Account*

A register of stipends must be kept for masses to be celebrated showing the following:

- The date the stipend was paid
- The name of the person who paid the stipend
- The name of the person for whom the mass is to be celebrated
- The date that the mass was celebrated

Quarterly, and always in conjunction with the submission of the annual Financial Report to Diocesan Administration, the amount in the mass bank account must be reconciled with the amount showing as a liability in the mass register. The mass bank account must not be used for any purpose other than for mass stipends.

As all disbursements should be made from the general operating account, amounts from the mass account should be transferred to the general operating account from which disbursements are made.

Amounts paid for wedding and funerals, as well as donations made to the parish for other celebrations, should be deposited directly in the general operating account.

### 3.3 *Signing Officers*

All cheques for all accounts must have two signatures, one of which must always be the Pastor. The following persons must not be signing officers:

- any person receiving a salary, or other payment, from the parish (other than the Pastor)
- any person related, by family or marriage, to the Pastor or related to any person receiving a salary, or other payment, from the parish

For the operating, mass and trust accounts, the Pastor must sign with the Chair, or another member, of the Finance Council. For the cemetery account, the Pastor must sign with the Chair, or another member, of the Parish Cemetery Committee (or of the Finance Council if a Cemetery Committee does not exist for the parish).

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<sup>5</sup> Facsimiles provided by the bank are acceptable and should be conserved with the banking information in the parish files.

The following norms are to be observed:

- Cheques are not to be “pre-signed”
- Signature stamps are not to be used on cheques or other negotiable instruments
- The person who prepares cheques must not be a signing officer

## **4 Revenues & Related Activities**

### *4.1 Collection Basket Receipts*

Tamper-evident bags must be used. The basic principle is that collection receipts must be handled by no less than two persons from the time of collection until the time of deposit in the parish bank account. As soon as possible – preferably from the time before the collection proceeds are brought up in the Procession of Offerings in the church, or before they are sent directly from the church for counting – collection proceeds must be put in a sealed, tamper-evident envelope or bag (“collection bag”).<sup>6</sup>

Cash/cheques/envelopes must never be removed from the collection for any purpose. The locked or sealed collection bag must then be put in a secured area; i.e., a safe or locked cabinet in the sacristy or parish office. Parish collections, or other receipts, must not be taken home, or elsewhere, by anyone. They must remain on parish property.

### *4.2 Counting of Collection and other Parish Receipts*

The collection is to be counted and recorded by at least two designated, unrelated persons.

Collection and other parish receipts must be counted and deposited as soon as possible after receipt. For example, Sunday collections must be counted and deposited no later than the next business day. Members of the count team, or staff who were not involved in sealing or transporting the collection bags, must account for all the collection bags used, by recording each bag as it is opened on the log containing the record of the count. If any bag is missing or there is evidence that any bag was tampered with, a report must be made to the Pastor immediately.

### *4.3 Poor Box/Votive Candle Offerings*

The cash from the Poor Box and votive candles must be collected at least weekly, more often in those churches where there are numerous visitors throughout the week. The principle of collection by two persons is to be followed as well as the safeguarding of receipts in tamper-evident bags kept in a safe or locked cabinet.

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<sup>6</sup> Sealable, tamper-evident bags or envelopes are readily available from stationery suppliers and banks.



#### 4.4 *Count & Deposit Procedures*

Each parish must have, as a minimum, two teams of two counters each who have been screened according to diocesan norms for Responsible Ministry. The count is to be performed by at least two designated, unrelated persons. If a designated counter is not available, then a substitute counter must be assigned.

The collection and other receipts are to be retrieved by at least two unrelated counters. The collection bags must be unlocked or unsealed in the presence of, at least, two unrelated counters. The count team must account for all of the bag numbers used, by recording each bag number as it is opened on the count log. If any bag is missing or there is evidence that any bag was tampered with, a report must be made to the Pastor immediately.

Endorse all cheques using a rubber deposit stamp designed for “deposit-only” purposes. Parishioners’ envelopes must be verified as to amounts. Cheques which are not in envelopes should be photocopied.

A written record of the count and the deposit must be signed by at least two unrelated counters, given to the parish bookkeeper and kept in parish files.

The parish must have separate deposit books for each bank account.

## **5 Expenditures & Related Activities**

### 5.1 *Cheques*

All disbursements, with the exception of petty cash and authorized credit cards, must be made by cheque.

No one other than authorized signers may sign cheques. Facsimile signatures are never to be used. Blank cheques are never to be signed. Cheques are to be prenumbered and used consecutively. They are to be stored in a locked safe or cabinet.

### 5.2 *Electronic Banking*

Electronic banking for the payment of parish expenses is permitted on the following conditions:

- Payments are to major corporate suppliers, such as for gas and hydro payments, or for government remittances such as municipal taxes or payroll deductions payable to municipal, provincial or federal government agencies;
- With the exception of the payment of regular salary, no electronic transfer should be made to an individual;

- A written document authorizing the electronic transfer must be signed by two signing officers and kept in the parish files and must be verified at the time of the monthly bank reconciliation.

### *5.3 Purchasing*

The pastor is responsible for all commitments made on behalf of the parish. He may delegate purchasing responsibilities as he deems appropriate. Purchases should be made within the constraints of the budget. Since the budget represents a guideline for spending, purchases in excess of the budgeted amount require specific authorization from the Pastor who must consult the Parish Finance Council. Additionally, purchases should be made proportionately throughout the year, based upon cash flow.

### *5.4 Processing Invoices*

Upon receipt of an invoice, verify that the material was received or service provided (by reference to an initialled receiving document, if available). Payments should be made from original invoices. Vendor's month-end statements should be reconciled to vendor invoices. Payments must not be made from statements without supporting documentation.

### *5.5 Cheque Preparation*

Periodically (i.e., weekly, bi-weekly, etc.) cheques must be prepared on the basis of an original vendor invoice (not a photocopy) or other appropriate documentation which has been approved for payment, initialled and dated. The cheque and/or remittance advice must include the vendor's invoice number(s) or equivalent. The cheques and supporting documentation (i.e., invoices, cheque requests) are to be forwarded for authorized signatures. Once paid, the invoice or cheque request is to be marked "paid" and the cheque number written on the invoice. Paid invoices must be filed.

Void cheques must be defaced and filed numerically with cancelled cheques.

### *5.6 Petty Cash Disbursements*

All disbursements from petty cash must be documented by either a petty cash voucher or an invoice. Vouchers must indicate the date and purpose, to whom paid, and the amount. The person receiving the cash must always sign and date the petty cash receipt or the invoice to acknowledge his/her receipt of the cash. Vouchers and/or paid invoices must be kept with the petty cash until the account is reconciled. After reconciliation, they are to be filed. The account shall be reconciled when replenished (by someone other than the person authorized to disburse payments, when possible).

## **6 Credit Cards**

A parish may establish a credit card account with its banker to a limit of \$2,500, and/or with usual suppliers (e.g. Canadian Tire) to a limit of \$1,000. Credit cards should be used only in those instances where it is not appropriate or convenient to issue a cheque for payment. A parish credit card must never

be used for personal expenses (even if the parish is to be reimbursed), for ATM transactions or cash advances, or for wire transfers. For each credit card, the account balance must be paid in full monthly on or before the due date as shown on the statement. Revolving credit is not allowed. Parishes must never provide card numbers to unknown individuals or organizations.

Receipts and supporting register tapes must be kept for all purchases made with a credit card and submitted immediately to the parish office. They must be kept on file until the monthly card statement is received and then filed with the statement.

Credit cards must be kept securely when not in use. The card numbers should be recorded and kept on file in the office. Emergency notification phone numbers to the bank, or other card issuer, should be listed with the credit card numbers.

## **7 Bank Reconciliation Procedures**

Upon receipt, monthly bank statements must be reviewed by the Pastor. He must also check that signatures on the cheques or facsimile copies of cheques are authentic.

The person doing the monthly bank reconciliation must verify that the activity per the statement is reconciled to activity per the parish bookkeeping system. Differences between the book balance and the bank statement balance must be investigated, reconciled and recorded in the bookkeeping system. Cheques outstanding for more than 60 days should be investigated and resolved. The bank reconciliation is to be signed and dated by the person reconciling the account.

At least four times per year and, always in conjunction with submitting the annual Financial Report to Diocesan Administration, a Finance Council member, who is not a signing officer, is to review the bank reconciliation, along with the Financial Report submitted to Diocesan Administration. As a minimum, the bank reconciliation review must consist of the following:

- the book balance on the Financial Report is to be compared to the bank reconciliation and the parish bookkeeping record;
- all reconciling items are to be reviewed for reasonableness;
- the addition and subtraction on the bank reconciliation is to be checked;
- all unusual or unidentified differences are to be investigated and resolved;
- the payees on all cheques (or cheque facsimiles) included in the bank statement are to be reviewed to ensure that they agree with the payees as shown in the general ledger (or accounts payable) system. The reviewer must also ensure that all cheques listed on the bank statement are present and reviewed.

The council member(s) reviewing the reconciliation and report(s) must sign the bank reconciliation and verify the annual Financial Report submitted to Diocesan Administration indicating a satisfactory review of the information.

## **8 Parish Financial Reporting**

### *8.1 Objectives*

The primary objectives of parish financial reporting are as follows:

- to accurately and completely report the financial activity of the parish on a timely basis;
- to summarize financial transactions in a simple, concise and consistent manner; and
- to provide a "benchmark" in conjunction with the financial statements in the form of a budget so that readers of the statements have a basis of comparison for assessing financial activity.

### *8.2 Accounting Principles*

#### *8.2.1 Receipts/Revenue*

- Revenue is to be recorded when received, not on the basis of a pledge or other commitment.
- Custodial Receipts: Receipts over which the parish has no discretion as to their use (e.g. donations for special collections; offerings for the poor; refugee sponsorship donations) represent custodial transactions and are to be recorded as a liability (custodial obligation) until paid. This includes receipts from national and diocesan special collections and payments for mass intentions.

#### *8.2.2 Expenses/Liabilities*

- Expenses are to be recorded when incurred (upon receipt of merchandise and when services are rendered) and recorded as a liability (accounts payable) until paid.
- Payments that will be reimbursed are to be recorded to accounts receivable until reimbursement is received. This includes sales taxes paid to a vendor that are eligible for refund from the federal or provincial governments.
- The principal amount of all loans payable is to be recorded as a liability and reported on the balance sheet. Principal payments are to be recorded as indicated on the annual Financial Report to Diocesan Administration.

#### *8.2.3 Budgeting*

Prior to the beginning of the fiscal year and in anticipation of the filing of the annual Financial Report to Diocesan Administration, a financial budget for the upcoming fiscal year is to be prepared. Parish budgets must be balanced, it being understood that budgeting for deficit operations is not permitted. The



Finance Council must participate in developing the annual budget, with input from the parish Pastoral Council and must recommend the final budget for approval by the Pastor. The members of the Finance Council should also participate in the communication of the annual budget to the parish community.

During the fiscal year, the Pastor and Finance Council must review actual revenues and expenditures against budgeted amounts on a monthly basis. Any material variance should be investigated and resolved as soon as possible. Monthly reports must be timely, not later than the end of the month following the month being reported (i.e., not more than 30 days after month's end).

## **9 Annual Financial Report to Diocesan Administration**

Each parish is required to submit a complete Financial Report to the Diocesan Administration annually, on or before the date that is established by Diocesan Administration. A complete Financial Report consists of the financial statements, questionnaire, addenda, budget and other related documents sent by Diocesan Administration.

## **10 Reporting to the Parish**

A financial report is to be made to the parish Pastoral Council at least semi-annually. In addition, a written year-end financial report is to be presented to the entire parish community, as soon as possible after the end of the fiscal year. As a minimum, this must consist of a Balance Sheet and Statement of Revenues and Expenditures, actual and budgeted. The format of this report may vary from that which is submitted to Diocesan Administration; however, all the major elements of the financial report are to be covered. In addition, the annual budget is to be presented to the entire parish community, preferably before the beginning of the fiscal year or early in the new year.

## **11 Leases & Long-Term Agreements affecting Property**

Parish property must not be encumbered by leases or other long-term agreements affecting the property (e.g., parking and parking management agreements, cellular and other transmission tower agreements, solar panel agreements, rights-of-way, easements, etc.) without the prior written authorization of Diocesan Administration. Depending on the nature of the encumbrance or agreement, the parish may be obliged to pay for a legal review of same by diocesan lawyers.

## **12 Computer Security**

All parishes are to implement the use of usernames and passwords to safeguard access to data files. Only those employees and volunteers authorized to access data programs should have usernames and passwords. Wherever practicable, each person's username and password should be unique to that person. Data should be backed up regularly and a system instituted for the safeguarding of backed-up data off-site.

### **13 Tax Receipts & Filing**

Parishes must respect the requirements of the Canada Revenue Agency (CRA) with respect to the issuance of tax receipts including the nature and form of receiptable donations. In order to maintain their charitable status, all parishes are required to file the CRA form T3010 before the June 30<sup>th</sup> following the fiscal year. Tax receipts may only be issued for documented donations; for example, donations given and recorded through an envelope system, for cheques or for cash receipts issued and signed at the time of the donation.

### **14 Remuneration of Members of Councils & Committees**

Other than the Pastor who is paid a salary by the parish according to diocesan norms, all members of parish councils and committees serve on a volunteer basis. Other than the reimbursement of reasonable expenses supported by original invoices or receipts from third-party suppliers, members of parish councils and committees must not receive any amount in the nature of compensation, in currency or in kind, whether it be in the nature of a salary, wage, honorarium, stipend or otherwise.

### **15 Employment & Contracts Concerning Related Persons**

Parishes are not to employ, nor to have contracts for the supply of goods or services, with persons who are related, by blood or marriage, to the Pastor. This prohibition also extends to companies, or other suppliers, whose owners, partners, principals or employees are related to the Pastor.

### **16 Fundraising**

As a general principle, fundraising within or by a parish is limited to parish operations and capital expenditures and to collections ordered or requested by Diocesan Administration. Fundraising must not take place for individuals or for organizations outside of the parish which do not have prior approval, in writing, from the Archbishop or his delegate having Ordinary authority. Priests must not promote fundraising projects in the parishes where they are assigned that could be interpreted as projects which they are personally promoting, whether it be for a person or community located in the Archdiocese or elsewhere. Any exception to this norm must have prior written approval from the Archbishop, or from his delegate having Ordinary authority.

### **17 Parish Financial Reviews**

Diocesan Administration periodically performs financial reviews of parishes.

### 17.1 *Review Objectives*

- To determine whether parish accounting procedures provide reasonable assurance that parish assets have been properly safeguarded
- To determine whether parish accounting procedures provide reasonable assurance that its financial activities have been properly recorded and summarized, and reported to parishioners and the Archdiocese
- To determine whether parish accounting procedures provide reasonable assurance that the parish is complying with all civil and diocesan regulations

### 17.2 *Review Process*

The financial review process consists of evaluating and testing the parish accounting procedures and internal controls to determine whether the controls are adequate to meet the above objectives and whether they are operating effectively.

### 17.3 *Review Results*

As a result of the financial review process, weaknesses in accounting procedures and internal controls will be identified, and a report containing recommendations to improve these procedures and controls will be issued to the Pastor and to the Chair of the parish Finance Council.