FPRA
Florida Public Relations Association

Internal Controls Best Practices

As a membership organization, FPRA chapters must find ways to protect their chapter finances but most importantly, they must be protective of their board of directors who are held accountable for the financial assets of the chapter. In an ever-growing age of digital technology, fraud and embezzlement is on the rise, so it is more important than ever that good internal controls exist to safeguard against any threats. Below are some internal control best practices that can be customized by each chapter to protect themselves.

Separation of Duties

Separation of duties is the splitting of financial responsibilities between different officers. In most small FPRA chapters, this could be as simple as your chapter president receiving a copy of the bank statement (via online or mail) as well as the treasurer. Another suggestion would be having another board member reviewing and initial the deposit slip deposits before the treasurer takes the deposit to the bank. This assures that two separate people have reviewed the deposit.

Access Controls

Access controls are passwords used in any part of the financial system. Many of our FPRA chapters utilize software programs or online apps which require usernames and passwords. During periods of officer transition, it is best practice to change passwords on all software programs and online apps. Also, many FPRA chapters utilize debit cards which may be necessary for chapter purchases. However, each chapter must consider that as the number of debit cards issued increases so does that risk of fraud to the chapter. Safe guards should be put in place to make sure the chapter is protected or that chapter should consider lowering the number of chapter debit cards it uses.

Physical Accounting/Review

Physical accounting/reviews are used to reveal discrepancies made on accounts. If your chapter is not currently doing a year-end review, you may want to consider this. In most cases, the chapter president will assign two- to three-chapter members to a review committee with the task of conducting a review within 30 days after year-end. The committee members will go through the checkbook, supporting documentation and monthly bank reconciliations to confirm that all transactions reconcile and there are no questionable issues. When the review is completed, a report will be submitted to the executive board.

Documentation

Per IRS guidelines, documents used to support financial transactions should be kept seven years by all chapters. These include items such as invoices, receipts, bank statements, financials and even emails that show transaction information and support. One way to help assure documentation is consistent is to create standardized forms to be used for certain financial transactions. For example, some chapters have created “Reimbursement” forms to be used when members pay for chapter items pertaining to events or general chapter operations. Many of those forms require that a copy of the original receipt and a signature of the authorizing chair before reimbursement can be processed.

Reconciliations

Bank reconciliations involve comparing transaction and deposit records to whatever accounting system your chapter uses to maintain financial records. This should be done monthly and presented to the executive board along with a copy of the bank statement. The more eyes that review financial items adds additional layers of protection to the chapter.

Approval Authority

Authorizing transactions helps assure that transactions have been analyzed by chapter leadership. If possible, proof of authorization should be kept with all transactions. This can be done by using standardized forms created by the chapter or simply by attaching any correspondence from leadership authorizing the transactions.