



## **Catholic Diocese of Columbus**

### **300.0 - Banking Accounts and Reconciliation**

It is essential that good business practice be followed with regards to selecting, establishing and controlling our bank accounts.

This section of the policy manual includes both policies as well as guidelines that will help Diocesan entities to maintain control over this crucial asset category. The policies and guidelines include:

301.0 - Choice of Banking Institution

301.1 - Conflict of Interest

302.0 - Identification of Accounts at Financial Institutions

302.0.1 – Access to Accounts at Financial Institutions

302.1 - Opening/Closing Bank Accounts

302.2 - Bank Account Signature Cards

302.3 - Safeguarding the Use of Tax Identification Numbers

303.0 - Cash Management

303.1 - Use of Sweep Accounts

303.2 – Use of Electronic Transactions

304.0 - Monitoring all Bank Accounts

305.0 - Bank Accounts are Reconciled Monthly

306.0 - Excess Operating and other Funds (Investing in PAF)

306.1 - PAF Savings and Loan Rates

306.2 - Monthly PAF Savings & Loan Reporting



## Catholic Diocese of Columbus

Policy    Guideline  
 Diocesan    Parish    School    All

### **301.0 - Choice of Banking Institution**

The choice of a banking institution will be made at the discretion of the establishing authority provided it is not an institution identified on the USCCB Socially Responsible Investing Exclusion list. The establishing authorities are:

Parishes

Pastor

Interparochial or Consolidated Elementary School

Canonical authority, or  
Governing Board, or  
Sponsoring Pastors  
Depending on the governance model in effect

High School

Principal

Agency, Department or Institution

Director

Contact the Diocesan Finance Office for a current copy of the USCCB Socially Responsible Investment Exclusion list.

It is prudent to evaluate multiple institutions before choosing a financial provider. A banking institution should be of sound financial standing, offer competitive pricing, provide timely and accurate processing and consultative services.

Institutions that offer enhanced banking services can allow more efficient processing and eventual cost reduction. If multiple accounts are required, it is generally more effective to establish them at a single institution for greater control and possible pricing advantages.

Consultation with members of the Finance Council can provide sound advice and recommendations on banking institutions and services.

Care should be exercised over the amount invested in a single account at a financial institution due to limitations in the amount insured by the Federal Deposit Insurance Corporation (FDIC).



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **301.1 - Conflict of Interest**

The selection of banking institutions and financial services must occur within an environment of arms-length negotiation to avoid actual or apparent conflict of interest.

To assure that no conflict of interest occurs, the following guidelines should be followed:

- 1 – the pricing and services of multiple institutions should be considered
- 2 – a committee of at least 3 persons from the Finance Council should perform the review of the proposals and make a recommendation to the pastor/principal/director
- 3 – Diocesan entities should resist negotiating services with a member of the parish, parent of a school child, relative, etc. as these situations, by their nature, can create actual or apparent conflict of interest



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **302.0 - Identification of Accounts at Financial Institutions**

All Diocesan entities will identify all accounts at financial institutions established in the name of the entity or under their federal tax identification number.

All accounts are to be reported on the financial report to the Diocese.

For Parishes, part of the tri-annual parish compliance review process will include identifying for the reviewer, all accounts at any financial institution which have been established in the name of the parish or under the parish tax ID number. This includes accounts managed by all Auxiliary organizations.

All accounts, of any nature, are to be reported at that time.



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **302.0.1 – Access to Accounts at Financial Institutions**

Each banking institution will require specific documentation in order to release account name, number or financial information.

The primary requirement, for consumer security purposes, will be proper identification of the requestor and their level authority as a representative of the parish, school, agency, department or institution.

Following are some of the documents that may fulfill a bank's requirements:

*Parish/ Interparochial or Consolidated Elementary School*

- the Pastor's letter of appointment from the Diocese of Columbus
- a letter from the Finance Office of the Diocese confirming pastoral authority over the business matters of the parish
- a W-9 form to certify ownership of a federal tax id
- an auditor's request signed by an authorized signatory on an account

*Interparochial or Consolidated Elementary School*

Dependant on the governance model in effect for the school:

- the Pastor's letter of appointment from the Diocese of Columbus
- a letter from the Finance Office of the Diocese confirming pastoral authority over the business matters of the school
- a W-9 form to certify ownership of a federal tax id
- an auditor's request signed by an authorized signatory on an account

*High School; Agency, Department or Institution*

- the Finance Office of the Diocese should be contacted when this type of documentation is required..



## Catholic Diocese of Columbus

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Policy  Guideline

Diocesan  Parish  School  All

### **302.1 - Opening/Closing Bank Accounts**

Only those persons designated by the appropriate authority, outlined below, may open or close bank accounts.

#### Parishes

- the pastor must approve the opening or closing of any account utilizing the parish name or tax identification number, including for auxiliary organizations

#### Interparochial or Consolidated Elementary Schools

- the governing board, canonical authority or sponsoring pastors (depending on the governance model in effect) must approve the opening or closing of any account utilizing the school name or tax identification number, including for auxiliary organizations

#### High Schools

- the principal must approve the opening or closing of any account utilizing the school name or tax identification number, including for auxiliary organizations

#### Agencies/ Departments/ Institutions

- The Finance Office of the Diocese must approve the opening or closing of any account utilizing the Diocesan tax identification number.
- For independent Agencies or Institutions (i.e. Catholic Foundation, Catholic Social Services, St. Vincent Family Centers, St Stephens Community House), the Chief Executive Officer must approve the opening or closing of any account utilizing the Agency/Institution tax identification number.

All accounts must be opened in the name of an entity, never an individual. The mailing address for all statements and correspondence must be the primary place of business for that entity.

The number of accounts opened should be limited to those absolutely required, affording greater control and reducing the opportunity for errors or wrongdoing.



## Catholic Diocese of Columbus

Policy    Guideline  
 Diocesan    Parish    School    All

### **302.2 - Bank Account Signature Cards**

All checks issued in the Diocese of Columbus are required to carry two original signatures.

The use of facsimile signature stamps is not permitted under any circumstance.

More than two people can be authorized to sign checks.

The total number of authorized signers on any given account should be kept limited, yet practical for the individual circumstances.

The following are to be named as authorized signers on all bank accounts (including those of auxiliary organizations):

Parishes

Pastor

Interparochial or Consolidated Elementary School

Canonical authority, at least one pastor on the Governing Board, at least one Sponsoring Pastor (depending on the governance model in effect).

Principal

High Schools

Principal

Agency, Department or Institution

Director for non-independent agency, department or institution

Chief Executive Officer for an independent agency, department or institution

Other employees may be authorized to sign checks but the number should be limited.

Account signature cards should be reviewed and updated on a periodic basis particularly when there is a change in employees or Auxiliary organization volunteers.



## Catholic Diocese of Columbus

Policy    Guideline  
 Diocesan    Parish    School    All

### **302.3 - Safeguarding the Use of Tax Identification Numbers**

The use of Tax Identification numbers to establish bank accounts or vendor credit accounts must be done only with the express permission of the following authority:

Parishes

Pastor

Interparochial or Consolidated Elementary Schools

Canonical authority, at least one pastor on the Governing Board, at least one Sponsoring Pastor (depending on the governance model in effect).

Principal

High Schools

Principal

Agency, Department or Institution

Diocesan Finance Office for non-independent agency/institution

Chief Executive Officer for independent agency/institution

Any party who uses the Tax ID number for a given entity will account for all cash receipts and expenditures through the corresponding bank account(s) or vendor credit account(s).

It should be noted that the Tax ID will also be included on form W2 and 1099 issued by the entity.

**Note: Refer to Section 200 - Financial Reporting for information on IRS 501c (3) Qualification and tax exempt status.**





## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **303.0 - Cash Management**

Each Diocesan entity will experience fluctuations in Cash flows on a monthly, quarterly and annual basis. These cycles are rooted in the timing of receipts versus disbursements.

The primary principles of Cash Management are:

- accelerate your receivables **see Section 400 – Cash Collections & Receivables**
- slow your payables **see Section 600 – Cash Disbursements**
- maximize the power of your cash on hand

The policies and guidelines in the subsequent sections will assist you in following these principles and effectively managing the funds you are entrusted with.

In addition, most financial institutions offer auxiliary or enhanced service levels which may provide expedited processing, cost savings or increased earnings on day to day cash on hand. Some of the services that can be beneficial include:

- the use of Investment Sweep Accounts **Policy 303.1**
- the use of Electronic Transactions **Policy 303.2**



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **303.1 - Use of Investment Sweep Accounts**

An investment sweep account monitors the daily balance on a checking account and automatically calculates the amount available for investing.

Account balances, less any predetermined target balance, are invested overnight then re-deposited to the checking account with interest the following business morning.

Sweep accounts can provide the advantage of generating a return on excess cash during slower periods of a cash management cycle. Of course, the inherent risks of any investment are present in the use of a sweep account.

Risk should be minimized by using an account that sweeps to a Money Market instrument. The Diocesan Finance Office should be contacted if assistance with sweep accounts is needed. The entity should also call upon the expertise of members of their Finance Council when investigating the use of this type of arrangement.

**Note: Investment sweep accounts are intended to make the best use of standard operating capital. Balances in excess of 90 days working capital should be invested in the Parish Aid Fund as outlined in Policy 307.**



## Catholic Diocese of Columbus

- Policy     Guideline  
 Diocesan     Parish     School     All

### 303.2 - Use of Electronic Transactions

There are two types of electronic transactions (also referred to as EFT's). They are:

- **Wire transfer** - an electronic movement of funds through the Federal Reserve Bank with *same day* settlement for the initiator and availability for the receiver. Wire transfers are generally initiated one by one and used for large dollar amounts or time sensitive transactions.

**Automated Clearinghouse (ACH)** - an electronic movement of funds through the Federal Reserve Bank with *next day* settlement for the initiator and availability for the receiver. ACH transactions are generally initiated in multiples or batches and used for smaller, less critical transactions. You can collect or disburse funds via ACH.

- ACH debit - draws money from the receiver
- ACH credit - sends money to the receiver

The use of any form of electronic banking must be approved by the proper authority:

Parishes

Pastor

Interparochial or Consolidated Elementary Schools

Canonical authority, at least one pastor on the Governing Board, at least one Sponsoring Pastor (depending on the governance model in effect).

High Schools

Principal

Agency, Department or Institution

Director

Segregation of duties and dual approval controls must be implemented with electronic transactions just as with normal receipt and disbursement processes. If the electronic system in use does not support dual approvals, alternative controls must be put into place to assure that only authorized transactions are occurring. This includes a second individual verifying payee/amount or donee/amount and recording of the funds received or withdrawn from entity accounts by review of the bank statement or through on-line verification.

Documentation must be retained showing that the second verification was performed.



## Catholic Diocese of Columbus

- Policy     Guideline  
 Diocesan     Parish     School     All

### **303.2 - Use of Electronic Transactions**

The settlement entry for an electronic transaction(s) must always be an established business account, never a personal/individual account. The exception is payroll direct deposit, where the receiving account is allowed to be to a personal/individual account. Sufficient control must be implemented to assure the legitimacy of these deposits.

Vendor use of ACH debits to collect money from Diocesan accounts is discouraged, because this requires sharing your checking account information with the vendor and essentially giving them electronic access to your funds. The exception is payroll debits from our authorized payroll provider.

Use of ACH debits with the Diocese of Columbus, for the payment of assessment or insurance payments, is allowable and encouraged.

You have only a 48 hour window to legitimately dispute an incorrect business to business ACH transaction.



## Catholic Diocese of Columbus

Policy    Guideline  
 Diocesan    Parish    School    All

### **304.0 - Monitoring All Bank Accounts**

All original bank statements must be mailed to the parish, high school, interparochial/consolidated elementary school, agency, department or institution, where a copy is to be maintained.

For bank accounts related to auxiliary organizations, a copy is then distributed to the individual designated by the auxiliary organization.

Among other benefits, this will provide greater control and accountability of all bank accounts utilizing the entity's tax identification number or name.

Cancelled checks or image documents must be included with bank statements.

Reconciled statements and checks/images are to be retained onsite as prescribed in **Policy Series 1600.0 - Records Retention – Safekeeping.**



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **305.0 - Bank Accounts are Reconciled Monthly**

Bank account statements must be reconciled to the accounting records each month. This is essential to determine if any unauthorized or erroneous transactions have occurred and to ensure that all entries and fees are posted in a timely manner, prior to closing the books for a given month.

Dual control is a key factor to perform a valid reconciliation. Bank statements are to be reconciled by someone other than the check signers and those controlling the check issuance or deposit process for the account.

If staffing constraints don't allow for this division of duties, the actual reconciliation is to be compared with the financial records by a separate responsible individual.

Key verification points for the dual review are:

- 1) All checks are accounted for and carry two valid signatures
- 2) The bank balance reconciles to the internal accounting system
- 3) All fees and interest are posted to the proper month

A documented process should exist for the reporting and investigation of discrepancies. All discrepancies are to be addressed as soon as they are discovered.

Successful reconciliation and monthly closure of the books should be communicated to the Pastor, Principal or Director and the appropriate Finance Council. Review of reconciliations will be included in the scope of the tri-annual audit process.



## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **306.0 - Excess Operating and other Funds – Investing in Parish Aid Fund**

All parishes, interparochial/consolidated elementary schools, high schools and Diocesan agencies, departments or institutions (except independent agencies/institutions) will place any and all excess funds in the Parish Aid Fund.

Excess funds are defined as amounts greater than 90 days operating capital. The amount of operating capital required is equal to budgeted operating expenditures for the next 90 days.

This requirement includes funds of Auxiliary organizations.

All funds that are held for a particular purpose (i.e. restricted), are to be deposited and maintained in distinct accounts within the Parish Aid Fund.



## Catholic Diocese of Columbus

- Policy     Guideline  
 Diocesan     Parish     School     All

### 306.1 – Parish Aid Fund Savings & Loan Rates

#### **SAVINGS**

Diocesan entities placing funds on deposit with the Parish Aid Fund will be offered 3 savings options:

- basic savings
- 1 year savings
- 5 year savings

The interest rate on each savings option will be established based on the national average interest rates as published on [www.bankrate.com](http://www.bankrate.com) Interest Roundup for:

- money market savings plus ¼%
- 1 year CD
- 5 year CD

Interest rates will be updated as of 1/1 and 7/1.

If a commitment is made to the 1 year or 5 year option and funds are withdrawn early, a penalty of 1% of the amount withdrawn will be charged.

Accounts closed mid-month will receive pro-rated interest earned through the account closing date.

Interest will be compounded on a monthly basis.

#### **LOANS**

The Parish Aid Fund will offer two options on loans: an adjustable rate option and a fixed rate option.

Loan rates will be set based on the interest rates offered on savings as follows:

- adjustable rate option: 2 points over the 1 year savings option rate. Reset every 6 months if savings rates change
- fixed rate option: 2 points over the 5 year savings option rate. Reestablish rate for future loans under this option every 6 months if savings rates change.

During construction, the interest rate on all funds borrowed will be based on the adjustable rate option.

At the end of construction an entity will be offered the following options based on loan term:

- Loans of less than 5 years (“bridge” loans) – interest based on the adjustable rate option
- Loans of 5 years or more – choice of adjustable rate option or fixed rate option





## Catholic Diocese of Columbus

Policy  Guideline

Diocesan  Parish  School  All

### **306.2 - Monthly Parish Aid Fund Savings & Loan Reporting**

Statements will be generated within the first few business days of each new month for both Parish Aid Fund savings and Parish Aid Fund loans.

These statements reflect deposits and payments received in the Finance office through the last business day of the preceding month.

Separate statements will be mailed to the Parish Aid Fund account owners prior to the 10<sup>th</sup> of each month.

Interim inquiries regarding Parish Aid Fund savings or loans should be directed to the Diocesan Finance Office.