

THE ROTARY FOUNDATION

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## DISTRICT QUALIFICATION MEMORANDUM OF UNDERSTANDING

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### 1. District Qualification

To participate in district, global, and packaged grants, a district shall complete an online qualification process, agreeing to implement the financial and stewardship requirements in this memorandum of understanding (MOU). By successfully completing these requirements, a district becomes qualified, and eligible to participate in Rotary Foundation (TRF) grants.

- A. A district is responsible for the use of funds for district-sponsored grants, regardless of who controls the funds.
- B. A district is responsible for a club-sponsored grant if the sponsoring club has been terminated or is otherwise unable to take responsibility for the grant.
- C. To maintain qualified status, a district must comply with this MOU and all applicable TRF policies.
- D. 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; use of grant funds for ineligible purposes
  2. Refusal to qualify member clubs without sufficient cause
- E. A district must cooperate with any financial, grant, or operational audits.

### 2. District Officer Responsibilities

The district governor, district governor-elect, and district Rotary Foundation committee chair shall hold primary responsibility for club and district qualification, in addition to overseeing the proper implementation of TRF grants.

District officer responsibilities include:

1. Implementing, managing, and maintaining the district and club qualification process
2. Ensuring that all TRF grants adhere to stewardship measures and proper grant management practices
3. Abiding by, following, enforcing, disseminating, and educating Rotarians on the terms and conditions for district, global, and packaged grants

4. Ensuring that all individuals involved in a grant conduct their activities in a way that avoids any actual or perceived conflict of interest

### **3. Club Qualification**

Districts are responsible for qualifying their member clubs. To be qualified, the club shall agree to the club MOU and send at least one club member to the district Rotary Foundation grant management seminar.

- A. A club must be qualified in order to receive TRF global and packaged grants. Club qualification is not required for a club to receive district grant funds.
- B. A district may establish additional requirements for club qualification, in order to take into consideration relevant local laws or district-specific circumstances. Additional requirements must be attainable by all clubs in the district.
- C. A district may allot district grant funds to nonqualified clubs in its district or other districts; however, the district remains responsible for the use of those grant funds. Nonqualified clubs that fail to abide by all applicable TRF policies, including the terms and conditions for TRF district grants, may jeopardize the district's qualification status.

### **4. Financial Management Plan**

Districts must have a written financial management plan to provide consistent administration of grant funds.

The financial management plan must include procedures to

1. Maintain a standard set of accounts, which includes a complete record of all receipts and disbursements of grant funds
2. Disburse grant funds, as appropriate
3. Maintain segregation of duties for handling funds
4. Establish an inventory system for equipment and other assets purchased with grant funds, and maintain records for items that are purchased, produced, or distributed through grant activities
5. Ensure that all grant activities, including the conversion of funds, comply with local law

### **5. Annual Financial Assessment**

The financial management plan and its implementation shall be assessed annually. A financial assessment is an evaluation of financial controls and compliance. The district shall choose either an independent firm or the district Rotary Foundation audit committee to conduct the annual financial assessment.

- A. A financial assessment is substantially smaller in scope than an audit or review, and includes:
  1. Confirmation that the district adhered to its financial management plan
  2. An examination of expenditures for district grants, district-sponsored global grants, and district-sponsored packaged grant that includes:
    - a. Reconciling a selection of disbursements against their supporting documentation
    - b. Reviewing the full listing of expenditures to ensure that funds were expended in a manner consistent with the terms and conditions of the grant award
    - c. Confirming that a competitive bidding process was conducted for all significant expenditures
    - d. Reviewing the process to disburse funds to ensure that proper controls have been maintained
  3. A determination that all financial transactions and project activities related to the grant were conducted at least at the level of standard business practices:

- a. Confirmation of adherence to TRF document retention requirements
  - b. Other procedures that the district Rotary Foundation audit committee or an independent firm deems necessary
- 4. A report of the findings from the annual financial assessment, which must be given to clubs in the district within three months of the end of each Rotary year
- B. If the district has the district Rotary Foundation audit committee conduct the assessment, the committee may not include individuals directly involved with TRF grants and must meet the requirements found in the RI Bylaws, including:
  - a. Have at least three members
  - b. Have at least one member who is a past governor or a person with audit experience

## **6. Bank Account Requirements**

In order to receive grant funds, the district shall have a dedicated, district-controlled bank account that is used solely for receiving and disbursing TRF grant funds.

- A. The district bank account must
  - 1. Have a minimum of two Rotarian signatories from the district for disbursements
  - 2. Be a low- or noninterest-bearing account
- B. Any interest earned must be documented and used for eligible, approved grant activities, or returned to TRF.
- C. A separate account should be opened for each district-sponsored grant, and the name of the account should clearly identify its use for grant funds.
- D. Grant funds may not be deposited in investment accounts including, but not limited to, mutual funds, certificates of deposit, bonds, and stocks.
- E. Bank statements must be available to support receipt and use of TRF grant funds.
- F. The district must maintain a written plan for transferring custody of the bank accounts in the event of a change in leadership.

## **7. Report on Use of Grant Funds**

Grant reporting is a key aspect of grant management and stewardship. Districts shall set up a grant reporting process.

- A. Districts must report to their clubs 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 that includes a breakdown of expenditures for each project that received funding and the names of districts, clubs, and individuals who received grant funds
  - 2. Including financial information on such grants in the governor's final monthly communication
- B. Districts must adhere to all TRF grant reporting requirements.

## **8. Document Retention**

Districts shall establish and maintain appropriate recordkeeping systems to preserve important documents related to qualification and TRF grants. Retaining these documents supports transparency in grant management and assists in the preparation for audits or financial assessments.

- A. Documents that must be maintained include, but are not limited to
  - 1. Bank information, including copies of past statements

2. Club qualification documents, including:
    - a. Signed club MOUs
    - b. Club attendance records for grant management seminar
  3. District grant, district-sponsored global grant, and district-sponsored packaged grant information, including:
    - a. Information collected from clubs and entities receiving district grant funds
    - b. Receipts and invoices for all purchases made with grant funds
  4. Documented plans and procedures, including:
    - a. Financial management plan
    - b. Procedure for storing documents and archives
    - c. Succession plan for bank account signatories and retention of information and documentation
    - d. System to track reports of misuse and/or mismanagement of grant funds
  5. Annual report from the financial assessment and use of grant funds
- B. District records must be accessible and available to Rotarians in the district.
- C. Documents must be maintained for a minimum of five years, or longer if required by local law.

## **9. Method for Reporting and Resolving Misuse of Grant Funds**

The qualification process requires districts to track, investigate, and resolve reports of misuse or mismanagement of grant funds. By creating a plan before any allegations of misuse are made, the district can apply procedures consistently and foster an environment that does not tolerate misuse of funds.

- A. Districts must create a system to facilitate and track reports of misuse and/or mismanagement of grant funds.
- B. Districts must promptly investigate reports of misuse or mismanagement of grant funds.
- C. Districts must report any potential or substantiated misuse or mismanagement of grant funds to TRF.