

Bank Accounts

The increasing financial pressures facing today's parishes require that control over cash balances, receipts and disbursements be maintained. Cash management is a tool to improve the liquidity necessary to meet a parish's day-to-day needs. This section provides guidelines relating to the proper accounting and control over cash balances.

SEGREGATION OF DUTIES

Adequate safeguards and control over cash balances require a minimum level of segregation of the primary responsibilities involving cash transactions: authorization, custodial, recording, and reconciliation. Ideally, two or more of these responsibilities should not be performed by the same individual. The following guidelines should be considered when evaluating the appropriate level of segregation:

- **Authorization:** The pastor/administrator has the final responsibility of committing parish resources.
- **Custodial:** Parish funds should be maintained in adequately protected bank accounts.
- **Recording:** Transactions should be recorded by a competent accountant/bookkeeper.
- **Reconciliation:** Reconciliation of account balances should be performed by the accountant/bookkeeper and reviewed by the pastor/administrator.

BANK ACCOUNTS

Each parish should maintain only one checking account from which all check disbursements are to be made unless the need for an additional account is mandated by law (i.e. bingo, games of chance, etc.). The parish "Name" should be included in each bank account name and mailed to the rectory. To have a clearer understanding of the parish accounts bank statements and disbursement checks should have the account titles (General, Mass and Cemetery checking) on them as well.

All bank statements should be mailed from the bank to the rectory

All cancelled checks (original or photocopies) should be returned with the parish bank statements. If the bank is unable to do this process then the account should be moved to another bank that can do this process for little or no fee.

In those rare, unusual circumstances where the parish may have more than one checking or savings account, the Pastor should be the authorized signer on all accounts and these accounts should be included in the financial reports of the

parish. This holds true for any of the fundraising committees or other parish groups operating in the parish name or utilizing the parish Federal and/or State ID number.

Bank accounts which are used by affiliated groups and other parish and school ministries which are in the parish name and use the parish federal ID number, need to be controlled by the pastor. The following is a list of typical groups which have such accounts:

Catholic Youth Organization (CYO), St. Vincent de Paul, Thrift Shop, Outreach, Holy Name Society, Religious Education, Home School Association, Parish or School Endowment

All of these accounts need to be monitored and controlled so that one individual is not allowed the ability to maintain custody of the bank accounts, control the activity of those accounts and to reconcile the accounts. It is advised that the parish consider consolidation of accounts to avoid duplication of work associated with having numerous checking accounts open. All organizations bank statements should be initially sent from the bank to the rectory for review by the pastor (or his designee other than the custodian of that account) as to the legitimacy of the deposits and cancelled checks. After this review, if all is in proper order, these items can then be given to each organization's treasurer for reconciliation.

Parishes are not to maintain accounts outside of the State of New York unless authorized by the Chancellor.

Each parish should follow Diocesan Guidelines when it comes to investing in publicly traded securities such as bonds or stocks. The social and ethical investment strategies as well as conservative investing should be incorporated into all of the investment portfolios of the parish.

All cash accounts and investments must be listed on the annual parish report. This will include the accounts of the ministries, the stipend account, the operating, development accounts, youth ministries and any other account in the name of the parish with the parish federal ID #.

The parish may improve the management of cash balances by making deposits directly to an interest bearing account with periodic transfers to the parishes' checking account to cover planned disbursements. (**Note:** The need to transfer funds could be eliminated if an interest-bearing checking account were obtained.)

SAVINGS AND CERTIFICATES OF DEPOSIT IN FINANCIAL INSTITUTIONS

Parishes with cash reserves should not have more than \$100,000 deposited for all accounts in one bank. Also, the financial institution should be F.D.I.C. or N.C.U.A. insured.

BANK RECONCILIATIONS

The pastor should receive the unopened bank statements and review deposit activity and canceled checks for obvious inconsistencies prior to forwarding the statements to the individual responsible for the preparation of the bank reconciliation's.

All bank accounts should be reconciled monthly to the general ledger and/or checkbook. Bank statements and their reconciliations should be retained for seven years.

The reconciliation process should be adequately documented. The back of most bank statements provides an accepted format for reconciling the account(s). If the accounts are automated then these bank reconciliations should be completed in the accounting software and printed in detail each month within several business days after the statement is received from the bank so that any mistakes can be promptly discovered and corrected.

The pastor should review the reconciliation and document his review via his initials. The pastor's review of the reconciliation should include scanning deposits and charges to the bank account as reflected on the monthly bank statements for any inconsistent or unusual deposits or charges. The Pastor/Parish Administrator should periodically review the accounting records to determine if receipts and disbursements are properly recorded.

FORMAT

1. The parish's monthly bank reconciliation is composed of two distinct sections. One section begins with the balance as shown on the bank statement and works to a corrected balance. That is the balance the bank statement would show if all transactions were recorded by the bank (e.g. outstanding checks, deposits in transit, etc.).

2. The second section starts with the balance shown by the parish records and also works to a corrected balance. The balance that should be shown in the parish's records after all transactions are properly recorded (e.g. bank charges, interest, etc.).

Appendix (X) - Add a sample bank statement and checkbook etc. with a couple of transactions (with every possible situation that can come up on a bank statement like: interest earned, bank charges, bank error of recording check amount, etc.).

PREPARATION AND RECONCILING ITEMS

1. Upon receipt of the monthly bank statement including cleared checks, deposit slips and any other transaction notifications, the accounting personnel will prepare the monthly bank reconciliation.

2. The monthly reconciliation will be started with the ending balance per the bank statement.

3. Any deposits in transit that were made by the parish, but were not yet recorded by the bank, will be listed and added to the bank balance.

4. From these steps, the “corrected” ending balance will be derived for the first section.

ADJUSTMENTS AND JOURNAL ENTRIES

1. Any book reconciling items such as interest, bank charges and any recording errors will be summarized and drafted in journal entry form for posting to the general ledger.

2. Further, any outstanding checks over six months old will be reviewed for disposition including the need to void and reissue checks. Any checks outstanding more than five years fall under the New York Escheat Law and funds must be sent to the State. They then attempt to locate the payee.