

AAUW SAINT GEORGE BRANCH

FINANCIAL CONTROLS POLICIES AND PROCEDURES

AS APPROVED BY THE BOARD OF DIRECTORS AUGUST 2018

Purpose. We are a nonprofit organization committed to protecting and using our assets for our nonprofit mission. Proper financial practices are very important in doing this, since proper practices help to prevent and detect errors and fraud. Good financial practices also assure our donors that we use their gifts for the purposes for which they were intended.

I. GENERAL PRACTICES

Review of Risks. These policies were drafted after consideration of the risks associated with the various aspects of our financial operations to enact policies and procedures designed to minimize those risks. The Board will review these policies each year to consider whether the risks have changed. If so, the Board will identify any new risks and adopt appropriate procedures to minimize those risks. The Board shall consult with a professional if necessary to ensure that it is properly addressing all risks.

Segregation of Roles. There are several fiscal “roles” in our organization—custody, authorization, execution, and monitoring. For example, the person who has authority to sign checks is acting in the custodial role. The person who approves payment of a bill is authorizing. The Board as a whole acts in an authorizing role when it approves the annual budget. The person who prepares the checks for signature by an authorized check signer is acting in the execution role, executing an action that has been authorized by the Board through the annual budget or by the individual responsible for approving payment of the bill. The person who reconciles the bank statement acts in the monitoring role. The Board also acts in a monitoring role when it reviews the monthly financial reports to be sure that its plan—the budget—is being executed properly. As much as possible, the Board seeks to separate the responsibilities for fiscal roles so that at least two individuals fulfill these roles. It is particularly important that the same person does not authorize, execute and monitor any transaction without proper oversight.

II. RECEIPT OF FUNDS

RISKS

Our organization faces the risk that funds that we receive may be stolen or lost or that someone may be falsely accused of stealing funds. We also face the risk that we may fail to record a restriction that a donor has placed on our use of funds.

POLICY

All funds, whether cash or check, which we receive will be deposited intact into the bank account, with no monies removed to make payments or for other purposes. All cash receipts should be deposited into the bank as soon as possible. This allows for a complete accounting and independent

verification of what happens to our funds. Written communications from a donor establishing restrictions on the use of their donations will be respected to the extent possible.

PROCEDURES

1. *Receipt of Checks in the Mail.* The President or a board member assigned by the President opens all mail addressed to the organization.
 - The person who opens the mail transmits copies of all checks received to First Finance Vice-President. If the First Finance Vice-President opens the mail, she shall transmit copies of the checks to the Second Finance Vice President. This allows both Finance Vice-Presidents to verify that all checks received are deposited.
 - The originals of the checks to be deposited shall be given to the Second Finance Vice President to be deposited. If the Second Finance Vice-President is not available to deposit the checks, the President shall deposit the checks. If the President is not available to deposit the checks, the First Finance Vice-President may deposit the checks, but must send copies of the deposit slip and receipt to the Second Finance Vice President.

The Second Finance Vice-President will endorse all checks by an endorsement stamp that provides that the check is “For Deposit Only” and lists the organization’s name. This lessens the risk that a check may be stolen and cashed.

2. *Receipt of Cash.* Cash is easily stolen and must be handled carefully. If cash comes in, the person accepting the cash must provide a written receipt when taking the cash:
 - The receipt should state the person’s name and address, the date, the amount of the cash and the purpose of the payment.
 - Use a pre-numbered receipt book with an automatic duplicate copy with the organization’s name printed on it.
 - No pages may be removed from the receipt book.
 - The person with access to the receipt book shall keep it and the cash in a secure location until either the President or a Finance Vice President can retrieve it.
 - If possible, when the President or a Finance Vice-President is given the cash, at least one other Board member shall be present so that they can count the cash together. Both parties shall sign the receipt book. The cash will be placed in a sealed envelope. The amount of cash received is written on outside of the envelope, which is then signed by both parties. The cash in the envelope will then be deposited by both parties, the Second Finance Vice-President or by the President.

The receipt book shall be given to the First Finance Vice-President within 3 days after cash is deposited so that she can compare the receipt book and the bank’s list of cash deposits when making the Bank Reconciliation described below.

3. *Deposit Slips.* The Second Finance Vice-President will deposit the organization’s funds as follows:

- Prepare a deposit slip.
- Transmit copies of the checks deposited, the deposit slip and the bank receipt for the deposit to the First Finance Vice President.
- If cash will be included in the deposit, the Second Finance Vice-President will attach a list to the deposit ticket transmitted to the First Finance Vice-President which includes the sources of the cash and the receipt #s in the duplicate receipt book for each source of cash.

The First Finance Vice-President will consult the deposit ticket and attached photocopies when making the Bank Reconciliation described below.

4. *Bank Deposit.* If no cash is present, the deposit may be mailed to the bank. If cash is present, a second person (if available) shall verify deposited funds prior to the Second Finance Vice President sealing the envelope and making the deposit in person. The person verifying the cash shall initial the cash on the copy of the deposit slip retained by the organization.
5. *Receipt of Checks and Cash In Person.* If checks and/or cash come in other than through the mail (such as at a fundraising event), we need to take special precautions to protect these receipts from theft and to ensure that no one is falsely accused of stealing funds.

- Two people need to prepare the deposit slip for the funds.
- Both must count the cash and initial the cash count on the deposit slip.
- If the individuals accepting the contributions at the event know the names of the individuals making gifts in cash, they will provide a receipt using the pre-numbered receipt book. If the funds are received through a “pass the hat” style collection in which it is not possible to know who gave what amount, the individuals accepting the contributions will note that no receipts were provided to donors on the deposit slip.
- It is not necessary to write out a receipt for contributions made by check unless the donor requests a receipt. However, the individuals accepting the contributions should make a list of all checks received at the event, including the name and address of the donor and the amount of the contribution. They will compare this list to the deposit to be sure all checks have been included in the deposit. Copies of the checks received and the deposit slip shall be transmitted to the First Finance Vice-President.
- If no cash is received at the event, the individuals accepting the contributions by check will give the Second Finance Vice-President the list and the checks within three days of the event.

If there is cash in the deposit, one of the two individuals accepting contributions must deposit the funds as soon as reasonably possible. If checks will be deposited with the cash, the individuals accepting the checks should be sure that the list of checks they prepare includes the donor’s address as well as name.

- The a photocopy of the relevant pages of the duplicate receipt book and the list of checks received shall be given to a Board Member designated by the President. The Board Member designated by the President will send acknowledgement letters.

6. *Credit Card Contributions.*

All credit card contributions are currently reflected on the organization's PayPal account. The First Finance Vice-President shall reconcile, initial and place copies of the monthly PayPal statements on a Board approved online repository such as Dropbox.

7. *Acknowledging Donations.* While IRS rules require that we acknowledge all donations that are more than \$ 250, our policy is to provide written acknowledgement for every gift we receive. The Vice President(s) of Resource Development shall respond to each donation with a letter thanking the donor for their generosity:

- If the gift was cash the letter should include the amount of the gift and state that the gift was cash.

If the gift was donated property of some kind, the letter does not need to and should not value the property. If the donor did receive something of value in return, the letter must contain a description of the donation and a good faith estimate of the value of what we gave back to the donor.

The letter should include the statement: "Thank you for your contribution of \$_____, received on _____, 20___. [PICK ONE: "No goods or services were provided in exchange for your contribution" or "In exchange for your contribution, we gave you _____ whose fair market value was \$_____."]

In addition to thanking our donors and providing documentation the donor needs to deduct the contribution, the acknowledgment letter may alert donors whose amount is misstated to contact us to correct the error. Additionally, our records of the letters we send will help us keep an up-to-date record of how to contact all our donors.

III. DISBURSEMENT OF FUNDS/USE OF CORPORATE PROPERTY

A. PAYMENTS BY CHECK

RISKS

We face the risks that that our funds will be spent on unauthorized items, that someone will steal our funds by taking blank checks or by writing checks to payees who are not our vendors, that someone will use corporate property for personal purposes or that payments we make will be improperly recorded.

POLICY

Make all disbursements from the organization's funds by check, with the exception of expenses authorized by the President to be paid by ACH or with the organization's credit or debit card. This allows us to track how our funds are spent, who is spending them and who is authorizing expenditures.

PROCEDURES

1. *Opening Bank Accounts.* Bank accounts may be opened only upon authorization by the Board of Directors.
 - All bank accounts must be opened with the organization's employer identification number (EIN).
 - The Board shall approve the authorized signers on the organization's bank accounts.
2. *Custody of Checks.* The authorized signers on the bank account are the only persons who are authorized to have access to unused check stock. Checks should be stored in a secure location and information about how to access them should be kept confidential from everyone but the President.
3. *Payment Authorization Form.* All invoices will be forwarded immediately to the President and both of the Finance Vice Presidents for review.
 - The President with the help of the Finance Vice-Presidents will review all invoices for mathematical accuracy, agreement with a written invoice, conformity to budget or Board authorization and compliance with grant fund requirements.
 - The Payment Authorization Form should be signed by two of the following three people: the President, the President -Elect, the Second Finance Vice-President.
4. *Expenses Not Invoiced.* In some cases, expenses may not be invoiced, such as monthly website maintenance payments. When such expenses are due, the First Finance Vice-President needs to ensure that the expense is in the budget and that there is a properly signed Payment Authorization Form for the payment of the expense. If possible, the First Finance Vice-President should obtain a receipt for the payment.
5. *Payment by Check.* Once the Payment Authorization Form is signed the Second Vice-President of Finance is authorized to prepare all checks and should do so.
6. *Duties of Check Signers.* All checks will be signed by the signers designated by the Board of Directors. Prior to signing a check, a check signer will do the following:
 - Compare the check to the original invoice and the signed Payment Authorization Form.
 - Check to be sure that the amount of the check is not clearly unreasonable. For example, a \$30,000 monthly payment for bookkeeping services would be unreasonable for most small nonprofits.
 - Because the First Finance Vice-President prepares bank reconciliations, she must obtain a second authorized signature on any check she signs for the organization.
 - Checks in excess of \$ 500 require two signers
7. *Prohibited Practices.* In no event will:

- invoices be paid unless there is a properly signed Payment Authorization Form
- blank checks be signed in advance;
- checks be made out to “cash,” “bearer,” etc.

Each check signer will be made aware that signing blank checks exposes our organization to theft since the bank is entitled to charge our account for any check that has a valid signature. A signed blank check is an invitation to theft.

8. *On-line Payments.* If we make online payments, we will make arrangements with the bank that allow the President and the Second Vice-President of Finance to have online, read-only access to the account. We will also arrange with the bank to be sure that only the individuals the board has authorized as check signers will be permitted to authorize the payment of bills electronically. In addition to the monthly reconciliation, the First Finance Vice-President will periodically spot-check the account to compare the bank automatic payments with the vendor statements.

B. EXPENSE REIMBURSEMENT

RISK

The organization does not have the same level of control over expenses incurred on behalf of the organization by those who pay with personal funds and seek reimbursement as it does for expenses paid directly by the corporation. The corporation is not in as good a position to determine whether the good or service purchased might have been obtained at a lower price elsewhere, whether there is a personal benefit to the person seeking reimbursement and how the expenditure fits in with the rest of the organization’s budget.

POLICY

In proper circumstances, Board members and volunteers are entitled to be reimbursed for expenses related to the organization that they incurred on behalf of the organization. To receive reimbursement, you must meet the following requirements:

- Your expense must have been authorized in advance by the Board or by the President or later approved by the Board or both the President and the Second Vice-President.
- Your expense must have been incurred for goods or services purchased for the organization.

If your expense is for travel, the travel must be for work related to the organization. We will reimburse no more than the standard mileage rate for business use of a car as established by the IRS. The organization will reimburse meal expenses incurred in direct connection with the organization’s business, or at the per diem rate established by the IRS.

PROCEDURES

To be reimbursed for expenses:

1. *Documentation.* You must prepare and submit a Payment Authorization Form and submit it for payment using the procedures set out in No. 3 of Section A above for Payment Authorization Forms. Proper receipts must be attached to the form. Credit card receipts and store receipts that do not describe the purchase are not reasonable documentation. Your receipt must describe the purchase.
2. *Other Reimbursement.* Your Expense Authorization Form must reflect reimbursement from any other sources.
3. *Timely Submission.* You must submit your documentation with a request for payment within 60 days from the date the expense was incurred.
4. *Overpayment.* If we overpay you, you must return any excess reimbursement within a reasonable period of time.

D. PURCHASING

RISK

The organization needs to ensure that all purchases on its behalf are authorized by the Board or by Board policies. Unauthorized purchases deplete our resources and interfere with the Board's ability to govern properly.

POLICY

All purchases made on behalf of the organization must be made pursuant to the Board-approved budget or Board rules.

PROCEDURES

A properly executed Purchase Authorization Form must be obtained before making a purchase on behalf of the organization which conforms to the Board's budget. The Board must authorize any purchase which does not conform to the Board's budget.

E. USE OF CORPORATE PROPERTY

RISKS

The organization faces a risk that individuals will use the organization's property without authorization for personal purposes. Usage reduces the life of property and eventually is an expense that we assume. It also betrays the trust of our donors who expect that we will use our resources only for purposes that help us achieve our mission.

POLICY

Property and equipment owned by the organization may only be used for the organization's activities or activities approved by the Board. They may not be used for personal purposes.

PROCEDURES

If a Board member, officer, or member wants to use the organization's property or equipment for any purpose other than a purpose of the organization, that individual must first obtain permission from the Board of Directors.

IV. CREATION OF OBLIGATIONS

RISKS

We need to ensure that any obligation undertaken in the organization's name is authorized by the Board and is for an organizational and not a personal purpose.

POLICY

No obligation may be undertaken without the written authorization of the Board after full disclosure of the nature and purpose of the obligation.

PROCEDURES

Anyone requesting that an obligation be undertaken in the name of the organization must make a written request to the Board which includes the full details of the requested obligation and the statement that there is no personal purpose for the undertaking or gain to a member or any other person by reason of the undertaking of the obligation. If the Board agrees to the undertaking, a specific written document detailing the undertaking, the reasons for the undertaking, the expected duration of the undertaking, and any specific restrictions or other relevant information with respect to the undertaking. The document must be signed by the President and at least two other Board members.

A. CREDIT AND DEBIT CARDS

RISKS

Organization credit or debit cards can be misused when people charge personal expenses on them, fail to obtain documentation showing that a purchase was for the organization or put expenses on the organization card for purchases that are embarrassing to the organization.

POLICY

The organization shall have no debt cards. The organization may have one or more credit cards, as authorized by the Board. , The Board will authorize specific individuals to utilize an organization credit card. An organization cardholder may use the credit card only for official purposes directly related to the needs of the organization. The cardholder may not use an organization credit card for personal purposes, even if he or she plans to reimburse the organization. A credit card holder must still complete and obtain a properly signed Payment Authorization Form for expenses.

The following purchases are not allowed on an organization credit card:

- Personal purchases
- Cash advances or loans
- Payroll advances
- Purchased for other organizations
- Personal entertainment
- Fuel for personal vehicles
- Purchases from a business you own or operate unless pre-approved by the Board
- Any item inconsistent with the mission and values of the organization

PROCEDURES

In order to use the card, the cardholder must follow these procedures:

1. *Cardholder Agreement.* Upon issuing an organization card to a cardholder, the cardholder must sign a statement that the cardholder has read and understands this Credit Card policy and will reimburse the organization for any personal charges on the card.
2. *Advance Approval.* The cardholder must obtain a properly signed Payment Authorization Form prior to using the card to make the purchase. If the cardholder is not able to ascertain the exact amount of the purchase prior to obtaining the Payment Authorization Form, she must provide an estimate on the form with an upper limit on the amount authorized.
3. *Original Receipts.* The cardholder must keep the original receipt that describes each purchase made on the card. The credit card receipt alone is not sufficient.

4. *Notification of Use of the Credit Card.* The cardholder will email the President and the First Finance Vice-President after each use of the credit card noting the date, vendor, and amount of each charge made. The cardholder will also transmit a copy of the receipt for the purchase to the President and the First Finance Vice-President. This is will allow the First Finance Vice-President to be aware of the cash that will be required to pay the credit card bill and alert the President to potential unnecessary use of the credit card.

5 *Notification of Loss/Theft.* The cardholder must notify the bank and the organization immediately in the event that the card is lost or stolen.

V. BANK RECONCILIATION AND ON-LINE MONITORING

RISKS

Even the most honest and attentive individual makes mistakes. Monitoring allows us to uncover errors. If our records and the bank records do not agree, it is likely that our records are wrong. Monitoring also assists us in identifying discrepancies between our accounting records and our banking records that suggest theft or fraud, checks signed by unauthorized signers, and identity theft. No payment will be made without a properly signed Payment Authorization Form..

POLICY

The First Finance Vice-President will monitor the organization's accounts regularly and will prepare a monthly written reconciliation of all bank or investment accounts.

PROCEDURES

1. *Records to First Finance Vice-President .* The Second Finance Vice-President shall provide _the First Finance Vice-President with a copy of all records of deposits, disbursements (checks written), debit card receipts, credit card receipts and other similar transactions for review.
2. *Reconciliation.* The First Finance Vice-President will reconcile the bank statement monthly. The reconciliation should be done within 15 days of receiving the statement, as follows:
 - Review the checks in the bank records to ensure that:
 - the name of the payee, the amount of the check and the date of the check agree with the corporation's accounting records;
 - whoever the check was made out to was the depositor of the check; and
 - each check is properly signed.

- Compare the bank deposit records with our accounting records to determine whether each deposit recorded in the accounting records agrees with the bank record.
 - Check the cash entries in the receipt book against the bank record of deposits to ensure that all cash was deposited.
 - Check whether the ending balance in the general ledger cash account agrees with the bank statement, after making the adjustments on the bank reconciliation form.
 - List all outstanding checks. On all checks outstanding over 90 days, take appropriate action.
 - List all deposits in accounting records not yet recorded by the bank.
 - The First Finance Vice-President shall initial the reconciled bank statements and email or give them to the President for approval. The President will sign the reconciled bank statements and will return them to the First Finance Vice-President for placement in a Board approved online repository, such as Dropbox.
3. *On-Line Banking.* Both the President and the Second Finance Vice-President should have on-line, read-only access to the bank accounts. The First Finance Vice-President can reconcile the bank statements and spot-check the on-line payments as described above.

VI

GENERAL

1. *President Unavailable.* If the President is unavailable to sign something required by this Financial Policies and Procedures document she may give written authorization for the President Elect to sign it for her, which authorization may be provided in person, sent through the mail, or provided via email.
2. *First and Second Finance Vice-President.* The term First Finance Vice-President refers to the senior co financial officer. The term Second Finance Vice-President refers to the other co financial officer.