Establishing Responsible Practices To Prevent Loss At Your Association

Nidia Lias, Secretary Treasurer Arizona
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COMPETENCY: BUSINESS

• Competency Theme: Manages Risk
• Level 2: Mobilizing & Power Building
Treasurer’s Job Description

• Receive all income of the local.
• Bank all funds to the credit of the association.
• Pay such expenses on orders signed by the Treasurer and President or designated in the Constitution and By-Laws.
• Keep an itemized record of all receipts and expenditures.
• Maintain records to maintain tax exemption.
Treasurer’s Job Description

• Make reports as required by the Constitution and By-Laws or as requested by the President.
• Prepare monthly and annual financial reports and present these reports to the monthly appropriate governing body and assemblies.
• Present for audit the financial records to the Audit Committee or CPA.
• Assist officers in developing a yearly budget.
Treasurer’s Job Description

• Maintain membership records along with the membership chair:
  - Set up membership enrollment procedures;
  - Be responsible for all money received;
  - Keep an accurate list of all members and Fair Share Fee (FSF) payers;
  - Maintain an up to date member and FSF list and communicate changes to Employer and Association;
  - Return membership forms and any cash dues payments promptly to the Association;
  - Verify accuracy of payroll deductions.
ACCOUNTING & TAX ISSUES
Accounting

The National Education Association has provided a cost free $1,400,000 blanket fidelity bond.

This meets the requirements of the Landrum-Griffin Act for bonding of persons handling union and association funds.
Accounting

Prevention of Embezzlement

- Require two signatures
- **DO NOT SIGN A BLANK CHECK!!!**
- No cash withdrawals
- Establish local audit committee of at least 3 people
- Perform an audit when changing Treasurers
- **ASSOCIATION OFFICERS SHOULD NOT HAVE AN ASSOCIATION CREDIT CARD!!**
Accounting

Red Flags

- Failure to transmit dues on time
- Failure to pay expenses on time
- **FAILURE OF TREASURER TO PROVIDE MONTHLY FINANCIAL REPORTS TO THE EXECUTIVE COMMITTEE**
- Failure to turn over financial records
- Failure to provide all files to Audit Committee
- Failure to provide reconciled bank statements
Budget

**A plan to authorize how, when, & where to spend the local’s money**

- Expresses goals and objectives of the association.
- Should not be considered absolute or inflexible.
- Combined with a financial report, it is an evaluation tool.
- Approved by local governing body.
- Protects the local - answers the question, “How’s our dues dollars being spent?”
Budget

✓ Create and implement an approved budget.
✓ Create monthly financial statements:
  1. Cash Receipts
  2. Cash Disbursements
  3. Cash Summary
     • Compare actual income & expenses to the budget.
     • All association accounts.
Budget

✓ Perform a monthly bank reconciliation.
✓ Perform a yearly audit.
✓ Form a budget committee.
✓ Establish a time table.
✓ Establish categories of income and expenditures – don’t forget to add line items for Local, Regional, State, & NEA Representative Assemblies.
Budget

✓ Develop a method for determining the needs of the members. Compile the results.
✓ Compare requests to your income, must be balanced.
✓ Officers assign dollar amounts to categories.
✓ Get approval from local’s highest body.
Budget

☑ All officers and committee members’ expenses are to be reimbursed for actual and necessary expenses incurred in performance of official duties.

☑ Current IRS reimbursement for actual mileage driven. (Currently .54)

☑ Use expense vouchers submitted to Treasurer.

☑ Itemized receipts needed and/or copy of paid invoice.
Record Keeping

Do not commingle different types of receivables:
- Dues income, Other income
- Scholarship
- PAC drives/contributions
Each should have their own separate bank account.

Association officers should not have an association credit card!
Scholarship

- Donations are NOT tax deductible – Provide a statement of such to participants in the drive.

- Some fundraising activities held regularly could have tax implications for your local. Contact your state office if you have questions.

- The scholarship is not taxable income to the recipient as long as it is used for its intended purpose. If not used, it is taxable!
Scholarship

Advice

- Write the check to the College, not the student.
- Have the student submit a bill from the college for tuition or housing.
- Have the student (or nominator) fill out an application.
General Purpose Checking Account

- Checks should be written only when bills/invoices have been approved by two officers.
- Reimbursement vouchers need to be filled out with itemized receipts attached. The voucher needs to be approved for payment by two officers.
- Voucher needs: name of recipient, dollar amount, rationale, account number the money is taken from, two officers’ approval, date of the check and check number, attached itemized receipts.
- No one can sign their own check or voucher.
Bank Reconciliation/Financial Report

The treasurer should reconcile the bank accounts every month. This should be presented to your Executive Committee during the monthly financial report.

An actual to budget accounting of all income and expenses should also be included.
Bank Reconciliation/Financial Report

Advice

Use financial accounting software such as Quicken or QuickBooks
Annual Audit/Fiscal Review

- Protects the treasurer and the association.
- You can use a CPA or form your own committee.

Audit tips:

- Annual Audit
- Committee comprised of at least 3 members made up of non-officers and a suggested math/business teacher
- Opinion needs to be expressed as a “clean” or unqualified opinion using the best financial practices
Tax Issues

IRS Forms

- **8822b** – Change of address form
- **SS-4** – Employer Identification Number
- **1024/8718** – Application for Tax Exempt status/Determination letter request
- **990/990EZ/990N** – Return of Organization Exempt from Tax form
- **W-2/W-4** – Employee tax withholding form
- **940/941** – Annual/Quarterly tax withholding forms
Tax Issues

Advice

Locals are NOT Sales Tax exempt!
Tax Withholdings

- Federal Income Tax/State Income Tax
- School District Tax
- Local Income Tax
- Social Security Taxes (FICA)
- Federal/State Unemployment Compensation
- Workers Compensation Tax
- Form W-2 Wage and Tax Statement
- If a Teacher Professional Organization - Retirement System payments
Tax Withholdings

**TPO – Teacher Professional Organization**

- State Retirement Systems
- Provision in your contract that allows the school board treasurer to pay officer’s salaries through payroll – just like other supplementals
- Pay a fee for the TPO (bargainable ~2%)
- School Board withholds all taxes
- Association repays the school board

*Contact your Labor Relations/Uniserv Consultant*
Tax Withholdings

Other Options

- Reimburse local officer’s association expenses:
  - Cell Phone
  - Home Internet
  - Car mileage
- Must submit paid bills and go through the voucher reimbursement process.
- Can be up to a specified amount per month
QUESTIONS?
Session Outcomes

• The content from this session can be used in the following ways in your current position/role:
  – Working with your local officers to develop a budget for your Local
  – Understanding the job description of a local treasurer such as accounting and tax issues
  – How to establish and use a local audit committee to prevent risk or gross mismanagement
Please complete the evaluation for this breakout session!
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