



Financial Management Best Practices for Middle Management Operations

Note: In response to the substantial turnover of middle managers in Cooperative Extension, the following training module for new middle managers has been prepared by a joint task force of the Program and Staff Development and the Middle Management Committees of the Southern Region Program Leadership Network. The target audience for this module is broadly defined as middle managers. The terminology varies by institution, but middle management is meant to include such positions as district directors, regional directors, and county directors. (They may also be referred to as chairs or coordinators). Because of the uniqueness of each position and the policies and procedures of each state and institution, these modules should serve as a general framework and will need to be supplemented with more specific support materials. If you wish to contact the authors of this module, their contact information can be found at the end of the module.

This is a six lesson series. Each lesson is designed to be presented separately or lessons may be presented as an entire unit. Although we have included key components from several different states' financial management guidelines, all concepts or points made during each lesson may not apply to your state or situation. The instructor needs to make sure that this module includes the policies and guidelines appropriate for each audience.

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Objectives:

- The participant will:
- Prepare a statement that includes three to five core principles that should guide the management of revenue/ checking accounts in his or her unit or area.
- Identify the location of guidelines for collecting funds in his or her unit or area.
- State the policies that guide fee-based programming in his or her unit or area.
- Confirm the pieces of information that should be included on all receipts and produce a copy of the receipts used in his or her unit or area.
- Outline the state and/or county policies pertaining to deposit procedures in his or her unit or area.
- Outline the state and/or county policies pertaining to purchasing procedures in his or her unit or area.
- Prepare a reimbursement form for travel to a professional conference.
- State the appropriate policies regarding methods of reconciling accounts.
- Identify the two main types of donations received by Extension and at least three benefits of properly reporting donations.
- Identify three accomplishments of audits.

Advance Preparation:**Participants:**

- Locate a printed or online copy of your policy manual on the following topics:
- Ethics or core principles regarding financial management.
- Collecting, depositing, and disbursing funds; travel reimbursement; reconciliation of accounts; and audits.
- Fee-based programming.
- Receipts used in your local unit to document funds received.
- Donations and gifts

Instructor:

- Make sure that this module includes the policies and guidelines appropriate for each audience; make changes if necessary.
- Duplicate handouts.
- Review handouts, PowerPoint slides for presentation.

Materials Needed:

- slide presentation
- computer and LCD projector
- handouts 1 through 6
- five flip charts and markers

Time Needed:

- Preparation: Each lesson – 20 to 60 minutes
- Presentation: Each lesson – 20 to 40 minutes

BACKGROUND

The Extension Service has two limited resources: money and people. Each individual must plan and use these resources wisely. Each state and county has different guidelines for handling funds. This module serves as a general guide for financial management best practices for some of the most common financial applications experienced by those in county, area, or district operations. Please check with your administrators to assure that these general guidelines are consistent with fiscal management policies in your state.

It is the organization's responsibility to educate its employees about expectations and implementation of these practices and to ensure that an accountability system is in place. This accountability extends to the Extension support groups the agency works with on a regular basis. Both Extension faculty and volunteer/support groups must assume responsibility for compliance with best practices to ensure that the Extension Service maintains the public's trust in the future. Familiarize yourself with the principles and practices of your state or county and become an educated and prepared Extension employee. Non-compliance with these procedures can lead to misuse of funds or administrative actions, including termination of employment.

LESSON 1

Ethical Standards and Core Principles

1. Show introductory PowerPoint slides 1 and 2
2. Distribute handout: "Ethical Standards and Core Principles"
3. Review and explain handout; use PowerPoint slides 3 and 4 along with handouts or as a summary
4. Ask participants to locate ethics or core principles in their state or county policy manual or on the website before taking the class.
5. Organize the class into small groups of 4 or 5 people; give each group a flip chart and markers.
6. Ask them to refer to the ethics or core principles in their policy manual or on the website that they were supposed to review prior to class. (Some units may or may not have written standards or principles.)
7. Ask each group to list core principles that apply to the units in which they work; then rank the core principles in order of importance. (about 10 minutes)
8. After groups have had a chance to complete this assignment, ask each group to share aloud the results of their discussions with the other participants. There is no right or wrong answer.
9. Ask for commonalities and differences among groups.
10. Summarize

Handout #1: Ethical Standards and Core Principles

Part 1. Importance of Codes of Ethics

Ethics are rules of conduct. The organization should provide education that will help individuals understand these rules of conduct as they pertain to financial management. Ethics principles will also help guide individuals in making daily decisions. Adhering to the ethical standards could result in better community and business relationships as well as in a higher trust level among those in the organization. These guidelines help individuals know what to expect from those handling funds and what is and what is not acceptable.

a. Developing Codes of Ethics

You may decide to have each person select three to five things that they value that should guide decision-making about finances. These include values that are expected from the people in the organization. Write a statement that is simple, understandable, concise active.

Ask: What do you believe are three rules of conduct for handling funds in your local unit. Write three rules. You will use these later in the lesson. Read the “Best Management and Core Principles” document. What do you believe are the core principles for cash management in your local unit? Search for core principles in your policy manual or on the website.

b. Communicating the Codes of Ethics

Once the statements have been reviewed and approved by the group, they should be communicated to everyone who handles or manages funds for your local unit.

These standards or principles should be reviewed periodically by each person to identify any adjustments that are needed. Here is an example of a list of core principles/practices for cash management from Texas A & M:

1. To maintain the public trust as a state agency.
2. To establish internal and external accountability practices.
3. To ensure risk assessment and mitigation for the agency.
4. To minimize risk for support groups and their volunteers through education/training.
5. To identify clear roles and responsibilities for Extension and our support groups.
6. To minimize risk to the agency and its employees through education/training.
7. To document and communicate the best management practice policies and procedures.
8. To develop procedures that will ensure that external resources invested in Extension programs are used in the manner intended.
9. To ensure compliance with TAMUS policies. (<http://tamus.edu/offices/policy/>)

Part 2. General Best Practices Guidelines

- a. All funds managed by Extension personnel or used for Extension program purposes are required to be secured in federally insured bank accounts (checking, savings, or certificate of deposit). Funds may be maintained in other investment accounts with the knowledge and approval of the next level administrator.
- b. The number of checking accounts used by the Extension office should be limited. Example: There should not be separate checking accounts for various 4-H programs such as Horse, Shooting Sports, and Dairy.
- c. All disbursements must be made through an Extension checking account. Funds withdrawn from savings or other investment accounts must be deposited into an Extension checking account before it can be disbursed.
- d. In units where agents are allowed to sign checks, usually two signatures are required. At least one of the two signatures must be from an Extension employee home-based in the county named on the account. (Read your unit's policies on check-signing.)
- e. Each Extension office must record and monitor its financial transactions using a standard computer accounting program such as Quick Books or Quicken.
- f. All Extension office accounts should be audited annually and/or examined periodically by a certified public accountant, the county auditing department, or a qualified county administrator / commissioner.

LESSON 2

Collecting Funds

1. Ask participants to locate deposit procedures in their state or county policy manual or on the website before taking the class.
2. Organize the class into small groups of 4 or 5 people.
3. Give everyone a copy of Handout #2, "Collecting Funds," and ask them to refer to the policy related to deposit procedures in their policy manual or on the website that they were supposed to review prior to class. (Some units may or may not have written standards or principles.)
4. Ask each group to discuss: (about 10 minutes)
5. What policies guide fee-based programming in your local unit?
6. What pieces of information that should be included on all receipts?
7. Prepare a receipt for a hypothetical collection in your local unit
8. What policies pertain to deposit procedures in your local unit?
9. After groups have had a chance to complete, ask each group to share the results of their discussions.
- 10.** Distribute handout: "Collecting Funds"
11. Review and explain handout; use PowerPoint slides 5 through 8 along with handout or as a summary (incorporate appropriate information shared during the group activity)

Handout #2: Collecting Funds

Unlike public funds allocated to support Extension programming, fees for services, donations and proceeds from selling items are usually managed locally.

- Collecting fees for services
 - Most states require administrative approval to charge fees to assure that this is done in compliance of federal, state and county policies. Fees should be legal, ethical and not compromise the integrity of Extension. Mission drives Extension programming, not the potential generation of fees.
 - Recovery of program costs can include full consideration of total organizational support for the educational effort, rather than just covering "out-of-pocket" expenses incurred in the implementation of an event or activity.
 - Examples of fee-based programming opportunities:
 - Training that allows individuals to obtain or renew accreditation, professional certification, registration and/or licenses through mandated programs or other continuing education requirements.
 - Specially targeted education programs for selected audiences.
 - Educational programs for vocational training, career development or business enhancement of various professionals.
 - Educational programs conducted for industry groups, commercial firms, institutions and governmental entities where the activity is not directed to the general public.
 - Web-based continuing education unit (CEU) courses.
 - Newsletter subscriptions.
 - Diagnostic services.
 - Various options may be available for clientele to pay for services: purchase orders, payment by check, and online use of credit cards.
- Providing receipts
 - All receipts for fees, donations and for-sale items must be recorded on a pre-numbered cash receipt form.
 - A copy of the form should be provided to the customer as evidence of payment.
 - Offices should file a second copy 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
 - name of the staff member preparing the receipt
 - endorsement “For Deposit Only,” if a local bank account is used. Checks endorsements should include the Extension office’s bank account number.
- Securing and safeguarding un-deposited cash receipts
 - Un-deposited cash and checks should be transferred to a designated custodian. The designated custodian 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 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 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.
- Making Deposits
 - Deposits shall be made at least weekly. More frequent deposits should be considered if un-deposited amounts exceed \$500 or another amount designated by administration.
 - It is always a good practice to have different people responsible for collecting, depositing, and disbursing funds.
 - The designated cash receipt custodian 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.

- The administrator must periodically verify that all funds collected by the designated custodian have been deposited. This verification should include an examination of validated deposit slips and the aforementioned documentation noting which checks and/or cash receipt forms were included in deposit balances.

LESSON 3

Making Purchases

1. Organize the class into small groups of 4 or 5 people; give each group a flip chart and markers.
2. Ask participants to refer to the principles related to disbursements for their counties or other units that they were supposed to review prior to class.
3. Ask them to discuss how the following pertain to their county or unit: (about 10 minutes)
 - a. Policies for invoice approval
 - b. At least three rules for writing checks
 - c. Policies for procurement card use
4. After groups have had a chance to complete, ask each group to share the results of their discussions with the rest of the class.
5. Then ask all participants to prepare their county's or unit's travel reimbursement form for hypothetical travel to a professional conference. (about 5 minutes)
6. Distribute handout: "Making Purchases"
7. Review and explain handout; use PowerPoint slides 9 through 13 along with the handout or as a summary (incorporate appropriate information shared during the group activity).
8. Summarize

Handout #3: Making Purchases

- Approval of Invoices for Payment
 - Approval of an invoice constitutes certification considerations similar to the following:
 - The merchandise or service covered by the invoice has been received in acceptable condition and in conformity with specifications.
 - The bill must be made out to the appropriate university unit.
 - The invoice is an original and the merchandise has not been paid for previously.
 - The price is fair and reasonable.
 - The totals on the invoice are correct.
 - At least the signature of the university employee who purchased the item or service is on the invoice verifying that it is correct and the item or service was received.
 - Pre-approval if necessary is documented (e.g., some states require pre-approval for items that exceed a certain dollar amount).
 - Most universities are exempt from paying state sales taxes.
- Checks
 - All expenditures must be approved by the administrator.
 - To document the approval, a voucher must be prepared that records
 - the date
 - check number
 - payee
 - amount
 - reason for payment
 - The original invoice or receipt should be attached to the voucher form.
 - The voucher form must be approved by the administrator even if the check was issued and approved by another authorized staff member.
 - All disbursement of funds must be made through the appropriate unit's checking account. Funds withdrawn from savings or other investment accounts must be deposited into the unit's Extension checking account before it can be disbursed.

- In some states, checks written by Extension offices must have two signatures. At least one of the two signatures has to be from an Extension employee home-based in the unit named on the account.
- Checks must never be pre-signed.
- In most states, food, alcohol and other prohibited items may not be purchased from these accounts.
- No checks can be made payable to “Cash.”
- Procurement Card
 - Many states have assigned debit or credit cards to some employees to provide a expeditious way to make small dollar commodity purchases while reducing the costs associated with requisitioning and payment. The procurement card should reduce the need for blanket purchase orders, personal reimbursements and invoice attached requisitions. However, there are limits for each transaction and certain policies that must be followed.
 - In most states, food, alcohol and other prohibited items may not be purchased.
 - In many states, only the cardholder is authorized to use the card. In other states, if anyone other than the cardholder makes a purchase, they must sign the actual receipt along with documentation that the cardholder approved his/her use of the card.
 - Receipts usually have to be submitted within a few days to confirm items on the credit card bank’s list of purchases for which they are to be reimbursed.
- When Bids from More Than One Vendor Are Required
 - Most states require that if an item costs a large amount, such as \$5,000, three bids are necessary to approve payment. There is usually a process that must be followed and includes accompanying forms and approval signatures before the item can be purchased.
- Travel
 - Reimbursement

A Travel Authorization process is usually required for all non-routine travel relating to conferences/conventions, out-of-state, and foreign travel. All other types of travel may require a less formal method of authorization (e.g., email or letter) but will still need departmental approval by the individual with budgetary responsibilities.

- Advances

- Personal Travel Expenses

Some states do not make travel advances to the employee, but will prepay some expenses, such as registration and airline tickets. In states that do provide advances to employees, an Extension program or office account may be used to pay an employee an advance to cover reimbursable travel expenses including:

- conference/training registration fees
- hotel costs
- airline tickets.

- Travel Expenses for a Group

In some states, a travel advance may be paid to a staff member to cover the cost of gas for the office van, for meals and for other incidental expenses when transporting 4-H participants or other groups of individuals to an event.

- Any advance must be approved by the administrator. Advances must be paid by check made payable to the employee.
 - Key Points Regarding Travel Advances:
 - Advances must be by check made payable to the employee, and a voucher should be filled out when the check is issued.
 - Employees must submit receipts, change or other documentation within a few business days after he/she returns.
 - In some states, if travel is to be reimbursed by the county government, the employee should direct that the reimbursement be sent directly to the Cooperative Extension office, payable to the individual employee.
 - It is the responsibility of the administrator to verify that all advances are repaid in a timely manner.
 - Any unreasonable delay in resolving an outstanding advance must be reported to the appropriate next level administrator.

LESSON 4

Reconciling Accounts

1. Give everyone a copy of Handout #4, “Reconciling Accounts,” and ask them to refer to the principles related to reconciling accounts for their counties or other units that they were supposed to review prior to class.
2. Review and explain handout; use PowerPoint slide 14 along with the handout or as a summary.
3. Organize the class into small groups of 4 or 5 people. Ask each group to discuss how the following pertain to their county or unit:
 - a. The system (computer software or other) used to reconcile accounts
 - b. Advantages and disadvantages of each
4. After groups have had a chance to complete, ask each group to share the results of their discussions with the rest of the class.
5. Summarize.

Handout #4: Reconciling Accounts

1. Each Extension office must record and monitor its financial transactions using a standard computer accounting program, such as Quick Books, Quicken or other similar software program.
2. Offices must print a full report when reconciling the checking account(s) monthly. This full reconciliation will include all checks and deposits which have cleared or are outstanding for the month. The report should then be filed with the bank statement(s) and supporting documentation for the month.
3. The administrator is responsible for all fiscal accounts in the county and must review bank statements and check balance against the computer printout on a monthly basis.
 - a. When reviewing the reconciliation, computer generated reports, and bank statements, the administrator should ensure that an approved disbursement voucher has been prepared for each expenditure. He or she should also review the checking account balances, revenues and expenditures with the agent or staff member who is responsible for each program area in the county.
 - b. When reviewing computer generated reports, the administrator should question any cases of missing or unrecorded check numbers or cash receipt forms.
4. The signed verification for each account shall be sent to the appropriate office within 30 days after receiving the bank statement.

LESSON 5

Donations and Gifts

1. Ask participants to share the most common *in-kind* donations they have received to support their programs (allow about 5 or 6 to respond).
2. Ask participants to share the most unusual *in-kind* donations they have received to support their programs (allow about 5 or 6 to respond).
3. Ask participants to share some of the largest *cash* contributions they have received to support their programs (allow about 5 or 6 to respond).
4. Ask participants if there are specific guidelines that they are supposed to use to record in-kind and cash donations and gifts (allow about 5 or 6 to respond).
5. Ask participants to share what they think some of the benefits of reporting these donations are gifts are (allow about 5 or 6 to respond).
6. Distribute handout: "Donations and Gifts" and ask them to refer to the principles related to donations and gifts for their counties or other units that they were supposed to review prior to class.
7. Review and explain handout; use PowerPoint slide 15 along with the handout or as a summary. (incorporate appropriate information shared during the group activity).
8. Summarize

Handout #5: Donations and Gifts

“A considerable amount of county financial transactions relate to the receipt and use of private contributions for the exclusive benefit of local programs and events. These contributions come in the form of actual cash, as well as gifts-in-kind...” (Texas A&M) Each state and county has different guidelines for handling donations or gifts. This section serves as a general guide for the best practices for management of county donations and gifts. “A gift is something voluntarily transferred by one person to another without compensation. A gift can be characterized as a donation or an in-kind contribution.” (Clemson) On the county level, it is critical that all personnel understand the differences between the types of gifts. The next step, which is actually a process, is reporting. There are guidelines, included in this module, that make this process much simpler.

- **Types of Donations**

A client may decide to give a donation to your County Extension office. This person will have two categories from which to choose: he/she may make an in-kind contribution or a monetary contribution.

- **In-kind contributions** include equipment, supplies, free-of-use facilities (where there is normally a charge), speakers, labor, etc.
- **Cash contributions** come in the form of actual cash – however in many cases it may be subdivided into two categories: Restricted or Unrestricted
 - **Unrestricted Cash Contribution:** the donor has specified no budget category, no requirements, no time table, and no deliverables.
 - **Restricted Cash Contribution:** the donor has requested a specific purpose that the funds contributed be used.

- **Guidelines for Reporting these Contributions**

All contributions made to the county Extension office should be reported through proper documentation. This will ensure that both involved parties take full advantage of possible benefits.

Several different in-kind gift and cash gift forms exist amongst the various land grant institutions. While these forms all vary in format, they all have the same general purpose, which is to document the details of the gift to include: value, donor, recipient, etc. If your state does not already have one of these forms, you should try looking at some others.

With the use of these forms, there are some general procedures that can be followed for county Extension contributions:

- Cash Donations
 - Funds should be deposited in accordance to your state guidelines – this may be local bank, Foundation, or other
 - A cash gift form should be completed at the same time deposit form is prepared. This should be initiated on the county level.
 - The cash gift form should be sent as specified by your state guidelines: ie) Field Operations, Foundations, etc.
 - The agent responsible for obtaining the donation will send a thank you letter to the donor.
 - It is also appropriate to have other beneficiaries/recipients write thank you letters (e.g. 4-H members).
- In-kind Donations
 - The donor must document the value of the gift, and authenticate this with a signature.
 - In addition, an in-kind gift form should be completed.
 - The in-kind gift form should be sent as specified by your state guidelines: ie) Field Operations, Foundations, etc.
 - The agent responsible for obtaining the donation will send a thank you letter to the donor.
- **Benefits of Reporting**

In addition to putting Extension in compliance with I.R.S. regulations, reporting gifts has benefits to the donor and to county Extension programs. It is important to our Extension contributors – individuals, businesses, organizations and others – that their charitable gifts are reported, and the benefits to our contributors include:

 - Proper reporting ensures their gifts are bona fide, tax-deductible contributions as required by the I.R.S. and the state (to the fullest extent of the law.)
 - It provides the donors with broader public recognition of their gifts through donor annual reports to be produced by Cooperative Extension, as well as separate donor publications of the institution.
 - It provides donors of significant amounts the benefits of University donor recognition groups - including special events, recognition gifts, etc.
 - As appropriate, it supports the development of additional “thank you” letters, etc., from district and state-level administrators. It can also automate the acknowledgment letters sent from local county personnel or Extension specialists.

LESSON 6
Audits

1. Ask the participants to tell about an audit in which they have been involved (allow about 5 or 6 to respond).
2. Ask respondents:
 - a. What triggered the audit
 - b. What kind of things the auditors looked for
 - c. If some sort of report was filed with one of the administrative offices.
3. Give everyone a copy of Handout #4, "Audits" and ask them to refer to the principles related to audits for their counties or other units that they were supposed to review prior to class.
4. Review and explain handout; use PowerPoint slide 16 along with the handout or as a summary.
5. Summarize.

Handout #6: Audits

There are two basic types of financial oversight that must be contracted from outside sources: a review or an audit.

1. A financial review consists of the auditor working with personnel of the Extension unit in order to verify the financial records of the association and to determine if the unit is using acceptable banking practices. Unless deemed necessary, the auditor is not required to obtain any independent corroboration to substantiate the accounting records.
2. In contrast, as part of a certified audit, the auditor must obtain independent evidence to substantiate the assertions made by the employees.

Of course, a review is much less expensive than the certified audit.

All county Extension office accounts should be examined annually by a certified public accountant, or the county auditing department, or a qualified county administrator/commissioner 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 county Extension office's checking and investment accounts have been independently reconciled and reported to the appropriate administrator's office.
- The auditor/reviewer must not be a relative of any Extension employee in that county office.
- A record of the audit must be filed with Administration following the yearly audit.
- Internal Audit committees can be used to review procedures during the time between professional audits to assess the following:
 - Credibility of the financial accounting procedures
 - Assistance in developing meaningful financial reports
 - Professional advice on controls and other administrative matters
 - Compliance with legal requirements
 - In addition, an experienced accountant can provide the technical assistance for record systems and help simplify financial management approaches.

REFERENCES

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