

Financial Review Guidelines for Baltimore County Recreation and Parks

Foreword

These guidelines have been prepared to assist a financial review team in performing a financial review as required for certification of a Baltimore County Recreation and Parks program. This program is meant to provide insight into the review procedures and a checklist for common areas of concern. However, in no way is it meant to supersede the judgment of the review team. As with any such review procedures, the judgment of the review team should consider matters that arise within the scope of their review and take appropriate actions where necessary.

Scope of Work

It is the responsibility of each Recreation Council to keep adequate books and records to enable proper transparency and oversight of monies collected and spent. The Council must comply with applicable laws and regulations in order to maintain tax-exempt status with the Internal Revenue Service and maintain certification with Baltimore County. A public charity is prohibited from allowing private benefits to individuals. This restriction is to ensure that the charity is serving the public interest, not a private one. All Recreation Councils in Baltimore County are to be organized as a 501 (C)(3) charity under the Internal Revenue Code and are subject to those regulations as well as oversight by the Baltimore County Board of Recreation and Parks.

Your job, as a member of a review team is to help ensure that each Recreation Council is maintaining a proper set of books and records, operating with adequate controls over its funds and following sound financial practices. One of the tools used to confirm compliance with these items is the financial review.

Records to be provided to the financial review team

When a team has been selected, the officers of the Recreation Council (primarily the Treasurer) will be responsible for providing records for the review team. It is imperative that the Officers of the recreation Council under review recognize this as their responsibility. It should not be expected that it is the responsibility of the review team have to search for requested items. The items should be supplied in an organized manner in order to make the review process as efficient as possible. Examples of the items that may be requested by the team are as follows:

- A copy of the previous year's financial review including any comments from the review team.
- All checkbooks for the year including all bank statements.
- A summary of the transactions (computerized forms suggested) in the form of a monthly Treasurer's report and an Annual Report.
- Copies of all bills or invoices supporting checks written.
- A copy of the annual budget of the Organization.
- Minutes of the General membership and Executive Board meetings.
- A copy of the most recent tax filings including Form 990, MD Form 1, etc.

This list is not meant to be all inclusive but an example of the documents that should be available in an annual review.

Common Review Procedures

A financial review committee should consist of not less than three individuals who have no responsibility in the preparation of monthly/annual reports and who have no check signing authority.

Keep in mind that a Recreation Council should have a complete set of books. The appearance of incomplete, sloppy or inadequate records should be reported to the Officers of the Council and the Board of recreation and parks. If it is determined that inadequate procedures are a result of poor training, additional help can be provided to rectify the current situation. A caution is provided that sloppy records are sometimes evidence of improper use of cash.

Listed below are some procedures that should be completed by the review team.

A) Budget and Financial Reporting

- 1) Confirm that a budget has been prepared and approved.
- 2) Confirm that a monthly Treasurer's report is prepared and made available to the general membership.
- 3) Compare starting balances on the Treasurer's report with the ending balance of the prior year.
- 4) Math check the report to insure that it is correct.

B) Cash controls

- 1) Confirm that there are two signatures on each check.
- 2) Confirm that checks are supported by invoices. The number of checks reviewed should be at the discretion of the review team, but be complete enough to give an opinion as to adequate documentation.
- 3) Confirm that bank reconciliations are prepared and completed timely by someone **without** check signing authority.
- 4) Confirm that an adequate summary of the accounting records (preferably computerized general ledgers) are maintained.
- 5) Confirm that there is a policy against signing blank checks.

c) Tax Reporting

- 1) If incorporated or an LLC, confirm that the Maryland Form 1 has been filed.
- 2) Confirm that a Form 990 (or 990 EZ or 990N) has been prepared and timely filed.
- 3) Confirm that forms 1099 have been issued if needed.
- 4) Confirm that a copy of the IRS 501(C) (3) exemption letter is available.
- 5) If necessary, has the appropriate MD form COR-1 been filed?

C) General Controls

- 1) Confirm the appearance of orderly books and records.
- 2) Confirm that the general membership has access to the financial reports.
- 3) Confirm that adequate minutes of meetings and membership records are kept.
- 4) Confirm that there is no evidence of political contributions, lobbying efforts, etc.

Once you have completed your procedures, a report to the individual Recreation Council and the Baltimore County Board of recreation and Parks should be prepared summarizing your findings. Significant findings which could undermine the Council's ability to accurately report income and expenses and control cash or other assets should be discussed in detail with the Council under review and follow up discussed with the Baltimore County Board. If there is evidence of fraudulent activities, the review team should notify the Baltimore County Board, the Recreation Council Board and local authorities. All reports should be kept by the individual Recreation Council as part of its permanent records.

The Board of Baltimore County Recreation and Parks takes that transparency of Recreation Council activities to be one of its primary goals. That being said, these reviews should be considered to be remedial in nature. Any significant findings will be reviewed with the individual Council and a resolution to the findings will be agreed upon between the Officers of the Recreation Council and the Baltimore County Board. Continuing problems or ignoring corrective action may be cause for de-certification of such Recreation Council.

