AMERICAN LEGION AUXILIARY

DEPARTMENT OF NORTH CAROLINA

ncalahq@nclegion.org
www.alanorthcarolina.com

BEST PRACTICES FOR FINANCIAL TRANSPARENCY

This bulletin helps guide your Unit with suggestions on best practices for financial transparency. Please NOTE that these are simply suggestions, and you should always follow your Unit Standing Rules or Constitution and Bylaws first.

FINANCIAL REPORTING: Your Unit Standing Rules should outline that the board receives the financial report of the Unit and the original bank statement on a regular basis. Care should be taken to ensure that the bank statement and the financial report balance. The Financial Report should include:

1. Opening balance – The balance that was reported during the previous meeting. The report should include the amount in each account (general, welfare, etc.).
2. All income – note the amount and the source of the income. Fundraising events should include an itemized report outlining the money received and each expense paid. Every significant expense requires an invoice sent or receipt and the income should be validated by attendance, ticket sales or some other quantifiable means. The Unit may establish a definition of the amount requiring a receipt.
3. All expenditures – expenditures, over the established minimum amount, should be approved by the voting members prior to purchase. It should be noted that all expenses/payments must be approved by the Unit membership. Sometimes the expense/payment approval is included in the Unit annual budget process or by separate formal resolutions. Either way, approval requires a quorum and must be reflected in the minutes. Receipts and invoices SHALL be obtained to verify the amount spent.
4. Ending Balance – The final amount is provided, which will be the opening amount the following month.

REIMBURSEMENT PROCEDURES: As noted, reimbursement should only be done when the expense is approved by the voting members and includes an invoice or receipt for the Unit records. The Unit may establish a minimum amount that would not require a receipt, but this should be only for very small amounts.

BANK ACCOUNT MANAGEMENT: Have at least two bank signatories – bank accounts should include, at a minimum, two signatures (the Treasurer and another elected officer). The two signatories should be from DIFFERENT households. These are individuals named on an account to make decisions for the account.

The number of people required to sign a check is a separate decision. **Note – All banks only require one signature on a check. However, the Unit is better protected if the Unit requires TWO signatures on each check.

Having guidelines regarding your Unit bank account in your Unit Standing Rules is strongly recommended. This should include which officers/members should be on the account as well as which persons on the account are authorized check signors.

ENSURE VISIBILITY: In addition to the inclusion of the Unit financial report given to the board, every account should be reviewed by two or more members (Audit Committee) on a regular basis. These members should also ensure that the bank statement aligns with the financial statements and NOT be members signed on the account.

UPDATE ACCESS (AND PASSWORD) TO ACCOUNTS ANNUALLY: Each year, as new officers are elected, the accounts should be updated (removing old officers and adding new ones) and the passwords changed to protect the funds.

CHANGING ACCOUNTS OR BANKS: Any change to an account, including changes to a new bank, should require approval by the Unit membership, or specifically stated in your Unit Standing Rules. All bank statements should be obtained prior to closing your account(s).

CONDUCTING AUDITS/REVIEWS: While the Unit should regularly seek the advice of an accounting professional to ensure compliance with local laws, the Unit should also conduct an annual audit of the Unit accounts – ideally when the responsibility transitions to a new Treasurer (at the end of each term). The review should include the following:

1. Bank Statements.
2. Minutes showing the approval of expenditures an income.
3. Fundraising, event and project reports that have financial implications and provide information regarding the collection or disbursement of funds.
4. Receipts, thank you notes, invoices and other evidence of disbursements.
5. Final year-end report, showing the income and expenses for the year, which should reconcile with the above-mentioned documentation.
6. Paperwork or registration of the names on the account and the revisions to the account at the fiscal-year change.

WHY IS IT IMPORTANT THAT THE TREASURER BE BONDED? Insuring (bonding) a treasurer provides the Unit protection and assurance that in the event the treasurer engages in criminal behavior or otherwise breaches their duty to the Unit, the Unit will not suffer as a result. This Fidelity Bond ($7.00) is mandatory for every Unit and payable through the Department office. The form can be found on the Department website at *https://www.alanorthcarolina.com/*.

WHAT TO DO WHEN FRAUD IS SUSPECTED: If the financial standing of the Unit is in question or fraud is suspected, the Unit officers should investigate such matters and determine whether fraud occurred or whether it was merely an unintentional oversight. Discuss your concerns with the Unit executive board and ask for clarification. If there is evidence that an inappropriate action took place, a complaint may be filed. Although we encourage all members to clarify any doubt in their behavior, on occasion criminal charges may be appropriate. This is to ensure the Unit is acting to maintain the trust of the public and those who donate to the Unit.

Keep in mind that this can be a learning experience and not every situation that arises is fraud or criminal. These practices ensure the Unit can be fully transparent and provide the highest level of financial integrity. Every member can then rest assured that their work is truly assisting veterans and communities in accordance with the policies and procedures of our organization.

FILING OF STATE AND FEDERAL TAX FORM: Every Unit is required by law to file Federal Tax returns yearly. These form and instructions can easily be found on the Department website at: *https://www.alanorthcarolina.com/*.

Your Unit taxes should be filed as soon as possible after you close your books June 30th or no later than November 15.

These easy-to-follow instructions and procedures will keep your Unit financially transparent to all members and your reconciliation of accounts easier to audit.

Integrity and transparency are at the very heart of a Unit.
Sound and clear communication of financial transactions is critical to achieving this goal.