

Little Flower
Springfield
March 2015
Diocese of Springfield in Illinois



**Internal Control Recommendations
Little Flower
Springfield, IL**

COMPLIANCE WITH LAWS

Offertory Collections:

- Parishioners' year-end contribution statements were not reviewed but should state that "no goods or services were given in exchange for these contributions."

Disbursements/Accounts Payable:

- All vendors who receive \$600 or more in a calendar year need to be evaluated to see if they should be issued a 1099 (independent contractor) or a W-2 (employee) at year-end. If it is determined that the vendor meets the qualifications of an employee, he/she must be paid through payroll and issued a W-2. If the vendor does not meet the qualifications of an employee, he/she is an independent contractor and must be issued a 1099 at year-end.
- A W-9 should be on file for any contractor that could possibly be issued 1099 at year-end.
- When issuing a W-2G the winnings of the individual are to be reduced by the price of the winning ticket.
- Currently the parish is withholding on winnings over \$5,000.00 federally. The parish is also required to withhold for the state of Illinois on winnings over \$5,000.00.

Personnel:

- Current Federal W-4 and Illinois W-4 forms must be obtained for all employees and should be updated yearly.
- Personnel files must be created for all employees and contain the following items:
 - Employment application/references
 - Job description
 - Emergency notification form
 - I-9 (to be maintained in a separate file - all I-9s together)
 - Employee handbook acceptance
 - Performance evaluations
- Current state and federal labor law posters must be posted in the most employee accessible place in the parish office.
- All employees should be examined to see if they are correctly classified as exempt or non-exempt.

Mass Stipends:

- No employee should ever receive a 1099 and W-2 from the parish. Msgr. Ossola received both in 2013 and 2014.

COMPLIANCE WITH THE DIOCESE

Finance Council:

- The responsibilities of the Finance Council should be created, reviewed, signed, and dated by each member. *done*
- The Finance Council should set limits and procedures for authorizing transactions at the parish and school and so note in the minutes.
- Members of the Finance Council should be appointed by the Pastor for a fixed term. Once the term is over, the member may be reappointed by the Pastor but limited to a specific period of time.

Administration/Accounting

- Employees need to be cross trained on others' duties. This would be useful in case of an emergency, such as prolonged illness or absence. No one other than Anita knows how to process payroll.
- The diocese requires that each parish have an employee handbook. It should include parish policies such as sick time, vacation policy, expense reimbursement, mileage, and travel reimbursements, etc. It was indicated in the questionnaire that Fr. Nolan is working on this.
- All positions must have their responsibilities in writing. This ensures that each employee knows their job expectations and responsibilities. It is also beneficial should any employment issues arise. Father has started creating job descriptions for all employees.
- To prevent any new accounts from being opened, a letter should be written to the parish bank and to all local banks indicating that new accounts may only be setup with an authorization letter from the Pastor with the parish address.
- A letter should be sent to all banks in the area to see if there are unauthorized bank accounts opened under the parish FEIN.
- The bank reconciliation should be printed out of QuickBooks and attached to the bank statement. No other supporting documents are needed attached to the bank statements. If further questions are asked about the reconciliation this information can be pulled from QuickBooks.
- Father must sign all checks. If father is not available then two signatures must be required. Neither of these signors should have check writing abilities.
- Several journal entries were made to account 28020 Deferred Tuition that should not have been made. This has made this account out of balance by (\$409,009.87). These journal entries should be investigated and fixed so they will not show up on the balance sheet. These journal entries also inflated tuition income as well.

Offertory Collections:

- Tamper evident bags must be used for each collection. These need to be kept in a secure location with limited access. The bag numbers need to be carefully recorded and reviewed on a regular basis. Spoiled bags need to be noted and a new bag issued by an authorized person.
- Tamper evident bag seals should never be broken by anyone until all members of the count team are present.
- After each mass collection is counted, it must be placed in a tamper evident bag and taken to the bank by a member of the count team.
- Count teams should be comprised of at least 3 people.
- All count sheets need to be completed and signed in pen so that amounts may not easily be changed. Count sheets should also have a spot on the count sheet for the number of the tamper proof bag.
 - If a change is needed on the count sheet it should be crossed out and initialed by all members of the count team.
- Members of count teams should be rotated among teams on a regular basis.
 - Count team members should also never be related to each other.
- Parish staff should be excluded from the counting process.
- All checks should be immediately endorsed for deposit.
 - It was indicated that as checks received throughout the week are not immediately stamped for deposit.
- Father should review and initial all count sheets, deposit tickets, and deposit details to verify the amounts agree.
- All items from the offertory collection should be counted by the count team.
 - It was indicated in the questionnaire that loose checks are not counted by the count team.
- Two individuals should always be present when the votive offering is collected.
- Deposits should be entered into QuickBooks as soon as they are deposited in the bank so that the parish can see its available balance at any time.
- What is entered into the contribution tracking system should match what was deposited. If not, it needs to be investigated to see why there is a difference.
- The count sheet should match the deposit ticket and deposit detail. If they do not match, the bank should send a letter stating the difference and that an adjustment was made. This notice should be attached to the deposit ticket.
- Envelopes must be kept on file at the parish for one year.

Mass Stipends

- Checks received in the parish office for Mass Stipends must be immediately endorsed for deposit.
- Deposits for the Mass Stipend account must be deposited in the same week that they are received. It was noted that Mass Stipends are currently only being deposited once a month.

Mail Receipts of Cash or Check:

- It was indicated that bank deposits were made on Monday. A midweek deposited should be made as well. A record of what was received in the parish office throughout the week should be kept and attached to the deposit receipt.
- Once the bank statements are received, copies of the bank statements should be sent to each parish organization as needed. The original copy of the bank statements are to be kept in the parish office.
- Pre-numbered receipts must be issued for all cash received in the parish office and these should be included in a separate deposit.

Disbursements/Accounts Payable:

- All checks should be either cleared or voided after three months. Any checks outstanding should be voided and the vendor should be contacted to see if the parish has an outstanding balance on their account.
 - Several checks and journal entries need to be investigated to see why they have not cleared.
- Original supporting documentation for disbursements should be reviewed and approved by the Pastor. Approval should be documented by the Pastor's initials on the bill or invoice.
- Supporting documentation was attached to all invoices. The only thing that needs to be attached to the invoice is the check stub. There is no need to attach a copy of the check as well.
- Debt to the diocese should be able to be tied to the statement received from the diocese.
 - As of 02/28/15 the diocesan statement showed that Little Flower owed \$397,724.04 in old debt. Your QuickBooks shows that you owe \$421,893.04. This should be investigated and fixed.
- Access to the parish credit cards or charge accounts should be restricted. The Pastor is ultimately responsible for all purchases made on the credit cards. Therefore, the Pastor should limit access to credit cards and what kinds of purchases are made. If purchases need to be made by an employee, they should use their personal credit or debit card and fill out an expense reimbursement form.
 - It was indicated that the parish only has 3 visa credit cards which is very good. But it was also indicated that the parish has accounts at several other establishments. Access to these accounts should be restricted just like the credit cards.
- All purchases on the credit card are to have receipts that are submitted to the bookkeeper. Receipts should then be attached to the credit card statement to detail charges.
 - Check #18676 was to Visa for \$1,946.48 and of these charges \$749.76 did not have receipts.
- The sales tax exemption number must be used for all purchases made for the parish. Sales tax should not be reimbursed to an individual who does not use the

- sales tax exemption number. The sales tax exemption number may never be used for personal purchases.
- An expense reimbursement form should be used for all purchases that are made by employees and the receipt should be attached to the form.
 - A standard form should be created and required to fill out if an individual wants a reimbursement. This form should be used for both employees and volunteers.
 - When there is no invoice, a check request should be issued by someone in the office and then approved by Father initialing the request. Back-up should be on file for all disbursements.
 - Bills should be put in QuickBooks on a weekly basis and paid based off the terms of payment on the bill.
 - We highly recommend having a set date to enter bills and a set day to issue checks.
 - If start up cash is needed the check should be issued to the individual who is in charge of the event. It should never be issued to the bookkeeper.
 - These checks should be issued to “Start up Cash name.” When this money is deposited it should be made in a separate deposit that should be able to be tied to the check issued.
 - Checks should never be issued to cash.

Petty Cash

- Petty cash should be reconciled at the end of every month. There should also be at least one surprise reconciliation a year.
 - Reconciliation must be conducted by a person other than the petty cashier.
- Petty cash replenishment checks should be made payable to “Petty Cashier, Fr. Nolan.” Attached to this check stub should be supporting back-up.
 - These checks should never be issued to the parish bookkeeper.
- Petty cash checks should never be for more than \$100.
- Petty cash must be kept in a secure location with limited access.
- The petty cash balance is entered in QuickBooks but is not being used.

Personnel:

- All employees with responsibilities for financial accounting, deposit preparation, or payment of invoices should be required to take at least five consecutive vacation days a year. During this time another employee should perform these tasks.
- Yearly performance evaluations should be performed.

Payroll:

- An employee payroll change form should be used for all payroll changes. All changes must be approved by Father signing the request.

- All employees should complete time sheets. This will make it easier to track sick and vacation time for employees, as well as pension and health insurance eligibility.
- Sick and vacation time should be tracked for all employees and kept on file at the parish in case any disputes arise.
- ACH should be used for all employees. This will reduce the cost of payroll and will allow the parish to close the payroll account.
- Payroll dates should be set so that the pay period is always the same.
 - For example if you pay the 15 and the last day of the month you should set the date for time sheets to be into the bookkeeper as the 10th and 25th of every month.

Information Technology:

- Computer terminals should be locked if employees are away from their desks.
- Computer files should be backed up on a regular basis. Once this system is in place the system should be tested to make sure that it works.
- Back-up files should be stored at an off site location.
- All work stations should have firewall, virus protection, and surge protection installed. It was indicated in the questionnaire that this is being worked on.

Insurance/Property:

- A physical inventory of items at the church and rectory should be kept and updated yearly as well as at the change of Pastors. This listing should be sent to the Insurance Office at the Diocese. A separate listing of which items in the rectory belong to the parish and which items are personal belongings of the Pastor or parish employees should also be maintained.
 - The Diocese carries a 15% coverage on contents for all buildings.
 - The Diocese also carries a \$50,000.00 person property coverage for all priests.
- All independent contractors must have proof of insurance which must be kept on file in the parish office. A copy of each insurance certificate must be sent to the Insurance Office at the Diocese. To see how to fill out the description of operations and minimum coverage amounts, look at the sample of the Certificate of Liability Insurance on the Diocese website.
- Any outside organization that uses the parish's facilities must have proof of insurance.
- It was not clear if the property on Stanton was titled correctly. After looking into this a little further all parts of the property on Stanton are titled correctly.

Cafeteria and School Receipts:

- Tuition was not evaluated in the review.

- Accounts receivable should be looked at by the Finance Council on a monthly basis. Several accounts have no payments for the current school year. What is uncollectable debt needs to be written off.
- Cafeteria revenues were not evaluated.
 - The number of lunches sold should be able to be tied to the amount of money that is deposited.
- The scrip program was not evaluated in the review for controls pertaining to reconciliation and card safety.
 - All script cards should be handled in the same manner as cash.

Other Parish Organizations:

- For any other society accounts:
 - dual signatures on all checks where the Pastor is not approving all disbursements
 - all societies to obtain images of cleared checks from the bank
 - complete bank reconciliations on all accounts to verify the available cash on hand
 - report financials to Pastor and Finance Council on a monthly or quarterly basis
 - Blank checks should be stored in a secure location with restricted access.
- All parish organization bank statements should be received by Father. Father should open these bank statements and distribute copies as needed.
- Parish organizations must furnish a yearly statement that includes the income and expenses for the year.
- No parish organization should have a petty cash fund.
 - It was indicated that the Booster Club has a petty cash fund.