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## **I. MISSION, BYLAWS and CODE OF BUSINESS ETHICS AND CONDUCT**

The MISSION of Friends of Hakalau Forest National Wildlife Refuge (FOHF) is: To foster understanding, enjoyment, and conservation of the natural and cultural resources of Hakalau Forest National Wildlife Refuge and its surrounding ecosystems; and To raise funds to help support the purposes, goals, and mission of Hakalau Forest National Wildlife Refuge.

FOHF is governed by ByLaws which supersede all other policy documents. The following financial policies supplement the ByLaws but do not supplant them.

## **II. NON-PROFIT STATUS**

FOHF is a non-profit organization. It is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code as noted in a letter from the Internal Revenue Service (IRS) dated November 14, 2006. In addition, it is treated as a public charity rather than a private foundation as noted in a letter from the IRS dated June 15, 2009. In a letter from the State of Hawaii Department of Taxation dated March 6, 2007, FOHF is also approved for exemption from payment of General Excise Taxes with the following exception: gross income from fund-raising activities (i.e. t-shirt sales, and the like) is subject to the general excise tax. The Board of Directors, Friends of Hakalau Forest (Board) shall maintain the organization's non-profit status under Hawaii law and the Internal Revenue Code.

## **III. FRAUD and WHISTLEBLOWER PROVISIONS**

FOHF requires all Board members to observe the highest standards of business and personal ethics in the conduct of their duties and responsibilities, to practice honesty and integrity in fulfilling responsibilities, to not use their position as a board member for personal gain, and to comply with all applicable laws and regulations.

**A. Definition:** Fraud is defined as the intentional misuse of an organization's resources for the benefit or detriment of the organization. Examples of fraud include, but are not limited to:

- † Misstating the organization's financial statements;
- † Reporting and being reimbursed for travel and other reimbursable expenses in excess of actual costs;
- † Receiving payments from vendors for steering the organization's business to the vendors;
- † Stealing receipts or payments and covering up the theft by adjusting the accounts, and;
- † Paying vendors twice for goods and services without receiving credit for the duplicate payment.

**B. Reporting Violations:** Any Board member, general member or volunteer who suspects an instance of fraud shall report their suspicion to the Board President who shall report all such instances to the entire Board.

All instances of suspected fraud will be fully investigated. The Board President will decide who shall conduct the investigation and will keep the Board informed of its progress. When grants are involved, the grantor will be consulted. The results of internal investigations of suspected fraud shall be reviewed by outside legal counsel and, if appropriate, reported to grantors and other appropriate authorities.

### **C. Whistleblower Protection**

The whistleblower policy is intended to encourage and enable Board members, general members and others to raise serious concerns within the organization prior to seeking resolution outside FOHF .

- ❖ **No Retaliation:** No Board member, general member or volunteer who in good faith reports a violation shall suffer harassment or retaliation.
- ❖ **Accounting and Auditing Matters:** Each year, when an internal audit committee (i.e. the Finance Committee) is appointed by the Board President, the committee shall be informed of any reports of suspected fraud received by the Board President. The Finance Committee shall address all reported concerns and complaints regarding the organization's accounting practices, internal controls, and auditing.
- ❖ **Acting in Good Faith:** Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing that the information disclosed indicates a violation of the code. Any allegations that prove to be false or unsubstantiated, and which prove to have been made maliciously or knowingly, will be viewed as a serious offense requiring disciplinary action.
- ❖ **Confidentiality:** Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

## **IV. BUDGETING**

**A. Fiscal Year:** The FOHF fiscal year shall be from January 1<sup>st</sup> to December 31<sup>st</sup> each year.

**B. Budget Preparation and Approval:** At the beginning of each fiscal year, the Finance Committee and Treasurer shall prepare an annual budget of projected

operating income and expenses for Board review and approval. Monthly financial reports prepared by the Treasurer for the Board will include a comparison with the budget. The Board must approve deviations from the budget. Grant and contract income and expenditures will be budgeted and spent per agreements with granting and contracting agencies.

## **V. ROLES**

### **A. Treasurer**

The Treasurer is elected annually by the Board from its membership and carries out the duties outlined in the By-Laws and in these policies. The Treasurer shall work with the Board and the Finance Committee to ensure that the financial resources of the organization are used legally, efficiently, and in accordance with all grant or contract agreements. The Treasurer is responsible for the daily fiscal duties of the organization and ensures that proper accounting records are kept and financial documents are retained for audit and statutory purposes.

The Treasurer's duties and responsibilities include the following:

1. A record of all income will be kept to include source (name of individual or organization), amount, purpose (membership dues, donation, sale, grant award, etc.), date received, check number, and date of deposit.
2. Sales will be recorded on a receipt given to the purchaser with a copy to the Treasurer. Receipt will list name of purchaser, item(s) purchased, date of purchase, and amount of purchase and be initialed by seller.
3. Income will be banked at least twice per month. Each deposit will be documented with the deposit receipt from the bank plus an itemized record of each check or cash lot to include the source (name), purpose, amount and the sub-account number in which the funds were deposited.
4. A record of all expenses will be kept to include name of person, business or organization paid, description of expense, amount, date paid, check number and budget category. Every expense will be documented by an invoice, bill, receipt, request for reimbursement, order confirmation, or other written form.
5. If the Treasurer is unable to perform the above duties due to off-island travel, illness, etc., he/she will notify the Board President and arrange for a substitute.
6. Treasurer will prepare monthly reports of income, expenses and bank account balances by the 10th of each month for Board approval.

### **B. Finance Committee**

The three-person Finance Committee is appointed by the Board President and consists of at least one Board Member and two other Board or general members. The

Committee oversees the financial functions of FOHF. The Committee shall work closely with the Treasurer to prepare an annual budget for Board approval. The Committee is also charged with creating and revising financial policies and procedures for approval by the Board. The Committee annually performs an internal audit, using the attached guidelines, and reports the results of this audit to the Board. The Committee shall receive notification of any reports of suspected fraud received by the Board President.

### **C. Board of Directors**

The Board of Directors is responsible for the financial health of the organization. The Board shall annually approve the individuals authorized to sign checks and the purchase of budgeted items or services exceeding available cash limits. The annual budget and any revisions must be approved by the Board.

### **D. President of the Board of Directors**

Annually, the President nominates, for Board approval, three (3) persons to serve on the Finance Committee. The President may receive reports of suspected fraud and shall work with the Finance Committee to investigate all such reports.

## **VI. FINANCIAL PROVISIONS**

### **A. IRS Form 990 Review Process**

Soon after the end of each calendar year, the Treasurer shall complete IRS Form 990 or cause Form 990 to be completed on behalf of FOHF by a qualified professional. Copies of the approved Form 990 and the Business Annual Filing Notice will be provided to any member of the public on request.

### **B. State Business Filing Notice and Tax Payments**

In January of each year, the Treasurer shall file the Business Annual Filing Notice with the State of Hawaii Department of Commerce and Consumer Affairs in response to a postcard from the D.C.C.A. In January of each year, the Treasurer will file the annual General Excise Tax Return (Form G-49), and in January and July the Treasurer will file the semiannual General Excise Tax Returns (Form G-45) with the State of Hawaii Department of Taxation.

### **C. Cash Management**

- † **Income:** FOHF receives income from member dues, donations, grants, fundraising activities and program fees. All receipts of income will be recorded by the Treasurer and deposited at least twice a month. Cash income will be counted by two FOHF members and attached to a receipt signed by the same two members to be filed with the Treasurer's records.
  
- † **Disbursements:** All disbursements, except petty cash, will be paid by check and must be documented with a purchase receipt or other means. All invoices require proper approval before being paid. Invoices shall be paid within 30 days whenever possible. Contractors and vendors will sometimes be paid after 30 days when their costs are reimbursable under a grant agreement.

- † **Bank Accounts:** FOHF funds will be held in insured Bank Accounts: an operational Checking Account and interest-bearing Savings Accounts. The bulk of the funds will be kept in Savings Accounts and transferred to the operational Checking Account as needed. Excess unrestricted funds may be kept in a Certificate of Deposit as appropriate given the organization's cash flow needs.
- † **Debt:** The Board must approve all borrowing including any line of credit and the use of credit cards. At least two of the authorized signers listed below in the next point shall sign any agreements to borrow money.
- † **Check Writing and Signing:** The Board shall annually approve those authorized to sign checks, which will include the President, Vice President, Treasurer and Secretary. Checks of less than \$500 may be signed by one approved board member. Checks of \$500 or more require two (2) authorized signatures.

Signors may not sign checks payable to themselves or blank checks. Checks should be filled in completely (with payee, amount in words and figures, and date) before checks are signed. Checks may not be made out to "Cash" or "Bearer."

- † **Petty Cash:** Petty cash limits are established by the Board. Receipts, or other accepted forms as established by the Board, are required for all disbursements. Only the Treasurer shall have access to the Petty Cash Fund.

#### **D. Accounting System and Records**

FOHF will maintain an accounting system able to provide financial information by program, activity, and funding source. Such information is necessary to demonstrate that internal control objectives are being met and that costs charged to grants and contracts are appropriate.

FOHF maintains its accounting records on an accrual basis. Receivables are recognized when revenues are earned, and payables are recognized when obligations are incurred. Donations are recognized when an unconditional promise to receive cash or other assets is received by the organization.

The Treasurer shall maintain proper accounting records in printed and electronic form.

All income/expenditure information will be recorded by the Treasurer. All corrections and adjustments will be clearly noted in a written Journal giving reasons for them, with supporting documentation where available. All financial documents will be retained for audit and statutory purposes. The Treasurer shall file all records in a manner that makes it easy to retrieve documents as required in the daily management of FOHF and as required by auditors, grantors, and others who may examine the records of the organization.

Financial records will be maintained for at least seven years from the date of filing the annual IRS Form 990. Financial records and program records for grants will be

maintained for at least three years from the filing date of the final program and financial reports. Grant files will be retained for longer periods if required by the grant agreements. The destruction of records, whether scheduled or accidental, shall be reported to the Board.

#### **E. Financial Monitoring**

- † **Monthly Reports.** The Treasurer will submit financial reports by to the Board by the 10th of each month. These will include reports of income and expenses against the approved budget. The Treasurer will also report the current balance of all depository accounts held by FOHF.
  
- † **Internal Audit.** The books of the accounts of FOHF shall be audited annually by the Finance Committee consisting of one Board member and at least two others selected by the Board President. The purpose of the audit is to provide the Board with current information regarding the adequacy of the internal control structure, and the quality of the financial system and statements. The audit will be conducted using the guidelines attached to this policy. A report of their findings shall be rendered to the Board. If the Finance Committee's report recommends that an outside review or external audit is needed for whatever reason, the Board will review the recommendation and proceed accordingly.
  
- † **External Audit.** If, at any time, FOHF applies for a grant that requires an outside audit or review conducted by a CPA, the Board will review the cost of the audit, the amount of funding being applied for, and the likelihood of the grant being awarded to FOHF.

In addition, whenever the total of Federal funds expended exceeds \$300,000, the audit shall meet the requirements of OMB Circular A-133, and shall be conducted by an outside CPA firm. The Board shall approve the CPA firm selected to perform the audit.

The Treasurer shall be the primary contact with the audit firm. The auditor is expected to report any irregularities or improprieties to the Board. Near the conclusion of the audit, the Treasurer shall meet with the auditor to review a draft of the audit report.

#### **F. Grants and Other Financial Assistance Programs**

FOHF receives grants, donations and other financial assistance to provide services to eligible clients. The Treasurer shall monitor the budgets of individual grants and contracts to ensure that all resources are used fully and that costs charged are for authorized activities. The Board shall make every effort to meet the requirements of the agreements, laws, and regulations that govern these funds. No one associated with FOHF shall take any action that he or she knows is contrary to the provisions of the terms and conditions.

FOHF allocates program costs directly to each program and grant. Administrative costs may be allocated through an indirect cost plan. The Finance Committee reviews the allocation plan during the annual audit.

The use of restricted funds for operations is strictly prohibited.

### **G. Equipment and Fixed Assets**

The Treasurer shall maintain an inventory of equipment and items belonging to FOHF with a purchase cost of at least \$100.00 and a lifespan of more than one year. Items purchased with grants obtained and administered by FOHF shall belong to FOHF unless the grant description or conditions say otherwise. Items purchased by FOHF and donated to Hakalau Forest National Wildlife Refuge shall not be included on the inventory. The inventory schedule will include name and serial number of the item, the purchase date, purchase cost, funding source(s) and their level of participation in the purchase, the location, and condition. When a piece of equipment is disposed of, the disposal date, the condition of the item, and the receiving party shall be recorded on the inventory schedule. Grant regulations are consulted when equipment is disposed to determine the grantor's interest in the equipment at the date of disposition. A physical inventory of all equipment is taken annually and reconciled to the inventory list maintained by the Treasurer.

### **H. Purchasing**

All Board members shall be aware that expenditures are obligated when an order is placed on behalf of FOHF. Therefore, it is important that all orders are placed properly, and are within agreed budgets and delegated powers.

- † **Competitive Bids/Procurement Awards:** Solicitations for purchases of goods and services shall include a clear and accurate description, including any technical requirements for the product(s) or service(s) to be purchased. The description will not contain requirements or other features that unduly restrict competition. It may include a statement of the qualitative nature of the product and the minimum essential characteristics and standards to which it must conform to satisfy its intended use or purpose.

Procurement awards are made only with responsible vendors and contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration is given to such matters as the contractor's integrity and availability, record of past performance, financial and technical resources, and accessibility to other necessary resources.

Procurement awards will be made to the offerer(s) most responsive to the solicitation. Price need not be the only factor considered in awarding a purchase of goods or services.

- † **Ordering Supplies and Services:** Once the annual budget has been approved, the Treasurer may place orders for goods or services within budgeted areas up

to the limits of available cash without requiring further approval. If an order for goods or services exceeds \$500, it must be approved by the Board of Directors prior to the order being placed. At no time can restricted funds/cash be used for a purpose other than for which it is designated. Any orders for non-budgeted goods or services must be approved by the Board.

- † **Contract, Leases, Rental Agreements:** All contracts, leases, and rental agreements will be subject to the same authorization procedure as above with the total committed expenditure over the period of the contract being the approval amount. All contracts, leases, and rental agreements exceeding \$500 for the total agreement must be in writing. Contracts less than \$500 should be in writing where practical.
- † **Contributed goods and services:** These donations are not recognized in the organization's financial statements. These donations are documented and tracked for grant purposes (i.e. matching funds).
- † **Payment Authorization:** The Treasurer is responsible for checking invoices for accuracy in terms of price, assuring the items have been received, and following up on any problems. If there are any issues delaying authorization or if payment is to be withheld for any reason, the Treasurer must be notified. All invoices must be reviewed and approved for payment within 7 days. Once the invoice has been approved for payment, it shall be paid within the appropriate timeframe.
- † **Travel Reimbursement:** The reimbursement rate for mileage is set at the amount allowed by the IRS. This rate may vary from that which is allowable under a particular grant. The difference, if any, shall be shared among other allowable sources or to unrestricted funds. Actual costs incurred for airline tickets, hotels and meals will be reimbursed by the Treasurer if previously approved by the Board.

## **VII. INTERNAL CONTROLS**

### **A. General Standards:**

The internal control structure of FOHF is designed to provide reasonable assurance that the following objectives are achieved:

- † Operations are effective and efficient.
- † Financial reports are reliable.
- † The Organization complies with the terms of its grants and contracts and with laws, rules, and regulations.

Board members are to exhibit the following characteristics:

- † A positive and supportive attitude toward internal controls and the terms of grants, contracts, laws, rules, and regulations that govern the organization.
- † A high level of personal and professional integrity.
- † An understanding of the importance of developing and implementing the

internal control structure.

**B. Specific Standards:**

The internal control procedures are designed to provide reasonable assurance that the following are achieved:

- † Transactions and other significant events are documented and recorded properly.
- † Transactions and other significant events are authorized and executed by people acting within their authority.
- † Key duties are separated among individuals so as to assure appropriate checks and balances.
- † Appropriate supervision is provided to ensure that internal control objectives are achieved.
- † Specific checks and balances are in place to insure proper monitoring of funds and prevent any misuse of funds.

Access to resources and records is limited. Accountability for custody of assets and records is assigned to specific individuals. Records are periodically compared with the actual amounts of assets.

**FINANCE COMMITTEE**

## **SELF-AUDIT INSTRUCTIONS**

The time you have volunteered to review the books of Friends of Hakalau Forest (FOHF) is greatly appreciated. It is important to be able to confirm to the Board of Directors the records of the organization accurately reflect the true financial condition of FOHF .

A step-by-step procedure has been laid out that will help you to look through all of the financial and organizational information in an efficient and systematic manner. After completing the audit worksheet provided and reviewing the accounting records, you should be able, to the best of your knowledge, to verify whether or not the internal controls are effective and that the financial records accurately reflect the financial position of FOHF. The following are important points to remember:

1. The Treasurer will provide you with any material, information or explanation that you might need.
2. Your role is to check the records in the current bookkeeping system and not to make changes in the bookkeeping system itself.
3. In many cases, to maximize the efficiency of your time, each committee member can be working on a separate step on the worksheet.
4. If you find a problem in the books, and you do not get a satisfactory explanation, you should discuss it with the Board of Directors.
5. Document in formal minutes, the procedures performed and determine the effectiveness of the internal controls to expose any payments, transactions, or procedures which might be deemed illegal, improper or not in compliance with FOHF requirements. Communicate these minutes at the Board of Directors meeting.

Again, we thank you for the time you have volunteered to help strengthen FOHF. Your efforts are genuinely appreciated.

## **AUDIT WORKSHEET**

**Audit date scheduled:**

Day \_\_\_\_\_  
Time \_\_\_\_\_  
Ample workspace and materials?  
(paper \_\_\_\_\_ pencils \_\_\_\_\_ calculator \_\_\_\_\_)

**Step 1: Review Board minutes for the year.**

(A) \_\_\_\_\_ Yes \_\_\_\_\_ No Are all of the minutes and monthly treasurer's reports properly filed? (List months not filed below.)

(B) \_\_\_\_\_ Yes \_\_\_\_\_ No Are previous month's meeting minutes and Treasurer's reports being approved by the Board?

(C) Highlight any major expenditures approved by the Board. When checking invoices later, look for any inconsistencies.

(A) Record on a separate sheet any fixed asset purchases approved by the Board. When reviewing the invoices for these purchases, list the date purchased, the cost, and a description for the asset on this same sheet.

**Step 2: View contracts such as space or catering agreements and staff Contracts.**

(A) \_\_\_\_\_ Yes \_\_\_\_\_ No Are the agreements current?

(B) \_\_\_\_\_ Yes \_\_\_\_\_ No Are payments made/received in a Accordance with the agreement?

Comments

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**Step 3: Review invoices, check stubs and returned checks.**

\_\_\_\_ Does the amount match the invoice?

- Who is the check made out to? (Payee and the maker should not be the same.)
- Who endorsed the check?
- Make sure the endorsement has not been altered.
- Is the check signed by an authorized check signer?
- Are checks for more than \$500 signed by two authorized signers?
- Are void checks properly marked "void" and is the signature area removed?
- Are all payments documented with an invoice, bill, receipt, request for reimbursement, order confirmation, or other written form?

**Step 4: Take physical inventory of supplies and equipment. Compare the physical inventory to the list maintained by the Treasurer.**

(A)  Yes  No Does the physical inventory list reconcile with the list maintained by the Treasurer?

Comments

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**Step 5: Review tax forms that have been filed**

(A)  Yes  No Are the IRS form 990, and the state Business Annual Filing Notice, the annual General Excise Tax Return (Form G-49), and the semiannual General Excise Tax Returns (Form G-45) properly filed with supporting documentation?

Comments

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**Step 6: Receipt of Funds**

(A)  Yes  No Are cash receipt forms properly filled in indicating date, amount, whom from, purpose of receipt and date deposited?

(B) \_\_\_\_\_ Yes \_\_\_\_\_ No      Are restricted contributions properly recorded and segregated in the accounting records?

Documentation supporting restricted contributions should be maintained. Supporting documentation would be a letter from the donor or a copy of the check that indicates the donor's intent.

(C) \_\_\_\_\_ Yes \_\_\_\_\_ No      Are receipts deposited in a bank intact, and on a timely basis (at least twice a month)?

Depositing receipts "intact" means insuring that the bank deposit amount equals the total of applicable receipts for the period covered by that deposit.

(D) \_\_\_\_\_ Yes \_\_\_\_\_ No      Are undeposited cash and checks properly safeguarded before deposits are made?

Comments

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**Step 7:      Review Bank and Money Market Statements**

(A) \_\_\_\_\_ Yes \_\_\_\_\_ No      Are the original statements available?

(B) \_\_\_\_\_ Yes \_\_\_\_\_ No      Are the checking account statements reconciled?

(C) \_\_\_\_\_ Yes \_\_\_\_\_ No      Are the money market statements reconciled?

(D) \_\_\_\_\_ Yes \_\_\_\_\_ No      Do all these figures match with those in the cash journal or the computer detail and/or check register?

(E) \_\_\_\_\_ Yes \_\_\_\_\_ No

Are transfers between bank accounts properly authorized?

**Step 8: Record Retention**

(A) \_\_\_\_\_ Yes \_\_\_\_\_ No

Are financial records filed and identifiable by fiscal year?

(B) \_\_\_\_\_ Yes \_\_\_\_\_ No

Are computer records backed up on at least a weekly basis?

Comments

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**Final Conclusion: To the best of our knowledge, the financial records kept by the Friends of Hakalau Forest NWR accurately reflect the financial position of Friends of Hakalau Forest NWR.**

\_\_\_\_\_  
Signature, Finance Committee Member

Date \_\_\_\_\_

\_\_\_\_\_  
Signature, Finance Committee Member

Date \_\_\_\_\_

\_\_\_\_\_  
Signature, Finance Committee Member

Date \_\_\_\_\_

Final Comments

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