

Internal Control:

A Framework for Effective Financial Management

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AND FISCAL OPERATIONS

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Workshop Objectives

- Define the internal control framework
- Explore areas of planning and preparing for the A-133 audit, following-up on audit findings, developing corrective action plans, and managing risk within the internal control framework
- Review the oversight responsibilities of the governing body and the monitoring of financial operations by implementing effective internal controls

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Learning Outcomes

- Understanding of internal controls and how to apply them in both financial and programmatic operations
- Ability to use effective internal controls to prepare for audits and correct audit findings, and identify, assess and manage risk
- Increase the capacity of key staff and governing body to effectively monitor and ensure the integrity of all financial operations

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Internal Control

Internal Control = Management Control

- › the plan of organization, methods and procedures
- › adopted by management to meet its goals;
- › processes for planning, organizing, directing, controlling
- › and reporting on agency operations

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Objectives of Internal Control

- Effectiveness and efficiency of program operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

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Internal Control Framework

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communications
- Monitoring

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Control Environment

- Organizational structure
- Organizational culture and climate
- Organizational values as interpreted, applied and modeled by agency and program leadership
- Management philosophy and style
- Standards of accountability
- Delegation of authority
- Level of competence
- Results/outcomes orientation

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Risk Assessment

- Identifying & analyzing relevant problems that might prevent the program from achieving its objectives
 - Internal
 - External
- Developing processes for measuring effects of these problems and managing their risks
 - Likelihood
 - Impact

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Control Activities

- Oversight processes to address risk areas and ensure that management decisions are carried out
- Policies and procedures
- Techniques and tactics, both manual and electronic
- Performance measures

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Control Activities: Examples

- Separation of duties
- Control over information processing
- Physical control over valuable assets
- Self-assessment and monitoring activities and reports
- Management of human resources
- Access restrictions

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Information and Communication

- Using and sharing relevant, reliable and timely information on program-specific and general financial risks
- Recording information
- Keeping accurate records (documentation)
- Providing information to management and others in and outside the organization who need it, in a form and within a timeframe that enables them to carry out their responsibilities

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Monitoring

- Assessing the quality of performance over time
- Identifying additional actions to improve program efficiency and effectiveness
- Ensuring that the findings of audits and other reviews are promptly resolved
- Engaging in ongoing review of activities, outcomes and performance

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Internal Control

Apply the five standards of internal control to activities, policies, procedures and practices in your own Head Start or Early Head Start program.



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Role of Governing Body

- Audit/finance committee
- Financial professional as a member or advisor
- Organizational structure
- Insurance is adequate & appropriate
- Up-to-date accounting manual
- Review of ongoing organizational and accounting routines

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Role of Governing Body

- Financial statements
- IRS 990
- Agency audit
- Meeting with agency's auditor
- Proactive questioning of auditors re: internal controls of the organization;
- Conduct an internal control study, if auditors indicate dissatisfaction with the agency's internal controls

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