

Financial Policies, Procedures, and Controls For our Parish

A Model Manual to be adapted for local use



Prepared By

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Our Parish Manual
for
Financial Policies, Procedures, and Controls

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1. FOREWORD

This model Manual for Financial Policies, Procedures, and Controls was prepared by the Congregational Business Consultants as part of its continuing effort to promote sound business practices. It contains suggested financial policies, procedures and internal controls, including definitions of roles and division of financial duties of the congregational leadership.

It is intended as a resource and guide to assist congregations in the Diocese of Massachusetts in the development and adoption of individual policies and procedures to ensure that the assets of each congregation are safeguarded and that finances are managed with responsible stewardship. While most of these policies and procedures will apply notwithstanding the size of a congregation, each congregation can adapt these as appropriate to its particular circumstances and its by-laws. Policies and procedures should also be consistent with the Manual of Business Methods in Church Affairs prepared by the national Episcopal Church.

Although Diocesan staff and Congregational Business Consultants are available to provide assistance to a congregation in the development of its own policies and procedures manual, the final determination relative to the particular policies, procedures and internal controls ultimately is the responsibility of the congregation.

This manual has benefited from the manual recently prepared by St. Peter's of Weston, and we hereby express our appreciation for their leadership.

Sections of this document will have the general form:

Topic

Particular Policies

Procedures and Processes to implement policies

Internal Controls to ensure that procedures are properly followed.

Please direct any questions or comments regarding this manual to Chris Meyer, cmeyer@diomass.org, 617-527-2739.

/Signed/

The Congregational Business Consultants

2. INTRODUCTION

Our Parish is required to comply with the laws of the USA (including the IRS Tax Code), the Commonwealth of Massachusetts, the Canons of the Episcopal Church, and the Canons of the Episcopal Diocese of Massachusetts. After that, there are a number of alternatives and decisions to be made. Some of these are presented in the by-laws of our parish.

The Manual of Business Methods (MBM) contains a number of recommendations, and deserves careful consideration.

We recommend that you remove the Foreword, and possibly this introduction, and then tailor the detailed content to best serve the needs of your parish.

More Things to check, if you revise this manual:

Look and Layout:

- a) keep the lists uniform,
- b) use standard rulers for indentation

Grammar:

Convert sentences from passive to active voice, wherever possible.

Please note that this document uses MS Word techniques to generate page numbers, cross-references, the Table of Contents, and the Index. If you add sections, then please use style “header 1” or “header 2” to ensure that the Table of Contents will be correct, and that a uniform appearance will be maintained. If you change anything, then please press Ctrl-A to select the entire document, and press Function Key F9 to update all tables, cross-references, etc

3. DIVISION OF FINANCIAL DUTIES

The details below apply best to larger parishes. Smaller parishes may simplify the multiple roles.

Vestry - Steward of all the financial resources of the parish:

- a. Oversee the care for all property of the parish.
- b. Oversee the investment of the funds of the parish.
- c. Review and approve financial reports.
- d. Review and approve annual budget.
- e. Approve all financial and business contracts subsequent to review by appropriate committee.
- f. Delegate financial duties only as specified in the by-laws
- g. Sr. Warden or Jr. Warden to be second signature on checks when necessary.

Clerk

- a. The Clerk may enter into financial or legal agreements on behalf of the parish, after agreements are duly approved.
- b. The Clerk maintains official records of the parish.

Treasurer

- a. Oversee the processing of all receipts collected, and disbursements made, under the authority of the Vestry.
- b. Oversee financial reconciliation and controls.
- c. Receive unopened bank statements.
- d. Present financial reports to the Parish at Annual Meetings and to the Vestry at their regular meetings.
- e. Oversee maintenance of financial records, including those of endowment monies.
- f. Chair the Finance Committee.
- g. Second signature on checks when necessary.
- h. Prepare draft budget annually, with Finance Committee.
- i. Oversee budget review on a monthly basis.
- j. Member of the Endowment Committee.
- k. Organize periodic external audit of church finances.

1. The Treasurer serves a 1 year term, renewable for 5 successive years.
[consistent with by-laws]

Assistant Treasurer

- a. Deposit monies collected.
- b. Mail pledge statements to parish members.
- c. Review reimbursement requests for proper documentation.
- d. Review checks generated by bookkeeper for accuracy.
- e. Sign and mail checks generated by the bookkeeper.
- f. Maintain financial records.
- g. Quarterly review of pledge statements and written follow-up to members reflecting pledges to date versus total year commitment.
- h. Review payroll summary for correct payee, hours worked and check amount.
- i. Order and distribute pledge envelopes
- j. Other duties as required by the Treasurer.
- k. The Assistant Treasurer serves a 1 year term, renewable at the discretion of the Vestry [consistent with by-laws]

Bookkeeper

- a. Maintain the parish financial records.
- b. Enter all financial transactions.
- c. Prepare checks.
- d. Prepare financial statements.
- e. Back up all financial computer system records monthly, preferably weekly.
- f. Receive and reconcile Endowment investment account statements and forward to Finance Committee.
- g. Provide list of checks written over \$5,000 to Finance Committee at regular meeting.
- h. Perform other duties as required.

Finance Committee

- a. Review budget compared to actual financial activity at regular meetings.
- b. Report budget issues to the Vestry.
- c. Investigate and discuss financial issues facing the parish and prepare

- recommendations to the Vestry.
- d. Solicit committee, stewardship and other input as needed in order to prepare a draft budget.
 - e. Prepare draft budget for Vestry approval.
 - f. Monitor account and investment activity and reconciliations.
 - g. Finance Committee members include the Treasurer (Chair) Assistant Treasurer, the Bookkeeper, the Wardens, the Stewardship Chair, and other members who may be appointed by the Treasurer.

Endowment Committee

- a. Invest and manage the funds, which have been designated as endowment by either the donor or the Vestry.
- b. Mange monies in accordance with agreed upon investment philosophy, which has been reviewed and approved by the vestry.
- c. Maintain investment accounts with current list of personnel authorized for account access.
- d. Ensure duplicate statements for all accounts are forwarded to parish Bookkeeper.
- e. Make disbursements from the Endowment account as authorized by the Vestry.
- f. The Endowment Committee consists of the Treasurer with an Endowment Chair and other members appointed by the Vestry.

Property Manager

- a. Chairs Property Committee
- b. Reviews bids for property related projects
- c. Reviews property related vendor bills for accuracy
- d. Reviews monthly check run of Property accounts
- e. Receives rental and lease income

4. BUDGET

Church Fiscal Year

The church fiscal year runs from January 1 through December 31, in conformance with canons.

Budget Accounting Policies

- a. Adopt either Cash or Accrual accounting method for financial statements.
- b. The budget year corresponds to the church fiscal year.

Budget Development and Approval Process

- a. October to November – Finance Committee solicits Committee budget requests for the coming fiscal year.
- b. November to December - Finance Committee reviews individual budget requests for the coming fiscal year.
- c. November – December – Treasurer creates a draft budget for the coming fiscal year by
 - Estimating pledge income based on Stewardship Committee input.
 - Estimating endowment income based on review of current and prior year Endowment balances.
 - Estimating rental and other income based on prior year receipts.
 - Estimating expenses based on budget requests, prior year expenses and capital or reserve requirements.
- d. November to December – Finance Committee reviews draft budget and makes adjustments in order to arrive at a Balanced Budget. Revisions to income and expense estimates based on new information also made at this time.
- e. December - Finance committee endeavors to present a Balanced Budget to the Vestry based on the information available.
- f. December – Vestry review and vote on proposed Draft Budget.
- g. January - Vestry submits the proposed budget to the parish at the Annual Meeting for Approval or Review, depending on the by-laws

Budget Revision Process

Principle of Balanced Budget applies during revision process.

Requests to reallocate monies from one budget item to another must be approved by the Finance Committee and reported to the Vestry by the Treasurer.

Requests by an existing committee or project for an additional budget of less than **\$3,000** must be approved by the Finance Committee and reported to the Vestry by the Treasurer.

Requests by an existing committee or project for an additional budget of more than **\$3,000** must be approved by the Finance Committee and the Vestry.

The Vestry must approve requests by a new committee or project for funding.

All budget revisions must be documented in writing and filed with the financial records of the parish.

A record of original and revised budgets will be maintained and current working financial statements will reflect the fact that they are revised if this is the case.

Internal Controls

Principle of Balanced Budget applies during development and revision process.

Monthly review of approved budget versus actual expenditures by Finance Committee.

Requests for funding in any amount by a new committee subsequent to budget approval must be reviewed and approved by the vestry in order to ensure its consistency with the overall church mission.

5. EXPENSES AND DISBURSEMENTS

Procedures for Expenditures

- a. Expenditures may only be made if there exists an approved budget and such expenditures will not put the committee or account over their approved annual budget.
- b. Committee Chair, Project Chair or Business Manager responsible for the specific budget must authorize all reimbursable expenditures under \$1,000 in advance and must sign the expense request form. (See appendix for list of currently authorized committee and account signatures.)
- c. Expenditures exceeding \$1,000 must be authorized in advance by both the Committee Chair, Project Chair or Business Manager responsible for the specific budget AND one of the following: Sr. Warden, Jr. Warden or Treasurer. Authorization reflected by signing the expense form.
- d. Committee Chair, Project Chair or Business Manager responsible for the specific budget must verify that they remain within their budget for the year by checking the appropriate box on the expense reimbursement form.
- e. Request for reimbursement or charitable contribution credit must be accompanied by expense receipts and/or original vendor bill.
- f. We do not reimburse for sales tax. Parishioners should request a copy of the parish's ST-2 tax exempt form to present to the vendor at the time of the purchase.
- g. Expense Reimbursement forms should be filed in the Treasurer's office.
- h. Anticipated expenses that are not part of the approved budget must be authorized through the budget revision process. (See BUDGET, section 4)

Reimbursements/Vendor Payments

- a. Assistant Treasurer collects payment requests.
- b. Assistant Treasurer checks payment request for appropriate Committee Chair, Project Chair or Business Manager signature if expense is under \$1,000.
- c. Assistant Treasurer checks payment request for appropriate Committee Chair, Project Chair or Business Manager signature AND Treasurer, Jr. Warden or Sr. Warden signature if expense exceeds \$1,000.
- d. Expense receipts must accompany requests for reimbursement.
- e. Requests for direct payment to a vendor must include the vendor invoice stamped with the request for payment stamp.
 - The vendor's name, address, and phone number
 - Committee name

- A description of expenses
 - The Expense Account Number
 - The Social Security Number of the supplier if not incorporated.
- f. Assistant Treasurer insures that the checking account has sufficient balances to cover disbursements and makes transfers from savings as necessary.
 - g. Assistant Treasurer provides bookkeeper with above referenced expense request form or vendor bill in order for a check to be generated.
 - h. Bookkeeper generates checks weekly.
 - i. Bookkeeper provides Property Manager with monthly check run of Property accounts and provides Finance Committee with monthly check run of all checks issued over \$5,000.
 - j. Assistant Treasurer reconciles check payee and amount with expense request forms.
 - k. Assistant Treasurer signs and mails checks under \$5,000.
 - l. Assistant Treasurer AND Treasurer, Sr. Warden or Jr. Warden sign checks over \$5,000.
 - m. List of checks over \$5,000 provided to Finance Committee by Bookkeeper at regular meeting.
 - n. Bookkeeper updates financial statements as checks are generated.
 - o. Assistant Treasurer files by payee all payment request forms and approved bills together with the check stub.

Other Disbursements

Quarterly, the property reserve accounts are funded at the request of the Treasurer.

Travel Expense Guidelines

Parish members or staff traveling out of town on parish business shall be reimbursed for actual expenses including transportation (coach airfare) up to the maximum IRS per diem rates and auto mileage reimbursement rates in effect at the time of travel.

Internal Controls

- a. Separate duties between person authorizing payment, person preparing checks for payment and person signing check.
- b. Payments made against original invoices and documents only.
- c. All source documents filed.
- d. Expense request form checked against invoice when received.
- e. All checks above \$5,000 have two signatures.

- f. List of checks written above \$5,000 provided to Finance Committee at regular meeting.
- g. All checks computer generated, numbered and used in order.
- h. Disbursements by wire are not authorized.
- i. Voided checks are cancelled and retained.
- j. Signing blank checks is prohibited.

6. RECEIPTS

Cash Receipts

- a. Cash Plate offerings are counted immediately after service by two different people (preferably unrelated), sealed in an envelope with amount noted and delivered to the Assistant Treasurer's office secured location.
- b. Pledge Envelope plate offerings are sealed in an envelope and delivered to the Assistant Treasurer's office secured location.
- c. Assistant Treasurer verifies cash against amount counted by ushers and files initialed envelope with parish records.
- d. Plate offerings (cash and pledge envelope) posted to appropriate accounts in QuickBooks or current parish accounting system by Bookkeeper and deposited within two days of receipt by Assistant Treasurer.

Check Receipts

- a. All regular check receipts are addressed directly to the Office of the Treasurer with the exception of rent which is forwarded to the Property Manager, recorded by him and submitted to the Assistant Treasurer.
- b. Any check not received directly at the Office of the Treasurer (with the exception of rent) should be delivered there immediately and notice made to the sender of the correct address.
- c. Checks are stamped "for deposit only".
- d. Checks are not endorsed. A deposit slip is prepared by the Assistant Treasurer who then makes the deposit within 2 days.
- e. Rent Checks, Endowment Checks and other checks are allocated to correct income account on QuickBooks or current parish accounting system by Bookkeeper and delivered to Bank by Assistant Treasurer.
- f. Letter of acknowledgement for special donations in excess of \$250 sent in accordance with IRS code 170 F8B.

Reconciliation

Bookkeeper reconciles deposit slips to bank with record of monies received and reports discrepancies to the Treasurer.

Internal Controls

- a. Cash Plate offerings verified by two people upon receipt and immediately delivered to a secure location.

- b. Amount of Cash Plate offering verified by Assistant Treasurer and signed record maintained.
- c. Checks are stamped "for deposit only"
- d. Treasurer (who is not the party making bank deposits) receives and reviews bank statements.
- e. Bookkeeper reconciles bank deposits made by Assistant Treasurer with Parish record of monies received.
- f. Standard form used to record plate offerings.
- g. Statement to donors reflecting check and other envelope contributions.

7. ACCOUNT MANAGEMENT

Banking Accounts

- a. Changes to account instructions, dividend and interest payment directions, addresses and other account specifications require the signature of both the Assistant Treasurer and the Treasurer.
- b. The Assistant Treasurer and the Treasurer are authorized to make internal bank transfers.
- c. The Assistant Treasurer, Treasurer, Jr. Warden and Sr. Warden have check signing authority.
- d. The list of authorized signatures is updated with the banks annually immediately following the Parish Annual Meeting in January.

Banking Account Reconciliation

- a. Unopened bank statements received by Treasurer.
- b. Treasurer makes a preliminary review of statement for:
 - Inconsistent check numbers
 - Proper Signatures
 - Cash balances
 - Payees
 - Notices of changes to account information
- c. Treasurer initials statement and forwards to Bookkeeper.
- d. Bookkeeper reconciles accounts within 7 days of receipt of statement.
- e. Reconciliation of accounts includes
 - Comparison of inter-organization bank transfers to be sure that parish financial statements reflect both sides of the transaction.
 - Investigation of items rejected by the bank.
 - Comparison of canceled checks with the disbursement journal as to check number, payee and amount.
 - Accounting of check sequence within the month and from month to month.
 - Examination of canceled check for authorized signatures.
 - Investigate and cancel checks that have been outstanding for more than 6 months.
 - Bookkeeper reports any inconsistencies and changes to account

information to Finance Committee.

- Assistant Treasurer upon receipt of completed bank reconciliation reviews and maintains in parish records.
- Completed bank reconciliation filed with financial records of the parish.

Endowment and Other Investment Accounts

- a. Changes to Account wiring instruction, dividend and interest payment directions, addresses and other account specifications may be made by head of the Endowment Committee, with duplicate Account Statements reflecting changes sent to Parish Bookkeeper.
- b. The Head of the Endowment Committee is authorized to trade in investment accounts.
- c. Head of Endowment Committee has check signing authority on the Endowment Investment Accounts.
- d. Access to the Endowment Investment Accounts is password protected with only the Head of the Endowment Committee, Treasurer, Assistant Treasurer, and Sr. Warden having access.
- e. The investment account password will be changed annually by the Head of the Endowment Committee following the Parish Annual Meeting in January.
- f. The list of authorized signatures on the endowment investment accounts is updated annually after the Parish Annual Meeting in January.
- g. Record of requests for endowment disbursements kept with the financial records of the parish.

Investment Account Reconciliation

- a. Duplicate Account statements received and reconciled by Bookkeeper.
- b. Discrepancies in requested disbursements relative to actual disbursements reported to Finance Committee.
- c. Changes to Account specifications reported to Finance Committee.

Internal Controls

- a. All Bank Statements are opened and initialed by Treasurer.
- b. Notices of changes to account information (i.e. address, dividend instructions, signing authority etc.) are sent to the parish bookkeeper who will notify the Finance Committee.
- c. Bookkeeper (person without check signing rights) reconciles all

- statements to QuickBooks or current parish accounting system.
- d. Finance Committee reviews account discrepancies.
 - e. Bookkeeper (person without account authorization) reconciles investment account activity and reports changes to account information to Finance Committee.
 - f. Bookkeeper receives duplicate statements reflecting endowment account activity and reconciles to disbursement requests.
 - g. Passwords and list of authorized signatures are regularly updated after the Annual Meeting.

8. FINANCIAL REPORTING

Financial Reports

- a. Treasurer presents financial reports to the Parish at Annual Meetings and to the Vestry at their regular meetings.
- b. Treasurer organizes annual audit of church finances.
- c. Bookkeeper prepares monthly financial statements showing profit and loss compared to budget and a balance sheet.
- d. Finance Committee reviews budget compared to actual financial activity and a balance sheet at regular meetings.
- e. Treasurer prepares the financial portion of the annual Parochial report to the Diocese

Internal Controls

- a. Assure periodic review of church financial condition by the Vestry.
- b. Provide basis for annual audit of financial records and annual Parochial report.

9. ENDOWMENT

Investment Policy

The Endowment Committee follows an investment strategy that seeks to balance Christian responsibility for action in the world with income generation and growth of the portfolio. This management should be conducted in a manner aligned with the mission of the Church and the goals of the Parish as articulated by the Vestry.

Investment Oversight

- a. Investment philosophy and guidelines reviewed and approved by the Vestry.
- b. Investment performance and portfolio reviewed regularly by the Endowment Committee, which consists of the Endowment Chair, Treasurer and other members as appointed at the Vestry's discretion.
- c. Endowment Committee Chair authorized to execute investment changes as needed and as appropriate under the investment guidelines set forth by the Vestry.
- d. Finance Committee reviews duplicate statements of account balances and activity.
- e. Vestry will receive reports on investment portfolio performance from the Endowment Committee as needed and at least annually.
- f. The Annual Report of the church will include an update to the parish on the endowment investment portfolio.

Withdrawal Policy

- a. The Vestry determines the withdrawal policy from parish endowment funds.
- b. The Vestry (with support of the Endowment Committee) approved a policy of withdrawing 5% of the 3-year average endowment balance. Here, the 5% is believed to approximate the long-term growth of our funds (after inflation). The 3-year average is used to smooth market fluctuations.
- c. A record of the withdrawal calculation is maintained in the parish records.
- d. Under normal circumstances regular withdrawals from the endowment will be made once each year in the fall.
- e. Withdrawals from the Endowment are to be made by check only. Wire withdrawals are prohibited.
- f. Withdrawals from the Endowment must be authorized by the Vestry and requested in writing by the Treasurer.
- g. The Endowment Chair together with the Senior or Jr. Warden are

authorized to write checks from the Endowment Account in order to fulfill authorized withdrawal requests from the Treasurer. Two signatures are required.

- h. Bookkeeper reconciles record of withdrawal requests with Endowment account statements.
- i. Endowment withdrawal requests are maintained in the Parish records.

Endowment Restrictions

- a. See Appendix B for details on restricted endowment gifts.
- b. The Finance Committee will review endowment restrictions during the budget process in order to ensure that Endowment withdrawals allocated to the general budget meet donor specified restrictions.
- c. A record of donor specified endowment restrictions will be maintained in the parish records.

Internal Controls

- a. Endowment Management investment philosophy and guidelines approved by the Vestry.
- b. Endowment account reconciliation by Bookkeeper (who is not authorized to sign checks or make withdrawal requests).
- c. Review of Endowment restrictions by finance committee during budget process.
- d. Periodic review of account activity by Finance Committee at regular meetings.
- e. Withdrawals from the Endowment authorized by the Vestry.
- f. Two signatures required on Endowment withdrawal checks.
- g. Investment Account Access and password authorization limited to Endowment Chair, Senior Warden and Jr. Warden.
- h. Endowment account passwords and authorized signature list updated annually subsequent to the Annual Meeting by the Endowment Committee Chair.

10. FIXED ASSETS/PROPERTY

Leases And Rentals

- a. All Lease and Rental Agreements and rates must be reviewed by the Finance Committee.
- b. All Lease and Rental Agreements and rates must be approved by the Vestry and authorized in writing by the Senior Warden or the Treasurer.
- c. All Lease and Rental agreements should ensure that the church's tax exempt status is recognized.
- d. Insurance requirements for Lease and Rental Agreements should be reviewed by the Vestry.
- e. Lease and Rental payments are received by the Property Manager and forwarded to the Treasurer's office.

Capital Expenditures

- a. Capital budgets for projects over \$2,500 must be prepared by the Property Committee or Property Manager. They must be approved by the Finance Committee and must remain within the approved annual budget.
- b. Any capital project in excess of \$2,500 that falls outside of the approved budget must be reviewed by the Finance Committee and approved by the Vestry. (see BUDGET, section Budget Revision Process).
- c. Any capital project below \$2,500 that falls outside the approved budget must be approved by the Finance Committee and approved by the Vestry.
- d. Insurance policies should be reviewed by the Finance Committee subsequent to capital improvements in order to ensure proper coverage.
- e. Capital Expenditures under \$2,500 will follow normal expense procedures as noted below. (see EXPENSES AND DISBURSEMENTS, section 5).
- f. Properly identify all fixed/capital assets, as follows:
 - 1) A description of the item, and its location
 - 2) Serial numbers or any other identification numbers
 - 3) Cost/value at acquisition
 - 4) Date acquired
 - 5) Funding source
 - 6) Restriction on user or disposition

Competitive Bidding

- a. Any expenditure in excess of \$2,500 requires 3 written competitive bids.
- b. Bids should be submitted to the Property Manager and/or Property Committee
- c. In conjunction with the Property Manger, the Property Committee will review and approve successful bids and inform the Finance Committee and Vestry.
- d. The following factors should be considered in reviewing bids and awarding contracts:
 - 1) Cost
 - 2) Bidder's previous record of performance
 - 3) Timeliness of response and delivery
 - 4) Fully Insured Contractors Only
 - 5) References
- e. Contracts may only be signed by the Senior Warden or the Treasurer. (see Financial and Business Contracts section 13).

Reimbursements/ Vendor Payments

Property Manager reviews property related vendor bills for accuracy and submits to Treasurer's Office.

Internal Controls

- a. Vestry approves all capital expenditures and dispositions
- b. Properly identify property and equipment
- c. Establish competitive bidding process for expenses in excess of \$2,500.

11. OUTREACH

Grant Request and Approval Process

- a. Grant requests are received by the Outreach Committee on an ongoing basis.
- b. Each grant request is reviewed by the committee as to:
 - Need
 - Connection with our parish Outreach mission.
 - Size of request as related to overall budget
 - Background check on requesting organization
- c. Subsequent to the Outreach Committee review, the Outreach Vestry "liaison" presents recommendations on Outreach recipients to the Vestry for approval.
- d. The Outreach recommendation is forwarded by email to the Outreach "liaison", Wardens and Assistant Treasurer prior to presentation to the Vestry.
- e. Outreach is notified of the Vestry decision through the Vestry liaison.
- f. Under "non-emergency" conditions grant disbursements are made following the procedures noted below.

Procedures for Grant Disbursements

- a. Grant disbursements may only be made if there exists an approved budget and such grant will not put the Outreach committee or account over their approved annual budget.
- b. Outreach committee chair/co-chair, as the person(s) responsible for the outreach budget must authorize all grant disbursement requests **under \$1,000** in advance, ensure that the receiving entity has been approved by the Vestry and confirm that disbursement will not cause the committee to exceed the approved budget.
- c. Grants made on behalf of our parish **exceeding \$1,000** must be authorized in advance by both the Committee Chair/Co-chair **AND** one of the following: Sr. Warden, Jr. Warden or Treasurer. Authorization reflected by signing the disbursement request (either electronically or in person).
- d. Request for disbursements should be made to the Treasurer's Office (electronically or in person) together with a copy of the grant request. All requests should include the amount, confirmation of budget adherence, confirmation of Vestry approval (electronic or written) as well as the authorized Outreach signature (either electronic or written).

- e. Assistant Treasurer will maintain a hard copy of all correspondence related to the disbursement.
- f. Grants that are not part of the approved budget and would cause Outreach disbursements to exceed the Outreach budget must be authorized through the budget revision process. (See BUDGET, Section 4)

Procedures for Emergency Grant Disbursements Under \$1,000

- a. Emergency grant disbursements for under **\$1,000** may only be made if there exists an approved budget and such grant will not put the outreach committee over their approved annual budget.
- b. The outreach committee chair/co-chairs, as the person(s) responsible for the outreach budget must authorize all grant request **under \$1,000** in advance and must sign the disbursement request (either electronically or in writing).
- c. The request for disbursement should be filed in the Treasurer's Office together with a copy of the grant request and written confirmation that the amount of the disbursement will not cause the committee to exceed its budget.
- d. Assistant Treasurer will maintain a hard copy of all correspondence related to the disbursement.
- e. Outreach Committee Chair/Co-chair will inform the Vestry of any grant made under this emergency provision.

Internal Controls

- a. The Outreach Committee reviews the financial and business conditions of entities making grant requests. The committee utilizes such means as financial statements and other sources of business information in making this review.
- b. The Outreach Committee reviews the mission of entities making grant request.
- c. Outreach chair/co-chair confirms expenditures are within the limits of existing budget prior to each check request.
- d. Outreach Committee presents Grant recommendations to the Vestry unless the request is made under emergency conditions and is less than \$1,000.
- e. Vestry is informed of all grants made under emergency circumstances.
- f. Finance Committee reviews Outreach Committee expenditures versus current budget monthly.

12. FUNDRAISING

Fundraising Policy

From time to time, the parish engages in fundraising activities outside of the Annual Appeal. Fundraisers may be used to raise funds for either capital or operating expenses. The Finance Committee may make recommendations to the Vestry regarding the need for a fundraiser and the use of any funds generated; however, final approval for any fundraising activity and the use of funds must be given to the Vestry prior to any fundraising activity taking place

IRS Compliance

All fundraising activities must be conducted in accordance with the IRS guidelines for fundraisers by religious organizations and the laws of the Commonwealth of Massachusetts

Budgeting

- a. Fundraisers designed to generate operating funds will be listed in the operating budget.
- b. Fundraisers designed to generate capital funds or to repay endowment funds will not be included as part of the operating budget.
- c. All fundraisers will be required to submit a detailed budget showing all costs and sources of revenue prior to any funds being spent.
- d. Vestry must review and approve fundraiser budget analysis.

13. FINANCIAL AND BUSINESS CONTRACTS

Contract authorization

- a. The Clerk may enter into financial or legal agreements on behalf of the parish, after proper approval.
- b. Subject to the by-laws, the Vestry may authorize other members to sign contracts.
- c. No other parishioner or employee of our parish may enter into any financial or legal agreement, or any agreement, oral or written, on behalf of our parish.
- d. No rental agreement may be entered into without the authorization of the Senior Warden in consultation with the Vestry.

Contract bidding

- a. Contracts in excess of \$2,500 require three written bids.
- b. Award of contract subsequent to bidding process can be made only as noted above under "Contract Authorization".

14. INSURANCE

General Guideline

- a. Responsible stewardship demands protection of the Church's people and property from certain risks.
- b. It is the responsibility of the Vestry to ensure that the Church's people, buildings and their contents are kept adequately insured.
- c. The Vestry should review overall insurance coverage at least every other year.

Building Insurance

- a. The determination of current property value is critical for insurance purposes and coverage amounts; as such the insured value of church property should be reviewed annually by the Vestry.
- b. Flood Insurance is not included in most property policies. The need for this coverage should be determined by the Vestry.
- c. Reproduction Cost, Replacement Cost, Sale Value are all distinct and acceptable valuation methods for insurance purposes.

Content Insurance

- a. A complete Inventory of Parish Contents should be maintained with a copy stored in the parish's designated off-site safe storage facility. (A camcorder recording provides excellent detail for this type of record keeping.)
- b. The Vestry should review content coverage and ensure that significant new purchases are added to the policy at the time of acquisition.

Blanket Fidelity Bond

The Canons of the Episcopal Church require that money custodians be adequately bonded. A Blanket Fidelity Bond protects against loss from embezzlement, forgery and alteration.

Workers' Compensation Insurance

With few exceptions, the law requires employers to carry workers' compensation insurance on their employees. The Episcopal Church recommends all congregations should carry this insurance even where not specifically required to do so.

Liability Insurance

- a. General liability insurance should provide coverage for bodily injury, property damage and personal injury BOTH on and off premises.

- b. By definition, an insured should include: Episcopal clergy, employees, Vestry members, Wardens, Committee members, member of boards, directors and trustees of the organization while acting within the scope of their duties as such; any member or volunteer of the named insured but only with respect to their liability for activities for the named insured or activities authorized by and performed on behalf of the Named Insured.
- c. Personal injury liability protection covers such exposure as libel, slander and right of privacy as well as mental anguish and should be included in the comprehensive general liability portion of the policy.
- d. Sexual misconduct liability should be part of the protection purchased under the general liability insurance. Sexual misconduct should be explicitly defined in the coverage as sexual abuse, sexual harassment and sexual exploitation. If it does not include these specific items the policy is very limited and should be reviewed.
- e. Additional insurance is required if properties are leased by the parish.
- f. The need for other types of coverage (as listed below) should be reviewed by the Vestry.
 - 1. Directors and Officers Liability Insurance – covers the risk of loss by those serving as officers of a congregation (e.g. Vestry)
 - 2. Umbrella liability Insurance – two fold protection in the case of lapses in the primary policy. Usually quite inexpensive.
 - 3. Accident Insurance
 - 4. Boiler and Machinery Insurance/Equipment Breakdown Insurance

Employee Benefits

As good stewards it is the Church's responsibility to be attentive to the well being of its employees. Employee benefits such as the following should be considered by the Vestry.

- a. medical and dental insurance
- b. life insurance
- c. disability insurance
- d. pensions (based on the terms of Resolution D165a, Lay Pension Plan)

15. PAYROLL

Payroll Policies

- a. Rector should maintain all personnel files to include
 - Employment application and/or letter of employment.
 - Authorization of pay rates and effective dates
 - IRS form W-4
 - Department of Justice form I-9
- b. Bookkeeper should maintain a record of hours worked with appropriate authorization.
- c. Payroll Company should maintain record of gross pay, deductions and withholding maintained in order to support quarterly tax return filing.

Payroll Procedures

- a. Time sheets prepared by employee and submitted to bookkeeper monthly on or before the 20th of each month.
- b. When applicable supervisor signature is present on time sheet as authorization.
- c. Bookkeeper calculates the employee's hours for input into the Payroll System.
- d. Rector maintains record of vacation and sick time.
- e. The payroll register, which includes employee's name, hours, earnings deductions and cost centers, is reviewed by the Assistant Treasurer when it arrives from Payroll Company.
- f. Subsequent to review of payroll, Assistant Treasurer makes any necessary bank transfers to cover payroll expense.
- g. Record of payroll related bank transfers maintained in parish records.
- h. Bank Statements received by Bookkeeper and reconciled with internal records.
- i. Paychecks are immediately distributed by Assistant Treasurer or Secretary.
- j. Bookkeeper updates financial statements to reflect payroll expense to appropriate cost centers.
- k. Assistant Treasurer reviews financial statements to review payroll expense.
- l. Assistant Treasurer prepares an approved payment request for account payable to all third party deductions.
- m. Assistant Treasurer ensures that payroll tax returns are filed on a timely basis and payroll tax deposits made on a timely basis.

Internal Controls

- a. Supervisors review and approve hours worked when applicable.
- b. Maintain record of time, attendance and payroll deductions.
- c. Maintain record of vacation and sick days.
- d. Bookkeeper maintains record of pay rates and effective dates.
- e. Separate payroll banking function from payroll preparation function.
- f. Bookkeeper reconciles payroll bank account with pay slips monthly.
- g. Periodic reconciliation of payroll and personnel files.
- h. Insure timely filing of payroll tax returns and payment of tax deposits.

16. INDEPENDENT CONTRACTORS

Contractor Policies

- a. Treasurer should maintain all files to include
 - letter of agreement or contracts.
 - IRS form W-9, as appropriate
- b. Bookkeeper should maintain record of work done with appropriate authorization.

Contractor Procedures

- a. Work sheets prepared by contractor and submitted to bookkeeper monthly on or before the 20th of each month.
- b. When applicable, supervisor signature is present on work sheet as authorization.
- c. Bookkeeper calculates the contractor's compensation into the Payroll System if the payroll service files 1099 forms at year end.
- d. Paychecks are immediately distributed by Assistant Treasurer or Secretary.
- e. Bookkeeper updates financial statements to reflect expense to appropriate cost centers.
- f. Any individual or unincorporated entity that was paid \$600 or more of self-employment wages for a fiscal year should fill out an IRS form W-9 or similar form showing tax identification number (or social security number) and address.
- g. These individuals or entities should receive a 1099 MISC form after year end, if they received \$600 or more of self-employment wages for the year.
- h. Assistant Treasurer ensures that tax records are filed on a timely basis.

Internal Controls

- a. Supervisors review and approve work done when applicable.
- b. Bookkeeper maintains record of compensation.
- c. Periodic reconciliation of compensation and contractor files.
- d. Insure timely filing of tax records.

17. COMPUTER SYSTEM PROCEDURES

General guideline

- a. A duplicate copy of active system files should be maintained at the off-site records location for the parish.
- b. The Bookkeeper is responsible for backing up active files weekly.

Computer back-up procedures

- a. The Bookkeeper is responsible for backing up the hard drive of the accounting system weekly.
- b. At month end the Bookkeeper should store a duplicate system backup file off site, replacing the file for the previous month.
- c. A hard copy of monthly statements should be kept by the Assistant Treasurer as part of the financial records of the parish.

18. RECORDS MANAGEMENT

The Vestry has a custodial responsibility for the records of the congregation.

Policies such as this will eliminate accidental or innocent destruction. In addition it is important for administrative personnel to know the length of time records should be retained to be in compliance.

Records Management Policies

- a. A secure off site location will house Copies of Permanent Parish Records as well as a record of parish contents.
- b. A fire retardant safe will be maintained at the parish office for all significant parish documents and other significant records.
- c. Additional parish records will be kept in a secure location in the parish.
- d. The Assistant Treasurer is responsible for the proper retention of records related to the financial history of the parish.

Definitions – Permanent Records

Permanent records are those that have enduring informational value to the Congregation, Church and the community. This value may be administrative (building plans, annual reports), Fiscal (trust funds, property inventories, restricted gift documents), legal (meeting minutes, deeds, correspondence). Evidential (subject files, publications, photographs), Intrinsic (memorial registers, cancelled mortgage deeds).

- Act of Incorporation
- Annual Balance sheet
- Annual Financial Statements
- Audit reports
- Bequest and Estate papers
- Budgets, Approved and Revised
- By-laws
- Certificates of title to property
- Constitution and By-laws with revisions
- Contracts
- Conveyances
- Stewardship records
- Legal Correspondence
- Memorial Gifts register
- Minutes of Vestry, and Committees
- Mortgage Deeds
- Parish profiles
- Pledge Registers
- Policy Statements

- Real Estate Surveys
- Tax Exempt Certificates
- Wills, Testaments, Codicils
- Other, as noted in Chapter 9 of the Episcopal Church "Manual of Business Methods and Church Affairs"

Definitions – Records to be maintained for a maximum of 7 years

Records to be maintained for a maximum of 7 years include much of the information relating to the financial and personnel matters of the parish.

- Personnel Files and Records for all employees until 7 years subsequent to termination. Including
 - Application
 - Job description
 - Earnings records
 - Form I-9
 - Tax Status forms
 - Medical records
 - Attendance and leave schedules
 - Evaluations
 - Employment status history
 - Record of written and oral warnings
- Financial Records
 - Account payable files
 - Bank Deposit Books and Statements
 - Cancelled Checks
 - Cash Journals
 - Check register, stubs, cancelled
 - Computer Accounting records
 - Employment Taxes, contributions, payments, withholding
 - Inactive Contracts
 - Invoices and paid bills
 - Payroll
 - Receipts
 - Tax Forms
 - Workman's compensation claims
 - Other, as noted in Chapter 9 of the Episcopal Church "Manual of Business Methods and Church Affairs"

Definitions – Records to be maintained for less than 7 years

Records to be maintained for a period of between 2 and 7 years include much of the interim (monthly) financial reporting of the parish, and general correspondence.

- Monthly financial statement (2 years)

- Unsuccessful employment applications (1 year)
- Transactional Correspondence (5 years)
- Bank reconciliation (2 years)
- Other as noted in Chapter 9 of the Episcopal Church "Manual of Business Methods and Church Affairs.

Internal Controls

- a. The Parish Secretary will maintain the safe combination in a secure location together with a record of its contents.
- b. The Parish Secretary will make an annual review of safe contents to ensure all listed items are accounted for and report any discrepancies to the Vestry.
- c. The Parish Secretary will maintain a list of the location of all major categories of parish records as well as a detailed list of the location of "permanent" parish documents.

19. FINANCIAL POLICY AND PROCEDURE AMENDMENT PROCESS

- a. This manual should be reviewed annually by the Finance Committee and Treasurer.
- b. Proposed amendments to this policy and procedures document will be submitted in writing to the Finance Committee.
- c. Subsequent to Finance Committee approval written amendments will be presented to the Vestry by the Treasurer for final approval.
- d. A written record of amendments will be maintained in the parish records.

20. APPENDIX A: FORMS

This section is for standard accounting forms, such as counting worksheets, receipts worksheet and disbursements requests.

21. APPENDIX B: ENDOWMENT RESTRICTIONS

Examples:

NAME. The original endowment was \$2000 received in 1976. We agreed to place on the altar, carnations in the name of Stewart Woodworth on the Sunday nearest to Feb 12 in perpetuity. The funds can be co-mingled with other restricted or unrestricted funds. We agreed at the time that a reasonable portion, to be determined from time to time by the Endowment Committee, of the income of the Fund or Funds into which the said sum is placed shall be reinvested and not be spent for current purposes.

NAME. The original endowment was \$5000 received in 1970. This was bequeathed to the parish in So-and-so's will. His wishes were, "to be held for the maintenance and improvement of X, using the annual interest and as much of the principal thereof as the Church shall deem necessary". There were no further restrictions in the will.

NAME. The original endowment was \$1020 received in 1976. This fund was established for the purpose of supplementing the music program of the church. It is not to be used for items such as organ repairs, choir robes or hymnals. It was agreed to spend only the interest from the original gift.

NAME. Established in 1979 in memory of So-and-so with the restriction that the income be used to help maintain the Church and Parish House subject to the approval of the Endowment Committee.

NAME. Established in the memory of So-and-so with the restriction that the income be allocated for the general operation of the church.

Organ Fund. To fund improvements to the organ.

Housing. For the Rector's housing allowance.

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