

# FINANCIAL CONTROL POLICIES AND PROCEDURES FOR GREATER EUGENE AREA RIDERS (GEARS)

APPROVED BY GEARS BOARD ON 2/12/2019

## I. GENERAL PRACTICES

### I A. Purpose

GEARs is a nonprofit organization committed to protecting and using its assets for its nonprofit mission. Proper financial practices are important to help prevent and detect errors and fraud.

### I B. Review of Risks

These policies and procedures were written after consideration of the risks associated with our financial operations, and for the purpose of minimizing those risks. The GEARs Board will review these policies each year to determine if risks have changed, and prior to approving the annual budget.

### I C. Annual Budget

The Board shall approve an annual budget each year, not later than the February board meeting. The annual budget shall address all income and expenditures expected during the calendar year. The draft budget will be prepared by the Treasurer in consultation with the Board. The approved budget can be modified by the Board pursuant to the GEARs by-laws.

### I D. Segregation of Roles

There are three financial roles in GEARs: authorization, custody/execution, and monitoring. As much as possible the Board seeks to separate the responsibilities for fiscal roles, and assure that at least two individuals fill these roles. It is particularly important that the same person does not authorize, execute, and monitor the same individual transaction or GEARs financial account.

#### Authorization

An individual or entity that authorizes expenditures is acting in an authorization role. In GEARs the authorization role is as follows:

- a) The Board authorizes the GEARs annual budget and approves non-budgeted purchases and expenses.
- b) The Board may pre-approve payment of normal and customary bills and expenses provided they are identified in the Board-approved annual budget as "pre-approved" pursuant to Section III D of this document.
- c) The Board may pre-approve Blackberry Bramble expenses provided they are identified in a Board-approved Blackberry Bramble budget as "pre-approved", pursuant to Section III E of this document. The Blackberry Bramble budget will be considered a part of the GEARs annual budget.

- d) The Treasurer authorizes payment of individual bills or expenses that have not been pre-approved by the Board in the annual budget or Blackberry Bramble budget.

#### Custody/execution

Individuals who have access to the GEARs financial accounts, have the authority to sign checks, make debit card or on-line purchases or cash withdrawals, and make deposits into and transfer money to and from the two GEARs financial accounts (GEARs Key Bank account, GEARs PayPal account) are acting in a custody/execution role. In GEARs the only individuals in the custody/execution role are as follows:

- a) The Administrator (for all GEARs financial transactions except for the Administrators monthly fee)
- b) The President (for the Administrators monthly fee, and in a back-up role to Administrator for other GEARs financial transactions if the Administrator is unable to perform his/her role).
- c) The Treasurer has custody (access) to the GEARs financial accounts, but not execution authority (i.e., will not sign checks, make debit card or on-line purchases or cash withdrawals, nor make deposits into and transfer money to and from the two GEARs financial accounts).

#### Monitoring

The person or entity that monitors GEARs finances or transactions is acting in a monitoring role. In GEARs the monitoring role is as follows:

- a) The Treasurer will perform weekly on-line monitoring of the GEARs Key Bank account to check for identity theft or non-approved expenditures, reconcile the monthly account statements, and prepare monthly financial reports to the Board.
- b) The Administrator will regularly spot-check (minimum once per month) the GEARs Key Bank account to check for identity theft or non-approved expenditures, and to check his/her work.
- c) The Board will monitor GEARs finances by reviewing the monthly financial reports prepared by the Treasurer to assure that its plan, the annual budget, is being executed properly.

## **II. RECEIPT OF FUNDS**

### **II A. Risks**

GEARs faces the risk that funds received may be stolen or lost or that someone may be falsely accused of stealing funds.

### **II B. Policy**

All funds received by GEARs, whether cash, check, or electronic transfer, will be deposited intact into the GEARs Key Bank account. No monies shall be removed to make payments for other purposes. All cash receipts should be deposited into the bank as soon as possible.

## **II C. Procedures**

1. PayPal. The Administrator shall make all transfers of funds from the GEARs PayPal account into the Key Bank account, at a minimum of a monthly basis. The Administrator will report these transactions to the Treasurer in the Administrators monthly report to the Treasurer (see Section IV).

2. Other Accounts used by GEARs (such as Eventbrite). The Administrator shall make all transfers of funds from these other accounts into the Key Bank account, at a minimum of a monthly basis. The Administrator will report these transactions to the Treasurer in the Administrators monthly report to the Treasurer

3. Receipt of Checks. Checks payable to GEARs will be received, endorsed (for deposit only), and deposited in the GEARs Key Bank account by the Administrator. The Administrator will make a photocopy of all received checks and provide the copies to the Treasurer with the Administrators monthly report to the Treasurer.

If another GEARs member receives a check payable to GEARs, such as at a fundraising event, the member will notify the Administrator in writing (email) within 24 hours of the amount received and the source of the check (i.e. sale of particular item, donation). The member will give the check to the Administrator within a maximum of two weeks of receipt.

4. Receipt of Cash. Cash is easily stolen and must be handled carefully. The following procedures will be followed to protect from theft and fraud and assure no one is falsely accused of stealing funds. It is assumed that most cash will be collected at GEARs fundraising events, such as the Blackberry Bramble.

- All cash collected shall be immediately placed in a secure receptacle, such as a cash box.
- If practicable, a minimum of two GEARs members will be responsible to monitor the cash box during the event.
- If practicable, two members will count the cash at the end of the event. They will prepare a written summary in duplicate of the amount of cash received, the date received, and the source of the cash received (i.e., apparel sale at Blackberry Bramble).
- The member(s) will sign the written summary and give one copy along with the cash to the Administrator within 24 hours of the event, but preferably at the end of the event.
- The second copy of the written summary should be given to or e-mailed to the Treasurer within 24 hours of the event.

The GEARs member responsible for the event at which cash is received has the responsibility to identify and train the GEARs members handling, counting, and documenting the cash receipts as described above.

5. Acknowledging Donations. IRS rules require that we acknowledge all donations that are more than \$75. However, our policy is to provide written acknowledgement of every gift we receive.

The Administrator will notify the President in writing (email) of each donation received. The President will respond to each donation with a letter thanking the donor for their donation, as follows:

- If the gift was cash (which includes checks), the letter should include the amount of the gift and state that the gift was cash.
- If the gift was donated property the letter does not need to and should not value the property. If the donor received something of value in return, the letter must contain a description of the donation and a good faith estimate of the value of what we gave back to the donor.
- The letter should include the statement “Thank you for your contribution of \$\_\_\_\_, received on \_\_\_\_\_(date).” And either “No goods or services were provided in exchange for your contribution” or “In exchange for your contributions, we gave you \_\_\_\_ whose fair market value was \$\_\_\_\_\_).

The President will provide a copy of the letter to the Treasurer within one week of sending the letter.

### **III. DISBURSEMENT OF FUNDS**

#### **III A. Payment by check, debit card, or on-line payment**

##### **III A i. Risks**

The risks are that funds could be spent on unauthorized items, that someone will steal GEARS funds by taking blank checks or writing checks to payees that are not our vendors, that someone will use GEARS property for personal purposes or that payments we make will be improperly recorded.

##### **III A ii. Policy**

Generally, all disbursements of GEARS funds will be made by the Administrator using check, debit card, or on-line payment.

##### **III A iii. Procedures**

1. Opening or Closing Bank or other Financial Accounts. Opening or closing accounts may only be made upon authorization of the Board of Directors. All accounts must be opened with the GEARS tax identification number.

2. Custody of Checks and Debit Cards. The Administrator and the President are the only persons authorized to have access to unused check stock or debit cards. The checks and debit cards shall be stored in a secure location.

3. Authorization of Payments. Unless a payment has been pre-authorized by the Board as described in Sections III D and III E below, the following procedure will be used for authorization of GEARs payments:

- The Administrator will request authorization by the Treasurer in writing (e-mail) for each payment.
- The Administrator will include in the request the payee, the date the expense was authorized by the Board, the amount authorized by the Board, and the budget category of the expense identified in the annual budget.
- The Treasurer will review the request to ensure the payee, amount, and budget category are correct as authored by the Board, and approve or deny the request as appropriate.
- Upon receipt of the Treasurer's approval, the Administrator will make the payment.
- The Administrator will send a copy of the receipt for each payment in the monthly Administrator's report to the Treasurer.

4. Use of GEARs Debit Card by Other Authorized Board Members. If necessary for the proper and efficient operation of the GEARs Blackberry Bramble, the Board appointed GEARs Blackberry Bramble Manager may use the GEARs debit card for payment of Blackberry Bramble expenses that have been pre-approved in the Blackberry Bramble budget (see Section III E below). The following procedure will be used for these payments:

- The GEARs Blackberry Bramble Manager will obtain the debit card from either the Administrator or President.
- Within 24 hours of use of the debit card, the GEARs Blackberry Bramble Manager will send an email to the Administrator and the Treasurer notifying them of the expenditure, which must include reasonable documentation showing the date, amount, what the expense was for, and the Blackberry Bramble budget line item number. Credit card receipts and store receipts that do not describe the purchase are not reasonable documentation. The receipt must describe the purchase.
- The GEARs BlackBerry Bramble Manager will return the debit card to the Administrator or President within a reasonable period of time, or at the request of the Administrator or President.

If necessary for the proper and efficient operation of GEARs, the board may also appoint other GEARs Board members use of the GEARs debit card. That Board member must follow the procedures of use described for the GEARs Blackberry Bramble Manager listed above.

4. Prohibited Practices.

- Signing blank checks

- Checks made out to “cash,” “bearer,” etc.
- Purchases inconsistent with the mission and values of GEARS
- Payment made without authorization by the Treasurer except as described in Sections III D and III E below.

### **III B. Petty Cash**

#### **Risks**

Payment by cash are not as well documented nor as easily monitored as other payment methods and thus subject GEARS to greater likelihood of errors and fraud.

#### **Policy**

GEARS will not use a petty cash fund.

### **III C. Expense Reimbursement**

#### **III C i. Risks**

GEARS does not have the same level of control over expenses incurred on behalf of GEARS by those who pay with personal funds and seek reimbursement as it does for expenses paid directly by GEARS. For example, it is more difficult to determine if the good or service could have been obtained at a lower price, or whether there was some personal benefit to the person seeking reimbursement.

#### **III C ii. Policy**

In proper circumstances, GEARS members and volunteers are entitled to be reimbursed for expenses they incurred on behalf of GEARS. To receive reimbursement the expense must meet the following requirements:

- The expense must have been authorized in advance by the Board, or later approved by the Board.
- The expense must have been incurred for goods or services purchased for GEARS.
- For travel or volunteer work, GEARS will reimburse for fuel used but not the standard mileage rate for business use of vehicles as established by the IRS.

#### **III C iii. Procedures**

- All requests for reimbursement will be made to and paid by the Administrator
- Individuals requesting reimbursement must provide reasonable documentation showing the date, amount, and what the expense was for. Credit card receipts and store receipts that do not describe the purchase are not reasonable documentation. The receipt must describe the purchase.
- Reimbursement request must be submitted to the Administrator in a timely fashion, but in no case longer than 30 days after the expense was incurred.
- Prior to payment, the Administrator will obtain written authorization for payment by either the Treasurer, or for pre-approved Blackberry Bramble expenses, the Blackberry Bramble Manager.

- Overpayment. If GEARS overpays an individual, the individual must return any excess reimbursement within 30 days of notification of overpayment.

### **III D. Payment of Normal and Customary Bills and Expenses Pre-approved in Annual Budget**

#### **III D i. Policy**

The Board may pre-approve payment of normal and customary bills and expenses provided they are identified in the Board-approved annual budget as “pre-approved.” Line items that may be pre-approved include the following:

- Monthly Administrator Fee
- Annual filing fees for Oregon Dept. of Justice, Dept. of State, or County or City
- Insurance, to include GEARS coverage as well as Board indemnity.
- Equipment storage locker
- Office expenses
- Other normal and customary expenses, such as Board meeting room and education/general membership meeting space, if pre-approved by the Board in the annual budget

#### **III D ii. Procedure**

The Administrator may pay for these items without authorization from the Treasurer unless the costs will exceed the amount allocated in the annual budget. The Treasurer will track these line-item costs and advise the Administrator and the Board if it appears costs will exceed the amount pre-approved in the annual budget. The Board will then decide how to address the projected shortfall.

The Administrator will include all pre-approved payments in the Administrator’s monthly report to the Treasurer.

### **III E. Payment of Blackberry Bramble Expenses Pre-approved in Blackberry Bramble Budget**

#### **III E i. Policy**

The Board may pre-approve Blackberry Bramble expenses provided they are identified in a Board-approved Blackberry Bramble budget as “pre-approved.” Line-items that may be pre-approved include:

- Blackberry Bramble coordinator fees
- Insurance
- Permits
- Marketing
- Apparel
- Equipment
- Food and drink

- Valet
- Rest stop expenses
- Route support, maps, and SAG
- Celebration
- Other costs if pre-approved by the Board in the Blackberry Bramble budget

### **III E ii. Procedure**

The Board shall appoint a GEARS Blackberry Bramble Manager for each calendar year. The GEARS Blackberry Bramble manager must be a GEARS Board member. Upon appointment by the Board, the GEARS Blackberry Bramble Manager may request and authorize that the Administrator pay for pre-approved line-item costs without authorization by the Treasurer.

The GEARS Blackberry Bramble Manager will make spending requests to the Administrator in writing by email. Each request will be cc'd to the Treasurer and President. The Treasurer will track these costs and determine whether the costs will exceed the line-item amount pre-approved in the annual budget. If the GEARS Blackberry Bramble Manager requests the Administrator to make a payment that will exceed the line-item amount plus 10%, the Treasurer will have the authority to override and stop the spending request. The Treasurer will also have the authority to override and stop a spending request by the GEARS Blackberry Bramble Manager that would cause total spending to exceed the pre-approved Blackberry Bramble budget. In either case the Treasurer will immediately notify the Board in writing (email) which will then decide how to address the projected shortfall.

The Treasurer will also track and evaluate payments made by the GEARS Blackberry Bramble Manager using the GEARS debit card, as described in the paragraph above.

The Administrator will include all pre-approved payments, including those made by the Blackberry Bramble Manager with the GEARS debit card, in the Administrator's monthly report to the Treasurer.

If necessary for the proper and efficient operation of the Blackberry Bramble, the GEARS Blackberry Bramble Manager may request that the Board approve a "fast-track" change to the Blackberry Bramble budget. The request must be made in writing (email) to all Board members. The request must include:

- The rationale for the request
- The dollar amount of the change in an existing line-item in the budget, or,
- A new line item in the budget, with a dollar amount
- A proposed revised Blackberry Bramble budget showing the new total expected expenses and revenues

The Board will discuss the proposed change by email or meeting, and will have three days to either approve or deny the request in writing, pursuant to Article 8 of the GEARS By-Laws. Failure of the Board to approve or deny the request will constitute



denial of the request. If the Board fails to respond to the request, the Blackberry Bramble Manager may request that the President instruct the Board to respond to the proposed change.

#### **IV. REPORTING, BANK RECONCILIATION AND ON-LINE MONITORING**

##### **IV A. Risks**

People make mistakes. Reporting and monitoring allow GEARS to uncover errors. If GEARS records and bank records do not agree, it is likely that our records are wrong. Monitoring also assists in identifying discrepancies between accounting records and bank records that suggest theft or fraud, checks signed by unauthorized signers, and identity theft.

##### **IV B. Policy**

The Treasurer will perform weekly online monitoring of GEARS financial accounts and prepare a written reconciliation of all financial accounts that proves that the balances presented in GEARS reports agree with the records of the financial institutions.

##### **IV B. Procedures**

1. Records to the Treasurer. The Administrator shall provide to the Treasurer a written monthly report, not later than the 4th day of the following month, with the following:
  - A list of all financial transactions made, including deposits, disbursements, reimbursements, and other transactions made by the Administrator, President, or other authorized user of the GEARS debit card, and the date of the transaction
  - Copies of receipts for all transactions that clearly show the payee and the item(s) purchased
  - A copy of all checks received and written by GEARS
  - A copy of the written summary of all cash received prepared by the two GEARS members that received the cash
  - For each transaction, a code tied to a line-item in the GEARS annual budget or the GEARS Blackberry Bramble budget (See Section V below).
2. Bank and PayPal Statements. Bank and PayPal statements will be sent to the Treasurer, or will be download by the Treasurer.
3. Reconciliation. The Treasurer will reconcile the bank and PayPal statements, and other accounts used by GEARS (such as Eventbrite), on a monthly basis. The reconciliation should be made within 7 days of the end of the preceding month, as follows:
  - Verify all checks for correct signatures and protest to the bank any incorrect signatures
  - Verify all debit card transactions and protest to the bank any incorrect transactions

- Review all transactions in the bank records to ensure that the name of the payee/ payer and the amount and date of the disbursement/deposit/transfer agree with GEARs accounting records
- Verify that all cash receipts were deposited
- Verify that the ending balance in GEARs accounting records agrees with the financial account statements, after adjustment for outstanding withdrawals/deposits
- List all outstanding withdrawals/deposits

The results of the reconciliation will be provided to the Board as part of the Treasurer's monthly report to the Board.

4. On-line Banking. The Administrator, President, and Treasurer will have on-line access to the GEARs financial accounts (Key Bank and PayPal).

The Administrator will use his/her access to regularly spot-check (minimum once per month) the GEARs financial accounts to check for identity theft or non-approved expenditures, and to check his/her work.

The Treasurer will use his/her access to perform weekly on-line monitoring of the GEARs financial accounts to check for identity theft or non-approved expenditures, reconcile the monthly account statements, and prepare monthly financial reports to the Board.

The President will use his/her access as a back-up to the Administrator. The President is not required to monitor banking transactions, only to inform the Treasurer and Administrator of any banking payment activities performed, within 3 business days.

5. Monthly Treasurer's Report to the Board. The Treasurer shall provide to the Board, not later than the 8th of each month, a written report with the following:

- Summary of monthly revenues and expenses
- Summary of year-to-date revenues and expenses
- Summary of total current GEARs bank account balance
- A consolidated income and expense statement showing month-by-month and year-to-date income and expenses for each line item in the GEARs annual budget and Blackberry Bramble budget
- A consolidated year-to-date and month-by-month statement showing GEARs financial account balances and GEARs net worth
- The monthly bank reconciliation
- Other financial information or records requested by the Board

## **V. IDENTIFICATION OF LINE ITEMS IN GEARS ANNUAL BUDGET AND BLACKBERRY BRAMBLE BUDGET**

## **V A. Risks**

Without a consistent means to track individual revenues and expenses, and compare those to the GEARs annual budget and Blackberry Bramble Budget, it is possible that errors will occur in GEARs financial records. For example, it may not be possible to know for what budget line item a particular check or expense was for (i.e, administration, advertising, Blackberry Bramble apparel etc.).

## **V B. Policy**

Each line item in the GEARs annual budget and Blackberry Bramble budget will have a unique number. This number will be used in the Administrators monthly report to the Treasurer to identify the budget category of each transaction made.

All line item expenses that have been pre-approved by the Board for payment pursuant to Section IV of this document shall be clearly marked as “pre-approved” in the GEARs annual budget and the Blackberry Bramble budget.

### Example of Line Item Identification and Pre-approval

The following are examples of how line-items will be identified, and how line-items expenses that have been pre-approved for payment by the Board will be identified in the GEARs annual budget and the Blackberry Bramble budget.

#### Income Line Items

100 Membership

    101 PayPal

    102 Checks

200 Blackberry Bramble

    201 Eventbrite Registrations

    202 Sponsors

    203 Apparel

#### Expense Line Items

300 GEARs Administration

    301 Monthly Administrator Fee (pre-approved)

    302 Annual Filing Fees (pre-approved)

    303 Insurance (pre-approved)

    304 Equipment Storage Locker (pre-approved)

400 Other GEARs Expenses

    401 Advertising

    402 Advocacy

    403 Meeting Expenses

500 Blackberry Bramble Expenses

    501 Insurance/permits (pre-approved)

    502 Facilities (pre-approved)

503 Apparel (pre-approved)

## **VI MODIFICATION**

The Board may modify or eliminate these financial control policies and procedures at any time, pursuant to the GEARS by-laws.