

## **BOOKKEEPING AND DIVISION OF DUTIES**

### **Bookkeeping**

Affiliates must maintain their books and financial records. The Treasurer or another designated bookkeeper can use existing software packages such as QuickBooks or devise a recordkeeping system on Excel. Of course, an affiliate has the option to outsource its financial recordkeeping to a business that provides this service.

Income and expenses should be recorded according to the category, or account, of the transaction. A chart of accounts guides what account number to use when posting an entry. An affiliate needs to design its chart of accounts and account numbers. This chart usually has five areas, including assets, liabilities, net assets (or fund balances), revenues, and expenses.

On their tax returns, nonprofits must report account activity according to two classifications – functional (or programs) and natural (or supporting). Program transactions are directly related to providing services to populations an affiliate serves, e.g., students. Supporting transactions are those common to all programs, e.g., general management costs, etc.

### **Setting up the Division of Financial Duties**

It is important that the affiliate designates a person to oversee all financial responsibilities. Typically, the role is fulfilled by the Treasurer. However, all board members share equal responsibility for their affiliate's financial health.

A system of checks and balances should be defined, and financial duties should be divided among multiple people (e.g., officers of the Board) to help ensure protection from fraud and error. The division of financial responsibilities can also lead to a higher efficiency of operations.

### **Checks**

1. There should be a written process for requesting checks.
2. Outgoing checks must be supported by an invoice or receipt approved by the Treasurer or whomever the Board designates. If a receipt or invoice is not available, a voucher prepared by an affiliate administrator or other person and approved by the Treasurer can support an outgoing check.
3. If possible, one person should approve and write the check, and a separate person should sign the checks.
4. An affiliate may also opt to require two signatures on checks as protection against fraud and error.

### **Deposits**

1. Deposits should be recorded. Copies and/or scans should be made of all incoming checks and attached to the deposit receipt and included with the monthly reports for documentation purposes.
2. For deposits, a bank stamp, or handwritten "For deposit only, ABC Bank, Account # 123445") should be used. The deposit should be made within a week, with no cashback.

### **Bank Accounts**

1. Account should have more than one person has an authorized signature.
2. Bank statements need to be reviewed and reconciled each month.
3. Reconciliation of the bank statement, along with all documentation, should be part of monthly reporting.
4. A designated Board officer should review reconciliation report.