CLUB MEMORANDUM OF UNDERSTANDING RESOURCES

A Guide to Implementing the Club Memorandum of Understanding

Your club's application for global grants demonstrates a commitment to serving communities in need around the world. Rotary grants support sustainable projects in one of Rotary's six areas of focus and the awarded funds carry great responsibility by sponsor clubs. The Club Memorandum of Understanding (MOU) outlines the requirements that your club must demonstrate in order to qualify for Rotary grants. You may use this guide in conjunction with the Club MOU worksheet.

MOU SECTION 1: CLUB QUALIFICATION

Before applying for a global grant, your club must agree to implement the financial and stewardship requirements in this MOU provided by The Rotary Foundation (TRF) and to send at least one club member to the district's grant management seminar each year. The district may also establish additional requirements for club qualification and/or require its clubs to be qualified in order to participate in district grants. By completing these requirements, the club becomes qualified and eligible to participate in Rotary grants.

A. Upon successful completion of the qualification requirements, your club will be qualified for one Rotary year.
B. To maintain qualified status, your club must comply with this MOU, any additional district requirements, and all applicable TRF policies.
C. The club is responsible for the use of funds for club-sponsored grants, regardless of who controls the funds.
D. Qualification may be suspended or revoked for misuse or mismanagement of grant funds 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.
E. Your club must cooperate with any financial, grant, or operational audits.

Summary

Rotary clubs have significant responsibility for grant administration, so they must establish measures to ensure compliance with Foundation policies and avoid misuse and mismanagement of grant funds. Applying such measures enables clubs to maintain their qualified status for participation in Rotary grants.

Best Practices

- Share the MOU with all club members involved in Rotary grants.
- Perform an annual review to make sure the club is meeting MOU requirements.
- Send more than one club member to a grant management seminar.

MOU SECTION 2: CLUB OFFICER RESPONSIBILITIES

Your club officers hold primary responsibility for club qualification and the proper implementation of Rotary grants.

Club officer responsibilities include:

A. Appointing at least one club member to implement, manage, and maintain club qualification
B. Ensuring that all Rotary grants adhere to stewardship measures and proper grant management practices
C. Ensuring that all individuals involved in a grant conduct their activities in a way that avoids any actual or perceived conflict of interest.

Summary

Although your club officers may assign tasks to other club members, it is the president and president-elect who are responsible for ensuring compliance with the MOU, including implementing policies and procedures for qualification and grant management.

Conflicts of Interest

Mismanagement of grant funds can occur when there is a conflict of interest. A conflict exists if a Rotarian or associate (family member, friend, acquaintance, or colleague) could benefit financially or personally from the grant award or activities. Financial benefits include receiving grant funds for being a project manager or vendor; personal benefits include receiving a promotion, business referrals, or a boost in social standing.

Conflicts of interest can negatively affect project activities, future grant funding, and donations to the Foundation. Further, even perceived conflicts of interest that do not involve any actual benefit can affect future funding and donations. Perceived conflicts of interest must be identified and disclosed to clarify Rotarians' involvement.

A conflict of interest, either actual or perceived, does not automatically disqualify a Rotarian from participation in Rotary grants. Eligibility is determined on a case-by-case basis.

Best Practices

- Clearly delineate the roles and responsibilities to club qualification, assigning each role to the club member most qualified for it.
- Assign a past primary grant contact to conduct reviews of open Rotary grants as a way to ensure that stewardship measures and grant management practices are being followed.

MOU SECTION 3: FINANCIAL MANAGEMENT PLAN

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

Your club's financial management plan must include procedures to:

A. Maintain a standard set of accounts, which includes a complete record of all receipts and disbursements of grant funds.
B. Disburse grant funds, as appropriate.
C. Maintain segregation of duties for handling funds.
D. 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.
E. Ensure that all grant activities, including the conversion of funds, comply with local law.

Summary

Oversight requirements for Rotary grant funds go beyond those for funds from most private or corporate sources. Following your financial management plan is essential to proper oversight, good stewardship, and consistent administration of grant funds.

Your club's financial management plan should include detailed, club-specific procedures that are reviewed regularly.

Best Practices

- Involve Rotarians who have an accounting or auditing background in the development of the financial management plan.
- Provide a detailed, easy-to-understand plan, so that even Rotarians without a financial background can follow it.
- Compare your plan with those of other clubs, and share best practices.

Financial Management Plan Worksheet

Procedure	Implementation	Current Procedure	Suggested Improvements
1. Maintain a standard set of accounts that includes a record of all receipts for and disbursements of grant funds.	Prepare a spreadsheet for recording funds received from the Foundation and other sources — include each expenditure on a separate line and labeled with a transaction number. Label original invoices and receipts with the same number and save them. Send a copy of the spreadsheet and supporting documents to the project partner.		
2. Disburse grant funds.	For a global grant, pay vendors two weeks after receiving an invoice. Pay with cash only if a traceable payment method is not available.		
3. Maintain segregation of duties for handling funds.	Have one person approve the grant expenditures and two other people write and sign the check.		
4. Establish an inventory system for equipment and other assets purchased with grant funds, and maintain records for items that are	Record each item, along with its price and current owner, on a spreadsheet, and save the original invoices and receipts in the grant file in the club's document file.		

Procedure	Implementation	Current Procedure	Suggested Improvements
purchased, produced, or distributed through grant activities.	Send a copy of the records to the project partner.		
5. Ensure that all grant activities, including the conversion of funds, comply with local law.	Designate someone to be responsible for this oversight.		

MOU SECTION 4: BANK ACCOUNT REQUIREMENTS

In order to receive grant funds, the club must have a dedicated bank account that is used solely for receiving and disbursing Rotary grant funds.

A. Your club bank account must
   a. Have a minimum of two Rotarian signatories from the club for disbursements
   b. Be a low, or non-interest 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 club-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 club must maintain a written plan for transferring custody of the bank accounts in the event of a change in signatories.

SUMMARY

Your club must maintain a low- or non-interest bank account for each open club-sponsored grant, to be used solely for receiving and disbursing grant funds. By establishing a separate account, clubs can better manage the oversight and recordkeeping for grant funds.

If the club must use an existing account because local law prohibits establishing a separate grant account, ensure that grant funds are properly tracked.

In addition, clubs must have a succession plan for the signatories on the account to ensure a smooth transition of information and documentation when signatories change.

Best Practices

- If payments are made electronically by one person, maintain a paper trail showing that the payment was approved by at least one other signatory.
- Request grant funds only when a project is ready to be implemented so that the funds do not sit idle in a bank account.
- Use a checking account that records disbursements and document transactions on bank statements.

MOU SECTION 5: REPORT ON USE OF GRANT FUNDS

Your club must adhere to all TRF reporting requirements. Grant reporting is a key aspect of grant management and stewardship, as it informs TRF of the grant's progress and how funds are spent.

Summary

Your club must fulfill all Foundation reporting requirements for club-sponsored global grants. Your club must submit progress reports every 12 months from the time a grant is paid until the final report is accepted and a final report within two months of completing the grant project. Failure to file reports can lead to a club's exclusion from participation in Rotary grants.

Your club must also fulfill its district's reporting requirements for district grants. The district is responsible for reporting the use of funds to the Foundation.

Best Practices

- Keep a list of due dates for your club's reports, and designate someone to monitor the process.
- Make sure that reports are written as the project is implemented.

MOU SECTION 6: DOCUMENT RETENTION

Your club must establish and maintain appropriate recordkeeping systems to preserve important documents related to qualification and Rotary 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 copy of the signed club MOU
   3. 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
   4. Information related to grants, including receipts and invoices for all purchases

B. Your club's records must be accessible and available to Rotarians in the club and at the request of the district.

C. Documents must be maintained for a minimum of five years, or longer if required by local law.

SUMMARY

Clubs must establish a system for retaining documents related to qualification and Rotary Foundation grants. The system can be a combination of electronic and physical files that best fits the needs of the club. Documents that must be retained include bank statements, receipts, and procedures relating to the MOU.

Maintaining documents helps clubs comply with local law, ensure transparency, and prepare for grant reporting, audits, and financial assessments. It also enables the club to quickly respond to requests from the Foundation, the district, and individual Rotarians.

Best Practices

- Maintain physical files in a single location.
- For easy sharing, create electronic copies that can be emailed or placed on a shared network.
- Back up electronic files regularly on a CD, flash drive, or secure website.
- Keep extra copies in a location separate from the originals.
- Use a free online storage service that allows documents to be uploaded and accessed remotely so that files can be shared and edited by more than one person.
- Design a document retention system that works best for your club.
- Adapt the sample file lists and share them with other clubs.

Sample File Lists

Documents Needed for Club Qualification	Documents needed for district and global grants
❒ Copy of signed club MOU ❒ Financial management plan and related procedures ❒ Bank information o Account details o Bank statements o List of signatories o Bank procedure for changing signatories ❒ Legal documents ❒ General ledger and statement of accounts ❒ Document retention procedures ❒ Succession plans ❒ Correspondence on qualification ❒ Other documents	❒ All grant correspondence, including email ❒ Beneficiary documentation, including: o Community assessment o Agreements ❒ Vendor documentation, including: o Quotes for materials o Agreements ❒ Scholar documentation, including: o Receipts and invoices o Agreements ❒ Vocational training documentation, including: o Receipts and invoices o Agreements ❒ Grant-related documentation, including: o Bank statements o Quotes from vendors o Receipts and invoices o Inventory list o Photos ❒ Information related to district grants, including: o Fund requests or applications o Quotes from vendors o Receipts and invoices o Reports o Other information required by the district ❒ Other documentation

MOU SECTION 7: REPORTING MISUSE OF GRANT FUNDS

Your club must report any potential and real misuse or mismanagement of grant funds to the district. This reporting fosters an environment in the club that does not tolerate the misuse of grant funds.

SUMMARY

The misuse or mismanagement of grant funds, whether potential or substantiated, must be reported to the district. Districts must actively work to prevent misuse and mismanagement, and to investigate any allegations.

Districts should establish guidelines for conducting investigations fairly and consistently, but because each situation is unique, procedures might need to be adjusted as an investigation proceeds. Districts should forward all reports of misuse or mismanagement to The Rotary Foundation, which will work with the district and club to resolve the matter.