

Diocese of La Crosse Catholic Unified School Systems Accounting Policies and Procedures Manual

Chapter Three: Banking and Investments

A. Policies

Internal Control

All accounts, including custodial accounts, using the system federal ID number must be approved and overseen by the Central Office. All bank account statements, including custodial accounts, must go to the Central Office and be accessible to the Finance Committee. The Unified Catholic School System is the only entity that can use the system federal ID number.

Bank Accounts

When establishing new bank accounts, the following policies are observed by the Diocese of La Crosse Catholic Unified School Systems. A board resolution must be executed prior to the opening of any bank account. In addition, each bank account must bear the name of the organization (legal school name) and its federal identification number.

Check Signers

As required by lending institutions, a signature card must be on file for each bank account containing the signatures of those authorized to sign checks for each account. In order to achieve internal accounting controls through separation of duties, individuals responsible for issuing checks, or preparing monthly bank reconciliations should not have check signing authority.

Suggested individuals to consider as signers are the President and the Dean.

Bank Balances

A combined bank balance of no more than \$250,000 is to be maintained in any one institution as this is the maximum the FDIC will insure. If operations regularly require more than \$250,000 in cash to be available, the excess should be placed at another bank, or invested nightly in Repurchase Agreements, which are available from a lending institution.

Investments

St. Ambrose Financial Services, Inc. has published an Investment Policy, which must be followed by each school system. These policies are not reproduced in this manual. A copy of the Diocese-published policy should be filed along with this Policies and Procedures Manual for reference.

Temporary investments of restricted donations, if sizable, require the approval of the school's Finance Committee.

Appendix Investment Policy

<http://www.stambrosefinancial.com/>

Parish Finance Manual

B. Current Bank Accounts

Internal Control

It is strongly recommended that each Unified School System conduct a review of the school accounts on an annual basis. Accordingly, at least one member from the Finance Committee for each Unified School

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System should review the school accounts annually. At the end of the fiscal year a list of all bank accounts and the authorized signers should be forwarded to the Diocese of La Crosse, Coordinator of Finance for Unified Catholic School Systems.

School Specific Procedure:

Use the following chart to list information about each of the bank accounts maintained. This list should be kept current by reviewing each month.

Bank/Location	Account Number	Account Name	Authorized Signers

C. Reconciliations

Bank Reconciliations

A bank reconciliation must be done for each bank account at the end of each month. Reconciling the general ledger balance with the bank provides for internal accounting control, as well as identifying errors that have been made in accounting or at the bank. The bank reconciliation should be prepared by someone other than the person with general ledger responsibilities or persons with check signing authority. The **bank statement** is outside verification of the accuracy of your records. Bank reconciliations should be filed along with other month end reconciliations.

Alternative Procedure:

A separate file may be maintained for all bank reconciliations, if desired. The bank account number (or general ledger number) and the month and year that is being reconciled should be documented at the top of each reconciliation.

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A bank reconciliation can be prepared manually with the help of a spreadsheet package such as Excel, or in the accounting software itself. An example of a reconciliation format is included in Appendix A. To use the accounting software to reconcile the bank accounts, consult the software manual. The following procedure can be used if the reconciliation is prepared manually.

1. Print out the activity in each bank account from the accounting system for the current month. The beginning balance should agree with the ending balance from last month's bank reconciliation.
2. Using the bank statement, check off each item that is in both the general ledger and the bank statement. Make note of any amounts that do not agree exactly so that an adjusting entry can be made at month end.
3. Circle or highlight any items on the bank statement that are not recorded in the general ledger. Regular items will include bank interest, bank service charges, credit card reimbursements and NSF checks (if not recorded throughout the month). These items will require a journal entry each month. (See **General Ledger – Journal Entries** for debits and credits.)
4. Circle or highlight any items on the general ledger print out that are not on the bank statement. Regular items like this will include deposits at the end of the month that missed the daily cut-off ("Deposits In Transit") or checks issued that did not clear the bank before the end of the month ("Outstanding Checks"). Any other items should be investigated with the bank.
5. Prepare the General Ledger side of the reconciliation by starting with the unadjusted balance listed on the general ledger activity print out. List any items found in Step 3. Double check to ensure that journal entries have been written for each item. Add this column. The result is the "Adjusted General Ledger Balance".
6. Prepare the Bank side of the reconciliation by starting with the ending balance listed on the bank statement. List any items found in Step 4. (It may be helpful to list all outstanding checks on a separate page and bring the total forward to the bank reconciliation.) Add this column. The result is the "Adjusted Bank Balance".
7. Compare the Adjusted General Ledger Balance with the Adjusted Bank Balance. The two numbers should agree.
8. Print out the bank reconciliation and attach to the bank statement and any supporting detail (i.e. general ledger print out). File as discussed above.
9. Have reconciliation reviewed and approved by someone other than the preparer.

Investment Reconciliations

Just as bank statements need to be reconciled each month, so must **investment statements** received. In general, the general ledger account for each type of investment must agree with the monthly, or quarterly statement received. It may be necessary to write journal entries for the activity that has taken place. Examples of activity that may happen are:

- Cash invested (check issued or wire transfer)
- Cash withdrawn (deposit in operating account)
- Interest earned

See **General Ledger – Journal Entries** for debits and credits.

D. Petty Cash Funds

Petty cash funds are maintained at both Central Office and school locations. To maintain good internal accounting controls, petty cash funds are handled on an **imprest** basis. This means that each petty cash fund has a predetermined balance, and at any time the total of the cash in the box and receipts for cash paid out should equal that amount. The petty cash fund is reimbursed as needed through regular cash disbursements. Petty cash funds are to be used for school purchases only and should not be used to cash personal checks. The following procedure has been established for maintaining a petty cash fund.

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Establishing a Petty Cash Fund

1. Petty cash funds may be established as agreed upon by the President and the Controller.
2. The suggested amount for establishing petty cash funds is \$200 but the amount may vary if the situation warrants. The amount of any one petty cash fund should not exceed \$500.
3. To establish a fund, issue a check from the operating account to the bank for the desired amount and have it cashed. Petty cash should be maintained in a locked drawer or cash box.
4. The amount established as a petty cash fund has a separate general ledger account that does not change unless the imprest amount changes.

Payments Out of Petty Cash

The suggested limit per expenditure is \$50, but this may be exceeded at the discretion of the Controller.

5. When a payment is made out of petty cash, fill out a petty cash slip for the amount paid out. The slip should indicate the amount, the date, expense account code, and a description of the item purchased.
6. Attach the petty cash slip to receipts turned in to support the payment (i.e. store receipts, postage receipt). All payments out of petty cash must have supporting receipts. If that is not possible, the expenditure must be authorized by the Principal, President or the Controller.

(Reminder: The school system does not pay or reimburse sales tax.) **This policy also needs to be stated in the Employee Handbook, “Reimbursement Policy”**

Replenishing the Fund

7. When the fund nears depletion, complete a **Petty Cash Reimbursement Form**. This form summarizes all payments made out of the fund. See Appendix A for an example of a Petty Cash Reimbursement Form. The total of the listing, plus the cash remaining in the box should equal the imprest amount of the fund.
8. Attach all receipts and supporting documents to the Petty Cash Reimbursement form and have it authorized for payment (Principal, President).
9. Forward to the Central Office, Accounts Payable for payment.
10. A final reimbursement form should be submitted near the end of the fiscal year (approximately June 20) to ensure expenditures are recorded in the appropriate year.

On occasion, semi-annually or annually, someone other than the person responsible for the fund will perform surprise petty cash counts. This procedure is established to maintain good internal accounting control.

E. School Specific Procedures

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