

# County Financial Transaction Manual



**Policy and Procedures For Managing Local Funds**

# County Financial Transaction Manual

## Policy and Procedures

### For Managing Local Funds

#### A. Purpose

The *University of Tennessee Fiscal Policy (UTFP)* sets forth the basic policies and procedures for all academic and nonacademic personnel of the university and other concerned persons.

Due to the nature of the educational programs and community involvement, an exception to two of those policies regarding depositing and spending funds is granted to each University of Tennessee Extension (UTE) county office, subject to the following conditions:

- A limit of one bank account per county office.
- No co-mingling of university and non-university funds.
- All funds in the county bank account are considered university funds, and except as permitted in these procedures, must be handled as per *UTFP*.

#### B. Statement of Responsibilities

The County Director, for county bank accounts, and the Regional Director, for region bank accounts, are responsible for managing the University of Tennessee bank accounts under their jurisdiction. As a part of that responsibility, they should maintain records stipulated in *UTFP 120*, provide the information necessary for a financial audit, and should be:

1. Familiar with all University of Tennessee financial policies and procedures. *UTFP*
2. Familiar with all the programs currently being conducted by the county and regional Extension offices.
3. Able to provide receipts adequate to show the source, amount and restriction, if any, of all income/donations.
4. Able to provide appropriate records that show donated funds were expended in accordance with restrictions (i.e., that funds in the amount of the donation were expended for the restricted purpose).
5. Able to provide appropriate records necessary to support all expenditures, including check registers and monthly bank reconciliations for the periods under audit.

#### C. The Bank Account

One bank account may be established in each county and in each region. The account must be maintained and managed by UTE personnel and must be for the sole purpose of promoting, supporting and/or enhancing legitimate Extension educational programs, projects, events or activities. The use of funds placed in the bank account is subject to the decision of the responsible professional/exempt staff and conditioned only by any legitimate parameters stated and agreed to by UTE personnel and donors, funding organizations and/or contributors. This account will serve all county programs (agriculture and natural resources, resource development, family and consumer sciences and 4-H). It is suggested that the account be named \_\_\_\_\_ County UT Extension Account.

Extension bank accounts should not be used to receive and disburse funds for nonprofit groups that are used primarily for the benefit of their members. These accounts should be maintained and managed by duly elected or appointed representatives of the groups. This applies even though the activities of such groups relate to and may be supportive of Extension's educational programs. Extension employees are prohibited from serving as officers with signatory authorization or otherwise controlling the funds for such associations or groups.

## Additional Bank Account Guidelines

1. Funds from the county checking account shall not be used for personal expenditures by any UTE personnel.
2. Extension employees may not be reimbursed from the bank account, including advance payments for expenses to be incurred in the future, except as provided in these policies (Additional Bank Account Guidelines 6. below).
3. No payment of wages shall be made from the account without written permission from the Extension Dean's office. Individuals currently on the university's payroll cannot be paid from petty cash funds. All salary payments to university employees must be paid through the payroll system. See UTFP 525.
4. Payments to individuals for casual labor cannot exceed \$50 per payment. Such payments to an individual whose total could exceed \$600 in a calendar year must be paid through the payroll system. Examples of casual labor include temporary services and students hired to work during registration. See UTFP 525.
5. It is permissible for the County Director to authorize a payment to a 4-H adult leader (non-Extension employee) who is providing transportation/chaperone duties for an approved 4-H activity. Documentation of expenditures should be maintained.
6. Checks may not be written to "cash," with the following exception. The County Director may authorize a check to be written for the purpose of providing cash awards or making change at activities such as 4-H fair booths, barbecue sales, etc. The purpose of the withdrawal must be noted on the check and when the redeposit is made, the same purpose must be noted on the receipt. Redeposits should be made within three business days. (See section F-2 for more information about cash awards.)
7. The county checking account requires the signature of a professional/exempt faculty member. The County Director will designate agents who are eligible to sign checks, and forward the names of the designees in a letter to the Regional Director. Any changes in designees must be forwarded to the Regional Director within three business days of the change. Individuals who are designated eligible to sign county Extension account checks must also have the approval of the bank, according to the bank's policies. Checks cannot be signed by a non-Extension employee nor by a nonexempt Extension employee (secretary, program assistant, etc.). Individuals should not sign a check until sufficient documentation is available and the check completed. Signing blank checks and/or using a signature stamp is not permitted.
8. For expenditures of \$1000 or more, a co-signer is required. The co-signer normally will be the County Director. For those counties where only one professional/exempt faculty member is employed, the co-signer may be the Regional Director. If no co-signer is available, written permission from the Regional Director or Regional Program Leader is permissible. Written permission must be in advance and may be in the form of an e-mail, with dates and times visible. Records of the written permission, including e-mail, must be filed and retained in the same manner and for the same time period required of all county financial records (see Maintaining Auditable Records, point 5.).

9. For every agent or 4-H program assistant, each county may keep an average bank balance of \$5,000. For example, if a county has a county director, an FCS agent, an agricultural/4-H agent and a county 4-H program assistant, then the county's average monthly bank account balance should normally not exceed \$20,000 (4 x \$5,000). Counties that exceed the limitation will be encouraged to deposit part of the funding into a restricted account or an endowment designated for that county's program.
10. UT/TSU employees cannot be reimbursed or have individual travel expenses paid from the Quicken account. When Quicken account funding needs to be utilized for UT/TSU employee travel, a check is written from Quicken payable to the appropriate university. The check is sent to the university for deposit into a restricted account. The employee's travel is reimbursed in accordance with UT/TSU travel procedures. The restricted account is charged for the expense.
11. It is not permissible to have a debit or credit card related to Quicken accounts. Employees who need a debit or credit card should obtain a procurement card through the appropriate university. Funding from the Quicken account for procurement cards purchased should be deposited in a UT/TSU restricted account following the procedures outlined in C10. If debit or credit cards are automatically received from the bank as part of the bank services, those cards should be destroyed and not used.
12. Gift cards and similar items may not be purchased with Quicken funds.

## **D. Maintaining Auditable Records**

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

### **Additional Guidelines**

1. County financial records will be maintained by using Quicken™ software as the primary check register. Training and support will be provided by UT Extension Information Technology specialists. Exceptions to using Quicken™ software are at the discretion of the Regional Director. 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.
2. The bank account should be reconciled monthly at the time the bank statement is received. These reconciliations should be kept along with the bank statement for a minimum of six years. Any differences should be explained or corrected.
3. The County Director shall designate one employee to write checks, maintain the checkbook and keep financial records. Invoices or sales tickets should be verified as correct by the employee directly involved with the expenditure and then provided to the employee who is responsible for writing checks. If feasible, a different employee should be responsible for reconciling the Quicken™ software file to the bank statement. A printed reconciliation report in full detail, and a printed account balances report with transaction detail shall be sent to the Regional Director monthly. A cover sheet including the County Director's signature attesting to the accuracy of the information contained in the reports must accompany the reports. It is imperative that both reports are filed every month.
4. The reporting periods for UTE County Financial Reports are July 1 through December 31 and January 1 through June 30. County Directors will forward the Quicken™ summary reports to their Regional Director, who in turn will compile the regional report and submit it to the Extension Dean's office, UTE. The reports submitted on June 30 are available for an audit by the university and the state of Tennessee. The balances, as submitted, must be reconcilable to the account.
5. The minimum retention period for county financial records is six years after reconciliation. The minimum retention periods for other university records are outlined in the UTFP 120.

6. The Extension regional and state office will annually conduct periodic reviews of a sample of county Extension offices to monitor compliance.
7. Any shortages and/or cash losses must be reported immediately through the Regional Director to the Extension Dean's office.
8. If dishonest behavior (as defined in UTFP 130) is suspected, report it immediately to the Regional Director. Employees should not initiate investigations on their own nor confront the individual(s) suspected of wrongdoing (see UTFP 130, section 5a).

## **E. Record-Keeping Requirements: Income Receipts and Bank Deposits**

1. Income receipts from an official University of Tennessee receipt book must be used when collections are received (see sections I & J in this manual for possible exceptions). Funds must be deposited into the county UT Extension bank account. Funds should be deposited on a regular basis, preferably on the day funds are collected. For university policy to be in compliance with state law, no funds should be held longer than three business days prior to deposit.
2. 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. Receipts should be signed by an Extension employee.
3. Receipts should be prepared in duplicate and the original should be given to the customer. The copy must be maintained in sequence in the receipt book as the office copy of the receipt.
4. If an Extension employee deposits funds that were collected from several people, one receipt may be written directly to that agent if documentation is attached to the receipt, listing (1) individuals from whom the agent collected the money, (2) a description of each collection and any restrictions and (3) the amount collected from each individual.
5. In the event funds are collected from the general public such that individual receipts and a contributor list are not feasible, the funds should be deposited in total, with one receipt written to the agent in charge of collecting the funds. The receipt should contain estimates of the number of contributors and the average contribution received from each contributor. Examples of events covered by this exception are fair booths, concessions stands and parking fees.
6. If any receipt is voided, the original receipt should be marked "void" and maintained with the office copy of that receipt.
7. All receipt books should be kept for a minimum of six years.
8. 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.
9. Each bank deposit slip should contain a listing of the receipt numbers contained in the bank deposit. 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.
10. In the event a deposited check is returned for insufficient funds, the County Director shall contact the payer (person on whose bank account the returned check was drawn) and request payment. When the insufficient funds (INSF) check is returned by the bank, a payment entry to offset this part of the original deposit should be made in the Quicken™ Software. 1) On the transaction line, put the date the

bank debited these monies from the account. 2) Under the number column, put INSF. 3) Under payee, put the person's name and the original receipt number. 4) Under payment, split the transaction, with the amount of the check going under the same category as the original transaction. The bank's charge for returning the check should go under the category for bank expenses or a "Bad check" category could be used. The class for both parts of the split would be the same as the original transaction. 5) The memo field should be used to note the original check number and other information.

Upon cash payment of the original amount of the check plus any incurred bank charges and expenses, the check should be returned to the payer. A receipt for the cash received must also be written to the payer. The receipt should include the original check's number, date written and original receipt number. In the Quicken™ software, a new deposit transaction should be made for the cash to create a clear audit trail, with cross references to the original deposit and offsetting transaction. 1) On the transaction line, put the date of the deposit. 2) Under the number column, put Dep. 3) Under payee, put the person's name, the original receipt number and new receipt number. 4) Under deposit, split the transaction. Put the amount of the original check under the same category as the original transaction. Cash paid to reimburse for the bank service charges should go under the category for bank expenses or bad checks. 5) Use the same class as the original deposit and offsetting entry. 6) Under memo, put any other useful info, such as original deposit date, date the check was made good, etc.) INSF checks need to also be noted on the register of the checkbook and on the reconciliation information for the months involved. These transactions should also be noted in the following month's report to the Regional Director. In the event the payer declines to make good on the returned check, the County Director may consult his/her Regional Director and the Extension Dean's office as to the proper course of action.

Do not void the original deposit of an INSF check, as this would make for an unclear audit.

11. Funds should be separated into different categories, such as publications, camps/conferences, soil/forage diagnostic tests, etc., for proper accounting and reporting. Classes may also be used to differentiate among different groups within the county office, such as 4-H, FCS and agriculture. For a more thorough explanation of categories and classes, see the training manual "Computerized Financial Record-Keeping for Extension Offices," available in all county UT Extension offices.
12. The Transfer of Responsibility form is used when a bank deposit is taken to the bank by someone other than the person who prepared the deposit. The information should include the date of the deposit, name/signature of the person preparing the deposit, name/signature of the person taking the deposit to the bank and the amount of the deposit. It is recommended the person taking the deposit would double check the amount to verify the accuracy of the transfer. The Transfer of Responsibility form is available as Attachment 2 of this manual.

## F. Record-Keeping Requirements: Expenditures

### 1. General Expenses

- (a) Expenditures of funds must be made by check and should be documented sufficiently to provide an adequate audit trail. According to UTFP 525 one of the following receipts is required, in order of preference: (1) vendor's invoice; (2) detailed cash register or other vendor receipt; (3) undetailed cash register or other vendor receipts accompanied by completed Form T-4 without vendor's signature; and (4) completed T-4 with vendor's signature. Employees should first attempt to obtain either a vendor's invoice or receipt before submitting only the Form T-4 to support purchases. Employees should take Form T-4s when making purchases in case invoices or receipts are unavailable. Recorded on this documentation should be such information as date paid, check number, program, etc. This documentation should be filed in a manner allowing easy retrieval. Filing chronologically by six-month reporting periods is one method. This original documentation must be maintained for six years.
- (b) When a check is voided, the check should be marked "void" and attached to the check stub, and the signature section of the check should be removed. The check should also be voided in the Quicken™ software file.

- (c) Effort should be made to contact recipients of checks outstanding for more than six months. If the original check is lost, the County Director may issue a new check if a “stop payment” is placed on the original check. In accordance with UT fiscal policy and Tennessee state law, UT Extension will report and remit to the state of Tennessee the monies for uncashed checks outstanding for five or more years. At the time the check monies are remitted, the uncleared check will be voided and the funds added back to the Quicken™ bank account balance. A new check will be issued to transmit the monies to the state of Tennessee.

## 2. Awards

- (a) The county Extension office must maintain a record documenting to whom each award was given, the address of each recipient and a description of the award given to each participant.
- (b) Extension employees may not receive awards or payments of any nature from the bank account.
- (c) Awards of less than \$10 should be paid in cash, in accordance with UT Extension’s policies and procedures.
- (d) All cash award recipients are required to sign or initial a form stating that they received a cash award. Attachment #1 is an example of an adequate cash award record form. This form should be retained as a receipt to support the expenditure.

## G. Sales Tax

Sales tax must be collected and paid to the *Tennessee Department of Revenue* for all gross receipts or proceeds from retail sales to a consumer for any purpose. A “sale” is defined as furnishing goods and services or transferring title or possession (or both), as well as exchanging, bartering, leasing or renting any tangible personal property for payment.

Retail sales to the federal government, the state of Tennessee and its political subdivisions or qualified institutions (churches, non-profit schools, hospitals, nursing homes and orphanages) are exempted from state sales tax. For more information, see UTFP 310.

## H. Cash Registers

Cash registers may be introduced into county Extension offices in the near future. According to UTFP 310 cash register procedures should be established in writing by the department. At a minimum, these procedures should include:

1. Documentation and approval of over-rings and voided transactions.
2. Documentation of beginning change fund counts by cashiers (i.e., before the first transaction involving that fund, that cashier or both).
3. Proper reconciliation and check-out steps and documentation.
4. Tape retention plans.
5. Other procedures considered necessary.

## **I. Credit and Debit Card**

Departments or activities that regularly receive payments for goods and/or services in routine operations are eligible to accept credit and debit cards as an additional method of payment. If point-of-sale (POS) terminals are used, electronic receipts, in lieu of UT receipt book receipts, may be issued. Documentation and procedures must be followed according to university and UT Extension policies. These policies must be developed and instituted for all Extension offices. See UTFP 310.

## **J. Internet Sales**

Internet sales also represent possible sales using electronic receipts. Additional guidelines specifically written for Internet transactions will apply to all UT Extension offices. See UTFP 310.



