lV. Accounting Systems

The accounting function can be described as a system for collecting, classifying, reporting, and interpreting financial information that is relevant to the operation of the association. A major purpose of accounting is to provide information about the operational effectiveness of an association during a period of time and its financial condition at a particular date. The system itself will depend on many factors including:

* Size of the association
* Size of the budget
* Number of transactions
* Number and detail of account categories
* Informational needs
* Organizational policy

Accounting systems in use by local associations range from manual systems, which use a checkbook register and/or special journals to sophisticated computer systems which maintain accounting records on disc. In this section, a basic manual accounting system will be discussed with a check register, cash receipts journal, and cash disbursements journal. QuickBooks Online and Quicken Deluxe are recommended for most local associations.

**Accounting Software Recommendations for Local Associations: For Membership Size Less Than 200**

Accounting Solution:

* Quicken Deluxe 2011

Website:

<http://quicken.intuit.com/personal-finance-software/deluxe-money-management.jsp>

Price Range:

* $59.99 one-time charge

System Requirements:

|  |  |
| --- | --- |
|  | * Computer: 1 GHz |
|  | * Operating System: Windows XP SP2+, Vista, Windows 7 (32- and 64-bit) |
|  | * Memory: 1 GB |
|  | * Hard Disk Space: Up to 450 MB free space, up to 1 GB if .NET not installed |
|  | * Monitor: 1024x768 or higher resolution |
|  | * CD-ROM Drive: Required |
|  | * Internet Connection 56 kbps (broadband recommended for online services) |
|  | * Sound: Sound card and speakers recommended |
|  | * Printer: Any printer compatible with Windows XP SP2 or later |

Technical Support:

* Available online, email or phone for setup and system support

Available Online Training:

* In-product tutorials and help windows

Pros:

* Affordable one-time charge
* Easy to learn and use
* Update bank and credit card data with one password
* Track and categorize expenses
* Store statements, checks and other records electronically
* View all your finances in one place
* Pay your bills on time online – bring all online accounts together in one place
* Get suggested spending limits and set goals based on day-to-day information you enter and then check your progress throughout the month
* Pocket Quicken for Palm OS and Pocket PC handhelds is available to help keep information up-to-date wherever you go.

Cons:

* Without automatic data backups, there is a potential to lose all data.
* Access is limited to one computer
* No audit controls/tracking

**Accounting Software Recommendations for Local Associations: For Membership Size 200 or Greater**

Accounting Solution:

* QuickBooks Online Edition

Website:

* <http://quickbooksonline.intuit.com/> (for demo and product information)

Price Range:

* $24.95/month (price may vary with a quantity discount)
* Try it free for 30 days (first-time users only)

System Requirements:

|  |  |
| --- | --- |
|  | * Computer: 1 PC - GHz computer with 256 MB of RAM running Windows XP or later; Mac – Intel-based Mac running OS x 10.5 or later * Latest version of Internet Explorer, Firefox, Google Chrome or Safari for Mac * High-speed internet connection (DSL, cable, T1) |
|  | * Monitor: 1024x768 screen resolution * For Windows users: Adobe Reader 7.0 or later is required for printing invoices, checks, and other forms |
|  | * Software Integration: Export to Excel requires Excel 97 or later |
|  | * Printer: A laser or inkjet printer is required. They do not support dot-matrix printers. * Multi-Users: No additional requirements |
|  | Technical Support:   * Product support is included * Free support and call back within 30 minutes * 24 hours/day instant answers from Knowledge Base * Mobile access from your IPhone or Blackberry   Available Online Training:   * In-product tutorials and help windows * Free guides, tips and tricks and online demos   Pros:   * Multi-User access (up to 3, plus your accountant) * Connect multiple locations * Ensures continuity of operations * Control access to your Online Edition finances and what they see with password protection and multiple permission levels * Automatic upgrades * Income and Expense tracking * Automated online banking * Create, print and email invoices * View, print and email over 65 customizable reports * Data integration, import and export (e.g. send reports to Microsoft Excel) * Provides an audit trail * Print checks, pay bills and track expenses * Access your information anytime, anywhere * Business checklist to get you started, no accounting necessary * Automatic data back-up every day * Firewall-protected servers * No software to install   Cons:   * Ongoing monthly expense * Online payroll sold separately |

**The Checkbook Register**

The simplest form of single entry bookkeeping is the check register included with a regular checking account. This register is used for recording deposits and checks written. If the number of entries during your reporting period is small (fewer than 10 transactions), then the checkbook may be adequate.

The format available from your particular bank may vary from the following, but should include the following at a minimum:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| Check # | Check Date | Description of Transaction/Invoice # | Check/  Debit $ | Deposit/  Credit $ |  | Bank Charges | Balance $ |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

1. Enter the number of the check used.
2. Enter the date the check is written.
3. Write the name of the payee and the purpose or nature of the bill being paid or deposit made. Include invoice number and/or invoice date.
4. Enter the amount of the payment.
5. Enter the amount of the deposit.
6. This column is used to note that a check has been returned (cashed by payee) or the bank has credited a deposit when the bank account is reconciled. Place a check mark by checks and deposits that have “cleared” the bank.
7. Enter bank service charges and/or bank credits in this column.
8. Enter the amount of the transaction on the upper line and subtract (if a check or a bank service charge) or add (if a deposit or a bank credit) to the prior balance. Enter the new balance on the lower line.

At the close of the reporting period, the transactions can be listed in a report exactly as they appear in the checkbook record. This system is applicable to locals that have a small number of transactions in any given period.

The Expanded Check Register

This form of bookkeeping can handle a greater volume of transactions than the checkbook register, but presumes a limited number of account categories. It assumes only one asset account, the bank balance. It is based on the most elementary form of double-entry bookkeeping, in that each transaction is entered twice, once showing its impact on the bank account and once distributing it to the proper income or expense category.

The accounting form might be designed as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) |
| Date | Check # | Desc | Check  Amount | Deposit Amount | Bank Balance | Dues | Other | Office | Admin | Conf | Other |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| (m) Total this month | | |  |  |  |  |  |  |  |  |  |
| (n) Total year to date | | |  |  |  |  |  |  |  |  |  |

1. Enter the date of the transaction.
2. Enter the check number.
3. Write a brief description of the transaction, including name of the payee and invoice number and/or invoice date for a check or the source of income for a deposit.

d. - f. Enter the full amount of the check in column (d), the full amount of the deposit in column (e) and record the new bank balance in column (f) (previous balance plus deposits, minus checks).

g. - h. For each deposit, enter the amount again in either column (g) or (h) depending on the nature of the income.

i. – l. For each check, enter the amount again in one of the columns (i) through (l) depending on the nature of the payment.

m. – n. Monthly reports can be drawn from the totals shown at the end of the page.

**Cash Receipts Journal**

The Cash Receipts Journal *(Refer to Specimen IV(a), Cash Receipts Journal, Section lX)*provides the accounting record and distribution of all receipts by the association.

A Cash Receipts Journal can be used to record cash receipts from the following sources:

* Local Dues
* Agency Fee
* Interest—Savings Account
* Assessments
* Donations—Financial Assistance
* Income from social dinners, etc.
* Strengthening Locals
* Miscellaneous

A Cash Receipts Journal may be set up with separate columns for the various sources as described below:

Column 1: Dues Local dues received are recorded in this column.

Column 2: Agency Fee Agency fee monies are recorded in this column.

Column 3: Interest Local associations will frequently deposit “excess” cash (not needed for current obligation) in a savings account. Any interest earned on a savings account is recorded in column 3 and must agree with amounts recorded by the bank in the savings account passbook/statement.

Column 4: Assessments The association may assess members to meet unexpected obligations. When collected, these assessments are recorded in column 4. The treasurer should issue a receipt or maintain a list of people assessed.

Column 5: Donations The association may receive financial assistance/donations from the state affiliate and/or other organizations to defer unexpected or unusually large obligations involving the legal and professional rights of members. This type of receipt is recorded in column 5. A receipt should be issued to the party making a donation.

Column 6: Income from

Social Dinners, etc. Local education association may conduct professional activities such as social dinners. Cash/checks received from these activities should be recorded in column 6. It is important that all payments received from a specific activity are deposited intact. For example, if 100 dinner tickets were sold at $10.00 per ticket, $1,000 should be deposited intact. No expenses should be paid out of receipts. Expenses should be paid by check upon receipt of approved bills. A receipt should be issued upon receiving the cash. The program chairman should provide the treasurer with a breakdown of dinner receipts, etc.

Column 7: Strengthening Some state affiliates will reimburse local associations for a percentage of the local’s approved expenses and a per capita amount based on the rate of local association dues.

Column 8: Miscellaneous Any miscellaneous sources of cash receipts should be recorded in column 8. The nature of miscellaneous cash receipts is not self-explanatory, therefore, an explanation should be provided.

There may be other sources that will be applicable to your association. This is an example of some of the sources that may be relevant to your local association.

Normally, the monies received under column 1 and columns 3 – 8 are deposited in the General Purpose Checking Account. The total deposit must be recorded in the checkbook for the General Purpose Checking Account. Monies received from agency fee payers (or fair share fee payers)a should be remitted directly to the state affiliate.

aFair Share Fee Payer pays a “fair share” fee certification to the SEA and NEA for the services it renders to the non-member in its capacity as the exclusive bargaining representative. Fair share fee payers are not members for governance purposes (i.e. no voting rights, can’t hold office). Fair share rebates are typically provided upon timely written request.

**Cash Disbursement Journal**

The Cash Disbursement Journal *(Refer to Specimen IV(b), Cash Disbursement Journal, Section lX)*gives a treasurer a complete picture of all of the money that has been spent by the association. The Cash Disbursement Journal can facilitate the preparation of financial reports. For instance, if you were preparing a report of bills paid through December 15th, you would put a line under all bills paid as of December 15th and total each column. The totals would provide a summary of the bills to date by category and may be used for reporting purposes.

If a local association treasurer prefers a more detailed classification of expenditures than provided on the Cash Disbursement Journal taken from the Expense Voucher *(Refer to Specimen lV(c), Section lX)*, (s) he may record a transaction in an appropriate sub-classification account. *Specimen IV(d)* illustrates a suggested format. If this is the preferred method, after recording a transaction in the Cash Disbursement Journal, the treasurer sub-classifies the transaction by making the appropriate entry in this sub-classification account.

When preparing year-end reports, treasurers are frequently expected to provide details of the cash expenditures. *Specimen IV (e), Cash Expenditures Detail, Section lX,* can facilitate this reporting. The data for *Specimen IV (e)* is obtained by transferring the year-end totals from *Specimen IV (d)* to the “Actual” column in *Specimen IV (e).*

Note: All Association Journals should be reconciled to the bank statements every month. Banks generally charge service fees. These fees may be identified as “SC” items on your bank statement. A bank service fee should be reconciled in the same manner as other expenditures. A voucher is prepared and recorded in the Cash Disbursement Journal.

**General Purpose Checking Account**

The General Purpose Checking Account is used to pay the bills of a local association. This checking account is increased by deposits and interest earned, if applicable, and decreased by checks and bank service charges. Except for petty cash, all bills should be paid by check. The treasurer should remember the following when writing checks:

* Checks should be written only when authorized approvers have approved bills.
* Never sign a blank check (one without the payee and amount filled in).
* Ideally, checks should require dual signatures.
* Checks should be pre-numbered. Checks should be used in sequential order. Every check number should be accounted for. Voided checks should be defaced by writing VOID across the check and filed in order.
* Before writing a check, the check stub should be filled out.
* After writing a check, the bill should be marked paid with the check number, check amount and date of payment attached to the voucher so that it is not erroneously paid a second time. A policy should be established so that payments are made against original invoices only. Paying from a copy or a statement could result in duplicate payment.
* Someone other than the treasurer should reconcile the General Purpose Checking Account to the bank statement on a monthly basis.

When the treasurer receives a bill, an expense voucher should be filled out and attached to the bill *(Refer to Section V – Internal Controls & Banking Relationships*). All vouchers should follow this process with the exception of petty cash transactions and bank service charges. An Expense Voucher should include the following:

* Voucher number: Vouchers should be pre-numbered and used in sequential order.
* Check number: The check number used to pay the bill.
* Amount: The amount paid on the bill and the check amount if different (e.g. paying multiple invoices with one check).
* Approved for payment: The appropriate approval level based on authorization levels (ideally the president and treasurer).
* Received by: The person receiving the check should sign for it unless the check is being mailed.
* The bottom half of the voucher references the type of expense.

**Petty Cash**

On occasion, the treasurer will receive a request for small expenses (less than $5). It is not practical to write a check for each small expense; therefore it may be paid from a petty cash fund. A petty cash fund maintains a minimal cash balance (generally $20 - $50) and is kept to meet small payments. To establish a petty cash fund:

* An expense voucher is written for the amount of the initial petty cash fund (e.g. $50), payable to “Petty Cash”.
* The check for Petty Cash is shown in the Cash Expenditure Journal under the miscellaneous column, with Petty Cash as the explanation.
* When the petty cash check is cashed, it is kept in safe place (in a safe or locked drawer).
* As expenses (under $5) are received, a petty cash voucher *(Specimen IV (f), Petty Cash, Section lX)*is completed with the receipt attached if available. The cash is disbursed and the receiver signs the petty cash voucher. Petty cash vouchers are kept with the petty cash.
* When the petty cash fund runs low (e.g. under $15), the cash should be replenished for the amount used. In other words, the amount should equal the total of the petty cash vouchers used.

Note: At any time, the petty cash plus the petty cash vouchers must total the amount of the petty cash fund (e.g. Cash $15, Vouchers $35 = $50).

**Bank Reconciliation**

The local treasurer should receive a bank statement every month for each bank account. The balance on the bank statement may not agree with the checkbook balance. The following items usually account for the differences between the bank statement balance and the checkbook balance: outstanding checks, deposits in transit, bank service charges/credits, and errors by the bank and/or the treasurer. The bank reconciliation should be prepared monthly to verify that the two independent sets of records (bank statement and checkbook) are in agreement.

*Specimen IV (g), Bank Reconciliation, Section lX*,is a common bank reconciliation form and may be used as follows:

* Complete the heading with the applicable month and year.
* Enter the ending bank statement balance at (1) and the ending (month-end) balance of your checkbook at (2). Enter bank account name if more than one bank account is used.
* Compare the deposits listed on your bank statement with the record of deposits. The record of deposits may be found in the checkbook or the Cash Receipts Journal. Any deposits in the checkbook/Cash Receipt Journal that the bank has not recorded should be listed as a Deposit in Transit (3). Any deposits that may not have been recorded in the checkbook but are included in the bank statement should be listed under “Plus: Correction” (4) with a brief description.
* Compare the amounts of the “Paid or Canceled” checks returned with the bank statement with entries on the bank statement and entries in the checkbook. Any difference(s) must be recorded as a correction (5) and/or (6). This does not include outstanding checks. If the check amount in the checkbook is greater than the check amount in the bank statement, add the difference (5). If the check amount is less than the check amount in the bank statement, the difference should be listed under “Less: Service Charge & Corrections” (6). Include the check number as a description. These differences must be recorded in the checkbook/Cash Disbursement Journal if the checkbook amount is incorrect. If the bank amount is incorrect, note this on the bank reconciliation and notify the bank of the error immediately.
* Checks that have been written but have not yet cleared the bank by the end of the month are called “outstanding checks”. Compare the checkbook/Cash Disbursement Journal listing of checks written with the canceled/cleared checks from the bank. Any checks written which are not returned, are “outstanding” and should be listed under (7) including check amount and check number.
* Identify the amount of service charge included in the bank statement that has not deducted in the checkbook. This should be deducted at (8) with a description. The charge should also be recorded in the checkbook/Cash Disbursement Journal.
* Review the bank statement for additional charges/credits not recorded in the checkbook. List these items at (7). Additional credits should be listed at (5)
* Total the two sides of the bank reconciliation. The adjusted bank balance and the adjusted checkbook balance (9) should agree. The checkbook balance must be corrected to reflect the adjusted balance. Adjustments would include service charges, other bank charges and credits, and errors made in the checkbook. Bank errors should not be included in the checkbook balance.