

Michigan State University Extension

Financial Accountability Policy for MSUE-Sponsored Groups

The following policy was adopted February 2003 by the MSU Extension Administrative team and will be part of the audit procedures for county Extension Offices when MSU Internal Audit audits offices. This policy is in addition to the current audit procedures currently in place for MSUE offices and addresses records related to volunteer groups, which handle funds on behalf of MSUE and its programs. This policy applies to the handling of financial records for all MSU Extension-sponsored groups, not just 4-H groups.

1. Annual Financial Reports

All MSU Extension sponsored groups must complete and file a copy of the Annual Financial Report with the county MSU Extension office each year. The Annual Financial Report is the auditable record of whether a group is required to remit Michigan sales tax or file an IRS Form 990, making the report an essential record to have on file in the county MSU Extension office. Examples of an Annual Financial Report form for volunteer groups can be found in the Michigan 4-H Treasurer's Record Book. This publication is on the MSUE 4-H web site at <http://www.msue.msu.edu/cyf/youth/volunteer.html>

2. Meeting Minutes

All MSU Extension sponsored groups with annual incomes of more than \$2500, or with bank account balances of more than \$2500, are required to file copies of the minutes of each meeting with the county MSU Extension office.

3. Monthly Bank Statement

Bank statements for MSU Extension sponsored groups having either \$2500 in their bank account(s), or \$2500 of activity during the year, must be sent directly to the county MSU Extension office. County office staff will then photocopy the statements and forward them to the treasurers of these groups. Groups with less than \$2500 in the bank or \$2500 of activity during the year are required to provide beginning and ending bank statements when submitting the Annual Financial Report. County offices should develop and maintain a log of all groups responsible for submitting bank statements on a monthly basis. When the bank statement is received, the group is checked off, the statement is copied and the original is forwarded on to the group treasurer. Staff are not required to initial bank statements of volunteer groups. The staff person opening bank statements should notify the CED whenever a bank statement has not been received for 60 days. The CED will be responsible for ensuring follow-up with the group to obtain a copy of the missing bank statement(s).

4. Monthly Treasurer's Reports

All MSU Extension sponsored groups with annual incomes of more than \$2500, or with bank account balances of more than \$2500, are required to file copies of each monthly treasurer's report with the county MSU Extension office.

5. Fund-Raising Approvals and Follow-Up Reports

MSU Extension county extension director, in consultation with the appropriate agent, must approve all fund-raising events by all MSU Extension sponsored groups. Such approval is already required for all 4H groups by the U.S. Department of Agriculture (USDA). Other MSU Extension sponsored groups are included in this process to maintain fund-raising standards consistent with the outstanding reputation and educational focus of MSU Extension.

A follow-up report must be completed and filed with the county MSU Extension office at the conclusion of each fund-raising activity conducted by an MSU Extension sponsored group.

6. Michigan Sales Tax

Michigan sales tax is due from any MSU Extension sponsored group whose sales of tangible personal property (such as plat books, food, candy, crafts and tack) total more than \$5000 in a year. See the Michigan 4H Treasurer's Record Book, 4H 1203, for more information. This book can be found at <http://www.msue.msu.edu/cyf/youth/volunteer.html>

7. Employer Identification Numbers

All MSU Extension sponsored groups with bank accounts are required to obtain an Employer Identification Number (EIN) and notify the county MSU Extension office and the financial institution with which they do business of the number. Protecting our volunteers from using their own Social Security Number on a bank account is of utmost importance.

8. Annual Audits

Groups must audit their financial records once a year (before submitting their Annual Financial Report to the county MSU Extension office). Currently, three audit systems are in place and working well. They include:

- CED and agent work together as the audit committee.
- The "fair exhibit with audit committee," which was first implemented by Kelly Hiemstra in Kalamazoo County. In this system, 4H groups exhibit their group records for fair premium competition and public scrutiny and a volunteer auditor from a local bank or other financial institution later audits all 4H groups. This innovative system has been hailed nationally in the 4H leadership community as an example of brilliant educational programming and public accountability.
- The community-based audit committee, usually consisting of someone from the county MSU Extension office, the president of the county 4H council or Master Gardener association, and a volunteer financial professional from the community. This system is the most common with small non-profit groups, and can be organized in many ways to accomplish the basic task of providing community oversight. It is anticipated that most counties will adopt this model. It is very consistent with MSU Extension's educational mission and commitment to developing community leadership capacity.

9. IRS Form 990

If gross annual receipts of any MSU Extension sponsored group exceed \$25,000 for each of three successive years, that group must complete and file with the Internal Revenue Service and the county MSU Extension office an IRS Form 990. (**Note:** Once a group has reached the annual \$25,000 threshold and been required to file an IRS Form 990 for each of three successive years, the group must file the form every year after that, even if the group's gross annual receipts never again exceed \$25,000.)