

Managing Checking and Savings Accounts for Grant and Gift Funds

Kay E. Anderson

These guidelines are designed to provide basic information regarding administration of sponsored funds (grants) and gifts for extension educators. Gifts are defined as funds that have no programmatic or financial reporting requirements attached to them. While extension educators are not accountants, as principal investigators and project directors they become responsible for budgetary management of the grant or gift. To properly administer the grant or gift, it may be necessary to set up a bookkeeping system. During the planning process, it is highly recommended that support staff who will be part of the financial administration process be involved.

Audit Responsibilities

All accounts used for grant and gift funds **MUST** be audited by an independent auditor on an annual basis. There are several resources that meet audit requirements.

1. You may submit/process your proposal through ORTTA (Office of Research and Technology Transfer Administration) via MES Accounting
2. Work with the Minnesota 4-H Foundation
3. Use a county account that is audited through the official county audit process.
4. Work with the University of Minnesota Foundation, which releases funds only to a University of Minnesota account (CUFS) or county account or, in exceptional instances, may provide reimbursement to a non-University account upon receipt of proper proof of expenditures.
5. In a collaboration, a local nonprofit may serve as fiscal agent or grants administrator. Before entering into an agreement, ascertain whether or not the nonprofit has an independent audit completed annually.

If you use one of the following resources, *you* must assure that a proper audit is done:

1. Local county 4-H Federation accounts
2. Cluster accounts attached to a 501(c)(3) organization or local government
3. Any bank account that is not audited by an independent auditor

Locating an Auditor

An independent auditor is a Certified Public Accountant (CPA) with the qualifications to perform audits. For assistance in locating a qualified auditor in your area, you may call the Minnesota Society of Certified Public Accountants at (612) 831-2707. Specify that you need an accountant qualified to do nonprofit audits. If you have over \$100,000 in federal funds, specify that your organization falls under the *Single Audit Act*.

Depositing Checks

Funds must be deposited in an account attached to an organization such as a county account, a University account, or a bona fide 501(c)(3) account, i.e., an incorporated 4-H Federation account. Funds should never be deposited in a personal account.

Deposit funds into the account of the payee. If the check is payable to Melbourne County Extension Office, it should be deposited in the county account available to the extension office. If the check is payable to Minnesota 4-H Foundation, the check should be deposited in the Minnesota 4-H Foundation Account.

Personnel

If you pay personnel costs out of a bank account of a 4-H Federation or other 501(c)(3) organization, the organization becomes an employer. An employer is required to carry unemployment insurance and workers' compensation insurance; to pay employer FICA (Social Security and Medicaid); and to withhold payroll taxes including FICA, federal, and state taxes. An employer is also required to maintain personnel files that include W-4 and I-9 (immigration) forms. W-2 forms also need to be filed for all employees. For all consultants and independent contractors paid over \$600, 1099 forms must be filed. If your 4-H Federation is considering becoming an employer, a good resource is *A Guide to Starting a Business in Minnesota*, which is available free from the Minnesota Small Business Assistance Office, 500 Metro Square, 121 Seventh Place East, St. Paul MN 55101-2146.

Therefore, unless your local 4-H Federation is willing to accept the responsibilities of an employer, in most cases you should hire personnel as follows:

1. If the county is serving as the administrator, personnel hired using the funds should be hired through the county.
2. If the University of Minnesota is the administrator (funds received by ORTTA or University of Minnesota Foundation and administered via Minnesota Extension Service Accounting), personnel should be hired through the University of Minnesota.
3. In a collaboration, if a local nonprofit is serving as administrator, staff can be hired through the nonprofit.
4. If the Minnesota 4-H Foundation is the administrator, personnel should be hired through the University of Minnesota.

Kay E. Anderson, MES Grants Development Coordinator



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Produced by the Educational Development System, Minnesota Extension Service.

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