Introduction

Since Cornell Cooperative Extension (CCE) county associations are subordinate governmental agencies supported primarily by public funds, the association Board of Directors and Cornell University as agent for the State of New York share an important fiduciary responsibility to ensure that funds are prudently and properly managed and accounted for. A number of tools are available to Boards of Directors in carrying out this responsibility.

Compliance with Policies and Procedures

The first and most important level of fiscal oversight is to ensure that the association routinely follows the detailed policies and procedures contained in CCE’s Financial Operations Resource Manual (F.O.R.M.). Boards should receive regular financial reports, review them carefully and ask questions whenever something is not clear. A close working relationship between the Board Treasurer/Finance Committee, the Executive Director, association Finance Manager and Shared Business Network Finance Lead is critically important.

Internal Audits

An internal audit is defined by the Institute of Internal Auditors as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

Two types of internal audits are available to CCE associations. The first is the Annual Accounting Review by CCE Administration of various documents and reports prepared by the association as part of the year-end “closing of the books.” These documents must be submitted online to CCE Administration by March 31 each year. After review, the association Board President, Treasurer and Executive Director receive a written report from the CCE Compliance Review Manager at Cornell noting any irregularities and/or recommendations.
The second type of internal audit is a Compliance Review conducted by the CCE Compliance Review Manager. Such reviews are initiated upon request by associations or when deemed necessary by CCE Administration. They are often conducted after there has been a turnover in the Executive Director or Finance Manager position, when questions arise concerning an association’s fiscal health, or routinely every few years as an assurance that things are going well. A Compliance Review involves an on-site visit by the Compliance Review Manager who over the course of two or three days meets with local finance staff, reviews documents and verifies that proper procedures are followed. An exit meeting with the Executive Director, Finance Manager and Association Treasurer or other Board representative is held and a subsequent written report with findings and recommendations is issued.

A Compliance Review is more in-depth than the Annual Accounting Review, and both provide valuable information to support oversight of an association’s financial operations. However, an internal audit is inherently narrower in scope than an external audit.

**External Audit**

An external audit is conducted by a body, such as a private accounting firm, that is independent and not part of the organization being audited. It is focused on financial accounts and risks associated with finance, and the main purpose is to provide an opinion on whether or not the organization’s financial accounts present a true and fair reflection of financial position, following Generally Accepted Accounting Principles (GAAP). Because they are independently conducted and generally broader in scope, an external audit provides a level of confidence above and beyond that typically provided by an internal audit.

External audits are not required by CCE policy. However, many associations have them conducted regularly, and they are sometimes required by external funders and/or county governments.

A special type of audit is the A-133 audit, also known as a “singe audit,” which is required of non-federal entities (such as CCE associations) that expend $750,000 or more of federal funds during the fiscal year. Such audits must be conducted in accordance with federal code.

**Conclusion**

Although the financial oversight practices discussed in this Fact Sheet each serve different purposes, they are not mutually exclusive. Compliance with policies and procedures and the Annual Accounting Review are givens, but Boards of Directors should utilize both internal and external audits as needed to support their fiscal oversight responsibility. Larger associations with complex funding streams will probably want to have an annual external audit as a matter of course. Smaller associations may elect to do so less frequently.