

# **Financial Review Guidelines for Baltimore County Recreation and Parks Councils**

## **Foreword**

These guidelines have been prepared to assist your financial review team in performing a financial review as required for certification of a Baltimore County Recreation and Parks Council. 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 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 funds to benefit individuals. This restriction ensures that the charity is serving the public interest, not a private one. All 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 Board of Recreation and Parks of Baltimore County.

Your job, as a member of a review team is to help ensure that your 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 council (primarily the treasurer) will be responsible for providing records for the review team. It is imperative that the officers of the council under review recognize this as their responsibility. It should not be expected that it is the responsibility of the review team to 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, including sign-in sheets.
- 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 two individuals, and preferably three individuals for councils exceeding \$500,000 in revenue. Those individuals should have no responsibility in the preparation of monthly/annual reports and have no check signing authority.

Keep in mind that a 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 as this is may be a sign of improper activity. If it is determined that inadequate procedures are a result of insufficient training, additional help can be provided to rectify the current situation.

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 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.
- 2) Confirm that bank reconciliations are prepared and completed timely by someone **without** check signing authority.
- 3) Confirm that an adequate summary of the accounting records (preferably computerized general ledgers) are maintained.
- 4) 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 there is a procedure in place to gather information needed for issuing forms 1099.
- 4) Confirm that a copy of the IRS 501(c)(3) exemption letter is available.
- 5) If necessary, confirm that the appropriate MD form COR1 has been filed.

#### D) 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.

#### E) Background Checks

- 1) Confirm there is a policy in place that all board members, coaches, and volunteers are aware of and recognize the requirement of completing the background check.
- 2) Complete a spot check of volunteers in your council by visiting this page to verify the background check has been completed. This web site is now listed alphabetically by council making searches easy.  
<http://resources.baltimorecountymd.gov/Documents/Recreation/backgroundreports/rosterreport.pdf>
- 3) Note that failure to make a good faith effort to ensure that these volunteers are completing the background check as required by Baltimore County, will remove your general liability coverage by the county and result in the decertification of your council.

Once you have completed your review, a report to the individual council and the 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. If there is evidence of fraudulent activities, the review team should notify the Board of Recreation and Parks, the council board and local authorities. All reports should be kept by the individual council as part of its permanent records.

Transparency of council activities is one of the Board of Recreation and Parks' primary goals. That being said, these reviews are remedial in nature. Any significant findings will be reviewed with the individual council and the resolution to the findings will be a shared agreement between the officers of the council and the Board of Recreation and Parks. Continuing problems or ignoring corrective action may cause decertification of a council.

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