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# Internal Controls & Compliance as a Team Effort

Corporation for  
NATIONAL &  
COMMUNITY  
SERVICE 



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# You need to know . . .

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The information in this session is based on CNCS and Federal laws, rules, and regulations; CNCS grant terms and provisions; and generally accepted accounting and financial principles and practices.

Some state commissions, national grantees, or parent organizations may impose additional requirements.



# Welcome . . .

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- Introduction of trainer and CNCS staff
- Program types represented
  - Senior Corps, AmeriCorps, SIF, NCB, 9/11, MLK
- Questions
  - As we go . . . ask clarifying questions and provide your experiences
  - Questions at the end as time permits
- We will do a small group activity as time permits



# Session Objectives

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1. Understand internal controls and importance of written policies and procedures
2. Understand key elements of selected policies and procedures and need for compliance
3. Understand interrelationship between program and fiscal matters, and communications needs
4. Discuss real life scenarios to increase collaboration between program and fiscal staff

# What are Internal Controls?

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- ❑ Organizational policies, procedures, processes, and systems
- ❑ Clear identification and appropriate separation of authorities, responsibilities, duties
- ❑ A system of checks and balances





# Purpose of Internal Controls

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- ❑ Ensure accountability and help organization operate efficiently and effectively
- ❑ Ensure financial integrity of organization and reliability of financial reporting
- ❑ Ensure compliance with laws, regulations, requirements
- ❑ Ensure decisions, actions and transactions are appropriately justified, reviewed, approved and documented
- ❑ Minimize waste, fraud, and mismanagement
- ❑ Prevent loss of resources, public assets and trust
- ❑ Reduce legal liability



# A Good Control Environment Includes

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- ❑ Clear, written delegations of authority and responsibilities
- ❑ Written policies, procedures and processes
- ❑ Adequate review process for financial transactions, financial reports, budgets, etc.
- ❑ Adequate cash management procedures, e.g., monthly bank reconciliations by supervisory personnel
- ❑ Systems to track participants' & employees' time and activities
- ❑ System to follow up on problems to ensure resolution and ensure problems not repeated
- ❑ Identify challenges and training needs



# Responsibility for Internal Controls

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All levels within an organization are responsible for Internal Controls

- Board
- Executive Management
- Program Management
- Fiscal Management

Program and Fiscal staff should collaborate and work together to ensure compliance with grant and other requirements



# Potential Impacts of Inadequate Internal Controls

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- ❑ Audit findings – questioned costs, material weakness, non-compliance with requirements
- ❑ Federal funds may be managed inappropriately
- ❑ Inconsistencies in practices, processes, reviews, approvals, documentation
- ❑ Inefficient use of time and resources
- ❑ Funding sources may be jeopardized
- ❑ Repayment of disallowed or unallowable costs



# Audit Findings of Non-Compliance due to Inadequate Internal Controls

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## **General:**

- ❑ Late submission of financial reports
- ❑ Missing or questionable source documents
- ❑ Timesheets/evaluations not signed or dated
- ❑ Lack of internal justifications, reviews and approvals

## **AmeriCorps & Senior Corps:**

- ❑ Participant eligibility – documents, records, files
- ❑ AmeriCorps Member changes not timely submitted
- ❑ Prohibited activities
- ❑ Timesheet hours don't support earning education award
- ❑ Unacceptable justification for timesheet changes



# Written Policies & Procedures

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- ❑ Should be established, followed, monitored, updated and reviewed
- ❑ Are the standards for the organization's operations
- ❑ Provide clear and consistent communication of expectations
- ❑ Policies set expectations: "what is to be done"
- ❑ Procedures or processes describe: "how, who, and when it is to be done"
- ❑ Most effective ones explain rationale and include examples of principal transactions and completed forms



# Examples of Policies & Procedures

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- Authorization of transactions
- Payroll procedures
- Cash receipts procedures
- Procurement policies
- Travel regulations
- Financial reporting
- Budgeting
- Record retention
- Conflict of interest
- Timekeeping

## **Specific Policies Governing Federal Funds:**

- FFR completion
- Drawdown of Federal funds
- Matching requirements
- Participant eligibility & requirements

**See Handout 1**



# Program and Fiscal Compliance as a Team Effort

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- Helps build a more efficient, effective, and successful program
- Enhances cooperation and coordination
- Promotes on-going communication and collaboration
- **Program** and **Fiscal** staff both
  - gain a deeper understanding of the program goals
  - learn to value each other and their roles
  - support and cultivate a common purpose with mutual goals and mutual accountability



# Why Communicate?

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- **Program** staff make decisions that have fiscal implications
  - Developing budgets
  - Participant issues: stipends, living allowances, recruitment, retention, slot conversions, reporting, and timesheets
  - Incurring costs
- **Fiscal** staff need to understand the program so they know when standard accounting and personnel practices do and do not apply and when special grant requirements take precedence



# Why Collaborate?

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- Program and Fiscal staff may provide a different perspective on issues and matters
- Each person has different experiences to draw from
- Together, each can use their talent and experience to contribute to the success of the program
- Two minds are better than one!



# Examples of Collaboration Areas

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- Budget Development and Execution
- Participant Matters:
  - Participant Eligibility
  - Participant Recruitment and Retention
  - Participant Tracking Systems
  - Participant Timesheets
  - Participant Stipends or Living Allowances
  - Member Slot Conversion & Refills
- Host Tracking Systems
- Program Income
- Financial Reporting

The following slides provide details of these collaboration examples



# Budget Development and Execution

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## **Both Program & Fiscal Staff should**

- Assist in developing the program budget by line item
- Develop the system to track budget versus actual expenses
  - Review the budget versus actual expenses quarterly, at a minimum, but more frequently may be more effective
- Determine what line items funds can be reallocated based on periodic reviews
- Determine how subgrantees or host site budgets are monitored, if applicable
- Know when CNCS approval is needed for budget changes
  - For awards in excess of \$100,000 cumulative budget changes of 10% or more must be approved by OGM or FFMC staff



# Participant Eligibility

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- ❑ This is the single most costly finding in OIG audits
- ❑ Eligibility documentation is critical and usually collected by program staff
- ❑ An appropriate internal control might have fiscal or other staff review files for completeness and accuracy and have information in payroll files prior to issuing first living allowance payment



# Participant Recruitment & Retention

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## **Both Program & Fiscal Staff should know**

- When participants have started service
  - The level of recruitment
  - The level of retention
  - Know when slot conversions are warranted and have been made (AmeriCorps)
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- Recruitment and retention will impact program expenses and cash flow



# Participant Tracking Systems

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## **Both Program & Fiscal Staff should**

- Assist in developing a system to track participants'
  - W-4 received at the beginning of service [Withholding Allowance Certificate]
  - W-2 provided at close of tax year [Wage & Tax Statement]
  - Stipends and Living allowances payments
  - Personal Income Taxes
  - Worker's Compensation insurance or Occupational, Accidental, and Death and Dismemberment coverage
  - Health insurance
  - Unemployment Insurance taxes, if mandated by state law
  - Physicals, if applicable



# Participant Tracking Systems (cont'd)

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## **Both Program & Fiscal Staff should**

- ❑ Ensure living allowances are not paid on an hourly basis
- ❑ Ensure participants are not classified as an employee or paid a wage
- ❑ Ensure participant costs are separately identified from organizational staff salaries & benefits
- ❑ Ensure participant stipends and living allowances cease when participant concludes term of service or is released from participation
- ❑ Ensure liability insurance coverage is secured for participants in on- and off-site projects
- ❑ Ensure participant files and records are safe and secure



# AmeriCorps Slot Conversions & Refills

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- Review slots where members have exited without award and determine if
  - the slot can be refilled, or
  - if funds will be unexpended to be reallocated
    - Obtain approvals for reallocation, as needed
- Additional resources may need to be raised if you refill a slot
- Part-time conversion to full-time
  - Account for additional health insurance



# Participant Living Allowance/Stipend

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- Program and payroll staff need to develop a communication system to ensure that only current active participants receive living allowance or stipend
- Program and payroll staff need to discuss issues with living allowance/stipend
  - Example = exemptions from worker's compensation insurance
  - Example = living allowance does not vary based on number of hours (AmeriCorps)



# Participant Timesheets

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- Develop a system to check participant timesheets for accuracy
- Timesheet hours must be added correctly as well as signed and dated by both the participant AND supervisor
- Check with payroll staff to determine if there are existing systems and internal controls within the organization to assist with time tracking



# Host Site/Volunteer Station Tracking Systems

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## **Both Program & Fiscal Staff should**

- Track overall obligations to host sites or subgrantees
- Track expenses by line item
- Track budget changes
- Track host site/volunteer station payments for participant sponsorship
- Track other match from host sites/volunteer station
  - Space, supplies, travel



# Program Income

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## **Both Program & Fiscal Staff should**

- ❑ Determine if income is generated from program activities
- ❑ Develop a system to track and report program income
- ❑ Ensure program income is reported on the FFR, only if applicable



# Financial Reporting

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## **Both Program & Fiscal Staff should**

- Establish procedures so that both program and fiscal staff review and sign-off on all reports before they are submitted



# Collaboration Tips

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- Develop a written agreement or list of things to do
  - Assign responsibilities and set expectations
  - Assign timelines for completing work
  - Assign timelines for providing reports and data for review
  - Assign timelines to provide feedback
- Schedule periodic meetings of **Program** and **Fiscal** staff
  - Monthly or quarterly
  - Set agenda for each meeting
- Establish joint sign-off on reports
- Review process and revise contracts, forms, and accounts
  - Beginning of each program year
  - Periodically, every 3 to 6 months after beginning of year



# Activity:

## Program & Fiscal Staff Collaboration

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1. Discuss and share your “real life experiences” with your group
  - a. How do your program and fiscal staff work together?
  - b. How often do your program and fiscal staff meet?
  - c. What is the agenda for the periodic meetings?
  - d. What reports and information do program and fiscal staff exchange for review?
  - e. What issues arise when collaboration does not occur?
2. As a group, develop an Action Plan with key elements for an organization that does not currently have program and fiscal staff collaboration
3. Your group spokesperson will report out
4. General discussion by all



# Internal Controls - Handouts

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1. Separation of Financial Duties  
Worksheet
2. Key Elements of Selected Policies and  
Procedures

**See Handouts 2 & 3**

# Taking it Home!

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- Review current internal controls and policies and procedures to be sure they are adequate
- Develop or revise internal controls as needed to strengthen or improve
- Ensure internal controls are being followed and implemented
- Review/Develop ways Program & Fiscal Staff communicate and collaborate on appropriate matters.



# Questions?

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Open

Wrap Up

Evaluation

# For More Information

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- **Contact your CNCS Grants Officer**

- E-mail or call your Grants Officer

- **Contact MBI Consulting**

- Financial & Grants Management Training and Technical Assistance Provider

- Telephone: 301-986-1595, ext. 110

- E-mail: [cforrester@mbicfs.com](mailto:cforrester@mbicfs.com)

- **Visit the Resource Center**

- Online tools and training

- [www.nationalserviceresources.org/financial-and-grants-management](http://www.nationalserviceresources.org/financial-and-grants-management)

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