



## **SDSU Extension FUNDS POLICY for 4-H Chartered Clubs and Affiliate Organizations**

All chartered 4-H Club and Affiliate Organization (4-HCAO) accounts must adhere to and all funds must be maintained and audited in accordance with the following guidelines.

### **GENERAL GUIDELINES:**

- 1.** All 4-HCAO funds are required to be secured in a federally insured bank account (checking, savings, or certificate of deposit). Funds may be maintained in other investment accounts with the knowledge and approval of the State 4-H Program Director. All 4-HCAO funds are required to be used for 4-H programs and activities.
- 2.** All disbursements must be made through an organization's checking account. Funds withdrawn from savings or other investment accounts must be deposited into a 4-HCAO checking account before it can be disbursed. Cash payments for supplies and/or services are prohibited.
- 3.** Checks written on 4-HCAO accounts must have two signatures. One signature should be that of the Club Treasurer and the 2<sup>nd</sup> that of a non-related adult. It is recommended that the club treasurer and two adults be authorized on the accounts. For Affiliated Organization accounts two signatures (treasurer and non-related adult) are required. All authorized signatures need to be on file with your financial institution.
- 4.** Rubber stamps are prohibited from being used as an approval signature on 4-HCAO disbursements.
- 5.** SDSU employees are prohibited from being an authorized signature on any 4-HCAO accounts.
- 6.** All 4-HCAO accounts must have an EIN number. This is a financial institution requirement. The EIN should not be an individual's social security number.
- 7.** All funds collected must be handled in a manner that will maintain the public trust in our program and institution. The handling and maintenance of these funds should pass the "sunshine test" which states ... "If all our fund records were published in the local paper, the public consensus would be that they were well managed."
- 8.** All 4-HCAO accounts should be examined on a bi-annual basis by a certified public accountant, a degreed accountant or business administration individual, a qualified county administrator/commissioner or a qualified SDSU staff member if possible. The audit should include an evaluation of the internal controls for cash receipts and expenditures. The review, at a minimum, must ensure that all of the 4-HCAO accounts have been independently reconciled. The auditor/reviewer must not be a relative of any individual that has signature authority on the account.



A copy of the audit report should be maintained with the 4-HCAO financial documents. In addition a copy of the report should be provided to the State 4-H Office. 4-HCAO must provide a written plan to the State 4-H Office as to the actions it will take to resolve any audit comments within 60 days of the issuance of the report.

**CASH RECEIPT AND DEPOSIT PROCEDURES:** The Treasurer's Book provides guidance as to appropriate record keeping procedures. Key points are identified below.

**1. Establish a verifiable record of all cash and checks received:**

- All collections must be recorded on a multi-copy (at least two) pre-numbered cash receipt form.
- A copy of the form should be available to the customer as evidence of payment.
- Offices should file the second copy (yellow) securely bound in a book to better control and account for the documents.
- The receipt should record the following information: date of payment, payee, dollar amount, method of payment (cash or check), program for which funds were received and the name of the staff member preparing the receipt.
- Checks should immediately be endorsed "For Deposit Only." Endorsements should include the 4-HCAO bank account number.

**2. Adequately secure and safeguard un-deposited cash receipts:**

- Un-deposited cash and checks should be transferred to a designated custodian (Club Treasurer). The Club Treasurer can also receive funds directly from the public and process cash receipts by mail.
- All transfers of money to the designated custodian should be documented by having the custodian initial the file (yellow) copy of the cash receipt form once the funds come into her/his possession.
- The designated custodian is required to secure the funds in a protected location. No other staff member should have access to funds once the receipts are transferred to the designated custodian.
- A designated substitute treasurer/custodian can be appointed to cover extended periods of leave; however, the substitute is required to document the transfer and properly secure funds for which he/she is responsible.
- Employees are not allowed to cash personal checks from un-deposited funds.
- Night depositories should be utilized when funds exceed \$500.





### 3. **Verify to ensure that all funds are deposited:**

- Deposits shall be made at least weekly. More frequent deposits should be made when un-deposited amounts exceed \$500.
- The designated cash receipt custodian (Club Treasurer) is responsible for preparing deposits.
- All deposits must have sufficient documentation noting which checks and/or cash receipt forms were included in deposit balances. This documentation can consist of notations in a bound cash receipt book, or a listing of each cash receipt form that was included in the deposit.

### **INVENTORY AND SALES PROCEDURES:**

When conducting fund raising events that involve sales of merchandise to the public, adequate documentation of items sold should be maintained. Proper inventory controls should be followed.

### **DISBURSEMENT PROCEDURES:**

The Treasurer's Book provides guidance as to appropriate record keeping procedures. Key points are identified below.

- All expenditures must be approved by the 4-HCAO.
- An original invoice should be presented to the 4-HCAO requesting payment and be approved for payment by its members.
- Upon club approval of the invoice the Treasurer shall make payment.
- The original invoice or receipt should be attached to the voucher form.
- All disbursements must be made through an organization's checking account. Funds withdrawn from savings or other investment accounts must be deposited into a 4-HCAO checking account before they can be disbursed. Cash payments for supplies and/or services are prohibited.
- Checks written on 4-HCAO accounts must have two signatures. One signature should be that of the organization's Treasurer and the 2<sup>nd</sup> that of a non-related adult.
- Checks must never be pre-signed and utilizing a rubber stamp in lieu of an original signature is forbidden.

### **ACCOUNTABILITY PROCEDURES:**

1. It is the responsibility of every staff and 4-HCAO member to report the suspected misuse of funds to the State 4-H Program Director.
2. Any loss of funds due to fraud or misappropriation can result in disciplinary



action including termination and criminal prosecution.

### INVESTMENT ACCOUNTS:

4-HCAO's may, upon approval of the State 4-H Program Director, maintain investment accounts for the purpose of accruing earnings on the deposited funds. Scholarship funds are often established and funds are deposited into such accounts. Investment accounts may include, but are not limited to, money market funds, CDs, stocks, mutual funds, etc. The following guidelines should be followed when managing these investment accounts:

1. 4-HCAO's utilizing investment accounts are encouraged to use outside professional sources to aid them in their investment strategies; banking, accountants or investment professionals would be a great source of support. The decision as to how to invest funds is ultimately the responsibility of the 4-HCAO, but the advice of the outside professionals should be carefully considered and funds should always be invested in a fiscally responsible manner.
2. As with all other County Extension accounts, investment accounts should be reviewed or audited on a bi-annual basis and a report submitted to the State 4-H Office.
3. In order to provide a means of tracking disbursement of funds, monetary awards should be in the form of a check. To expend investment account funds, the funds should first be transferred into the regular 4-HCAO checking account and the checks written from that account.

### 4-H FEDERAL POLICY GUIDELINES:

1. Each county 4-HCAO with funds must have a federal employee identification number (federal ID #) for each account. To apply for this number, you will need to complete a form SS-4 and submit it to the U.S. Department of the Treasury. This number is to be used in filing tax documents, establishing federal income tax exempt status, reporting to the State 4-H Office and for identifying all accounts.
2. **Individual 4-HCAO tax reporting to IRS is no longer required.** 4-HCAO data will be submitted from 4-HCAO's to the State 4-H office where data consolidation will occur and forwarded to the SDSU accounting office. Once submitted to the accounting office our tax reporting responsibilities have been satisfactorily completed. South Dakota State University/State of South Dakota will file the appropriate tax information as required by IRS regulations.
3. 4-HCAO that currently holds an independent exemption status such as a 501(C)(3) are required to file the required tax documents directly with the IRS. One may want to consult with a tax professional to ensure the proper documents are being filed.



4. Federal tax exempt status does not exempt the 4-H program from paying South Dakota sales tax. Only purchases processed through SDSU are tax exempt.
5. Contributions to an official 4-HCAO organization by individuals, organizations and corporations are deductible as a contribution for federal income tax purposes under Section 170 of the Internal Revenue Code, pursuant to rulings issued April 24, 1946, and February 9, 1973, by the Internal Revenue Service to the U.S. Department of Agriculture.
6. U.S.D.A. policy and federal law prohibits the misuse of the 4-H name and emblem. Any funds collected using the 4-H name and emblem must be used for 4-H purposes. Specific information on use of the 4-H name and emblem was established by Public Law 772 and is explained in U.S.D.A. publication # 1282.
7. Complete the Annual Financial Report Summary excel file and submit electronically to the State 4-H Office.

**For information on:**

- **IRS Forms:** Contact your tax office, library or accountant.
- **4-H Name and Emblem:** Contact the State 4-H Program Director.
- **Management of Accounts:** Contact the State 4-H Program Director.
- **4-H Information:** Visit <http://www.igrow.org>.