



CHAPTER INTERNAL FINANCIAL CONTROLS AND BEST PRACTICES

1. The chapter should use an established accounting software system for tracking cash/investment balances, revenues, and expense activity during the year.
2. Segregation of Duties
 - a. Segregation of duties is an important internal control for any organization. The principle is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department.
 - b. No single individual should be responsible for writing, signing checks or vouchers, receiving, recording, securing, and depositing cash and other receipts. These functions should be assigned to multiple individuals so that proper checks and balances are in place.
3. Safeguarding of Assets
 - a. Checks, bank account numbers, passwords, petty cash, credit cards, member numbers, and credit card numbers should be secured and locked away at all times.
 - b. All transactions should exclusively run through a bank account that is in the chapter's name. There should be no transactions running through a bank account in an individual's name.
 - c. Bank statements should be reconciled every month. The statement should be reviewed by a member of the executive committee that is not performing the reconciliation.
4. Cash Payments
 - a. Consider requiring dual signatures on checks over a certain threshold, such as \$250 or \$500. The threshold should be based on the financial assets and size of the chapter.
 - b. Receipts, invoices, or other supporting documentation should be maintained on file for all expenditures.
 - c. Checks should be prepared by and recorded to the chapter's accounting software.
5. Cash Receipts
 - a. Chapter dues checks should be deposited in the bank as soon as possible, but no later than 3 business days after receipt.
 - b. Cash should be deposited in the bank and initiation fees should be remitted to the national office no later than 3 business days after the chapter's enrollment deadline.
6. Annual Reporting
 - a. The Chapter Finance Report must be completed and submitted to the national office on an annual basis no later than August 31st.
 - b. The chapter must file a 990, 990EZ, or 990N tax form (depending on the level of revenues) by the November 15th filing deadline (for June 30 fiscal year end).

OTHER IMPORTANT WEB RESOURCES FOR CHAPTERS

- IRS Life Cycle of a Charity (how to remain exempt): <https://www.irs.gov/charities-non-profits/life-cycle-of-an-exempt-organization>
- National Council of Nonprofits Best Practices by State: <https://www.councilofnonprofits.org/tools-resources/principles-and-practices-where-can-you-find-best-practices-nonprofits>
- Independent Sector Principles for Good Governance and Ethical Practice: <https://independentsector.org/programs/principles-for-good-governance-and-ethical-practice/>

Questions?

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