

Chapter 7: Finance, Administration and Planning – Archdiocese of Denver and Related Ecclesiastical Organizations

Canonical Overview

The Archbishop has the right and duty to watch over and oversee the patrimony of the Church. To assist the Archbishop, Canon Law provides for the establishment of diocesan finance councils, the preparation of diocesan budgets, and specific responsibilities of the diocesan finance officer (Canons 492-494) (Ref: Chapter 1 Archdiocesan Organization – 1.1.3.5. and 1.2.6.). Canons 1276-1278 discuss the responsibilities of diocesan bishops with regard to the administration of goods, consultation with the finance council and college of consultors and delegation of responsibilities to the finance officer. Canon 1284 enumerates specific duties of administrators of ecclesiastical goods.

In 1995, additional guidance was provided for these obligations by the Committee on Budget and Finance of the USCCB when it published a framework titled *Diocesan Internal Controls*. This text begins by explaining that “all administrators are to perform their duties with the diligence of a ‘good householder’ consistent with Canon 1284. 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, this is the bishop”.

Chapter 2 of this text goes on to say that “The bishop, as head of the organization, should assume ownership of the system of internal control. He is responsible for ensuring integrity, ethics, competence, and other factors of a positive control environment. The bishop fulfills his responsibilities by providing leadership to his senior management team, who shape the values, principles and operating policies that are the basis for a strong internal control system.... The bishop and his representatives, therefore, establish a controlled environment that ensures effective communications and sets up monitoring procedures.”

That document also stated, “The finance council of a diocese should have a significant role in the internal control function of a diocese and in providing direction, guidance, and oversight to the bishop. In addition to its advisory capacity, the finance council has specific right and duties under Canon Law.”

Purpose

Accordingly, this Chapter provides an overview of the business practices for the Archdiocese and its related ecclesiastical organizations. This chapter does not provide instruction to Parishes within the territory of the Archdiocese unless specifically mentioned or referenced. Reference should be made to Chapter 10 for an overview of business practices for the Parishes. The parts of the chapter are organized in the following manner:

Part 1 describes the financial and business policies of the Archdiocese.

Part 2 describes General Business Practices for the Archdiocese of Denver and related ecclesiastical organizations.

Employees of Archdiocesan offices and related ecclesiastical organizations shall observe the applicable civil and Canon Laws, the particular law of the Archdiocese and instructions promulgated by the Archbishop pertaining to the administration of the Archdiocese and its ecclesiastically related organizations.

Part I: Financial and Business Policies of the Archdiocese

7.1.1. Temporal Goods of the Archdiocese

The Archdiocese has the inherent right, to acquire, retain, administer, and alienate temporal goods in pursuit of its proper objectives (Canon 1254§1). Temporal goods are the assets and property held in common stewardship for the benefit of the Church and furtherance of its earthly ministry.

7.1.1.1. The Archdiocese supports the concept that proper stewardship of temporal goods requires reporting the financial activity of the Archdiocese to the members of the Church. Administrators must maintain adequate financial records as of the end of the fiscal year (Canon 1284§2). These accounts are to be submitted to the Archbishop or his designee.

7.1.2. Chief Financial Officer

The Archbishop appoints the Chief Financial Officer (CFO) of the Archdiocese after consultation with the AFC and College of Consultors. It is the obligation of the CFO to administer the goods of the Archdiocese in accordance with Canon Law, the applicable civil law, and this Pastoral Handbook.

7.1.2.1. Responsibilities of the CFO are described generally in Canon 1284 and are likened to a “good householder.”

7.1.2.2. Permission of the Archbishop is required before the acceptance of gifts in which there is a condition or qualifying obligation. The CFO will have the opportunity to advise the Archbishop prior to the receipt of gifts.

7.1.2.3. The CFO acts validly under Canon Law if there are actions within the limits of ordinary administration (Canon 1281) or guidelines under Guidelines of Authority.

7.1.4. The acts of extraordinary administration beyond those promulgated in particular norms by the USCCB are to be established by the Archbishop after consultation with the AFC.

7.1.3. Office for Finance, Administration, and Planning

The Office for Finance, Administration, and Planning (FAP) is established to assist the CFO in responsibilities in administration and finance. The Office has administrative authority of the Archbishop in all matters of finance, business operations and administration except those reserved to the Archbishop by Canon Law, particular law of the Archdiocese, decree, or instruction promulgated by the Archbishop.

7.1.3.1. The CFO oversees the Office of FAP and also serves as the President of the Archdiocese of Denver Management Corporation (See Chapter 12, Other Roman Catholic Organizations). The Management Corporation is responsible for fiscal

management, budgeting, financial planning, legal matters, human resources, information systems, real estate concerns, parish finance, risk and insurance management, construction, and other business or administrative services for the Archdiocese and its ecclesiastical related organizations pursuant to service agreements.

7.1.3.2 Under the guidance of the CFO, both the Management Corporation and Office for FAP work in close association with the AFC in reviewing and advising the Archbishop on the annual budgets for various ecclesiastical organizations established by the Archbishop, the quarterly and annual financial reports and other financial information periodically submitted to the Archbishop by the same ecclesiastical organizations throughout the year. Such requests and information are used to advise the Archbishop on important acts of fiscal administration on other financial or business matters.

7.1.3.3. The proper objectives of the Office for FAP and the Management Corporation are principally the provision of resources for divine worship, the provision of fitting support for the clergy and other ministers, and the carrying out of works of the apostolate and of charity, especially for the needy (Canon 1254 §2) and assistance to the Archbishop and his designee, in the fulfillment of their responsibilities to provide canonical oversight of public juridic persons within the territory of the Archdiocese.

7.1.4 **Guidelines of Authority**

Employees of the Archdiocese and its related ecclesiastical organizations do not have authority to approve and commit the expenditure of funds unless the authority is specifically granted to them. The Archdiocese will implement internal control procedures and other proper safeguards to prevent misuse or negligent use of funds. To these ends, the Archdiocese maintains the mechanism set forth in this section to provide each level of management with authority. While the approved budget provides control over revenues and expenditures for a specific cost center, the following procedures provide additional means for the Archbishop to safeguard the assets of the Archdiocese.

7.1.4.1 An employee's use of the authority granted is limited to the business that is normal to his or her duty area. If another organization, Archdiocesan department, or parish is to be charged, approval must also be obtained by an employee in that organization with actual approval and commitment authority as described below, within the specific limitations of Tables 1 - 6.

7.1.4.2. There are two types of authority: Approval Authority and Commitment Authority.

Approval Authority is power to (i) authorize the purchase of goods or services in the name and on behalf of the Archdiocese and its related ecclesiastical organizations; (ii) approve bills and invoices for purchases of goods and services; (iii) approve salary actions; (iv) or authorize the execution of non-monetary agreements. Approval Authority is not authority to take the act of committing the Archdiocese or related ecclesiastical organization by signing a contract. It in no way empowers an employee to make a commitment to an outside

organization, including any action, oral or written, that reasonably could be interpreted by an outside party as a commitment.

Commitment Authority is the power to sign a contract, issue a proposal or purchase order, or take any other act that creates a binding contractual obligation of the Archdiocese to a third party.

7.1.4.3. Approval Authority

- a. Operating and Capital Expenditures – Approval authority for specific categories is set forth in Table 1 of this policy. Shown are the maximum approval amounts for specific positions.
- b. Any new facility construction to be completed by the Archdiocese or a related organization shall be submitted to the Archbishop for initial permission and then to the Project Finance and Review Committee (PFRC) of the AFC for review pursuant to the guidelines set forth in Chapter 8. Capital expenditures of over \$25,000 for expanding or renovating Archdiocesan property, maintenance costs for existing facilities or purchases of office equipment, furniture or automobiles require the approvals set forth in Chapter 8 and in Table 1 of this Chapter.
- c. Approval Authority for salary increases and hiring new employees is set forth in Table 2. Such requests shall be submitted for approval to the CFO with final approval from the Archbishop or the Moderator of the Curia.
- d. Approval Authority for capital campaigns, fund raising proposals or new business formation relating to a new mission or other religious needs within the Archdiocese is set forth in Table 3. Such proposals shall be submitted for approval to the CFO or Chancellor with final approval from the Archbishop or Moderator of the Curia.
- e. Any non-monetary agreements (i.e., settlement of litigation, granting of right of way, leases, easements, etc.) require the approval of the Archbishop, Moderator of the Curia or the CFO.
- f. Approval authority for the alienation of temporal goods and sale of Archdiocesan property is set forth in Table 4. Shown are the maximum amounts for such positions.
- g. The Archbishop or the Moderator of the Curia must approve any lease, sale, or purchase of real estate or connected with specific restrictions or conditions.
- h. The net present value of a capitalized lease must be calculated using the Archdiocese's marginal cost of debt, as determined by the Controller.

This total is considered a capital expenditure for Delegation of Approval Authority purposes and requires the approval of the Archbishop, the Moderator of the Curia or the CFO.

i. Transactions not requiring purchase orders or contracts are set forth in Table 6. These transactions are not subject to the delegation of authority limitations given in Table 1.

7.1.4.4. Commitment Authority

a. Commitment Authority is set forth in Table 5 of this policy. Shown for specific categories are the maximum commitment amounts for specific positions. In the event a commitment exceeds an individual's approval authority, that individual should send the proposed contract to the CFO no less than ten days in advance of the requested due date. The Office for FAP/the Management Corporation is to be given sufficient opportunity to review contracts prior to requesting the commitment. From time to time, the CFO may commit to certain amounts greater than the maximum commitment level reflected in Table 5, but only with the acknowledgement of such commitment by the Archbishop or the Moderator of the Curia.

b. Archdiocesan personnel shall submit to the Office for FAP all original commitment documents of the Archdiocese that are greater than \$20,000.00, use non-standard terms and conditions, or extend for multiple years, for inclusion in the Archdiocesan corporate records. The Office for FAP is responsible for implementing procedures to ensure that original commitment documents are retained and secured.

c. Commitment documents include contracts to supply or perform services, contracts to purchase goods or services or real estate, leases, memoranda of understanding, any amendment to a commitment document, and all other documents which serve to commit the Archdiocese.

7.1.4.5. Limitations are as follows:

a. The guidelines set forth by the Archbishop from time to time will be the maximums allowable for each category and shall be utilized on any matter.

b. Any action that has the result of circumventing the intent of this policy or the Archbishop's delegation is strictly prohibited. For example, approval to purchase single items (i.e., computers, printers, fax machines, copiers) as part of a larger plan which in aggregate exceeds \$20,000.00 or reflects solely monthly maintenance amounts, within the delegate's authority, is not valid.

c. In general, an employee exercising approval authority for a transaction cannot be the one who exercises commitment authority for that transaction. In particular, an employee approving the purchase request is not permitted to sign the purchase order or contract.

d. An employee cannot approve payments to or for the benefit of himself/herself or a family member. Approval must be obtained from his/her supervisor. The Controller, the CFO and/or the Moderator of the Curia must approve any amount over the supervisor's Approval Authority (Ref: Chapter 1 - Conflicts of Interest, 1.2.1. and 7.1.5.).

e. Accounts Payable shall not process any requests for payments that are not supported by authorizations and back-up documentation.

7.1.4.6. In general, if the individual in an Authorized Approval position is not available, then the Moderator of the Curia or the CFO must be responsible for any necessary approvals. If an emergency situation truly exists and expenditure approval is urgently necessary, the Controller is to refer the matter to the Archbishop, the Chancellor or the Vicars General.

7.1.4.7. Budget Overruns of the Archdiocese and related ecclesiastical organizations. With respect to any capital or operating expenditure, any significant overrun (those greater than \$10,000) shall be submitted for consideration and approval to the CFO, Moderator of the Curia or the Archbishop or the applicable entity's Board of Directors.

Guidelines of Authority

Table 1 - Approval and Commitment Authority - Capital and Operating Expenditures

(For other related ecclesiastical organizations, the applicable entities' Articles of Incorporation, By-Laws, Canonical Statutes or other governance documents must also be considered.)

Maximum Amounts		AOD Management Corp./Other Related Ecclesiastical Organizations	
Capital(1)	Operating (2)	Archdiocese	AOD Management Corp./Other Related Ecclesiastical Organizations
\$ -	\$ -	Vatican Approval (3)	Vatican Approval
\$ -	\$ -	Archbishop with consent of College of Consultors and Archdiocesan Finance Council (4)	Archbishop, College of Consultors and Archdiocesan Finance Council
\$ 5,000,000	\$ 5,000,000	Archbishop (5)	Board of Members, Directors and/or Trustees
\$ 1,000,000	\$ 1,000,000	Moderator of the Curia/Auxiliary Bishop	
\$ 200,000	\$ 200,000	CFO & Vicars General	President of entity
\$ 50,000	\$ 50,000	Controller and Chancellor	-
\$ 25,000	\$ 30,000	-	Director of Mt. Olivet
\$ -	\$ 20,000	Judicial Vicar, Vice Chancellor, Superintendent of Catholic Schools, Director of Info. Systems	Rectors of Seminaries
\$ 25,000	\$ 20,000		Rectors of Seminaries, Directors of Construction, Real Estate and Building Services
\$ -	\$ 10,000	Exec. Dir. of the Colorado Catholic Conference	President/Principal of High Schools, Directors of Communications, Human Resources & Risk Management, VP of Finance of SJV
\$ -	\$ 5,000		Directors of Parish Finance and Parish Advisory Services, Assistant Director of Mt. Olivet,
\$ -	\$ 1,000	Other Directors	Asst Principal & Administrators/High Schools

(1) - Capital expenditures are defined as the purchase or construction of an asset that will have a useful life greater than one year, that possess physical substance and are usually subject to depreciation. Capital assets include office equipment, construction and renovation projects, automobiles and furniture & fixtures.

(2) - Operating expenditures are defined as the purchase of goods and services that will normally be expensed in the entities income statement/statement of activities because no tangible future benefit exists for such services.

(3) - Approval by the Holy See is needed if there is indebtedness incurred over \$5,500,000 without corresponding increase in the assets or if the stable patrimony is jeopardized.

(4) - Approval by the College of Consultors and the Archdiocesan Finance Council would be needed for acts of extraordinary administration, those greater than \$5,500,000 (Ref: [College of Consultors](#), 1.2.5.5., footnote 2).

(5) Consultation with the College of Consultors and the Archdiocesan Finance Council is required for acts of major importance, herein defined by the Archdiocese as the amount above the maximum in which the Archbishop may act individually (Canon 1277). As a general practice, the Archbishop typically consults for transactions over \$3,000,000.00.

Guidelines of Authority

Table 2 - Approval Authority - Salary

(For related ecclesiastical organizations, the applicable entities' Articles of Incorporation, By-Laws, Canonical Statutes or other governance documents must also be considered.)

Maximum Amounts			
Salary Level (1)	Archdiocese	AOD Management Corp./Other Related Ecclesiastical Organizations	
Unlimited	Archbishop, with consultation of AFC	-	
\$ 75,000	Moderator of the Curia/Auxiliary Bishop	Board of Directors, Members and/or Trustees	
\$ 65,000	Vicars General, Chancellor and/or Chief Financial Officer	President of entity	
\$ 50,000	Superintendent of Catholic Schools	Director of Mt. Olivet, the Mortuary at Mt. Olivet and St. Simeon	

(1) - Salary levels relate to the hiring of personnel by the Archdiocese and parishes, with the initial salary for that position. All new positions in the Archdiocese (excluding Parishes and Schools) are contingent upon prior discussion and approval from the Archbishop, Moderator of the Curia and/or the CFO.

Guidelines of Authority

Table 3 - Approval Authority - Fundraising Activities and Capital Campaigns

(For other related ecclesiastical organizations, the applicable entities' Articles of Incorporation, By-Laws, Canonical Statutes or other governance documents must also be considered.)

Maximum Amounts		
Revenue Level (1)	Archdiocese	AOD Management Corp./Other Related Ecclesiastical Organizations
\$750,000	Archbishop, with consultation of AFC	Board of Members, Directors and/or Trustees
\$300,000 to \$750,000	Moderator of the Curia	-
\$300,000	CFO	President of the entity

(1) - Reflects the estimated goal of the overall campaign.

Definitions:

Capital Campaigns - generally relate to the establishment of a pledge campaign for the funding of a major construction project and/or renovation.

Fundraising Activities - a specific money raising event established to fund discrete projects generally not associated with pledges.

Guidelines of Authority

Table 4 - Alienation of Temporal Goods/Sale of Property of the Archdiocese

(For other related ecclesiastical organizations, the applicable entities' Articles of Incorporation, By-Laws, Canonical Statutes or other governance documents must also be considered.)

Maximum Amount (1)	Archdiocese	AOD Management Corp./Other Related Ecclesiastical Organizations
-	Vatican Approval	Vatican Approval
\$ 5,000,000	College of Consultors and Archdiocesan Finance Council (2)	Archbishop, College of Consultors and Archdiocesan Finance Council
\$ 547,500	Archbishop	Board of Members, Directors and/or Trustees
\$ 300,000	Moderator of the Curia, Auxiliary Bishop	-
\$ 100,000	Vicars General and Chief Financial Officer	President of entity

(1) - The disposal and/or sale of temporal goods includes real estate, property and equipment, investments and other temporal goods.

(2) - Alienation of assets or property over \$547,500 needs the consent of the College of Consultors and the Archdiocesan Finance Council. Approval by the College of Consultors and the Archdiocesan Finance Council would also be needed for acts of extraordinary administration (Ref: College of Consultors, 1.2.5.5., footnote 2).

Guidelines of Authority

Table 5 - Commitment Authority (1)

<u>Archdiocese</u>	<u>AOD Management Corp./ Related Ecclesiastical Organizations</u>	<u>Maximum Amount of Commitment</u>
Archbishop	Archbishop	<i>With respect to any approved expenditure, commitment authority up to maximum level of that expenditure</i>
Moderator of the Curia, Auxiliary Bishop	Moderator of the Curia, Auxiliary Bishop	<i>With respect to any approved expenditure, commitment authority up to maximum level of that expenditure</i>
CFO, Vicar's General & Chancellor	CFO, Vicar's General & Chancellor	<i>With respect to any approved expenditure, commitment authority up to maximum level of that expenditure</i>
Controller	Controller and Director of Mount Olivet	<i>With respect to any approved expenditure, commitment authority up to maximum level of that expenditure</i>
Assistant to the Archbishop and Director of Catholic	-	<i>With respect to any approved expenditure, commitment authority up to maximum level of that expenditure</i>
Directors of Construction and Real Estate	Rectors of Seminary's or designees	<i>With respect to any approved expenditure, commitment authority up to maximum level of that expenditure</i>
Other Directors	Assistant Director of Mount Olivet, Assistant Principal and Business Managers of High Schools	<i>With respect to any approved expenditure, commitment authority up to maximum level of that expenditure</i>

(1) - Includes purchase orders, contracts, consulting agreements and leases.

Guidelines of Authority

Table 6 - Approval Authority - Transactions not requiring Purchase orders or Contracts

<u>Transaction</u>	<u>Archdiocese</u>	<u>AOD Management Corp./ Related Ecclesiastical Organizations</u>
Audit fees and services	Moderator of the Curia or CFO	President and/or Board of Trustees
Auto repairs	Director of Information Systems and Building Services	-
Bank service charges	Controller or CFO	-
Travel and entertainment	Director responsible for individual; Controller and/or CFO	
Employment agency fees	Director of Human Resources	Director of Human Resources
Employment advertising	Director of Human Resources	Director of Human Resources
Legal invoices	Moderator of the Curia, CFO and Vicar for Clergy and/ or Chancellor	President and/or Board
Taxes	Director of Real Estate and Controller	-
Transfers of Contributions to Qualified Benefit Plans and Flexible Benefit Claim	Controller or CFO	-
Insurance Claims and Premiums	-	Directors of Risk Management and Human Resources, Controller & CFO

7.1.5. **Conflicts of Interest**

When counter-signing for purchases and authorizations, engaging consultants or advisors to the Archdiocese, all employees are encouraged to avoid the appearance of impropriety and to disclose conflicts of interest and self-dealing in contracts, requisitions and disbursements of funds. Disclosure of conflicts of interest or the appearance of conflicts of interest is to follow the intention of the policy stated in Conflicts of Interest: 1.2.1., with disclosure of potential conflicts to each employee's supervisor and annual disclosure through the completion of the Conflict of Interest Policy – See **Exhibit I**.

7.1.6. **Professional Conduct**

Employees are expected to perform their duties and otherwise act in such a fashion as to represent the Archdiocese in a professional and courteous manner. This is a continuing obligation and should govern employee behavior in dealing with other organizations and engaging in outside activities.

7.1.6.1. High standards of ethical behavior in the workplace serve the Archdiocese and those whom the Archdiocese serves. The ability to provide professional, open, and sincere interaction with each other depends upon each person's conduct. Each employee is responsible to enhance and maintain the ethical standards in all decision-making and discussions. As a result, each employee is to be:

- a. Accurate in communication, never misrepresenting facts nor shading the truth.
- b. Honest in promising what is feasible and dependable in following through on these commitments.
- c. Willing to share information with those who have a need to know and ensuring that the communication takes place.
- d. Able to submit concerns regarding questionable accounting or business practices by employees, committee members and/or officers of the Archdiocese and its related ecclesiastical organizations.

7.1.6.2. The rights of good reputation and of privacy exist for individuals employed by the Archdiocese, those with whom the Archdiocesan employees interact, as well as the Archdiocese itself. Employees are encouraged to consider the right of good reputation in all communications and to avoid any comments or criticisms that unreasonably damage the reputation of others.

7.1.6.3. Except as necessary to administer the conflicts of interest program, any person having access to a disclosure made pursuant to the operations and business matters of the Archdioceses shall maintain the confidentiality of this disclosure. Failure to maintain professional confidentiality, especially in violations of the right of good reputation and of privacy, is considered in evaluating job performance and retention.

7.1.6.4. All employees should be mindful of the importance of the fair and respectful treatment of persons without regard to race, color, sex, age, disability, religion, marital status, national origin or any other protected characteristic. They should therefore refrain from public speech or action that violates the courteous treatment of all persons.

7.1.6.5. In the event any member of the AFC and/or senior management of the Archdiocese receives a report from someone of suspicion or evidence of fraud, theft or misuse of Archdiocesan funds or property, they must report the incident to one of the following, depending on the nature of the report – the Archbishop, the Chairperson of the AFC and/or the CFO.

a. This policy is intended to encourage and enable the AFC and its sub-committee members, volunteers and employees to raise concerns within the Archdiocese and its related ecclesiastical organizations for investigation and appropriate action. With this goal in mind, no AFC or sub-committee member, volunteer or employee who, in good faith, reports a concern shall be subject to retaliation or, in the case of an employee, adverse employment consequences. Moreover, a volunteer or employee who retaliates against someone who had reported a concern in good faith is subject to discipline up to and including dismissal from their position.

b. *Handling of Reported Violations.* The Archbishop, in consultation with the appropriate advisors, shall address all reported concerns. The Archbishop, or the appropriate advisor to the Archbishop, (e.g. Chair of the AFC, Moderator of the Curia, CFO or Chancellor) will notify the sender and acknowledge receipt of the concern within five business days, if possible.

All reports will be promptly investigated and appropriate corrective action will be recommended to the Archbishop and the AFC, if warranted by the investigation. In addition, action taken must include a conclusion and/or follow-up with the complainant for complete closure of the concern.

If warranted, the Accounting and Audit Committee of the AFC has the authority to retain outside advisors or any other resource deemed necessary to conduct a full and complete investigation of all allegations.

c. *Acting in Good Faith.* Anyone reporting a concern must act in good faith and have reasonable grounds for believing the information disclosed indicates an improper accounting or business practice. The act of making allegations that prove to be unsubstantiated, and that prove to have been made maliciously, recklessly or with the foreknowledge that the allegations are false, will be viewed as a serious disciplinary offense and may result in discipline, up to and including dismissal from their position.

7.1.7. **E-mail and Voice-Mail Communications**

Electronic Mail (E-mail) and Voice Mail (V-mail) of the Archdiocese are critical components of the communication systems. The E-mail and V-mail systems are provided to all Archdiocesan employees to assist in promoting and advancing the mission of the Church. Although there is no usual practice of monitoring these systems, the right to retrieve the contents for legitimate reasons is reserved, i.e., to retrieve lost messages, to comply with investigations of wrongful acts, or to recover from systems failure or to periodically monitor the systems to be certain that the policies regarding these systems are being honored. Personal use of E-mail or V-mail by employees is permitted, assuming that such use does not interfere or conflict with business use. Personal use should be kept to a minimum, so as to ensure that work performance is not jeopardized.

7.1.7.1. The Office for FAP will make reasonable efforts to maintain the integrity and effective operation of its electronic mail systems at the John Paul II Center, but users are advised that these systems should not be regarded as a secure medium for the communication of sensitive or confidential information. Because of the nature and technology of electronic communication, the Office for FAP cannot assure both the privacy of and individual user's use of electronic mail resources, or the confidentiality of particular messages that may be created, transmitted, received, or stored. In addition, Colorado law provides that the communications of authorized personnel that are sent by electronic mail may constitute "correspondence" and therefore, may be considered public records subject to public inspection. The Office for FAP may access, inspect, and disclose such records under conditions that are set forth in the statute.

7.1.7.2. Personnel of the John Paul II Center for the New Evangelization, Metropolitan Tribunal, Mount Olivet Cemetery, Saint Simeon Cemetery, The Archdiocese of Denver Mortuary, Seminary Parish Houses and Centro San Juan Diego are entitled to use the electronic mail system and resources. Incidental and occasional personal use of electronic mail may occur when such use does not generate a direct cost or significantly impact on the work performance of authorized personnel.

7.1.7.3. Prohibited Uses of Electronic Mail include:

- a. Using the electronic mail communications for personal monetary gain or for commercial purposes that are not directly related to the Archdiocese.
- b. Sending copies of documents, including the work of others, in violation of copyright laws.
- c. Capturing and "opening" electronic mail or attempting to breach any security measures except as required in order for authorized employees to diagnose and correct delivery problems.

- d. Using electronic mail to harass or intimidate others or to interfere with the ability of others to conduct Archdiocesan business.
- e. Using the electronic mail system for any purpose restricted or prohibited by laws or regulations.
- f. Constructing an electronic mail communication so that it appears to be from someone else.
- g. Sending or receiving obscene, profane or offensive material. This includes accessing “adult” materials via news groups. Strictly prohibited are uses of the communication system that would or could jeopardize the work, morale, public image or mission of the Archdiocese. Also messages, jokes, or forms that violate our harassment policy or create an intimidating or hostile work environment are prohibited.
- h. Creating or forwarding “chain letters” or “pyramid schemes” of any type is prohibited.
- i. Sending confidential or sensitive material. This includes all matters pertaining to privacy or the good reputation of individuals and all matters that could be perceived as slanderous or injurious to individuals, departments, and ecclesial and non-ecclesial institutions.

7.1.7.4. Any e-mail coming to your attention that is not directed to you should be immediately returned to sender, notifying the sender that the message was inadvertently sent to you. Under no circumstance should the message not intended for you be “interrupted” or forwarded to anyone else.

7.1.7.5. Appropriate disciplinary action will be taken against individuals found to have engaged in prohibited use of the Archdiocese electronic mail resources, including evaluating job performance and retention.

7.1.7.6. If there is known or suspected prohibited use of the electronic communication system, employees are to follow the standard of reporting as is utilized pursuant to the harassment policy.

7.1.7.7. The Information Systems department is responsible to ensure the efficient use of systems according to this policy. Where issues arise, Information Systems will deal directly with the employee (and notify their manager where appropriate).

7.1.8. Ownership of Records; Records Retention Policy

7.1.8.1. Ownership of Records. All Records¹ created, received, used, maintained or preserved by the employees of the Archdiocese, the parishes within the territory of the Archdiocese or its related ecclesiastical organizations for the benefit of or on behalf of these institutions during the course of their employment are the property of the Archdiocese, the parishes and/or its related ecclesiastical organization, as applicable. No Records shall be removed, destroyed, transferred, stored, transferred into another media type or otherwise disposed of except in compliance with the Record Retention Policy and accompanying Schedule. Any questions or comments regarding this policy should be directed to the Moderator of the Curia.

7.1.8.2. Records Retention Policy. The Archdiocese, the parishes and its related ecclesiastical organizations must be in compliance with the mandates of Canon Law and civil law regarding the maintenance and retention of records. The Archdiocese, the parishes and related ecclesiastical organizations are to follow all applicable civil laws insofar as they are not contrary to divine law and unless provided otherwise in Canon Law (Canon 22); protect all documents which regard the archdiocese or the parishes with the greatest care; and erect and maintain safe places for records intended for archives and for general record storage (Canon 486).

7.1.8.3. The purpose of this Records Retention Policy and the Records Retention Schedule, included as **Exhibit III**, is to provide guidelines to the employees of the Archdiocese, the parishes and related ecclesiastical organizations regarding the retention periods for those records that may ultimately be disposed of after a designated period of time, to ensure the preservation of those records that must be maintained indefinitely, and to otherwise facilitate the creation, receipt, maintenance and disposition of records and the establishment of any associated filing procedures.

7.1.8.4. The current Records Retention Schedule is to be updated as necessary to ensure compliance with Canon and civil law and the policies of the Archdiocese. Any updates to the Records Retention Schedule shall be approved by the Moderator of the Curia, the Chancellor and the Chief Financial Officer. Updates shall be disseminated immediately upon passage. Oversight and administration of this Records Retention Policy and the attached Records Retention Schedule reside with the Moderator of the Curia, and his designee, the Legal Department.

¹"Records" as used herein shall include, but shall not be limited to, all recorded information, documents, letters, maps, books, photographs, films, sound recordings, tapes (magnetic and otherwise), electronic data processing records, and any other documentary material regardless of media type or characteristics that have been created, received, used, maintained, or preserved by the Archdiocese or related ecclesiastical organization or their respective employees in the course or transaction of business or pursuant to legal obligations. Examples of materials that are not records within the meaning of this policy include library and museum material made or acquired and preserved solely for reference or exhibition purposes; extra copies of documents that have been preserved for convenience of reference; stocks of publications or blank forms; and similar material not normally included within the definition of record.

7.1.8.5. Currently, the Record Retention Schedule covers retention periods for six different types of records: Administrative, Financial, Property, Cemetery, Publications, and Sacramental. Within each type, different sub-types are listed followed by the mandatory retention period. Unless specific instructions have been sent out from the Moderator of the Curia indicating there is a “hold” on scheduled destruction of records (due perhaps to Archival issues, litigation, audit, etc.), records older than the retention period should be destroyed. Those records to be maintained indefinitely must be stored to ensure their permanence. If a sub-type of records is not listed on the attached Records Retention Schedule, the employee shall determine whether a similar record sub-type has been designated and proceed to apply the associated retention period. In the event it is determined that it is necessary to alter the current approach to and format of the Records Retention Schedule, this paragraph 7.1.8.5 may become obsolete.

If there are documents that the director believes should be kept, but the type of document is not listed on these schedules, the director is directed to maintain the documents(s) and consult with the Office for FAP.

7.1.9. **Computer Hardware and Software**

The Information Systems department of the Office for FAP and the Management Corporation is responsible for the purchase, installation, maintenance, and upgrades of all computer hardware and software at John Paul II Center for the New Evangelization, Metropolitan Tribunal, Mount Olivet Cemetery, Saint Simeon Cemetery, The Archdiocese of Denver Mortuary, Seminary Parish Houses and Centro San Juan Diego. In order to ensure proper computer support and maintain an accurate inventory on all computer hardware and software and ensure compliance with various software licensing agreements, the Information Systems department requests that all employees of the Archdiocese observe the following guidelines.

7.1.9.1. All hardware located within the Archdiocese must be the property of the Archdiocese. This includes monitors, printers, scanners, keyboards, mouse, and all peripherals. For purposes of proper inventory of Archdiocesan equipment, as well as for security and insurance reasons, employees are not to use their own personal hardware products at the Archdiocesan offices.

7.1.9.2. All software packages installed on computers at the Archdiocese must be the property of the Archdiocese. Employees are not to install their own personal software programs on the computers of the Archdiocese.

7.1.9.3. If an Archdiocesan employee wishes to secure computer software either by downloading from the Internet, or from a retail outlet, please contact the Director of Information Services who will purchase/obtain the software package.

7.1.9.4. All hardware and software must be installed by Information Systems personnel.

7.1.9.5. Desktop computers cannot be taken off site without permission from proper authority and must be returned as soon as possible. Laptop computers may be taken off site for business-related purposes, but only after proper authority has been received. They must be returned as soon as possible.

7.1.10. **Information Systems Data Protection Plan**

Departments of the Archdiocese have become dependent on the services and record keeping provided by the Information Services department of the Management Corporation. The primary objectives of the Protection Plan are to maintain the departments' hardware resources and to safeguard the Archdiocesan vital data records for which Information Systems has become the custodian. At the same time, the Information Systems Department is charged with guaranteeing the continued availability of essential computer services.

7.1.10.1. There are three primary areas for consideration in this overall Protection Plan: physical security, software security, and backup procedures.

a. Physical Security - Review the environment in which computers operate. They should be located in a dust-free setting (if possible), placed in a normal office temperature environment, placed in an area free from water exposure, and utilize proper electrical surge protection. The file servers should be placed in a room that has limited access (if possible).

b. Software Security - Every Archdiocesan department should have a formal procedure for maintaining passwords. The procedure begins by issuing passwords to new employees. For security reasons, it is highly recommended to issue new passwords to all workstation users at least once a quarter. When a person leaves the position, his/her password should be cleared.

c. Backup Procedures - The protection and retention of vital records is critical to this Protection Plan. At a minimum, a full backup should be initiated at least once a week; daily partial backups should be performed (Monday through Friday); and an off-site storage program should be utilized for securing a complete backup. There should be at least three of the last full backups off-site. Those records that have to be stored on the workstation should be backed up at least once per week.

7.1.10.2. The requirements stated above are a minimum of what is recommended to protect the critical assets of Information Systems.

7.1.11. **Treasury Operations**

In order to ensure proper security and control over the Archdiocese's cash and temporary cash investments, the Archdiocesan Controller's office implements certain procedures for processing transactions. For example, the Management Corporation, pursuant to service

agreements with the various organizations and the Archdiocese, is responsible for preparing paychecks and direct deposit advice for the designated payroll distributor at various Archdiocesan locations and organizations. The designated payroll distributors are, in turn, responsible for ensuring timely delivery to individual employees on payday. Exceptions to standard distribution procedures must be requested in writing and approved by the Controller.

7.1.11.1. Any paycheck or direct deposit advice that cannot be delivered to the employee must be returned to that location's main payroll distributor for safekeeping until it can be delivered. Paychecks will not be released to an employee earlier than the customary payday. Employees wishing to ensure availability of his/her pay during times such as vacation or business travel are encouraged to take advantage of the direct deposit option.

7.1.11.2. All accounts payable (A/P) checks are signed and mailed to the payee by Accounting unless otherwise requested. A/P checks will be processed for release by Accounting pursuant to the schedule periodically published and updated by the Controller of the Archdiocese.

7.1.11.3. Wire transfers shall only be made by the Controller, with dual approval required by the CFO, the Moderator of the Curia, or the Archbishop, subject to certain monetary limits and other procedures implemented from time to time. Wire transfers must be received 2 days in advance of the required payment date for US dollar denominated transfers and 3 days for international currency transfers. Each wire transfer must have approval from a manager or supervisor of the requesting department.

7.1.11.4. All banking transactions are to be made by, or in coordination with, the Controller. Included are account set-up/changes, letters of credit, foreign exchanges and other related transactions. All Archdiocesan checks are signed solely by the Moderator of the Curia unless specified by the forms of a specific bank account. Bank signature cards and authorized signers are reviewed annually for appropriateness.

7.1.11.5. All non-bank financing (equipment leasing and related transactions) will be done by or in coordination with the Controller or the CFO.

7.1.11.6. All Archdiocese bank borrowings, incurrence of other indebtedness, and investment related activities are to be handled by or in coordination with the CFO or the Controller and must obtain approval from the Archbishop or his designee.

7.1.12. **Financial Statement Guidelines**

The Archdiocese and its related ecclesiastical organizations strives to present fairly, in all material respects, the financial position of the Archdiocese and their results of their operations and cash flows in conformity with generally accepted accounting principles. The Archdiocese shall maintain the necessary accounting records to prepare financial statements in accordance with generally accepted accounting procedures. The Controller is responsible for maintaining the necessary accounting records to meet the needs and to comply with the

requirements of the policies of the Archdiocese, various regulatory bodies (federal and state) and generally accepted accounting principles.

7.1.12.1. The Archdiocese shall prepare financial statements on a schedule determined by the Controller's Office. The Controller's Office shall establish the format and content of required submissions.

7.1.12.2. Accounting policy changes require the approval of the Controller, the CFO, and consultation with the Accounting and Audit Committee of the Archdiocesan Finance Council for recommendation to the Archbishop or his designee. Discussions with external auditors regarding the interpretation, materiality, and unique applications of generally accepted accounting procedures require the concurrence of the Controller and the CFO.

7.1.12.3. The Archdiocese is required to have an annual audit of its financial statements.

7.1.13. **Procedures for Financial Transactions**

The Controller's Office is responsible for the preparation, maintenance and issuance of detailed accounting policies and procedures in compliance with the general accounting policies.

7.1.13.1. The Controller shall determine the timing, frequency, and level of financial disclosure required from each Archdiocesan organization. The Office for Parish Finance shall determine the timing, frequency, and level of financial disclosure required from each parish.

7.1.13.2. All Archdiocesan accounting and finance personnel are responsible for the integrity of internally and externally reported financial information.

7.1.13.3. The Archdiocese requires the use of account codes and other similar information necessary to properly segregate, monitor, control, and report financial information. The account codes and other similar information are referred to as the chart of accounts.

7.1.13.4. Each Archdiocesan office shall maintain a chart of accounts in sufficient detail to support its needs and to meet the requirements established by the Controller's Office.

7.1.14. **Property and Equipment**

In connection with the disposal of surplus or obsolete property and equipment by the Archdiocese, this policy is implemented in order to assure sound management control of inventory and to recover any residual market value from idle assets.

The Archdiocese shall capitalize those items that qualify as capital property. To qualify as capital property, an item must be used in the business activities of the Archdiocese and not be held for resale, and it must meet one of the following criteria:

7.1.14.1. A capital item is a purchased item costing \$500.00 or more and with an estimated useful life greater than one year. Cost is based on the unit cost and includes a pro rata share of transportation, installation, sales and other taxes, legal costs, and a reduction for discounts taken.

7.1.14.2. A capital item is a self-constructed asset costing \$500.00 or more, with an estimated useful life greater than one year. Cost is based on the purchase price of materials used in or consumed in the construction process, direct labor of Archdiocesan employees, the cost of contract labor, authorized overhead allocations, and other reasonable direct and indirect costs.

7.1.14.3. Interest costs incurred to finance construction costs are capitalized as a part of certain assets in compliance with generally accepted accounting principles. Any interest capitalization requires approval of the Controller.

7.1.14.4. Exceptions to the capitalization rules include personal computer software that shall be expensed.

7.1.14.5. Capital property shall be depreciated over its useful life using the straight-line half-year method of depreciation. Useful life is based on the expected economic life of the asset that must be supported by experience, engineering specifications or other objective criteria.

7.1.14.6. Retirements, sales, and exchanges may result in a gain or loss on capital property. The gain or loss shall be determined and recorded when an asset is retired, sold or exchanged.

7.1.14.7. Once a capital property asset is written down because of impairment, the employees may not restore any portion of the written down cost at a later date. Capital property assets that are impaired or whose future use is in doubt shall be written down and not reserved.

7.1.14.8. Without proper approval, Archdiocesan property cannot be removed from the premises of the Archdiocese. The Controller or Director of Information Systems/ Building Services must be notified when assets are to be moved or transferred prior to the removal. Archdiocesan employees may not remove Archdiocesan property for personal use. The employees must receive written approval from his or her supervisor prior to the removal of Archdiocesan property from the Archdiocese premises.

7.1.14.9. The Archdiocese maintains capital property records containing sufficient information to ensure that all assets can be identified, located, and inspected to assess that they are being effectively used by the Archdiocese. Revising records and inspection of assets are to periodically occur.

7.1.14.10. The Controller is immediately responsible for its operational control and initiates the retirement process for the equipment.

7.1.15. **Travel, Entertainment, and Miscellaneous Expenses**

The Archdiocese strives to provide a controllable mechanism for reimbursing employees for expenses in order to ensure that employees are not financially disadvantaged. The Archdiocese expects all employees to act with integrity and to exercise sound business judgment when incurring employee business expenses. Standard business judgment requires safeguarding the Archdiocese's assets and protecting the interests of the parishioners of northern Colorado.

7.1.15.1. Airfares are to be purchased attentive to cost savings. As a general rule, the lower cost fares are to be acquired.

7.1.15.2. Any accounting for travel and entertainment expenses must be based upon actual expenses incurred by the employee. These expenses must actually be incurred in the conduct of authorized business. The accounting for such expenses shall be within 2 weeks after completion of the trip or the entertainment activity, if not sooner. A direct supervisor with the appropriate approval authority shall authorize expenses in advance of an employee's travel.

7.1.15.3. Employees shall not include other employees' expenses when accounting for their own business expenses. The Archdiocese requires the most senior level employee to incur the cost of expenses shared by 2 or more employees (e.g., group meal).

7.1.15.4. The Archdiocese reimburses employees for the use of their personal vehicles when on Archdiocesan business at the current IRS allowed reimbursement rate, plus tolls and parking provided that (1) the use is in the best interest of the Archdiocese, and (2) the employee does not receive a car allowance. The IRS rates change annually so be sure to submit the reimbursement using the current rate. If a personal automobile is used for the convenience of the employee, the employee will be reimbursed for the lesser of the lowest available airfare between the departure and arrival locations or the mileage reimbursement rate.

7.1.15.5. The Archdiocese carries no insurance and assumes no responsibility for any physical damage to an employee's personal vehicle. The employee should insure personal vehicles used for Archdiocesan business for a minimum of \$100,000/300,000.00 liability and \$100,000.00 property damage coverage. (The cost of insurance is one of the factors used in determining the cents-per-mile reimbursement rate for use of personal vehicles.)

7.1.15.6. In advance of the trip, the Moderator of the Curia or the CFO may approve policy exceptions that relate to trip cost.

7.1.15.7. The Archdiocese shall reimburse employees for business expenses deemed fair and reasonable by the supervisor authorized to approve the employee's expense report.

Travel and Expense Advances

7.1.15.8. Advances will be granted on an exceptional basis only, primarily when substantial out of pocket expenses (in excess of \$200.00) will be incurred. Cash expenditures are defined as expenses that cannot be charged on a credit card. The advance must be accounted for on an expense report. A travel advance should not be used for lodging, service payments such as honoraria, professional fees, conference fees, or other substantial costs that can be prearranged, prepaid or invoiced. Advances must be approved by the individual's supervisor, and the CFO or Moderator of the Curia.

7.1.15.9. The Archdiocese of Denver is exempt from sales tax. It is the responsibility of the employee to obtain the tax-exempt form from the accounts payable office prior to incurring an expense.

Entertainment

7.1.15.10. The Archdiocese shall reimburse employees who incur entertainment expenses that serve an essential business purpose. The need for such entertainment is limited to those who are Directors or above. Normal and pre-approved entertainment (i.e. required staff or working lunches) are also reimbursable. Employee entertainment of other employees is not reimbursable unless it is pre-approved by the employee's supervisor.

7.1.15.11. It is improper and is considered serious misconduct for employees to entertain employees or to give gifts using Archdiocesan funds without prior approval by the supervisor responsible for approving the employee's expense report. Such entertainment or gifts shall have a valid business purpose and shall be infrequent in nature. Gifts for special events (weddings or special engagements) will be limited to one gift per year or event from the Archdiocese, as contemplated by an approved budget.

Miscellaneous Expenses

7.1.15.12. Exempt employees may be reimbursed for meals when working 3 consecutive hours in excess of a standard workday on a scheduled workday, or working 4 or more hours on a weekend up to \$15.00 for a dinner allowance and up to \$10.00 for a weekend lunch allowance.

7.1.15.13. The Archdiocese shall reimburse employees for certain miscellaneous expenses provided there is a valid business purpose. These expenses include such items as memberships in professional organizations, conferences, required continuing education courses and dues, with prior approval of the supervisor.

7.1.15.14. Archdiocesan employees are reimbursed through the Office for FAP based on the procedures and responsibilities outlined below.

- a. Employees are responsible for clearly indicating all direct charges (e.g., airfare, meals, lodging) on their expense report with supporting receipts.
- b. IRS requirements are very precise as to the elements of an expenditure that must be recorded in the expense report and its supporting documents. In the case of travel expenses, business entertainment expenses, and business gifts, the amount, the time, place, individuals involved (including names, diocese/organization and titles), and business purpose must be recorded and substantiated. In addition, a description of the type of entertainment provided, the nature of the business relationship with those entertained, and nature of the expected benefit to the Archdiocese, and the employer and position of each person entertained must also support any business entertainment expense.
- c. Each employee is responsible for having integrity and exercising sound business judgment in the use of Archdiocesan funds, ensuring that all Archdiocesan travel and entertainment expense policies and procedures are followed, and submitting accurate, neat, and timely expense report forms.
- d. A direct supervisor with the appropriate approval authority should approve an employee's completed expense report form.
- e. Each approver is responsible for ensuring that expense report forms are complete, that all required documentation is present, that the expenses are for valid and necessary business purposes, that the amounts are reasonable, and that the employee complied with all Archdiocesan travel and business expense policies and procedures.
- f. Properly completed and approved expense report forms should be submitted to the Office for FAP's accounting department.
- g. The Office for FAP's accounting department is responsible for verifying the appropriateness and adequacy of all reviews performed on the expense report forms, the accuracy of the report, and the prompt issuance of a reimbursement check to the employee or the collection of monies owed by the employee.
- h. Business expenses will not be reimbursed without proper completion, original receipts, and approval of the expense report form and its submission to the Office for FAP's accounting department.

Other Expenses

7.1.15.15. *Telephone Calls:* Telephone charges incurred while traveling will be reimbursed when such costs relate directly to the business of the Archdiocese. Documentation of the business purpose and the person called is required. The Archdiocese will reimburse employees for one call home each day. The necessity for frequent calls must be documented. Telephone charges on hotel bills submitted for reimbursement must be documented on the expense report. Cellular and home telephone charges relating to Archdiocesan business will be reimbursed. Business calls must be identified on the original telephone bill submitted with the expense report. If the business calls are included in a flat monthly fee plan, the ratio of business airtime to total telephone usage time must be applied to the monthly charges.

7.1.15.16. *Laundry:* Dry cleaning, etc., and valet service's expenses, unless travel is over seven consecutive days, are not reimbursable.

7.1.15.17. *Tips and Gratuities:* Tips are reimbursable for normal services associated with business travel such as food services, porters, etc. Tips included on meal receipts will be reimbursed. Tips must be reasonable, and any unusual amounts will be deducted from the expense report. The general guidelines to be used for tipping are as follows: no more than 15% for meals, \$1.00 for doormen, \$1.00 per bag per bellman/skycaps, and 10% of taxi fare.

7.1.15.18. *Subscription and membership in professional and other organizations:* These expenses must relate to Archdiocesan business and must be approved in advance by the Moderator of the Curia or supervisor.

7.1.15.19. *Credit Cards:* The Archdiocese will not reimburse employees for credit card fees or late charges. Credit card statements are not considered sufficient for supporting documentation. The original invoice must be submitted to substantiate the expense for reimbursement. In addition, purchases made via the internet on a credit card must have the printout from the internet showing the credit card was actually charged for the item being reimbursed.

7.1.15.20. *Employee Recruitment:* Travel for prospective employees and their families of the Archdiocese and its ecclesiastical related organizations must be authorized by the Human Resources Office in order to be reimbursed. Reimbursements for authorized travel expenses such as airfare, hotel and meals incurred during the recruitment process are not taxable to the prospective employee. Once an offer of employment has been accepted, travel expenses incurred by the prospective employee and his/her family and paid by the Archdiocese are considered taxable. Relocation expenses must be authorized by the Human Resources Department, the Moderator of the Curia, or the CFO.

7.1.15.21. *International Travel:* Reimbursable international expenses include expenditures incurred for travel, personal meals, business meals and entertainment, lodging,

passport fees, airport taxes, exchange rate fees, and other items necessary for the conduct of Archdiocesan business. Expense reports must be submitted in US dollars with an explanation and translation of the foreign receipts and their conversions. Travelers must use the currency rates that were in effect when travel took place.

7.1.15.22. The Archdiocese may reimburse employees for certain other travel expenses. The employee must receive written approval from the person authorized to approve the employee's expense report in advance of incurring expenses. Such expenses include:

- a. Travel with spouse; and
- b. Travel for combined personal and business purpose.

7.1.15.23. In advance of the trip, the Archbishop, his delegate, or the CFO may approve policy exceptions where the presence of the spouse is specifically required for the purpose of the trip.

7.1.15.24. *Stipends, Honoria and Contractors:* These expenses must relate to Archdiocesan business, be approved in advance, processed on a check request or by invoice from the vendor, and paid by the Archdiocese. These expenses should not be paid on an employee reimbursement form. W-9 forms must be obtained from vendors and submitted to the accounts payable office before payments will be released. The name on the W-9 should always match the name on the check request. These expenses should not be submitted on expense reports (Ref: Utilization of Consulting Services, 7.1.17.). Stipends for employees should be submitted to Payroll for processing.

7.1.15.25. *Office, Other Supplies and Miscellaneous Items:* Employees are to check with the Office for FAP's accounting department to determine if the Archdiocese has an established account with a Vendor prior to making the purchase. If the item can be purchased by the Archdiocese, rather than the individual, sales tax will not be charged. Often the Archdiocese will have a discount program with a vendor, reducing the expense. If an item must be purchased by the individual, the employee is to obtain a tax-exemption certificate from the Office for FAP's accounts payable office. The establishment of credit with any vendor must be initiated through the Controller.

7.1.15.26. Expenses not reimbursable by the Archdiocese include but are not limited to the following items:

- a. Airline, car rental and travel insurance in addition to the amount provided through the Archdiocese.
- b. Portion of air travel, train travel, auto rental, mileage, hotel costs, or meals for personal use.
- c. Upgrades for air travel, hotel or car rental.

- d. Traffic fines, court costs, parking violations, and auto repairs.
- e. Unused room reservations not properly cancelled.
- f. Annual premiums for personal property insurance, or annual fees for personal credit cards including liability insurance for lost cards.
- g. Personal expenses such as movies, snacks, haircuts, reading materials, newspapers, toiletries, and health club fees.
- h. Theft, loss or damage to non business-related personal property.
- i. Membership dues, unless authorized by an appropriate authority.
- j. Baby sitter fees, kennel costs, pet or housesitting fees.
- k. Doctor bills, prescriptions and other medical services.
- l. Monthly Internet line charges from an employee's personal residence unless appropriate business purpose is documented and approved by an authorized budget officer.
- m. Spouse's travel expenses, when the spouse's presence is not required by the Archdiocese and not approved in advance.
- n. Cellular or air-phone usage (except when documented with appropriate business purpose).
- o. Credit card delinquency fees or finance charges.
- p. Saunas or massages.
- q. Lost/stolen cash or personal property.
- r. Contributions to public officials or candidates for public offices.

7.1.16. **Legal Representation and Utilization of Legal and Other Consulting Services**

The purpose of this policy is to provide guidelines to facilitate the process of obtaining legal counsel and other consulting services. This policy provides guidance when there is a threat of impending legal action, protocols in instances of allegation / suspicions of wrongdoing or illegal behavior by employees, covers those instances when certain services are required for day-to-day business, and delineates proper utilization of consulting services once obtained.

7.1.16.1. A legal action may not be instituted or contested by either the Archdiocese or related ecclesiastical organization with a civil court or governmental entity without the prior, written authorization of the Archbishop (Canon 1288).

7.1.16.2. Any concerns that might reasonably lead to legal action are to be immediately reported to the Moderator of the Curia or to the CFO. Reporting is to occur at either the time of an incident or at the initial indication that legal action might ensue, whichever comes first. Reporting need not and should not wait for the actual receipt or service of a summons, subpoenas, etc. Reporting of any incident or concern must occur before securing legal counsel.

7.1.16.3. With regard to specific projects or matters within the Archdiocese that require legal input, only the Moderator of the Curia, the Vicar for Clergy, the Chancellor and the CFO have authority to engage legal counsel. As a nonprofit and as the Church, the Archdiocese has fiduciary duty to utilize its monies in the most cost efficient and economical manner. Coordinating the retention and management of outside counsel provides a greater degree of assurance that legal services will be provided at the lowest possible cost, that unnecessary, incomplete, or repetitive legal work is not contracted for, that legal practices, positions and policies will be consistent within the Archdiocese and that the mission of the Catholic Church will not be compromised. For these reasons, it is essential that those seeking assistance of legal counsel determine the specific issue(s) to be addressed, the relevant facts needing to be conveyed, and the applicability of the advice to the Archdiocese.

7.1.16.4. Employees should be alert to identify communications from officials of governmental agencies (IRS notices and garnishments, for example) that may indicate a possible governmental or administrative action. Rather than responding independently to this form of communication, employees are to refer the communication to the Moderator of the Curia, the CFO or the Controller. Communications during the course of legal proceedings should be handled in a similar fashion.

7.1.16.5. With the exception of garnishments and other third party actions to collect funds approved by a court against an employee or vendor, any legal action or threatened legal action will be investigated and evaluated by the Moderator of the Curia and the CFO. Service on the Archdiocese of any legal documents (including warrants, summonses, subpoenas, etc.) is to be directed to and handled by the Moderator of the Curia or his designee.

7.1.16.6. From time to time, it may be necessary to investigate allegations or suspicions that an employee has engaged in wrongdoing in violation of criminal or civil laws. In any instance where an investigation is required, the Moderator of the Curia, the Chancellor, and the CFO are to be consulted directly at the outset. These three individuals are to be given the opportunity to seek legal counsel, if deemed necessary, and to coordinate the scope of the investigation. The policy regarding retention of outside counsel applies equally in matters of suspected or alleged wrongdoing.

7.1.17. Utilization of Consulting Services

The purpose of this policy is to ensure that similar services or expertise are not available elsewhere within the Archdiocese prior to utilizing the services of individuals or companies as professional consultants and contractors. Requests for consulting services shall be approved by either the Moderator of the Curia or the CFO.

7.1.17.1. The requesting department shall make every effort to obtain pricing based on either an hourly or daily rate, or a fixed price rather than on a retainer basis, and fully define the scope of the services to be provided to the Archdiocese.

7.1.17.2. The term “consultant” shall mean an individual or firm/company entering into the agreement to perform advisory services for the Archdiocese in areas to include, but not limited to finance, fund-raising, public relations, personnel, strategic planning, engineering or information systems. This definition does not include temporary manpower required to perform specific limited non-advisory tasks under an approved program, such as summer temporary helpers.

7.1.17.3. The Office for FAP must approve all requests for consultant services involving former Archdiocesan employees. If the cumulative costs for a specific consultant including the overall amount of all amendments, extensions, or additional contracts exceeds \$5,000 per annum, regardless of whether the consultant is or is not a former Archdiocese employee, such request must have the approval of the CFO.

7.1.17.4. Depending upon the form of consultation provided, consultants to be retained by the Archdiocese must carry the following types of insurance coverage and must designate the Archdiocese of Denver as an additional insured on each of the following policies at no additional cost to the Archdiocese. The consultants shall provide a certificate of insurance reflecting that the Archdiocese is an additional insured prior to performing any services for or on behalf of the Archdiocese:

a. **Workers' Compensation and Employers' Liability**

Limits: Coverage A: Statutory

Coverage B: \$100,000 Each Accident

\$100,000 Each Employee by Disease

\$500,000 Aggregate by Disease

b. **Vehicle Liability:** A contractor who uses a vehicle or truck should be required to provide evidence of Vehicle Liability coverage for all owned, non-owned and hired vehicles. Required: \$1,000,000 limit.

c. **General Liability:** All contractors should provide evidence of Commercial General Liability Coverage naming the Archdiocese and the parish as additional insureds. Coverage should include Products and Completed Operations. Required minimum limits:

Each Occurrence	\$1,000,000
General Aggregate	\$1,000,000
Products/Completed Operations	\$1,000,000
Professional Liability Insurance (i.e. Engineers, Architects and consultants)	\$1,000,000

- d. These coverage requirements and limitations must be obtained and verified with the Director of Risk Management by the requesting department prior to submittal to the CFO.

Part 2: General Business Practices for the Archdiocese and Related Ecclesiastical Organizations

The following policies pertain to those areas in which the pastors and the parish business managers are jointly responsible with the Archdiocese. The Controller for the Archdiocese and business managers at parishes or other Archdiocesan organizations are responsible to ensure that all assets are properly accounted for, including their location, cost, and useful life. Necessary procedures and systems are to be developed to comply with this policy.

7.2.1. Planning and Proper Utilization of Property

Major planning by an organization related with the Archdiocese that will influence or affect parishes or other Archdiocesan organizations must coordinate its planning with the Office for FAP. Each parish should consult with this Office during the early stages of such planning so that proper assistance can be given.

7.2.1.1. The Controller for the Archdiocese, the Information Systems Manger, and business managers at parishes or other Archdiocesan organizations are responsible to ensure that all assets are properly accounted for, including their location, cost, and useful life. Necessary procedures and systems are to be developed to comply with this policy.

7.2.2. Official Catholic Directory

The Archdiocese and its related ecclesiastical organizations officially recognized by the Archdiocese are listed in the Official Catholic Directory (OCD). The Internal Revenue Service (IRS) issues a Group Ruling each year granting exemption from federal income tax pursuant to section 501(c)(3) of the Internal Revenue Code (“Code”) for all Catholic organizations listed in the OCD.

7.2.2.1. All tax-exempt organizations listed in the OCD under the Archdiocese are strictly prohibited from participating or intervening in political campaigns on behalf of or in opposition to any candidate for political office.

7.2.2.2. An organization must complete an application for inclusion in the OCD, submit the completed application to the CFO or his designee (the Legal Director) and comply with all annual reporting requirements.

7.2.2.3. At any time in which a legal structure of any organization listed in the OCD is established or revised, the CFO or Legal Director is to be notified. Notification is also to be made for any substantial change in operations, control, mission, purpose, or ownership.

7.2.2.4. There are specific requirements enforced by the IRS in order to be listed in the OCD. On a periodic basis, all organizations listed under the auspices of the

Archdiocese will be required to re-submit an application for listing or to supplement its application for a determination of the appropriateness of the continued listing in the OCD.

7.2.3. **Government Reporting Requirements**

Form-W-9: Obtaining Taxpayer Identification Number - In accordance with Internal Revenue Service regulations, the Archdiocese of Denver requires a valid Taxpayer Identification Number (TIN) to be on file in the Accounting Department for all payment transactions prior to processing a check – regardless of amount and including “one-time” payments. TINs are provided via Form W-9: Request for Taxpayer Identification Number and Certification.

7.2.3.1. A TIN consists of nine numbers. It is either a Social Security Number (SSN) issued by the Social Security Administration or an Employee Identification Number (EIN) issued by the Internal Revenue Service. The name and TIN combination provided must agree with IRS files.

The nine-digit tax number provided via Form W-9 must exactly match the name and number the IRS has on file. Specifically:

- a. Social Security Number will match to an Individual’s name.
SSN format: xxx-xx-xxxx.

On the W-9 form complete the individuals name and add DBA with business name on the second line if applicable. Many payees provide the individuals SSN but neglect to include the DBA business name.

- b. Employer Identification Number will match to a business name.
EIN format: xx-xxxxxxx.

7.2.3.2 If payee refuses or neglects to provide a TIN, the Archdiocese of Denver (payer) must begin backup withholding immediately, complete the required annual solicitation (request) for the TIN, and backup withhold until the TIN is received.

7.2.3.3 Responsibility for obtaining TIN information is that of the approving manager. It is important to note that completing the W-9 is required regardless of the amount of the initial payment. Accounts Payable (A/P) department will inform the manager that payment cannot be released until a W-9 is received. In situations where manual checks are prepared via petty cash checking accounts, managers must confirm that a completed W-9 is on file before payment is released. It is suggested that the original W-9 be sent to A/P with a copy remaining on site for future reference.

7.2.3.4 Form W-9 is available in the Accounting Dept. or on-line at the IRS web site.

7.2.3.5. Sales Tax Requirements - The Archdiocese complies with all applicable federal, state and local tax laws. Colorado law requires that sales tax must be

collected by all businesses selling tangible, personal property located in Colorado. If the Archdiocese sells a product to the end user, sales tax must be collected. The amount of sales tax collected depends upon the taxing districts where the business is located. All tax rates are subject to change.

7.2.3.6 The following is taken directly from The Colorado Business Resources Guide:

Colorado allows charitable organizations that have been classified 501 (c) 3 by the U.S. Internal Revenue Service an exemption from state-collected sales tax. The exemption only applies to items purchased for use in the regular operations of the organization. When making tax-exempt purchases, the organization must show a copy of the exemption certificate or have one on file with the vendor. Purchases of \$100 or more must be made using an organization check.

7.2.3.7 Sales to parishes are not subject to sales tax.

7.2.3.8. The following transactions are not exempt from sales tax:

- a. Sales made by Archdiocese or ecclesiastical related organizations to employees, parishioners or outside purchasers are subject to sales tax.
- b. Purchase of a taxable item, such as a room or meal, paid for with personal funds of an employee is not tax-exempt even though the funds are reimbursed by the Archdiocese.
- c. Construction contractors who perform a construction contract for the Archdiocese are considered to be the ultimate user of the purchased material and are subject to sales tax when purchasing building materials used to perform the contract.
- d. Purchases of food and beverages by the Archdiocese are subject to tax if the final recipient reimburses the Archdiocese in any way, such as the purchase of a ticket, payment of a registration fee or membership fee, or making an involuntary contribution to attend such an event.
- e. Sales of tangible personal property acquired as a gift or donation sold to the public are subject to sales tax. Designating proceeds of a sale for charitable purposes does not exclude the sale from sales tax.
- f. Purchases made by Archdiocese that are used in a function or activity that do not qualify as the regular charitable or religious function for which it was organized are subject to sale tax.

7.2.3.9 Organizations must keep all records of business transactions to enable both the organization and the Colorado Department of Revenue and other city and county

departments to determine the correct amount of sales and use taxes for which the organization is liable. These records must be available for review by the Department of Revenue and MUST include:

- a. Complete, accurate beginning and ending inventories.
- b. Purchase receipts.
- c. Sales receipts.
- d. Cancelled checks.
- e. Invoices.
- f. Dated delivery acceptance receipts showing location.
- g. Bills of lading.
- h. All other account books and documents pertaining to the business.

7.2.3.10 Colorado law requires that sales tax be separately listed from the selling price on all invoices, billings and business records. It is illegal to advertise that a sale is tax-free or for the seller to “absorb” the sales tax. Violation of these guidelines subjects the Archdiocese to penalties.

7.2.3.11 Contact the Controller’s office for current sales tax rates prior to sale.

7.2.4. **Real Estate and Capital Projects**

Any contemplated transaction involving real property owned by the Archdiocese or property held by the Archdiocesan Corporation for the benefit of a parish within the territory of the Archdiocese or for a related ecclesiastical organizations, including purchases, sales, leases, license or use arrangements, easement agreements, or encumbrances of any kind with respect to any building or land must be coordinated by the Office for FAP. The policies contained in Chapters 8 and 11 must be adhered to by management of the Archdiocese and its related ecclesiastical organizations. Formal, written authorization of such transactions must be executed by the Archbishop or his designee prior to any formal commitment.

7.2.5. **Risk Management**

A consideration of risk management includes study of the nature and extent of the risk to which the Archdiocese is exposed. All practical methods of eliminating the risk and/or preventing or minimizing losses must be explored in order to reduce the overall exposure to possible material losses. Events or situations or changes in business operations, including new programs or business opportunities, may present additional or new risk exposures to the ongoing operation of the Archdiocese and its ecclesiastical related organizations and must

be brought to the attention of the Director of Risk Management for further risk assessment, or to obtain proper insurance coverage and/or other means to protect assets.

7.2.5.1. Archdiocesan and parish properties must be insured through the Archdiocesan property/casualty insurance program. This insurance program includes: property insurance, builders risk insurance, general liability, automobile insurance, crime coverage, umbrella liability, directors and officers liability, morality liability, etc. Archdiocesan personnel are encouraged to contact the Risk Manager of the Archdiocese in the Office for FAP for any specific coverage questions or for the cost of insurance, to review leases, for certificates or proof of insurance, to report property or bodily injury claims, etc. Each parish or organization should be familiar with the nature and extent of the insurance provided by the Archdiocesan insurance program.

7.2.5.2. Education and consultation are provided in the areas of public safety, loss control inspections and recommendations, environmental protection, compliance with governmental regulatory agencies and risk management.