

IAEP Local R7-167

Fiscal Policies & Procedures

Approved by the Board of Directors, 13 August 2015

Accounting Procedures

This section covers basic accounting procedures for the organization. The accounting procedures used by the organization shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

Basis of Accounting

Policy: The organization uses the cash basis of accounting. Under the cash method, income is not counted until cash (or a check) is actually received, and expenses are not counted until they are actually paid.

Procedures:

- Any large income or expenses should be noted if their receipt and subsequent entry are unduly delayed, as they may distort the current picture of the Local's finances.

Journal Entries

Policy: All income and expenses shall be reported utilizing current acceptable money management software agreed upon by the Executive Board. At the time of this writing, this is the MMEX spreadsheet program. Other programs, such as Quicken or gnuCash, may be acceptable.

Procedures:

- All checks, debit card purchases, and deposits shall be promptly entered as they are created. They should include as much supporting documentation as possible, including date, check number, payee, proper categorization for budgeting purposes, amount, and a brief note or description describing entry.
- Single-entry accounting is used at this time.

Bank Reconciliations

Policy: All bank statements will be opened and reviewed in a timely manner (shortly upon receipt). The Treasurer shall reconcile bank statements on at least a monthly basis, and a trustee and/or Executive Board member should ensure proper reconciliation with bank statements on at least a quarterly basis (i.e. general membership meeting).

Procedures:

- All bank statements and cancelled checks will be opened, reviewed, reconciled, and initialed by the Treasurer upon receipt.
- A trustee and/or Executive Board member (other than the Treasurer) will review and approve reconciliation reports quarterly by signing and dating the most recent bank statement in the upper right hand corner.

Annual Close

Policy: The books are to be closed and fully reconciled at the end of each fiscal year (August 31). This is to allow for preparation of required annual reports.

Recordkeeping

Policy: All financial records, including generated reports, bank statements, audits, dues withholding cards, and receipts, must be retained for at least six years, per the National bylaws. Note this differs from the minimum five year retention guideline set forth by the Office of Labor-Management Standards and the Labor-Management Reporting and Disclosure Act. Furthermore, no financial record should be disposed of without first creating an electronic back-up which should be retained in perpetuity.

Procedures:

- All physical financial records shall be kept in the locked file cabinet located at Allina Health EMS, 2296 Woodale Dr, Mounds View, MN 55112.
- After the six year retention period, all physical data shall be destroyed by proper and accepted methods to ensure privacy of data.
- At least two Executive Board members (including the Treasurer) shall be present prior to removal and destruction of any records.
- Electronic records shall be kept current in at least two separate locations (i.e. laptop hard drive and external hard drive). It is imperative that these are stored in different physical locations so both are not destroyed and/or otherwise compromised by unforeseen circumstance.
- Electronic records shall be maintained and backed up on an at least quarterly basis. It is acceptable to utilize the same storage device for financial records and other Union business.

Internal Controls

The organization employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded.

Lines of Authority

Policy: Ultimate authority for Local finances falls with the President of IAEP Local R7-167, or whoever may be acting as President. The Treasurer position is to facilitate safeguarding of assets and records and promote operational efficiency.

Procedures:

- An annual budget shall be prepared and presented to the Executive Board prior to the final general membership meeting of the year. At this time, this budget does not coincide with our fiscal year, but instead a calendar year. This is due to inherent limitations with the

money management software we currently employ. If at all possible with future software acquisitions, the annual budget shall coincide with the fiscal year if at all possible.

- All expenses shall be approved by at least two of the following: President, Vice President, and Treasurer.
- The annual budget shall be voted upon by the Executive Board for approval. The President and Vice President shall retain the ability to veto any approved budget, however.
- Approval of the annual budget shall be documented in the Executive Board minutes for that meeting.
- Fiscal policies shall be drafted and periodically reviewed by the Treasurer. The Executive Board, by a majority vote, shall ratify said policies. The President has the ability to veto any policy approval.
- This document must be reviewed and re-ratified at least every five years.

Conflict of Interest

Policy: All employees and members of Executive Board are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee or Board member conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

Procedures:

- Employees and Board members must disclose any interests in a proposed transaction or decision that may create a conflict of interest. After disclosure, the employee or Board member will not be permitted to participate in the transaction or decision.
- Should there be any dispute as to whether a conflict of interest exists:
 - The President shall determine whether a conflict of interest exists for an employee, and shall determine the appropriate response.
 - The Executive Board shall determine whether a conflict of interest exists for the President or a member of the Board, and shall determine the appropriate response.

Segregation of Duties

Policy: The organization's financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations.

Procedures:

- All reports and bank statements shall be reconciled monthly by the Treasurer, quarterly by a member of the Executive Board, annually by both the Executive Board and the President, and as requested by an internal trustee.
- The Secretary, or whoever is tasked with obtaining the mail, shall open, inspect, and review all mail perceived to be financial in nature. Any obvious deficiencies (negative

balances, unpaid bills, balances which egregiously deviate from previous Treasurer reports, etc.) shall be immediately reported to the Treasurer and President.

- When at all possible, an internal Trustee (not sitting on the Executive Board) shall be appointed. The trustee has the authority to request a report and/or reconciliation of the books and records at any time.

Physical Security

Policy: The organization maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, real estate and other valuable property.

Procedures:

- All financial records are kept electronically on the Treasurer's laptop. All files are required to have a minimum of one password prior to opening of any documents. The initial log-in password upon start-up shall suffice.
- Passwords must be changed at any point in time in which a data breach is expected.
- All physical records shall be maintained within the file cabinet. The file cabinet is to remain locked at all times. No private data shall be stored on or near the file cabinet. It must always be properly secured within the file cabinet.
- Blank checks shall be stored within the file cabinet.
- As the Local does not utilize any office space, it is within reason to expect the Treasurer and other Executive Board members to work in other spaces, such as from a home office. While this practice is acceptable, it is expected that any and all reasonable steps to ensure data privacy will be utilized.

Financial Planning & Reporting

The organization's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Organizations." Under GAAP, revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified as unrestricted, temporarily restricted and permanently restricted.

Budgeting Process

Policy: The organization's annual budget is prepared and approved annually. The budget is prepared by the Treasurer in conjunction with the Executive Board. The budget is to be approved by the Executive Board prior to the start of each calendar year. The budget is revised during the year only if approved by the Executive Board.

Procedures:

- The Treasurer will work together with the President and the Executive Board to ensure that the annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year.
- The Treasurer will ensure that the budget is developed using the organization's standard revenue recognition (p. 7) and cost allocation (p. 8) procedures.
- The Treasurer will present a draft budget to the Finance Committee at least 30 days prior to the start of the calendar year.
- The Executive Board shall review and approve a recommended calendar year budget. The budget shall contain revenues and expenses forecasted by year. The President and Vice President have the right to veto any budget approved.
- The Treasurer is responsible for maintenance of the budget, and is to report any deficiencies to the Executive Board on a quarterly basis.
- The Executive Board reserves the right to amend the annual budget as needed, although this should be reported to the general membership at the next general membership meeting.

Internal Financial Reports

Policy: The Treasurer is to give a report at every Executive Board and General Membership meeting. To ensure transparency, the books are always "open," and further information can be requested at any time. The Treasurer is also required to file all necessary annual reports. These reports will suffice as an annual report to the President and Executive Board, and as such, shall be approved within the Executive Board meeting minutes.

Procedures:

- The Treasurer shall provide a report at each Executive Board meeting. Minimum reporting requirements include: current balance of Local's checking account and the display of the most recent bank statement. The report can include any other information deemed appropriate by the Treasurer, including the last pay period of dues processed.
- The Treasurer shall provide a report at each General Membership meeting. This report shall be prepared electronically and include: current balance of checking account and all investments (CDs), current value of all physical assets, display of the most recent bank statement, and a breakdown of all transactions and comparison with approved budget. Any budget discrepancies will be explained at that time.

Audit

Policy: Outside audits shall be encouraged. When at all possible, an internal trustee shall be appointed. This trustee reserves the right to request a full audit at his/her discretion. In the absence of an appointed trustee, the annual report prepared by the Treasurer shall serve as an audit, and must be approved by the President and Executive Board. Occasional outside audits are conducted by the National Body of IAEP and outside professional firms (McLoughlin Company for bonding requirements). Annual reports must be completed, presented, and approved by the final general membership meeting of the year (IRS and Department of Labor provide 90 days from the end of the fiscal year.).

Procedures:

- The entire Executive Board shall be considered the audit committee.
- At this point in time, external CPAs are not utilized due to cost.
- The annual report shall be presented to the Executive Board, President, and general membership at the final general membership meeting of the year.
- The annual report is made available to the general public upon filing of the IRS Form 990.

Tax Compliance

Exempt Organization Returns

Policy: IRS Form 990 (or Form 990-EZ, when applicable) and Department of Labor Form LM-4 (of Form LM-3, when applicable) are to be prepared and submitted by the Treasurer no more than 90 days upon the completion of the fiscal year (fiscal year ends August 31; forms shall be submitted no later than November 29).

Procedures:

- The Treasurer serves as the signer of IRS Form 990 (or alternative). Prior to submission, however, this form must be approved by the President and the Executive Board.
- The Treasurer and President serve as signers of Department of Labor Form LM-4 (or alternative). Prior to submission, however, this form must be approved by the Executive Board.
- These forms are made available to the general membership upon request and/or presentation at the final general membership meeting of the year, and are made available to the public upon their submission to their associated entities.

Quarterly/Annual Payroll Reports

Policy: At this point, no quarterly or annual payroll reports are necessary to compile, as no Executive Board member or employee of Union are compensated greater than \$599/year (the cut-off for IRS reporting). Executive Board and other Union employee pay are reported on both annual reports, however.

Revenue & Accounts Receivable

Revenue

Policy: All contributions will be recorded in accordance with GAAP. Contributions are recorded and must be credited to the appropriate revenue lines as presented in the annual budget.

Procedures:

- The Treasurer reviews all revenue. Any discrepancies from budgeted revenue amounts shall be immediately reported to the President.

- The Treasurer is responsible for posting revenue to the general ledger.

Cash Receipts

Policy: Receipts are typically received via US Mail. The mail is obtained by the Secretary, whom then delivers financial-related mail to the Treasurer. The Secretary shall open all mail and check for deficiencies or deviations. Any obvious deviation shall be immediately reported.

Procedures:

- All incoming checks shall be immediately endorsed “for deposit only” by person opening mail.
- The Treasurer will further endorse all checks with his/her signature and “c/o IAEP Local 167.”
- Checks can be kept with the Local’s books until deposit. Cash shall be immediately deposited. If not feasible, cash shall be locked in the file cabinet until time at which it can be promptly deposited.

Deposits

Policy: Deposits can be made by any Executive Board member, but it is understood that most all deposits shall be made by Treasurer. All deposits shall be immediately reported to the Treasurer to ensure adequate bookkeeping.

Procedures:

- The majority of the Local’s income is via check. These checks should be deposited as soon as conveniently possible. It is acceptable to accumulate multiple pay periods of dues to be processed and deposit all checks at once. However, at no point in time should the Local be more than three pay periods behind.
- Endorsed checks and deposit slips can be mailed via USPS.

Expense & Accounts Payable

Payroll

Policy: The Local does not pay Executive Board members or employees on a regular basis. Salary for Executive Board members and employees arises from an annual honorarium that may be proposed and passed by the general membership. Executive Board members and employees may be paid a stipend for service at investigational meetings or for services rendered as a steward.

Procedures:

- No Executive Board member or employee (steward) of Local shall make more than \$599/year. This shall be established at time of hire, and periodically reinforced to all members.
- As such, no payroll reporting is required.

Compensation and Expense Report Preparation & Approval

Policy: All employees are required to record compensation requests (reimbursements, stipends, etc.) on an approved expense report so as to require proper recordkeeping. These forms must be approved by the Treasurer prior to disbursement of funds and adequately maintained per aforementioned recordkeeping guidelines.

Purchases & Procurement

SAMPLE Policy: Any expenditure in excess of \$500 for the purchase of a single item should have bids from three (3) suppliers if possible. These bids will be reviewed by the Treasurer and the bid award must be specifically approved in advance by the President and the Executive Board.

Procedures:

- The President has the ultimate authority to approve all expenses.

Independent Contractors

Policy: At the discretion of the Executive Board and ultimate approval of the President, the Local may enlist the use of independent contractors to serve functions as assigned (i.e. website maintenance).

Procedures:

- All contracts shall be reviewed and approved by the Executive Board prior to approval.
- If approved, the President has the ultimate authority to sign any and all contracts.
- Any material change to contract terms must be approved by the Executive Board.

Invoice Approval & Processing

Policy: All invoices must be opened upon receipt by the Secretary. Once delivered to the Treasurer, invoices shall be paid as soon as reasonably possible. Any delays in payment of invoices shall be reported promptly to the President.

Procedures:

- Invoices and bills will be opened and reviewed by the Secretary. The Treasurer and President will be notified immediately of any unexpected or unauthorized expenses.
- Invoices are then routed to the Treasurer for authorization prior to payment being issued. If the expense is greater than \$500 and was not authorized through the annual budget, the President must also approve the expenditure.

- Copies of all invoices paid will be filed. After six years these documents will be archived electronically and destroyed.

Cash Disbursements

Policy: All disbursements are made by the Treasurer, President, or Vice President, whom are the only three members with signatory privilege. Any disbursement made by anybody other than the Treasurer will be immediately reported to the Treasurer to ensure adequate bookkeeping. All expenses and disbursements not authorized through the annual budget must be approved by the President. If the President is making the disbursement of funds, then the Vice President must also approve.

Procedures:

- Checks may be prepared by the Treasurer, President, or Vice President.
- All checks must be signed by at least two members with signatory privilege.
- All cash disbursements are to be immediately added to the general ledger.

Petty Cash

Policy: A petty cash account may be established, but *is discouraged*. If established, a petty cash account shall not exceed the sum of one hundred dollars (\$100.00), and all expenditures must be properly documented.

Procedures:

- The petty cash custodians will be given no more than \$100 to be kept on their person.
- When cash is used a record must be reported immediately to the Treasurer, and proper records (receipts) must be forwarded.
- When cash is low the custodian will submit a check request with all receipts attached.
- A check will be cut in the amount to bring petty cash back to \$100. It is the custodian's responsibility to cash the check and keep track of funds.

Employee Expense Reimbursements

Policy: Employees can submit an electronic or written expense form for reimbursement of personal funds utilized for Local business. The President has the discretion to approve reimbursements. It is imperative to check with the President prior to utilizing personal funds to ensure reimbursement. Typical reimbursements may include mileage (paid at federal rate) or fuel cost reimbursement, and the utilization of personal funds for day-to-day expenses. This is preferred over a petty cash account. There is no dollar limit to reimbursements, assuming the expense had been approved by the President.

Procedures:

- The expense form available on the Local's website shall be used. In the absence of the expense form, a written form including name, date, payee, and explanation of

reimbursement along with all receipts may be submitted. Failure to utilize the proper form will not necessarily cause reimbursement to be denied, but may lengthen the process.

- The President authorizes all reimbursement requests, save for requests made by the President, which are then authorized by the Vice President.

Travel Expenses

Policy: Travel expenses for Local business shall be approved by the President. All receipts must be forwarded to the Treasurer in a timely fashion to ensure proper bookkeeping. Travel expenses include: airfare, car rental, fuel, cab fares, lodging, food (if approved by President – no alcohol will be reimbursed), and per diems as approved by President. Other expenses can be approved by President on a case-by-case basis. There is no pre-approved maximum for travel expenses, but it is expected that any members travelling on Local business keep in mind the financial nature of the organization and attempt to minimize costs wherever possible.

Procedures:

- The President authorizes all travel expenses. If the President is involved in said travel, the Vice President shall authorize. If both are involved, then the Executive Board shall authorize.
- All travel expenses should be submitted on an expense report form, and all receipts should accompany said form.

Credit/Debit Cards

Policy: Credit/debit cards may be issued and used by anybody with signatory privilege. However, the National President must allow an exception granting the use of credit/debit cards, as the National Bylaws typically forbid it. If exception is granted and cards are used, any expenses must still be authorized by the President (or Vice President if President is making purchase) and immediately reported to Treasurer for accurate bookkeeping.

Procedures:

- All receipts must be given to Treasurer on at least a monthly basis (all expenses must be reported immediately).
- Card purchases will be documented on the general ledger with CARD in place of a check number.
- The Local does not utilize a credit account. All purchases are made via debit from the Local's checking account.
- Any unrecognized charges or debits shall be reported immediately to the Treasurer and President.

Asset Management

Cash Management and Investments

Policy: Cash is maintained in accordance to the Local's Operational Reserve Policy. The goal of this policy is to ensure adequate funds are on hand to cover expenses as they arise. Surplus funds that are not appropriated to other funds/accounts are to be invested by the Finance Committee. The Finance Committee (with approval of the Executive Board and President) reserves the right to invest these funds. These funds may be invested in cash, CD's or other interest bearing accounts, or index and mutual funds. Monies should not be invested in individual stocks. The Finance Committee shall recognize that the Local will maintain a low risk tolerance, and is investing with a distant time horizon.

Procedures:

- Bank accounts are held at Village Bank at the time of writing. This can be changed based on convenience of Treasurer or other Executive Board members. The President and Treasurer reserve the ultimate right to choose which financial institution to utilize.
- At the Treasurer's discretion, and with approval of the President, Executive Board, and Finance Committee, funds shall be allocated from the general fund (operations reserve) to more investment-related vehicles when the general fund (operations reserve) exceeds twice the previous year's expenses (less dues). This transfer is made by the Treasurer.

Capital Equipment

Policy: Capital equipment is expensed immediately upon purchase. The value of assets will be depreciated from the Local's net worth at reasonable multipliers.

Procedures:

- Electronics are depreciated from net assets at 25% y/y.
- Inventory of fixed assets should be completed annually. The Treasurer maintains oversight of this inventory.
- When assets are no longer used, they disposal is authorized by the President. Assets of less than \$50 require no authorization.

Operating Reserve

Policy: The target minimum operating reserve fund for the organization two (2) years of average operating costs (less dues). The calculation of average annual operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services, and does not include dues that are passed-through to National.

Procedures:

- The amount of the operating reserve will be calculated each year after approval of the annual budget, reported to the Finance Committee, Executive Board, and President, and included in regular financial reports.
- The operating reserve will be funded with surplus unrestricted operating funds. The Executive Board may from time to time direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.
- To use the operating reserves, the President will submit a request to the Finance Committee and the Executive Board. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within twelve (12) months to restore the operating reserve fund to the target minimum amount.