

The Misericordia University Internal Controls and Federal Tax Exemption Basics for All Volunteer Organizations Resource Manual

A nonprofit organization typically obtains financial resources from a variety of sources to carry out the purpose for which it exists. If those financial resources disappear through even honest mistakes let alone purposeful misuse, everyone suffers. When an officer or member steals from the organization he or she swore to serve, would-be volunteers steer clear of it; donations decline; services are negatively affected, and, in worst-case scenarios, sometimes it is shuttered. It goes beyond the person, the organization, and people who benefit from the organization. It hurts all nonprofits because of the violation of trust.

All Volunteer Organizations (AVOs), in particular, suffer the most as nearly all do not have paid staff to oversee bookkeeping and day-to-day operations, and therefore are reliant upon people from the community who may or may not possess the particular skill set needed to monitor operations.

Steps can be taken by volunteer fire companies, churches, parent-teacher organizations, youth athletic leagues, student clubs, and other nonprofit entities to mitigate their risk of errors and exposure to the theft of funds and/or services. Any lack of oversight is not fair to the organization, the community members it serves and, actually even the person who has volunteered to be the sole guardian of the organization's money. It is vitally important for nonprofits – no matter the size – to implement some simple internal controls.

What you will find inside:

The faculty and the students of the Business Department at Misericordia have put together this resource entitled the ***Misericordia University Internal Controls and Federal Tax Exemption Basics for All-Volunteer Organizations Resource Manual***. As much as possible, the information, guidelines and recommendations contained in this resource are provided and explained in language designed for those with little or no background in accounting or finance. Examples and templates are included where appropriate. You will find information on how to access additional resources available on the Web and in print.

The first section of the Resource Manual is entitled *Basic Internal Controls that every All Volunteer Organization should have*. The controls covered in this section represent the bare minimum that an organization should strive to implement and maintain. Many of these are general in nature and encompass the entity as a whole, such as having more than one person involved in any activity that involves cash, other assets and debts. There is also disclosure of simple controls specific to particular activities, such as collecting cash. In most cases, expansion of what can be done to provide additional checks and balances will be available in later sections of the resource and links to

those will be embedded in this first section. This first section on basic internal controls represents a manageable starting point for any organization no matter how small or large. Please read the *Basics* section first, *Basic Internal Controls that every All Volunteer Organization should have*, starting on page 4.

The other sections and subsections of this Resource Manual delve more deeply into specific internal controls for particular activities. They are as follows:

Cash and Bank Accounts – page 7

- *Collecting and depositing cash* – page 8
- *Payments made by check and cash* – pages 10 & 11
- *Bank accounts* – page 12
 - *Bank account reconciliation* – pages 13 to 15

Internal reporting – page 16

- *The treasurer's report* – page 16
- *Other internal reports* – page 17

External Reporting (Currently not available due to being updated to include new government publications and regulations- Check back again soon.)

- Internal Revenue Service
- States and municipalities

Event Management- pages 18 & 19

Tax Exempt Status (Currently not available due to being updated to include new government publications and regulations- Check back again soon.)

- Incorporating as a nonprofit
- Registering as a charitable organization
- Applying to the IRS for tax-exempt status

Audits (Currently under development, check back again soon.)

Note: This site is intended for the use of All Volunteer Organizations (AVOs) that have no employees and typically have no physical office space available for exclusive use. The controls recommended have been designed for AVOs and in some cases would not be appropriate for larger nonprofit organizations. It is strongly recommended all nonprofits in Pennsylvania consider joining the [Pennsylvania Association of Nonprofit Organizations \(PANO\)](#) that makes available to its

members numerous excellent resources and training. The cost of membership in PANO is determined on a sliding scale based upon the size of the organization.

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Basic Internal Controls that every All Volunteer Organization (AVO) Should Have

Establish Joint Responsibility: More than one person should be involved in every activity and transaction that involves cash, other AVO assets, and liabilities/debts. This can be accomplished in a variety of ways based upon the specific activity or transaction and the officers and volunteers available to help. This will typically entail a modest level of extra effort and/or inconvenience but the commitment is almost always worth the increased prevention of honest errors and deliberate abuse that can damage the organization, its officers/members/volunteers, its benefactors, the beneficiaries, its work and the community it serves. Be creative to reduce the burden; there are many ways to implement this basic control with little imposition and recommendations on specific activities and transactions are included in relevant sections of this resource.

Adopt and Publish the Rules: Written policies and procedures for the AVO should be developed and made readily available to all officers, members and volunteers. In addition, responsibilities and specific levels of authority and authorization for everyone involved should be defined to which all must adhere. New officers, members and volunteers should be informed of all policies, procedures and limits of authority by providing and explaining the written documents as soon as possible after they join the work of the AVO. All internal controls, such as the ones found in this resource that have been adopted should be included in the written policies and procedures of the AVO.

Live by a Budget: The AVO should adopt an annual budget. The treasurer should include in his or her monthly report to the board how much has been collected or earned toward budgeted receipts and revenues along with how much has been spent or committed to be spent toward each budgeted expense. At the end of the year, a final tally of budget versus actual should be produced and presented to the board at the first board meeting of the next year.

Require a Treasurer's Report at every Meeting: The Treasurer should provide a written report to the secretary for the minutes at each board meeting. The report should be read to all in attendance and if someone wants a written copy arrangements should be made to provide it. The report should include at minimum: year-to-date receipts/revenues and payments/expenses compared to budgeted amounts; the balances in all bank accounts; the balance of cash on hand; and any bills that have been received but not yet paid. In essence, the format of the report should communicate the year-to-date profit and loss of the AVO in addition to the receipts and disbursements since the previous treasurer's report, not just the latter.

Prepare Monthly Bank Reconciliations: A monthly bank reconciliation on each bank account ***should be prepared by someone other than the treasurer, anyone who handles cash receipts and bank deposits (if different from treasurer) and anyone who pays bills by writing checks (if different from treasurer).*** This could possibly be another officer or a volunteer. The Treasurer should provide transaction details (deposits & checks) to the person who will reconcile the account and the bank statement should be mailed by the bank directly to the person who will

prepare the reconciliation (or that person should have electronic access to the bank statement). The person who reconciles the account should report on the most recent reconciliation at each board meeting. An explanation of how to prepare a bank reconciliation and a template to do so are included in the section of this resource entitled *Bank Account Reconciliations*.

Have the Financial Records Audited: Audits by Certified Public Accountants are expensive and most AVOs will not have the resources to afford an audit by a CPA. However, this is one of the best protections against undiscovered honest errors and deliberate misuse of AVO resources and if at all possible an audit by a CPA should be arranged. In a case where an audit by a CPA is not feasible, the AVO should have a yearly internal audit done by a small group of members or volunteers (a two- or three-person audit committee) of the AVO who are not officers and do not have any significant responsibilities for handling cash, other assets, liabilities, making payments or deposits, etc. Recommendations on how to perform an internal audit are included in section *Audits* of this resource. Sometimes an AVO cannot afford an annual audit by a CPA but can manage to pay for one every few years (for example, every third year). If this is possible the AVO can combine both approaches to audits, an independent audit by a CPA every few years and internal audits by an audit committee in the intervening years. If and whenever a CPA audit is performed, the CPA should report the results to the audit committee who can then inform the board of the findings.

The Treasurer should not have Conflicting Authority: The Treasurer of an AVO should never at the same time hold another office (such as President) of the board, even temporarily.

Rotate the Treasurer Responsibility: If at all possible, the Treasurer should have a term limit of no longer than three years and, if reelected, should have at least a two-year period between terms.

Never have only one Person Count Cash: All cash receipts should be immediately counted in presence of at least two people and the tally should be signed by all present. Cash should be deposited in a bank account as soon as possible.

Have Mail Opened by Two People: If at all possible, all mail to the AVO should be opened in the presence of two or more people. This is quite often difficult but should be seriously considered if donations or other receipts are routinely received by mail.

Endorse all Checks upon Receipt: All checks received should immediately be endorsed on the back "For Deposit Only" to the AVO name with the bank account number of the AVO.

Make all Payments by Check: All payments made by the AVO should be by check. Never pay bills with cash taken out of the receipts of an event.

Require Two Signatures on Checks: Checks should require the signatures of two officers. This may not always be practical but should be the case as much as possible. In order to handle smaller

expenditures a checking account with a small balance that is never exceeded can be established where only one signature is needed. Also, a small petty cash fund can be utilized. The policies, procedures and processes for single-signature checking accounts and petty cash accounts are presented in the *Payments Made by Check and Cash* section of this resource.

Avoid the use of Credit and Debit Cards: The use of credit/debit cards is rife with the potential for abuse. If at all possible, the issue of credit cards for use by an AVO should be avoided. If there is an unavoidable need for the issuance and use of a credit card, a provider (bank/credit card company) should be secured that will send an email notice to an AVO member who does not have access to the card when: a transaction in an amount above a prescribed limit has occurred; a number of transactions in a day exceeds a prescribed number; and unusual transactions (for example, payments to a clothing store) have occurred. Monthly statements should be sent to someone without access to the card and should be reconciled just like bank statements.

Two Rules of Internal Controls that Help: Each AVO is unique in one or more ways. This resource will not be able to address every situation and circumstance that may be a part of the activities and operations of an AVO. Therefore, in conclusion to this list of basic controls that every AVO should have, it is suggested that the leaders of an organization adopt as a mindset two general rules of internal control used by accountants and auditors that can guide the development of checks and balances in unique situations.

- **Segregation of Duties** – This is a variation of the "more than one person should be involved in every transaction" basic control described earlier in this section. This states that the recording of the transaction (typically the Treasurer) should be separate from the authorization for the transaction (typically the President or a committee of the AVO) and both should be, if possible, separate from the handling of the transaction itself (typically a volunteer or group of volunteers).
- **Safeguarding of Physical Assets** – Typically this means limiting access to assets so that only authorized individuals have access for only those responsibilities specifically approved for them per AVO policies. Examples would include: keeping the checkbook and blank checks locked up; keeping the keys to vehicles, buildings and rooms under specific control; keeping credit/debit cards in the hands of only those who are authorized to use them and preferably locked up when not in use; and keeping titles to vehicles, buildings and similar assets locked up.

Internal Controls for Cash and Bank Accounts

Cash in the form of currency and coin represents the most vulnerable of resources available to an AVO in carrying out its mission and purpose. There does not have to be intentional actions in order for the AVO to suffer losses of cash; honest individuals make mistakes, poor recordkeeping and documentation lead to cash unaccounted for, and the lack of strict procedures to keep AVO cash separate from other cash (volunteers' personal cash) risks losses. Of course, though, unfortunately sometimes easy access to cash is just too much of a temptation for some individuals.

Money received into an AVO in the form of checks, while less prone to loss through honest mistakes, and safer than currency, is still subject to the risk of loss by individuals intent on relieving the AVO of some of its money.

Access to the funds the AVO has in the bank can be had through using AVO checks and AVO credit/debit cards. Controls to prevent inappropriate use of these are critical and procedures to detect errors (so that they can be corrected) or abuses (so that they can be stopped) as quickly as possible need to be designed carefully and implemented without fail. While corporations, larger non-profits, and even small businesses, having the advantage of employees and stable physical locations, can create strong internal controls over cash on hand and cash in the bank, AVOs have no employees and typically no designated physical location. Recommended controls in this resource to protect cash have been specifically designed for an AVO with no employees and no dedicated physical location and would not be appropriate for nonprofit organizations with employees and/or an office location.

Collecting and Depositing Cash

Money Received through the Mail:

-Stress with those who make donations, pay membership fees, or any other payments to the AVO that they should send only checks or money orders payable to the exact name of the organization. This should be a prominent statement in all materials and communications.

-Use a post office box as the address for the organization. Provide keys to only a limited number of people (preferably only two) who can pick up the mail on a regular basis.

-The person who picks up the mail from the P.O. Box should not open it but instead keep a tally of how many pieces of mail have been picked up.

-The mail is taken to a person designated in the AVO's policies and procedures (a strong control would be that it would not be the Treasurer, if practical). The two should open the mail together and complete a list of what is received. (If the mail can only be opened by the second person, the tally by the first person becomes the compensating control as will be evident in a later step in the process.) All checks are immediately endorsed for deposit only to the AVO. A list of the mail handled including the checks and any money received is completed as the mail is opened. It can be as simple as the example listing that can be found in Appendix A.

-The checks and money (not the list) is then delivered to the Treasurer for recording, preparation of a deposit slip in duplicate, and deposited in the bank. Other mail that did not contain money is delivered to the appropriate person in the AVO.

-The tally of the number of pieces of mail picked up by the first person, the listing of mail opened and the deposit slip are all turned over to the person who will prepare the bank reconciliation (see *Bank Account Reconciliations*) to ensure that all match and mail is accounted for.

Money Received by Hand Delivery:

Admittedly, this is very difficult to track and control. The AVO should specify in its policies and procedures that all money received by any officer, member or volunteer should immediately be turned over to a designated person, typically the Treasurer. The AVO should adopt and make known to all that every person who donates or pays money to the AVO will receive a receipt and that such receipt will only be issued by the Treasurer, no one else.

Money Received for Food or Merchandise at an Event:

Very often AVOs will have food and merchandise stands or booths at events. The key controls are to have more than one person involved at all times, to count starting and ending cash on hand in the presence of two people, to safeguard all cash while at the stand and in transit in the most secure manner available (lockbox or safe), and to immediately deposit the receipts in the bank. See recommended internal control procedures for events in the section of this resource entitled *Event Management*. **The following are actual procedures for handling cash receipts followed by a youth athletic AVO in Northeastern Pennsylvania (Courtesy of Linda Murphy, Misericordia Accounting Major):**

- **Registration Fees:** Before the season starts the youth athletic organization has several open registration sessions in which board members and volunteers collect necessary documents and fees. All fees collected at each meeting are logged and counted by at least two people with one being a board member. The money is then turned over to the treasurer to be deposited in the bank. The log for all registrants reflecting the total collected is attached to the bank deposit slip and the amount is recorded in the bank ledger.
- **Fundraiser conducted through the mail:** A significant fund raiser is soliciting for team sponsors and advertising on the field. These receipts are opened at a board meeting, logged into a spreadsheet, verified by two individuals, and deposited in the bank.
- **Receipts at sporting events:** It is impossible for a board member to be present at all games as they go on everyday for six to ten hours. The AVO relies heavily on volunteers to work the snack stand which includes paying the referees. All referee fees in sealed envelopes are provided to the volunteers working the stand by the treasurer. The envelopes are marked according to the specific game date and time and kept at the snack stand on a daily basis. At the start of the day, two volunteers must verify the starting cash drawer and sign off on a daily sheet. All sales are recorded in a cash register to keep track of sales and control inventory. At the end of their shift, two volunteers must count the drawer back to the starting point, put all proceeds in the shift envelope, and drop it in a safe.
 - Board members take turns emptying the safe each day, closing out the register, and counting the receipts with a second board member or volunteer present. The funds are deposited and logged in the ledger with the deposit slip being attached to the daily report.

Payments made by Check and Cash

As stated in the *Basic Controls* section, the best system involves making all payments by checks that requires two signatures.

All large commitment of funds (anything above a pre-designated dollar amount per the established policies and procedures of the AVO) should be approved in advance by the full board at a board meeting. Other smaller payments and purchases can be made prior to board approval by the designated co-signers of checks. All payments should be listed in the Treasurer's Report that is submitted for approval at each board meeting.

All payments to vendors should be made based only on invoices or bills, not monthly statements. The co-signers of the check should sign it only after matching the invoice/bill to the check amount, verifying correct payee is listed on the check and confirmation by an officer, member or volunteer that goods or services have been received in good order.

- If it is impractical to pay small amounts by getting the signatures of two people, consider two alternatives: A second checking account can be established that requires only one signature, has a present maximum balance (such as \$200 or \$500) and has printed on the checks: "This check is not valid for amounts over \$200." The designated person who makes small payments with this account keeps receipts for what he or she has spent. At a board meeting, or before if the balance in the account gets too low, he or she compiles all the receipts and submits them as evidence for the issuance of a check from the main two-signature bank account to deposit back into the small single-signature account that will bring the balance of the account back up to its preset maximum (again, such as \$200 or \$500).
- A lockable petty cash box that contains a preset amount of currency and coin (such as \$100) can be given to a designated officer, member or volunteer who uses the cash from the box to pay for small purchases and puts in the box receipts/bills for anything paid out of it. At any point in time the cash left in the box and the receipts/bills should total the preset amount (such as \$100). At a board meeting, or before if the balance in the account gets too low, he or she compiles all the receipts and submits them as evidence for the issuance of a check from the main two-signature bank account to the petty cash person who can then cash the check and put the cash back into the box to bring the total currency and coin back up to its full preset amount (such as \$100).

Never pay for items out of the cash taken in at a food/merchandise stand. Always pay bills using a checking account or the petty cash box.

Never sign blank checks.

Never make checks out to cash.

Keep unused checks under lock and key.

Keep cash on hand under lock and key.

Account for any voided checks. These should be given to the person preparing the bank reconciliation.

The following are actual procedures for handling purchases/payments followed by a youth athletic AVO in Northeastern Pennsylvania (Courtesy of Linda Murphy, Misericordia Accounting Major):

In preparation for the season opening the AVO needs to issue checks for the uniforms, equipment, and signage. The bills are reviewed and approved by all board members with the checks requiring two signors. To supply the snack stand, checks are issued after the invoices are reviewed and approved. All snack stand replenishment invoices and utility bills are reviewed and approved by the board and checks are issued with two signatures.

Bank Accounts

All money collected and all payments made should go through a checking account. This provides a separate duplicate set of records maintained by an independent bank for the AVO as a back up to the records kept by the treasurer.

Any decision to open new accounts or investment (interest-bearing savings, certificates of deposit, brokerage/mutual fund accounts, etc.) should be approved by the full board at a board meeting. Part of the approval process should be the specification of responsible officers with regard to access and decision-making power over the new account(s).

Signature cards should be updated immediately whenever signatories change.

The supply of unused checks should be given immediately to the new officer responsible for checks when responsibilities change. The new custodian of checks needs to ensure all unused checks are accounted for.

It is at the time that new officers are chosen and responsibilities change that mistakes and unfortunate discrepancies are more likely to occur so the immediate reconciling of accounts and frequent monitoring of activity during this time is recommended.

Bank Reconciliations

The purpose of a bank reconciliation is to account and adjust for any differences between the financial records of checking account transactions kept for a month by the treasurer of an AVO and the transactions recording by the bank for the checking account. There will almost always be differences. Without tracking down those differences to know exactly what they are, the leaders of an AVO will never have confidence that they have control of exactly where the AVO stands with its cash resources. Contrary to popular belief by individuals with their own personal checking accounts, bank reconciliations are not difficult to complete if they are done on a monthly basis and the differences are nailed down month by month.

However, the real reason that the topic of a bank reconciliation is included in a resource on internal controls for AVOs isn't that it represents basic good accounting and bookkeeping, which it definitely does. The reason that it is so important for AVOs is that the preparation of a monthly bank reconciliation by a person who does not handle the day to day management of a checking account represents the single most important control in protection of the most vulnerable resource of an AVO, its cash. Bank reconciliations need to be prepared monthly and completed (reconciled) within a short period (preferably ten days) after the bank statement day by a person who does not handle the checking account or the financial records of the AVO. Period. So, the leaders of the AVO should reconcile themselves to setting up policies and procedures that are followed to the letter to ensure that this is accomplished.

Policies and Procedures:

The bank reconciliation should not be prepared by the Treasurer. It is most practical that the President of the AVO prepare the monthly reconciliation. It would be preferable that it not be one of the signatories on the checking account but if it is (such as the President) it is imperative that each check require two signatures.

The President or whoever prepares the bank rec (accounting slang) reports that it has been completed and all differences accounted for at the first board meeting that occurs after the ten-day period to complete it has passed and that it reconciles to the balance of checking reported by the Treasurer.

The bank should be instructed to send the bank statement directly to the home address of the person who will prepare it; not to the address of the Treasurer or some other address where mail is accessible by any member of the AVO other than the person preparing the bank rec. If there is online access to the bank statement the person preparing the bank rec should have that access.

The reconciliation will sometimes reveal adjustments that need to be made in the financial records of the AVO (such as interest earned posted by the bank, an NSF check deducted, a mistake by the

Treasurer in recording the amount of a check, fees deducted by the bank). The adjustments that need to be made should be communicated to the Treasurer as soon as practical.

Preparation of a Bank Reconciliation

What is Needed:

The Bank statement for the month that includes a listing of the deposits and other credits to the checking account and the listing of checks that were processed by the bank along with any other debits (charges) to the account

The up-to-date checking account ledger or "checkbook" that is kept by the Treasurer

The bank reconciliation prepared for the previous month

A template for the format of the bank reconciliation (One example is provided [here](#).)

Steps in Preparing a Bank Reconciliation:

1. Head up the template of the bank rec with the AVO name, the checking account number and the ending date of the bank statement.
2. At the top of the bank rec template write down the ENDING BALANCE found on the bank statement (Note, make sure it is the ending balance and not the beginning balance or some other subtotal on the statement.).
3. Check off all the deposits on the bank statement matching them to the ones recorded in the Treasurer's checkbook. There may be one deposit in the checkbook (There really should never be more than one if any at all.) made at the very end of the month that did not get to the bank in time for it to appear on the bank statement. This is called a deposit in transit and if there is one, it should be entered on the template as an addition to the ending bank balance.
4. Look at the bank rec completed for the prior month and check if there was a deposit in transit listed on it. If there was, make sure it appears as a deposit on the bank statement for the current month (If there was a deposit in transit last month it should appear as the first deposit on the statement for this month.).
5. Next, the checks deducted on the statement by the bank must be compared to the checks recorded in the Treasurer's checkbook. If there are a lot of checks written care must be taken to match up the exact check numbers and amounts; this is very important. Check off in the checkbook each check that is deducted by the bank on the bank statement (There is usually a place for a checkmark in a checkbook for just this purpose.). Any checks that have been written and recorded in the checkbook that are not deducted on the bank statement are ones that the people to whom the checks were written have not cashed yet. These are called outstanding checks. List the outstanding check numbers, dates they were written and the amounts on the back of the template for the bank rec. Now, what is in these instructions next should actually be done before what was just stated but it would not have made sense until grasping the concept of outstanding checks. Again, look at the bank rec for the prior month and make sure that all outstanding checks were deducted by the bank

this month. If there are any that weren't cashed, then they are still outstanding and should be listed again with the new outstanding checks found this month. This should probably be done before determining the new outstanding checks of this month because of the prior month's checks having earlier check numbers making sense that they should be listed before the new ones.

6. Total the outstanding checks and insert that total as a subtraction from the ending bank balance on the bank rec template.

7. Draw a line on the template under the outstanding check total and compute a subtotal taking the numbers entered on the template so far: the ending bank balance plus the deposit in transit (which may be 0) minus the outstanding checks. Enter the subtotal on the bank rec template.

THIS IS THE ACTUAL (REAL) BALANCE OF THE CHECKING ACCOUNT AT THE END OF THE MONTH.

8. If the bank recorded transactions on the bank statement that the Treasurer did not list in the checkbook (because he or she did not know about them such as interest earned or fees deducted) they must be added or subtracted next on the template. This is confusing but if one rule is followed it will always be done correctly. The rule: If the item was added by the bank (like interest earned) it will be subtracted on the bank rec template. If the item was deducted by the bank (like fees charged) then it will be added on the bank rec template. This seems the opposite of what it should be, and it is, but there is a good and logical reason for it. When these items are subtracted and added on the template, the total should be the ending balance per the Treasurer's checkbook. The Treasurer did not know about these when he or she computed the balance so his or her balance is out of date and you are "backing into" that out of date balance just to ensure that everything reconciles.

9. So, draw a line on the template and subtract and add any items recorded by the bank from the "REAL" account balance arrived at in step 7 and enter the "bottom line" amount on the template.

THIS IS THE NUMBER THAT SHOULD MATCH THE ENDING BALANCE IN THE TRESURER'S CHECKBOOK. IF THE NUMBERS DO NOT MATCH, THE DIFFERENCE NEEDS TO BE TRACKED DOWN AND RECONCILED.

10. Once any differences are reconciled let the Treasurer know if he or she needs to make any adjustments to the checkbook for items the bank had processed like interest earned or fees charged.

11. Keep the bank rec so that it is available to prepare the bank rec for the next month.

See an example of a Bank Reconciliation in Appendix B

A Template for Preparing a Bank Reconciliation can be found in Appendix C.

Reports to the Board and Members of the AVO

Written and oral reports to the board and/or general membership of the AVO at meetings document the activities of the organization and establish a shared understanding of and/or agreement to plans for the future. The reports that should be made at every meeting and those that need to be made at a specific meeting, such as the meeting designated for budget approval, need to be specified in the written policies and procedures of the AVO. Also, it should be specified which reports must be in writing such as the Treasurer's Report. Some reports can be made orally, such as those made by individuals assigned a specific short-term task like finding a potential location for an upcoming event. However, it is important to ensure that the secretary can capture all the facts of any oral reports; otherwise the reports should be committed to writing. The Treasurer's Report and the minutes of the previous meeting represent the items that are most critical in regard to strong internal controls for the AVO. These must be in writing and preserved in a safe location at all times. Action taken on all reports presented should be recorded in the minutes. Typically, this means a vote to accept the report itself and/or recommendations included in the report. All decisions and actions of the of the organization must be documented in the minutes.

Treasurer's Report

As noted in the Basics section of this resource, a comprehensive Treasurer's Report presented at every board meeting is essential to maintaining an acceptable level of protection regarding the most vulnerable asset of the AVO, its cash. The Treasurer's Report should be understandable to all, signed by the treasurer, and submitted for inclusion in or attachment to the minutes of the meeting. The report must: start with the ending balance of the previous report; include all the financial activity that transpired since the last report (including a detailed listing of all donations received and checks/payments made); be mathematically correct (This should never be assumed; the report should be double-checked.); end with the balance to be carried forward to the next report; and include a year-to-date comparison of actual receipts and expenses to the budget of receipts and expenses adopted by the AVO. A *Sample Template of a Monthly Treasurer's Report* that includes all of these important elements can be found in Appendix D.

Other Internal Reports

Minutes of Meetings: The written minutes of meetings should include: action taken on the minutes of the last meeting held; the Treasurer's Report and the action taken on it; results of the most recent bank reconciliation; summaries of committee reports; and all decisions made and actions taken by the board and/or voting members. The officers and recognized visitors present at the meeting should be listed and others in attendance should at the very least be counted (if practical listed) and the number recorded.

The Results of the Most Recent Bank Reconciliation should be presented.

A Report by each Committee should be made.

A Report by each Individual who had Accepted or was Assigned a Specific Task should be made.

A Report-Out on any Event held should be made.

A Report on any Regulatory or Tax Filing submitted for the AVO should be reviewed and, if appropriate, a copy of the filing should be provided to those in attendance.

A Report on the Results of an Audit should be made, if one had been completed recently.

Event Management

Prescribed Procedures developed in Advance covering all aspects of the conduct and management of the event with designated responsibilities and limits of authority for all officers, members, and volunteers involved should be committed to writing. This is especially critical with regard to handling cash collections and processing them after collection right up until they are deposited in the bank.

Thoroughly Go over the Event Procedures with Everyone Working the Event in advance of the start of the event. Place written copies of the procedures in key locations such as inside cash boxes, at stands, at the door, etc.

Establish One Cash Collection Point for Events that have Multiple Stands. Have patrons buy tickets at a centralized ticket stand to be used at the other stands for the event; no cash is collected at the other stands. This type of set up limits the number of people with access to cash (However, there should still be at least two working the ticket stand.) and by centralizing the handling of cash there is greater assurance that established procedures will be followed without exception.

Use a Cash Register, if affordable.

Strict Inventory Procedures for Tickets must be Employed when tickets are used by patrons for the purchase of food and other items, to buy chances on winning a prize, etc. This includes: a beginning count of tickets in the presence of at two people that is written down and signed off by both; physical safeguarding of the inventory of tickets at all times with only authorized access per established procedures; the recording of all tickets issued with the signing of a receipt by the officer, member or volunteer who accepts them; an ending count of the tickets remaining (ending ticket inventory) in the presence of two people and signed off by both; and a reconciling of the tickets used to the cash collected.

Cash Boxes/Drawers should be Safeguarded at all Times. The beginning cash balance in the drawer should be counted in the presence of the person accepting the drawer and the person handing it over with both signing in agreement to the tally of the count which should be a predetermined amount per the procedures. At the end of the event or at any shift change there should a count of the money taken in and verification that what remains in the drawer is equal to the beginning balance; this should be documented in writing in the presence of two people.

Cash Collected at Events should be Counted and Deposited in the Bank as soon as Possible. Of course, the count should be in the presence of two people and the cash should be safeguarded until deposited; if possible employ the use of bank bags that can be locked, fireproof boxes, or best yet a safe in combination with the bank bags. An actual set of procedures used by a

youth athletic league for sporting events can be found near the bottom of the page 9 in the *Collecting and Depositing Cash* section of this resource.

With Long Events, Count and Deposit Cash at Set Intervals. This is a worthwhile approach for a long single-day event, but is a critical procedure with events that span more than one day.