

Challenges and Opportunities Associated with Parish Finances

Chuck Zech

Villanova University

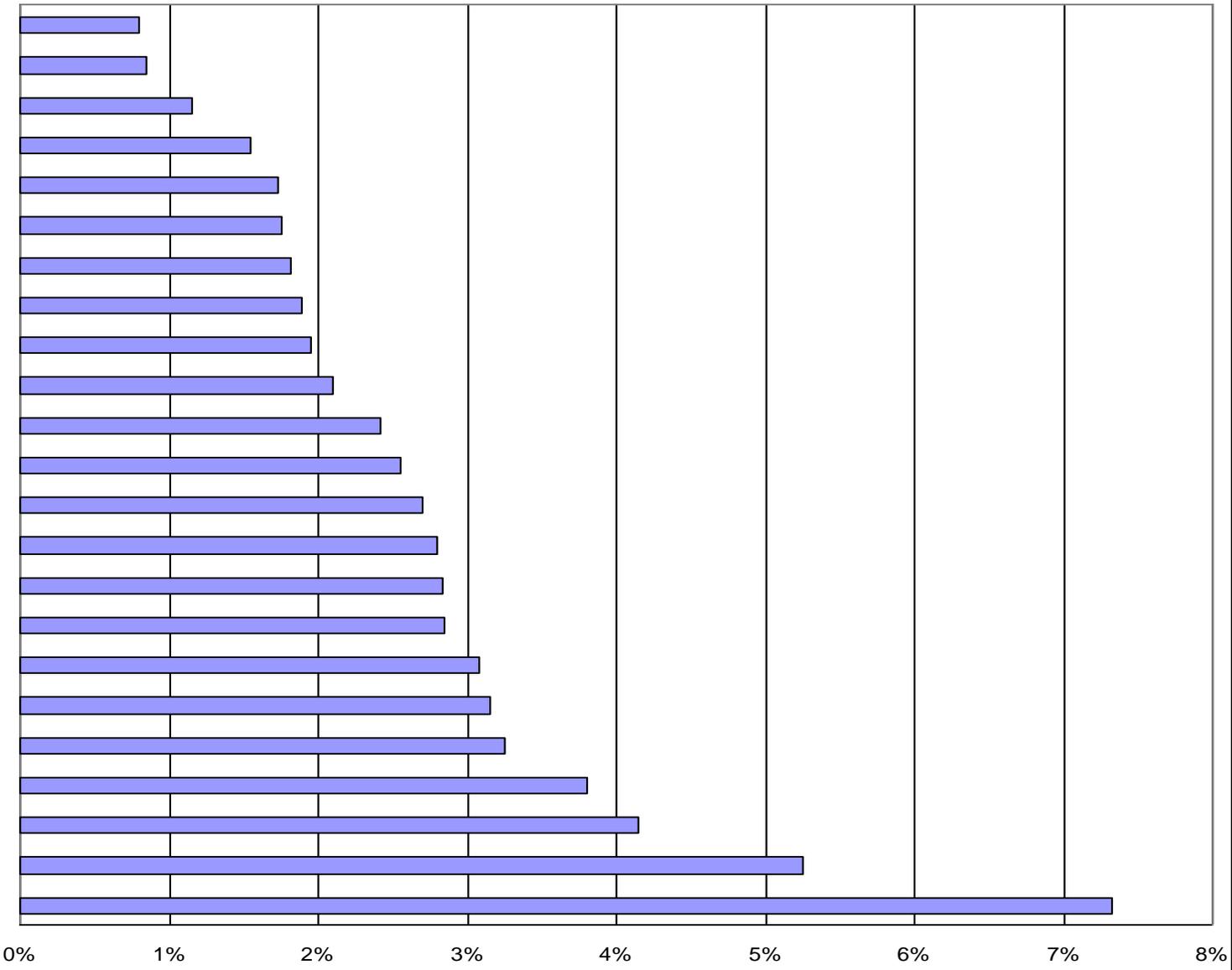
**Center for Church Management
& Business Ethics**

Challenge 1

Low Catholic Giving

Giving as a Percent of Income by Denomination

- Unitarian-Universalist
- Christian Science
- Catholic
- ELCA Lutheran
- Episcopal
- Disciplines of Christ
- Methodist (Main)
- Conservative Lutheran
- United Church of Christ
- Black Methodist
- Presbyterian (Main)
- Liberal Baptist
- Black Baptist
- Jehovah's Witnesses
- Presbyterian (Other)
- Church of Christ
- Southern Baptists
- Nazarene
- Reformed
- Church of God
- Adventists
- Assemblies of God
- Latter-day Saints



Percent of Parishes Receiving Diocesan Subsidy

8.6%

Factors Shown to Increase Giving

**From *Best Practices in Parish Stewardship*,
Our Sunday Visitor Press**

Parish Stewardship Activities

Parish Stewardship Committee (56%)

- **12% increase in contributions**

Stewardship Committee Separate (64%)

- **22% increase in contributions**

Stewardship Committee a Committee of PPC (20%)

- **0% increase in contributions**

Stewardship Committee A Committee of PFC (7%)

- **0% increase in contributions**

Stewardship Committee 7 years (36%)

- **27% increase in contributions**

Lay Witnesses (54% Annually)

- 11% increase in contributions

Two or more types of Lay Witnesses (1.5 Ave)

- 15% increase in contributions

Six or more Stewardship Homilies per year (38%)

- 0% increase in contributions

Parish Ministry Fair (43%)

- 0% increase in contributions

Stewardship a Component of Parish Plan (41%)

- 18% increase in contributions

Stewardship in Religious Education

Parochial School Curriculum (35%)

- 15% increase in contributions**

PREP Curriculum (57%)

- 8% increase in contributions**

Youth Group Curriculum (36%)

- 15% increase in contributions**

Parish Communications on Stewardship

Parish Bulletin (93%)

- **0% increase in contributions**

Parish Newsletter (32%)

- **23% increase in contributions**

Parish Website (41%)

- **13% increase in contributions**

Parishioner Financial Commitment

Tithing (18%)

- 27% increase in contributions

Pledging (54%)

- 16% increase in contributions
- Electronic Transfers – 38% increase

Parish Financial Accountability and Transparency

Open Parish Forum to Discuss Finances/Budget (14%)

- **29% increase in contributions**

Reports on Parish Websites (18%)

- **0% increase in contributions**

Reports mailed directly to parishioners (42%)

- **0% increase in contributions**

Reports Presented at Weekend Masses (31%)

- **0% increase in contributions**

Five Best Parish Activities

1. Open Parish Forum to Discuss Finances Budget – 29%
2. Preach Tithing – 27%
3. Stewardship Committee 7 Years – 27%
4. Communicate on Stewardship Through Parish Newsletter – 23%
5. Separate Stewardship Committee – 22%

Challenge 2

Internal Financial Controls

This is for your own protection.

**(If I were a pastor, I would insist on
strong internal financial controls)**

Survey of Diocesan CFO's

85% of U.S. Catholic dioceses reported embezzlements within the past 5 years

- Churches too trusting**
- 93% of cases police report filed, 91% insurance claim filed**

CFO's were asked to rank the greatest financial risk faced by their diocese. Potential litigation was named by 36%, concern over parish finances and controls named by 34%

Parishes

- The frequency with which parishes underwent internal audits ranged from “annually” (3% of dioceses) to seldom or never” (21%). The most frequent response was “when there was a change in key personnel (bookkeeper or pastor).**

Fraud/Embezzlement

- Only 39% of the dioceses have a formal written fraud policy (a response plan when a possible theft is reported to the diocese).
- Most likely individual to detect fraud was
 - Parish priest (43%)
 - Parish business manager (25%)
 - Internal auditor (25%)
 - Parish finance council (23%)
 - External auditor detected fraud in 6% of the cases.

Parish Finance Council Survey

***Best Practices of Catholic Pastoral and Finance
Councils, Our Sunday Visitor Press***

Transparency and Accountability

– Communication of PFC Minutes to Parishioners

- Available on Request -- 40%**
- Parish Bulletin – 16%**
- Posted on Parish Grounds – 9%**
- Parish Web Site – 3%**
- Parish Newsletter – 2%**
- Mailed to Homes 1%**
- Minutes not Shared – 48%**

– Communication with Parishioners on Budget Preparation

- Preliminary Budget Presented to PPC – 49%**
- Preliminary Budget Explained in Bulletin – 14%**
- Preliminary Budget Explained at Mass – 10%**
- Preliminary Budget Presented to Parish – 4%**
- Preliminary Budget Explained in Newsletter – 4%**
- Preliminary Budget Mailed to Homes – 4%**
- No Opportunity for Typical Parishioner to view Preliminary Budget – 60%**

– Communication of Parish Budget to Parishioners

- Parish Bulletin -- 38%**
- Oral Reports at Mass – 33%**
- Parish Newsletter – 19%**
- Mailed to Homes – 19%**
- Posted on Parish Grounds – 16%**
- Parish Web Site – 8%**

- Budget not Shared – 1%**

The number of bank accounts should be strictly limited to allow greater control and less opportunity for error or wrongdoing

- More than 40 percent had more than one checking account (not including parochial school accounts), presumably held by individual parish organizations.**

Authorized check signers should be very limited, and checks in large amounts should require the signature of two responsible individuals

- **Bad practice for internal financial control to have too many individuals with the authority to sign checks, it is also of concern when only one person's signature is needed on large checks.**
- **Average number of authorized check signers was 1.4. In two-thirds of the parishes only one person was authorized to sign checks, no matter how large the amount.**

Segmentation of Duties

Bank statements should be reconciled by someone other than the check signers

– The percentage of parishes in which the same individual was the sole person in the parish responsible for reconciling the bank statements and for five different routine parish financial transactions.

- 5 percent of the parishes, the same person had sole responsibility for both writing checks and reconciling bank statements.**
- In about one-sixth of the parishes, the same person was solely responsible for depositing the Sunday collection and for reconciling bank statements.**
- In nearly a third of the parishes only one person deposited non-collection revenues and reconciled the bank statements.**

Consistent with the spirit of segmentation of duties, no one person should count the collection on a regular basis. Ideally, the parish should rely on rotating crews of counters, staffed by both parish staff and volunteers.

- In about 5 percent of the parishes, only one individual counts the Sunday collection.**
- About 40 percent of the parishes employ a regular crew of counters with an average of about 5 members.**
- More than half the parishes utilize a system of rotating collection counting teams with an average of about four members per crew.**

Checks should be drawn according to procedures prescribing adequate supporting documentation

- In 91% of the parishes check signers are required to be provided documentation to support each check before they are signed.**

Recommendations

Parish

- Rotating offertory collection counting teams in parishes
- Individuals who are responsible for the receipt of parish funds different from those responsible for the disbursement of funds
- Multiple signers on checks for large amounts and for non-budgeted expenditures
- Open, transparent, and accountable parish budget processes

- Encouragement of parishioners to use electronic transfers for their parish contributions**
- Establishment of communication channels for church workers and parishioners to report suspected irregularities or fraudulent activities while protecting their anonymity**
- Public disclosure of the names and professions of every member of the Parish Finance Council, along with their conflict of interest guidelines**
- At a minimum, quarterly meetings of the PFC (or one of its subcommittees) to monitor parish and school financial reports**

Diocese

- The establishment of fraud policies in every diocese**
- Annual random internal audits of parishes supplemented by external audits conducted at least every three years**
- Establishment of a uniform budgeting process and standardized software for all diocesan entities**
- Establishment of communications channels for church workers and practitioners to report suspected irregularities or fraudulent activities while protecting their anonymity**

Summary

- **The Church is not a business, but it does have a stewardship responsibility to use its resources efficiently**
 - Sometimes this requires us to employ sound management techniques such as internal financial controls
- **At the root of the issue is that we tend to be too trusting.**
 - No one would think that a clergy member or church worker would steal from the Church
 - Therefore, we fail to implement basic internal financial control practices
 - ALL churches face this problem

Challenge 3

Parish Staffing

Organizational

Structure

Thomas P. Sweetser SJ, *The Parish as Covenant: A Call To Pastoral Partnership*.
Franklin, WI: Sheed & Ward, 2001.

Parish Organizational Structure

20th Century Organizational Structure



21st Century Organizational Structure

^

Pastor

^

Administrator

Parish Business Manager/Administrator

Full Time

20.1%

Share With Another Parish

2.0%

Paid Ministry Staff Report

Pastor/PLC	90.5%
Parish Manager/Administrator	2.8
Combination	3.0
Other	3.7

Paid Non-Ministry Staff Report

Pastor/PLC	71.0%
Parish Manager/Administrator	24.4
Combination	2.4
Other	2.2

Conclusion

**We Need to Find Ways to
Reduce the Burden of
Temporal Management on
Our Parish Priests**