



Catholic Diocese of Columbus

600.0 – Cash Disbursements

In order to fulfill our obligations as good stewards of the funds we are given, it is our responsibility to assure that the funds we disburse are disbursed only for valid and approved expenses of the entity. We must assure that proper controls are instituted and enforced over our disbursements. We must assure that we fulfill our obligations to others in a timely manner for services or goods they have provided.

The policies and guidelines in this section outline the controls which are to be in place in each Diocesan entity. The policies and guidelines are:

601.0 - Disbursements Supported by Documentation & Proper Approval

601.1 - Purchase Orders

601.2 - Cash Management Guidelines

602.0 - Dual Signature Required for all Disbursements

602.1 - Facsimile Signatures Prohibited

602.2 - Dual Approval of Electronic Disbursements

603.0 - Duplicate Payments are Prevented

604.0 - Proper Control over Checks

605.0 - Limit the Number of Checks Payable to Cash

606.0 - Use of Tax Exemption Letter

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608.0 - Diocesan Assessment

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601.0 - Disbursements Supported by Documentation & Proper Approval

Disbursements will only be made for valid expenditures, supported by documentation and approved by the Pastor/Canonical authority/Principal/Director or their authorized designee.

Supporting documentation will include original invoices or receipts that provide evidence of the transaction.

Approval of invoices, check requests or purchase orders (if used) must be notated by a signature of the approving individual, date of approval and the expense account to be charged.

Supporting documents (i.e., invoices, receipts, approved check requests) should be attached to checks and inspected by the check signer before signing.

Payments in cash for entity expenses are not proper, except for minor disbursements from a petty cash fund or, in certain instances, for stipends. All requests for disbursement from petty cash must be approved by the Pastor/Canonical authority/Principal/Director or their authorized designee. Refer to Policy **Series 650 – Petty Cash Fund** for additional information

Disbursements made for goods should only be made once the goods have been received.

Disbursements for services should only be made once the services are rendered.

Refer to **Policy #611 – Prepayment for Goods and Services** for situations when an advance payment is requested.



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601.1 - Purchase Orders

Diocesan policy does not require the use of purchase orders to support a purchase. However all purchases should be within the bounds of the entity's budgeted expenditures for the current fiscal year.

If an individual parish/school/agency/institution has an established policy requiring the use of purchase orders:

- Access to blank purchase order forms must be limited
- All purchase orders must be approved by the Pastor/Principal/Director or their assigned designee before the purchase is made
- Disbursements for purchases should only be made with a valid approved purchase order in addition to the requirements in **Policy 601.0**.
- It is recommended that purchase orders are pre-numbered and controls be implemented to assure control over use of the documents.



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601.2 - Cash Management Guidelines

Disbursement Methods

A number of methods are available for disbursement of funds.

- 1) The most common method of disbursing funds is payment by **check**. The use of checks is beneficial for the information and audit trail they provide. The drawbacks to checks are the possibility of higher bank fees, reliability of delivery and the time it takes a check to clear the payee's bank
- 2) **Electronic (ACH) credits** are becoming more widely accepted by individuals and vendors. They offer convenience for the individual/vendor and reliability for the payer. Many banks offer web based services that allow repetitive files to be created and initiated easily. In most cases, funds are available to the individual/vendor on the next business day following payment initiation. Based on the volume of credits initiated, fees may be lower than with manual payments by check.

Several key factors to consider are:

- a - Vendor authorization is required prior to initiation. Some vendors may be willing to negotiate alternate payment terms for an ACH payment vs. a check payment.
- b - Signed authorization forms are required prior to initiation of individual credits (i.e., payroll or expense reimbursement)
- c - Dual approval must be established for file creation and initiation

Refer to **Policy #303.2 Use of Electronic Transactions** for more information on ACH payments.

- 3) Another option for payment of goods and services is the use of **credit cards**. Financial institutions and credit card providers offer a variety of card products, from a standard business credit card to a **purchasing or commercial card**. A purchasing or commercial card offers a great deal of user and purchase information and allows a variety of custom limits per cardholder, but significant volume may be required to make this option cost-effective. Care must be exercised in control over the use of credit cards to assure only authorized individuals are using the cards only for authorized expenditures. Refer to **Policy #607.0 – Use of a Credit Card** for additional information.



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602.0 - Dual Signature Required for all Disbursements

Two authorized signers are required to sign each check issued by a Diocesan entity. Two authorized signers on the Parish/School/Agency/Institution main checking account are required to note their authorization on each petty cash disbursement.

Under **no circumstances** should blank checks (those with no payee) be signed.

Note: Refer to **Policy #302.2 – Bank Account Signature Cards** for additional specifications on authorized account signers.



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602.1 - Facsimile Signatures Prohibited

All Diocesan entities are prohibited from using facsimile signatures (i.e. a signature stamp or electronically printed signature) of any type **to sign checks or purchase orders**. All signatures must be original.

All Diocesan entities are prohibited from using facsimile signatures of any type **to approve disbursements or petty cash requests**. All signatures must be original.

Note: Refer to **Policy #302.2 – Bank Account Signature Cards** for additional specifications on facsimile signatures.



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602.2 - Dual Approval of Electronic Disbursements

All disbursements made electronically (i.e., invoices paid, payroll direct deposit, etc.) must be made using a system that requires one individual to input the disbursement and a second individual to approve the disbursement.

If the system allows for the pre-programming (i.e., creating templates) of disbursement data, one individual must create the template and a second individual must approve the template.

If the electronic system in use does not support dual approvals, alternative controls must be put into place to assure that only authorized disbursements are occurring. This includes a second individual verifying payee/amount and recording of the funds 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. This review must be performed monthly as part of the account reconciliation process.

Note: Refer to **Policy #601.2 – Cash Management Guidelines** for additional information on Electronic transfers.



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603.0 - Duplicate Payments are Prevented

Controls should be established to prevent the duplicate payment of invoices.

These include:

- Each invoice or disbursement request should be marked/stamped "PAID" along with the date of disbursement and the corresponding check number.
- Bills should be paid enough in advance to allow for mail delivery time and prevent past due amounts.
- All bills should be reviewed and past due amounts verified prior to payment.
- If a vendor provides both invoices and statements, pay from only the invoices. Invoices are to be matched to the statement prior to payment being made. Both invoices and statement are to be retained as supporting documentation.



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604.0 - Proper Control over Checks

Access to check stock is to be restricted:

- unused checks will be stored in a safe or other secure storage device with limited access
- only those employees responsible for issuing disbursement checks should be permitted to have access to check stock

Checks are to be used in sequential order.

All voided checks will be clearly marked “VOID” and retained so as to maintain proper sequential integrity.

- checks voided prior to signature (i.e., reprints) should have the blank signature area removed (i.e., cut) from the check. They may or may not be reflected in the accounting system, depending on the method of reprint.
- checks voided after signature should have the signatures removed (i.e., cut) from the check and should be reflected in the accounting system as “Void”.

If an account is closed, all remaining check stock is shredded prior to disposal.

Sample checks received with new check orders or re-orders (those indicating the next starting check number) will be shredded prior to disposal.



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605.0 – Limit the Number of Checks Payable to Cash

Checks will be made payable to a person or an organization as indicated on an approved invoice or check request.

No check is to be made payable to “Cash”, except to reimburse petty cash (refer to **Policy 650 – Petty Cash Fund** for additional details). Checks issued for the purpose of obtaining start-up funds for certain events (i.e. festival, fish fry, etc.) should be issued to the individual who will be cashing the check, in order to create a proper audit trail.

When obtaining cash for start-up funds, a member of the entity financial staff should be present when the check is cashed.

The individual who receives start-up cash is to sign a receipt for the cash received.

The start-up cash is an important element of the reconciliation of cash receipts for the event and must be taken into account.



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606.0 - Use of Tax Exemption Letter

Use of a tax exemption letter is reserved for purchases for the church/school/agency or institution only.

Improper use may jeopardize the tax-exempt status of the entity.

A tax exemption letter must only be signed by the pastor/principal/director or their authorized designee.

The letter or letter format should be kept secure so that access is limited to authorized individuals only.

Refer to **Policy # 208.0** for additional details.



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607.0 - Use of Credit Cards

While entities may elect to use credit cards or revolving credit accounts (i.e. Home Depot, Staples, etc.) to facilitate purchases, it is imperative that adequate controls be established governing access to cards, spending limits, signoff, and approved purchase types and purposes.

Credit limits are to be carefully controlled and of such an amount to limit risk and exposure from unauthorized purchases.

Diocesan entities will not allow finance charges or late fees to be incurred on a credit card. All outstanding balances will be paid in a timely manner at the end of each billing cycle.

The card user must submit proper documentation to support each use of the card. The credit card account will be reconciled monthly to purchase receipts provided by the card user. Each purchase is to be reviewed to assure all purchases are valid business expenses. If the bookkeeper/business manager has access to a credit card, the charges on the statement for that card are to be reviewed by a second individual for validity.

If a major purchase is necessary, the purchase will be pre-authorized by the Pastor/Canonical authority/Principal/ Director or appropriate level of Diocesan authority.

A list of cardholders will be maintained, including the name of the cardholder, account number, credit limit and expiration date.

Credit cards will be collected and cancelled when an employee or other holder leaves their job or position.

Each employee who is issued a credit card in their name will be required to sign a Credit Card Agreement (see Policy 1824.0). Each employee who is given temporary use of a credit card or credit card information (i.e. card number for purposes of making on-line purchases), will be required to sign a Credit Card Agreement – Secondary User (see Policy 1825.0). This includes any employee who is authorized to make a charge against a revolving credit account.

The use of debit cards/check cards is permitted on Diocesan accounts provided that the same controls as used for credit cards are instituted. In addition, the ATM Cash Withdrawal limit on all debit cards must be set to zero.



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607.0 - Use of Credit Cards



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608.0 - Diocesan Assessment

The Code of Canon Law prescribes that the Bishop may levy a reasonable tax for the support of Diocesan activities.

Currently, the Diocesan Assessment to parishes is **6%** of assessable income as reported at year end of the prior fiscal year (i.e., 2013-2014 income is the basis for 2014-2015 assessment). The accounts used to calculate assessable income include:

- **10** - **Offertory**
- **20** - **Gifts and Bequests**
- **50** - **Parish Activity Income (less 260 – Parish Activity Expense)**
- **60** - **Fund Drives**
- **70** - **Other Parish receipts**

Refer to **Policy Group #203.7 - Chart of Accounts – Parish – Accrual Basis** for additional definition of the types of entries to be included in each account.

The Finance Office will invoice parishes at the beginning of each month from September through May of the fiscal year, dividing the annual assessment into nine equal payments.

An electronic payment option is available by which assessment payments can be made by direct debit by the Finance Office against the Parish checking or savings account. If you are interested in this method of payment, please contact the Finance Office.

Payments are due to the Finance office by month end.



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609.0 - Diocesan Insurance Charges

Parishes, Schools, Agencies and Institutions will be billed monthly for General Liability, Employee Benefit and other Insurance.

The premiums are set by the Self Insurance Office and approved by the Bishop of Columbus.

Insurance premiums are to be remitted to the Self Insurance office upon receipt of the invoice, without offset or deduction.

Refer to **Policy Series #700 – Employee Benefits & Policy Series #1500 – Risk Management** for additional detail on insurance premiums and coverage.



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610.0 - Expense Reimbursement to Employees

Employees may be reimbursed for allowable business expenses, including travel expenses.

The policies and guidelines of **section 610** provide guidance to:

- Individuals who oversee an entity's budget
- Individuals seeking reimbursement for business expenses
- Individuals who initiate, review, approve, process, or record financial transactions on behalf of the entity.

Each entity is to establish a written policy related to reimbursement of business expenses which is consistent with the policies in this section.

Each entity is to share their policy with all employees.

At a minimum, all written policies will include the following:

- All proposed expenditures are consistent with entity policy and federal and state regulations.
- Funds have been included in the budgets of the entity to support a proposed expenditure (Employee expenses for activity outside of their defined job performance or budgeted programs are to be approved by the Pastor/ Canonical authority/ Principal/ Director prior to incurring them).
- All expenditure documents are signed by an authorized individual as outlined in **Policy # 601.0 Disbursements Supported by Documentation & Proper Approval.**
- Any expenditure is supported by a detailed receipt.
- All expenditures will be charged to the appropriate budget expense category.
- There is recognition of the added conditions placed on expenditures paid from grants or restricted gifts, and those restrictions are accounted for when expenditures are planned.

Allowable Expenses

Entity funds may be used for ordinary and reasonable business-related expenses that support the mission of the entity for which they are incurred. They fall into three categories:

- Daily Business Expenses **Policy 610.1**
- Entertainment Expenses **Policy 610.2**
- Travel Expenses **Policy 610.3**

These policies will provide guidance on the types of expenses that are allowable and those that are not.



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610.1 - Day to Day Business Expenses

Allowable day to day business expenses include but are not limited to:

- Office or program supplies
 - * Budgeted supplies not readily available through entity resources
- Individual professional memberships when:
 - * The membership is clearly in the best interest of the entity
 - * An institutional or corporate membership is not offered for the entity
 - * The membership is linked to an official entity title or responsibility (i.e., specific office, duty or function) rather than the person holding the title
- Publications (journals, newsletters, etc.) when:
 - * The publication supports or enhances the performance of the entity and its mission
 - * They are available for use by all employees of the entity
- Cell Phones
 - * The portion of personal cell phone expense used for business purposes, as required by an employee's job responsibility (i.e., travel or on-call duties) Refer to **Policy # 610.3 – Travel Expense** for additional detail.
- Office Functions and Employee Recognition
 - * Budgeted expenses associated with occasional office functions (e.g., receptions, open houses) complementary to the entity's mission and goals or which foster a sense of community among employees are allowable. Documentation must include an explanation of the business purpose.
 - * A gift or gathering in recognition of an employee retiring or leaving the entity is allowed. A suggested guideline is the equivalent of \$10 for every year of service.

Unallowable business expenses include but are not limited to:

- Expenditures which do not support the entity's mission.
- Those expenses which are excessive and/or illegal.
- Personal gifts to entity employees
 - * For birthday, wedding, or other personal occasion
- A personal expense that is not business-related or required to carry out an individual's job responsibility. Examples are:
 - * Credit card delinquency fees
 - * Traffic or parking fines
 - * Car washes
 - * Home office costs that are not part of an official arrangement
- Meals during normal working hours when not traveling or hosting a guest of the entity. Refer to **Policy #610.2 – Entertainment Expense & Policy #610.3 – Travel Expense** for more detail.
- Food for a regular staff meeting is not permitted, unless due to length of meeting, provision of food and/or beverages is a reasonable expectation.



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610.2 - Entertainment

Expenditure of entity funds for entertainment is permissible only when clearly necessary to advance the entity's mission.

Entertainment is defined as the arrangement of activities, events or meals whose purpose is to promote and further said mission.

Hospitality is the provision of services or acts in acknowledgement of the contributions to said mission of donors, administrators and visitors.

This policy applies to:

- Individuals authorized to expend Diocesan funds, regardless of the source of funds
- Employees who make entertainment arrangements for their department or the Diocese
- Individuals who review, approve, process or record entertainment documentation

The Pastor/Canonical authority/Principal/Director or their designee is responsible for assuring that:

- Budgeted funds are available to meet all entertainment commitments.
- The planned expenditure falls within those expenses permitted by the funding source if using funds under restriction.
- Proper authorization is obtained **before** any entertainment commitments are made.
- Any Entertainment expenditure is supported by a detailed receipt.
- The potential benefits justify its expense after considering more cost-effective alternatives.

Hosting Official Guests

- When hosting donors, visitors from another entity, members of the clergy or a parish community, prospective employees, the cost of meals or light refreshments may be covered.
- When the entity hosts an event for the purpose of generating the goodwill of prospective donors, the cost of meals or light refreshments may be covered
- When the entity is the host of a religious society organization meeting, the cost of meals or light refreshments may be covered

Receptions

- Light refreshments served in connection with conferences, fundraising groups, entity organizations, recognition/length of service/retirement presentations, or other significant events may be covered.

Administrative Meetings

- In general, the cost of meals and light refreshments served during administrative meetings should **not** be expensed on a regular basis. If they are required by circumstances, expenses for these types of meetings are to be planned in the annual budgeting process.



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610.2 - Entertainment

Meals

- When **not traveling**, the cost of meals during normal working hours for an individual is unallowable. This includes:
 - * Meal expenses incurred while visiting a non-home-base office for work-related purposes.
 - * Meal expenses incurred during "social meals", defined as two or more individuals from within the entity eating together.
 - * Expenses incurred for "working meals", where one employee takes another to dine. Formal meetings to discuss legitimate entity business can normally be held during regular business hours.

Hospitality

- Food purchased for daily office consumption or regular meetings is an inappropriate use of entity funds. Contributions from the regular participants should be sought to cover these expenses.

Alcohol

- The use of entity funds for the purchase of alcohol during entertainment should be discouraged. Consideration must also be made of the potential liability borne by the organization when alcohol is served at an entity function or event.



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610.3 - Travel Expense

Employees of a Diocesan entity may charge normal and reasonable business related travel expenses against appropriate entity accounts (this applies to local transportation as well as out-of-town travel).

Individuals traveling on entity business should neither gain nor lose personal funds as a result of that travel.

As funds to support travel are limited, it is necessary that clear and unambiguous reimbursement and expenditure guidelines be in place **before** funds are committed or expenses incurred.

It is also critical that all employees traveling on entity business understand the compliance requirements established by the Internal Revenue Service and other oversight agencies.

Travel Authorization

The employee must be aware of his/her entity or job guidelines for travel prior to making travel commitments. Appropriate authorization must be obtained and expenses budgeted for continuous or extended travel.

Spouse/Companion/Family Travel

Entity payment of spouse/companion/family travel expense is not allowed.

Combining Entity Travel with Personal Travel

Each entity is only to reimburse the business portion of a trip when that trip is combined with personal vacation travel. Only receipts from the business portion of the trip are to be submitted.

Air Travel

- Reservations and Class of Service
 - * The entity is to cover the cost of coach class tickets. Any upgrades or enhancements are personal expenditures and are not to be reimbursed by the entity.
 - * Whenever possible, advance purchase, discounted tickets should be purchased. In each case, every effort must be made to obtain the lowest fair possible.
- Unused tickets
 - * If, due to an emergency, a ticket is unused, the ticket is to be returned to the entity business office so that reimbursement for the cost of the ticket can be sought.
- Ground Transportation to and From Airports/Stations
 - * The most economical mode of transportation to and from airports/stations should be used. Share ground transportation with other employees, when applicable.

Rental Vehicles



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610.3 - Travel Expense

- The use of rental vehicles is authorized when their use is more time or cost-effective than airline, rail or personal vehicle travel. (Example: the cost of a rental vehicle for a given distance and period of time is less than the personal mileage expense for the same time period and distance.)
- When traveling by air or rail, a car may be rented when the destination is reached if the cost would be less expensive than the cost of taxis or other modes of transportation required to accomplish the business purpose of the trip.
- When two or more employees are traveling to the same destination or event every attempt should be made to share a rental vehicle.
- Employees should rent the most economical class and size of car for the number of people traveling.
- Should a rental car accident occur, immediately contact:
 - * The rental car company, in accordance with the rental agreement
 - * Local authorities, as required

Personal Vehicles

- When traveling by personal vehicle for entity business, the driver is reimbursed on the basis of miles driven. The mileage submitted for reimbursement must be able to be validated.
- The mileage reimbursement rate is set by the entity each year, and is not to exceed the rate set by the Internal Revenue Service. This per mile allowance covers all operating costs of the vehicle for the trip so no other vehicle reimbursements will be made.
- Tolls and fees such as bridge, tunnel, road and parking charges will be reimbursed when documented by receipts.
- When personal vehicles are used locally for entity business, mileage LESS the employee's standard daily travel distance to and from work, parking expense and tolls will be reimbursed.
- If accidents occur in a personal vehicle while an employee is on entity business, the accident must be reported to the Self Insurance Office, in addition to the individual's own insurance company.

Lodging

- Travelers should select modestly priced accommodations. For seminars, meetings, conferences or other group activity, reimbursement will be for no more than the mid-range rate for single occupancy at the host hotel.
- It is the responsibility of the traveler to cancel any room reservation in a timely fashion if it will not be used. Failure to do so may result in the employee being held responsible for any cancellation fees.

Telephone Usage

- Business calls
 - * While traveling on entity business, reasonable business calls and reasonable calls made to one's primary residence will be reimbursed.
 - * To minimize additional charges added by hotels, a calling card, credit card, public phone or cell phone should be used whenever possible.



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610.3 - Travel Expense

- Cellular Phone Usage
 - * Reimbursement will be made for reasonable and necessary business calls made on personal cellular phones.
- Computer Access Costs
 - * Reimbursement for charges to remotely access an entity's computer system while traveling on business may be approved by the entity when there is a specific business purpose.

Meals

- When lodging is required, reasonable personal meal expenses (excluding alcohol) are reimbursed, at actual cost including gratuities. Fiscal prudence and common sense should be used. Expenditures determined to be excessive should not be reimbursed.
- Detailed receipts must be provided.
 - * When a person is away for less than a whole day, meals which are considered a personal expense during standard working hours are not covered (i.e. lunch). When travel is outside of normal working hours, meals required as a result will be covered up to a reasonable amount (as a guide, \$10 for breakfast and \$25 for dinner are reasonable amounts). Meals are not covered whenever a registration fee, seminar cost, etc. includes specific meals. See **Policy # 610.2 - Entertainment** for additional information on Meals.

Miscellaneous Travel Expenses

- The following list represents some additional expenses which are to be covered:
 - * Air freight for business purposes
 - * Overnight delivery/postage
 - * Faxes
 - * Gasoline for rental cars
 - * Laundry/Dry Cleaning for trips exceeding five (5) business days
 - * Luggage fees charged by the airline

Travel Expenses of Priests Participating in Diocesan Committees

- Priests who live outside of Franklin County and participate in Diocesan committees, may apply for reimbursement of travel expenses. Please refer to **Policy 808.0 - Reimbursement of Priest Mileage** for those serving on Diocesan Councils or Committees for additional details.



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610.4 – Rectory Expenses & Use of Per Diem

Rectory expenses incurred by the Pastor or another priest living in the rectory, are to be reimbursed based on submitted receipts only. These expenses would include food, maintenance supplies, etc. The use of Per Diem's (i.e. a set dollar amount given to cover expenses for a time period such as a month), which has been used in some Parishes, are not to be used for the purpose of Rectory expenses. Per the Internal Revenue Service, Per Diems are only valid for travel away from home.



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610.4 – Rectory Expenses & Use of Per Diem

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611.0 - Prepayment for Goods or Services

Care must be exercised when making prepayment or down payment for goods or services.

The Better Business Bureau website should be checked for the vendor standing prior to making a prepayment. If the vendor's record is unsatisfactory, the risk is significantly increased related to whether you will receive the goods or services that you have prepaid for.

If the amount of the prepayment is significant, a surety bond from the vendor can be requested.

If a prepayment or down payment will be made, a valid purchase order or equivalent documentation from the vendor is required along with the appropriate level of disbursement approval as outlined in **Policy 601.0**.



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612.0 - Issuance of 1099's

The Internal Revenue Service provides specific guidelines for the issuance of form 1099-Misc. The general guidelines are:

- Form 1099 Misc. will be issued for each person to whom you have paid during the calendar year, in the ordinary course of business, at least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, and medical and health care payments.
- Generally form 1099-Misc. is used for reporting payments to individual contractors and not to corporations.
- Please see the IRS website, www.irs.gov, for further detail on the requirements for issuance of form 1099-Misc.

Form 1099-Misc. will be issued no later than January 31 of the year following the calendar year in which the amounts were paid.

If questions arise as to whether a 1099-Misc. needs to be issued, the Diocesan Finance Office should be contacted.

Clergy & 1099's

For guidance on issuance of 1099's to Clergy (Priests and Deacons), see Policy 806.4 – Stipends – Tax Reporting Requirements



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613.0 Athletic Event Payments

The purpose of this policy is to define the acceptable methods of paying individuals who work at athletic events, in compliance with Internal Revenue Service and Department of Labor regulations. In addition, this policy ensures compliance with the policies of the Ohio High School Athletic Association.

There are three categories of workers covered by this policy: game officials; sworn event site security; and all other event personnel.

Game Officials

Game Officials are to be classified as independent contractors and their compensation, if they exceed the IRS defined dollar limit (\$600 or more for a calendar year), is to be documented through issuance of a 1099-MISC. All amounts paid to an individual, whether from a parish, school or auxiliary association, within the same EIN, are to be accumulated to determine the total amount paid to that individual by the employer unit. Please remember that if you issue any 1099's you must file these with the Internal Revenue Service. 1099's must be issued by January 31 for the previous calendar year and filed with the IRS by February 28.

Effective January 1, 2013, each employer unit must implement a method for tracking payments to officials so that at the end of a calendar year, it can be determined if a 1099-MISC must be issued.

The preferred method of payment and tracking is that each individual is paid by check. The check issuer (i.e. bookkeeper, athletic association treasurer, etc.) should be given the names of game officials and the amount to be paid, at least 2 business days prior to the event so that checks may be created and signed. Notation must be made in the records of the issuer as to the purpose of the check. At the end of a calendar year, the amounts paid can then be accumulated by payee to determine whether a 1099-MISC is to be issued. Keep in mind that some officials participate in multiple sports throughout the year. If there is a substitution of officials that occurs after the checks are created, the unused check is to be returned to the check issuer to be voided, and a check will then be created and mailed to the substitute official. Please note that even given the substitution issue, it is never proper to provide blank checks for events. For those subject to the rules of the Ohio High School Athletic Association, payment by check is the only acceptable method for paying and tracking payments to game officials.

An alternative method is available for elementary school and parish athletic events. You may choose to continue paying game officials in cash. However, you still have responsibility for tracking all payments to determine if a 1099-MISC must be issued. To accomplish this, each game official who receives a payment must complete the Game Official Payment Form prior to receiving their payment,



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613.0 Athletic Event Payments

and submit the form to the individual paying them. These forms must then be turned over following the event, to the individual responsible for tracking payments. That individual must establish a tracking mechanism so that at the end of a calendar year, the total payments to an individual will be known. All Game Official Payment Forms must be retained for 7 years as substantiation. In addition, The Game Official Payment Forms are to be used to substantiate the cash funds given to the individual making payments to the game officials. The Game Official Payment Form will be made available on the Diocesan Recreation web-site.

The issuance of 1099's requires that W9's be collected from Game Officials. This form provides the name, address and social security number of the Game Official. We have implementd two approaches for gathering and controlling this information – Diocesan Recreation Association (DRA) events and non Diocesan Recreation Association events (which includes High Schools).

DRA Events

All Game Officials will be required to submit to the DRA a signed W9 before they will be assigned to DRA events. These forms will be retained by the Diocesan Finance Office. A list will be available to the DRA Assigners, so that at any point they will know who it is valid to assign to an event. At the end of a calendar year, if you have a Game Official that must be issued a 1099-MISC, you will then contact the Diocesan Finance Office.

Non-DRA Events

It is the responsibility of the Athletic Director and Parish/School Financial Staff to work together to assure that W9's are collected from Game Officials before they work their first event. Because these documents must be secure, the completed W9's should be kept in the Parish/School finance office in a secure cabinet. The Parish/School financial staff are to make a list of all W9's on file and provide this to the Athletic Director, who is then responsible to assure that W9's are received prior to the first event a Game Official works. No Game Official is to be permitted to work an event if a W9 has not been received.

Sworn Event Site Security

Sworn Event Site Security are to be classified as independent contractors and their compensation, if they exceed the IRS defined dollar limit (\$600 or more for a calendar year), is to be documented through issuance of a 1099-MISC. All amounts paid to an individual, whether from a parish, school or auxiliary association, within the same EIN, are to be accumulated to determine the total amount paid to that individual by the employer unit. Please remember that if you issue any 1099's you must file these



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with the Internal Revenue Service. 1099's must be issued by January 31 for the previous calendar year and filed with the IRS by February 28.

Effective January 1, 2013, each employer unit must implement a method for tracking payments to sworn event site security so that at the end of a calendar year, it can be determined if a 1099-MISC must be issued.

It is highly preferred that the hiring of sworn event site security be done through their employer (i.e. Sheriff's office, local law enforcement agency) and payment made to the employer. In this way, responsibility for tracking payments to the individual reside with the employer, not with the parish, school or auxiliary association.

If you must contract directly with the individual, then payment to that individual must be by check. The check issuer (i.e. bookkeeper, athletic association treasurer, etc.) should be given the names of the sworn event site security individuals and the amount to be paid, at least 2 business days prior to the event so that checks may be created and signed. Notation must be made in the records of the issuer as to the purpose of the check. At the end of a calendar year, the amounts paid can then be accumulated by payee to determine whether a 1099-MISC is to be issued. If there is a substitution of sworn event site security individuals that occurs after the checks are created, the unused check is to be returned to the check issuer to be voided, and a check will then be created and mailed to the substitute. Please note that even given the substitution issue, it is never proper to provide blank checks for events.

The issuance of 1099's requires that W9's be collected from Sworn Site Security. This form provides the name, address and social security number of the individual. We have implemented the following approach for gathering and controlling this information:

It is the responsibility of the Athletic Director and Parish/School Financial Staff to work together to assure that W9's are collected from each individual before they work their first event. Because these documents must be secure, the completed W9's should be kept in the Parish/School finance office in a secure cabinet. The Parish/School financial staff are to make a list of all W9's on file and provide this to the Athletic Director, who is then responsible to assure that W9's are received prior to the first event an individual works. No individual is to be permitted to work an event if a W9 has not been received.

All Other Event Personnel



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The Internal Revenue Service has issued guidance that all other event personnel who receive compensation for their services at an event are to be classified as employees. Examples of event personnel include: ticket takers; ticket sellers; tournament and site managers; non-sworn site security; and other personnel necessary to conduct an event, such as chain crew, clerks, announcers, scorers, etc. Event workers do not include sports officials who are officially registered with a generally recognized permitting authority, such as the OHSAA or sworn site security, such as municipal police, township constables or county sheriff personnel. The list of event workers is not an all inclusive list of personnel necessary to administer and run an event location and will likely vary by location.

Event personnel are to be added to the payroll system of the parish or school, and all appropriate taxes are to be withheld from the payments made to them. They are to be issued a W2 at the end of the year. This will mean that you will need to have them fill out the appropriate new hire forms (i.e. W-4, IT-4, I-9, etc.). Each parish/school should establish a communication mechanism with those who manage event personnel to assure the communication of amounts to be paid, and the associated timing of payments (i.e. each pay period, once per month, once per season, etc.). If payments to event personnel are to be funded by an auxiliary association, the parish/school should establish a reimbursement mechanism with the auxiliary.

It must be noted that the hiring of those under the age of 18 must follow the State of Ohio Minor Labor Laws. The hiring of these individuals, at a minimum requires a work permit and formal wage agreement. In addition there are limits on the types of work that individuals can perform, and the hours they can work, depending on age. Please refer to the Diocesan Web-site, Human Resources section, for a copy of the information on Minor Labor Laws.



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614.0 – Sales Tax and Vendors License Application

Sales Tax

Diocesan entities selling taxable items are required to:

- obtain a vendors license from the County Auditor
 - collect sales tax
 - make payment of the sales tax to the State of Ohio
- unless the sales meet the criteria for one of the exemptions in the law.

Exemptions from the collection of sales tax include:

1. Occasional Sales

Although any seller making retail sales is generally required to collect and remit sales taxes, Ohio law does provide that sales of tangible personal property by churches, and certain other non-profit entities, are exempt from sales taxes if the number of days on which sales are made does not exceed six days in any calendar year. If the six-day limit is exceeded in any one calendar year, the church will be considered to be engaged in business and subsequent sales after the six day limit are subject to tax. Keep in mind that if you engage in multiple events in which you are selling tangible personal property, you must add the number of days each event runs to determine if you exceed the six day limit.

Ohio sales tax law does not define the term “church.” However, for the purpose of applying the term to Catholic entities, it is reasonable to apply the Ohio sales tax law to each separate parish because each parish maintains the church building serving the parish, and the related facilities such as a parochial school. For the purposes of the six-day limit, sales by groups within a church are considered to be sales of that church.

Other Catholic entities which are not a parish (i.e. our High Schools) might be subject to the six day exemption rule if the entity is qualified as a charity under Sec. 501(c)(3) of the Internal Revenue Code, or is a non-profit organization operated exclusively for charitable purposes.

2. Sales by Student Clubs, Parent-Teacher Associations, and Booster Organizations

While the six-day exemption limit applies to sales made by churches and other charitable organizations, the limitation does not apply to sales made by student clubs and other groups of students of a primary or secondary school, parent-teacher associations, booster clubs, or similar organizations



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that raise money to support or fund curricular or extracurricular activities of a primary or secondary school. Sales by those organizations therefore are totally tax exempt. Since this exemption is limited to organizations that support schools, it would prove beneficial if schools carefully choose which organizations are making the otherwise taxable sales.

For example, if an elementary school parent teacher association runs the concession stand at a church bingo night and the proceeds go to support the school, then the sales made at the concession stand will not be taxable.

3. Other Exemptions

Even if the six-day limit is exceeded, sales by a church may not be taxable if the sales fall within another exemption. For example, sales of food are not taxable if the food is sold for consumption off the premises where sold (see Example 3 below).

Some specific examples of applying the sales tax law includes:

1. Church Gift Shops

Sales made by a church gift shop are taxable and the church must collect and remit sales taxes to the state, unless the church makes sales of taxable items only six days or less a year. If the gift shop, or church (if the gift shop is not a separate entity), is required to collect and remit sales taxes, then the gift shop must obtain a vendor's license.

2. School Stores

A school that operates a store where school supplies and logo clothing are sold throughout the school year will be required to obtain a vendor's license and collect tax on those sales. Consideration should be given to assigning responsibility for the school store to one of the school's supporting organizations.

3. Sales of Food

Determining the taxability of food sales requires a careful analysis of the facts of the situation. If the food is sold to be consumed off the premises where sold or if a school booster club is making the sale then the sale will not be taxable. Sales of food to students in a cafeteria will not be taxable, by law, even though consumed on premises.



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Further examples include:

- a church run fish fry or pancake breakfast where the meal is sold and served on the same premises will be taxable unless the church makes taxable sales only six days or less a year.
- concessions sold at an athletic event (other than a school event where sales are being made by a booster club or similar organization) or bingo night will likely be taxable if the expectation is that the concessions will be eaten on the same premises.
- sales at a church bake sale where buyers are expected to take their purchases home will likely not be taxable as they are expected to be eaten off the premises.
- sales of alcohol and soda are not considered food for sales tax purposes and will be taxable even if they are sold to be consumed off premises. For this example, keep in mind the exemption for sales by booster clubs, etc. supporting a school. Taxability would also depend on the number of days per year taxable items are being sold.

The number of potentially taxable items being sold is endless. Diocesan locations do fundraisers selling wrapping paper, magazine subscriptions, candy, etc. The circumstances surrounding the sales of these items, who is responsible for the fundraiser, how many other fundraisers are being done and for how many days, all play a role in determining taxability.

It is important that each Parish (and associated elementary school) and independent elementary or High School undertake planning to determine whether sales being made will be taxable. If you require assistance with this planning, please contact the Diocesan Finance Office.

Vendor's License:

In addition to the requirements regarding collecting and remitting sales taxes, those sellers making taxable sales must also obtain vendor's licenses. If required, the easiest way to obtain a vendor's license is online through the Ohio Business Gateway (<http://business.ohio.gov/>) (the "OBG"). Once a seller has established an account through the OBG, it can then obtain the necessary vendor's license to start collecting and remitting sales taxes. The characteristics of the seller and where the sales made will determine which type of vendor's license is required for collecting and remitting sales taxes.

Reporting and Remitting Sales Taxes:

The frequency and method of reporting and remitting sales taxes will depend on the amount of sales each seller expects to make. Under the Ohio Department of Taxations rules, reporting and remittance of sales taxes may be required monthly or semi-annual basis. All sales taxes may be reported and paid online through the OBG.