



THE ROMAN CATHOLIC CHURCH
DIOCESE OF TUCSON

Bishop Moreno Pastoral Center

Fiscal Services

111 South Church Avenue • P.O. Box 31 • Tucson, AZ 85702-0031
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October 28, 2013

Dcn. Anthony Underwood, Administrator
St. Patrick Parish
POB 164
Bisbee, AZ 85603

Dear Dcn. Underwood,

Many thanks to you and the personnel of the Parish for the time dedicated to the internal audit.

The audit found an 89% compliance rate with tested Diocesan policies and procedures. Those areas not in compliance should be addressed as soon as possible, particularly criminal history clearance renewals. Dr. Rosemary Celaya-Alston and Mr. Richard Serrano have been informed of this finding and appreciate your diligence in resolving this issue.

Please send me a response stating what steps have or will be taken to address the Findings by **November 28, 2013**.

Thank you for your cooperation in this audit. Please contact me if I can be of assistance in addressing the actions called for by the audit.

Sincerely yours in the Spirit,

Katherine Preble, CPA
Internal Auditor
(520) 838-2502
K.Preble@diotuc.org

hc: Mary Gomez and William Silva, Directors; Laura Chavez, Finance Council Chair
ec: Bishop Gerald Kicanas and Msgr. Al Schifano via Danielle Palmas
Tom Arnold, Dr. Rosemary Celaya-Alston, and Richard Serrano

**Diocese of Tucson
Fiscal Services Internal Audit
FULL AUDIT FINDINGS**

St. Patrick, Bisbee

Cycle 3, September 17, 2013

Line	Policy and/or Procedure	Finding		Comment
		Yes	No	
1	FINANCIAL MANAGEMENT			
2	Assets			
3	A three-month operating reserve exists	√		
4	Accounting records are accessible only by authorized individuals	√		
5	Cash reserves are sufficient to cover Unremitted Special Collections, Custodial and Deferred liabilities	√		
6	Excess funds are maintained in the Parish Pooled Investment Trust (PPIT)	√		
7	Excess revenue over expense is projected for the current fiscal year	√		
8	Funds for parish groups are held in parish bank accounts with transactions reported in parish books	na		
9	Inventory of assets is maintained	√		
10	Keys are safeguarded	√		
11	Restricted contributions are used for the intended purposes	√		
12	Bank Accounts			
13	All parish bank accounts are reported in the parish financial statements	√		
14	All parish funds are kept in bank accounts under the name of the parish	√		
15	Appropriate personnel are signers on bank accounts	√		
16	Bank accounts include only checking and savings accounts	√		
17	Bank statements & reconciliations are reviewed by appropriate individual		√	Finding 1
18	Reconciliations are performed timely	√		
19	Board of Directors (BoD) and Parish Finance Council (PFC)			
20	BoD approves yearly budget	√		
21	BoD approves Parish Annual Financial Reports	√		
22	BoD holds annual meetings	√		
23	PFC holds periodic meetings during the year	√		
24	PFC reviews revenue and expense trends	√		
25	Computer Security			
26	Computer files are backed-up on a consistent basis	√		
27	Computer backups are stored in a fire-proof or off-site location	√		
28	Computers are physically safeguarded	√		
29	Internet-connected computers have appropriate protections	√		
30	Password system is used	√		
31	Passwords are changed on a quarterly basis		√	Finding 2
32	Disbursements			
33	Bills are paid timely	√		
34	Blank checks are safeguarded	√		

35	Blank checks are unsigned	√		
36	Check disbursements are documented	√		
37	Check preparer does not sign checks	√		
38	Check signer reviews checks and supporting documentation	√		
39	Checks are signed by authorized individuals	√		
40	Credit card disbursements are documented	√		
41	Debit card disbursements are documented		na	
42	DOT, PAC & PSIRT billings are current	√		
43	Electronic disbursements are appropriate	√		
44	Petty Cash fund is managed appropriately		na	
45	Segregation of duties is adequate for disbursements	√		
46	Signature stamp is not used on checks	√		
47	Vendors and check payees exist	√		
48	Void check procedure is appropriate	√		
49	Offertory Collection and Count			
50	Access to the safe is limited to appropriate individuals	√		
51	Collection is placed in plastic tamperproof bags by two individuals	√		Note B
52	Collection is placed in the safe by two individuals	√		
53	Collection is removed from the safe by two individuals	√		
54	Collection is counted in a secure location	√		
55	Count teams consist of two or more individuals	√		
56	Count teams are rotated	√		
57	Count team members are appropriately reference-checked	√		
58	Count team members are parishioners in good standing	√		
59	Count team members are approved by the Pastor	√		
60	Count sheet is prepared in ink	√		
61	Count sheet is signed by count team	√		
62	Deposit slips are prepared by appropriate individuals	√		
63	Deposits are taken to the bank by appropriate individuals	√		
64	Collection is deposited timely	√		
65	Bookkeeper is not involved in collection or count	√		
66	Pastor is not involved in collection or count	√		
67	Collection monies are not used to cash checks	√		
68	Segregation of duties is adequate for offertory collection and count	√		
69	Other Revenue			
70	Adequate controls exist for monies received by mail	√		
71	Adequate controls exist for monies received in the Parish office	√		
72	Adequate controls exist for fundraising monies	√		
73	Adequate controls exist for paper and electronic scrip	√		
74	Parish Annual Financial Report (PAFR) for FY12			
75	Assets appear to be presented fairly	√		
76	Liabilities appear to be presented fairly	√		
77	Revenues appear to be presented fairly		√	Finding 3
78	Expenses appear to be presented fairly	√		

79	Net Sustaining Contributions (<i>NSC</i>) appear to be presented fairly	√		
80	Revenue exceeded expenses (notation only)	√		Note A
81	PAYROLL			
82	Compensation is paid correctly		√	Finding 4
83	Deacons are not compensated for pastoral services	√		
84	Employees exist	√		
85	Mass intention stipends and stole fees received by the Parish and paid to parish priests are reported on the payroll system	√		
86	Payroll deductions reconcile to monthly group health insurance invoices	√		
87	Segregation of duties is adequate for payroll		√	Finding 5
88	Timesheets are completed in pen	√		
89	Timesheets are signed by employees	√		
90	Timesheets are signed by supervisors	√		
91	Vacation & sick leave accrual data in IOI are correct	√		
92	Workers' Compensation codes in IOI are correct	√		
93	PERSONNEL MANAGEMENT			
94	Arizona and Federal Compliance notices are posted	√		
95	Arizona's minimum wage law is followed	√		
96	Benefits are provided for eligible employees	√		
97	Criminal history clearances are completed prior to employee date of hire	√		
98	Criminal history clearances for employees are renewed prior to the expiration of the previous clearances		√	Finding 6
99	Employee personnel folders contain Applications, Employee Evaluations, Employee Status Change Forms (<i>ESCFs</i>), Job Descriptions, and Memorandums of Employment (<i>MoEs</i>)		√	Finding 7
100	Employment Eligibility Verifications (aka <i>19s</i>) exist for all employees	√		
101	Employment Eligibility Verifications are completed appropriately	√		
102	Employment Eligibility Verifications are separate from personnel files	√		
103	Employment Eligibility Verifications are forwarded to Human Resources (<i>DOTHR</i>) within three days of hire		√	Finding 8
104	ESCFs are forwarded to DOTHR	√		
105	Exempt/nonexempt status is appropriate	√		
106	Overtime policy is appropriate	√		
107	Pay raise policy is appropriate	√		
108	Recruitment and selection policies are followed	√		
109	Yearly written performance evaluations are provided to employees		√	Finding 9
110	SAFE ENVIRONMENT PROGRAM (<i>SEP</i>)			
111	Documentation			
112	Attestations are current	√		
113	Attestations are updated triennially	√		
114	Compliance Plan is current	√		
115	Criminal history clearances for high responsibility volunteers were submitted within 3 months of the application date.	√		
116	Criminal history clearances for high responsibility volunteers are renewed prior to the expiration of the previous clearances		√	Finding 10

117	Documentation is safeguarded	√		
118	Education Log is maintained	√		
119	Personnel screening procedures are appropriate	√		
120	Personnel Spreadsheet (<i>PSS</i>) is maintained	√		
121	SEP personnel files include Applications, current Attestations, and Criminal History Check results	√		
122	Sign-in sheets are maintained for education sessions	√		
123	Standard Operating Procedures (<i>SOPs</i>) are documented in writing for high responsibility ministries	√		
124	Education			
125	Triennial safe environment education provided to personnel	√		
126	The mandated reporting law and Code of Conduct is presented triennially	√		
127	Parents are educated in creating a safe environment for children	√		
128	Personal safety education (<i>PSE</i>) is presented to children & youth annually	√		
129	90% of children & youth are expected to receive PSE in the current year	√		
130	Protocol			
131	A plan is in place to continue safe environment procedures if the current C.O. leaves	√		
132	Communication exists between the Compliance Officer (<i>C.O.</i>) and the Office of Child, Adolescent and Adult Protection (<i>OCAAP</i>)	√		
133	New personnel are screened and oriented	√		
134	Outside groups are informed that safe environment is practiced	√		
135	Risk is mitigated for episodic activities such as retreats or fiestas	√		
136	Risk is mitigated for regularly scheduled programs	√		
137	Visiting clergy are screened through the Chancellor's office	√		

Finding 1 Bank statements & reconciliations are not reviewed which weakens segregation of duties. An individual other than the person reconciling the bank statements should review the statements and reconciliations on at least a quarterly basis. It is suggested that this individual be the Board Treasurer or a member of the Finance Council. The documents should be reviewed for reasonable amounts on the checks, appropriate ACH transactions, deposit corrections, and that the reconciliation balances to the bank statement.

Action to be taken: An appropriate individual should review the bank statements and reconciliations on at least a quarterly basis.

Finding 2 Passwords are not changed on at least a quarterly basis. Changing passwords on a quarterly basis assists in preventing unauthorized access to parish data.

Action to be taken: Computer passwords should be changed on at least a quarterly basis.

Finding 3 The revenues on the FY12 PAFR were correctly reported in total but not by line item. The Priest Salary Subsidy (*PSS*) should be included in Contributions, Grants and Bequests but was included in Other Revenue. The same issue is occurring on the current year parish profit & loss statement where PSS should be booked to 414630-Grants & Bequests but is booked to 419720-Other Revenue.

Action to be taken: The PSS should be booked to account 414630 beginning as of July 2013 and included in Contributions, Grants and Bequests in the FY13-14 PAFR.

- Finding 4 Compensation is not paid correctly as the Custodian is paid every six months per the employee's request. Wage & Hour regulations require that hours worked be paid in the payperiod they are worked. Accordingly, the Custodian should be paid every two weeks for the hours worked in those weeks. Noncompliance with this regulation can result in severe fees and penalties to the parish.
- Action:** The Custodian should be paid every two weeks beginning with the next payperiod.
- Finding 5 Segregation of duties is inadequate for payroll as Employee Status Change Form (*ESCFs*) have been signed by the Office Manager who also enters the changes into the payroll system. Adequate segregation requires that one individual approve status changes and another enter the changes into the system.
- Action to be taken:** ESCFs should be signed by the Pastor with changes entered into payroll by the Office Manager.
- Finding 6 Testwork on a sample of employee compliance files found that not all renewals of criminal history checks were processed timely. Renewals should be processed 90 days in advance of the expiration date to avoid the need to place an employee on suspension while the clearance is pending. Renewals are important because they provide an update on employee backgrounds as well as act as a reminder to the individuals of their commitment to a safe environment.
- Action to be taken:** The procedure for tracking clearance renewal dates should be strengthened so that employee clearances are renewed 90 days in advance of the expiration of the previous clearance.
- Finding 7 The above named documents were not found in all employee files tested. The files for the Office Manager and the Custodian did not have job descriptions. Job descriptions document the responsibilities of the positions and should be used in the employee evaluation process. The format of the job description should follow the template found in the Diocesan website under the Human Resources department. No user name or password is needed to access this document. The file for the Custodian did not have a Memorandum of Employment. The MoE is an important document as it spells out the conditions of employment. The template for the MoE can be found in the Diocesan website under Human Resources then under Human Resources Management. Call Katherine Preble or Carolina Grimaldo for the user name and password for HR Management.
- Action to be taken:** All employee files should be reviewed to ensure that job descriptions are in all files and that MoE's are in file for all employees hired since January 2006. If a job description does not exist one should be completed and reviewed with the employee. If a MoE does not exist one should be completed showing the employee information as of the date of hire but dated by the employee as of the date actually signed.
- Finding 8 The I9 for the Custodian hired in August 2013 was not forwarded within 3 days of hire. As of January 2008, Arizona law requires that new hires be eVerified within 3 days of hire. DOTHR conducts the eVerification of employees and parishes should forward I9s to DOTHR within 3 days of hire.
- Action to be taken:** I9s for future employees should be forwarded to DOTHR within 3 days of hire.
- Finding 9 Yearly written performance evaluations are not provided to employees. Employees should receive annual evaluations based on a performance management system that distinguishes the merits of the employee based on job performance. Without yearly evaluations, the Parish is not able to establish whether an employee is performing satisfactorily or unsatisfactorily. This exposes the Parish to charges of discrimination or unlawful discharge in the event an unsatisfactory employee is disciplined or terminated.

Management personnel are invited to attend the next Performance Management session presented by DOTHR. In addition, the DOTHR Director, Richard Serrano, is available upon request to present Performance Management with an emphasis on evaluations at the parish's location.

Action to be taken: Implement annual written employee evaluations as of FY14 (July 1 2013 to June 30 2014) based on the essential duties and responsibilities outlined in their job description and performance plan in accord with the Performance Management System in place in the Diocese of Tucson.

Finding` 10 Testwork on a sample of volunteer compliance files found that not all renewals of criminal history checks were processed timely. Renewals should be processed 90 days in advance of the expiration date to avoid the need to place a volunteer on suspension while the clearance is pending. Renewals are important because they provide an update on volunteer backgrounds as well as act as a reminder to the individuals of their commitment to a safe environment.

Action to be taken: The procedure for tracking renewal dates should be strengthened so that volunteer clearances are renewed 90 days in advance of the expiration of the previous clearance.

Note A A \$44,900 excess was reported in the FY12 PAFR for July 1, 2011 to June 30 2012.

Note B Attached is a new procedure to be added to the Offertory Collection and Count to strengthen control over this area. This procedure should be implemented as soon as possible. Disregard this if a similar procedure is already in use.

Attachment: Collection Bag Reconciliation Procedure, Oct 2013
Balance Sheet as of June 30, 2013

Submitted by



**Katherine Preble, CPA
Internal Auditor**

This audit was designed to provide an overview of compliance with Diocesan policies and procedures. The above findings were determined by examining a sample of documents available at the Pastoral Center, the Parish, and the School (if applicable) as well as discussion with appropriate personnel. Accordingly, this audit does not provide 100% assurance that compliance with applicable Financial Management, Payroll, Personnel Management and Safe Environment policies are followed at all times, in all procedures, or for all transactions.

Collection Bag Reconciliation Procedure

Oct 2013

Pre-numbered tamperproof plastic bags should be used to hold the offertory monies. The individual preparing the bags should enter the numbers of the bags on a Bag Record Sheet along with the dates and the mass times for which the bags are to be used. One record sheet per weekend should be prepared.

The Bag Record Sheet should be given to the count team to check the numbers on the bags received against the record sheet. This ensures that the bags provided for collection are the same bags received by the counters. The Record Sheet should be initialed by the counter(s) doing the reconciliation to show that the bag numbers match.

If a bag number does not match the Pastor should be informed and he should have someone research why. The explanation should be entered on the Record Sheet. The Record Sheet should be attached to the Count Sheets for that weekend.

A sample Bag Record Sheet is shown below; if an electronic copy is wanted please contact the Internal Auditor.

Pre-numbered tamperproof plastic bags can be obtained from vendors such as OfficeMax or Staples. They are usually called "tamperproof evident deposit bags".

BAG RECORD SHEET

Bag #	Date	Mass

Initials of Counter(s) reconciling the numbers on the bags received to the numbers on the Bag Record Sheet.

If bag numbers do not match inform the Pastor so this issue can be researched.

St Patrick Catholic Church
Balance Sheet
As of June 30, 2013

	Jun 30, 13	Jun 30, 12	\$ Change
ASSETS			
Current Assets			
Checking/Savings			
100110 · Ck/BofA	36,180.49	43,155.19	(6,974.70)
101210 · 25BU61A	82,508.51	82,425.29	83.22
101213 · 25BR61A	68,582.01	57,065.55	11,516.46
101214 · 25BR61B	9,615.73	9,606.03	9.70
101215 · 25BR61C	7,256.24	6,453.98	802.26
101216 · 25BR61D	4,277.05	4,658.82	(381.77)
101217 · 25BR61E	16,143.84	14,333.48	1,810.36
Total Checking/Savings	224,563.87	217,698.34	6,865.53
Other Current Assets			
1072 · ENDOWMENTS			
107260 · Catholic Foundation	30,667.41	26,025.95	4,641.46
Total 1072 · ENDOWMENTS	30,667.41	26,025.95	4,641.46
Total Other Current Assets	30,667.41	26,025.95	4,641.46
Total Current Assets	255,231.28	243,724.29	11,506.99
Fixed Assets			
1092 · LAND			
109250 · Church	500.00	500.00	0.00
109251 · Rectory	500.00	500.00	0.00
109253 · School	600.00	600.00	0.00
109255 · Mission - St Michael	2,130.00	2,130.00	0.00
Total 1092 · LAND	3,730.00	3,730.00	0.00
1095 · BUILDINGS			
109550 · Church	1,187,108.29	1,187,108.29	0.00
109551 · Rectory	179,736.16	179,736.16	0.00
109552 · Hall	11,339.00	11,339.00	0.00
109553 · School	303,885.00	303,885.00	0.00
109555 · Mission - St Michael	87,077.78	87,077.78	0.00
Total 1095 · BUILDINGS	1,769,146.23	1,769,146.23	0.00
1097 · EQUIPMENT			
109750 · Church	57,129.89	57,129.89	0.00
109751 · Rectory	28,300.40	28,300.40	0.00
109752 · Hall	1,688.49	1,688.49	0.00
109753 · School	44,855.00	44,855.00	0.00
109755 · Mission - St Michael	21,782.83	21,782.83	0.00
109758 · Office	7,446.50	7,446.50	0.00

St Patrick Catholic Church
Balance Sheet
As of June 30, 2013

	Jun 30, 13	Jun 30, 12	\$ Change
Total 1097 · EQUIPMENT	161,203.11	161,203.11	0.00
Total Fixed Assets	1,934,079.34	1,934,079.34	0.00
TOTAL ASSETS	2,189,310.62	2,177,803.63	11,506.99
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Other Current Liabilities			
2005 · PAYROLL PAYABLES			
200566 · Flexible Spending Accounts (FSA)	9.52	0.00	9.52
200599 · Other payroll payables	1,513.62	0.00	1,513.62
Total 2005 · PAYROLL PAYABLES	1,523.14	0.00	1,523.14
Total Other Current Liabilities	1,523.14	0.00	1,523.14
Total Current Liabilities	1,523.14	0.00	1,523.14
Total Liabilities	1,523.14	0.00	1,523.14
Equity			
303010 · NET ASSETS	2,069,467.03	2,069,467.03	0.00
303099 · RETAINED EARNINGS	108,336.60	63,375.32	44,961.28
Net Income	9,983.85	44,961.28	(34,977.43)
Total Equity	2,187,787.48	2,177,803.63	9,983.85
TOTAL LIABILITIES & EQUITY	2,189,310.62	2,177,803.63	11,506.99