

Financial Incident Report – 2/28/10

What:

On January 6th 2010, the ASRC was sent two invoices totaling \$5363 by its insurance provider, Welch Graham & Ogden LLC. These invoices were paid on January 27th and led to an overdraft of \$1344.66 (including overdraft fees). This overdraft was rectified on February 18th with the first set of the 2010 Conference dues received.

Circumstances:

On December 12th, the ASRC Treasurer went on vacation after appointing an acting deputy. While this deputy could not directly access ASRC funds, he was in direct contact with the ASRC Chair and the ASRC Finance Officer (who has access to the ASRC bank account). Due to the regions traveled to, the Treasurer was not reachable until returning on the 19th of January. Due to the amount of catch-up necessary after such extended vacations, the invoices in question only came to the Treasurer's attention on the 26th of January (thanks to a reminder from the Chair).

However, as of January 1st 2010, the ASRC account totaled to only \$4017.33. In addition, though the Treasurer's deputy had mailed the annual ASRC dues invoices in mid-January, no payments were expected before early February. Thus, with the invoices due by February 1, the Treasurer decided to incur an overdraft rather than risk losing the ASRC's insurance coverage for lack of payment.

Causes & Implications:

After reviewing the incident, the Treasurer has determined that the incident was not primarily caused by the unique circumstances surrounding the event. Rather, the event was a manifestation of a predictable, developing fiscal pattern that was simply obscured and exacerbated by circumstance and a lack of communication between officers.

At the start of 2009, the ASRC had a standing account balance of \$4919.28. During that year, it charged its member groups \$7940 in dues and had \$8038 in outlays. Of particular note among these outlays was a set of checks for \$2542 and \$2563, paid on January 20th and February 6th respectively, inscribed to Welch Graham & Ogden LLC. It may be assumed that these were written to pay the 2009 equivalent of the 2010 charges in question, with a due date of February 1. However, these checks are of interest for two other reasons: the invoices they accounted for outstripped the ability of the ASRC to pay them at the time (by \$185.72) and the checks were written by two different treasurers (since the position was being transferred at the time).

Most likely by luck, the ASRC managed not to overdraft that year because its treasurer and her replacement paid the invoices separately, the second only being sent after the fortunate arrival of the first dues check (which was deposited just before the bill was paid). However, while over-drafting had been avoided, the situation set a bad precedent.

While it would have been clear to a long-term observer that a review of the ASRC's funding was in order, the payment of the invoices by separate treasurers left the replacement with the impression that all was well. Thus, foreseeing biannual premium payments of only \$2500 and having only \$4017.33 in rollover for 2010, the stage was set for the situation that arose this January.

It may be fortunate that this most recent event occurred, or else a full review of the ASRC's finances would not have taken place in time to solve the growing funding crisis that has now emerged. It is clear that there has been a general decrease in total funding over the past two years despite a number of cost cutting measures. In turn this has jeopardized the ability of the ASRC to reliably pay its minimum annual expenses¹. However, up till this point, the agency has had the financial room to maneuver. The coming year will be different. Due to the withdrawal of PSAR and TSAR from the ASRC and a general agency-wide drop in membership, the conference has only charged \$5,615 in dues² to augment the \$4,018.33 in its account as of January 1, 2010. After the year's initial insurance payment, the ASRC has been left with a projected \$4,270.33 at its disposal until the 2011 dues are received³. If all 2010 dues are received and the ASRC keeps outlays at the bare minimum, the ASRC will begin 2011 with a projected \$1740.33, which, in turn, would equal an initial deficit of \$3622.67 (if insurance premiums do not change). Thus, while the ASRC will have enough funds to pay its 2010 minimum annual expenses, it WILL NOT have enough funds to pay its minimum annual expenses for 2011.

Solutions and Future Prevention

While looking into the causes surrounding this incident, the Treasurer identified a number of points that should be addressed/ remedied:

Financial Situational Awareness

While it is to be expected that the ASRC Treasurer and Finance officer are the natural repositories a monitors of the organization's financial information, it is concerning how little of this information trickles out to the rest of the BOD. This lack of information sharing has clearly inhibited the ASRC BOD's situational awareness.

To remedy this, the ASRC Treasurer will now submit regular monthly reports on the Conference's financial situation to the ASRC Chari. In addition, it is recommended that the ASRC BOD mandate that, should the Treasurer be absent/unable to fulfill this duty, the ASRC Finance officer shall do so until the Treasurer is once again able to fulfill his/her capacity in this regard.

¹ Minimum annual expenses for 2010 and 2011 are projected as: Approx. \$7,800 in bi-annual insurance payments (the first 2/3 of which is paid using funds from the previous year) & \$30 in VASARCO membership dues.

² A loss of \$2,325

³ Given all dues are paid and no other funds become available

Officer Absence Procedures

When officers and BOD members are unable to fulfill their functions while taking a leave of absence, it is usually sufficient for that person to appoint a deputy. However, due to the need for access to the ASRC bank account in order to fully fulfill the role, it is not so simple for the treasurer.

There seem to be two practical options for such situations:

1. Since the ASRC bank account is capable of performing electronic bill-pay functions, it would be possible to simply hand over the account access information to the deputy. Though this carries a set of possible serious ramifications.
2. Again utilizing the electronic pay capacity, the Finance Officer, who already has both account access and knowledge of the conference's funding dynamics, can be designated the alternate, with all bills being forwarded to that person till the Treasurer is ready to retake his position (note that this does not preclude the use of a deputy for all other administrative functions)

With these options in mind, the Treasurer requests that the ASRC BOD make clarification of policy and a preferred option selected.

The Growing Funding Deficit

Traditionally, the ASRC has dealt with such issues by increasing the dues required of groups and their members. While this would work as a long-term solution to the issue, the fact that the 2010 dues invoices have already been sent means that other methods will be required to fill the gap before 2011 arrives. Potential options would be to ask for each ASRC member group to make donations as best they are able or to create a committee to brainstorm and pursue various grant writing and fundraising activities.

ASRC Finances as of March 3, 2010

Current Balance: \$580.33

Dues Received: \$1990 of \$5615 (from PVRG, DMVSAR, & SWVaMRG)

Dues Outstanding: \$3625 (from BRMG, MARG, RACE, SMRG, MSAR, & AMRG)

Expected Date of Receipt: All dues should be received by the end of March