



American Water Works Association Pacific Northwest Section

Financial Process and Internal Controls (Board Approved May 2017)

In September 2015 the Section made the bookkeeping change from staff to the Section's Certified Public Accountant, Jeff Kavadias based out of Spokane, Washington. Thus transitioning from a paper based process to an electronic one. No longer will an audit committee need to commit an entire day of looking through boxes of receipts and invoices. Everything can now be reviewed electronically in a fraction of the time.

As a non-profit how does the Board ensure that their fiduciary responsibilities are being met? Transparency of process is essential. The Treasurer, Executive Director and now our CPA are continually looking and evaluating our internal controls to ensure the safeguarding of the Section's assets. Below outlines the financial process and internal controls that are in place between the Section Office and the CPA. This process combined with the \$55,000 Fidelity Bond on our Executive Director and the \$1 million liability policy held by Jeff Kavadias provides more than adequate protection for our membership and the association.

1. Cash Receipts Walk-Through

- a. We receive funds either by cash, check, or credit card.
 - i. Cash is presented in person to the Executive Director at events or trainings that he attends. Cash is received in a sealed manila envelope and the outside of the envelope highlights the total cash inside and the signatures of the two volunteers who counted it. Once he has returned to the Section office, the Executive Director counts the cash for a third time verifying the amount. The cash amount is processed into Quickbooks crediting the appropriate general ledger account. The same day the deposit is recorded and made at US Bank. Cash collected at events that the Executive Director does not attend are deposited by the event coordinator who then mails a check to the Section office for that amount.
 - ii. Checks are received from the PO Box. The checks receive a deposit stamp and are processed into QuickBooks. The deposit is recorded and made that same day at US Bank. All functions are done in the Section office.
 - iii. Credit cards are processed through our online channels using Authorize.net for Section Conference income and either PayPal or Square

for online registrations or purchases. Once a member chooses to pay by credit card they are taken to either the Authorize.net, PayPal or Square portal where they input their credit card information and it is processed. An email confirmation is sent to the accounting office and the customer. The accounting office then records the transaction into the Quickbooks system.

2. Cash Disbursement Walk-Through

- a. Cash disbursements are done primarily with checks and ACH payments.
 - i. Vendor bills or member reimbursements are sent to the Section PO Box or via email to the Section Office. The Executive Director approves the payment and forwards them via email to the bookkeeper with the appropriate general ledger account number. Bills/reimbursements are entered into the accounting system and sent to the Executive Director once again for final approval. Upon approval, the preferred method of payment – ACH payments are made and as a backup payment option checks are cut. The bookkeeper has up to ten pre-signed checks from the Executive Director.
 - ii. The CPA also processes payroll for the Executive Director and all payroll taxes. The ACH payroll is only paid twice a month. The amount is determined annually with the employment contract. There is no review and the Accounting office initiates the payment.

3. How Revenue is Generated

- a. There are primarily three forms of revenue – association allotments from membership dues, our Section Conference and other networking or training registrations.
 - i. Association allotments are received via check and are sent to the Section PO Box.
 - ii. Conference revenues are received via electronic deposit from either Authorize.net or monthly from our online registration company RegOnline.
 - iii. Networking or committee training registrations are processed via PayPal or Square. PayPal works in tandem with Constant Contact our Section's electronic event information service. A member clicks on the register now button on the Constant Contact flier which forwards them to PayPal to enter their credit card information and process their payment. Monthly, either the Executive Director or bookkeeper processes payment from the Section's PayPal account to the US Bank Merchant Account. The bookkeeper enters payment information into Quickbooks and credits the correct committee's general ledger account. Funds are transferred from the merchant account to either the Section's checking account or savings account as needed by either the bookkeeper or the Executive Director. Square is used primarily for onsite payments

and is deposited into the Section's merchant account daily. The bookkeeper credits these payments to the appropriate committees general ledger account.

4. Certificates of Deposit or Mutual Funds

- a. The Section has mutual funds that are managed by Morgan Stanley and Certificates of Deposit that held in various credit unions in the Portland area.
 - i. Quarterly CD statements are received at the Section PO Box. They are reconciled with Quickbooks by the Executive Director. As the CD's mature the Executive Director searches for the best rate of return in the Portland area, and if needed move the funds via check to the appropriate institution. CD's mature quarterly providing quick access to any needed funds.
 - ii. Section mutual funds are managed by Morgan Stanley. The Executive Director works with the Morgan Stanley advisor to approve any needed changes to the fund to provide adequate growth and limit loss to the fund. The funds are all liquid allowing access within three business days. The bookkeeper receives statements monthly and reconciles the statements with Quickbooks.
 - i. The Education and Training Fund (E&T) has mutual funds with Morgan Stanley. The E&T Fund Board works with the Morgan Stanley advisor to approve any needed changes to the fund to provide adequate growth and limit loss to the fund. The funds are all liquid allowing access within three business days. The bookkeeper receives statements monthly and reconciles the statements with Quickbooks.

5. Executive Director Expense Report Approval and Reimbursements

- a. The Section has one credit card that is used by the Executive Director. It is used for Executive Director travel and immediate payment of expenses for networking or training events.
 - i. The Executive Director receives a monthly credit card statement via the PO Box. The statement is reconciled with the credit card receipts and processed for check payment by the Executive Director. The expense report is emailed to the Treasurer for any necessary feedback.
 - ii. The Executive Directors personal vehicle is often used to attend membership events or meetings. Mileage is tracked and reimbursement requested via the Mileage Reimbursement Form which is completed and mailed to the CPA as need arises. Reimbursement is made via ACH.

6. Monthly Financial Preparation and Annual Tax Return

- a. The CPA takes all the above mentioned financial transactions that have been input into Quickbooks and creates monthly financial reports – these include: a balance sheet, profit and loss statement and a profit and loss/actual vs budget statement.

- i. Financials are sent to the Executive Director for approval and forwarded to the Board.
- ii. Monthly financial information is used to create a year-end statement as well as the Section's annual tax return. The annual tax return is sent to the Executive Director for approval and any payments due are paid via check by the Executive Director.

7. Donations to E&T Fund

- a. Funds raised at subsection or Section events for the Education and Training fund (E&T) are received at the Section office, these can include cash or checks and via PayPal or Square. These funds are accounted for in Quickbooks and at US Bank in the same way as transactions mentioned earlier.
 - i. Donations to the E&T Fund made from private donors outside of the current subsection or Section membership are received via check and mailed to the Section PO Box. These donations must be accompanied by a Donation Acknowledgement Form which communicates any stipulations or promised scholarship rate of return that the donor has agreed to. This form should be signed and dated by the donor, the E&T Fund Board Representative and the Section Executive Director.
 - ii. E&T Fund donations are sent to Morgan Stanley twice a year via check – once after the Section Conference in May and prior to year-end. As mentioned earlier, the CPA receives Morgan Stanley statements monthly and reconciles those to Quickbooks.