



BEST PRACTICES FOR FINANCIAL TRANSPARENCY

*Integrity and transparency are at the very heart of a Unit or District.
Sound and clear communication of financial transactions are critical to achieve this goal.*

This bulletin was designed to help guide your Unit/District with suggestions on best practices for Financial transparency. Please NOTE that these are just suggestions and you should always follow your Unit/District Standing Rule or Constitution and Bylaws first.

FINANCIAL REPORTING

The Unit/District should outline in your standing rules that the board receive the Financial report of the Unit/District and the original bank statement on a regular basis. Care should be taken to ensure that the bank statement and the financial report balance.

The Financial Report should include:

1. Opening balance – The balance that was reported during the previous meeting. The report should include the amount in each account (General, Welfare, etc.)
2. All income – Note the amount and the source of the income.
 - a. Fundraising events should include and itemized report outlining the money received and each expense paid. Every significant expense requires an invoice sent or receipt and the income should be validated by attendance, ticket sales or some other quantifiable means. The Unit/District may establish a definition of the amount requiring a receipt.
3. All Expenditures – All expenditures, over the established minimum amount, should be approved by the voting members prior to purchase.
 - a. It should be noted that all expenses/payments must be approved by the Unit/District membership. Sometimes the expense/payment approval is included in the Unit/District annual budget process or by separate formal resolutions. Either way, the approval requires a quorum and must be reflected in the minutes. Receipts and invoices **shall** be obtained to verify the amount spent.
4. Ending Balance – The final amount is provided, which will be the opening amount the following month.

REIMBURSEMENT PROCEDURES

As noted, reimbursement should only be done when the expense is approved by the voting members and includes an invoice or receipt for the Unit/District records. The Unit/District may

establish a minimum amount that would not require a receipt, but this should be only for very small amounts.

BANK ACCOUNT MANAGEMENT

Have two Bank Signatories – Bank accounts should include at a minimum two signatures, that of the Treasurer and of another elected officer. The two signatories should be from different households. **Note – Only one signature is required on checks, but a minimum of two signatures are required for the account.

ENSURE VISIBILITY

In addition to inclusion of the Unit/District financial report given to the board, every account should be reviewed by two or more members (audit committee) on a regular basis. These members should also ensure that the bank statements align with the financial statement.

UPDATE ACCESS (and password) TO ACCOUNTS ANNUALLY

Each Year, as new officers are elected, the accounts should be updated (removing old officers and adding new) and the passwords changed to protect the funds.

CHANGING ACCOUNTS OR BANKS

Any change to an account, including changes to a new bank, should require approval by the Unit/District board, or specifically stated in your standing rules. You should also make sure that you have all bank statements prior to closing your account(s).

CONDUCTING AUDITS/REVIEWS

While the Unit/District should regularly seek the advice of an accounting professional to ensure compliance with local laws, the Unit/District should also conduct an annual audit of the Unit/District accounts, when the responsibility transitions to a new treasurer or at least the end of each term. The review should include the following:

1. Bank Statements
2. Minutes showing the approval of expenditures and income
3. Fundraising, event and project reports that have financial implications and provide information regarding the collection or disbursement of funds
4. Receipts, thank you notes, invoices and other evidence of disbursements
5. Final year-end report, showing the income and expenses for the year, which should reconcile with the above-mentioned documentation
6. Paperwork or registration of the names on the account and the revisions to the account at the change of the fiscal year

WHY IS IT IMPORTANT THAT THE TREASURER BE BONDED

Insuring (bonding) a treasurer provides the Unit/District protection and assurance that in the event the treasurer engages in criminal behavior or otherwise breaches their duty to the Unit/District, the Unit/District will not suffer as a result. This bonding (Fidelity Bond) is available through the Department office and is payable by the Unit every three (3) year and by the District every year.

WHAT TO DO WHEN FRAUD IS SUSPECTED

If the financial standing of the Unit/District is in question or fraud is suspected, the Unit/District officers should investigate such matters, and determine whether fraud occurred or whether it was merely an unintentional oversight. Discuss your concerns with the Unit/District Executive board and ask for clarification. If there is evidence that an inappropriate action took place, a complaint may be filed. Although we encourage all members to clarify any doubt in their behavior, on occasion, criminal charges may be appropriate so as to ensure the public that the Unit/District is taking action and to maintain the trust of the public and those that donate to the local Units/District.

However, keep in mind that this can be a learning experience and not every situation that arises is fraud or criminal. These practices ensure that the Unit/District can be fully transparent and provide the highest level of financial integrity, so every member in the Unit/District can rest assured that the work they have done is truly assisting our veterans and communities in accordance to the policies and procedures of our Organization.

FILING OF STATE AND FEDERAL TAX FORM

Every Unit/District is required by law to file State and Federal Tax returns yearly. These form and instructions can easily be found on the Auxiliary website at:

<https://calegionauxiliary.com/programs/auditing-finance>

Once you have filed your taxes a copy of the form and a copy of your audit should be sent to the Department office at:

American Legion Auxiliary
Department of California
401 Van Ness Avenue #319
San Francisco, CA 94102

These easy-to-follow instructions and procedures will keep your Unit/District financially transparent to all members and your reconciliation of accounts easier to audit.

Linda Workman
Department Chairman of Finance
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