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## **FRAUD POLICY AND FRAUD RESPONSE PLAN**

### **Archdiocese of Santa Fe**

#### **OBJECTIVE**

The revised code Code of Canon Law, effective November 27, 1983, addresses extensively the responsibilities of bishops and their delegates as administrators of the Church's temporal goods. Ultimately, the Archbishop has the duty to ensure that no abuses exist in the administration of Church goods within the Archdiocese. This policy is promulgated to support and assist the Archbishop in that responsibility.

The Archdiocesan Finance Council provides review, oversight and counsel to the Archbishop at the Archdiocesan level. At the local level, the parish finance council is to provide the pastor or administrator with similar advice and counsel. The Archdiocesan internal auditors also serve a vital role in the review and monitoring of various internal controls at the parish level. This document should be made available to all parish and school employees and volunteers and studied together for sound parish stewardship in this matter.

The Archdiocese of Santa Fe is committed to the highest possible standards of accountability in all its affairs. It is determined to develop a culture of the Gospel, one of honest and accountable stewardship and opposition to fraud and embezzlement. An environment which allows any embezzlement or fraud is not acceptable, and all criminal, civil and canon laws will be strictly enforced and obeyed.

In line with that commitment, this document outlines the principles we are committed to in relation to reporting and investigating fraud and embezzlement. The principles for preventing fraud and safeguarding assets are outlined in this manual in the Internal Control Policies and Procedures section. This document in no way supersedes those requirements, but is intended to reinforce them. It will outline the steps that are to be taken in the event of suspicion of fraud or actual fraud and communicate how it will be dealt with. These actions apply to priests, religious, lay employees, volunteers, parishioners or any person suspected of fraud or embezzlement.

The Archdiocese encourages all clergy, religious, lay leaders, employees, parishioners and volunteers to come forward on a timely basis and report instances of fraud and embezzlement and provides assurance against recrimination or retaliation.

Fraudulent activities at the parish, school or any other level at the Archdiocese represent a unique problem which must be responded to in an appropriate manner. The problem is unique in so far as, an inappropriate or premature response may allow the suspected offender to cover-up or hide the suspected activity.

#### **COURSE OF ACTION**

1. All suspected or documented fraud or embezzlement should be immediately reported to the office of the Director of Finance. An initial report of the incident must be documented in writing by the complainant and provided to the Director of Finance. All complaints and reports of suspected embezzlement or fraud will be kept confidential, other than the timely reporting by the Archdiocese of the suspected activity to law enforcement, in order to protect both the complainant and the suspected embezzler. The complainant will be notified of the action taken by the Archdiocese within fourteen days.

2. The Director of Finance will coordinate closely with the Pastor, as necessary, during the investigative process until final resolution.
3. The suspected embezzler should not be approached or apprehended. No personnel action shall be taken without prior consultation with legal counsel and the Director of Finance.
4. The premature approach might jeopardize the gathering of necessary evidence, result in a needless lawsuit or cause physical harm to the persons involved. The clergy, religious, lay employee or volunteer, reporting the suspected activity to the Archdiocese, shall not communicate with any other priest, lay person, employee, parishioner, volunteer or finance council member concerning the suspected embezzlement until he/she is notified by the Director of Finance. All information regarding the incident should remain confidential by the complainant, unless the complainant is contacted by law enforcement, in which case the complainant should cooperate fully.
5. Neither the pastor, associate pastor, parish finance council nor any person at the parish level has the authority to release the suspected person from liability or agree to terms of restitution. There should be no attempt to contact law enforcement agencies or a lawyer at the parish level, or to deal with the suspected embezzler at the parish level. The office of the Director of Finance will coordinate contact with appropriate law enforcement agencies on behalf of the Archdiocese.
6. The Director of Finance will consult with the proper Archdiocesan officials and consultants to discern appropriate actions to pursue in light of canonical, civil and criminal statutes, the nature of the allegation and other significant circumstances.
7. In order to protect the innocent and secure the evidence, no internal control procedures or other operating controls, or employees, should be changed until requested or instructed by the Director of Finance. The parish must contact ASF immediately upon suspicion of fraud or embezzlement. In all instances the parish shall work in conjunction with the Director of Finance and the Archdiocese to resolve the fraudulent financial situations. The matter must not be handled at the parish level in any way. The parish should not attempt to conduct its own investigation. This could lead to erroneous information being obtained, improper allegations being leveled or the inability of the Archdiocese to properly pursue the matter in line with canon, civil and criminal law.
8. The Director of Finance will also notify the appropriate insurers.

### **FRAUD RESPONSE PLAN**

The Archbishop or his delegate and the Director of Finance, in consultation with the Archdiocesan Finance Council and any other consultants deemed necessary, will make the determination of how fraud and embezzlement is handled. This includes decisions regarding when criminal and civil authorities and insurers are to be notified. All civil, criminal and canon laws will be strictly adhered to.

General guidelines are as follows:

- Once sufficient facts have been uncovered to determine that a fraudulent activity has occurred, the Director of Finance or his designee shall contact appropriate law enforcement authorities and insurers to report the circumstances.
- In all instances the offender will be removed from the situation in which the fraud occurred. At the direction of the Director of Finance, administrative leave may be invoked on a temporary basis during the investigative process.
- As a matter of justice and vigilance in preventing the creation of an environment which allows for fraud, restitution will be sought in all cases, regardless of the amount of the embezzlement, theft or fraud.

## **TYPES OF FRAUD**

The following list includes fraud and embezzlement to be aware of and watch for. While several types are listed below, others may happen that are not included in the list.

### **Collusion**

Two or more individuals overriding the control system can collectively perpetrate and conceal actions from detection. This could include collusion between an employee and a vendor or customer, or another employee.

### **Lapping**

This is one of the most common types of fraud. It is the postponement of entries for the collection of receivables to conceal a cash shortage. The fraud is perpetrated by a person who records cash in the cash receipts journal and the accounts receivable journal. The employee defers the recording of the cash receipts from one source and covers the shortage with receipts from another source.

### **Theft**

Theft is the diversion of cash, checks or other assets before they are recorded by the accounting system of the parish or school. It can take the form of removing cash from the collections basket or mail, taking cash or goods donated to the parish or school or diverting checks to another bank account.

### **Forgery**

Occurs when a person passes a false or worthless instrument, such as a check, with the intent to defraud or injure the recipient.

### **Accounts Payable**

An employee may create payments to false vendors or create phony addresses to which payments are sent. Invoices could also be overpaid, with the refunds pocketed by the employee.

### **Payroll Ghosts**

Another common form of fraud is to create false employees. Paychecks are then issued to the false employee and diverted into a bank account. Unauthorized pay charges and not recording vacations taken are other frequent forms of fraud.

### **Kickbacks**

An employee may take bribes or kickbacks from suppliers or vendors. This is more difficult to document because they are usually in cash.

### **Supplies or Inventory Embezzlement**

An employee may purchase, with the parish or school's funds, supplies or equipment for personal use. Inventory or supplies may also be stolen from the parish or school.

### **Other Types of Fraud or Embezzlement**

Individuals may come up with other methods of fraud or embezzlement. These include inflating personal expense reimbursement amounts, using the parish

gross receipts tax exemption for personal purchases, stealing stamps or other office supplies, falsifying time cards, misappropriating petty cash, or other theft.

I have read the “**Fraud Policy and Fraud Response Plan**” and understand its purpose and content.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Position

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

(To be placed in personnel file or volunteer’s record of service file)

(Mail to Archdiocese Finance Office within 45 days of close of fiscal year)

Parish Name: \_\_\_\_\_ Parish # \_\_\_\_\_

City: \_\_\_\_\_

Date: \_\_\_\_\_

Our Finance Committee met on the following dates of fiscal year # \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

This is to certify that we, members of the finance committee, have met on the above noted dates and that we are actively involved in the financial decisions affecting our parish. We meet periodically to discuss the financial statements to advise the pastor regarding financial and budget matters. We certify that the principles of accountability and good stewardship are being followed in the financial affairs of the parish. Please have each individual member sign this form.

\_\_\_\_\_  
Pastor's Signature

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Print Name

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Finance Chairperson's Signature

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Print Name & Profession

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Business Manager's or Bookkeeper Signature

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January 2001