

Sensible Standardization

It has been suggested that the difference between a pessimist and an optimist is that the pessimist will see the glass as half empty, while the optimist will see it as half full. We have the same choice in how we view the recent bankruptcy cases resulting from clergy misconduct. Are there any “pearls of wisdom” that can be extracted from these unfortunate events?

As part of the bankruptcy case involving the Diocese of San Diego, an outside expert was retained “to examine the financial structure of the [Diocese]....” We believe some valuable lessons for all Catholic institutions can be extracted from the report on that expert’s review of the San Diego parishes’ financial management practices. In the Executive Summary the expert wrote:

One would assume that such a large financial enterprise would establish a standard system of accounting and reporting, which would allow for meaningful financial measurement standards to be imposed throughout the entire organization. If such a system were in place, any entity such as the Diocese, should be able to access financial information concerning each of the parishes or schools within the Diocese in order to monitor their financial performance or adherence to established procedures. However, the Diocese has no such system and, absent a personal visit, cannot independently access the full level of parish or school accounting information. As a result they are woefully unaware of the specific financial operations of the individual parishes.

The expert went on to state “Each parish or school maintains from one to 22 individual checking accounts at banks with which the parish or school receives donations, fees, tuition, etc., and pays operating or construction expenses or transfers funds [to the diocese].” Those parishes that maintained multiple bank accounts often did so as a substitute for financial accounting. The expert labeled this practice “Byzantine.”

This commentary could easily apply to any number of our parishes, schools and dioceses across the United States. Some dioceses are well ahead of the curve and have already implemented standardized accounting procedures and installed a single accounting software program for use throughout the diocese. They are to be congratulated. We draw to your attention two dioceses that are currently addressing the issue of a standard system of accounting and reporting: the Diocese of Bridgeport, Connecticut and the Archdiocese of Saint Paul and Minneapolis, Minnesota.

Bridgeport is a diocese of 458,000 Catholics spread among 87 parishes. There are five diocesan high schools and 33 elementary schools. Saint Paul is an Archdiocese comprised of 219 parishes serving 625,000 Catholics. There are 10 diocesan and parish high schools and 93 elementary schools within the Archdiocese. Both dioceses are highly decentralized.

After working for nearly a year, Bridgeport, under the direction of a Task Force created by Bishop Lori, completed a model to establish consistent financial standards and practices across all parishes while respecting the local administration of parishes. A revised chart of accounts and reporting templates fully in accordance with generally accepted accounting principles for not-for-profit organizations were developed together with an updated parish administration and finance manual. In addition, the model allows the Diocese to monitor controls and chart the progress of each parish. Nearly all the parishes in the Diocese are now operating on a web-based version of QuickBooks software.

The Archdiocese of Saint Paul and Minneapolis also developed recommendations as a result of a collaborative effort between interested parties. The Archdiocese has developed a revised chart of accounts and a preliminary draft of an accounting procedures manual. Additional work will be done on the manual prior to its distribution to parishes. A group of ten parishes is beginning to use the new standardized accounting program, Logos, while a second group of ten parishes is in the training process. The Archdiocese is trying to “work out the kinks” before widespread installation of the internet-based accounting software. The Archdiocese anticipates it will take several years to transition all parishes to the new accounting platform.

As Church, we must recognize that the rest of the world often keeps score using a different scorecard than we do. While our goals and aspirations differ from the secular world, implementing sound financial management practices can only enhance the efficiency with which the Church delivers mission and ministry. A standardized system of accounting and financial reporting will improve the world’s view of our financial management practices and assist us in allocating more resources to deserving ministries consistent with our mission.

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