

**EFFECTIVE FINANCIAL CONTROLS
AT THE COUNTY LEVEL**

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EFFECTIVE FINANCIAL CONTROLS

AT THE COUNTY LEVEL

The following are requirements for adequate control for non-appropriated funds that are the direct responsibility of Extension.

I. REQUESTS AND OPPORTUNITIES FOR FUNDING

A. External Contracts and Grants

The County Extension Director should be informed of all initial requests/opportunities for proposed external grants as submitted by primary investigator on FORM 1. All applications for submitting grants and contracts must be pre-approved only by the County Extension Director using FORM 1 and kept in the local file. Once the grant proposal has been approved by the funding source, the following approval signatures including the County Extension Director, District Extension Director, and County Manager must indicate support of the approved grant using FORM 1-A entitled “Grants Received by Counties”. Copies of the abstract, budget, and processing form should be sent to the District Extension Director. District Extension Directors should provide a copy of the approved grant proposal to the appropriate State Program Leader for informational purposes.

Grants may be managed at the county or state level. Two opportunities exist for assisting counties with grants on the state level: (1) college-level contract and grant support and (2) NC Agricultural Foundation, Inc. grant support. Both follow university policies and procedures. Information in Section II-A, describes policies in more detail.

B. External Gifts

Cooperative Extension Service county units may accept outright gifts and may help expedite planned gifts and gifts of land on behalf of the Cooperative Extension Service or one of its program areas provided the gift will have a positive impact upon the organization’s goals, objectives, and programs. The County Extension Director and appropriate Extension Agent should be informed of all initial requests/opportunities for proposed external invitations to provide private resources that will further the work of the respective Cooperative Extension Service county unit. Among those outright gifts that can be accepted are: gifts of cash, securities, gifts-in-kind, real estate, or memorial gifts or honorariums. Planned gifts might include charitable lead trusts, retained life estates,

retirement plan gifts, unrestricted bequests, endowed bequests, charitable gift annuities, charitable remainder trusts, or life insurance policies. Because of the legal and tax implications associated with planned gifts, it is strongly recommended that all Cooperative Extension Service Employees consult with the Director of Gift Planning for the College of Agriculture and Life Sciences before accepting any planned gift. This is especially true for charitable gift annuities.

Each type of gift has a unique set of circumstances that should be considered when the gift is accepted. The easiest gift for a county to manage is a gift of cash, memorial gifts, or honorariums. These gifts should not be co-mingled with county or state funds and should be maintained in a separate account.

The North Carolina Cooperative Extension Foundation, an entity of the North Carolina Agricultural Foundation, is equipped to help local units determine how to process and manage enhancement accounts, endowments, and other types of gifts mentioned above. Information in Sections II-B, II-C, and II-D address the procedures.

II. SYSTEMS TO MANAGE COUNTY COOPERATIVE EXTENSION FUNDS

County Extension Centers can use several methods or avenues for handling funds. Acceptable options for appropriate internal controls over financial accounts are as follows. Options A and B are the preferred options.

A. Grant Funds Administered Through NC State University

1. Through the College-level Contract and Grants Office

Proposals must be processed through the College of Agriculture & Life Sciences' Business Office/Contracts & Grants Section. Staff is available to assist with NCSU's internal proposal process which includes budget review, budget justification review, and completion of agency-specific forms. The College's policy is to allow three working days from date of submission for a proposal to be reviewed and processed through the University. Additional information on budgeting, NCSU's Project Information and Navigation Systems (PINS), a proposal flow-chart for principal investigators, and more may be found at the following website: <http://www.ncsu.edu/sparcs/> Please call 919-513-1743 (main telephone line in the CALS Contracts and Grants Section) with questions or requests for assistance.

In addition, the CALS Contracts & Grants Section currently offers bookkeeping support to county field faculty who have processed proposals through NCSU and have been successful in obtaining funding from outside sponsors. The support includes processing payment for invoices, assistance with rebudgeting and no-cost extensions, assistance with federal, state and NCSU policies and procedures regarding Contracts & Grants, account balances, etc. Additional information on post-award policies and procedures may be found at the following website: <http://www7.acs.ncsu.edu/CNG/>

The CALS Contracts & Grants Office can provide more detailed information regarding the proposal and award processes. For contact information, please visit the following website: <http://www.cals.ncsu.edu/index.cfm?showpage=355>

B. Gifts Administered through the North Carolina Agricultural Foundation, Inc.

The North Carolina Agricultural Foundation, Inc. and its subsidiary entities have been designated to support the resource development functions of the North Carolina Cooperative Extension Service. These subsidiary entities include: The North Carolina Cooperative Extension Service Foundation, The North Carolina 4-H Development Fund, the North Carolina Family and Consumer Sciences Foundation, and the North Carolina Landscapes of Opportunity Foundation.

The North Carolina Agricultural Foundation, Inc. is positioned to manage county level gifts and has a bookkeeper designated to support this function. In addition, the Foundation has Development Officers assigned to assist with gifts that support counties through its subsidiary entities. A new Director of Gift Planning has been hired to assist individuals in making estate gifts to a County Extension Enhancement or Endowed Fund in the NC Agricultural Foundation. This professional can provide guidance on how to develop planned gift instruments, and how to set up endowments or enhancement funds that will benefit appropriate counties.

The subsidiary entities of the North Carolina Agricultural Foundation, Inc. accept both outright and planned gifts in accounts tailored to the needs of the donor and the County Extension Agent and Director accepting the gift. Among those accounts are: County Enhancement Funds, County Restricted Accounts, County Building to Endowment Accounts, and County Endowment Accounts. Where appropriate, the endowment account can also carry the name of the individual or organization gifting the fund. To manage these gifts and to protect their use as originally established, a Memorandum of Agreement (MOA) is established between the donor(s), appropriate County Extension Agent, County and State Extension administration, leadership of the entities supporting the account, College and University-level administration. See below for MOA details:

<http://www.cals.ncsu.edu:8050/advancement/windows/sampleagreementEXT%20Foundation.doc>

C. Funds Administered Through County Government Finance Offices.

The County Government Finance Officer serves in the capacity to administer local funds received for the purpose of conducting on-going Cooperative Extension educational programs, including 4-H, Agriculture, Family & Consumer Education, etc. that are conducted or supervised by a NCCES professional. Some Cooperative Extension employees can be appointed, trained and bonded as a deputy finance officer by the county and serve in this capacity to administer local funds received for the purpose of

conducting on-going Cooperative Extension educational programs. Two types of accounts may be necessary:

- 1) An account that holds operating funds, registration and program cost funds, and non-restricted funds, and
- 2) An account for gifts that are contributed for a specific cause that must be tracked so ensure that the gift has been utilized for its gifted intent. For example, a civic club provides a \$500 gift to support Extension and Community Association (ECA) or 4-H members in attending a state conference. This gift should not be co-mingled with unrestricted funds, but can be maintained with other gifts. All gifts should be tracked within the gift/contributions account.

D. Funds Administered Through the Cooperative Extension Centers.

Two types of accounts may be necessary, as indicated in section B above. Handing of funds through Cooperative Extension Center checking and savings accounts are still viable options. Money handling procedures below however must be followed. This is primarily for fees for service, small gift, and petty cash type accounts and must not be used for major financial grants or contracts. See University Policies, Regulations and Rules (PRRs), Regulations 07.30.03 (Receipt Centers – Operation and Use), 07.30.08 (Imprest Cash Accounts) and 07.30.09 (Imprest Checking Accounts).

It is important that all options above meet the requirements for adequate internal control of funds and that the most appropriate option be selected given the local situation. Adequate internal control of funds is explained in detail in Section IV.

E. Capital Assets/University Property

North Carolina General Statutes require the University to be accountable for all property under its control. Information regarding the functions and responsibilities of capital assets are covered in PRRs Regulations 7.30.11 – 7.30.18. Information regarding disposal of University property can be found at PRRs Regulation 7.40.1.

III. INTERNAL CONTROL FOR CASH MANAGEMENT

The following persons are authorized to handle/process cash or checks and shall adhere to the internal controls over cash management as outlined:

University employees: any and all positions that have some percentage of salary support from North Carolina State University (or from the North Carolina Agricultural Foundation, Inc.)

Agents Acting on behalf of the University: Any other Cooperative Extension Service employees or employees paid 100% by NC county funds or grants awarded to the University. Official volunteers participating in an approved Cooperative Extension educational program within the county may also collect funds and write receipts under the direct supervision of a Cooperative Extension employee, and all collected funds and

processed receipts must be delivered to the Cooperative Extension employee for approved handling related to documentation and deposit of such funds.

RECEIPTS AND DEPOSITS

All cash funds on-hand are kept at a minimum effective amount and subject to periodic audits as required by F.S. 147-77(Appendix Q). Cash must be protected through the use of either bank facilities, vaults, or lock cash drawers and centralized to the maximum extent possible.

Cash receipts are controlled at the earliest possible point. Receipts are issued for all cash collections, check collections and other income related transactions (credit cards, etc). Receipt books must be pre-numbered and self-copying (e.g. carbon copy). An approved cash management officer should be appointed and be accountable for all issued numbered receipts. The cash management officer must keep unused receipt forms under adequate control. Incoming checks are restrictively endorsed immediately upon receipt (e.g. FOR DEPOSIT ONLY TO THE NAME/NUMBER OF THE AUTHORIZED ACCOUNT).

All cash receipts are deposited daily or weekly, as required by G.S. 147-77 (Appendix Q). All deposits are made in a previously approved depository.

A University employee other than the cash management officer who receives the funds must make the bank deposits. The cash management officer is not allowed to sign checks or reconcile the bank accounts and is not responsible for non-cash accounting records such as accounts receivable or the general ledger.

Duplicate deposit tickets are prepared so that one copy can be validated by the bank and returned to compare with the receipt records. The bank deposit ticket can be attached to the appropriate final entry in the cash management officer's receipt book for verification. If a county has sufficient staff, a third person should maintain account records.

EXPENDITURES AND DISBURSEMENTS

It is important that each Cooperative Extension Center responsible for collecting and disbursing funds complete FORM 2 entitled "Annual Accounting for Funds at the County Level". This form must be kept updated on an annual basis or as changes occur, (e.g., new accounts) and is due to the District Extension Director by July 1. Anytime during the year when a new account is established or added, notification shall be sent to the District Extension Director.

Pre-numbered checks are used for all disbursements. The supply of unused checks must be adequately controlled and safeguarded. Payment of duplicate invoices or statements is prohibited. The practice of signing blank checks is prohibited. Making checks to the order of "Cash" or "Bearer" is prohibited. All voided checks must be accounted for and effectively canceled.

All checks require co-signatures. No individual can co-sign a check to himself or herself. Therefore, it is recommended that each Cooperative Extension Center appoint a minimum of two staff or agents having check signature authority. These individuals

should provide one of the co-signatures. The second signature represents a final approval authority. Checks should never be pre-signed. The final authority approves expenditures and disbursements, which must be established at a higher level than the level of the request (e.g. County Extension Director would sign for any staff member; County Finance would sign for County Extension Director, etc.).

FUND RAISING

Fund raising managed through county centers should provide adequate controls to insure that all solicited funds are properly receipted, accounted for, and deposited, and that the funds are utilized as originally gifted. When developing fund raising guidelines, it is beneficial to officially designate who can solicit funds for each event or for a local or county development campaign, a prospect/donor list that will be solicited to donate, and how the funds will be utilized. For all donations, the principles of cash management in this section must be followed. Loans of any nature are strictly prohibited.

IV. SYSTEMS TO MANAGE FUNDS IN ORGANIZATIONS AND CLUBS SUPPORTIVE OF NC COOPERATIVE EXTENSION PROGRAMS

The following are recommendations for adequate control of funds managed by organizations and clubs supportive of NC Cooperative Extension Programs. While each organization or club supportive of NC Cooperative Extension Programs is a separate legal entity, each should be accountable annually to Cooperative Extension in order to ensure that appropriate controls are being utilized. Among those entities are: agent associations, local 4-H Clubs, County 4-H, Extension and Community Association Councils, Master Gardener Organizations, or local foundations that provide financial support to one or more programs of the Cooperative Extension Service.

Extension Centers can recommend several methods or avenues for these groups to handle funds. Acceptable options for appropriate and adequate financial controls follow. Options A and B (**see below**) are the preferred options; Options C and D are less acceptable but have been sanctioned in the past. Before selecting any option, the support groups are encouraged to investigate the following: goals and objectives for the funds being managed, costs (both direct and hidden costs) for participating in each option, benefits and technical assistance available with each option, liability risks if funds are lost or stolen and organizational or support staff available to manage each option.

A. Systems to manage funds in organizations and clubs supportive of NC Cooperative Extension Programs, such as but not exclusive to those listed above, may establish checking and savings accounts at an accredited financial institution. Money handling practices outlined in Section IV should be followed. It is recommended that the entity file an annual report with the professional agents/program assistant or associate to document income and expenditures and to ensure that accounting controls are in place.

In the event that a club or organization is dissolved, any remaining funds or assets should be turned over to the County Extension Director so funds are utilized in a manner as they were originally intended. For example, funds or assets from a dissolved Extension and Community Association should be transferred to the County FCE Program Account and the funds should be utilized to support the programs of Family and Consumer Education in a given community or county. In the event that large sums are transferred, they may be utilized to establish an endowment account in perpetuity for the established purpose. Such funds should be established in an Extension Foundation Account of the North Carolina Agricultural Foundation, Inc. In cases where a local 4-H Foundation or Extension Foundation is already in existence, the funds may be held in an endowment account within the local foundation. Non-profits are required to transfer funds to another non-profit or back to the state if the non-profit is dissolved.

B. The North Carolina Agricultural Foundation, Inc. and its sub-foundations accept both outright and planned gifts in accounts tailored to the needs of the donor and the Cooperative Extension county program accepting the gift. This process should be coordinated between the local Extension agent, Extension Director, and a Development Officer of the North Carolina Cooperative Extension Foundation. Among those accounts are: County Enhancement Funds, County Restricted Accounts, County Building to Endowment Accounts, and County Endowment Accounts. Where appropriate, the endowment account can also carry the name of the individual or organization gifting the fund. To manage these gifts and to protect their use as originally established, a Memorandum of Agreement (MOA) is established between the donor(s), appropriate County Extension Agent, County and State Extension administration, leadership of the entities supporting the account, College and University-level administration. See below for [MOA details.](http://www.cals.ncsu.edu:8050/advancement/windows/sampleagreementEXT%20Foundation.doc) Several County Foundations have made the decision to deposit a portion or all of their funds in the North Carolina Agricultural Foundation, Inc. to take advantage of the investment available in the NC State Investment Fund, Inc. These foundations are provided an annual report of their accounts (endowment or enhancement funds and investment income spending accounts against which they can expend).

C. Funds held by a private foundation that were established to support the programs of the County Cooperative Extension Service. During the 1960's and 1970's, several private foundations or pseudo-foundations were established. Many of these entities remain today and operate under the IRS tax code as a 501(C)3 and under the not-for-profit registry of the North Carolina Secretary of State. These entities must have an established board of directors that meets at least annually.

D. Funds held in a Local Community Foundation with an account carrying the name of an entity programmatically linked to CES. During the last 25 years, as Community Foundations have been established, several entities programmatically linked to CES have created accounts within the said Community Foundation. Most community foundations have provided a clause in their Memorandums of Agreement that document the need to have funds remain in the Community Foundation in perpetuity, regardless of the available investment income or the fees associated with management of the funds.

It is important that all options above meet the requirements for adequate internal control of systems to manage funds in organizations and clubs supportive of NC Cooperative Extension Programs. Failure to follow appropriate controls could result in the removal of the entity's Charter.

Since 4-H affiliates are very prominent in the counties, the following is provided to assist in clarifying the legalities of the organization:

On April 24, 1946 Internal Revenue Service ruling issued to the Department of Agriculture recognized that 4-H Clubs are exempt from Federal income tax under section 101(6) of the Internal Revenue Cod of 1939 (corresponds to 501(C) 3 code of 1986. A February 9, 1973 ruling further indicated that all affiliated 4-H organizations that have been authorized to use the name and emblem of 4-H are eligible for inclusion under the 1946 ruling. While these groups are not private foundations, they should issue receipts for contributions, bequests, legacies, devises, transfers, or gifts, as all are deductible by donors. (Tax-Exempt Status of 4-H Organizations Authorized to Use the 4-H Name and Emblem. USDA Extension Service Program Aid Number 1282, page 4.)

The 4-H Emblem is a registered trademark under US code 18 USG 707 and must follow the regulations under document Tax-Exempt Status of 4-H Organizations Authorized to Use the 4-H Name and Emblem. The official emblem must carry the US code in its logo as evidenced below. In order to utilize the 4-H name or clover, the County 4-H Extension Agent must authorize its use through the chartering process. This charter must be maintained in accordance with 4-H policies or it may be revoked.

(NOTE: 4-H funds which are the responsibility of NCCES employees are subject to the policies stated in Section II, C and D).



**V. REIMBURSEMENT REGULATIONS
FOR THE PROTECTION OF EMPLOYEES/VOLUNTEERS WITH THE
NORTH CAROLINA COOPERATIVE
EXTENSION SERVICE**

1. Reimbursements will be processed according to existing Extension/County government regulations.
2. Accuracy for the reimbursement data is the responsibility of the claimant. Original receipts must be provided for all reimbursements (unless otherwise exempted by another governing regulation).
3. All approval for reimbursements requires a review at a level higher than the request being made; e.g., County Extension Director reviews the request for reimbursement for an agent or volunteer, etc.

The District Extension Director will approve all exceptions. In other words, no individual can approve any transaction for oneself. The Director, County Operations, will approve any exceptions made by District Extension Directors.

4. All reimbursement requests must have appropriate documentation on file for a period of three years from date of transaction or until any audits in progress at that time are completed.
5. Any suspicion of misappropriated funds must be reported immediately to the District Extension Director, Internal Audit, and the Office of Legal Affairs. See PRRs Regulation 07.40.2, Reporting Misuse of State Property.
6. Individuals will not receive duplicate reimbursement for the same expense. When submitting a request for reimbursement of official travel expenses to your county, special grant projects, or sources other than NCSU, you are to attach a copy of your official Travel Report for the period of time included in the request. However, if the Travel Report is not available at the time of the official travel request to the county, submit it at the end of the month. When the need arises for county faculty to make multiple trips to the same location on the same day, the multiple trips to the same location should be documented on the travel log. County faculty members should notify their supervisor of the need to make multiple trips to the same location.

**VI. FINANCIAL RESPONSIBILITIES OF THE DISTRICT EXTENSION
DIRECTORS:**

The following reviews should be performed at least once a year in conjunction with the County Director's annual review, or more often if necessary. If any unusual items are noted or if there are any questions during the review, the District Directors should contact Internal Audit.

A high-level review should incorporate the following checks and balances as noted below:

Cash Receipts

1. Are the county offices utilized pre-numbered and duplicate receipt books to record all collections?
2. Are both cash and checks received from individuals recorded in the receipt book?
3. Can all receipts be accounted for? (i.e. voided, etc.)
4. Are there proper controls over unused receipt books?
5. Are deposits made daily if amounts exceed \$250, or at least weekly otherwise?
6. Is a receipt or other acknowledgement received for deposits made to the county finance offices and/or local banks?
7. For a sample of receipts, reconcile the amount collected per the receipt to the funds deposited with the bank and/or county finance office.
8. Who is reconciling the receipts to the deposited funds on a regular basis? Ensure this is someone other than the person making the deposits.

Cash Disbursements

1. Do all checks have two authorized signatures?
2. Are the check signature authorities employees of NC State University or county fiscal officers?
3. Make sure no individual signs a check made payable to him/herself.
4. Are blank checks signed in advance? (None are allowed)
5. Is supporting documentation, including original receipts, available?
6. Is the purpose for the expenditure noted on the supporting documentation if not evident? Is the expenditure for a valid business purpose?
7. Who is reconciling the bank statement? Ensure this person is someone other than the person writing the checks.
8. Review a bank reconciliation to ensure it is performed timely and outstanding items are being addressed.
9. Has Form 2, listing all checking, savings and CD's held by the office been properly completed and sent to the central office in Raleigh? (Attach copy)

Other

1. Ensure there are no petty cash accounts involving state appropriated funds.
2. Ensure any grants and/or contracts are being properly administered.

VII. FINANCIAL RESPONSIBILITIES OF THE COUNTY EXTENSION STAFF:

County Extension Director provides training to every University employee charged with handling funds. It is the responsibility of every staff member to report the suspected misuse of funds to both the County Extension Director and District Extension Director. See PRRs Regulation 07.40.2, Reporting Misuse of State Property, for detailed information.

VIII. FINANCIAL RESPONSIBILITIES OF THE FOUNDATION EXECUTIVE DIRECTOR OR DESIGNEE

Provide Extension Administration, District and County Extension Directors, and County Staff with training on how the NCCESF or its entities can assist staffs in grantsmanship and managing private gifts to the program.

IX. APPENDIX Q

General Statute 147-77 Daily Deposits

Except as otherwise provided by law, all taxes and other moneys collected or received by an officer or employee of a local government or public authority shall be deposited in accordance with this section. Each officer and employee of a local government or public authority whose duty it is to collect or receive any taxes or other moneys shall deposit his collections and receipts daily. Deposits shall be required only when the moneys on hand amount to as much as two hundred fifty dollars (\$250.00), but in any event a deposit shall be made at least once a week. All deposits shall be made with the finance officer or in an official depository. Deposits in an official depository shall be immediately reported to the finance officer by means of a duplicate deposit ticket. The finance officer may at any time audit the accounts of any officer or employee collecting or receiving taxes or other moneys, and may prescribe the form and detail of these accounts. The accounts of such

an officer or employee shall be audited at least annually. (1927, c. 146, s. 19; 1929, c. 37; 1939, c. 134; 1955, cc. 698, 724; 1971, c. 780, s. 1; 1973, c. 474, s. 27.)

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