

Financial Accountability Requirements for Partner Agencies

Please find below Orrville Area United Way's policy related to financial accountability for agencies requesting program funding and Partner Agency status. It is important that each Partner Agency conduct its financial affairs with adequate separation of duties and independent oversight so that opportunities for embezzlement or fraud are eliminated or minimized. The highest standards of excellence possible should be observed so that donors can be assured their donation is being well spent.

For applicants with total budgets of **\$100,000 or more**, United Way requires submission of an independently conducted **audit** and the accompanying **IRS form 990**. The audit and the 990 must cover the same time period and should cover fiscal year ending in 2007 or 2008.

For applicants with budgets **less than \$100,000** who do not conduct an annual audit, the applicant should provide the following. Use the attached checklist to ensure full compliance.

- 1) A **statement** from a Financial Committee of the board or the Treasurer of the board stating that the committee or treasurer independently reviews the financial records and signs off on an annual financial report each year. The Financial Committee members or Treasurer should have a financial accounting background.
- 2) A **statement** describing the process used to ensure that opportunities for embezzlement, fraud or fiscal mismanagement are minimized. This process should include, but is not limited to –
 - a) brief description of division of financial duties
 - b) reviewing the bank statements and bank statement reconciliations
 - c) check writing procedures, including any need for more than one signature
 - d) checking receipts to see if they match checks and are for approved expenses (at least spot checking, this should be done as checks are written on a monthly basis),
 - e) checking records for income and making sure process is in place to thank donors
 - f) checking balances on computer software vs. bank accounts,
 - g) checking any payroll records to match against State and Federal filings and hours for employees
 - h) checking that expenses fall within board approved budget guidelines.
 - i) checking cash balances and assuring that adequate funds are available for obligations.
- 3) **Year end financial statements** for the most recently completed fiscal year. These should include at a minimum a year-end balance sheet and a year-end profit and loss or income and expense statement.
- 4) **IRS 990** for the most recently completed fiscal year.
- 5) **Plan for conducting audit** in the future. When will you conduct an audit? How often? How will the agency afford this?

Approved by the OAUW Board on August 15, 2007

NOTE - Alternative financial reporting methods can be discussed for applicants who have budgets under \$25,000 or who have budgets over \$100,000 but do not have an independent audit. Contact United Way at 330-683-8181 to discuss alternatives.

If your organization does not conduct an audit, please submit the following items and use this checklist to ensure full compliance with the alternative financial reporting guidelines.

- A **statement** from a Financial Committee of the board or the Treasurer of the board stating that the committee or treasurer independently reviews the financial records and signs off on an annual financial report each year. The Financial Committee members or Treasurer should have a financial accounting background.
- A **statement** describing the process used to ensure that opportunities for embezzlement, fraud or fiscal mismanagement are minimized. This process should include, but is not limited to –
 - brief description of division of financial duties
 - reviewing the bank statements and bank statement reconciliations
 - check writing procedures, including any need for more than one signature
 - checking receipts and/or invoices to see if they match checks and are for approved expenses (at least spot checking, this should be done as checks are written on a monthly basis)
 - checking records for income and making sure process is in place to thank donors
 - checking balances on computer software vs. bank accounts,
 - checking any payroll records to match against State and Federal filings and hours for employees
 - checking that expenses fall within board approved budget guidelines.
 - checking cash balances and assuring that adequate funds are available for obligations.
- Year end financial statements** for the most recently completed fiscal year. Acceptable year end financial statements include:
 - a year end balance sheet, or a document that shows all assets and liabilities,
 - and a year end profit and loss statement or income and expense statement, a document that shows budgeted amounts for all income and expense versus year end actual amounts.
- IRS Form 990** for most recently completed fiscal year.
- Plan for conducting audit** in the future. When and how often?