



Memorandum to: Coastal Conservancy Board

From: Sam Schuchat, Executive Officer

Re: Nonprofit Accounting

Date: September 28, 2015

Really, what could be more exciting than accounting?

As you are probably aware, all of our grantees are subject to random audits by the Department of finance. The vast majority of these audits resulted in “no findings”, in other words no problems. During the past five or six years, we have, however, had three grantees whose audits uncovered problems, and the fourth had problems that Conservancy staff uncovered prior to an audit. There were some commonalities between all of these cases. Each audit involved small nonprofits with staffs of 5 people or less. They all involved accounting practices at the nonprofits, and specifically how these organizations accounted for their staff time and how they accounted for overhead and direct versus indirect costs. In no case was malfeasance involved; in all cases the work that the state of California was paying for was accomplished, and no one was stealing public funds.

Although the amounts of money involved are tiny compared to the grants we typically make per year, and the number of organizations involved is very small compared to the total number of grantees we have, all of these instances have been painful both for the Coastal Conservancy and of course for the nonprofits involved. In an effort to prevent these situations from rising in the future, we are now asking our nonprofit awardees to fill out the attached questionnaire prior to grant award. This questionnaire was developed by a small committee of Coastal Conservancy staff with input from a CPA and myself. The purpose of the questionnaire is to help our staff identify organizations that could benefit from some assistance prior to a grant. If any of the answers to these questions raise red flags, we can suggest ways that the involved nonprofit organization can beef up their internal systems, including finding a larger organization to partner with that has a fiscal agent.

Non-Profit Organization Pre-Award Questionnaire

All nonprofit organizations must complete this questionnaire and include it in their application.

CONTACT INFO

Organization			
Contact Person		Email	
Phone		Fax	

GENERAL INFORMATION

1. Please attach a copy of your most recent financial reports with your response to this questionnaire.
2. Have you had a financial audit within the last three years by an independent auditor? Yes No
If yes, please provide a copy of the audit report.
3. Does your organization have appropriate segregation of duties to prevent one individual from processing an entire financial transaction? Yes No
4. Does your organization have controls to prevent expenditure of funds in excess of what is approved in your project budget? Yes No
5. Does your organization have a conflict of interest policy? Yes No
6. How much unrestricted money does your organization raise annually?
7. Is there a Finance Committee of the board of directors, or does the Board make all financial decisions?
8. What are the Treasurer's duties?

CASH MANAGEMENT

9. Are grant funds accounted for through segregated accounts? Yes No
10. Are all disbursements properly documented with evidence of receipt of goods or performance of service? Yes No

PAYROLL

11. Does your organization have a time reporting system developed to determine and explain proper labor and overhead charges billed to the grant? Yes No
12. Have you developed procedures to ensure fair and competitive contracting? Yes No
13. Is there an effective system of identifying expenditures for time, travel and purchase of supplies to determine relevancy to individual grant projects? Yes No

PROPERTY MANAGEMENT

(Complete this section, if State grants will be used to purchase physical assets.)

- 14. Are detailed records of individual capital assets kept and periodically balanced with the general ledger accounts? Yes No
- 15. Are there effective procedures for authorizing and accounting for the disposal of property and equipment? Yes No

INDIRECT COSTS

- 16. Does the organization have an established methodology for calculating indirect costs or overhead? Yes No
- 17. Is this used consistently for all grants and contracts? Yes No

COST SHARING

- 18. Does the organization have a means to determine and document that it has met cost-sharing goals for each project? Yes No
- 19. Do your financial records identify the receipt and expenditure of funds separately for each grant or contract? Yes No

COMPLIANCE

- 20. Does your organization have a formal system for complying with the payment of prevailing wages? Yes No
- 21. Does your organization have a system in place to ensure it does not use contractors who may be suspended or debarred from receiving federal or state contracts? Yes No

I certify that the above information accurately represent the organization of which I am a representative.

Name of person completing questionnaire

Title

Signature

Date