

*Bishops Approve Resolution on  
Diocesan Financial Reporting*  
(DFMC Herald: Winter 2001)

## Bishops Approve Resolution on Diocesan Financial Reporting

At their General Meeting in November 2000, the bishops of the United States unanimously approved a resolution regarding diocesan financial reporting.

Bishop Joseph P. Delaney, Bishop of Fort Worth, chaired a committee consisting of Bishop Robert Bank of Green Bay, Bishop Norman McFarland, retired Bishop of Orange, Bishop Daniel Walsh of Santa Rosa, and Bishop Donald W. Trautman of Erie, who is also the Episcopal Moderator of the DFMC. Noting that the NCCB had published *Diocesan Accounting and Financial Reporting* in 1971, *Accounting Principles and Reporting Practices for Churches and Church Related Organizations* in 1983, and *Diocesan Internal Controls* in 1995, the committee proposed that the Conference assist bishops in complying with the requirements of canon law with respect to financial reporting and the use of diocesan finance councils.

The full text of the preamble and actual resolution appear below. If fiscal officers have questions about the intent or implementation of the resolution, they are welcome to call Mr. Ken Korotky, Chief Financial Officer of the U. S. Catholic Conference, or Mr. Bruce Egniew, Associate General Secretary.

### **PREAMBLE:**

In 1971 the NCCB published *Diocesan Accounting and Financial Reporting*. In the Prologue the Manual says "the bishops of the United States recognize that these limited material resources have to be managed more effectively than ever before. To accomplish this, each Ordinary and his managers need an accounting and reporting system which will reflect the financial condition and the results of diocesan operations in a rational and meaningful manner. . . . The prime objective of this Manual is to present a system of accounting and financial reporting which is usable by each and every diocese in the United States. This will permit financial reporting to the Ordinary, the Catholic community, or the community at large."

In 1983 the Conference published *Accounting Principles and Reporting Practices for Churches and Church-Related Organizations* in which it was stated "a wide variety of individuals and groups are interested in the financial statements of Churches and Church-related organizations. Among them are governance, communicants and contributors, service beneficiaries, members of the organization's board of trustees, employees of the organizations, governmental agencies providing funds for programs and services, creditors and potential creditors, and constituent organizations." Also in 1983, Pope John Paul II promulgated the revised Code of Canon Law, *Codex Iuris Canonici*.

Canons 492-494 provide for the establishment of diocesan finance councils, the preparation of diocesan budgets, and the responsibilities of the diocesan finance officer. 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. Canon 436 describes the competence of the metropolitan in

suffragan dioceses.

In 1995 the Committee on Budget and Finance published a framework *Diocesan Internal Controls*. In the Foreword, Archbishop Thomas J. Murphy, Treasurer, said "Canon 1284 states that all administrators are to perform their duties with the diligence of a 'good householder.' 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 provides, "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 went on to say, "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 rights and duties under canon law."

Having considered the almost thirty-year history of this Conference's interest in the promotion of responsibility and

Good stewardship over the ecclesiastical goods entrusted to the diocesan bishop, this Committee proposes that the bishops of the United States now consider how they might provide fraternal support to each other in some collegial manner while at the same time respecting the principle of subsidiarity and the desire to not burden any person or office with unrealistic responsibility that might encroach on the legitimate rights of a diocesan bishop to manage his diocese.

The Committee proposes that the Conference consider some *advertentia*, that is, helping bishops pay attention to the law of the Church and confirming that each is doing so. The Committee proposes that each suffragan bishop would provide an affirmative statement to his metropolitan archbishop that he is in compliance with the canon law and, therefore, proposes the following be adopted as a resolution of the National Conference of Catholic Bishops. As we are all called to the proper administration of the Church's temporal goods in Book V of the Code of Canon Law, the submission of a statement is understood to mean that fiscal matters are being addressed in a timely and appropriate manner.

The diocesan bishop (under Church law) has ecclesial and civil responsibility for the management of the diocese. Church law provides a context and direction to the bishop in the exercise of these responsibilities (as described in the preliminary statement); and therefore this resolution is offered to assist the bishop in the exercise of his duties and not to change or diminish those responsibilities.

### **RESOLUTION:**

Annually, after the end of the fiscal year, each suffragan bishop is asked to send a letter to his metropolitan archbishop containing:

1. the names and professional titles of the members of his diocesan finance council;
2. the dates on which the finance council has met during the preceding fiscal year and since the end of that fiscal year;
3. a statement signed by the finance council members and the finance officer stating that they have met, reviewed, and discussed the [audited] financial statements of the diocese and the management letter, if any, for that fiscal year and have reviewed the management letter and the recommendations made by the auditors.

The metropolitan archbishop will provide this same letter to the senior suffragan bishop in the province.

This resolution is effective January 1, 2001, and applies to the current fiscal year of each diocese.