

Outside Bank Account Policy and Procedures



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Purpose:

The purpose of the Outside Bank Account Policy and Procedures is to ensure compliance with West Virginia Code §12-2-3 which governs deposits of monies not due the state. These policies and procedures are published to provide a comprehensive guide to state spending units which have established or need to establish bank accounts outside of the state treasury.

Policy:

The State Treasurer's Office (STO) reviews all requests for outside bank accounts from state spending units. Any accounts approved by the STO will be established and maintained in accordance with West Virginia Code §12-2-3. The STO will request various types of information throughout the year to help analyze and review the maintenance of the accounts by the state spending units.

Procedures:

I. What is an outside bank account?

- A. An outside bank account is an account operated by a state spending unit outside of the state treasury. It consists of monies not due the state. The State Treasurer's Office approves and monitors these accounts as set forth in West Virginia Code §12-2-3.
- B. *West Virginia Code §12-2-3. Deposit of moneys not due the state.*
All officials and employees of the state authorized to accept moneys that the state treasurer determines or that this code specifies are not funds due the state pursuant to the provisions of section two of this article shall deposit the moneys, as soon as practicable, in the manner and in the depository specified by the treasurer. The treasurer shall prescribe the forms and procedures for depositing the moneys. A spending unit shall obtain written authorization from the state treasurer before depositing the funds in an account outside the treasury. Upon the treasurer's written revocation of the authorization, the spending unit shall deposit funds deposited in an account outside the treasury in the treasury in the manner and in the depository specified by the treasurer. The treasurer is the final determining authority as to whether these funds are funds due or not due the state pursuant to section two of this article. The treasurer shall on a quarterly basis provide the legislative auditor with a report of all accounts approved by him or her.
- C. There are penalties for opening an outside bank account without prior STO authorization. See West Virginia Code §12-2-6 for more information.

II. Opening an Outside Bank Account

- A. The state spending unit requesting the account must complete the Request to Open an Outside Bank Account form and submit it to the STO.

- B. The STO will approve or deny the request.
- C. If the account is approved, the STO will contact the state spending unit and provide a copy of the approved application form.
- D. The state spending unit will open the account at the approved state depository per the application as “State of West Virginia – spending unit name.”
- E. The state spending unit will provide the account number and copy of the signature cards to the STO.
- F. The state spending unit will begin using their new account.

III. Maintaining Control Over Outside Bank Accounts

- A. At the end of each fiscal year, **as of June 30 and due by July 31**, and at various times determined by the STO, state spending units maintaining outside bank accounts must provide the following information:
 - 1. Bank statements
 - 2. Bank reconciliations
 - 3. Itemized list of outstanding checks; including check number, date the check was written, the amount, and the federal funding percentage.
 - 4. Any other information requested by the STO
- B. All federal grant money must be handled in accordance with the grant requirements and other federal regulations. It is the responsibility of the spending unit to ensure compliance.
- C. All funds in outside bank accounts are subject to the West Virginia Code §36-8-1 *et seq.*, also known as the Uniform Unclaimed Property Act. Any information collected will be made available to the STO Unclaimed Property division to ensure compliance with these reporting requirements.
- D. State spending units should immediately notify the STO in writing of any of the following changes:
 - 1. Change of bank ABA or account number due to bank mergers.
 - 2. Change of any authorized persons on an account along with a copy of updated signature cards.
 - 3. Change of contact information for an account.

4. Any other changes the spending unit feels the STO should be aware of.
- E. State spending units should maintain as much internal control over outside bank accounts as possible. Some internal control suggestions would be:
1. Persons who sign the checks or reconcile the accounts should not have possession of the check book.
 2. Two signatures should be required when possible.
 3. Accounts should be reconciled on a monthly basis.
 4. Reconciliations should be signed by the preparer and reviewer.
 5. Have an independent review or audit performed annually or biannually.

IV. Closing an Outside Bank Account

- A. The state spending unit should make sure all transactions have cleared the account to be closed and ensure the account has a zero balance.
- B. The spending unit will then complete the Request to Close an Outside Bank Account form and forward it to the STO.
- C. The STO will then forward a copy of the request to the bank and verify the account has been closed.
- D. The STO will then forward a copy of the approved close request to the state spending unit for their records.

V. Collateral

- A. The STO monitors the use of outside bank accounts to help ensure all state money at financial institutions are properly collateralized to reduce the state's financial risk. All monies kept in outside bank accounts are collateralized under West Virginia Code §12-1-4.
- B. Financial institutions are required to submit a quarterly report on all state-owned accounts to the STO.
- C. The pledged security must meet certain requirements and it must be approved by the STO.
- D. The value of any pledged security shall be determined by the STO

- E. All pledged securities must be delivered to the safekeeping agent designated by the STO. This is currently BB&T now Truist.
- F. Withdrawal or substitution of any pledged security must be approved by the STO.
- G. The amount of state funds on deposit in excess of the amount insured by an agency of federal government must at least be 102% of the market value of collateral pledged at any time.
- H. The STO reserves the right to require a larger balance of securities to be pledged by any financial institution.