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Good Financial Practices

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AGENDA

- Leadership
- Internal Controls
  - Why Have Them
  - What Are They
  - Good Practices
- Board of Auditors
  - Who Are They
  - What Should They Do

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Leadership

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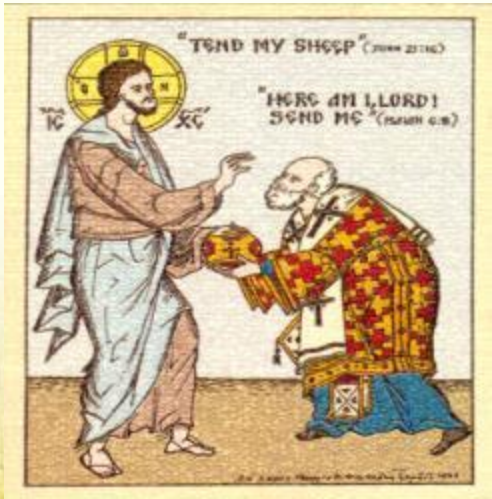
"For unto whomsoever much is given, of him shall be much required. ***Luke 12:48***



4 Key Characteristics of Great Leaders[1]

1. **INTEGRITY** – trustworthy and ethical
2. **GOOD JUDGMENT** – an ability to gather the relevant facts and make a good decision
3. **VISION** – a compelling story that persuades a team to put aside their own selfish agendas and to work for the collective good (empowering and inspiring)
4. **SELF AWARENESS** - an understanding of how they are impacting other people whose efforts or support are needed for the achievement of goals/objectives

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According to International social scientist and psychologist Tomas Chamorro-Premuzic based on his 20+ years of research of leaders

Church Leaders

“The most basic task of the Church leader is to discern the spiritual gifts of all those under his authority, and to encourage those gifts to be used to the full for the benefit of all.

Only a person who can discern the gifts of others and can humbly rejoice at the flowering of those gifts is fit to lead the Church.”

+ Saint John Chrysostom

3-C Leadership Model[1]

- **Conviction** – firmly held beliefs (core values)
- **Courage** – the strength to chart a course (mission/vision/goals) and execute it to successful conclusion
- **Choices** – relentlessly executing the right actions/values to achieve mission/vision/goals and inspire others

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See: **www.stewardshipcalling.com** Resources Tab for Stewardship Sound Bite Article entitled *"**The Thief and St. Peter – What a Difference a Few Days Makes (The 3 C's of Leadership)**"*

Success = Succession

- We eventually use all of our tricks
- We eventually get tired
- We eventually are less efficient and effective
- We eventually block the way for younger/better/different leaders
- Are we really effective leaders if we have no successors

A candle loses nothing by lighting another candle. And when it does, the light in the world doubles.

Internal Controls

“The best time to plant a tree was 20 years ago.

The second best time is today.”

Old Chinese Proverb

Internal Controls

Why Have Them

- Concepts of honesty, truthfulness, and mutual trust
- Sensitive issue for volunteers
- Protects the organization
- Protects the staff/volunteers from false allegations

Internal Controls

What Are They

Measures taken by an organization to safeguard assets from waste, fraud and inefficient use.

Internal Controls

Good Practices
General

- Create accounting and payroll policy and procedures manual
- An annual audit (internal or external) is a must
- Employees in the accounting area should have a background check and be bonded
- Most important measure you can take is *SEGREGATION OF DUTIES*

Internal Controls

Good Practices for Receipts

- All receipts (cash/checks) collected and counted by 2 people
- All checks restrictively endorsed during the count
- Standard form used to record amounts and type of donation signed/dated by counters
- Receipts deposited promptly

Internal Controls

Good Practices for Receipts

- Deposit slip and standard form given to bookkeeper who is independent of the counters
- Bank reconciliation performed monthly by bookkeeper (signed and dated) and reviewed by treasurer

Internal Controls

Good Practices for Disbursements

- All blank checks should be kept in a secure location
- All expenditures should be supported by proper documentation and reviewed by check signers
- All checks should require 2 signatures
- Never sign a blank check

Internal Controls

Good Practices for Disbursements

- Bookkeeper who records checks should not be an authorized check signer
- The priest should not be a check signer
- Checks should not be written to cash
- Supporting documentation should be maintained and available for auditors

Board of Auditors

Who are they

- ARTICLE 33 BOARD OF AUDITORS Section 1: The Board of Auditors shall consist of **at least three parishioners none of whom are members of the Parish Council**. The Board of Auditors **shall be elected at the last Parish Assembly** preceding an election from **among those who have not served on the Parish Council for the year being audited** and who are not candidates for election to the Parish Council. The Board of Auditors **shall have the financial competency** to properly execute its responsibilities

Board of Auditors

What should they do

- Section 2: The Board of Auditors shall **audit financial records of the prior year** and **prepare a report** of such audit **for presentation to the Parish Assembly**. After review by the Parish Assembly, the Parish Council shall transmit copies of the final audit to the respective Hierarch and the Archdiocese.

The Basics

Documents Needed

- Policies and procedures related to accounting/treasury functions
- Listing of all bank/investment accounts and authorized signers
- Monthly financial statements for year
- Bank statements for the year

The Basics
Documents Needed
(Continued)

- Bank reconciliations for the year
- Access to computer books/records
- All paid invoices and supporting documentation
- Payroll data and files

The Basics

FIRST DEVELOP AN AUDIT PLAN

The Basics

Sample Procedures

- Review policy and procedures manual
- Ensure 12 monthly bank reconciliations were performed timely for all bank accounts
- Test a sample of the reconciliations for accuracy and signoffs
- Select a sample of disbursements from each month and review support

The Basics

Sample Procedures
(continued)

- Select a sample of deposits from throughout the year and compare to standard form or other supporting documents as well as to the bank statement
- Select a sample of payments to employees and determine if correct

The Basics

Sample Procedures
(continued)

- Select a sample of payments to employees and determine if withholdings were transmitted to federal and state agencies
- Determine if accounting and payroll policies and procedures are being followed
- If there is a petty cash fund, is it used for small amounts and is there proper support for disbursements

The Basics

Sample Procedures
(continued)

- Are appropriate insurance policies in force and paid up and is workers' compensation insurance being carried if your state requires it
- Does the church office periodically send statements to individual donors acknowledging the amounts given to date

The Annual Audit

Remember…an Audit is not a reflection on the competence or integrity of your financial staff. Rather, it is a routine procedure designed to protect both your staff and your parish.

Good Financial Practices

Q & A