

Additional Thoughts: Guidelines for Discretionary Funds

By Gerald, W. Keucher, in response to a question by Diane Pike, posted [on ECF Vital Practices](#)

Diane's question: My question is about having a separate account. First, the idea of discretionary funds is to provide some anonymity and to not have to have assistance run through the parish accounts. Second, having a separate checking account allows me to write a check directly to a utility company, or a landlord, immediately. I cannot do that within the constraints of the parish accounts. I do not always have cash, nor am I willing to necessarily give people cash, for assistance. Waiting for reimbursement creates a hardship for the clergy person. Thoughts?

Thank you for your comment. There is no one right way to handle discretionary funds, but safeguards should be put in place. One reason for good internal controls is to protect those who handle parish money both from suspicion of others. Another reason for the controls is to protect anyone who is handling parish funds from the temptation of misusing them. The parish treasurers who have stolen parish money have almost always been able to write checks, sign them, and do the bank reconciliation. Any priest should try not to be put into that situation.

To begin with, not having a separate account for the discretionary fund is presented as a recommendation, not a requirement. The grief that has been caused to many clergy and parishes by the existence of a separate account that is not reviewed by anyone else have been so great that I think it is worth considering seriously holding the balance in the account with other parish funds.

Your comment raises a policy question -- the provision of anonymity -- and an operational question -- ease of accessing the funds.

I agree that many of the distributions made from a discretionary account should be held in confidence, but I think there is a difference between confidentiality and anonymity. Ideally, and in most instances, those who handle parish funds can be trusted to keep confidences. If that is not the case, then a separate account might be warranted until there is a change in personnel.

With regard to the ease of accessing funds, you are right: most clergy (rightly) cannot simply issue a check from the parish account on the spot. The funds would need to be laid out and promptly reimbursed. This is how it works, however, with most professional expenses in parishes, since few parishes give corporate credit cards to their employees.

[Discretionary Funds: Guiding Principles](#)

One way of dealing with this would be to set up for the discretionary fund the kind of petty cash fund you may have in the office for other expenses. Many clergy have arrangements with nearby stores so that people sent by you can purchase food or other items up to a certain amount.

If you maintain a separate account, please put structures in place so that others regularly review the activity. If the other parish accounts are on a computerized accounting system, the activity in the discretionary fund should also be posted to that system, since the fund is a parish fund. It would be a non-operating account, so the income and expenses wouldn't be mingled with the operating fund statement, but the parish probably has other non-operating accounts as well -- organization accounts or the capital reserve account.

I understand your concerns, and I agree that there are circumstances where a separate account is warranted. Just please make sure that there are good internal controls in place.

I would be happy to discuss it further if there are things I missed, or if you think I misunderstood something. My email is jerrykeucher@gmail.com, and my cellphone is 347-713-2218.

I'm glad you posted your comment. Thanks for the good work you are doing.

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