Maintaining Chapter Fiscal Integrity
Implementing Good Financial Practices and Recognizing Red Flags at the Chapter Level

WEBINAR MAY 9, 2019

PRESENTED BY SEAN CARROLL, NIGP CHAPTER AMBASSADOR
Contents

- Financial Management Basics
- Responsibility and Accountability
- Separation of Duties
- Budgeting
- Succession Planning
- NIGP Required Documents and Resources
Financial Management Basics

- Who are we financially?
  - Basic Financial Information
    - Bank Account Numbers, Name, Location, Key Contacts, Signatories, Rules attached to each account
    - Brokerage/Investment Account Numbers, Name, Location, Key Contacts
    - CPA Firm Name, Address, Key Contacts
    - Insurance Coverages, Accounts, Insurers, Key Contacts
    - Law Firm/Internal Auditor Name and Key Contacts
  - Philosophy
    - Why we charge membership or event fees
    - What our policy is on reserves
    - What our goals are for the money we raise and spend - what is the money meant to accomplish
Philosophy becomes policy

The organization may already have financial policies that reflect their philosophy. If there are no policies in place you may need to implement them. If there are policies in place you should review them regularly to make sure they still reflect the organizational philosophy. Some policies may include:

- Check Signing
- Check-Writing Schedules
- Investments and Reserves
- Bookkeeping Codes
- Invoice Preparation
- Dues Billing Schedules
- Credit Card Handling
- Board Reimbursement Policies
- Staff Reimbursement Policies
- Access to Accounts
- Financial Statements Schedule
- Definitions and Terms
- Record Retention Policy
- Budget Process
- Financial Reserve Policy and Goal
- Passwords - Confidential
QUESTIONS?
Responsibility and Accountability

Responsibility is the formal role individuals and groups play in financial management. Accountability is their informal role in being informed and providing oversight, checks and balances.

- **Treasurer** - The treasurer is responsible for the day to day financial management and transactions of the organization. This includes development of and management to the budget. Although many people believe the treasurer is the only role with financial responsibility this is not true.

- **President** - The president is responsible for making sure the right controls are in place to oversee the treasurer and any other organization member who may engage in financial activities, including submitting for reimbursement. The president is also responsible for developing the budget with the treasurer.

- **Board** - The board is responsible for making sure the policies in place are followed, and that they regularly review the financial state of the organization. Approval of the budget and making sure the budget matches the mission.

- **Membership** - The membership is responsible for holding the board accountable to the organization’s philosophy. Is the board spending money to better the organization, etc?
Fundamentals of Strong Financial Chapter management

- Integrity
- Oversight and Controls
- Timeliness
- Planning
- Organization
Integrity

- **Handle money with high standards and set a tone of integrity.**
- Oversight of cash, checks, and deposits is vital.
- It may not be possible to divide up financial duties as part of an internal control system. This may be because of the size of your organization or the geography separating officers.
- Ideally, the person who reconciles bills, including reviewing appropriateness against policy, the person who authorizes payments and the person who has control over the accounts will all be different people. The more overlap there is between these roles, the more oversight you need to reduce risks such as errors, fraud, and theft.
- Example: If the treasurer reconciles the bills as appropriate and pays the bills, there must be oversight by the president or board to authorize the payment.
Oversight and Control

- Develop and enforce strong internal controls and financial management policies
- Ensure accurate and complete financial reporting and proper maintenance of financial records and information/tax returns
- Regularly assess risks and whether and how such risks should be mitigated
- Have the organization’s financials audited whenever required or advisable
<table>
<thead>
<tr>
<th><strong>GENERAL</strong></th>
<th>YES</th>
<th>NO</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there documented procedures for gathering financial</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>information and financial transactions?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has the chapter considered insuring individuals involved</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in recordkeeping and custody of assets?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is a meaningful chart of accounts in use?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are all bills paid by check?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are the journals and general ledger kept up to date and balanced</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>monthly?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are there support documents available for each transaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>recorded in the chapter's books?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are bank reconciliations prepared monthly?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is a balance sheet prepared monthly?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have all relevant federal, state and local tax forms been</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>filed on time?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has the board filed updated bank resolutions with correctly</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>designated check signers?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH RECEIPTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are cash receipts deposited intact and on a timely basis?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Prepare timely financial reports

Timely and reliable financial information is the underpinning of good stewardship and sound financial decision making. Without this information there’s no way to track budget performance.

For small chapters with low cash flow or whose finances revolve around a single event, paper-based record keeping may be acceptable and a simple monthly reconciliation of bank account activity may be enough to form the basis for a summarized quarterly financial report to the board. As the chapter grows, consider a switch to commercial accounting software such as QuickBooks.
Plan and evaluate with a budget:  A budget is a map that shows what you plan to do and how you plan to get there.

It is also a key tool for managing the present financial state. An unexplained variance between a budgeted and actual line item of revenue or expense, for example, may be the first red flag signaling a more serious problem.

Preparing an effective budget starts with estimating what you will need and to provide specific proposals for financing it.

Reviewing last year’s budget is a key part of the process. Cost and revenue estimates need to be reasonable and attainable.

Avoid the temptation to 'wing' estimates or to be overly optimistic about contribution increases. At the same time, don’t oppose all new funding proposals with knee-jerk resistance.
Organization

- **ORGANIZATION**

- **Keep a calendar** of mandatory documents and filing requirements and stick to the schedule. Make sure to account for the time it will take to get all the right signatures if your board is spread out over a large area.

- **Divide and conquer** the accounting so that each step is a smaller easier process.

- Make it **easy to re-create** financial records when things get messed up.

- Make it **easy to trace** the money spent and the money received.

- **Reimburse quickly** - You will quickly lose volunteers if you don’t reimburse them for weeks or months.
What is a Budget

Expressed in financial terms, a budget is a map that shows what you plan to do and how you plan to get there. It's a key tool for getting everyone to agree on what your group will and won't do in the coming year. It is also a critical management tool for the present. An unexplained variance between a budgeted and actual line item of revenue or expense, for example, may be the first red flag signaling a more serious problem.

Fiscal Year or Calendar Year

Cash or Accrual basis

Money that bridges from one year to another

Sample budgets
<table>
<thead>
<tr>
<th>Account</th>
<th>Account Description</th>
<th>Line</th>
<th>Line Description</th>
<th>2015 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Administrative</td>
<td>Dues</td>
<td>101</td>
<td></td>
<td>25,000</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Interest</td>
<td>102</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Miscellaneous</td>
<td>103</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Administrative Income</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>25,100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account</th>
<th>Account Description</th>
<th>Line</th>
<th>Line Description</th>
<th>2015 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Administrative</td>
<td>Equipment</td>
<td>204</td>
<td></td>
<td>1200</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Postage</td>
<td>205</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Supplies</td>
<td>206</td>
<td></td>
<td>400</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Travel Board members</td>
<td>202</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Miscellaneous Expenses</td>
<td>209</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Gifts</td>
<td>210</td>
<td></td>
<td>200</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Insurance</td>
<td>211</td>
<td></td>
<td>1700</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Bank Charges and Fees</td>
<td>212</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Dues/Subscriptions (other than NIGP)</td>
<td>213</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>NIGP</td>
<td>214</td>
<td></td>
<td>13730</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Advertising</td>
<td>215</td>
<td></td>
<td>360</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Board Meetings</td>
<td>217</td>
<td></td>
<td>1200</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Scholarships</td>
<td>220</td>
<td></td>
<td>20,000</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Retreat</td>
<td>221</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>5 Administrative</td>
<td>Professional Fees</td>
<td>222</td>
<td></td>
<td>40110</td>
</tr>
<tr>
<td><strong>Total Administrative Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>89300</strong></td>
</tr>
</tbody>
</table>
QUESTIONS?
Succession Planning

- Chapter financial handbook
- Recruiting the next Financial Managers
- Training the next team and supporting them
NIGP resources

- NIGP has paperwork that is required of all chapters
- NIGP chapters MUST fill out their taxes annually
- NIGP chapters MUST keep their leadership information and organizational rules (bylaws etc) current and on file with NIGP
- Missing these steps could affect your chapter’s status, or even, in the case of taxes, prevent the organization from being able to function at all in the future.
- NIGP has a section of the website dedicated to these forms and processes (screen shots on the next slides) The link is included here. https://www.nigp.org/home/chapters/resources
- Contact Chapter Ambassadors with questions if you need help
- Reach out on Nsite if you have questions or want to see sample policies from other chapters. *Remember – advice from a fellow chapter should not be considered legal advice. Do not substitute Nsite for formal legal counsel*
ANNUAL REPORTING FORMS

Summary of Required Reporting Forms

Due January 31
- Chapter Leadership Reporting Form
- Chapter Member Data Form

Due March 1
- Chapter Financial Form
- Group Exemption Update Form

Due May 16 or November 16
- Email your Chapter's 990 or 990N to chapters@nigp.org

(Due date depends on whether your chapter runs on a calendar or fiscal year)

Due June 30
- Chapter Seminar Agreement
- Upload Chapter Roster
LEGAL AND TAXES

RESOURCE DOCUMENTS

GENERAL DOCUMENTS

- Legal Tax Issues for Non-Profits - Forum 2014 Presentation
- IRS 990-N (e-postcard)
- IRS 990 EZ Form
- Chapter Insurance
- Rules on Fax Transmissions

SAMPLE DOCUMENTS
Contact Information
Sean Carroll
Chief Procurement Officer, New York State Office of General Services
Chapter ambassador, NIGP
sean.carroll@ogs.ny.gov
518-417-6579