

Nonprofit Internal Controls: An Updated Management Refresher for 2024

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Today's Presenters



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Internal Control *

A process,

effected by an entity's board of directors,
management, and other personnel,

designed to provide reasonable assurance

regarding the achievement of objectives related
to operations, reporting, and compliance.

* Committee of Sponsoring Organizations

Levels of Internal Controls

Entity-Level Controls

Foundation of internal control, supports internal control activities. Transparency, ethical culture, dissemination of policies, clear reporting channels, effective training. Think policy, not procedure.

Control Activities

Specific procedures and processes designed to reduce risks surrounding reporting objectives and stewardship of assets. Account reconciliations, dual approvals on expenditures, review of credit card statements, separation of duties.

Internal Control Objectives

Operations

Effective and efficient operations, achievement of operational and financial performance goals, and safeguarding of assets against loss.

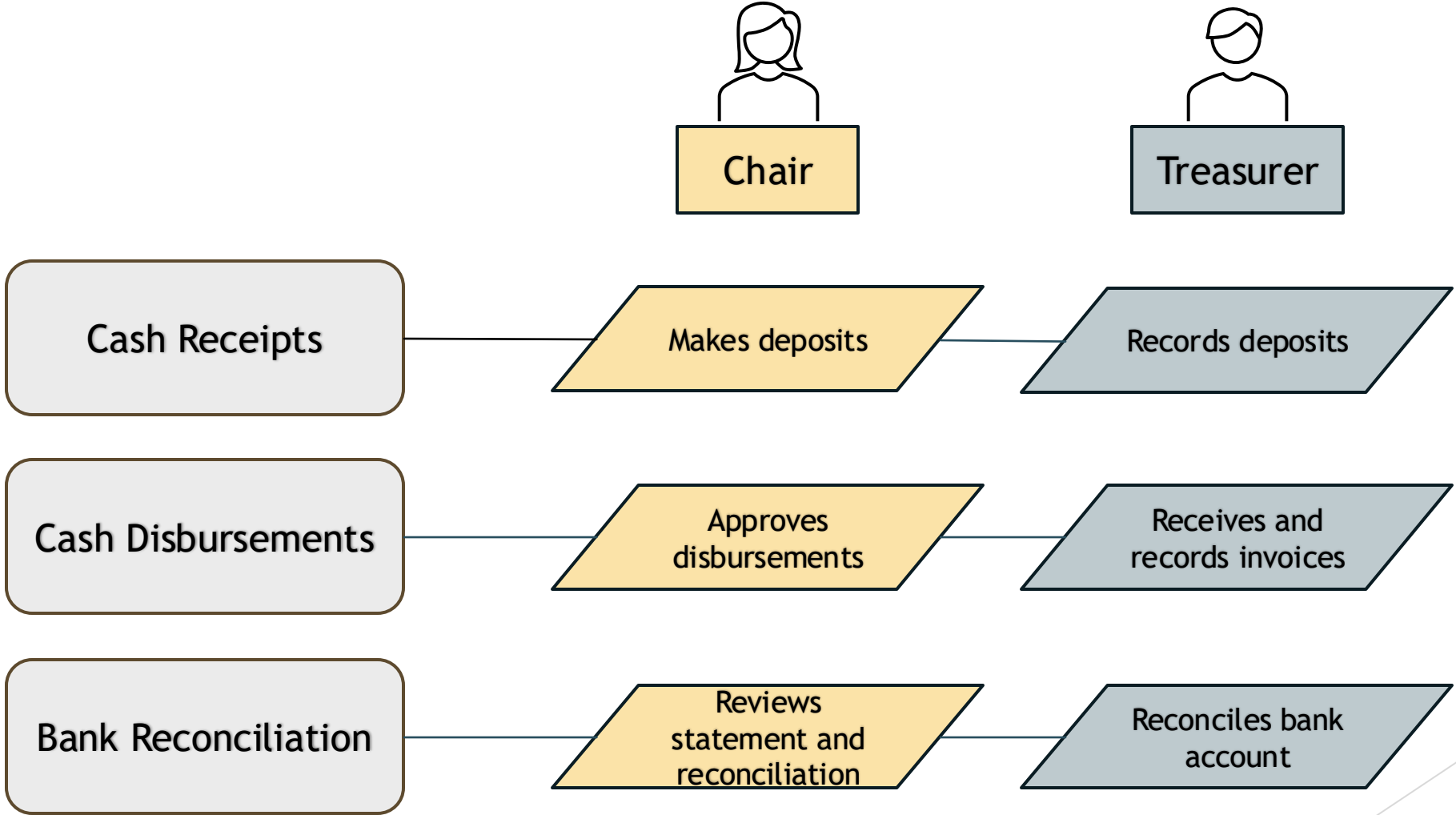
Reporting

Reliability, timeliness, and transparency of internal and external financial and non-financial reporting. Encompasses terms established by regulators, funders, standard-setters, and internal policies.

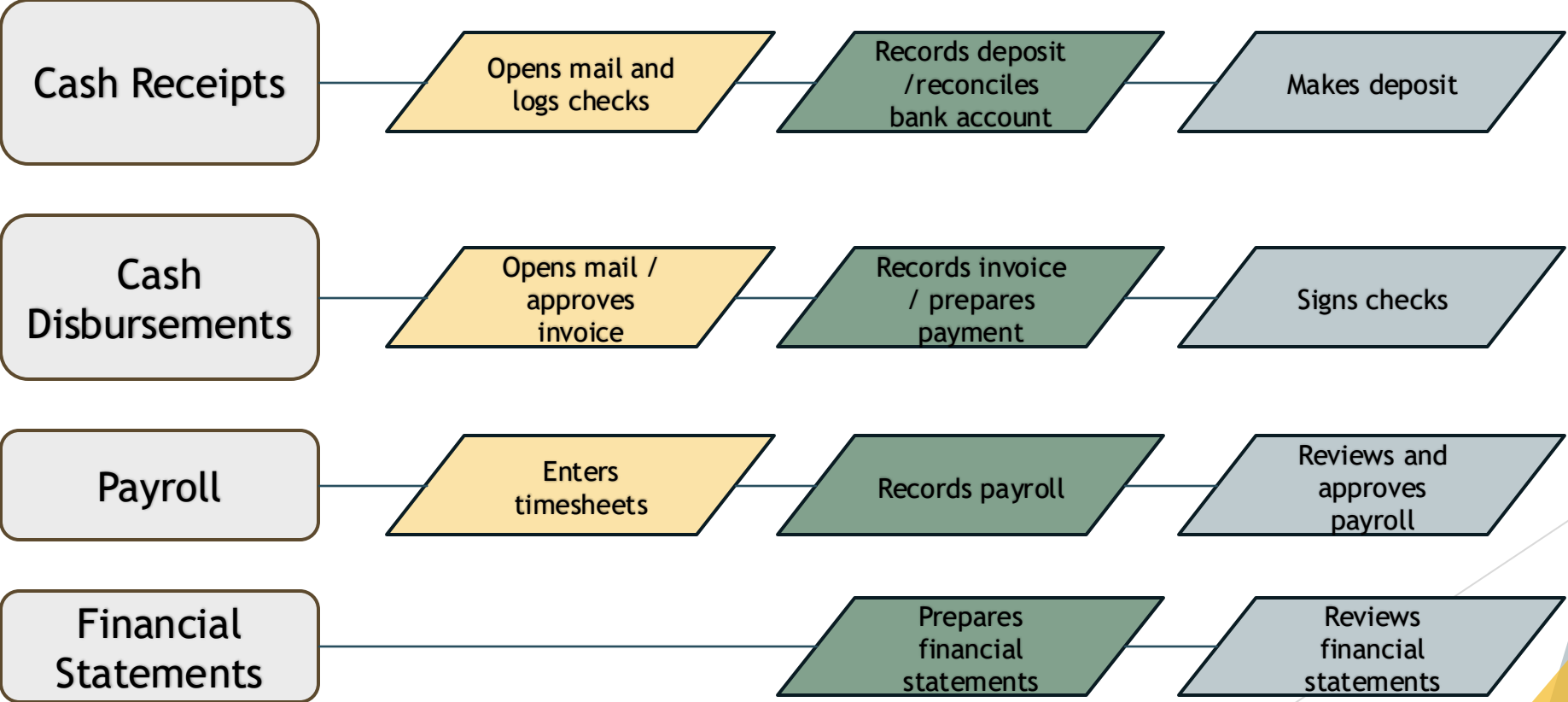
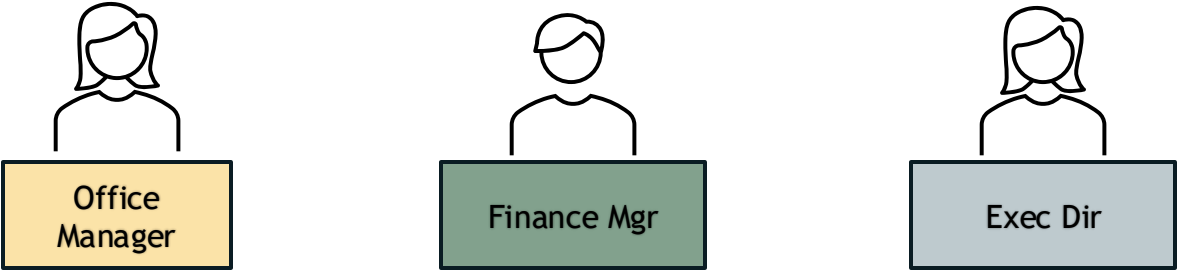
Compliance

Adherence to applicable laws and regulations, funder requirements, and standards of best practice in the sector.

Separation of Duties - All Volunteer Organization



Separation of Duties - Small Staffed Organization



Policies and Procedures

- ❖ Write it all down, communicate, and train!
- ❖ Consider policies as Board-approved, procedures as means to carry out policy.
- ❖ Plethora of sample policy manuals.

Jon Osterburg



Chief Operating Officer
Jitasa

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The Changing Landscape of Internal Controls

▶ Early Technology

- ▶ Manual processes, physical storage
- ▶ Scanning and emailing of documents

▶ Emergence of Software Solutions

- ▶ GL Software, end point solutions, solutions hosted in the cloud
- ▶ Year 2000 - The Electronic Signatures in Global and National Commerce Act

▶ Widespread Digital Transformation

- ▶ Comprehensive Solutions, Advanced Analytics, Remote Work Enablement
- ▶ Rapid Digitization, Virtual Audits, User Permissions and Approvals

Visualizing Internal Controls



Bev

Open the mail, and create a mail log



Mike

Review invoice and determine approvers.

Grant + Program



Kelly



Sheryl

Approver 1



Sherry



Approver 2



Rakesh



Mike

Enters the invoice and waits until check printing day.

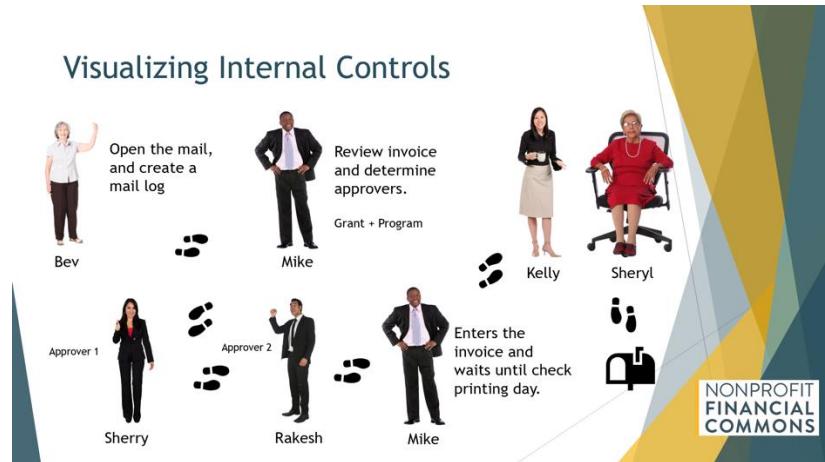


Visualizing Internal Controls

- ▶ Mike - Receives in invoices directly to his inbox.
 - ▶ Mike forwards the invoice to his bill payments software.
 - ▶ Bill payment software automatically assigns approvers based in invoice details and assigns approvers for routing.
- ▶ Sherry and Rakesh receive an email and review and approve the invoice.
- ▶ Kelly reviews a list of approved invoices and confirms signature for the invoices she approves payments for.
- ▶ Sheryl who only had one invoice to review has already approved it... with her cell phone.
- ▶ Payments go directly to vendor bank accounts.

Worlds Apart - Same Internal Controls

Visualizing Internal Controls



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Software's and Processes

<p>QuickBooks Online Premium QuickBooks Online is the web version of the popular accounting package QuickBooks. Use any device...</p> <p>Zapier Interfaces Instantly build dynamic interfaces that connect to Zoho and a data source (like Tables). Interfaces give...</p> <p>lexoffice lexoffice is a cloud app for german accounting. Writing offers or invoices, paying your bills or...</p> <p>FreshBooks FreshBooks is a cloud accounting software designed exclusively for self-employed professionals and the...</p> <p>basio Basio is a business platform for offering accounting, invoices, payroll, and more for small companies in...</p> <p>Splitwise Splitwise is an app for splitting bills and expenses with friends.</p> <p>buuu buuu is a mobile bank, built from a clean state, dedicated to your wants and needs. Get the freedom...</p> <p>Quadero Quadero is a tax software that handles sales tax, VAT, and GST for your online business. Automaticall...</p> <p>FreeAgent FreeAgent is accounting software simplified. It provides a streamlined way for freelancers and small...</p> <p>Dext Dext makes accountants and the businesses you look after more productive and profitable through better...</p> <p>Canopy Canopy provides a practice efficiency suite that...</p> <p>Hery Hery is a service for contractors, freelancers, sole traders, and self-employed individuals that takes...</p> <p>Fortnox Fortnox is a cloud-based platform that meets the needs of small businesses and accounting agencies...</p> <p>Novo Novo provides small businesses a better, more connected business bank account.</p> <p>Give Lively Give Lively built and supports a powerful and practical fundraising platform that is free for...</p> <p>Bind ERP Bind ERP is a management system that allows SMEs to take control of their business in an easy...</p> <p>Fattura24 Fattura24 is an application available for web and mobile that helps entrepreneurs send invoices, trac...</p>	<p>Xero Premium Xero is an accounting app that lets you track business expenses and accounting with ease...</p> <p>Wave Wave's invoicing and accounting software is completely free, and has no usage limits or...</p> <p>Zoho Books Zoho Books is cloud-based accounting software in which you can record, audit and analyze all financial...</p> <p>Moneybird Moneybird provides cloud accounting for SMEs in Holland.</p> <p>You Need A Budget You Need A Budget is a tool to help you gain total control of your money, living paycheck to paycheck...</p> <p>Pennylane Pennylane centralizes all your cash flows and connects with your financial tools to ease and...</p> <p>Alegra Alegra is an accounting and billing app designed for Latin American managers.</p> <p>TaxDome TaxDome is an all-in-one solution for tax and accounting professionals to manage their business.</p> <p>Mercury Mercury is an online financial platform that helps startups grow and manage their capital.</p> <p>Clu7 Core Inventory Clu7 Core Inventory is an all in one holistic solution for Inventory Management, POS & B2B eComme...</p> <p>FactoraDirecta FactoraDirecta is an easy accounting software for...</p> <p>maliba Currenco maliba is an automation toolchain that allows you to convert / exchange currencies on the fly. Take a lo...</p> <p>BrightManager BrightManager is a practice management software designed by accountants and used by accountants...</p> <p>Senta Senta is a cloud practice management software including marketing, workflow, email automation...</p> <p>Fatture in Cloud Fatture in Cloud is an Italian online invoicing software with all the tools you need keep your business unde...</p> <p>Invoiced Invoiced is autopilot for accounts receivable.</p> <p>Mindee OCR Mindee OCR extracts data from the documents you use most. Included in this package are Receipt...</p>	<p>Evoltz Evoltz is an invoicing and management software designed for small businesses but also their...</p> <p>Visma eAccounting Visma eAccounting is a financial software for small and medium sized businesses.</p> <p>Duipuu Duipuu is an accounting app that makes accounting for small businesses and freelancers easier, automated...</p> <p>Expensify Premium Expensify is an application that makes it easy to import expenses directly from a credit card to creat...</p> <p>QuickFile UK based cloud accounting software. Manage your accounts and bookkeeping in the cloud. QuickFile is...</p> <p>GetMyInvoices GetMyInvoices is a digital invoice management software that simplifies and speeds up preparatory...</p> <p>FYI FYI is a document management service for professionals.</p> <p>InvoiceXpress InvoiceXpress is online invoicing software that helps all businesses issue invoices in seconds, hassle free.</p> <p>Brex Handle your company's deposits, payments, credit cards, spend management, and accounting in one...</p> <p>Mobolmi Mobolmi is an online invoicing software, that allows each entrepreneur to effectively control business...</p> <p>Bkper Keep track of earnings, expenses and account balances, in a centralized and collaborative way.</p> <p>S Seamis Seamis allows you to onboard your clients with ease to collect and collate data. Make life seamless with...</p> <p>FINOM FINOM is a financial service that combines a banking business account, invoicing, and accounting softwa...</p> <p>InvoiceBerry InvoiceBerry is an easy-to-use online invoicing software for small businesses and freelancers.</p> <p>Exact Online Exact Online is a cloud-based accounting and ERP software tailored for SMEs, offering financial...</p> <p>Firm360 Firm360 is an all-in-one practice management system for accounting firms.</p> <p>Aero Workflow Aero Workflow is a workflow application for accountants by accountants.</p> <p>Facture.net Streamline your billing and quoting workflow using the Facture.net platform.</p>	<p>IRIS KashFlow IRIS KashFlow is an easy-to-use accounting and bookkeeping software allowing you to run your...</p> <p>Sage Accounting Award winning accounting from the leader in financial accounting software. Manage invoicing, cash flow...</p> <p>fastBill FastBill is a cloud app for German invoicing & accounting software. Writing offers and invoices, paying your...</p> <p>Ponto Ponto lets companies automate their finances by offering an API on top of 100+ European banks. Poi...</p> <p>free free provides cloud-based accounting & HR software for SMEs in Japan to automate and simpl...</p> <p>Billit Billit is an accounting app for entrepreneurs, with the support of the accountants.</p> <p>Pleo Pleo offers smart company cards that automate expense reports and simplify company spending.</p> <p>Xama Hub Xama Hub enables the streamlined onboarding of customers through the automation of identity...</p> <p>HirePOS HirePOS is a modern web application that assists with all aspects of hire rental businesses from start...</p> <p>edobox edobox is a user-friendly online booking system for courses, seminars and events with a guided proces...</p> <p>Gooyod Gooyod is an accounting tool focused on supporting small and medium size businesses.</p> <p>Saasu Fast, simple online accounting for small business that includes cashflow, invoicing, payroll and...</p> <p>Corpay One Corpay One is the leading bill pay solution for small-and-medium-sized businesses. Automate your...</p> <p>Daftra Daftra is a cloud ERP and accounting software designed exclusively for small and medium...</p> <p>Striven Striven is a full suite of integrated business management tools with everything your organizati...</p> <p>Cassa in Cloud Cassa in Cloud is both a cash register and management system.</p> <p>Respaid Respaid helps you collect your unsettled receivables using AI, achieved amicably, preserving your brand...</p> <p>BillBjon BillBjon is a tool to automate the data entry of bills and receipts into your accounting software.</p>
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- ▶ Spend Management
 - ▶ Credit Cards (Spend Cards)
 - ▶ Bill Payments
- ▶ Signature Requests
- ▶ Document Management and Storage
- ▶ Financial Reporting and Analysis

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New Risks and Solutions

- ▶ Software setup, maintenance, and training
 - ▶ Internal champions, external consultants, 3rd party providers
- ▶ Access Management and User Roles
 - ▶ Employee onboarding/offboarding and periodic reviews
- ▶ Phishing scams and malware attacks
 - ▶ Ongoing education and training, 2FA, antivirus software
- ▶ Software glitches, downtime, and internet outages
 - ▶ System backups, failover plans

Dana Britto



NFC Moderator and Founder & Principal
of Cultivar Consulting, LLC

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Financial Literacy & Monitoring Is a Control!

Need to move
from this...



To this



Cultures that promote regular, team-based **monitoring**, sufficient **interpretation**, and frequent **discussion** of organizational financial data:

1. Strengthen the ability to quickly identify and address instances of **fraud and/or misuse** of resources, and in turn:
2. Help ensure a culture of integrity and optimal use of resources **in service of mission**

Ensuring Ongoing Financial Literacy & Monitoring

1. At minimum, distribute these **reports** regularly
 - Balance Sheet (Statement of Financial Position)
 - Budget vs. Actuals
2. Make the information **digestible** for all
 - Draft brief financial narratives
 - Use Dashboards
3. Make space for **regular discussion**
 - Address questions, spot irregularities and develop appropriate action steps

Know Your Business Model

To help spot irregularities and inform management decisions:

- Know your key revenue and expense **drivers** and establish clear **benchmarks**
- Understand the **cyclical**ity of your model and its **cash flow** implications
- Based on the above, establish targets for **flexible working capital and reserves**

Stay Connected on the Forum

YOUR FORUM AWAITS...

Most commons have a forum where community members can meet to surface mutual concerns and exchange resources. At the Nonprofit Financial Commons, THIS is that space. Any question you have about nonprofit finances, whether it has to do with high strategy or granular practice, can be brought here. Here you can glean the rich wisdom of your peers and share your own hard-won insights and knowledge. Be and spread the change you wish to see.

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