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From Fiduciary Compliance to Strategic Financial Stewardship

Melanie Ballestas | Steven Girelli



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Speakers



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Learning Objectives

- Identify key risk areas for your Organization's finance function along with potential mitigation strategies
- Identify areas where you can strengthen internal controls to better business procedures and help prevent fraud risks
- Discuss governance's role in the Organization



What are your organization's biggest risks in
the areas of *finance and operations*?



Finance Department Trends



The cloud is a permanent part of our future



Labor shortages speed accounting automation



Accounting artificial intelligence investment keeps rising



Outsourcing in accounting is increasing



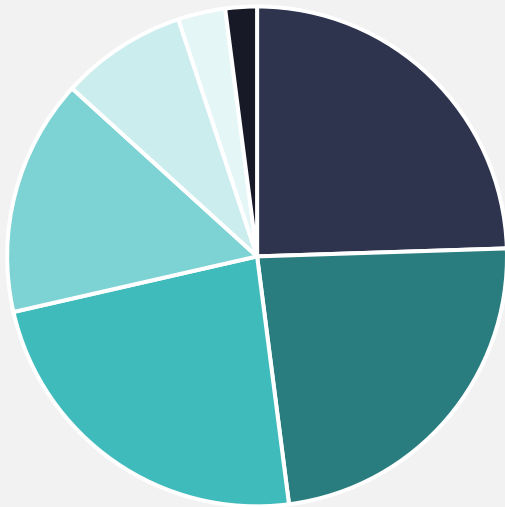
Data automation brings analytics, action, and storytelling together



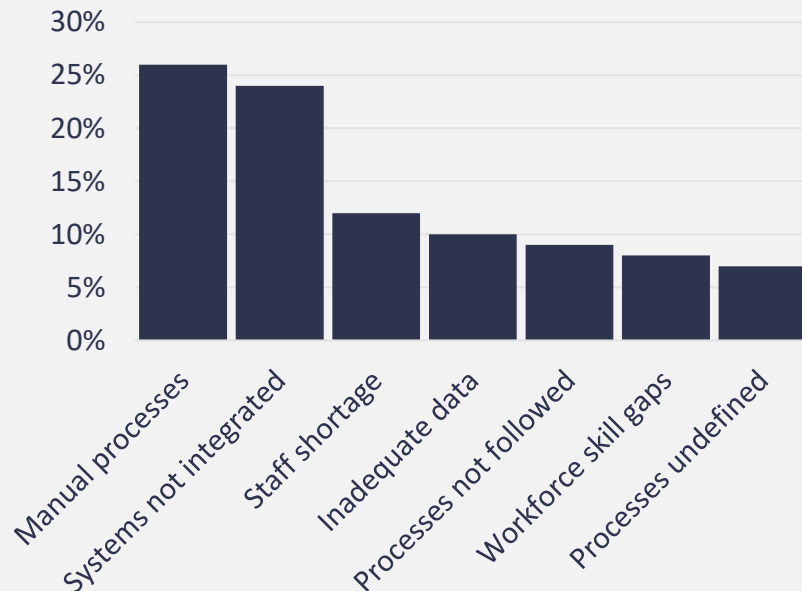
Inefficiency in the Accounting Function Often Hinders Focus on Mission

Key issues for CFOs and business leaders

- Managing cash/budget
- Improving provided information
- Improving operations
- Improving finance processes
- Improving controls and compliance
- Managing investments



Challenges in monthly close process





Internal Controls – Why Do They Matter and WIFM?



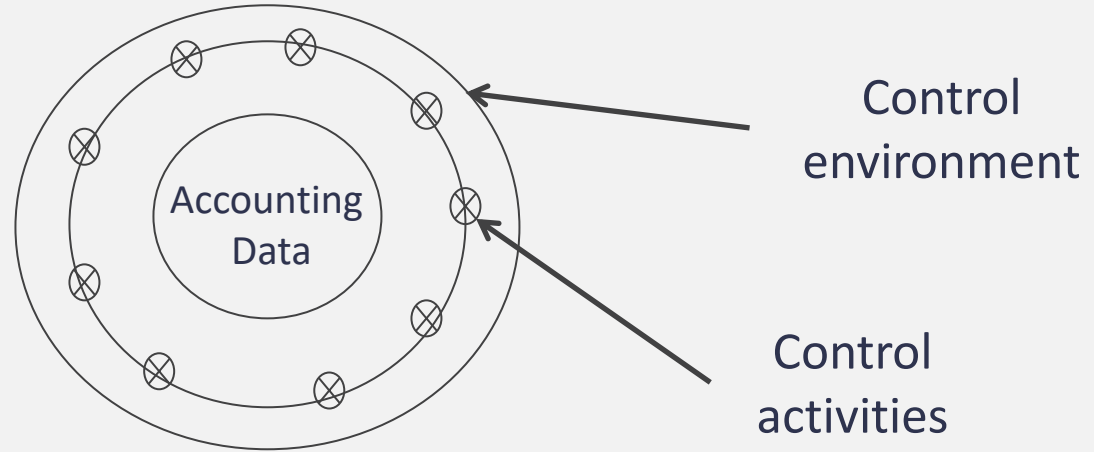
Purpose of Internal Controls

- To *safeguard* assets
- To *produce* accurate accounting data
- To *contribute* to efficient operations
- To *promote* compliance with board policy and donor restrictions



Basic Concepts

- Internal controls are a process
- People affect internal controls
- Internal controls provide reasonable, *not absolute*, assurance



Keys of Good Internal Controls



Segregation
of duties



Independent counting or
confirmation of assets



Controlled access to
electronic data



Adequate backup
and data recovery
procedures



Keys of Good Internal Controls



No one person can
control a
transaction from
beginning to end



Involvement of
multiple individuals
(there is such a
thing as too many!)



Ability to override
controls is
extremely limited



Controls are
preventative not
detective

2 Person Office

Bookkeeper

Record all general ledger activity

Reconcile bank statements

Receive cash

Authorize invoices

Write and mail checks

Approve payroll

CEO / Executive Director

Read only general ledger access

Review bank reconciliations

Complete deposit slips

Sign checks

Perform bank transfers

Approve timesheets

Distribute payroll

Sign employee contracts



3 Person Office

Bookkeeper

Record general ledger activity

Write checks

Reconcile bank statements

Office Manager

Process and approve invoices

Mailing checks

Receive cash

Approve and distribute payroll

Authorize timesheets

Controller / CEO/ Executive Director

Completes deposit slips

Signs checks and performs bank transfers

Review bank reconciliations

Sign employee contracts



4 Person Office

Bookkeeper

Record general ledger activity

Write checks

Reconcile bank statements

Senior Accountant

Receive cash

Authorize check requests

Mail checks

Distribute payroll

Office Manager

Complete deposit slips

Process invoices

Approve invoices

Approve payroll

Controller /CEO / Executive Director

Sign checks;
approve invoices

Review bank reconciliations

Sign employee contracts

Approve employee timesheets





Key Areas of Controls



Information Technology



Are all applications
password protected?



Is a review
performed of user
access in the
system?



Is the audit trail
properly captured
in the system?



What are the
external threats to
the organization?

Bank Accounts



Are the number of accounts limited?



Are all accounts in the organizations name, not an individual?



Are there a limited number of check signers?



Are reconciliations performed monthly?



Purchasing and Expense Reporting



Are receipts
required for all
expenses?



Are the spending
limits on cards
limited?



Is there a formal review
and approval process for
employee expenses?

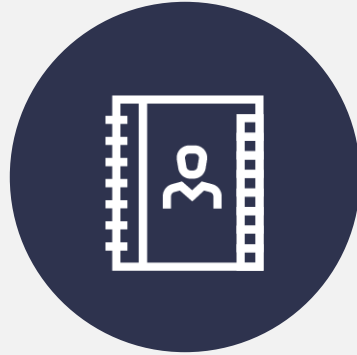


Is someone reviewing
the Executive
Director's expenses?

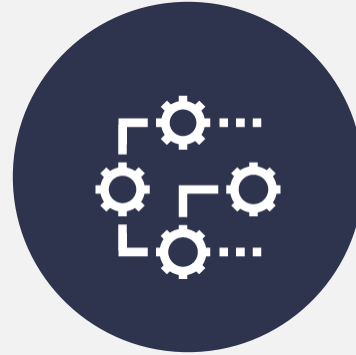
Financial Reporting



Is there a budget
that is monitored
throughout the year?



Is there a policies and
procedures manual?



Is there a formal
month end closing
process?



Who is reviewing the
monthly and annual
financial statements?



Governance's Role in the Organization





BOARD

Strategy
Oversight
Policy



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MANAGEMENT

Day-to-day operations
Execution of mission
Steward culture
Donor development



Purpose of a Governing Board

Duties

Operating legally in furtherance of mission, including maintaining tax exempt status

Provide Organizational oversight

Recruit members with a mix of skills and experience

Maintain accountability to the public and the law

Determine the Organization is providing a product or service that is meeting the communities need

Determine the Organization is healthy – financially, managerially and programmatically



Governance Responsibilities



Establishing mission and philosophy



Thinking and planning strategically



Setting policies to effectively guide operations and programs



Evaluating whether the organization is managing resources effectively



Reviewing financial and programmatic performance as compared to objectives



Governance Mistakes

1 Failing to understand fiduciary duties

2 Failing to provide effective oversight

3 Micro-managing staff

4 Avoiding the hard questions

5 Failing to recruit effective and diverse members or set term limits

6 Failing to review program effectiveness

7 Failing to hold executives accountable

8 Engaging in administrative functions





Governance's Role in a Financial Statement Audit



What is a Financial Statement Audit

- Purpose of financial statement audit
- Audit procedures
- Audit requirements
- Governance and accountability





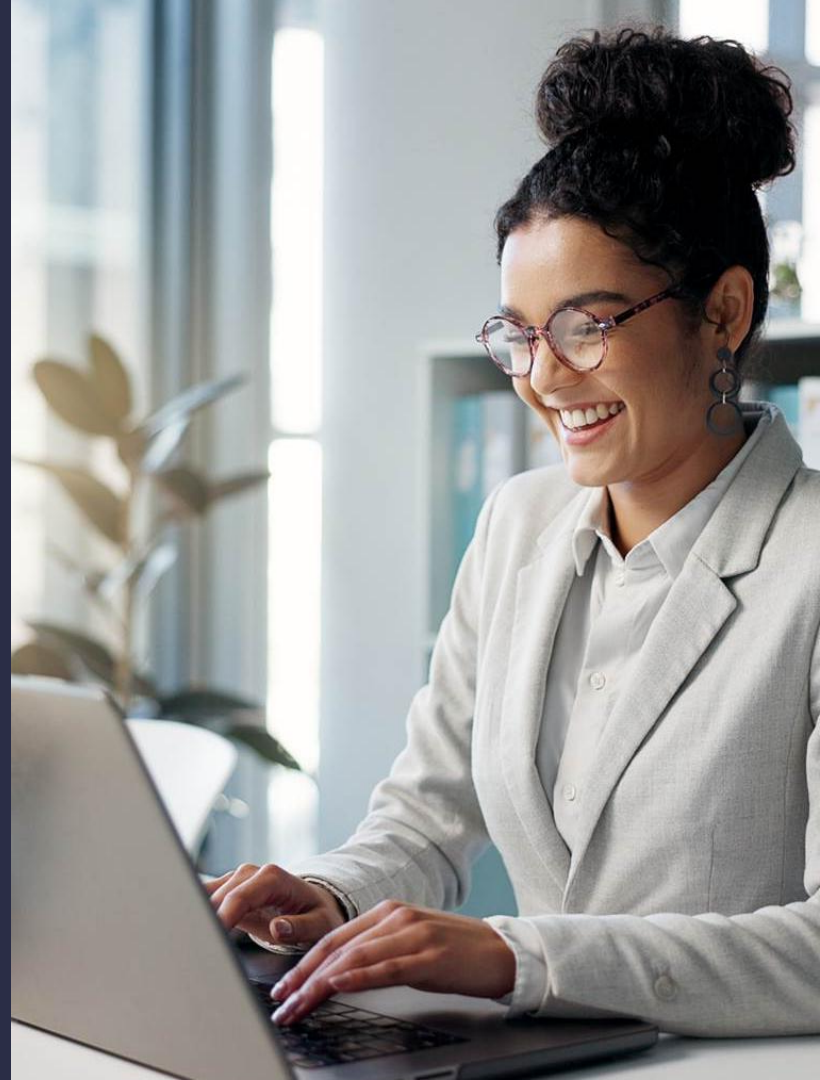
Management and Organizational Responsibilities

- Financial statement responsibility
- Internal controls implementation
- Audit collaboration
- Post-audit responsibilities



Key Governance Responsibilities Related to the Audit

- Selecting the audit provider
- Ensuring auditor maintains independence
- Reviewing audit engagement
- Ongoing audit oversight





Audit-Related Red Flags Governance Should Monitor

- Auditor selection concerns
- Lack of auditor-governance meetings
- Delays in audit reporting
- Restricted access and frequent changes





Questions?



Thank you!

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