

X. CASH DISBURSEMENTS

This chapter identifies the key tasks that comprise the cash disbursement process, including:

- Purchasing
- Authorizing payment
- Disbursing funds
- Recording expenditures

1. Invoices Received and Checks Written

1.1 Overall Control Environment

Signatories for Parish operating/checking accounts are limited to the Bishop, as President of the Parish Corporation; the Pastor; and one alternate signatory for emergency situations (*see Chapter VII, section 1.1*).

- All invoices paid and all checks issued must be supported by documentation, indicating:
 - the amount of the expenditure
 - the date(s) the goods were received or services provided
 - the description of goods received or services provided
 - the payee (the person or entity to whom the check will be paid)
- Payments should be made on original invoices **only**. Payments should **not** be made on copies (duplicates) or statements listing invoices to avoid duplicate payments.
- All checks should be generated by the QuickBooks system. Manual checks should be avoided.
- The Pastor indicates approval by initialing the invoice
- The Pastor (or, in his absence, the alternate check signer) signs all checks.
- Record invoices in QuickBooks.



- Any person entering accounting data, or who otherwise has access to financial records, should **never** approve invoices or sign checks. The only exception to this policy is the Pastor.

1.2 Purchasing

Before placing an order for goods or services, the Pastor or his designee or program director(s) should review the program budget to ensure that sufficient funds remain in the budget to cover the purchase. Three competitive quotes should be obtained if the order is in excess of \$5,000 in total over a 12-month period.

When goods are received or services provided, the party responsible for receiving the goods or services must review the invoice for accuracy, matching quantity, and price to the original order. Approval of the invoice is indicated by the responsible party's initialing and dating the invoice.

1.3 Recording Bills/Invoices

All original bills/invoices are forwarded to the Pastor for his approval, which is indicated by his initialing and dating the invoice.

The Parish Business Manager/Accountant/Bookkeeper records the invoice to be paid as an Account Payable in QuickBooks, indicating the purpose in the memo section, date of the invoice, and payment due date in the appropriate sections. The Account (expense or asset classification) and Class (Parish Functional Activity) are assigned by the Parish Business Manager/Accountant/Bookkeeper in consultation with the appropriate parties, as necessary. The account numbers and designations should be clearly noted on the invoice. Unpaid invoices are filed in an "Unpaid Invoice" file in alphabetical order.

1.4 Paying Bills/Invoices

The Pastor or Parish Business Manager/Accountant/Bookkeeper determines when to pay invoices. Multiple invoices for the same vendor should be paid on a single check. The check amount and payee should agree to the documentation already reviewed and approved.

The printed check and accompanying documentation (e.g. approved invoices and check requests) must be provided to the Pastor for signature. Check writing should be kept to a minimum, usually not more than once a week. In this way, the Pastor can review the checks and supporting



documents on a timely basis. In the Pastor's absence, the alternative signer may sign the check (see 1.1 above).

Signed checks should be mailed immediately and supporting documentation must be stamped "PAID" and filed alphabetically by fiscal year in a "Paid Bills" file.

Voided checks must be marked with the word "VOID" stamped across the front of the check. All voided checks must be kept with the bank statement covering the period of time in which the voided check was written. If the voided check is dated in the current month, then the Parish Business Manager/Accountant/Bookkeeper must void the check in the QuickBooks system.

If the check to be voided is dated in a prior month, do not void the check function. Rather, post a journal entry in the current month to increase the checking account balance and reduce the expenses by the amount of the check.

Under no circumstances are bills or invoices (or any employee, contractor, or vendor) to be paid in cash.

1.5 Independent Contractor /Employee Determination

Parishes engage individuals to provide a variety of services that require substantially less than an ongoing, full-time commitment from those individuals, including lawn and janitorial maintenance people, consultants, electricians, painters, lawyers, accountants, musicians, and others.

Whether these individuals are *employees* or *independent contractors* under Federal law is a very important determination and must be made before the individual is paid. That is because as employees their compensation is subject to withholding taxes and the parish employer is subject to Social Security and Medicare contributions for their benefit. Further, as employees they are eligible for the Diocesan pension and healthcare benefits if their average weekly time worked exceeds 20 hours and 30 hours, respectively.

However, if they are independent contractors, no such withholdings or contributions are applicable and they are not eligible for pension and health care benefits.



Some 20 factors have been identified by the government as indicating whether an individual providing service is an employee or an independent contractor including among others:

- Whether the entity (parish) or the individual has the right to control and direct the means to perform the service, not just the results achieved.
- Whether the service is done on the parish's premises, with tools or materials provided by the Parish.
- Whether the service is performed on the Parish's time schedule.
- Whether the relationship between the Parish and the individual is continuing.
- Whether the individual makes the service available to the general public.
- Whether the individual provides the service to two or more parties in addition to the Parish.

None of the 20 factors are individually controlling and the determination is based on the substance of the arrangement, not its form. **Please contact Diocesan Finance Services (203-416-1385) before concluding that the individual is an independent contractor and not an employee.**

If an individual is determined to be an independent contractor, he/she must complete and sign an IRS Form W-9, Request for Taxpayer Identification Number and Certification. A letter outlining the deliverables and terms of payment should be prepared and signed prior to the individual commencing the service.

Independent contractors are paid through the accounts payable system and must be issued an IRS Form 1099-MISC, Miscellaneous Income, by January 31 for the previous calendar year.

1.6 Charitable Contributions on Behalf of Individuals or Families in Need

In keeping with the Church mission of providing for the needs of individuals or families, the Pastor exercises his discretion in determining individuals or families who are in need of financial assistance. Payments of this type should **not** be in cash or in checks payable to the individual. Rather, checks may be made payable to the landlord or utility etc. on



behalf of the individual or family. Food store gift cards can also be used for this purpose.

These payments should be recorded as charitable contributions in QuickBooks (account # 5112).

1.7 Online Banking

Some Parishes may elect to utilize online banking to pay their bills. The Parish is required to establish controls with their bank that will require the proper authorization by the Pastor to release those payments.

Pastors need to input their own unique password on a transaction screen before a batch of payments is released from the bank. This function must **not** be done by the Parish Business Manager/ Accountant/Bookkeeper.

Recurring payments that are automatically deducted from the account are **not** permitted. The Pastor must authorize every batch of electronic payments.

Online banking may be facilitated either through QuickBooks in coordination with the Parish's bank, or directly with the bank.

It is recommended that if the bank supports QuickBooks online bill payment system, then utilization of that relationship will reduce duplication of entries and reduce the opportunity for posting errors.

The following procedures are required for online banking:

- Parish Finance Services **must** be notified of any online banking arrangement. Specifically, PFS must be informed of the bank and the account number as well as the individuals authorized to use the online banking feature.
- Access to entering online banking transactions must be strictly limited to the Pastor (for the release of funds) and the Parish Business Manager/Accountant/Bookkeeper (for entering electronic payments).
- Only bills or invoices that have been previously approved can be entered into the online banking system.
- At the time online bill payments are created, a summary sheet detailing



these payments must be created and printed. This summary sheet must document the vendor names, amount of each payment and the date the payment will be electronically released.

- This summary sheet must be forwarded to the Pastor for his approval, evidenced by his initials, and then filed as documentation of the electronic payments. It is recommended that the invoices being paid accompany this summary sheet for the Pastor's review.
- All invoices that have been paid must be marked as "paid", showing the date of the electronic payment and the confirmation number (issued by the financial institution or QuickBooks) of the payment.
- Monthly reviews of the bank statement, particularly the electronic funds disbursement section, must be made by the Pastor and/or the alternate check signer. This review **must not** be performed by the Parish Business Manager/Accountant/Bookkeeper who has entered the electronic payments into the system. These reviews must include a comparison of the authorized electronic payments, as evidenced by the summary sheet of payments that bears the Pastor's initials of approval, with the electronic payments that actually cleared the bank account as evidenced on the bank statement. Documentation that these reviews have taken place must be kept separate from the bank statements and retained by the Parish.
- Any discrepancies identified by the Pastor's designee must be brought to the Pastor's attention immediately and resolved.

1.8 Insurance

- **Certificate.** For any individual or contractor who enters the Parish/school premises to perform work, the Parish must obtain an insurance certificate from the contractor's insurance agent, naming the Parish as an additional insured. This ensures that the contractor has adequate coverage and limits the Parish's liability and exposure to loss.
- **Personal & Real Property Changes.** Parishes have the responsibility to notify the diocese's insurer (currently Catholic Mutual) of all building and equipment additions or deletions in amounts in excess of \$50,000.
- **Catholic Mutual's Addendum to Lease:** *see Appendix at the end of this chapter.*



1.9 Credit Cards and Debit Cards

Parish credit cards may be used to facilitate purchasing and to make use of the Parish's sales tax exemption. Credit cards should be issued in the Parish's name and may only be used for Parish activity. No personal expenditures are allowed.

Credit card charges must be evidenced by a credit card receipt and a store receipt detailing the items purchased. Only staff members who need to make frequent purchases on behalf of the Parish can be authorized signers. The Pastor or the Parish Business Manager/Accountant/Bookkeeper must examine the monthly credit card statement carefully, ensuring that purchases are appropriate and reasonable and that all individual charge slips/store receipts are filed with the monthly credit card statement.

The credit line of the card(s) should be limited to the cardholder's functional needs, e.g. custodian: \$500, Director of Religious Education: \$1,500.

Credit card bills **must** be paid in full each month.

Debit Cards are not permitted.

- Debit cards appear similar to credit cards, but there is one significant difference: the bank does **not** assume any liability for unauthorized use. The owner of the debit card would have to pursue the unauthorized users for reimbursement, which could result in a lengthy and expensive process.
- Use of a debit card results in immediate withdrawal of funds from the account, facilitating immediate theft and postponing realization of theft, possibly until a bank statement is received. In addition, the use of a debit card by someone other than a member of the clergy effectively gives them check-signing authority, in contrast to the policy of only clergy being authorized signers on bank accounts.



1.10 Petty Cash Funds

Petty cash funds are intended for purchases of less than \$100. The aggregate of all petty cash funds should not exceed \$500.

- The petty cash custodian (e.g. the Parish secretary) is responsible for the petty cash fund.
- All purchases paid from a petty cash fund must be identified on the Petty Cash Reimbursement Request Form (*see Appendix at the end of this chapter*) and supported by original receipt documentation indicating:
 - the amount of the expense.
 - the date of the expense.
 - the purpose of the expense.
 - the name of the person making the purchase.
- Reimbursements to the petty cash fund are made when necessary (when petty cash on hand is less than \$100), normally twice a month.
- The petty cash fund is physically kept secure in the Church safe or fireproof cabinet.

1.11 Assessments, Contributions, and Diocesan-Administered Programs

Parishes support diocesan programs and services in the following ways:

- **Cathedraticum:** a monthly payment based on **7.58%** of a Parish's offertory revenue – the amount collected at all week-end Masses (except for special collections and those exempted by the Bishop), less the monthly contribution to Bridgeport Diocesan Catholic Schools. Cathedraticum revenue provides necessary funds for activities and services that are not covered by revenue from the Annual Bishop's Appeal, including the Office of the Bishop, Diocesan Finance Services, and Human Resources. Through the Cathedraticum assessment, each Parish helps to support ministries and necessary services that directly benefit the Church at the Diocesan and Parish level.
- **Bridgeport Diocesan Catholic Schools Contribution:** Each Parish also pays **8%** of offertory revenue to help support the 33 Catholic elementary schools in the Diocese of Bridgeport. These funds are pooled and each school receives \$100,000 annually to assist in meeting operating expenses.



In addition, Parishes benefit from economies of scale from Diocesan-administered employee benefit and insurance programs and are responsible for paying for Parish:

- Employee medical and dental insurance
- Worker's compensation
- Property, casualty, and liability insurance
- Lay and clergy pension plans

Parishes are billed monthly for these amounts, except for pensions that are billed annually, by a Diocesan organization: **Access Resources**, 15 Stony Hill Rd., Bethel, CT 06801

1.12 Contracts

- **Property.** All property transactions must be reviewed by the Chancellor of the Diocese of Bridgeport and approved and signed by the Bishop.
- **Goods and Services.** The Diocese of Bridgeport policy mandates that all Parish contracts for goods and services totaling **\$50,000 or more** over the life of the contract must be approved and signed by the Bishop.

The \$50,000 threshold applies to any single project or service, regardless of the amount of individual payments on the contract. Splitting the contract into multiple contracts to avoid this requirement is prohibited.

New construction or major renovations are governed under the approval process established by the Diocesan Building & Sacred Arts Commission. See *the Building & Sacred Arts Commission Guidelines Binder for that process.*

1.13 Sales Tax

1.13.1 Overview

Parishes in the Diocese of Bridgeport are not-for-profit organizations and generally exempt from paying sales tax on purchases from retailers of tangible personal property or services in the State of Connecticut.



Parishes must provide retail vendors with a **State of Connecticut Department of Revenue Services CERT-119 documenting the exemption prior to making purchases** (see *Appendix at the end of this chapter*). Individuals purchasing on behalf of the Parish must be alert to ensure that tax is not charged at the time of purchase.

Parishes must pay for exempt purchases by check (manual or electronic) drawn on its own checking account. Exempt purchases also may be made by credit card **provided the credit card is issued in the Parish's name only and is used exclusively to make purchases for the Parish and not for the convenience of its employees**. Credit card charges must be paid for by check (manual or electronic) drawn on the Parish's own checking account.

Purchases from retail vendors of tangible personal property or services for any Parish rental income properties are **not exempt from sales tax**.

If Parishes use auctions to raise funds and the auctioneer is paid to conduct the auction, the auction sales are **not exempt from sales tax**. If the auctioneer's services are volunteered at no charge to the Parish, the auction sales are exempt from Connecticut sales tax.

Sales at Parish fundraising or social events by retailers (e.g. sales of food at a carnival by a restaurant) also are **not exempt from sales tax**.

1.13.2 CERT-119

CERT-119 requires that the Parish provide both its **Connecticut Tax Registration Number** and its **Exemption Permit #** as well as its Federal Employer ID # (EIN).

The Connecticut Tax Registration Number is provided by the Department of Revenue Services and is utilized routinely for payroll tax reporting to the Department of Revenue Services.



The Exemption Permit # was only issued by the Department of Revenue Services (and its predecessors) prior to 1996. If the Parish does not have its Exemption Permit #, that space on the CERT-119 should be left blank.

The CERT-119 form provides three choices for its use with retail vendors:

- 1) Blanket certificate for purchases made **within one year** after the date of issuance of the CERT-119 to the retail vendor. If purchases continue from the retail vendor, a new CERT-119 must be provided to the retail vendor **annually**. The blanket certificate **may not** be used for purchases of tangible personal property for **resale at fundraising or social events**. See 3. below.
- 2) Certificate for **one purchase only** from the retail vendor. A one purchase only certificate **may not** be used for purchases of tangible personal property for **resale at fundraising or social events**. See 3. below.
- 3) Purchases of tangible personal property from retail vendors for **resale at not more than one of five fundraising or social events each calendar year**. A separate CERT-119 must be provided for each of the five events. Purchases of tangible personal property from retail vendors for resale at additional (beyond five) fundraising or social events in one calendar year **are not exempt from Connecticut sales tax**.

The applicable choice is made by checking the appropriate box on the CERT-119.

The CERT-119 requires that certain documents be attached as follows:

- If the Parish has retained a copy of its **Connecticut Exemption Permit** (E-Number Permit) issued by the Department of Revenue Services, it must attach a copy of that E-Number permit.
- If the Parish has **not** retained a copy of its **Connecticut Exemption Permit** (E-Number Permit) issued by the



Department of Revenue Services, it must attach documentation of its federal Internal Revenue Code Section 501 (c) (3) status. That documentation consists of:

- 1) Applicable pages from *The Official Catholic Directory*, published annually by P.J. Kenedy & Sons.
- 2) The U.S. Conference of Catholic Bishops' annual Group Ruling Memorandum.
- 3) An annual letter from the Internal Revenue District Director for the Associate General Counsel of the U.S. Conference of Catholic Bishops.

This documentation will be provided to each Parish annually in July by Diocesan Finance Services.

1.14 Recording and Reporting

The standard Chart of Accounts and the Parish functional activity/classes (e.g. liturgical and pastoral services, religious education) are designed so that Parishes may record their expenditures to specific natural expense categories (e.g. compensation, utilities) as well as functional activity classes or to asset and liability accounts, as appropriate.



2. Building, Capital Improvements, and Major Renovations

2.1 Building & Sacred Arts Commission

The function of the Diocesan Building and Sacred Arts Commission is to review carefully Parish projects and plans to ensure that:

- the design is both appropriate and becoming;
- that the buildings will represent good value in terms of use and maintenance in the years ahead;
- that the project is financially viable; *and*
- that project risks are appropriately addressed.

2.2 Building and Renovation Project Examples

- The building of new churches and chapels.
- Any renovation or repair that will affect liturgical space.
- Catholic school expansion and improvements.
- Construction of Parish Centers.
- Any other building renovation or repair project that will exceed \$50,000 of expenditures in the aggregate.
- All major capital improvements to Parish rectories and grounds and any buildings that fall under the auspices of the Diocese of Bridgeport.

See the separate manual entitled “Building & Sacred Arts Commission Guidelines Binder” for more details.



3. Property and Equipment

3.1 Overview

Tangible property and equipment that a Parish owns and uses in its activities and that has a useful life to the Parish of greater than one year is usually “**capitalized**”¹ when acquired, rather than charged to expense.

According to Diocesan policy, property and equipment costing, or with a value when donated, less than \$2,000, are charged to expense, not capitalized.

Property, excluding land, and equipment that is capitalized will be depreciated, that is charged to expense, ratably over the expected useful life of the asset. Land is not depreciated as it has an indeterminate useful life.

Guidance on appropriate expected useful lives and recording depreciation will be provided in 2008.

3.2 Property and Equipment Inventory

To help safeguard the investment in property and equipment, including the items that have been expensed, an annual inventory in **October** is required.

A Parish representative should determine the physical location, existence, and working condition of all property and equipment and record such on the **Property and Equipment Inventory Form** (*see the Appendix at the end of this chapter*). The disposition of items previously listed on the form should be noted.

The form should be maintained with the records of the Parish and the Parish representative should forward a signed copy to the Director of Parish Finance Services.

¹ **Capitalize:** an accounting term referring to ongoing recognition of an expenditure or donation as an asset in financial statements over the asset’s expected useful life, rather than reporting the expenditure or donation as an expense when acquired.

