

**ALABAMA COOPERATIVE EXTENSION SYSTEM  
POLICY GOVERNING  
THE HANDLING OF NON-BUDGETED FUNDS**

*EXPECTATION OF COMPLIANCE*

AUBURN UNIVERSITY AND THE ALABAMA COOPERATIVE EXTENSION SYSTEM EXPECT ALL EMPLOYEES TO MAKE EVERY EFFORT TO COMPLY WITH AUBURN UNIVERSITY AND ACES POLICIES AND PROCEDURES, STATE LAWS AND OTHER APPLICABLE REGULATIONS. EMPLOYEES ARE EXPECTED TO REPORT ANY ILLEGAL OR UNETHICAL ACTIVITIES THEY BECOME AWARE OF IMMEDIATELY. THE ACTIVITIES MAY BE REPORTED TO INTERNAL AUDITING AT (334)844-4389.

**I. *Acceptable Accounts***

Accounts maintained and managed by Alabama Cooperative Extension System personnel must be for the sole purpose of promoting, supporting, and/or enhancing legitimate System educational programs, projects, events or activities. **The use of funds placed in such accounts is subject to State Law, as well as University and ACES policies.**

- A. **Each county office may maintain one (1) checking account** to receive and manage funds for the support of System activities to include:
1. 4-H program activities such as recognition and awards, demonstration supplies, **member and volunteer travel and other similar program related activities.**
  2. Registration/user fees and purchases of demonstration materials, etc.
  3. Specific educational or demonstrational work in ANR, HE, or CRD programs.
  4. **County Program Advisory Council activities.**
  5. **Publication sales.**
  6. **Other ACES approved programs operated by the County office.**

- B. The county office may also maintain federally insured investment accounts, such as certificates of deposit or savings accounts.
- C. The county office may maintain a change fund to enable them to have change available for sale of publications, registration fees, etc.
  - 1. Funds should be kept in a secure location with the initial amount (not to exceed \$25) always maintained in the fund.
  - 2. The fund should be maintained by preferably one individual.
  - 3. Monies should not be borrowed or loaned.
  - 4. Expenditures should never be made from the change fund.
  - 5. The CEC should verify on a monthly basis that the change fund maintains the correct balance.
- D. The county office may also maintain an AU sub-ledger 9 account through ACES Administrative Services.
  - 1. A sub-ledger 9 account can be used for the purpose of paying Chamber of Commerce dues, purchasing gifts for County Commissioners and other items using unrestricted gift/donated funds.
  - 2. Funds must be deposited directly into the sub-ledger 9 account with a check from the donor.
  - 3. All deposits and expenditures must be routed through AU Administrative Services.
  - 4. The maximum yearly deposit into a sub-ledger 9 account is \$300 plus the cost to pay Chamber of Commerce dues.
  - 5. The balance in a sub-ledger 9 account can never exceed the total of \$300 plus the amount of the Chamber of Commerce dues.
  - 6. Sales tax (when applicable) must be paid when using funds in a sub-ledger 9 account.

## **II. *Not Acceptable Accounts***

Accounts to receive and disburse funds by non-profit groups, either legally incorporated or loosely knit ones, used primarily for the benefit of its members should be maintained and managed by duly elected or appointed representatives of the group. This applies even though the activities of such groups relate to and may be supportive of the System's educational programs.

### ***EXAMPLES OF ACCOUNTS WHICH ARE NOT TO BE MAINTAINED AND MANAGED BY SYSTEM PERSONNEL***

- A. Accounts devoted to the support of private non-profit functions such as local fairs, community/county fund raising events, civic functions and the like.
- B. Accounts to facilitate the activities of farm organizations, TVA Resource Management/UTD associations, commodity groups, marketing associations, bull and boar testing stations, homemakers' clubs and other organized fund-raising activities by adult or youth groups.

### **C. Investments which are not insured by FDIC or NCUA.**

## MAINTAINING AUDITABLE RECORDS

### *I. CEC Responsibilities*

At a minimum to provide the information necessary for an audit, the CEC should be:

- A. Familiar with all University and System policies and procedures in regard to financial affairs.
- B. Familiar with all the programs currently being conducted by the office.
- C. Able to provide records adequate to show the source, amount, and restriction, if any, of all income/donations.
- D. Able to provide records which indicate donated funds were expended in accordance with restrictions (i.e., that funds in the amount of the donation were expended for the restricted purpose).
- E. Able to provide records necessary to support all expenditures.
- F. Able to provide information on all investments.
- G. Able to provide check registers and monthly bank reconciliations for the periods under audit.

**In addition, the CEC is expected to provide complete and accurate information to auditors.**

### *II. Recordkeeping Responsibilities*

Auditable records should be maintained for all transactions. Auditable records are those which describe the nature and condition of a transaction and provide support that the transaction occurred as stated.

A. Checking Account

1. **Checking account transactions require the signature of the CEC.**
2. Signature authority over the checking account should be updated immediately after personnel changes.
3. All checking account transactions should be recorded in the check register at the time the transaction occurs. Entries should be as detailed as possible showing income source/person paid, program, and purpose. Account balances should be recorded at least after each day's transactions.
4. All check registers should be reconciled with the bank statement soon after it is received. This reconciliation should be done using Quicken. When the reconciliation is complete, print the reconciliation report and attach to the bank statement. These reconciliations need to be kept along with the bank statements for a minimum of four (4) years plus the current year. Any differences should be explained or corrected. Every month sub-ledger balances should be reconciled to checking account balance. The CEC should review and initial each month's reconciliation prior to filing.
5. Uncashed checks that have not cleared the bank in 12 months from date of issue should be added back to the account following the instructions in the Quicken section of this manual.
6. All income not belonging to the System and non-System accounts should be removed from the responsibility of System county agents.
7. Check writing duties and record keeping duties should be done by two separate people when at all possible. One employee should be responsible for writing checks and maintaining the checkbook. Another employee should be responsible for record keeping and reconciling the checkbook and Quicken software to the bank statement.
8. Bank statements should be presented unopened to the CEC each month for his/her review. **The CEC should initial and date the bank statement to indicate his/her review.**

B. Investments

1. Checking accounts should be converted to higher interest-bearing investments whenever possible. Only federally insured investments (such as savings accounts or certificates of deposits) are allowable.

2. Savings account passbooks, certificates, etc., should be stored in a secure place.
3. Savings or investment account transactions should require the signature of the CEC.
4. **Signature authority over the investment accounts should be updated immediately after personnel changes.**

C. Income

1. Income receipts should be used when collections are received.
  - a. Income receipts should be prenumbered and include the date, customer name, reason for receipt of money, amount received, whether cash or a check was received, and who collected the money. Income receipts should be used in sequential order.
  - b. The receipt should be prepared in duplicate and the original should be given to the customer.
  - c. If a county agent turns in money which he or she collected from several people, one receipt may be written directly to that agent if the receipt lists (1) individuals from whom the agent collected the money, (2) a description of each collection and restrictions, etc., and (3) the amount collected from each individual.
  - d. If any receipt is voided, the original receipt should be maintained with the office copy of that receipt.
  - e. Copies of all receipts written should be kept for a minimum of four (4) years plus the current year. These receipts should be used for all revenue received including cookbook sales, 4-H fund-raising projects, etc.
  - f. All income/receipts should be identified by source and restrictions, if any. While this information is recorded on the receipt, it is advisable to also record it on the check register beside the deposit entry. Any correspondence, check stubs, etc., should be placed in a file set up for that purpose. All deposit information for a given year can be filed together if desired.
  - g. Each deposit should clearly indicate which receipts are included either by writing the income receipt numbers on the deposit slip or attaching the income receipts to the deposit slip. An explanation should be recorded on the office copy of the deposit slip in any situation in which the receipt numbers are not reported in sequence.

2. All System funds must be deposited into a System account. Expenditures of these funds can then be made by check. This is the only method in which auditable records can be maintained by the off-campus office. In no case should cash donations be expended directly or System funds placed in personal accounts.
3. **System funds should be deposited on a regular basis. Collections should not be retained in the office over weekends or holidays. In the event that collections are received on Friday after a deposit has already been made, revenues of less than \$100 can be held over the weekend in a secure location. A note indicating the time the funds were received in the office should be put on the income receipt. These funds should be deposited during the next week.**

**Revenues totaling more than \$100 received Friday after a deposit has been made should be deposited yet that day.**

4. All System funds must be maintained under the signature control **of the CEC** and no one else. It is not considered appropriate financial management to allow outsiders to exercise authority over the expenditure of System funds.

#### D. Expenditures

1. All expenditures should be documented sufficiently to provide an adequate audit trail. Documentation should include the appropriate original invoice, billing statement, receipt, or sales slip, etc. Recorded on this documentation should be such information as date paid, check number, program, etc. In addition, the employee making the purchase should initial the supporting document to verify that the cost is a legitimate Extension System expenditure. This documentation should be filed in a manner allowing its easy retrieval. Many offices file chronologically by 6 month reporting period. **In cases where the original documentation must be sent to AU, the county should maintain a copy of the documentation for their records.**
2. **All checks should contain the signature of the County Extension Coordinator.**
3. **The CEC should never sign a blank check. It is permissible for a CEC to sign a check made payable to a specific vendor and allow the agent to fill in the amount when making the purchase. The CEC should review the receipt after the purchase is made to ensure that the expenditure is reasonable.**

4. When a check is voided, the check should be attached to the check stub, and the signature section of the check should be removed.
5. Sufficient records should be maintained to account for the expenditures of all restricted funds.

**EXPENDITURES WHICH MAY NOT BE PAID FROM THE COUNTY ACCOUNT**

6. **Gifts, including flowers, memorials, etc. are prohibited by State Law.**
7. **Personal expenditures by any system staff.**
  - a. **This would include the payment of personal credit card bills, even when the credit card is used only for county expenditures. Payment of credit card bills should be made only with personal funds. Reimbursement of the expenditures may be made through the county checking account when appropriate supporting documentation is provided.**
  - b. Exception to Policy (approved 7/94)  
Bi-weekly employees, whose payroll checks do not arrive on time and where hardship is incurred, can receive the amount of their earnings from the county checking account. Approval must be given by submitting the "Statement of Debit to County Funds" (Attachment #1 - page 12) to the System Human Resources office. When the payroll check does arrive it is deposited into the county checking account and the "Statement of Credit to County Funds" completed (Attachment #2 - page 13). If the individual has not received his/her check within a period of 1 month, the CEC will begin the check cancellation procedure (Attachment #3 - page 14) and a duplicate check will be issued and signed by the employee to replenish the account. For further information, contact the Alabama Cooperative Extension System Office of Human Resources.
8. Travel related expenses for a System Employee or advance payments for travel expenses to be incurred in the future.
9. Payment to a System employee for services rendered (i.e., judge, speaker). **Payments to system employees for services rendered must be made through the AU payroll system as additional compensation.**
10. **Chamber of Commerce dues. Chamber dues may be paid only from the subledger 9 account established at AU.**

11. **Payment to an individual (other than AU employees) for services rendered.**
  - a. **Such payments must be made using monies on the books at Auburn University.**
  - b. A Professional Services Contract should be submitted through ACES Human Resources to allow this expenditure.
  - c. AU's Business Office will file the proper tax documents when necessary.
  - d. A payment to a company (not an individual) for services rendered is permissible since the company would be required to file the applicable tax documents.
12. Individual memberships to professional organizations (i.e., County Agents Association, 4-H Agents Association, American Management Association) **unless there is a direct and documented benefit to the University. Explanation of the benefit should be included with the expenditure supporting documentation.**
13. **Per diem/mileage to 4-H or other program volunteers. Volunteers may only be reimbursed actual expenses for costs incurred in the performance of their volunteer duties.**
14. **Honorariums**
  - a. **Honorariums are payments to individuals when a payment is not legally required. The payment is in lieu of any travel expenses and fees.**
  - b. **Honorariums may be paid from the county's AU account. A completed and signed IRS form W-9 must accompany a travel voucher. The travel voucher should reflect:**
    - (1) **The guest's name and title or position**
    - (2) **The guest's social security number (SS# preceded by an "I" and followed by "O" is used as vendor number)**
    - (3) **The date and purpose of the visit**
    - (4) **The amount of the honorarium**
    - (5) **Mailing address**
    - (6) **Copies of agreements or correspondence with the visitor which confirm this information.**
    - (7) **Appropriate supervisor's signature**

**15. Any other expenditures deemed unallowable by State Law, University or ACES policy.**

E. Financial Records

1. County financial records will be maintained on the Quicken computer software program. Training and support is given by the System Computer Technology Staff Group.
2. The reporting periods for System County Financial Reports are April 1 through September 30 and October 1 through March 31. County locations forward the Quicken summary reports to their District Extension Coordinator who in turn will compile the report by area office and submit to the Office of Administrative Services.
3. Back-up Policy. **Quicken files should be transferred to the ACESAG network within the defined ACES\_Checking directory by the 15<sup>th</sup> of each month. It will be the responsibility of each District Office to verify that counties are adhering to this policy.**

F. Awards

1. Adequate records documenting who received the awards and of what each award consisted must be maintained. When awards are issued to 4-H participants or any other award winners, the System office must maintain a record of to whom each award was given, the address of each recipient, and a description of the awards given to each participant.
2. When possible, it is recommended that the recipients be required to sign a form stating that they received that particular award(s). Attachment #4 - page 15 is an example of adequate records.

G. Publications

1. Each System office should maintain records which show purchases, sales, and the number of each publication in inventory. These records should periodically be reconciled to the number of publications actually on hand. Use the Publications Inventory form (Attachment #5 - page 16) for these records. You may make copies of Attachment #5 for your office.

2. If cost publications are taken from the office to a meeting/program, etc., records should be maintained showing the number of books taken to a location and another record showing those that had been returned. The difference should be accounted for by cash collections recorded on a receipt. All these transactions should be recorded on the book inventory sheet.
3. Publications should not be distributed as door prizes or gifts.

#### H . Records Retention

1. Internal Auditing advises that county financial records be maintained until an audit has been performed. However, this is not always practical. If maintaining records for this length of time is not possible because of space limitations, then the current year's records plus the past four years is normally sufficient. These records would leave sufficient auditable records for the purposes of Internal Auditing.

#### I. Human Resource System

1. Original time sheets and leave slips should be retained in the off-campus office. **It is recommended that the current year's records plus the past four years be maintained.**
2. Post processing reports from the HRS system will be sent to each County office from ACES Human Resources. The CEC should review these reports for reasonableness and reconcile the reports to original time sheets and leave documents. **The CEC should initial and date to indicate his/her review.**
3. Post processing reports, original time sheets and leave slips should be maintained for audit purposes.

*Alabama Cooperative Extension System  
County Financial Transaction Manual*