



ARCHDIOCESE  
*of* MILWAUKEE

# Faithful Finances: Behind the Review

## Common Themes in Parish Financial Reviews

Parish & School Financial Consulting

# Agenda

1. Parish & School Finance website
2. What is a parish review?
3. Why parish finance conducts parish reviews?
4. Overview of parish review process
5. What do we look at?
  - A. Balance Sheet
  - B. Receipts
  - C. Disbursements
  - D. Payroll
  - E. Clergy Compensation
  - F. Internal Controls
  - G. Other
6. What happens after parish finance conducts a parish review?
7. Common observations during parish financial reviews
8. Questions and answers

## Parish & School Finance Website

<https://www.archmil.org/offices/parish-school-financial-consulting.htm>

### **What You'll Find:**

- Recordings & PowerPoints of all online trainings
- Parish Financial Management Manual (PFMM)
- Past issues of our quarterly newsletters, Administrative Insights
- Budget & financial statement templates
- Official chart of accounts with revisions
- Helpful resources & tools for parish finance

## What is a Parish Review?

- Internal Review- Not an audit
- Promotes accountability, transparency, and support
- Focused on improving financial processes, compliance, and internal controls
- Ensures parishes follow Parish Financial Management Manual (PFMM) procedures
- Provides training and guidance for parish leaders

# Parish & School Financial Consulting Role in the Review



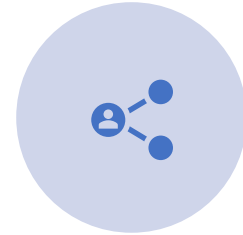
PROVIDE INDEPENDENT  
REVIEW OF RECORDS  
AND PROCEDURES



IDENTIFY STRENGTHS  
AND AREAS FOR  
IMPROVEMENT



OFFER PRACTICAL  
GUIDANCE AND  
RESOURCES



SUPPORT PARISH STAFF  
THROUGH QUESTIONS  
AND TRAINING

## Why Does Parish Finance Conduct Parish Reviews?

1. Required every two years by the PFMM
2. Protects parish assets and promotes good stewardship
3. Builds accuracy, transparency, and trust
4. Ensures parish procedures follow best practices
5. Provides training on internal controls and accounting
6. Supports parish staff, trustees, and councils
7. Shares training resources and website tools
8. Helps align finances during transitions or collaborations

# Overview of the Parish Review Process

- Balance Sheet
- Receipts
- Disbursements
- Payroll
- Clergy Compensation
- Internal Controls
- Other

*(Upcoming slides will explore each area in more detail.)*

# Balance Sheet - What we review

- **Bank & Investment Reconciliations**

- Verify every bank and investment statement has been reconciled and reconciliations are up to date
- Verify that checks outstanding more than 90 days are investigated so they may be reissued if lost
- Verify that the Balance Sheet, Bank Statement and Reconciliation all agree for every account
- Verify that the Pastor and Trustee(s) have signed off on the reconciliation for every bank and investment account

- **Other Assets & Liabilities**

- Verify that every asset & liability accounts that are not bank or investments exist and are up to date. These amounts should match the sub ledger and be reconciled to it
- Verify that Deferred Mass Stipend account is on the balance sheet and is up to date

- **Fund Accounting**

- Verify that all unrestricted and restricted fund balances are correct and that fund adjustments are performed at month end based on restricted and designated fund activity

## Receipts- What we Review

### **Mass Collections** (1–2 months, including electronic receipts)

- Verify 2 signatures on count sheets per tamper-evident bag
- Check for missing bag numbers; confirm full log documentation
- Ensure all Mass times, funeral donations, vigil lights, etc., are included

### **Fundraiser Cash Collections**

- Test handling, documentation, and deposit process

### **School Tuition & Religious Education Fees**

- Review billing, collection, posting, and reconciliation procedures

### **Mass Stipends**

- Confirm accurate collection, posting, and tracking

### **Restricted Revenue**

- Assess if funds are properly classified and documented

## Example of a Tamper Evident Bag



A numbered tamper-evident bag is a secure plastic pouch with a unique serial number, matching barcode, tear-off receipt, and tamper-evident closure to ensure contents are tracked and protected. Ensure the serial numbers on the log are recorded in consecutive order.

# Disbursements-What we review

- **Check Disbursements**

- Are all disbursements approved by manager prior to being entered in accounting system
- Is there any sales tax included? The parish should use tax exempt status
- Are all checks signed off by the Pastor and Trustee(s)
- Does the invoice amount agree to the payment amount
- Does the date of invoice and date of expense in the accounting system match

- **1099s**

- Does the parish receive W9's from vendors prior to sending payment
- Has the parish filed any 1099's for the last calendar year
- Does the vendor listing for 1099's agree to the accounting system.
- Was every eligible 1099 vendor sent a 1099?

## Payroll- what we review

### **Payroll Accuracy & Documentation**

- Review detailed payroll report: gross wages, deductions, and net pay
- Verify employee pay against approved timesheets and W-4s
- Confirm payroll report is approved by two authorized signers (e.g., Pastor/Trustee)

### **Benefit & Tax Reconciliation**

- Validate insurance deductions and Section 125 Plan documentation (pre-tax benefits)
- Review Lay Pension report and reconcile totals with payroll/W-2s
- Verify Form 941 totals match payroll reports

### **Retirement Plan (403b)**

- Confirm payroll deductions for 403(b) match disbursements to investment company
- Review supporting bank and payroll system records

# Clergy Compensation- What we Review

## **Compensation Accuracy**

- Pull most recent Priest Compensation Workbooks and W-2s
- Review final paycheck stubs if needed (especially before W-2 issuance)
- Sample 2–3 months of payroll, professional expenses, and housing reimbursements
- Confirm compensation aligns with W-2s, payroll reports, and disbursement records

## **Documentation & Signatures**

- Verify priest comp workbooks are complete and signed by priest and trustee
- Ensure stipends, allowances, and exclusions are correctly applied and documented

## **Housing & Benefits**

- Review pre-tax housing deductions and supporting lease agreements/proxy (if applicable)
- Reconcile professional expense allowances to actual reimbursements
- Confirm proper retirement and health benefit handling

## **Religious Order Priests**

- Confirm payments go to the religious order with correct documentation

# Internal Controls- A Core Focus of the Review

## **Why Internal Controls Matter:**

- Safeguard parish assets
- Ensure accuracy in financial reporting
- Prevent errors, fraud, and misuse of funds

## **What's Coming Next:**

- The following slides will outline the key internal control areas we review during the parish audit process.

# Internal Controls-Segregation of Duties

Separate personnel handle:

- Depositing weekly/offertory collections
- Posting to contribution & accounting systems
- Receiving, approving & entering vendor invoices
- Check creation, signing & mailing

## With a small staff, how should segregation of duties be implemented?

- **Digital Oversight:** Use audit logs, automated alerts, and bank notifications for large transactions.
- **Routine Reviews:** Monthly checks by someone not entering data; quarterly mini-audits on random transactions.
- **Documentation:** Use checklists and logs with initials/dates to track who did and reviewed tasks.
- **Peer Support:** Partner with nearby parishes for cross-reviews and shared oversight.
- **Divide Tasks:** Ensure no one handles full processes alone (e.g., separate bill entry from approval; split payroll tasks).

## Internal Controls- Cash Receipts & Collections

Collections are:

- Counted by at least 2 unrelated people
- Stored in tamper-evident bags, logged, and secured
- Deposited timely

Contributions:

- Posted to donor records
- Reconciled to deposits
- Statements issued to parishioners regularly

## Internal Controls- Accounting Controls

- Bank accounts reconciled monthly by someone not preparing checks
- Monthly financial statements reviewed by Finance Council
- General ledger access restricted to authorized personnel
- Subsidiary ledgers (e.g., tuition, mass intentions) reconciled monthly

## Internal Controls- System & Data Security

- Financial software is password-protected
- Regular data backups are performed and stored securely
- Antivirus, firewall, and VPN software in use
- Passwords access controlled and documented

## Internal Controls- Disbursement Controls

All invoices reviewed for:

- Accuracy, goods received, proper coding
- Supporting documents attached to checks
- Two signatures required (no signature stamps)
- All checks are pre-numbered and made payable to specific vendors (not "Cash")

## Internal Controls- Petty Cash & Electronic Payments

- Petty cash transactions documented & reviewed before replenishment
- All electronic transfers (EFT, ACH, bill pay) approved and documented
- Positive Pay used with bank (if applicable)

## Internal Controls- Payroll & HR Oversight

- Time sheets required for all employees
- Payroll reviewed before checks are issued
- All required tax forms (W-2, 1099, 941) prepared and filed on time
- PTO tracked, approved, and aligned with policy
- No employees paid in cash or gift cards

## Internal Controls- Governance & Compliance

- Finance Manual accessible to staff and councils
- Financial statements reviewed monthly by Finance Council
- Proxy approval required for major expenditures and leases
- Internal controls reviewed annually for compliance with Archdiocesan guidelines

## Internal Controls: Other Areas

- **Fundraising:** Are there documented cash handling procedures?
- **Affiliated Groups:** Do they submit financial reports? Share accounts?
- **Rental Income:** Is income recorded, and proxy approval obtained?
- **Restricted Gifts:** Are funds tracked and used per donor intent?

## Sacramental Record Books- What we review

### **Registers Reviewed:**

- Baptism, Confirmation, Marriage, and Death registers
- First Communion not required to be tracked in the official record books

### **Key Areas of Review:**

- Entries are up to date if sacraments occurred recently
- All fields are properly filled in. No missing key information
- “Notations” column includes updates like marriage info where applicable
- Bishop’s initials and dates appear, confirming periodic review

## What Happens after the Parish Review?

- Review Summary Report Prepared
- Report Sent to Pastor, Trustees, Finance Council Chair & Business Manager (*Note: Pastor chooses who receives report and may change the distribution list.*)
- Action Items Outlined
- Follow-Up Conducted for Outstanding Issues
- Support & Resources Provided for Implementation

## May a parish request a review of financials mid-fiscal year?

Yes, you can absolutely request a review at any time. If you're facing issues flagged in the CFS or you're unsure about how to handle something, it is always better to ask sooner rather than wait for the regular review cycle.

We are happy to schedule a limited-scope review or consultation to go over specific concerns. The goal is to support you as business managers and the parish, not to catch mistakes after the fact. Early communication helps everyone.



## Common Observations during Parish Financial Reviews

- Expectations Not Met
- Common Findings



## Expectations Not Met:

1. Incomplete or delayed responses to follow-up questions
2. Outdated or missing financial records (e.g., bank statements, contribution logs)
3. Lack of dual controls or separation of duties in handling funds
4. Payroll discrepancies or missing tax/benefit documentation
5. Improper reconciliation of Mass stipends, investment, or restricted accounts
6. Absence of internal policies or signed agreements (e.g., credit card usage, fundraisers)
7. Poor communication or follow-through due to limited staff capacity or turnover
8. Recommendations implemented inconsistently or without full documentation

## Common Findings: Internal Controls

1. Lack of basic internal controls (e.g., no dual review, no documentation of approvals).
2. Volunteers performing staff-level financial tasks (e.g., handling payroll, supervising staff).
3. Cash handling procedures not followed or undocumented.
4. Blank or pre-signed agreements for employee pay.
5. No one reviewing account reconciliations regularly.
6. Unauthorized or inconsistent spending, especially with priest professional expenses.
7. No segregation of duties in key financial areas.

## Common Findings: Documentation

1. Missing or incomplete financial records (journal entries, transaction purpose, invoices)
2. Inability to locate files or key data during the onsite review
3. Unclear or misused general ledgers (e.g., no chart of accounts, confusing GL setups)
4. Old or expired accounting software still in use

## Common Findings: Personnel & Payroll Issues

1. Incorrect priest compensation reporting (e.g., W-2 errors, housing allowances).
2. Missing I-9s, W-4s, or lack of personnel files.
3. PTO not tracked or approved per policy.
4. Inconsistent pay treatment among staff; equity concerns raised.
5. Shared payroll across entities without proper agreements.

## Common Findings: Accounting & Fund Management

1. Unreconciled bank accounts or outdated reconciliations
2. Mass stipends and restricted gifts not properly tracked or segregated.
3. Capitalization policies do not follow GAAP.
4. Incorrect classification of financial accounts (e.g., annuities, investments)
5. Lack of clear fund accounting or use of classes/departments

## Common Findings: Oversight & Governance

1. Trustees not reviewing financials or unaware of accounting issues.
2. Some pastors are overly involved or controlling; others are disengaged entirely.
3. Financial councils not functioning or not meeting regularly.
4. Findings altered or responses changed to avoid unfavorable reporting.
5. Frequent turnover in administrative staff leading to poor record continuity

## Common Findings: Training & Policy Gaps

1. Lack of training for staff on:
  - a) Accounting systems
  - b) Money handling
  - c) HR compliance
2. Outdated or missing policies on:
  - a) Cash receipts and deposits
  - b) Payroll and timekeeping
  - c) Conflict of interest

## Questions and Comments

