Maintaining Accountability In Your Student Organization

Presented by
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Manager Student Organizations
Financial Services (SOFS)
Advisor Involvement

- Faculty advisor support and involvement is sincerely appreciated
- Opportunity to help student organization officers learn appropriate business operations and business management skills
- Provide guidance to student officers to ‘do the right thing’
- Assure that all student officers get the most benefit from their student organization experiences while at UNL
Objectives

• Defining your non-profit organization.

What are the responsibilities of UNL student organization leaders and advisors?

• What internal controls should be present in your student organization?

• What should you do if you identify ‘problems’?
Why SOFS?

UNL By-Law 4.3.2

Custody and Accounting of Student Organizational Funds. The Vice Chancellor for Student Affairs shall designate a person to receive and act as custodian of all monies collected by or paid to ASUN and all student organizations recognized by the ASUN in accordance with Section 4.1.2. The Vice Chancellor for Student Affairs in cooperation with the Vice Chancellor for Business and Finance shall issue appropriate rules and regulations to ensure the proper accountability of such funds and shall have the authority to audit or have audited these funds.
Outside Accounts & Funding

- Student organizations are prohibited from opening an outside account on behalf of an organization.
- RSO may be funded by affiliated outside entity.
- RSO may be funded by a University Department.
- Fund A & Fund B Student Fees
RSO’s = Non-Profit Entities

• RSO’s must act as a non-profit entity –
  – (keep with mission, no personal gain)
• Federal ID #
• Most Recognized Student Organizations (RSOs) qualify for federal income tax-exemption as a:
  • 501(c)(3) Charitable Organization
  • 501(c)(4) Social Welfare Organization
  • 501(c)(7) Social and/or Recreational Organization.
IRS Reporting Requirements

- Less than $4,999 Annual Budget – easy
- Between $5,000 - $49,999 – E-File
- $50,000 & Over - ……...Hello Jim Brox, do you have a few hours???
What are we responsible for?

- Maintain an appropriate control environment
- Be aware of risks and exposures inherent to your organization’s operations
- Maintain a positive approach regarding compliance with rules, regulations, and policies
- Be aware of symptoms of wrongful acts
What is a Control Environment?

- Sets the tone of the organization
- Provides structure and discipline to organization management
- Influences members to be internal control conscious
Key Considerations in UNL Student Organizations

- Advisor Involvement
- Cash/funds handling
- Timely deposits
- Documentation of Disbursements
- Disbursement approvals
- Contracts/contract related issues
- Separation of duties
Collection of Funds
Cash/Funds Handling

- Accountability for funds
- Documented Transfers
- Safeguard Funds
- Balancing Collections
- Reconciling Deposits
Accountability for funds

Maintain accountability for collected funds at all times.

This means that one person should be accountable for all working funds and collections, from receipt of the funds through deposit.
Document the Initial Receipt of Funds

Without documentation of receipt, accountability for the funds cannot be maintained and funds can disappear.
How Should We Document Receipt of Funds?

Document receipt of funds by using basic cash control tools:

• Receipt logs
• Cash receipt documents
What are Cash Receipt Documents?

- Handwritten receipts from pre-numbered receipt books (available at office supply stores)
- Pre-numbered tickets (roll or individual)
Balancing collections is simply comparing the receipt documents to the amount collected for agreement.

**Example** – Roll Tickets Used –

Starting # on roll tickets minus ending number on roll tickets (plus 1) times the dollar value of each ticket = total receipts that should be on hand for deposit.
To assure funds received are secured against loss:

- Restrictively endorse checks “for deposit only” immediately upon receipt, and include organization name and SOFS account number
- Store all funds received in a locked cash register, lock box, locked desk, locking bank bag, or locked filing cabinet during business hours (cash boxes are available through SOFS).
- Limit access to cash funds to two individuals, a primary and secondary custodian, until cash is deposited.
After collecting cash, document transfers of funds between individuals to maintain accountability.

- Transfers from individuals initially receiving funds to individuals verifying collections of funds on hand.
- Transfer from verifier to individual making or preparing the deposit.
• Reconcile/balance funds received to funds deposited to ensure that all funds received are properly recorded and accounted for on your SOFS statement.

(The methods used to reconcile and/or balance funds will depend on the way funds were initially documented.)
Critical Control Point

- The treasurer’s review of the monthly SOFS Statement of Account should be verified by another organization officer and the advisor
More Complete Cash Handling Guidance

- Operations Analysis has a UNL cash management assessment checklist:

  http://oa.unl.edu/bpchecklist.shtml

Click “Business Process Assessment Checklist”
N-Card

- Membership Dues can be paid using a student’s N-Card
- Available at both City & East Campus SOFS
- Must have 4-Digit SOFS number to make transaction
SALES TAX

DON’T SHOOT THE MESSENGER!

• See Sales Tax handout
• http://union.unl.edu/sofs/tax_guide
• Proposed legislation
• Use-Tax Accrual
• Occupation Tax
Disbursements
Disbursement Basics

Authorization to Spend

Adequate Support

Approval of Expenditure

Reconciliation of Expenditures
Authorization to Spend

• Approval to expend SOFS organization funds should occur through detailed budgets for major activities
• Leadership approval for expenditures exceeding budgets
• Periodic review of financial activities
Review disbursements for:

- Payment Request Voucher
- Detailed documentation
- Reasonableness
- In accordance with SOFS NU Book and organization policies

Approval of Expenditure
• **NEVER** make disbursements from funds received not yet deposited – **do not use door receipts to pay any expenses directly**

• **ALWAYS** make disbursements by check using SOFS Payment Request Vouchers.
• Order Forms
• Invoices
• Detailed Receipts
• Documentation of Receipt of goods or services
RUBY TUESDAY
Store #2237
247 North 8th Street
Lincoln, NE, 68508

35 BRITNI
Tbl 21/1
Aug07'03 12:07PM

Chk 4397

Credit Card Voucher

Date: Aug07'03 12:30PM
Card Type: Amex
Acct #: 5000
Exp Date: 11/05
Auth Code: 513947
Check: 4397
Table: 21/1
Server: 35 BRITNI
VSCA: Auth Driver
D HOLDEGRAVER

1 SOUP/SALAD FRENCH ONION
1 SODA
Tax Coll 0.75 Total Due
1 HON BBQ FING
1 SODA
Tax Coll 0.61 Total Due
1 BACON CHEESE
1 SODA
Tax Coll 0.61 Total Due
Sub Total
Tax Collect
Total Due

30.31
1.98
32.29

Gratuity: 6.00
Total: 36.31

Guest Copy
(Please retain for your records)

Adequate Support
Gift Cards

When presenting a voucher request for the purchase/reimbursement of gift cards, the following must be provided to the SOFS Office:

• Detailed receipt for the purchase of the gift cards
• Flyer or other documentation outlining the event when the gift card is being distributed including the event date
• If the recipient receives a gift card for $50 or more a W-9 will need to be completed by the recipient and submitted to the SOFS Office
Critical Signature Control Points

• At least two signatures are required for all Payment Request Vouchers
• If payment requested is for the treasurer, the president and advisor must sign the voucher
• If payment requested is for the president, the treasurer and advisor must sign the voucher
• If payment is for the advisor, the advisor and president and treasurer must sign the voucher
Comparison of actual expenditures recorded on the SOFS Statement of Account to the organization’s records should be made each month by the treasurer, and reviewed in detail by the president.
Annual Account Balance Confirmation

- University policy requires that all student organizations submit their books annually to SOFS for audit.

- Verify financial statement balance to Annual Account Balance Confirmation form (any discrepancies must be reported to SOFS immediately).

- Return Annual Account Balance Confirmation form, signed by the treasurer and the advisor, to SOFS within 60 days, by September 1, 20XX.
Are two signatures, annual audits, documented transfers, and independent reconciliations really necessary in small student organizations?
Yes!!

Each of these activities are elements of separation of duties, which is the primary way of assuring that all funds (and assets) are accounted for properly in any organization — large or small
Separation of Duties

Simply put, separation of duties means having different individuals involved in each transaction, so one person doesn’t ‘juggle’ all the responsibilities without supervision or oversight.

Separation of duties protects the organization and the individuals handling funds from allegations of financial misconduct.
Fraud Awareness

What you need to know about fraud...

- Fraud happens in all types and sizes of organizations
- Fraud often involves the person you would least suspect
- Awareness of the symptoms and risks of fraud in your organization is critical
- Report your suspicions if you suspect financial improprieties
What Increases the Potential for Fraud?

- Officers/advisors who are **not aware** of the controls or fraud risks in their organization
- Officers/advisors who **override** or simply **ignore** NU Book procedures (Tone from the Top)
- Loose or **uncontrolled cash** handling practices
- **Lack of** appropriate supporting **documentation**
- **Inadequate monitoring** or reconciliation of financial activity by organization officers/advisors
- Officers/advisors who **do not follow-up on or report** questionable and/or unusual transactions or activities
Who Might Commit Fraud?

- Someone who has the responsibility to act without supervision or oversight
- Someone who works independently and does not want or have others involved in his/her work processes
- Someone with an “unsharable” need
- Long term members who feel the organization ‘owes” them for their efforts for, or involvement in, the organization to which they belong
Who Might Commit Fraud?

The Fraud Triangle

- Unsharable Need
- Reason/Justification (Rationalization)

Opportunity
Opportunity is the only leg of the triangle we can really manage, through knowing, understanding, and following good internal control and fraud awareness practices.
If You Suspect Dishonesty?

• Any suspected financial irregularities or shortages should be reported to SOFS management, Student Government, Operations Analysis, and/or University Police immediately.

• Do not delay reporting—delays make investigating the suspected irregularity or shortage more difficult.

• **Do not confront** an individual you suspect of fraud or misuse of funds—leave this for the professionals at the appropriate time in the investigation process.
Student Organization
Financial Services (SOFS)
City & East Unions

City Union 472-5667
East Union 472-9630
Or E-mail
SOFS2@unl.edu