

To: SCORE Leadership and Treasurers

From Centralized Accounting HQ Team

Date: July 9, 2019

Re: Policy: Unallowable costs for chapters **not converted** to Centralized Accounting

One of the OIG audit findings related to SCORE was the “comingling” of federal (restricted) and unrestricted funds at the chapter level. While we were aware that our former processes did not fully account for the potential of comingling, we know chapters tried their best to use funds appropriately. With the SBA’s approval, SCORE had accounted for both federal and unrestricted funds at the chapter level once each year, at year end, through the Form 3 Annual Report process. Unfortunately, when the audit was complete, the centralized accounting program was not available; therefore, OIG did not support the existing Form 3 process agreed to by SBA and SCORE, therefore including it as a finding or weakness.

We anticipate the SBA and OIG will accept the processes within our new centralized accounting system as a satisfactory remedy for the problem of comingled funds at the chapter level. We now need to address this outstanding issue with chapters that are not yet on the new system. The procedures to eliminate comingling for chapters must assure that chapters do not pay unallowable costs or expenses with federal dollars, must be auditable, and have a measure of accountability. Below is the solution.

This policy is intended only for chapters that have not yet converted to SCORE’s centralized accounting system beginning on August 30, 2019 through the completion of a chapter’s conversion process.

Chapters that have not converted to the centralized accounting system by August 30, 2019 are not allowed to spend any funds, federal or unrestricted, on unallowable costs. A partial list of the most likely unallowable costs includes:

- Alcohol
- Donations/Grants
- Prizes or gifts
- Giveaways (swag)
- Tickets to sporting events or sporting activities like greens fees, lift tickets, bowling lanes etc.

The chapter must retain, for review and audit, balanced monthly bank statements with copies of checks and Form 14 expense reimbursement forms such that they can be easily audited. All volunteers and staff are required to include itemized receipts with their Form 14 expense reimbursement form for all meals and other purchases beginning July 30, 2019.

If a volunteer submits a Form 14 for reimbursement that included an itemized receipt that contains an unallowable cost, the chapter will be authorized to reimburse the amount of the expense less the amount of the unallowable cost. If a volunteer requests reimbursement based on a receipt that is not itemized, the chapter must decline to pay the expense because we cannot guarantee it was not spent on unallowable items.

At any time during the year, and at the time of conversion to the new centralized accounting system, SCORE staff may randomly review these bank statements and specific transactions to ensure compliance.

If a chapter is found to have disregarded this policy, either purposefully or in error without correcting it, those leaders involved (including but not limited to the Chair and Treasurer) may be removed from SCORE.

As was previously committed, all FY18 Form 3 chapter cash balances will be verified and transferred over the Centralized accounting system as unrestricted funds. Once a chapter is fully converted to centralized accounting, these new SCORE accounting policies related to unallowable costs will be replaced by the Centralized Accounting-related policies, which will be updated in the Standard Operating Manual (SOM) before the end of the fiscal year.

If you find you have an existing event or issue that conflicts with this policy, please reach out to [accounting@score.org](mailto:accounting@score.org). We will work with you to find a solution.