

Streamlining Fiscal Systems

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Tennessee Association of Community Action

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Your Reality

- # staff?
- # funding agreements?
- # fiscal staff?
- # compliance officers – QA staff?
- # monitoring visits?

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Your Streamlining Victories?



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Workshop Topics

- Streamlining risks and rewards
- Cash receipts & disbursements
- Payroll & Benefits
- Electronic records
- Internal audit/compliance

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Streamlining Strategies

Risks <ul style="list-style-type: none">• Never ending story• Fraud• Compliance• Data security• \$\$\$\$	Rewards <ul style="list-style-type: none">• Save time• More effective controls• Improved security• Streamlined audit
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Cost Benefit ???

- Will new tool/process improve:
 - Timeliness
 - Accuracy
 - Control
 - Audit trail
 - Analysis

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More Cost Benefit ???

- **Full cost of current systems**
 - Direct labor
 - Supervision, corrections, review
 - Inadequate or delayed info
 - Hardware & software, storage

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Still More ???

- **Full cost of new tools:**
 - Analysis and procurement
 - Set-up
 - Staff training- fiscal & program
 - Authorization & review functions

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Cash Disbursement Options

- **ACH**
- **Debit & credit cards**
- **Purchase cards**
- **Positive Pay**
- **Wire**
- **Outsourced A/P**

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ACH

- Automated Clearing House
- Electronic payment – no checks
- Initiation & review controls
- Filters- permit only authorized vendor ACH payments
- Blocks – prohibit all ACH

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Credit Cards

- Nonprofit is liable to issuer
- Name of authorized user appears on card
- Explicit agreement that named users are responsible for any improper charges
- Zero tolerance for misuse

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Credit Cards Red Flags

- Card available to multiple users
- Inappropriate matching of limits to users' needs
- Delayed submission of invoices
- Acceptance of charge slips rather than detailed invoices
- Executives exempted from review

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Debit Cards

- **Direct withdrawal from organization's bank account**
- **Fewer legal protections for fraud than credit cards**
- **Your controls:**
 - Prohibit withdrawal of cash
 - Hold care holder responsible for all charges
 - Set daily and/or transaction maximums

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Purchase Cards

- **Prepaid loading of cash onto cards**
- **Issue for specific purposes**
- **Ties up cash flow**
- **Control risk by limiting amounts**
- **Require detailed reporting from vendor**

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What about Points?

- **Use of organizational credit and purchase cards ensures that points belong to organization**
- **Need clear policy for authorization for use of points**
- **Regular analysis of costs and benefits of points systems**

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Positive Pay

- Electronic verification of checks before bank makes payment
- Requires transmission of disbursement records to bank

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Wire Payments

- Useful for same day transfers
- Nonprofit must set up dual controls for authorization
- Fees may exceed ACH or check preparation

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Outsourced A/P

- Outsourced provider handles:
 - Establishing vendor files
 - Processing payments –ACH or checks
 - Maintaining record of disbursement
- You must provide controls for:
 - Vendor approval
 - Invoice review & approval
 - Review of disbursement reports

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Cash Receipt Options

- Remote capture devices
- Credit & debit card payments
- EFT
- Web processors – PayPal, etc.
- Wire transfers
- Lockbox

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Remote Deposit Capture

- Device scans checks & transmits image to bank
- May permit electronic transfer of info from checks into A/R or fund development system
- Eliminates photocopying & physical bank deposits

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EFT

- Electronic Funds Transfers
- Key tool for individual fund raising
- Useful for recurring client charges- child care, etc.
- Controls required for data security
- Less fully automated than recurring credit card charges

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Credit & Debit Card Payments

- Credit card processing machine – transmits to bank & yields report of transactions
- Virtual terminal – Authorize.net, etc. - online processing
- Online software – Greater Giving, PayPal etc. - greater flexibility in reporting and data management

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Credit/Debit Cards - continued

- Controls must protect security of customer/donor data
- Out-dated processing equipment may facilitate fraud
- Significantly improves collection of fees

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Web Payment Processors

- Secured payment portals such as PayPal
- Permits donations & payments online
- Fees vary
- Must control authorization for transfer of funds from processor

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Lockbox

- Used for high volume payment receipt – donation campaigns, memberships, etc.
- Donor/customer sends payment directly to Lockbox P.O. Box
- Secured processing by bank results in immediate deposit & transmission of detailed electronic record

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Payroll & Benefits

- Electronic timesheets & review
- Automated allocation to cost centers
- HR info systems
 - Vacation & PTO accruals
 - Evaluations
 - Certifications

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Electronic Timesheets

- Web-based systems permit employee entry of time record & supervisor review & authorization
- Many adapted to phones & tablets
- Outsourced options increasing

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Automated PR Cost Allocation

- Electronic timesheets facilitate collection of time and effort data
- Sophisticated programs use time & effort info to allocate salary & benefits
- Set-up and training key to success

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HR Info Systems

- Complete sortable database of employee info -speeds reporting & analysis
- Includes ticklers for evaluations, certifications, etc.
- Vacation & PTO info – available via internet portal

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Internal Audit Tools

- Sortable CDs of all bank transactions
- Sortable A/P Vendor files
- Vendor/Payroll/Other database cross-reference tools

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Data Security Challenges

- Smartphones
- Laptops & tablets
- Donor/ customer data
- Client data
- Employee data

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Data Security Risks

- Client, donor, employee data shared inappropriately
- Data systems compromised for fraud
- Malicious hacking
- Inadvertent data alteration or loss

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Basic Security Tools

- **Passwords:**
 - Must be complex
 - Must be changed frequently
 - Cannot be shared or stored where others may use
- **Kill switches:** disable access to servers for lost or stolen laptops, phones, tablets, etc.

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Adapting Controls to Electronic Realities

- Double signature requirements
- Authorization for transactions
- Meaningful transaction review
- Read-only access to bank info
- ACH filters & blocks

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Compliance Tools

- Automated HR tickler systems
- Cross tab of client & employee data
- Automated Procurement systems with triggers for review
- Client database – triggers & ticklers

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Uniform Guidance
Encouraging Words
for nonprofits with federal funds

- **Electronic storage** of records is now **permitted** and **encouraged** so long as electronic record cannot be altered. § 200.335.
- Effective for awards beginning after **December 26, 2014**

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Your Next Steps???

- Review current systems & processes
- Discussions with current bank(s)
- Identification of options
- RFP for banking services
- Cost benefit analysis

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