



Finance Office

3211 Fourth Street, NE • Washington, DC 20017-1194 • 202-541-3028 • FAX 202-722-8728

MEMORANDUM

TO: All Bishops

FROM: Most Reverend Dennis M. Schnurr, Treasurer 

DATE: March 23, 2007

RE: Parish Financial Governance

As we are all painfully aware, the Church is not immune to financial malfeasance, a fact that has become increasingly clear in recent months as financial scandals have been reported from all over the country. In fact, some in the media and elsewhere have coined Church finances as the next big scandal for the Catholic Church. A number of articles have appeared as of late on this topic in various newspapers such as the *Wall Street Journal*, *New York Times*, *USA Today* and *Time Magazine*. In today's environment of the Enrons, Worldcoms, et al, the Church must remain vigilant. It must continuously seek measures and procedures that can better ensure that the monies and resources are being expended in accordance with the intention of donors and benefactors. A sampling of recent media stories follow:

- In New Jersey, a priest was sentenced in June 2006 to five years in prison after the misappropriation of \$2 million.
- In Ohio, the CFO was charged in August 2006 with participating in a kickback scheme totaling nearly \$785,000. The CFO had left one diocese and was working as the Director of Finance for another diocese when the 23 count federal indictment related to the first diocese was handed down.
- In Florida, two priests were charged in September 2006 with skimming more than \$8.6 million from a parish.
- In Illinois, a priest was indicted in October 2006 on charges of stealing more than \$190,000 from a parish.
- In New York, four church procurement officials allegedly conspired to extort \$2 million from vendors who provided food to church schools and parishes.

- In December 2006, a survey by researchers at Villanova University found that 85% of dioceses that responded had discovered embezzlement of church money in the last five years, with 11% reporting that more than \$500,000 had been stolen. While this report is somewhat misleading in that it seems to imply that 85% of the institutions (i.e., over 19,000 parishes, 8,000 schools, etc.) within the dioceses are experiencing fraud, the report has received national media attention.
- In Connecticut, a priest was removed in January 2007 over the disappearance of approximately \$500,000. This followed a report late last year in which another priest in Connecticut had embezzled approximately \$1.4 million.
- In Virginia, a priest has just recently (January 2007) been accused of stealing over \$600,000.
- At this time, there are ongoing investigations of fraudulent activity in Texas and Pennsylvania.

The USCCB Accounting Practices Committee (APC), composed of 11 CPA/CFO members from the dioceses, four members representing LCWR and CMSM, five CPA advisers from large public accounting firms, and the USCCB CFO serving as staff, has had on its agenda for some time a study of parish financial governance. The vast majority of the aforementioned frauds appear to be occurring at the parish level. At the APC meeting in January 2007, this topic was thoroughly studied and several recommendations were made to enhance the financial governance in the 19,000+ parishes. A summary of the APC recommendations can be found on the following page.

The Committee on Budget and Finance has reviewed the recommendations of the APC and supports them as “best practices.” To that end, I recommend that serious consideration be given to the implementation of these best practices in all of our dioceses. The APC will be developing tools, such as a parish reporting form, to assist with the implementation of its recommendations.

I trust and hope this information is helpful to you. If I can be of any assistance, please do not hesitate to contact me.

USCCB ACCOUNTING PRACTICES COMMITTEE RECOMMENDATIONS

The USCCB Accounting Practices Committee (APC) met on January 11-12, 2007 and discussed the financial governance challenges that face the 19,000+ parishes which deal primarily in cash from the collection plate. While the APC has drafted the following recommendations to improve existing diocesan policies relative to financial governance at the parish level, the APC acknowledges that many dioceses already have very good policies in place. Accordingly, the recommendations which follow should be viewed in the context of being enhancements and/or a re-doubling of efforts, where applicable. In addition, the APC affirms that these recommendations must be complimentary to the work being done by the Diocesan Fiscal Management Conference (DFMC) on the internal audits of parishes, under the auspices of the USCCB Ad Hoc Committee on Diocesan Audits.

SHORTER TERM RECOMMENDATIONS

- In the foreword to *Diocesan Internal Controls*, which was created by the APC and published by the USCCB Committee on Budget and Finance in 1995, Archbishop Murphy, then-Treasurer, notes that “Canon 1284 states that all administrators are to perform their duties with the diligence of a good householder. The bishop can delegate the authority but not the responsibility. He has the duty to ensure that no abuses exist in the administration of church goods within the diocese.” The executive summary of that document points out, “Although the bishop will not become too involved in the details of the internal control system, he is the only person who has the power to ensure that each area of a diocese carries out its responsibility for the system. The proper tone must be set at the top of the organization, and for a diocese, that is the bishop.” The APC again affirms that there must be effective oversight by the bishop for compliance with all diocesan policies in each area of the diocese, and each of the following recommendations made are made within that overarching mindset.
- The APC recognizes the extreme importance of a properly functioning parish finance council as it relates to proper parish governance and internal controls. To that end, and similar to the USCCB resolution entitled *Diocesan Financial Reporting*, the APC recommends that annually each parish send a letter to the diocesan bishop containing:
 - The names and professional titles of the members of the parish finance council
 - The dates on which the parish finance council has met during the preceding fiscal year and since the end of the fiscal year
 - The date(s) on which the approved (i.e.-by the parish finance council) parish financial statements/budgets were made available to the parishioners during the preceding fiscal year and since the end of the fiscal year. A copy of said published financial statements/budgets should be provided to the bishop

- A statement signed by the parish priest and the finance council members that they have met, developed, and discussed the financial statements and budget of the parish
- The APC recommends that thorough diocesan training be provided to the parish finance council members relative to their roles and responsibilities.
- The APC recommends that diocesan policies exist for conflicts of interest, whistleblower, and fraud (including prosecution in all cases). These policies must be applicable in each area of the diocese.
- The APC recommends that each parish complete an annual internal control questionnaire and that a proper review and follow-up be made by qualified diocesan personnel.
- The APC recognizes that the DFMC is working on a position paper outlining the rationale and importance of internal audits of parishes, which is extremely important to the entire process of the financial governance of parishes.

LONGER TERM RECOMMENDATIONS

- The APC recommends that a parish best practices manual be developed, similar to *Diocesan Financial Issues* which has been developed for the dioceses.
- The APC recommends that financial training be integrated into current seminarian programs (and/or ongoing faith formation programs) such that students will be better prepared to handle these eventualities