

THE ROTARY FOUNDATION FUTURE VISION PILOT

MEMORANDUM OF UNDERSTANDING

1. Terms of Qualification
2. District Officer Responsibilities for Qualification
3. Bank Account Requirements
4. Financial Management Plan
5. Club Qualification
6. Document Retention
7. Report on Use of Grant Funds
8. Method for Reporting and Resolving Misuse of Grant Funds

1. Terms of Qualification

After demonstrating that it meets the minimum qualification requirements, the district remains qualified for the duration of the Future Vision pilot subject to the provisions below. By the conclusion of the Future Vision pilot, terms of renewal will be determined.

- A. Upon successful completion of the qualification requirements, the district will receive qualified district status, ending at the conclusion of the Future Vision pilot, 30 June 2013.
 1. To maintain qualified district status, the district must comply with this memorandum of understanding (MOU) and all applicable policies of The Rotary Foundation (TRF).
 2. Succeeding district governors serving during the Future Vision pilot (2011-12 and 2012-13) must submit their authorizations no later than 30 days after the start of their terms.
- B. Qualification may be suspended or revoked for any of the following:
 1. Misuse or mismanagement of grant funds, or failure to appropriately address allegations involving, but not limited to: fraud; forgery; membership falsification; gross negligence; endangerment of health, welfare, or safety of beneficiaries; ineligible contributions; use of funds for personal gain; undisclosed conflicts of interest; monopolization of grant funds by individuals; report falsification; overpricing; acceptance of payments from beneficiaries; illegal activities; sexual misconduct; and use of grant funds for ineligible purposes
 2. Refusal to qualify clubs without sufficient cause if the club meets the minimum TRF qualification standards set forth in this document
 3. An environment in the district that prevents the district Rotary Foundation grants subcommittee from managing the qualification process
- C. By entering into this agreement and receiving grant funds from TRF, the district understands and confirms that the district, as an entity, is responsible for its action as a whole and for its member clubs, and that the club, as an entity, is responsible for its action as a whole. In regards to TRF grant funds, this means:
 1. A district is responsible for the use of grant funds for district-sponsored grants, regardless of which individual(s) or group controls the funds.
 2. A club is responsible for the use of grant funds for club-sponsored grants, regardless of which individual(s) or group controls the funds.
 3. The district is responsible for club-sponsored grants. In the case where the sponsoring club has been terminated or is otherwise unable to take responsibility for the grant, the district will be held accountable for the use of these funds.

4. A qualified district may allot TRF district grant funds to nonqualified clubs in its district or other districts; however, the district is fully responsible for the use of those grant funds. Failure of these nonqualified clubs to abide by the terms and conditions for Rotary Foundation District Grants, The Rotary Foundation Code of Policies, and the MOU will put the district's qualification status at risk.
- D. A qualified district must ensure disclosure of any potential conflicts of interest as outlined in Rotary Foundation Code of Policies 7.030. and must comply with the Conflict of Interest Policy for Grant Participants.
- E. All qualified districts must cooperate with operational audits.

2. District Officer Responsibilities for Qualification

The district Rotary Foundation committee chair and the members of the district Rotary Foundation grants subcommittee hold the primary responsibility for club and district qualification in addition to overseeing the proper implementation of TRF grants.

- A. The district Rotary Foundation committee (DRFC) chair is responsible for
 1. Implementing, managing, and maintaining the district qualification process
 2. Validating member clubs' qualification status
- B. The district Rotary Foundation grants subcommittee is responsible for
 1. Overseeing the qualification of clubs
 2. Ensuring that stewardship measures and proper grant management practices are implemented for all TRF grants
 3. Abiding by, following, enforcing, disseminating, and educating clubs on the terms and conditions for district and global grants
- C. The district governor, district governor-elect and DRFC must establish a succession plan to ensure retention of information and documentation.

3. Bank Account Requirements

In order to receive grant funds, the district must have a district-controlled bank account to ensure funds are going to a centralized location and not to one person. This procedure also allows for shared oversight of funds.

- A. The district must maintain a district account to be used only for TRF grant funds in accordance with applicable laws.
 1. The account should be low or noninterest-bearing, and any interest earned must be documented and used on eligible, approved grant activities or returned to the Foundation.
 2. The name of the account must distinguish its use for grant funds (for example: "Rotary District 1234 Grant Account").
 3. Grant funds may not be deposited in investment accounts including but not limited to: mutual funds, certificates of deposits, bonds, and stocks.
- B. Bank statements need to be available to support the statement of income and expenses.
- C. Two Rotarian signatories are required on checks and withdrawals.

4. Financial Management Plan

Financial management is an essential component of proper stewardship and a predetermined, documented plan helps to provide consistent administration. Grant oversight must go beyond that afforded to the use of private or corporate funds, and each district is required to develop and maintain a financial management plan.

- A. The financial management plan must include measures to
 1. Maintain a standard set of accounts, including a complete record of all receipts and disbursements, and maintain receipts for all expenditures equal to or over US\$75 or more (or those of any amount required by applicable law)
 2. Disburse grant funds, as appropriate, directly to clubs, Rotarians, vendors, and beneficiaries as approved in the grant application. Grant funds not immediately disbursed must be kept in the established project account without diversion, except for direct payment for grant activities or to return funds to TRF.
 3. Maintain separate statements of income and expenses, noting interest earned and recoveries if applicable
 4. Maintain a general ledger that separates funds according to each project
 5. Establish an inventory system for the control of equipment and other assets purchased with grant funds, and maintain records for items that are purchased, produced, or distributed through grant activities
 6. Ensure all grant activities, including the conversion of funds, are in accordance with local law
 7. Adhere to all bank account requirements as stated in section 3
 8. Perform monthly bank reconciliations
 9. Maintain a plan for transferring the custody of the bank accounts in the event of a change in leadership
- B. The financial management plan and its implementation must be assessed annually. The district must choose to implement either a district Rotary Foundation audit committee or an independent financial assessment.
 1. A district Rotary Foundation audit committee must
 - a. Be composed of at least three active Rotarians who are independent and financially literate, each of whom is a member in good standing of a different club in the district, and at least one of whom is a current district officer and one of whom is a past district governor
 - b. Be appointed by the 2010-11 district governor and approved by the clubs in the district at the district conference (or, if such is not possible, in a ballot-by-mail)
 - c. Serve a term of three years during the Future Vision pilot
 - d. Have at least one member with professional accounting and audit experience
 - e. Be free of conflict of interest. The committee may not include: members of any grant project committee or the district Rotary Foundation grants subcommittee; the DRFC chair; the district governor-elect, the immediate past district governor, or the district governor; any member of the district allocation committee, if one exists; or any Rotarian who is or plans to be a project contact or a recipient of grant funds during the term of the committee.
 2. An independent financial assessment is an evaluation of financial controls and compliance conducted by an independent, financially literate person or entity that has no direct links to the funds being examined or relationship with the club or district. The assessment is substantially smaller in scope than an audit or review and does not express an opinion on the financial statements taken as a whole.

3. Once a method of review is selected, the financial management plan and its implementation must include:
 - a. An examination of expenditures to ensure that funds were used for the intended purpose, proper records were maintained, and a system of controls over expenditure has been in place. This examination should include:
 - (i) The selection of a sample of disbursements and reconciliation to supporting documentation
 - (ii) A review of the full listing of expenditures to ensure funds were expended in a manner consistent with the terms and conditions of the grant award
 - (iii) Identification of the purchasing procedure used
 - (iv) A review of the bank reconciliations to confirm that they were prepared correctly and that opening balances match the financial records of the grant activities and bank statements
 - b. A report of the findings given to the district's member clubs within three months of the completion of each Rotary year
 - c. Confirmation of adherence to TRF document retention requirements (section 6)

5. Club Qualification

Clubs must be qualified in order to be eligible to receive Rotary Foundation Global Grants, and it is the responsibility of each district to qualify interested member clubs.

- A. Using Rotary Foundation training resources, the district must provide grant management and qualification training for all clubs interested in receiving grant funds. Districts may provide training at the presidents-elect training seminar, district assembly, or district conference.
- B. The district may set up its own qualification plan, terms and conditions, and guidelines for qualifying its member clubs, provided they meet TRF minimum requirements:
 1. The club agrees to and signs the club memorandum of understanding as provided by TRF.
 2. The club president-elect or a club-designated appointee attends grant management and qualification training.

6. Document Retention

Retaining information allows transparency in grant management and assists in the preparation for audits or independent financial assessments.

- A. The document maintenance system or district archives must
 1. Be accessible and available to Rotarians; district and club officers of project sponsors, including boards of directors of participating clubs; and the district Rotary Foundation grants subcommittee.
 2. Maintain original documents for a minimum of five years or longer if required by applicable law.
- B. Documents that must be maintained and available to TRF for an audit include but are not limited to
 1. Bank information
 - a. All bank account information and copies of past statements
 - b. Documentation of changes in payee signatories (if relevant)
 2. Documented plans and procedures, including:

- a. Terms and procedures of financial management plan
 - b. General ledger explaining and itemizing deposits and withdrawals
 - c. Procedure for storing documents and archives
 - d. A succession plan for the district Rotary Foundation grants subcommittee
 - e. System to receive and investigate allegations
3. Annual report from the district Rotary Foundation grants audit committee or independent financial assessment
 4. Legal documents
 - a. Copy of liability insurance if necessary
 - b. Copy of traveler's insurance policies
 5. District qualification documents
 - a. Copy of district qualification application submitted to TRF
 - b. Copy of district qualification approval letter from TRF
 6. Club qualification documents
 - a. Documentation of grant management and qualification training for qualified clubs
 - b. Copies of qualified club MOUs showing date on which club received qualification status
 7. District grant and district-sponsored global grant information
 - a. Copies of proposals and applications
 - b. Copies of grant agreements
 - c. Copies of reports submitted to TRF and information collected from clubs and entities receiving district grant funds; including receipts and invoices for all purchases made with grant funds
 - d. Written or electronic correspondence

7. Report on Use of Grant Funds

Grant reporting is a key aspect of grant management and stewardship. Districts must set-up a grant reporting process in order to maintain qualification.

- A. Districts must report on the use of all district designated funds (DDF) to their member clubs by
 1. Providing a report annually at a district meeting to which all clubs are invited or eligible to attend, which includes a breakdown of expenditures for each project that received funding and the names of districts, clubs, and individuals to which grant funds were distributed
 2. Including financial information on such grants in the governor's monthly letter
 3. Districts must report the yearly findings of the district Rotary Foundation grants audit committee review or independent financial assessment to the district's member clubs within three months of the completion of each Rotary year.
- B. Districts must adhere to all TRF grant reporting requirements and cooperate with all TRF grant audits.

8. Method for Reporting and Resolving Misuse of Grant Funds

Reports of misuse of grant funds must be tracked, investigated, and resolved. Having a process in place before a problem develops creates an environment that fosters fair investigations and a message that misuse of funds will not be tolerated.

- A. Districts must create a system to facilitate and track reports of misuse of grant funds received from Rotarians, beneficiaries, cooperating organizations, and any other individuals involved in or aware of grant activities.
- B. Conduct an investigation into all reports of misuse. All reports of misuse received by TRF will first be directed to the district for investigation.
- C. After investigating and determining consequences, report any potential misuse or irregularities in grant-related activity to TRF and indicate how the district will act to resolve the situation.