Internal Controls for Centers for Independent Living

Presented by Paula McElwee and John Heveron

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Good afternoon, everybody. Welcome to our latest CIL-NET teleconference Webinar, internal controls for center for independent livings. I'm Tim Fuchs with the NCIL here in D.C. Today's training is broad to you by IL-NET. IL-NET is operated through a partnership between ILRU, NCIL, and APRIL with support provided by the administration on community living at the department of health and human services. As always we are recording today's call so week archive it on ILRU's Web site. So that will be available for you and your colleagues for review. We will also take several breaks today to take your questions.
There's a few ways you can ask questions on the call. You can type your question in the chat and you can do that by using the white text box below the list of attendees and just hit enter. You can do that any time during the call if you have a question or comment. We will wait until the Q&A break to address them. If your question or comment is technical in nature, like say you are having a problem with the slides or the Webinar platform, we'll respond to you individually.
Also, let me mention things look great on the Webinar platform today but we've's had some delays lately and we have been troubleshooting them and working through that. I trust it is going to work well. If there are any delays, say the slides are slow to change, just let your computer catch up. If that happens, it would be on our end. After a few seconds, it should catch up and go to the next slide. You can certainly let us know if that's happening to you. But I just want to make everyone aware. Hopefully, though, we have fixed the problem and we won't have any issues at all.
Speaking of which, the PowerPoint, of course, for those of you on the Webinar will display automatically and we'll be changing the slides for you today. If you are only on the teleconference or only on the CART captioning screen, the full screen of CART captioning, you will want to have that PowerPoint up on your computer or print it out. Make sure you open up that PowerPoint presentation that was sent to you in the confirmation email. If you don't have it handy, let me know at tim@ncil.org. I have got my email open if you need a fresh copy of that PowerPoint. I can send it over to you. I also hope that at the end of today's call you will fill out the evaluation form. Doesn't take long to complete. And we take your feedback very seriously. If you are participating in a small group today, that's great. We love that. We hope each of you will fill out the evaluation. Also, as we have been doing this year, we will select one of you that fills out the evaluation to receive a $25 Amazon gift card. Not paid for five minutes' work.
Oh, also, if you are on the phone today you can ask questions as well. I should have said this earlier by pressing star pound on your phone. Also if you are on that full screen CART captioning, you can log into the chat there. I'm logged in and you can share questions with me and I will voice them to our presenters during our Q&A break. But I will remind you of these question instructions each time we take a break so you don't need to worry about it.
Okay. So that's the housekeeping stuff I wanted to mention. But for now I want to introduce our presenters. Thrilled to have back with us John Heveron and Paula McElwee. John is -- if you have done any of our financial trainings in the last couple years, you probably have heard from John. John is present of Heveron and company CPAs in New York. John's been working with non-profit organizations, including centers for the better part of 50 years. And with all aspects of accounting, accounting policies including internal controls, audits, and John's just been a real asset to all of us that have learned from him. So, John, thanks for being here.
And Paula McElwee as well, the technical assistance coordinator for the IL-NET project at ILRU. And Paula, same, you have been so valuable in so many of these financial and regulatory trainings over the last few years. So thanks so much, you all, for your time today and for putting together the presentation.
Now now I will go ahead to slide 3 and turn it over to Paula. Paula?
PAULA McELWEE: Sounds great, Tim. Thank you. We are going to take a look at the goals for this project first, so we are going to look at the goals and the format that we are going to follow on today's Webinar. And remember not to be nervous about the fact that slide 3 hasn't shown up yet. We'll cover it. You will see it in a few seconds. One of the things we want to do today is explain the foundation of having good internal controls. Internal controls is a term you will hear sometimes from reviewers who come in to take a look at what we're doing at the center, sometimes from our own auditors, sometimes from other sources. Internal controls are the foundation for making sure that there is adequate protection for the funds you receive. You receive public funds for the work you do and we want to be responsible for them and having some kind of a good internal control system is the very foundation of that. We will review the elements of an internal control system so you can take a look at whether you have those elements in place. We will review sample procedures that might be helpful for different size organizations because we know you are not all the same size. Some of you may only have one person working in the finance department, and some of you may have four, and everything in between. So we have some different procedures that we are going to suggest to you. And we will review the process of monitoring, how do you monitor to make sure those controls continue to be in place and are appropriate for your organizations.
Let's go ahead to the next slide, Tim.
As we look at those internal controls, just a side note when a center has difficulty in any way with its finances, this is the first place that everyone looks, the reviewers regarding compliance. It is also one of the places I would look if I'm going to help you, our technical assistance services include assistance to you related to whatever you need in the way of policies and procedures and other support for making sure you have those internal controls in place. When you get to the end of the presentation, there will be contact information and you can contact me with either email or by phone and that assistance is provided to you as part of our technical assistance, and there is no extra charge for that. So keep that in mind.
John, would you like to take over for a minute?
>>JOHN HEVERON: Thanks, Paula. We just moved on to the next slide that shows there are two organizations that provide guidance on internal controls on a national basis. One is composed of internal and external leadership organizations like our American institute of CPAs. And the other one is the federal government and they publish a publication called the Green Book. It's called standards for internal control in the federal government. But you are going to see why this is applicable to you, even though you're not part of the federal government. You receive federal funds. I think you virtually all do -- I think you all do, and this may apply to you.
Both of these have been recently updated to take into account how changes in technology have affected all businesses. And you don't need to be a master of both of them. You need to know they both exist. You can probably focus on one or the other. But it's good to know that they both exist and that will become more evident as we move on.
Next slide, please.
>>PAULA McELWEE: It's already up.
>>JOHN HEVERON: There are five elements that are necessary for proper controls. The first one is the control environment. And that's your board and senior management's commitment to confidence, your commitment to having proper procedures and roles, clear roles and responsibilities of the various partners in the oversight of funds, the monies you receive and moving on.
I will keep going. The slide will catch up. The next element of internal control was risk assessment, management's tone at the top. This is risk assessment, and that's a careful look at your organization's operations. And considering what could go wrong, that would get you in the way of accomplishing what you're here to do, what might expose you to risks with funders or regulators, and what could cause financial loss or possible embarrassment. That's what risk assessment is all about.
Next slide.
The third element of internal controls is called control activities. These are specific procedures, written policies that you have. They will be implemented such as separating responsibilities of recordkeeping for assets and physical custody for those assets. It also includes reviews, again, depending on the size of your organization, and reconciliation such as reconciliation of your bank accounts or other accounts that are in your accounting system like receivables and payables.
Next slide.
The fourth element of internal controls is called information and communication. And that's a clear communication for management to staff about these policies and procedures and controls that are in place, including training for staff. So that's the fourth element.
Next slide.
The fifth element is called monitoring activities, and that's periodic follow-up to reassess risks to make sure the controls are still appropriate based on your current operations and that they are still being followed. That's really a two-part thing. Has your agency changed? Have you received different funding for different programs? Have you started carrying on a fund-raising activity? Have you had turnover in staff? Has a board or finance committee member that was providing some services, has that changed? You need to reassess what has changed with you, how that impacts the controls you should have in place and reassess how they're working.
In large organizations, that gets done by an internal audit function. In smaller organizations, it may be one of your board committees, like an audit or finance committee could do that.
Controls are a system and ongoing process. As you review the procedures that we're going to provide here to determine whether they are appropriate, keep these principles in mind and remember, controls are a system. They are an ongoing process, not an event.
I mentioned there are two leadership organizations that have the internal control principles or provide the internal control principles and recently updated them. The good news is these five elements are virtually the same in both of these, so you don't need to go back and forth. You need don't need to make sure you have covered both. They both depend on these five elements to have a complete system. Next slide.
That's going to bring us to some questions and answers.
>> Good. This is going to bring us to our first Q&A break. Thanks, John. To remind you all, if you have questions on the phone, press star pound to indicate you have a question or you are welcome to type it in the chat, either on the Webinar platform or on the CART screen.
There is, as you all noticed, there is a bit of delay on the slides. I apologize for that. I am trying to anticipate the slide changes before John and Paula get ahead in the content. So I hope that wasn't too distracting. Let's take a minute here. I will give about 30 seconds to see if anyone has questions. Again, it's star pound on the phone.
Go ahead.
>> PAULA McELWEE: I was just going to say, while we are waiting for those questions to come in, I have a comment. Yeah, you ought to tell people how to do the questions one more time.
(laughter).
>> Tim: That's fine. Star pound on the phone or type it in the chat under the attendees on the Webinar screen or on the CART chat on the right side of the screen. If you don't see that CART chat, make sure that you haven't hid the chat. There is a button down in the bottom right hand that says show or hide chat screen.
Okay, go ahead, Paula.
>> PAULA McELWEE: I was just going to say as you analyze for yourselves where you are in your policies and procedures and whether or not you have good internal controls put in place, using this particular set of slides is going to be very helpful for you. Those five principles that John just talked about are the basis for your analysis. You need to ask yourself each of those things, how are we doing this principle.
And if you bump up against something that you're not sure how to proceed with that, you know, we're available to you to kind of walk you through that to help you see what will work well for your organization. But actually just pulling those slides and thinking about your own internal question and answer about your organization, how do you do each of those things is going to be very helpful. So we mentioned, for example, the last one was that we looked at monitoring activities and you need to ask yourself, when was the last time that we reviewed our controls internally. Has anything changed? You know, what has changed? And is that going to affect the money.
And John mentioned specifically one of the things he mentioned was fund-raising. And as soon as you're handling cash and using volunteers often off-site at some dinner or something to help to manage that money as it's coming in, suddenly you have changed something and you need to go back and review do you have your intern controls in place to cover this new situation. Does that kind of make sense?
>> TIM FUCHS: Does, yeah. Thank you, Paula.

All right. I don't see any questions.
Just a reminder, too, given this delay, which right now is about 30 seconds, if you type a question and I don't get it before we move on, we have Q&A breaks coming up in the middle of the call and also at the end of the call. So you will have another opportunity. And if I miss any of your questions or if they come in during content, we'll begin the next Q&A break with those.
Okay, I don't see any questions on the phone. I don't see anyone typing. So I'm going to go ahead to slide 12 which you will see change in a moment.
And turn it over, John, I believe you are handling this one. Is that right?
>> JOHN HEVERON: Yes, thanks, Tim.
>> TIM FUCHS: Great.
>> JOHN HEVERON: So the next slide starts -- the heading is "uniform grant guidance." I hope everyone has heard that term or Uniform Guidance by now. These are guidelines for receiving federal awards. They will apply to you starting in the fiscal year that's coming up very shortly for you, starting October 1st for most of you. And the guidance states that you must establish and maintain internal controls over federal awards that provide reasonable assurance that you are managing those awards in compliance with general federal requirements and the specific rules for the funding you receive. So that's a must.
And then it goes on to say: Internal controls should be in compliance with the Green Book or with that COSO that we referred to earlier. So that's why it's important to understand those two bodies of knowledge. And I should also say you don't just have to have these controls. You really need to document that you have these controls. So you virtually are going to have to have written procedures for each of the elements for internal controls. If you don't, the fact that you do practice them really won't be enough if you have got a funder coming in to do an audit.
Next slide, Tim. If you could.
>> PAULA McELWEE: That's an excellent point, John. Just a thought for that while the slide is changing, related to that situation is that I've seen centers who go through and they check it off without going back and look. So if you are tending to think, oh, yeah, I'm sure we're fine, take the time to actually go and see is it documented. And if you were someone from the outside organization would you still be able to see the internal controls and how they work.
>> JOHN HEVERON: Okay. We are now on the first of several slides that are going to be procedures that you may want to follow. I will say this again near the end. But let me remind you up front that you probably don't need to do everything. More importantly, you don't want to have a policy that says you do something that you end up not doing. In other words, don't take on things that you're not able to keep up doing because history has taught us that when the federal or state auditors come in, they will consider that to be a violation, even if it's not a specific requirement that they have imposed.
If you have that written requirement and you violate it, then it's still a violation. So keep that in mind and we'll talk about that as we wrap up because there are a lot of procedures here. But this first slide that we're looking at right now addresses those first set of procedures or that first element of controls called the control environment. It is setting the right tone at the top. And the examples here, management needs to demonstrate an attitude of integrity and commitment to competence and they do it through proper hiring and training practices, attention to compliance requirements such as maintaining complete and up-to-date personnel files, appropriate background checks and the like. Even for themselves, board members and management should review and sign a conflict of interest policy annually. I assume they are all doing that now, your annual 990 that you all file asks if that's done.
Management and the board should have a written code of conduct that describes proper business practices and be sure that everyone is familiar with that code. Now, that really might be part of the conflict of interest policy so you don't necessarily need to have two different things there. But there should be a code of conduct for the board and for senior management.
There should be no tolerance -- I'm sorry, Paula?
>> PAULA McELWEE: I was going to say, John, we do have some samples if someone doesn't have that in place and they want to contact me, we can provide them with a sample conflict of interest policy and/or a sample Code of ethics or code of conduct.
>> JOHN HEVERON: Great.
And show no tolerance for improper practices, even minor improprieties should be addressed. Sometimes they are actually a nuisance for management and the board to follow up on something that isn't very significant but not doing that sends out the wrong message.
Next slide. And we are on that already.
Question unusual activities, that doesn't have to be -- that doesn't have to sound accusatory, but it will demonstrate your commitment to avoid improprieties. So that's important as well.
Continuing on, again, the control environment procedures include developing a good budget and looking at variances from that budget, updated during the year as appropriate. And I'm not talking about for minor things, but if you have a new program. If you have a a funding stream that doesn't continue, update it for major things like that. When you do that, the comparison between budget and actual is much more meaningful and those variances, those differences are red flags that deserve attention. Typically board and management review a financial statement that compares budget to actual expense and we'll get notes -- management will provide notes to the board with reasons for the variance if it exceeds an agreed-upon percent or amount.
An example might be a 15% difference here would require an explanation. If we can move right on.
Still continuing to set the tone at the top, one important thing is to communicate your whistleblower protection policy regularly. Every organization should have a whistleblower protection policy. It is really required. You know, it's one of the things that does apply to non-profit, if you remember Sarbanes-Oxley, that set of rules for corporations, most non-profits were exempt from that. This is an exception. You're subject to having a whistleblower protection policy.
But more importantly, this is telling your employees you want to know about problems. And their position won't be jeopardized if they honestly report anything. And our professional association and the association of certified fraud examiners both have concluded that employees uncover more problems than any other source, including audits. So that's important.
Some organizations even post this on the wall to make sure everybody knows about it. And, as I said, employees uncover most wrongdoing, so you want to know about that and you want to encourage them to communicate it.
Okay. Moving on. So all of those were really the tone at the top or the control environment. And now we move on to separation of duties, verifications and reconciliations. And generally the responsibility there should -- or there should be a separation of responsibilities of recordkeeping from custody. In other words, the person who records the deposits and the person who receives the deposits should be different. They have a check and balance I understand when it's possible. I recognize not all organizations can do that. Generally you want to separate custody and recordkeeping.
So for vouchering or billing, vouchering -- vouchers should be prepared from your accounting system. If there's difficulty with that, you may need to look at your accounting system but that's the best way to do it. And then an independent person should review vouchers and other billings before they are submitted or uploaded.
Similarly for receipts, somebody not involved with billing or accounting should initially receive payments and list them on a deposit ticket or a separate place. And I do know in many cases these are electronic deposits. Checks you receive should be stamped for deposit only as soon as they are received.
Paula, did you have any comments on that?
>> PAULA McELWEE: Well, this is part of what -- yeah, sure. This is part of what you would be examining for yourselves as you are looking at whether or not your system meets all these requirements. So you are going to ask yourself the question who opens the envelope that contains a check and how is that recorded. And that's going to end up being part of your written policy and procedure. So you have it written in a policy and procedure and then you actually do it. And that's the way it is with all of these internal control procedures. They are actually written policies that you then show that you carry out.
>> JOHN HEVERON: Right, thank you.
We are just going to move right on to slide 19 momentarily. But I'll get started with that.
So slide 19 says that all bank accounts should be reconciled on a timely basis, at least monthly. You know, usually within a week or so of the bank statement being received. The monthly bank statement should initially be received and checks, electronic payments and transfers should be reviewed by someone who isn't involved with preparing checks. And I know the world has changed. We used to get paper checks and it used to much easier to flip through them.
Now in many cases, what you will get is an electronic image of the check. And sometimes they are very small. But the slide says it's useful to actually view copies of the checks. Let me up that to it's necessary. This is a control procedure that is extremely important, that somebody independent of the check writing be reviewing all of the checks that got written. As an auditor, I have seen different situations from what an accounting system a check was written to and where the check was actually written to were different. So somebody needs to review those on a regular basis. And if you are not getting images of checks with your bank statement, talk to your bank about that. This is an important control.
I also want to acknowledge -- I'm sorry?
>> PAULA McELWEE: Go ahead and finish your thought. And then I have a thought.
>> JOHN HEVERON: Okay. I also just want to acknowledge that some of your organizations are very small, and you may not have much other separation of responsibilities between check preparation and check signing. When that's the case, it makes it even more important that this review be done.
Go ahead, Paula.
>> PAULA McELWEE: What I was going to say is that often the board treasurer, if you are a very small organization, can be given access to review this electronically. And if you provide the board treasurer with the list of what checks were supposed to be written, to who and how much in that period of time so that they can check it against what was actually there, it is, as you said, an essential control.
When there have been problems with money going astray, it has often been that someone changed the payee somehow. And you won't know that unless you look at the check. So you won't know that -- because it says in your computer that that check went to, you know, Mr. Johnson, but instead that check went to one of your employees or one of their family members. You hoping in like this ever goes wrong, but when it goes wrong, this is one of the key places.
>> JOHN HEVERON: Thank you.
So moving on to slide 20 and disbursements. After checks are prepared, they should be submitted to a check signer with original invoices. That assumes your organization is large enough to have a check preparer and a check signer. Again, maybe a board member, maybe another member of the staff. But when that's the process, then the person signing should have the invoices to review.
And then invoices should be marked paid after they're paid. And then ideally checks wouldn't go back to the person who prepared them. Someone else would send those out, the person who signed them or receptionist, again, if you have enough people in the organization.
There should be documentation for all credit card charges and for all employee expense reimbursements. And those should be reviewed by an independent person. And access to blank checks should be limited to authorized signers.
Move to 21. 21 is a very brief overview for a couple key procedures for payroll. And there's a lot more that we could say about this. But we're simply going to say there should be documentation for time worked and for what was done, what was worked on. You've probably heard about the importance of PARS, personnel activity reports. That's beyond the scope of this training but that is important.
And then someone other than the person entering payroll information should review the completed payrolls to verify that rates and hours are proper. So when I say the person entering payroll, you may call that in. You may do that online. But somebody other than that person should look at the payroll journal or payroll report to verify that it is proper.
Next slide, please.
I mention retirement plans here because this is a very risky area, and we've gotten a little bit of an indication that the I.R.S. is becoming more aggressive even with small non-profits with retirement plans. I also mention it because it's not just I.R.S. but the Department of Labor monitors compliance with retirement plans. And they're not folks you want to be on the wrong side of.
So periodically, I.R.S. requires updates of all retirement plans and they impose harsh penalties for non-compliance. Someone in your organization or a board member or an outsider should be assigned responsibility to make sure that the retirement plan is up to date when these changes come out. And they do come out with some regularity.
There's a thing called a summary plan description, and it describes the terms of your retirement plan. In plain language, it's much, much shorter than the entire retirement plan agreement itself. That's supposed to go to all employees each year. And if the employee money is in a single account, in other words, if it's pooled, then there needs -- you need to have written guidance about how that money is managed.
If there are individual accounts, which is probably your situation, then employees should have access to guidance about the retirement plan and investments for their individual accounts. Usually you are working with a broker or an insurance company who's going to help and provide this guidance. But you do need to make sure that employees know that this guidance exists.
Let's take a minute for any questions at this point.
>> TIM FUCHS: Okay. Thanks, John.
My apologies again, folks, for delay on the slides. Like I said, I have been trying to do my best -- I'm trying not to use the word "guess" (chuckles) -- but to hit the slide about 30 seconds before John gets to the end of it. Anyhow, thank you for your patience. Trust me, we are working really hard to fix this so it won't happen on future Webinars.
You can press star pound to ask a question on your phone or you can type your question in the chat.
I will give about 30 seconds for anyone to type out questions or hit star pound on the phone.
We have got plenty of time on the call for questions today. We have left about 30 minutes of our hour and a half together just for questions, so I hope you take advantage if you have any questions about these first pieces of internal control that John just went over.
>> PAULA McELWEE: I have just a comment that I hope might generate a question or two.
>> TIM FUCHS: Sure.
>> PAULA McELWEE: When we mentioned early in the presentation about the uniform grant guidance, that uniform grant guidance is the document or set of regulations that took the place of the OMB circulars. So we used to talk to about OMB circulars and what was required. One of them was around what's allowable to spend. One of them was around your policies, procedures, and process. And one was around when you were required to have an audit.
All of those were rolled together along with the ones from states because they had a separate set of OMB circulars for state governments into this Uniform Grant Guidance for all recipients of federal grants. So that's what we are talking about when we are talking about the Uniform Grant Guidance. Anywhere you see in your policies and procedures or in ours around OMB circulars, it is now Uniform Grant Guidance instead. Just so everybody is clear on that.
>> TIM FUCHS: Okay, great, Paula. Thanks for the explanation.
All right. John, got a question from the folks at CACIL, they are wondering if you would recommend a third-party administrator for retirement plans.
>> JOHN HEVERON: Generally yes. Even us as a CPA firm, we use a third-party administrator. It depends on the type of plan that you have. There are some that are much simpler than others. But if you have a plan like a 401(k), for example, that's a little bit more complicated. 403 (b) is really similar these days. So if you are dealing with either of those and the company, the organization is contributing and employees are allowed to contribute, that can be complicated and a third-party administrator is a good idea.
>> TIM FUCHS: Okay, good. Thank you.
All right. Next question comes from Sallee. Sallee says if our simple IRA plan is automatically owned by the employees for both their contributions and ours, and the broker handles any withdrawals, I would think that would satisfy any concerns of the I.R.S. Is that true?
>> JOHN HEVERON: I would have thought that, too, six months ago. But we had a non-profit organization that had a very simple plan like that. In fact, it was set up to be a plan where only employees would contribute. So the non-profit just made it available.
I.R.S. started out indicating that they were going to penalize this organization because they didn't communicate that to employees every year. So even with the simplest of plans you do have some responsibilities to make sure employees are aware of it. If they are not eligible right away, there should be some communication to them about when they are eligible. And there should be some communication about where they go for investment advice. Maybe it is right in the employee manual or in a staff meeting. But you do need to do that. You can't just make the plan available.
>> TIM FUCHS: Okay, all right. Thanks, John.
Okay. That's all the questions I see for now. Give another 10 or 15 seconds just to make sure nothing else comes in. Again, we will have another Q&A break at the end of the call.
Okay, clarification from Sallee who asks: But if the communication is done annually and the employer contributions go right to the employee's account, would that be okay?
>> JOHN HEVERON: Yes, that's your primary responsibility with individual accounts is to communicate to employees on an annual basis. Again, the only exception is -- might be if they become eligible for the plan at different times during the year. You might want to communicate that as well. But individual accounts and annual communications, that's going to cover it for the simple plan that you described.
>> TIM FUCHS: Okay, great. Thanks, John.
All right. Sallee says thanks, too.
I have clicked ahead to slide 24. Didn't see any additional questions. Which should appear to you all in just a moment. And I will let John continue with securing your electronic data.
>> JOHN HEVERON: Thanks, Tim. You can barely go a day reading the newspaper, watching online reports without hearing about the next security breach. And it's not just big companies. In some ways, small organizations and even non-profits are more vulnerable because the systems are less sophisticated and easier to breach. So there are con strand threats to your confidential let information and to your bank account and investment account if that's appropriate, anything that can be accessed electronically.
I think it's really worth considering contracting with an outside I.T. organization that will monitor you externally. When they do that, they don't generally have to come into your organization very much, so it isn't that expensive particularly if you are hiring somebody to come in now occasionally. But they will assist you with backups, software upgrades, look for any error logs and make sure that your security is up to date.
And if you are not doing that, then you need to do that internally. You need to do have somebody who is responsible for those things on a regular basis. Regular backups should be made and stored offsite or in the cloud now which is much more common. And then occasionally check that those backups are working.
Log-off or shut down computers at night. Make sure that your antivirus software is updated continuously and have certified firewall and anti-spam software.
Move on.
And I know passwords can be a real pain because keeping track of all of them is difficult. Nevertheless, passwords should be used wherever they are appropriate. They should be strong. And what that means is usually a combination of uppercase and lowercase letters, numbers, and maybe at least one special character. And they should be changed periodically every 90 days or so.
Mobile devices that have access to the organization's server, in other words, email or calendars that are synced should be password protected and set up so that confidential information can be deleted remotely. That means if somebody steals your phone or you lose your phone or pad and that is connected to your company email, then a user would be able to access information on the server. So an I.T. person would be able to set it up so that the confidential -- that connection could be deleted remotely without having the phone.
Hard drives on computers and copiers should be destroyed or reformatted when they are disposed of. I don't know if everybody knows that when a copier makes copies of things, including W2s and confidential client information which might even be covered by HIPAA, that a hard drive keeps an image of what you've copied. So you want to get rid of those hard drives when you get rid of a copier, or get confirmation that it is being destroyed.
Your organization should have a policy for computer, Internet, and email use, a written policy that should distribute to your employees. And that policy should also cover what happens when someone leaves, how do you terminate their access.
Next slide.
Make sure your personnel manual is up to date. This is very important. Most litigation against non-profit organizations is related to employment matters. So you should be very clear on what your rules are. Again, make sure the personnel manual is up to date. Make sure everyone knows how to access it. Consider developing an accounting procedures manual to confirm your accounting procedures and internal controls. You'll find that very valuable if you have a change in your accounting personnel.
Consider fidelity bond coverage for employee dishonesty. It is best to use a carrier other than your general liability carrier. In other words, if Travelers insurance is your general carrier, use a different carrier for your fidelity bond coverage. Talk to your insurance broker about that. Find out what the cost is, but this can be a valuable source of coverage if it's not too expensive.
And then talk to your banker about controls the bank can provide. Banks can provide limited access for electronic transfers. They can limit the dollar amount. They can limit who electronic transfers can be made to. They can even get information from you about what checks you've written so if somebody tries to put a check through your account and you haven't preapproved it, you will get an email from the bank before they allow that check to clear.
Next slide.
You are ahead of me.
Your written procedures -- this is the monitoring section. So this is the final follow-up section. And so everything else to this point is really the proper controls but monitoring makes sure they are really working and that they are really appropriate for who and what you are today. So the first one is your written policy sets standards for performance. One of the monitoring things should be review of your policies to be sure that they are current and appropriate.
You might be shaking your head saying who is going to do monitoring. This is probably a board or finance committee or audit committee function. It doesn't have to happen all the time, monitoring sounds like something that happens on a daily basis. Maybe once a year, maybe a couple times a year. Certainly not all the procedures I'm listing here but maybe a few of them and change them from time to time. So we talked about the first one.
Determine whether staff is familiar with and fully implementing your policies. That would be done by sitting down with some people and say: Are you familiar with our whistleblower protection policy? Are you familiar with our policy for bank reconciliations and is that happening?
The next question, the monitoring committee could ask is training appropriate. And be sure to review personnel policies, conflict of interest policies and whistleblower protection policies. In other words, is everybody trained in those?
The next slide says determine what security measures are in place over confidential information, employee information. Your company has your Social Security number and your address. That's important information. Donor information, donors want that information to remain confidential. And credit card information if you have any of that. Also consider the physical safety of staff and customers and others who have a relationship with your organization. And then review the organization's hiring procedures, determine whether references are checked and criminal background checks are used, particularly for people involved while working with individuals or with access to your financial resources.
Next slide.
So, again, this is the monitoring process. We talked about doing this. Now monitoring is going to check to see whether or not it happens. They might look at whether imageses are provided with the bank account, with the checking account, and verify whether somebody is looking at them periodically, looking at the checks, electronic payments and the transfers to be sure they're proper.
And then check how up to date bank reconciliations are. Again, as a procedure we talked about reconciling within a week or two. Now the monitoring process might say is that actually happening? And then look at some invoices, just pull some invoices out of the file to determine whether they are properly marked to document approval, non-payment of sales tax, if that applies, and to note that they've been paid.
Next slide.
Check whether unused checks, undepositted checks and cash received are kept in a locked area. Review charge card statements to see if somebody is reviewing them. There should be initials, and whether there's documentation for all purchases. There should be vendor receipts from the user, for full documentation of detailed expenses.
And the monitoring group might review expense reimbursements, especially for senior personnel, to verify their proper documentation and an independent review.
Next slide.
Next slide is really a bit of a repeat. We said this already. The majority of frauds are uncovered by employees and interview to make sure employees know that they are encouraged to communicate any wrongdoing and that they're familiar with the process for communicating that.
They might look at how time worked as documented. Are you using PARs? Are you using some other method for documenting what was actually done? And the monitor could also check whether there was an independent review of time worked. So those reviews not only have to happen but there has to be some evidence of them so that the monitor can look at this and say, it's being done, I see that the supervisor has signed off on this and we are -- we should be able to withstand an audit.
Next it says each -- next is a recognition that each of these control procedures adds some burden, but it reduces some risk. And so you have to weigh these and other possible procedures to determine the right balance for your organization.
You may not be able to have all the separation of duties. You just may not have the employees to do that. Your monitoring may just be an occasional process and involve some members of the board.
When you determine what you can do, keep in mind the more of this you do, the more reduce risk but the more you add burden. And so find that right balance for your organization. Make that commitment to what you are going to do. Put it in writing, and stick with it.
>> PAULA McELWEE: John, that's excellent. You know, as we look at the centers who are struggling with their financial policies and procedures, we often see that out of balance, where the amount that they're taking on is too much of a burden. Maybe we can simplify. And I know in some of the other trainings that we do, you have really encouraged simplification whenever possible, make it direct and simple so that it can happen more easily and it's within the capacity of your center to actually accomplish that.
>> JOHN HEVERON: Absolutely.
>> TIM FUCHS: Okay, great. Thanks to you both. So that brings us to our final Q&A session. We've got plenty of time left. So I hope you all will take advantage.
You all know the drill by now. Star pound if you are on the phone or you can type your question in the chat. As usual, I will give you all some time to type your questions out.
While you are thinking about your questions, too, before we break, if you haven't gone ahead in the slides, we will talk about how to get support after today's call. So as you think about what you learned, as you talk to others in your organization or your board members, we'll talk to you about how you can send in questions or get some support as you implement some of these changes.
Oh, also, I do see Joe asked a question while you all were presenting. He asked: Are templates available if you're starting a new center? John or Paula, do you want to talk a bit about the sample policies that were developed?
>> PAULA McELWEE: Absolutely. We have a set of sample policies and procedures that John worked very hard on. At the time it was RSA. We are reviewing those right now and we'll have some updates. But they are very solid when it comes to these elements of internal control. So, like I said, the references might have changed from OMB circular whatever 110 or whichever one it was to the Uniform Grant Guidance. But the principles of internal controls are still very sound, and we have those available on our Web site. If you drop me an email, I will attach the link and send it back. As soon as the new ones are out, we will be announcing that and we can all kind of take a look at our policies and see if they need a little bit of tweaking with the new things that have come out.
Several new things have happened, haven't they? What a busy year we have had. You got the memo just the other day from Tim Beatty and the independent living administration that the Uniform Grant Guidance will be applied to centers for the year beginning tomorrow. That's going to be the case for all of you who received your direct grants, part C grants directly. So those are going to be required of you so you need to be kind of up to date on those. Like we said, there are not huge changes. There will be a few changes we will be looking at as we go through that.
And then in addition to that, we've's changed from RSA to ACL. So from the rehabilitation services administration within department of ED to the administration on community living within the Department of Health and human services. That's another change that has come along. It has been a year of looking at what we're doing and examining it carefully.
We also haven't seen the regulations related to the latest revisions in the rehabilitation act. We will see them any minute, I think. But they have not yet gone into place. Of course, they don't have a lot to do with these internal controls because, as John said at the opening of this training, these are very -- these are standardized across the industry, across those who receive federal funds. So they are not specific to any one department. They are expected to be put in place by every entity that receives those federal dollars. So there's not a lot of that.
But, John, what would you like to add related to those policies and procedures?
>> JOHN HEVERON: Simply that the sample manual is a great resource. As you said, it's being updated. There was initially these policies -- policies for internal control over federal awards was supposed to be in place by the beginning of this year. It's a big undertaking. And so an extension was granted for that and also for purchasing policies which will also be part of that revised manual.
But those are supposed to be in place by the first of the year. And that's coming at us very quickly here. So it will be important to have those written procedures for controls over federal awards and a purchasing policy if you do any significant purchasing by the first of the year. And that means your board needs to adopt it and you need to have a plan in place for some internal training. So there's not an awful lot of time on that, but the resource, I think, you'll find very helpful. The current resource is really great and with the upgrades, we will be referring to the new guidance.
>> PAULA McELWEE: And I think you'll find all of this really helpful. But you mentioned something important, John, and that's the board. The staff have the day-to-day responsibilities around these internal controls. But as we've said several times through this presentation, if you are a smaller organization without enough paid staff to sustain some of these internal controls you are going to want to engage the board, we didn't talk as much about what their responsibility is with this. But they will be approving -- or should be approving your policies and procedures. And they have the fiduciary responsibility, the responsibility to make sure that the funds that are received by your organization are handled properly. So the board role is very important. And you may want to think about how you train your board as well as how you train your staff related to these.
>> JOHN HEVERON: Good point.
>> TIM FUCHS: True, yeah. Great points.
Okay. Star pound if you are on the phone or you can type your question in the chat.
Got a lot of time. And if there aren't more questions, that's okay. But I do hope you all will take advantage if you have questions.
I will give about 30 more seconds just since we have plenty of time left.
>> PAULA McELWEE: And, Tim, just a note. If people aren't asking questions because it seems too big or there's some major area that they feel a little shy about having a question about, know that we're available to answer your questions after this as well. So as you analyze your own internal policies and procedures, and you are yeah, oh, yeah, this is what I didn't get, this is what I need to figure out, please feel free to reach out. We would be glad to assist any of the centers in doing that.
>> TIM FUCHS: Great, thanks.

>> PAULA McELWEE: And also the presentation will be posted online so if you want to listen to it again, that's also going to be an option in a few days.
>> TIM FUCHS: Okay. Well, I'm going to start to wrap up. Again, that will take a minute or two. So if you have a question, go ahead and type it out and I'll make sure to address it.
I'm going to go ahead to slide 33 which my apologies you won't see for a minute. Let me tell you in the meantime that my email address if you would just like a single point of contact is very simple, it's just Tim@ncil.org. And, you know, really what I always say on these calls is it doesn't really matter whether your call is in an hour or in a month or in a year, please reach out and let us know. If you have a question or you need some assistance, especially with these sorts of issues, I know on the next slide you are going to see a recommendation to contact your program specialist at ACL. Of course, that's true. But if you just want some support from peers and want to run some things by us, that's what we are here for.
Again, that's Tim@ncil.org. Now that the slide is displaying, you see Paula and John have both been generous enough to provide their email addresses. John, of course, is a CPA. But Paula has a lot of expertise and this is her day-to-day job to support centers with exactly this sort of stuff. Please do. We'd love to hear from you. This is what we do.
And then also, the evaluation form there at the top. That's a live link. Hold your control key down and it will open in a separate window. Please do take a minute to fill it out. I know it's not the most exciting part of these Webinars and presentations. But we really do take your feedback into account as we think about our programs and improvements that we need to make. So please do share that with us.
Like I said, I know a lot of you participated in small groups and that's excellent. I hope that each of you when you get back to your own computer will go ahead and fill this out. This same link was sent to you in the confirmation email as well if that's easier for you to find after the fact.
Again, one person that does complete the evaluation today will be selected to run a $25 Amazon gift card.
Okay. I went ahead and clicked to the last slide. Look, we're going to continue to troubleshoot this problem. Thanks so much for your patience today. I hope it wasn't distracting, that short delay on the slides. Thanks to all of you for taking time out of your day to participate.
And, really, as Paula said, with so many of this not internal controls but with so many regulations up in the air, waiting for regulations from HHS, just know that we'll have training programs going forward to help decipher those, explain those, put them into layman's terms and help you all to put them into implementation.
Joe is asking when the slides will be available. So the fully archived Webinar including the audio, the PowerPoint with slides, all of that will be available on ILRU's Web site in 48 hours, usually much, much less.
You can find that by going to www.ilru.org and going to "ondemand trainings." So on the menu bar at the top, they have trainings as an option. You'd select trainings and then in the drop-down select ondemand. That's organized into categories. And you'll find this under financial resources.
And if you haven't been there and checked out the ondemand trainings on ILRU's Web site from all of the different trainings we have done through the ILRU project in addition to trainings that ILRU has developed on its own, I would really encourage you to do that. In fact, just the financial resources section alone for those of you that are interested in this topic may be new to a CIL board, maybe an experienced accountant that's new to non-profit accounting, I think you might be surprised at just how much is up there, including some materials from John and Paula from an onsite training we did a few years ago. And that sample policies manual, there is really a wealth of resources online.
So, look, I will let you all have the rest of your afternoon. Thanks so much. Let you know how we can help. John and Paula, fantastic job today and thank you for your time developing the presentation.
Everyone have a wonderful day. Bye-bye.

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