

Researchers urge better auditing in Catholic parishes

VILLANOVA, Pa. (CNS) — More than four out of five U.S. dioceses have experienced embezzlement or other misuse of parish funds within the past five years, but only two-fifths have formal written fraud policies, two Villanova University researchers said.

Villanova business school professors Robert West and Charles Zech reported that according to a national survey of chief diocesan financial officers 21 percent said the diocese “seldom or never” audits parish finances and only 3 percent said such audits are conducted every year.

The most common practice, they found, was to have a diocesan audit when a parish has a change in its pastor or bookkeeper. The median reported time between audits was four years.

The researchers recommended that all parishes undergo internal audits every year, supplemented by an external audit at least once every three years. They recommended all parishes and high schools submit financial data to the diocese at least annually and preferably more often.

They also urged dioceses to establish a uniform budgeting process, using standardized computer software, for all diocesan entities.

They said all dioceses should have written fraud policies spelling out procedures to be followed when there is a suspicion or an allegation of embezzlement or other misuse of church funds.

Zech, a longtime specialist in church finances and management, is founder and director of Villanova’s Center for the Study of Church Management, which conducts research and educational programs in church leadership.

He said 78 of the 177 financial officers of Latin-rite dioceses across the country responded to the survey.

He said larger dioceses were more likely than smaller ones to suffer recurring annual deficits. When asked how many deficit years they had in the last five years, the national average was 1.65, or about one year out of every three, but among larger dioceses the average was 2.8, or more than half of the years in question.

The researchers found that diocesan finance councils, required by church law, are relatively active. They reported that such councils met on a monthly basis in 27 percent of the dioceses and on a quarterly basis in 70 percent of the dioceses.

When asked to rank the greatest financial risk faced by their diocese, 36 percent of the respondents called potential litigation their greatest risk and 34 percent cited concern over parish finances and controls.

Funding for the study was provided by the Louisville Institute, a Lilly Endowment religion study program based at Louisville (Ky.) Presbyterian Theological Seminary.