



## **INTERNAL CONTROL**

Internal control refers to the policies and procedures that the parish establishes to provide reasonable assurance that assets are safeguarded, that accountability is achieved, and that errors are held to a minimum. In order to obtain optimum internal control, the following issues must be addressed:

### **1. Healthy Financial Environment**

The pastor and parish leadership, including the Parish Council and Finance Council, must commit to establishing and monitoring effective financial policies and procedures. All persons, either volunteers or paid employees, who accept responsibility for the raising of funds, the spending of funds, or custody of the material goods of the parish also accept responsibility to abide by the internal financial controls established by the parish. However, it should be clearly understood that the pastor is ultimately responsible for the sound fiscal management of the parish. Delegation of fiscal procedures to others does not mean that the pastor's responsibility has been removed. It does make it easier for him to effectively and efficiently carry out his responsibilities.

### **2. Organizational Structure**

The proper allocation of responsibilities and authorization of transactions is essential to good internal control. In general, no one person should be responsible for handling all phases of a transaction. For example, a person who authorizes a transaction should not record the transaction nor should that person have custody or control over that asset.

Other examples of transactions which should be segregated include:

- Handling cash receipts and recording cash receipts.
- Authorizing payment of wages and preparing payrolls.
- Authorizing expenditures, verifying invoices and preparing checks in payment of invoices.
- Preparing and signing checks.
- Counting the collection and recording the deposit in the records or posting to the individual donor's account.

Staff size may limit a parish's ability to separate duties in practice. In some smaller parishes, the bookkeeper may perform most of the procedures on a monthly basis. In those instances, the ability of the bookkeeper to authorize and execute transactions

should be limited to the greatest extent practicable. To the extent that otherwise appropriate separation of functions is not practical, a member of the Finance Council should be involved in the Separation of Duties.

### **3. Parish Accounting System**

Most financial information needed by the parish comes from the accounting records. The information, to be of maximum value, must be reliable, complete, and available as quickly as possible. The policy entitled [Accounting System](#) should be used for specific information regarding acceptable accounting practices for the Diocese of Owensboro.