

## Section 704.2 BANK ACCOUNTS

### POLICY REVISION

#### Introduction

All 4-H VMOs and units must be chartered to use the 4-H name and logo to raise, allocate, and disperse funds in support of 4-H programs, projects and groups. Authorization to establish one checking and one savings account is obtained from the UCCE county director upon approval of the unit's charter. Additional accounts require further approval from the UCCE county director.

1. Each 4-H YDP VMO and unit that manages cash is required to:
  - A. Apply and receive an Internal Revenue Service (IRS) Employers Identification Number (EIN).
    - 1) The UCCE county office should be the address of record for all county 4-H VMO and units.
    - 2) The 4-H YDP Statewide Office should be the address of record for all sectional and state VMOs.
  - B. Establish its own checking and/or savings account at a financial institution with at least two signatures.
    - 1) Although many banks do not allow an account to require two signatures, all 4-H YDP accounts should be set up so that two signatures are required by the VMO or unit to expend or withdraw funds.
    - 2) The signatures must be from two unrelated individuals, of whom one can be a 4-H youth member and the other a 4-H adult volunteer. (Few banks will allow minors to be the only signatory on bank accounts. However, a youth can still be the second signature on a check).
    - 3) No UCCE or 4-H YDP staff should be signatories on 4-H VMO or unit bank accounts.
  - C. 4-H VMOs and units are not allowed to apply for or use automatic withdrawal or credit cards.
2. All 4-H VMO and unit bank accounts must use the UCCE mailing address as the address of record.
3. The UCCE County Director, or designee, must review all the monthly 4-H VMO and unit's bank statements for any discrepancies (see 4-H Monthly Bank Statement Review Checklist.)
  - A. Monthly statements should be immediately copied and forwarded to the 4-H VMO or unit treasurer.

- B. Upon completion of the monthly review all statements should be initialed and filed in UCCE office.
  - C. Any discrepancies identified in the monthly bank statement review must be reported immediately to the county director.
  - D. The county director will investigate any discrepancies, with assistance from the Statewide 4-H YDP and the ANR Controller Offices which can result in the removal of adult volunteer signatories from the account or closure of the account and transfer of the funds to the county 4-H VMO to be held in escrow.
4. The 4-H YDP statewide director or designee, must review all the monthly sectional and state 4-H VMO and unit's bank statements for any discrepancies (see 4-H Monthly Bank Statement Review Checklist.)
    - A. Monthly statements should be immediately copied and forwarded to 4-H VMO or unit treasurers.
    - B. Upon completion of the monthly review all statements should be initialed and filed in 4-H YDP Statewide Office.
    - C. Any discrepancies identified in the monthly bank statement review must be reported immediately to the 4-H YDP statewide director.
    - D. The statewide 4-H YDP director will investigate any discrepancies, with assistance from the ANR Controller Office which can result in the removal of adult volunteer signatories from the account or closure of the account and transfer of the funds to the state 4-H VMO to be held in escrow.
  5. A 4-H VMOs or unit's failure to follow the above policies can result in the revoking of the 4-H VMO or unit's charter.

### Introduction

Existing 4-H policy is revised to remove the UCCE county director (or designee) as signatories on 4-H VMO and unit bank accounts and require all 4-H VMO's and clubs to use the UCCE county office address as the address of record and that UC staff be required to briefly review the disbursements itemized in the bank statement in search of obvious "red flags." Detailed information is provided below.

This policy revision affords better UC oversight of the club accounts, with minimal impact to UC resources, and no decrease in the local control of the clubs.

### Background/4-H Organizational Structure

As provided for by the Smith-Lever Act of 1914, all Cooperative Extension (CE) work (specifically including 4-H), is an official function of the United States Department of Agriculture (USDA), directed through the land grant college system. Within UC, this responsibility accrues to Agriculture and Natural Resources (ANR).

4-H YDP comprises approximately 130,000 youth members and 25,000 adult volunteers, organized into numerous 4-H clubs, with some counties having 20 or more. UCCE staff and academics (4-H YDP Representatives/Advisors) manage the program and report to the UCCE County Director (CD). Each CD reports to one of three Regional Directors (RD), who in turn report to the ANR Vice President. Coordination of the program as a whole is managed by the California 4-H YDP Statewide office. While only the Statewide office is empowered to charter 4-H clubs, once a charter is issued, the CD becomes the responsible administrator for all 4-H matters in their county.

### Prior 4-H Club Banking Practices

4-H funds are held in club-specific bank accounts, comprising over \$4M on deposit in about 1000 separate accounts held at about 50 financial institutions. About half of these club accounts are with one of the major California banks such as Bank of America, and about half are with small local institutions such as the Bank of Siskiyou.

4-H clubs must submit an annual budget proposal for CD approval, and all fundraising must be tied to a specific programmatic purpose. With CD approval, clubs may establish one savings and one checking account. All such accounts must require signature by two unrelated, authorized individuals to expend funds. Disbursements from the club bank account are made by check for budgeted expenditures. Automatic withdrawal cards are not permitted. An annual financial report is required, and must be peer-reviewed by two adult volunteers and two youth members without a familial relationship to the club treasurer. This report is transmitted to the 4-H Statewide office via the web-based *California 4-H Financial Reporting System*.

Club accounts are managed by the club treasurer (a youth member with assistance of an adult 4-H volunteer). A CD (or designee) is signatory to every such club bank account in excess of \$1,500. Some counties require clubs to have their monthly bank statement mailed to the CE county office, where UC staff have the opportunity to make a copy, and then forward the statement on to the club.

### Added Controls and Protection of Personal Privacy Concerns

#### ❖ *Consequences of 2001 Internal Audit*

In January 2001, UC Internal Audit issued Audit No. 01A002, which concluded that existing UC control over 4-H club financial accounts was insufficient. However, it was not possible for the UC Treasurer's Office (and/or any other UCOP department) to provide regular review of the 4-H club accounts. ANR therefore mandated that a CD (or designee) be signatory to all 4-H club bank accounts with balances in excess of \$1,500, an action that was judged to be responsive to the audit.

#### ❖ *Impact on CDs and Other UCCE Staff*

Many CDs objected as this required them to relinquish their personal financial information for every club account to which they were signatory. Since the events of 9/11, this concern has intensified

as related changes in banking law have diminished the banking institution's responsibility to protect the private information of its patrons.

It is not uncommon for a county to have twenty or more club accounts, each with at least two additional signatories. For each such account the CD (or designee) must supply personal information such as his/her social security number, driver's license, and so on. In this example then, this personal information could potentially be shared with at least 40 other individuals. Banks are no longer required to hold this information in confidence from the other signatories.

### New Policy

#### ❖ *Receipt of 4-H Club Bank Statements*

For all 4-H club financial accounts, the monthly statement should be mailed directly from the bank to the UCCE county office, and the UCCE county office should be listed as the bank's address of record for all such accounts. If desired, the bank could be instructed to mail a duplicate copy of the statement to the club treasurer, or the UCCE county office could supply the club treasurer with a complete hard copy, as per CD preference. As banks are so instructed and comply, the CDs would be removed as a signatory.

#### ❖ *Review of Disbursements*

Additionally, UCCE staff, as designated by the CD are required to review the disbursements itemized in the monthly club banking statement in search of obvious "red flags." "Red flags" would include such things as payments that do not seem to relate to the club's annual budget and/or program, payments that are unusually large, payments to a signatory on the club account, and so on. When the review is complete, the UCCE staff member should initial the bank statement and maintain it in their files. Note that responsibility for review of the disbursements may be delegated by the CD to any appropriate staff member as per the CD's judgment. Also note that it is not necessary for the UCCE county office to complete its review of the statement prior to forwarding a copy to the club treasurer.

### Implementation and Impact

#### ❖ *Procedural*

The ANR Controller's office received approval of this proposal from UCOP senior management as being responsive to the January 2001 audit.

Implementation is applicable to all 4-H club financial accounts (as opposed to the current condition, e.g., only those in excess of \$1,500).

4-H policy is revised to reflect that if original monthly club bank statements are not provided to the UCCE county office, the Statewide 4-H YDP Office may revoke the club charter.

The phase-in time frame begins January 1, 2008. Counties may begin to implement the policy changes immediately or at the beginning of the fiscal year, July 1, 2008. Counties should aim to have all address changes and signatory changes completed by September 30, 2008 so that monthly review of the accounts can begin in fiscal year 2008.

❖ *Operational*

Although there are many 4-H accounts, they tend to have few monthly disbursements (an average number of checks written in a month would be five to fifteen). Accordingly, it is estimated that this review requirement would take about fifteen minutes per club per month to complete.

Assuming an average of 20 clubs per county, UCCE mailing costs would increase about \$8.00+ per month (\$100.00 per year), and UCCE workload would increase about three hours per month. Arguably, however, the negative impact would be offset by time saved, as the CD (or designee) would no longer have to visit the bank, execute signature cards, and so on.

Tactics for Problem Avoidance and/or Resolution

❖ *Disbursement Irregularity*

The majority of the monthly club banking statements reviewed would not raise a red flag. However, in the event that one was identified, the UCCE staff member responsible for disbursement review would report it to the CD. At the discretion of the CD, the matter could be pursued with the volunteers.

❖ *CD Support - Internal*

Upon request of the CD, both the Statewide 4-H office and the ANR's Controller's office would be available to assist the CD. The CD may quickly access that support by contacting the Statewide 4-H office directly. In turn, the Statewide 4-H YDP office would request support from the Controller's office as needed.

In the event of such a problem, the CD would routinely advise the RD for the RD's information. If the RD were to be contacted by a CD in relation to such a problem, the RD would be welcome to refer that individual to the 4-H Statewide office as per the RD's judgment.

❖ *CD Support - External*

A standardized letter (pre-approved by UC General Counsel) is prepared in the very rare event that a CD might have to assume control of, and/or close a 4-H bank account. This letter would confirm for the bank that UC, as represented by the CD, has legal authority over the funds and should be given access to the account. Closure of a club account would be an interim action, to be followed by the establishment of a new club account as quickly as feasible.

Should the CD encounter any difficulty with the bank in such a situation, the CD should contact the Controller's office (or 4-H Statewide office). In cooperation with the 4-H Statewide office, the Controller's office would then work with UCOP's Financial Management department, as well as the Office of the General Counsel to provide support to the CD and facilitate the bank's agreement to the CD's request.

Conclusions

❖ *Disadvantages*

There are two principal disadvantages to this proposal, namely increased mailing cost and workload for UCCE. Assuming an average of 20 clubs per county, mailing costs would increase about \$8.00+ per month (\$100.00 per year), and workload would increase about three hours per month. Arguably, however, both of these disadvantages would be offset by time savings, as the CD (or designee) would no longer have to visit the bank, execute signature cards, and so on.

❖ *Advantages*

- Eliminates the risk of the disclosure of the UC employees' private information through this means.
- Reduces the risk of treasurer/volunteer fraud and/or poor financial practices as:
  - UCCE oversight would increase from an annual to a monthly basis, allowing UC to act on any questionable activity much earlier than is now possible.
  - The UCCE county office would receive direct notification of any "bounced" checks in a timely manner.
  - The UCCE county office would be the address of record for the club bank account, (as opposed to current condition in which home address of 4-H volunteer is the address of record).
  - UCCE oversight would extend to all 4-H club bank accounts (as opposed to the current condition in which only those accounts in excess of \$1,500 are subject to the CD signature requirement).
- Reduces risk to the hard-won assets of the club youth members, especially as it allows UCCE 4-H YDP staff to verify that deposits are being made in a timely way.
- Local (i.e., club) control would not be diluted, eroded, or otherwise reduced. This is extremely important to the continuation of a positive relationship with our valuable volunteers.
- There would be no increased cost to the 4-H clubs – the initiative would not be supported with funds raised by the youth members for their programs.
- Implementation could be achieved with relatively little administrative effort.
- Affords greater efficiency with respect to changes in the volunteer work force. For example, a club's treasurer may change, but often the bank is not informed in a timely manner. However, the UCCE county office is usually aware of such changes in "real time" and so can ensure that statement is forwarded to the correct address.
- Several counties already employ this practice, and report that it works quite well for them.