Ensuring Our Bright Future
A Strategic Approach to Ensuring Use of Association Assets for Maximum Member Benefit

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COMPETENCY: BUSINESS

—Level 1 - Build a strong foundation

• Promote stewardship and financial integrity

• Manage risks

• Develop and implement internal controls
Fiduciary Duties

Fiduciary duties of all officers, directors and employees of the Association

Safeguard the assets of the Association.

Ensure the resources of the Association are utilized to the maximum benefit of the members.
What are Association Assets?

- Cash in bank
- Investments
- Property & equipment
- Membership lists
- Goodwill (Association’s good name)
- Brand (copyright & trademark)
- Trade secrets and proprietary information
Use Resources for Members’ Benefit

• Develop and deliver programs that are for the members’ collective benefit.
  – Advocate for the members and the profession
  – Protection – DuShane Legal Services Program
  – Legislative action
  – Contract negotiations & maintenance
  – Trainings, workshops & seminars
  – Professional development
  – Provide relevant information – newsletters, emails
Prevent Problems

Nothing can de-rail an Association from its mission and from providing benefits to members quicker than to endure a financial crisis.

Internal controls help an Association accomplish what it wants to happen and Helps prevent incidents that the Association does not want to happen
Protecting Assets

Develop and implement a system of internal controls

**Internal control** is a process for assuring achievement of an Association’s objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

Simply put, internal control involves everything that controls risks to an organization.
Possible Risks to the Association

Internal and External Risks

• Theft of assets (internal and external)
• Misuse of assets
• Inaccurate financial data
• Inability to deliver programs to members
• Damage to the reputation of the Association
• Loss of confidence by its members
Features of Internal Controls System

1. Management/Governance Integrity
2. Competent Personnel
3. Segregation of Duties
4. Records Maintenance
5. Safeguards
What does all this really mean?

• Have policies and procedures that apply to everyone
• Prepare a budget
• Review and monitor your financial data regularly
• Watch for warning signs
• Secure your assets
Two Types of Controls

• **Prevention** – policies and procedures designed to prevent errors and irregularities in the financial reporting process (i.e. two signatures required on checks)

• **Detection** – policies and procedures designed to detect errors and irregularities in the financial reporting process in a timely manner (i.e. reconcile the bank statement right when it received - Investigate any unusual items.)
Examples of Common Internal Controls

- Sequential checks
- Secure checks (lock them up)
- Have separate person reconcile bank account (timely)
- Require two signatures on checks
- Proper authorization of expenditures (budget, minutes)
- Require receipts/invoices before payment
- Have regular audits (internal or external)
- Regular financial statements
- Prepare budget before year begins
- Protect members’ personal data (secure membership forms)
Developing Internal Controls

Use the five questions to develop controls

1. What?
2. Why?
3. How?
4. When?
5. Who?
Example of Five Questions For a Control

1. **What?** — Reconcile the bank account each month.

2. **Why?** — To protect the Association’s cash - to ensure that the deposits of the association were made timely and in the correct amount; to ensure that the disbursements (checks and/or ACH transactions were properly authorized by the Association and in the correct amount.

3. **How?** — Obtain the actual bank statement from the bank and compare the deposits and disbursements to the Association’s accounting records.

4. **When?** — Perform this task each month right after the bank statement is received.

5. **Who?** — The bank reconciliation should be performed by someone other than the person who has check signing authority or deposit authority.
Warning Signs

• Financial statements are not delivered timely
• SEA/NEA membership dues payments are in arrears
• Lack of communication – do not return phone calls or emails; do not come to meetings
• Missing financial data – bank statements, check copies, deposit records
• Excuses for any of the above
The Fraud Triangle

RATIONALIZATION - Justification of dishonest actions.

OPPORTUNITY - Ability to carry out misappropriation of cash or organizational assets.

PRESSURE - Motivation or incentive to commit fraud.
Internal Controls are Not Personal

It is not a matter of “we don’t trust you.” It is a matter that this is good business practice to protect our members’ money. It will build a better foundation for our Association.

Do not take internal controls as a personal affront. Encourage your Association to adopt internal controls that apply to everyone.
Session Outcomes

• The content from this session can be used in the following ways in your current position/role:
  – Build a strong foundation for your Association by developing and implementing internal controls
  – Internal controls should apply to everyone
  – Safeguard the assets of the Association to ensure that the assets are used for the maximum benefit of the members
Please complete the evaluation for this breakout session!