

Episcopal Diocese of Northwest Texas Financial Policies

(Adopted by the Diocesan Executive Council on December 4, 2004.)

In order to comply with the requirements of the Internal Revenue Service, the following policies apply to all financial transactions of the Diocese.

Payments To the Diocese

Payments to the Diocese must be made by check. They may either be mailed or hand delivered to the Hulsey Episcopal Center. The check or the check stub should clearly state the reason for the payment. If it is a regular payment (for example, apportionment) the payment period should be shown.

Deposits

All deposits to diocesan accounts will be coordinated through a diocesan administrator. Normally the staff at the Hulsey Episcopal Center will make the deposits. Individuals or groups wishing to make a deposit should send the checks (made payable to the Diocese) to the Hulsey Episcopal Center with specific instructions as to which account and line item the checks should be credited. Cash to be deposited into a diocesan account should, if at all possible, be first converted into a check and then handled as stated above. If it is not possible to convert cash into a check the cash must be hand delivered to the Hulsey Episcopal Center. Cash must never be sent through the mail.

In some cases, especially for the Bishop Quarterman Conference Center, checks or cash may be deposited directly into diocesan accounts. In this case, the following procedures will be followed:

1. Before being deposited, two copies will be made of the front side of every check and deposit slip.
2. Immediately following the actual deposit, a legible copy of the deposit receipt will be faxed (or scanned and emailed) to the Hulsey Episcopal Center.
3. One copy of the checks and the deposit slip will be mailed or hand delivered to the Hulsey Episcopal Center within five business days of the deposit. The individual or group making the deposit will retain the second copy.

Payments By the Diocese

The Episcopal Diocese of Northwest Texas operates under an "Accountable Reimbursement Policy." (See Attachment A.) At no time will the Diocese reimburse under a "nonaccountable" system. This means a complete accounting of all expenses must be made when an individual or group requests a reimbursement. The same procedures will apply to all groups or individuals requesting payments from the Diocese. Payments will be made by check in one of three methods.

1. Routine Payments: These are the regular bills, payments and transfers handled by the administrators in the Hulsey Episcopal Center, for which no external forms are required.

2. Requests for Special Payments:

a. These are periodic requests for expenditures from a diocesan account. These checks may be made payable to a third party for diocesan expenses or to an individual for reimbursement of a diocesan expense previously paid for by the individual. Special payment requests must be made on a "Diocese of Northwest Texas Check Request Voucher" form (see Attachment B). The form must be completed correctly, following the instructions on the reverse side of the form. Each request must clearly indicate the name and address of the payee; the account and line item to which this expense should be charged; and the name, address and phone number of the requester. It must be accompanied by proper documentation (bills, invoices, receipts, etc.).

b. Individuals seeking reimbursement must submit the form to the Hulsey Episcopal Center within 60 days of incurring the expense. Requests for reimbursement outside the 60-day window will not be honored. Individuals should use this form for reimbursements for all line items *except* Meeting & Travel and Continuing Education expenses. Those requests must be on the "Diocese of Northwest Texas Reimbursement of Meeting & Travel and Continuing Education Expenses" form (see below).

3. Requests for Reimbursement of Meeting & Travel and Continuing Education Expenses: Requests for reimbursement of Meeting & Travel and Continuing Education expenses must be properly submitted on a "Diocese of Northwest Texas Reimbursement of Meeting & Travel and Continuing Education Expenses" form (see Attachment C). There are very specific instructions for completing the form located on the reverse side. They include general guidance as to what qualifies as a business or continuing education expense. For specific guidance see the IRS instructions or contact a diocesan administrator. All expenses reimbursed by the Diocese on this form must meet the IRS requirements of a "deductible business expense." Once completed, the form must be submitted to the Hulsey Episcopal Center within 60 days of incurring the expense. Requests for reimbursement outside the 60-day window will not be honored. Requests for reimbursement of all other expenses or requests for payments to a third party for these expenses must be submitted on a "Diocese of Northwest Texas Check Request Voucher" form (see above).

Credit Cards

Using a diocesan credit card is a privilege that basically eliminates the need for producing checks; however, the same rules and documentation requirements apply. The following procedures must be followed when using a diocesan credit card:

1. A properly documented receipt is absolutely required for all charges. If a properly documented receipt is not provided to the diocese the individual making the charge will be personally responsible for the amount charged.

2. The individual making the charge must properly document the charge either on the receipt itself or on a separate sheet of paper attached to the receipt. The documentation must include:

- a. Name and address of the establishment.
- b. Date of the transaction.
- c. Amount of the transaction, including tips.
- d. Business purpose of the transaction.
- e. Account and line item to which the transaction should be charged.
- f. If the transaction is a form of entertainment, the total number of people entertained and their names or positions.

3. All receipts must be sent to the diocese within five business days of the transaction or the day returning from travel. The diocesan administrators will reconcile the receipts with the statements.

Diocesan Vehicles

Personal use of diocesan-owned vehicles is highly discouraged. If a diocesan-owned vehicle must be used for personal reasons the driver must document the miles driven for personal reasons. The documentation must be submitted to the Diocese by the end of the month of the date the vehicle was used for personal reasons. The value of using the vehicle for personal reasons will be included as income on the individual's W-2 form, in accordance with IRS rules. If available, diocesan vehicles should be used by employees before using personal vehicles.

Individual Responsibility

Each individual requesting a payment or making a charge on a diocesan credit card is responsible for ensuring the line item to which the transaction will be charged is not over the budgeted amount.

Episcopal Diocese of Northwest Texas Accountable Reimbursement Policy

The Episcopal Diocese of Northwest Texas hereby adopts an accountable expense reimbursement policy upon the following terms and conditions:

1. Adequate accounting for reimbursed expenses. Any employee (as defined below) now or hereafter employed by the Diocese shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the Diocese, if the following conditions are satisfied: (1) the expenses are reasonable in amount; (2) the employee documents the amount, date, place, business purpose (and in the case of entertainment expenses, the business relationship of the person or persons entertained) of each such expense with the same kind of documentary evidence as would be required to support a deduction of the expense on the employee's federal tax return; and (3) the employee substantiates such expenses by providing the Diocese with an accounting of such expenses no less frequently than monthly (in no event will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by an employee). Examples of reimbursable business expenses include local transportation, overnight travel (including lodging and meals), entertainment, books and subscriptions, education, vestments, and professional dues. Under no circumstances will the Diocese reimburse a employee for business or professional expenses incurred on behalf of the Diocese that are not properly substantiated according to this policy. Diocese and staff understand that this requirement is necessary to prevent the Diocese's reimbursement plan from being classified as a nonaccountable plan.

2. Excess reimbursements. Any diocesan reimbursement that exceeds the amount of business or professional expenses properly accounted for by a employee pursuant to this policy must be returned to the Diocese within 120 days after the associated expenses are paid or incurred by the employee, and shall not be retained by the employee.

3. Tax reporting. The Diocese shall not include in an employee's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to this policy, and the employee should not report the amount of any such reimbursement as income on Form 1040.

4. Retention of records. All receipts and other documentary evidence used by a employee to substantiate business and professional expenses reimbursed under this policy shall be retained by the Diocese.

5. Employees. For purposes of this policy, the term "employee" shall include persons occupying the following positions: Bishop, Canon to the Ordinary, Canon for Ministry Development, Executive Secretary, Assistant Administrator, Receptionist, Hispanic Missioner, Panhandle Regional Missioner, Texas Tech Chaplain, Treasurer, Chancellor, Archdeacon, Bishop Quarterman Conference Center Director and Bishop Quarterman Conference Center staff members. The Diocese *will not* reimburse employees for expenses incurred on behalf of their spouses or children traveling with the employee; nor will the Diocese reimburse an employee for childcare expenses incurred because of the employee's travel or business activities. There is only one exception to this policy. Because the presence of the Bishop's spouse plays an active role in the Bishop's ministry to the Diocese and the Episcopal Church, the Diocese will reimburse or pay for the Bishop's spouse to travel with the Bishop.

Instructions for Completing the Diocese of Northwest Texas Check Request Voucher

Purpose of this form:

Use this form to request the diocese to produce checks for the following purposes:

1. Checks payable to a third party for diocesan expenses.
2. Checks payable to an individual to reimburse diocesan expenses (other than normal Meeting & Travel or Continuing Education expenses) paid by the individual on behalf of the diocese.

Examples:

- Use this form to request a diocesan check payable to a third party out of any diocesan account line item (*including* Meeting & Travel or Continuing Education).
- Use this form to request reimbursements to individuals for expenses already paid on behalf of the diocese associated with any diocesan account line item (*excluding* Meeting & Travel or Continuing Education).
- **Do not** use this form to request reimbursement for individual expenses associated with Meeting & Travel or Continuing Education line items. For reimbursement of those line items use the "Diocese of Northwest Texas Reimbursement of Meeting & Travel and Continuing Education Expenses" form.

Instructions:

Important Note: The date of the request for reimbursement *cannot* be more than 60 days from the date the expense was incurred. Requests for reimbursement beyond this 60-day requirement will *not* be honored.

Payable to: Include the complete name and address of the agency or person to whom the check should be made payable. Use a different form for each payee.

Date: For third-party check requests use the date of the request. For reimbursement check requests use the date(s) of the original expense(s).

Fund: The fund to which this expense should be charged (Budget, Conference Center, Trustee, SADE, etc.).

Line Item: The individual line item within the fund to which this expense should be charged.

Specific Purpose: The specific business reason for this check request. Use all the space needed.

Amount: The amount of each expense. The total expenses within the budget year for each line item must not exceed the budgeted amount.

Check Total: The dollar amount that should appear on the check.

Requested By: Include the name, address, phone number and signature of the requester and the date of the request.

Diocesan Approval By: The signature of a diocesan administrator and the date the request was approved.

Documentation: Some form of documentation is required for all requests. Third party payments require a bill or written request. Individual reimbursements require a receipt.

Instructions for Completing the Diocese of Northwest Texas Reimbursement of Meeting & Travel and Continuing Education Expenses Form

The Episcopal Diocese of Northwest Texas uses an "Accountable Reimbursement" System. This form is used only to reimburse employees for expenses associated with Meeting & Travel and Continuing Education line items. All check requests to a third party (even for Meeting & Travel and Continuing Education line items) should be on the "Diocese of Northwest Texas Check Request Voucher" form. The Diocese will reimburse employees for ordinary and necessary business and professional expenses incurred on behalf of the Diocese under the following conditions:

1. The expense must be reasonable in amount and only pertain to an employee's legitimate business or professional expense. Expenses for spouses and/or children (including childcare) will *not* be reimbursed.
2. The total expenses within the budget year for each line item must not exceed the budgeted amount.
3. The date of the request for reimbursement cannot be more than 60 days from the date the expense was incurred. Requests for reimbursement beyond this 60-day requirement will *not* be honored.
4. The employee must document the date, expense category, place or location, explanation of each expense (including the business purpose for the expenditure), miles driven in the employee's personal vehicle for business purposes (if applicable), and the dollar amount of the expenditure (if applicable).
5. The employee should substantiate each expense (other than mileage) with a receipt. If no receipt is available, a complete description of the expense must be provided, but in no case will a reimbursement be made for expenses of \$25.00 or more without a valid receipt. The amount of tips should be annotated on the receipt and included in the total amount of the expense.
6. All expenses reimbursed by the Diocese must meet the Internal Revenue Service's requirements of a "deductible business expense."

Instructions

Date: The date the expense was incurred.

Expense Categories:

Transportation Expenses: Expenses associated with *local* transportation for business purposes (excluding commuting). These normally occur from non-overnight travel (even to another city) and include such things as mileage reimbursement, parking fees, toll fees, etc. Meals while away from home on a day-trip are *not* reimbursable.

Travel Expenses: Expenses associated with travel while *away from home overnight* for business purposes. These may include airfare, mileage, lodging, meals, taxi fares, parking fees, registration fees, etc.

Entertainment Expenses: Expenses associated with entertainment that was either *directly related* to the active conduct of your ministry, or *associated* with the active conduct of your ministry. To be *directly related* you must demonstrate that you (1) had more than a general expectation of deriving a business benefit; (2) that you did engage in business during the entertainment period; and (3) that the main purpose of the entertainment was the transaction of business. To be considered *associated* with the active conduct of your ministry, you must be able to demonstrate that you had a clear business purpose in incurring the expense, and that the meal or entertainment directly preceded or followed a substantial business discussion. Regular or recurring lunch expenses do not qualify; however, an occasional luncheon meeting with staff members to discuss business would be acceptable, as would a luncheon to mark an anniversary, retirement or other occasion for an employee.

Continuing Education: Expenses associated with professional continuing education. These expenses would normally fall under either the transportation or travel categories but are categorized here because they are for the purposes of continuing education. Additionally, other items such as books or supplies used for continuing education purposes may be reimbursed under this category. Remember, however, that anything purchased with these funds belongs to the Diocese, not the individual.

Miscellaneous: Expenses not covered by the above categories. These may include telephone expenses, dues to professional societies, subscriptions to professional journals, vestments (including cleaning), etc.

Place or Location: This is the physical place or location where the event or activity took place. Be as specific as possible.

Explanation (Business Purpose): This section is to justify the item as a legitimate business expense, as defined by the IRS. Use all the space needed to accomplish that task. If you are justifying an entertainment expense you must be very specific as to its exact nature. Be sure the receipt includes the name and address of the establishment, the date of the service, and the amount (including tip). Write any missing information on the receipt. You must also annotate the total number of people entertained along with their names or positions on the receipt and the business purpose for the expense.

Mileage: If the item to be reimbursed includes a trip in your personal vehicle then provide the total number of miles driven for business purposes. You *cannot* claim mileage for a trip in which you were a passenger in someone else's vehicle. The dollar amount of reimbursement from mileage is computed at the bottom of the table.

Dollar Amount: This is the dollar amount of the expense to be reimbursed, including tips. There should be no entry in this column if the item is strictly for mileage.

Subtotals: The totals of the Mileage and Dollar Amount columns.

Reimbursement Amount from Mileage: Compute the dollar amount of the mileage by multiplying the subtotal of Mileage by the current IRS mileage rate. Insert this amount in the Dollar Amount column.

Total Reimbursement Amount: The sum of the Dollar Amount Subtotal and Reimbursement Amount from Mileage.

Requested By: The name, address, phone number and signature of the employee requesting the reimbursement and the date of the request.

Diocesan Approval By: The signature of a diocesan administrator and the date the request was approved.