

# Policies and Procedures for Handling Volunteer and County Office Financial Accounts

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## Background/Statement of Need

County extension office projects, organizations, and volunteers, including the 4-H Council and 4-H clubs, are an integral part of the education program of the land-grant university and the U.S. Department of Agriculture. Volunteer leaders represent the University of Idaho and serve as lay educators of youth and other adults. In their volunteer roles, leaders have the responsibility to follow sound money management practices as required by the University of Idaho and the U.S. Department of Agriculture. Likewise, Extension faculty and staff have the responsibility to oversee the financial soundness of these organizations, and to ensure proper financial management of internal Extension office accounts.

Throughout the remainder of this document all entities, both internal and external (including but not limited to Master Gardeners, 4-H Leaders Council, 4-H clubs, teen councils, horse councils, UI Extension faculty and staff, etc.), shall be referred to as “groups”. The procedures outlined are required of all groups and their accounts. The application of sound money management principles also provides an excellent opportunity for additional education and hands-on training for adult volunteers, 4-H members, and other program participants.

The following procedures will assist all faculty, staff, volunteer leaders, and 4-H club members with proper handling and auditing of financial accounts (mainly checking) associated with UI Extension. These policies and procedures help reduce the possibility of misuse of funds, and help protect UI Extension and all financial accounts associated with groups from public censure.

## Program Financial Management Policy

All state, district, and county group accounts where money is solicited, collected, reimbursed or raised on behalf of University of Idaho Extension programs must be audited annually. This includes both UI Extension office checking accounts and all other group accounts including, but not limited to:

1. Chartered 4-H Clubs
2. All other groups, such as Master Gardener clubs or organizations, 4-H Leaders Councils (county, district, or state), 4-H project committees (e.g. horse, dog, rabbit, etc), Master Food Preserver/Food Safety Advisors, afterschool programs, Market Animal Sale Committees (if not a separate 501c3), and professional associations (IACAA, IEAFCS, IAE4-HA, etc.)

**UI Extension office checking accounts** can be audited in the yearly county financial audit, if applicable. These accounts can also be audited by the county clerk or by a three-person district financial audit committee. It is essential to have a good outside auditor perform the financial audit; accounts may not be audited by faculty or staff in the Extension office because of conflict of interest. Each county checking account should accurately account for all collected and disbursed funds and for money vouched; all checks should be reconciled monthly. It is highly recommended that Quick Books or a similar program be used for keeping track of checking accounts. Each county Extension office with checking account(s) must complete the Financial Audit Committee

Certification Form (p. 7) for each account that is not audited in the yearly county financial audit or by the county clerk. The Annual Summary Financial Report(s) (p. 11) or similar output from Quick Books or an equivalent program must be reviewed by the county chair and submitted to the District Director by November 1. Copies of audits will be provided to the District Director annually by the county chair, and the District Director will make note of receipt of the audit on the county chair review form.

**All other groups** should form a three-person financial audit committee annually that is composed of leaders and where applicable, one or more youth members, to review all monies received and spent. Each group should accurately account for all collected funds in individual accounts and reconcile all group checking and cash accounts annually. The emphasis for these groups should be on providing basic money management education to members as well as assuring the proper use of club funds. Money management skills, both personal and organizational, are expected to be of increasing importance in our ever more financially complex world. Early understanding of basic budgeting and auditing procedures will be of significant educational value to youth as they prepare for the future.

Each group **must** complete the **Annual Summary Financial Report** (p. 11) and the **Financial Audit Committee Certification** (p. 7) and submit them to their County Extension Office no later than November 1. The Annual Summary Financial Report and the Financial Audit Committee Certification for each club or group will be reviewed for completeness and the date each completed form was received will be recorded on the **Club/Group Financial Documents Form** (p. 13) by the County Extension Office faculty or staff member assigned this responsibility by the county chair.

The county chair also will review and sign the Club/Group Financial Documents Form to make sure that the completed documents have been received and recorded for each club or group in the county. When the designated faculty or staff member and the county chair sign the Club/Group Financial Documents Form they are verifying that Annual Summary Financial Reports and Financial Audit Committee Certifications have been completed and received; they are not testifying to the accuracy of the documents. The county chair will then present the completed, signed Club/Group Financial Documents Form to the District Director for final review and signature during the annual county chair review. The Club/Group Financial Documents Form will then be sent to the University of Idaho 4-H Youth Development Office.

The Annual Summary Financial Report and the Financial Audit Committee Certification for each club or group in a county must be kept on file at the County Extension Office for five (5) years. The University of Idaho 4-H Youth Development Office will conduct random audits of Annual Summary Financial Reports and Financial Audit Committee Certifications each year.

### **Financial Management Procedures**

Group leaders and club members are encouraged to develop a simple budget of anticipated income and planned expenditures. The budget provides an organized way to plan expenditures according to the priorities set by each group and to reflect the collective desires and intentions of the individuals involved.

Below is a simple budget that can be used by individual 4-H clubs and other small groups in the county to plan for anticipated income and expenditures. 4-H Councils and other large organizations may want to use a more detailed budget (*see page 10*).

## Sample Small Group Budget

### Estimated Income and Carryover:

Carryover from previous year	\$ 80.00
*Sales	240.00
*Donations	40.00
*Interest	5.00
*Other	<u>0.00</u>

**Total Income \$365.00**

### Estimated Expenditures

**Supplies	\$ 40.00
**Advertising	25.00
**Awards	35.00
**Travel	175.00
**Other	<u>0.00</u>

**Total Expenditures \$275.00**

### Projected Carryover for Next Year

(Income less Expenditures) **\$90.00**

\*Identify income categories as appropriate

\*\*Designate expense categories as appropriate

### Inventory Management Procedures

It is important for every group to know what property it owns, how much it originally cost, or value if donated, where it is located, and how it was finally disposed of, or if it is no longer part of the inventory. Without this information, it is often very difficult to be aware of and manage the inventory. A simple group inventory form (see sample below) can be completed and kept by the group treasurer.

## Group Inventory Form

	Item	Purchased Date	Cost	Where Located	Final Disposition
1.					
2.					
3.					
4.					
5.					
6.					

## Managing Financial Receipts and Expenditures

It is important to keep accurate and consistent records of all financial receipts and expenditures in order to assure that all funds received and all funds paid out are completely and accurately accounted for and are handled only by authorized persons.

### Financial Disbursements

The following financial procedures must be used to properly account for any funds expended:

1. All disbursements must be made by check.
2. Printed, pre-numbered checks are used and properly controlled.
3. The supply of blank checks is adequately secured.
4. **Checking accounts must have at least two authorized signers; all written checks must have two signatures.**
5. The group's officers or county chair (for Extension office checking accounts) should authorize all bank accounts and designate all check signers.
6. Provide for immediate bank notification when a check signer leaves the group.
7. Checks are prepared by someone other than those who authorize the payment, when possible.
8. Checks presented for signature (or bills presented for payment) are accompanied by approved invoices and evidence of receipt and acceptance of goods and services.
9. The signers of checks make adequate investigation before affixing their signatures to a check.
10. All supporting documents or invoices are canceled by marking paid in full along with the check number and date of payment to prevent reuse.
11. The signing of checks in advance is prohibited.
12. No checks are made payable to cash.
13. There is adequate control over postage purchased and used.
14. Voided checks are held for inspection.
15. No counter checks are permitted.
16. Bank statements are delivered unopened directly to the reconciler and bank accounts are reconciled monthly. Bank statements are properly filed in an appropriate storage container (expandable file, file box, etc.).
17. The sequence of check numbers is accounted for when reconciling the bank accounts.
18. Endorsements on canceled checks are examined carefully, incidental to the reconciliation of the bank account.
19. Paid checks are reviewed for irregular features.

In addition, the following financial management practices are strongly recommended:

1. If there is a large checking account balance (i.e. \$5,000 or more) that is not needed for day-to-day working funds:
  - a. This excess working balance should be kept in a savings account, or certificate of deposit, requiring two signatures to make a withdrawal.
  - b. A competitive rate of interest should be earned on the account.
2. For accounts over \$10,000, signers of checks should be bonded.

UI Extension reserves the right to conduct or authorize unannounced independent audits to determine if financial practices and controls are being followed.

## **Petty Cash Procedures**

No petty cash accounts are allowed. Petty cash is defined as small amounts of money kept in an office or other location and used to cover minor everyday expenses. This should not be confused with keeping a cash box for the sole purpose of making change.

## **Financial Receipts**

It is necessary to properly manage all financial receipts in order to assure that all funds received have been properly accounted for and deposited or otherwise secured.

Recommended cash or check receiving procedures include:

1. Cash or check-receiving activities are centralized in as few hands as possible.
2. The receipt of cash or checks can be proved by written receipts or other records.
3. The individual first receiving any money should document the date, source, and amount of money received by using a duplicate receipt book.
4. All checks are made or endorsed payable to the county Extension office, county 4-H Council or club, or other appropriate Extension-related group.
5. All cash or checks received are safeguarded and deposited within one week of being received.
6. No advances or IOUs may be made to employees, volunteers, group members, or others under any circumstances.

## **Lines of Credit**

Lines of credit are **not** allowed.

<sup>1</sup>Adapted from "A Leader Guide: County 4-H Councils: Committees Concerned About Youth," University of Kentucky, College of Agriculture, Cooperative Extension Service.

## Auditing Group Books

The financial reports of every group will be reviewed and audited on a yearly basis as a sound fiscal management practice. The review and audit should be a careful examination to check for accuracy of how well the treasurer and the group are handling the organization's (public's) money. The president or chair of the organization will appoint a financial audit committee to conduct and report the annual audit. It is recommended that at least three people be involved in the audit process, and that the treasurer be present at time of the audit. The financial audit team should not include a member who is in the same family as the organization's treasurer. In most instances, the financial audit committee can be comprised of volunteers in the organization who have undergone training on how to conduct an audit.

An audit of the books must be conducted by a financial audit committee when transferring responsibility from one person to another, for the protection of both parties involved. The example audit certification may be helpful as a guideline for completion by the audit committee. Documentation of the transfer of responsibility, including names and transfer date, may be provided in the Comments/Recommendations section of the Financial Audit Committee Certification.

The purpose of the audit is to examine procedures for accuracy of the accounts. It is not a check for fraud, however, fraud will be reported if found. The records should be clear and easily understandable. In most cases, a financial audit of an Extension program or organizational club will take less than an hour.

The following Financial Audit Committee Certification template is adequate for completion by the committee. A copy of this audit certification must be filed with the treasurer and a copy must be delivered and kept in the appropriate County Extension Office where it will be recorded as received, reviewed for completeness, and maintained for five years. Annual audit certifications are due to the County Extension Office on November 1. The Financial Audit Form (p. 8) is a sample checklist that may be useful when conducting an audit; it does not need to be submitted to the Extension office.

Financial Audit Committee Certifications will be reviewed and recorded on the Club/Group Financial Documents Form (p. 13) by the County Extension Office faculty or staff member assigned this responsibility by the county chair. The county chair also will review and sign the Financial Documents Form to make sure that a completed Financial Audit Committee Certification has been received from each club or group in the county. When the designated faculty or staff member and the county chair sign the Club/Group Financial Documents Form they are verifying that Financial Audit Committee Certifications and Annual Summary Financial Reports have been completed and received; they are not testifying to the accuracy of the documents. The county chair will then present the completed, signed Club/Group Financial Documents Form to the District Director for final review and signature during the annual county chair review. The Club/Group Financial Documents Form will then be sent to the University of Idaho 4-H Youth Development Office.

The Annual Summary Financial Report and the Financial Audit Committee Certification for each club or group in a county must be kept on file at the County Extension Office for five (5) years. The University of Idaho 4-H Youth Development Office will conduct random audits of Annual Summary Financial Reports and Financial Audit Committee Certifications each year.

EXAMPLE

### Financial Audit Committee Certification

We have carefully audited the available financial records and accounts for the \_\_\_\_\_ County \_\_\_\_\_ Club/Group on \_\_\_\_\_ and certify this report to be correct to the best of our knowledge. Note comments and recommendations, if any.

_____ Signature	_____ Date	_____ Signature	_____ Date
_____ Signature	_____ Date	_____ Signature	_____ Date

Comments/Recommendations

The following form on the next page may be used to help guide the financial audit committee through the audit process.

## Financial Audit Form

Period of Audit \_\_\_\_\_

Name of Club/Group \_\_\_\_\_

Treasurer \_\_\_\_\_

**Yes No**

- |     |     |  |  |
|-----|-----|--|--|
| ___ | ___ |  | 1 Are the group's funds on deposit at only one bank?<br>Bank name _____  |
| ___ | ___ |  | 2 Have funds been reported and deposited appropriately?  |
| ___ | ___ |  | 3 Does the bank balance agree with the balance in the treasurer's record?  |
| ___ | ___ |  | 4 Have amounts received and amounts spent been promptly entered in the treasurer's record with the date and explanation of the transaction?                |
| ___ | ___ |  | 5 Have all the checks been signed by two members, the treasurer, and at least one other member authorized by the organization?                             |
| ___ | ___ |  | 6 Are these two people from different families?  |
| ___ | ___ |  | 7 Have all disbursements been made by check?   |
| ___ | ___ |  | 8 Have any checks been made payable to cash?   |
| ___ | ___ |  | 9 All checks are pre-numbered and preprinted.  |
| ___ | ___ |  | 10 Have any counter checks been used?  |
| ___ | ___ |  | 11 All disbursements are properly documented. Supporting documents include evidence of purchase, original receipt, and approval.                           |
| ___ | ___ |  | 12 All such support documents are canceled in a manner that assures they cannot be reused.   |
| ___ | ___ |  | 13 Those authorized to sign checks are bonded if annual receipts total more than \$10,000.   |
| ___ | ___ |  | 14 Voided checks are available for inspection.   |
| ___ | ___ |  | 15 Printed pre-numbered receipt forms are properly used for receipt of cash, and carbon copies kept and maintained.  |
| ___ | ___ |  | 16 Restrictive endorsement (i.e., using the phrase "For deposit only") is placed on incoming checks as soon as they are received.                          |
| ___ | ___ |  | 17 Financial overages or shortages are properly recorded on books.   |
| ___ | ___ |  | 18 Bank deposits are certified by means of a duplicate deposit slip or entry in the checkbook register.  |
| ___ | ___ |  | 19 Checks returned by the bank for insufficient funds are controlled and a follow-up maintained.   |
| ___ | ___ |  | 20 Bank deposit bags or lock boxes are used for safeguarding cash and checks. Cash and checks are deposited within a week of being received.               |
| ___ | ___ |  | 21 Annual financial statements and monthly reports are provided by the treasurer including: account balances; receipts; expenditures and closing balances. |

EXAMPLE EXAMPLE EXAMPLE

**FY 2011 FINANCIAL STATEMENT**  
**September 30, 2011**  
**Mountain View 4-H Club**

**INCOME**

2010 Carryover		\$1,538.00
Club Member Dues	\$375.00	
United Way	350.00	
Food Booth Income	827.00	
Raffle Income	223.00	
Bank Interest	<u>8.25</u>	
<b>TOTAL INCOME:</b>		<b>\$3,321.25</b>

**EXPENSES**

Club Member Dues to County		\$375.00
4-H Publications		47.50
Club T-shirts		250.00
Camp Scholarships		200.00
Safeway (for Food Booth)		863.40
TV for Raffle		250.00
Sales Tax		<u>63.00</u>
<b>TOTAL EXPENSES:</b>		<b>\$2,048.90</b>

**KEY BANK ACCOUNT**

Savings		\$0
Checking		1,272.35
<b>SEPTEMBER 30, 2011 CARRYOVER:</b>		<u>\$1,272.35</u>

EXAMPLE    EXAMPLE    EXAMPLE

## FY 2012 PROPOSED BUDGET

### Mountain View 4-H Club

	2011	2012
<b>INCOME</b>	<b>ACTUAL</b>	<b>PROJECTED</b>
Carryover	\$1,538.00	\$1,335.35
Club Member Dues	375.00	475.00
United Way	350.00	400.00
Food Booth Profit	827.00	900.00
Raffle Profit	223.00	300.00
Bank Interest	<u>8.25</u>	<u>9.00</u>
<b>TOTAL INCOME:</b>	<b>\$3,321.25</b>	<b>\$3,419.35</b>
 <b>EXPENSES</b>		
Club Member Dues to County	\$375.00	\$475.00
4-H Publications	47.50	50.00
Club T-shirts	250.00	275.00
Camp Scholarships	200.00	250.00
Safeway (for Food Booth)	863.40	875.00
TV for Raffle	250.00	250.00
Sales Tax	<u>63.00</u>	<u>70.00</u>
<b>TOTAL EXPENSES:</b>	<b>\$2,048.90</b>	<b>\$2,245.00</b>
 <b>KEY BANK ACCOUNT</b>		
Savings	\$0	\$0
Checking	<u>\$1,272.35</u>	<u>\$1,244.35</u>
SEPTEMBER 30 CARRYOVER:	\$1,272.35	\$1,244.35

## Annual Summary Financial Report

Name of Club/Group _____		
Name of Bank _____		
For the year Beginning October 1, _____ and ending September 30, _____		
<b>1. Balance at Beginning of Year</b>	/	
INCOME (By event or activity)	/	
2.		
3.		
4.		
5.		
6.		
7. Total Income for Year (Add lines 2 through 6)		
8. Adjusted Balance (Add line 1 and line 7)	/	
<b>EXPENDITURES</b> (By event or activity)	/	
9.		
10.		
11.		
12.		
13.		
14.		
15. Total Expenditures for Year (Add lines 9 through 14)		
16. Balance at End of Year (Subtract line 15 from line 8)	/	
<i>If line 16 doesn't agree with bank statement complete lines 17, 18, and 19</i>		
17. Add checks that haven't cleared the bank		
18. Subtract deposits that haven't cleared the bank		
19. <b>Adjusted Balance</b> (Should agree with bank statement)	/	
Prepared by (Treasurer) _____	Date _____	
Club or Group Leader _____	Date _____	

*This report is due in the County Extension Office by November 1.*

## Completing the Annual Summary Financial Report

1. The **Annual Summary Financial Report** provides an overview of your group's financial activities for the year (October 1 to September 30). At the top of the form, fill in your group's name, your bank's name, and the dates covered by the report.
2. Line 1, **The Balance at Beginning of Year**, is the amount on hand on the first day of the County Extension fiscal year (October 1<sup>st</sup>).
3. Lines 2 through 6 are where you would report your group's **Income** for the year. Each line should report all the income from a particular activity or event. For example, line 2 may be for enrollment income, line 3 for candy sale income, etc. Fundraisers can be reported all together or separately, such as line 3 for a candy sale and line 4 for a car wash, or line 3 for the candy sale and car wash combined.
4. Line 7, **Total Income for Year**, is lines 2 through 6 added together.
5. Line 8, **Adjusted Balance**, is your beginning balance (line 1) added to your total income for the year (line 7). This line shows how much money your group had to work with during the year.
6. Lines 9 through 14 are your group's **Expenditures** for the year, again grouped by a particular activity or event.
7. Line 15, **Total Expenditures for Year**, is lines 9 through 14 added together. This line will show how much money your group spent during the year.
8. Line 16, **Balance at End of Year**, is your total expenditures (line 15) subtracted from your adjusted balance (line 8). This line will show how much money your group has to start the new fiscal year.
9. Compare line 16 with your bank statement. They should be the same. If they are not the same it is probably because some checks and/or deposits have not yet cleared the bank. Use line 17 to add the total of all your checks that haven't cleared the bank yet to your balance (line 16). Next, use line 18 to subtract the total of all your deposits that haven't cleared the bank from your balance (right hand column in line 17). Write your new balance on line 19. The balance should now be the same as your bank statement. If it still doesn't add up, you need to go back and check all your income and expenditure amounts.
10. Finally, sign and date the report where it is indicated for the treasurer's signature. Also, have group's leader sign the report. Retain a copy for your group's records and submit a copy to your County Extension Office.

