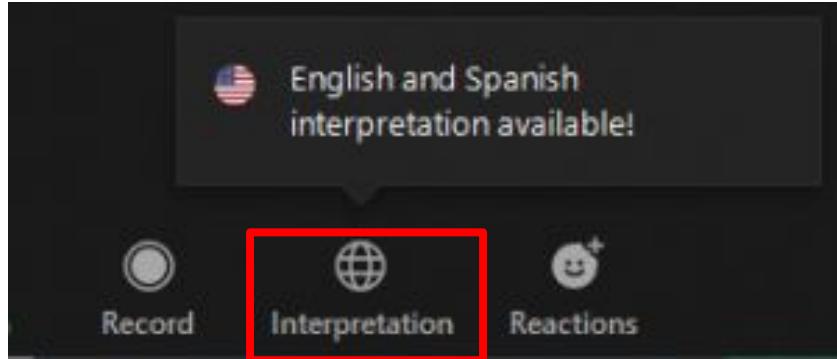


Welcome!

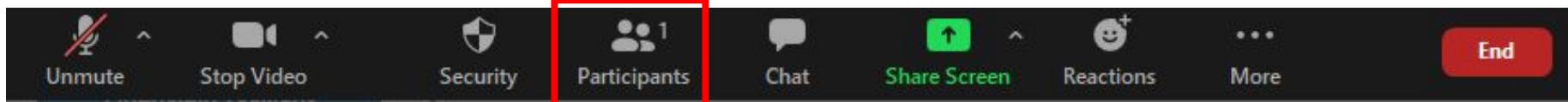
As you log in, please select your language preference



Welcome!

As you log in, please update your Zoom screen name with your first name, organization name, and your pronouns

- Select Participants from the menu at the bottom of your screen



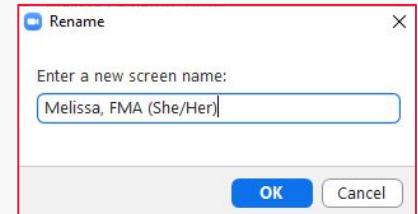
- Hover over your name and select “more”



- Select “Rename”



- Update with your first name, organization, and pronouns, select “okay”



EFFECTIVE FISCAL SYSTEMS FOR MANAGING GOVERNMENT FUNDING

JULY 14, 2022

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Today's Presenters



Gina McDonald, CPA
Managing Director, BDO FMA
She/Her

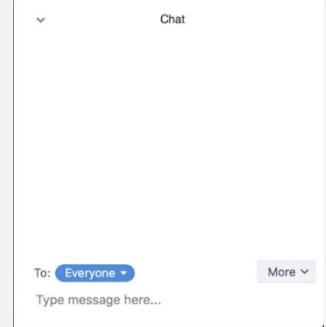
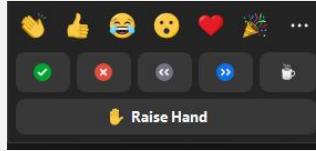
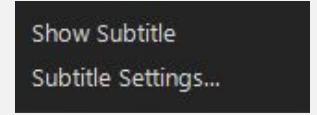


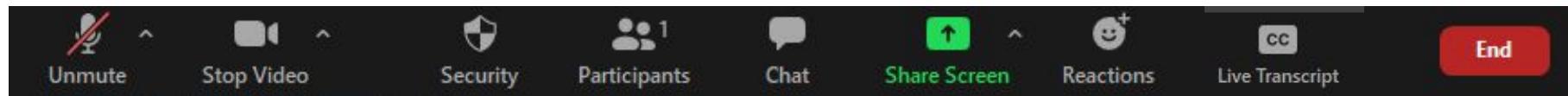
Jasmine Nasser
Experienced Senior Associate
She/Her

Meeting Norms: Participate Authentically

	Respect each other - judge ideas, not people
	Be present & engaged
	Expect confidentiality
	Expect active participation
	Avoid multi-tasking
	Be patient with tech
	Mute your microphone (unless you want to speak)
	Step up and step back

Zoom Controls

Chat	Reactions	Closed Captioning
<p>1</p> <p>For questions and comments during the session, open the chat and send to everyone or a specific person</p>  <p>2</p> <p>To react (clap/thumbs up) to something, click “Reactions” and select a reaction</p>  <p>3</p> <p>To turn on close captioning, click “CC Live Transcript” Select hide or show subtitles as needed.</p>  <p>Note: if not already enabled, you may need to request access</p>		



1

2

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Today's Session

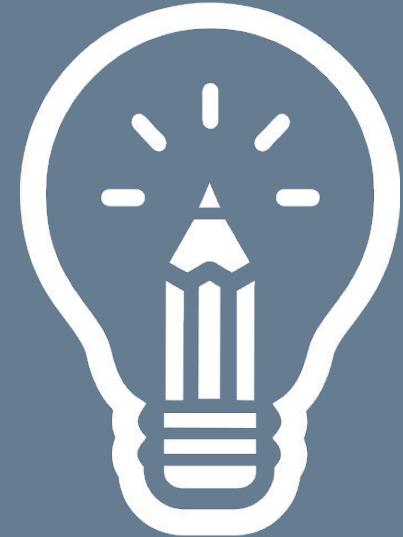
EFFECTIVE FISCAL SYSTEMS FOR MANAGING GOVERNMENT FUNDING

- ▶ Welcome
- ▶ **OVERVIEW OF GOVERNMENT FUNDING**
Introduction to the types of government funding
- ▶ **INTERNAL CONTROLS**
The key components of an effective internal control structure
- ▶ **INFRASTRUCTURE**
Staffing, Systems and Technology that can facilitate financial workflows and the management of government funds
- ▶ Wrap-Up

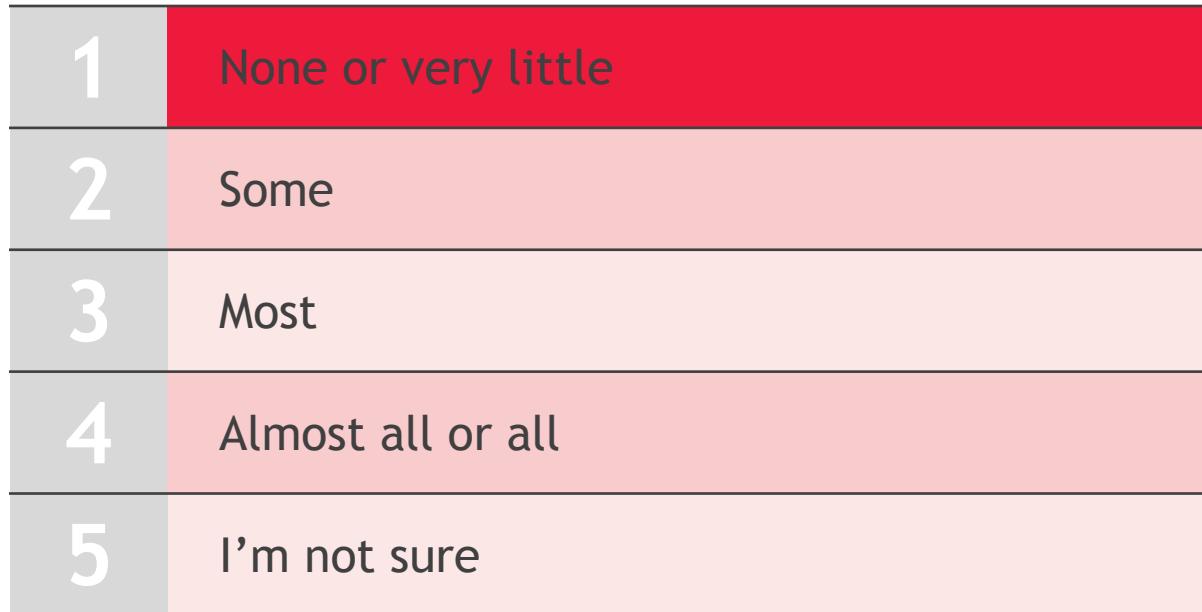
Question

ANSWER IN THE CHAT:

What are you hoping to learn from
this workshop?



Poll: How much of your organization's revenue is government funding?



Poll: Do you expect your government funding strategy to significantly change in the coming years?

- | | |
|---|---|
| 1 | Yes, I expect more of our funding will be from government |
| 2 | Yes, I expect less of our funding will be from government |
| 3 | No, I expect our level of government funding to remain about the same |
| 4 | I'm not sure |

Overview of Government Funding

Types of Government Funding



LOCAL



STATE



FEDERAL

Government contracts reflect community priorities at three levels.

Funds may be “passed through,” e.g., from federal to state/local. Government funding pays for critical human services at a scale that other types of funders do not match. Government funding can also be a reliable source of long-term, multi-year funding.

Two Common Contract Types



COST REIMBURSEMENT

Nonprofit incurs expense THEN invoices.



PERFORMANCE-BASED

Nonprofit meets milestones THEN invoices.

Government contracts usually require an RFP (request for proposal) to engage applicants in a competitive bidding process to ensure fair selection. Government contracts also require an organization to have its own working capital.

ARP & LA County specific info

What are the county requirements - from a financial perspective?

- ARP Master Agreement
 - Among other things, agreeing to terms for use of funds, maintenance of records, audit requirements
- RFPs
 - Require an understanding of ARP and Federal Compliance Requirements, including Uniform Admin Requirements
 - Require a budget proposal
 - Inquire about your organization's financial capacity
 - Inquire about any prior audits (in the past 10 years) and magnitude of any disallowed costs (exceeding \$100,000)

Internal Controls

Internal Controls

WHY DO WE NEED INTERNAL CONTROLS?

1

Protect resources from waste, loss, theft, or misuse

2

Ensure Resources are used appropriately in accordance with stakeholder expectations, monitoring agencies, and your budget and plan

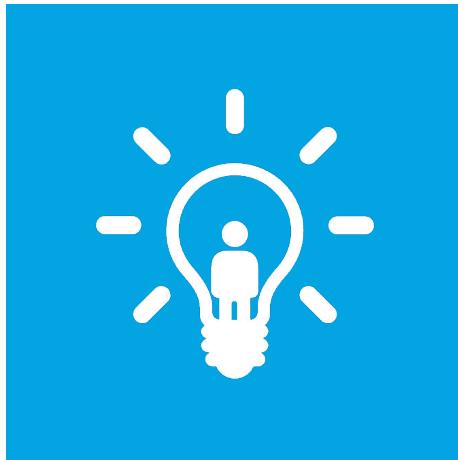
3

Produce reliable financial statements that are based on accurate and verifiable data





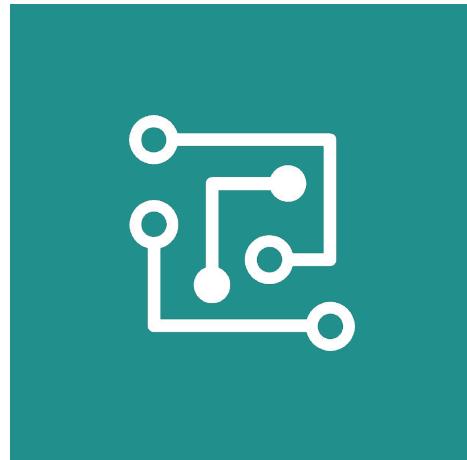
Internal Controls: Three Key Areas



Influencing
Culture

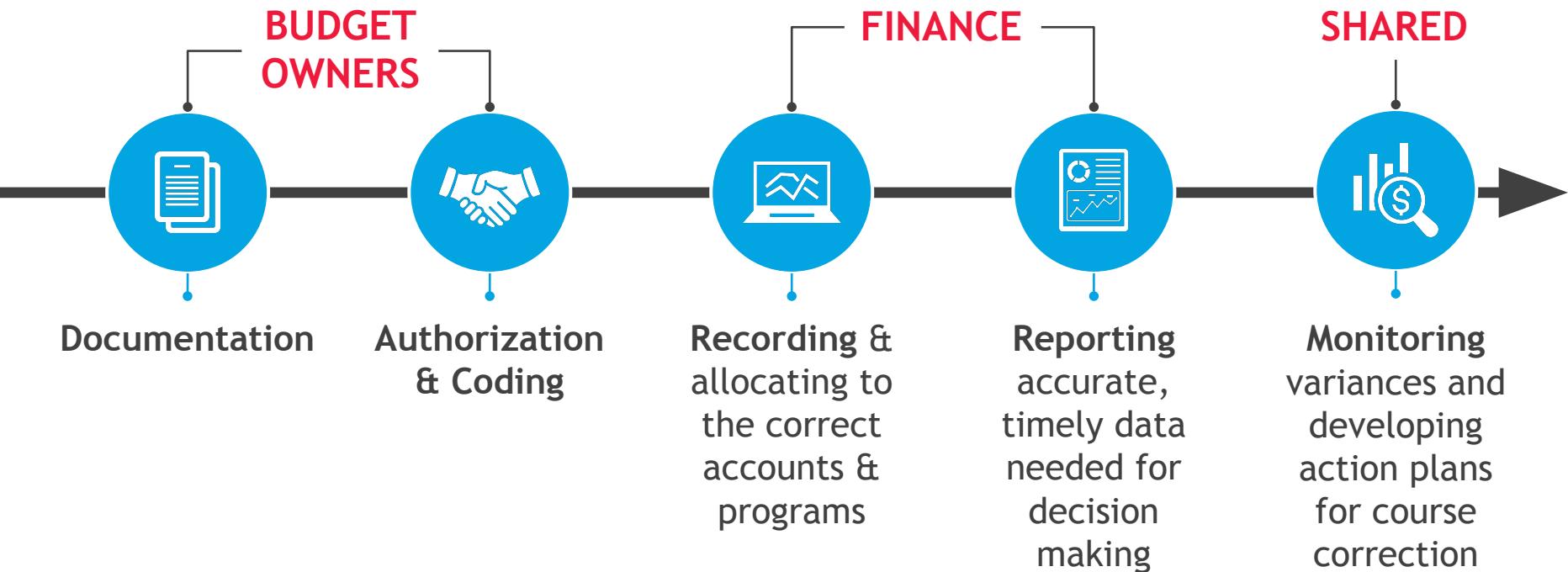


Policies &
Procedures



Leveraging
Technology

Financial Management is Team Sport



Internal Controls

Controls should be in place in each of these accounting cycles:



Internal Controls

SEGREGATION OF DUTIES

NO ONE PERSON SHOULD:



Perform all functions within an accounting cycle



Have the ability to cover up an intentional or unintentional accounting error

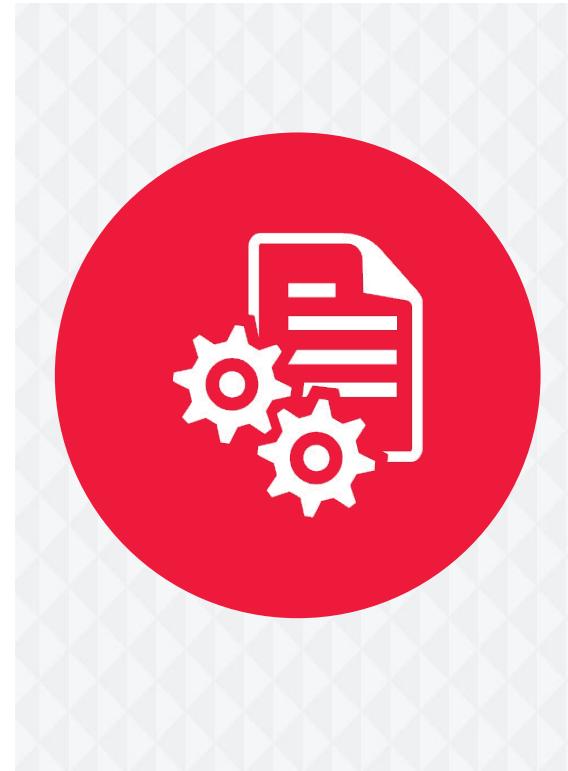
Key Internal Controls for Early-Stage Organizations

- ▶ **Deposits:** If possible, involve more than one person to separate logging checks receipts, facilitating bank depositing and general ledger entry
- ▶ **Cash disbursements:** General ledger entry is facilitated by someone who is not also tasked with signing checks or releasing electronic payments
- ▶ **Vendors:** An objective person periodically reviews the list of all vendors and there is an approval process for new vendors
- ▶ **Payroll:** Hourly staff timesheets are reviewed and approved by supervisors and there is a timely review of payroll after processing
- ▶ **Bank Statement Reconciliation:** Someone who is not processing payments reconciles the bank account monthly OR a different person performs a timely and detailed review of the reconciliation
- ▶ **Physical Controls:** Check stock and cash is maintained in a locked drawer; computers are password protected and staff access is limited based on role

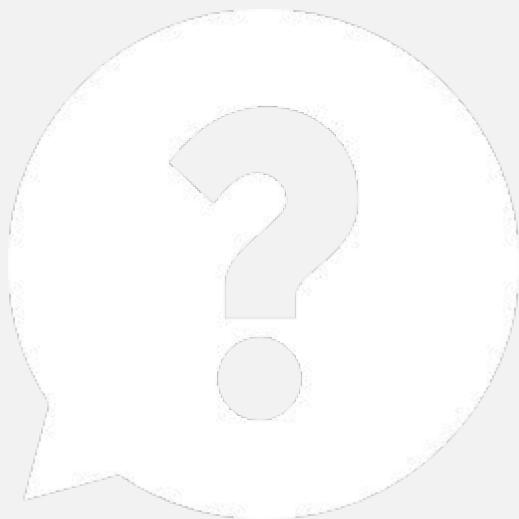
Internal Controls vs. Compliance

What are “Internal Controls” over Compliance?

- ▶ Internal Controls = A system that provides reasonable assurance that the awards are being managed in accordance with applicable compliance requirements.
- ▶ Required to be in place AND DOCUMENTED



Thoughts & Questions



Infrastructure

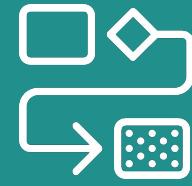
Infrastructure



STAFFING



SYSTEMS



WORKFLOWS

Staffing - Levels of Financial Management



STRATEGIC

Lead and support organizational financial planning and monitoring



MANAGERIAL

Ensure finance is effectively carrying out its operational responsibilities



TRANSACTIONAL

Perform day-to-day accounting functions, data entry, and finance administrative tasks

Adapted from Jeanne Bell Peters and Elizabeth Schaffer, *Financial Leadership for Nonprofit Executives: Guiding Your Organization to Long-term Success* © 2005

Staffing - Levels of Financial Management



STRATEGIC

- ▶ Conducts strategic financial planning, budgeting, and forecasts
- ▶ Reviews financial reports for strategic decision-making and course corrections
- ▶ Provides oversight and vision for the finance team and fiscal operations



MANAGERIAL

- ▶ Maintains fiscal policies & procedures, oversees internal controls and ensures compliance
- ▶ Performs monthly close & reconciliations, ensures general ledger quality
- ▶ Generates financial reports, monitors cash flow
- ▶ Manages audit process



TRANSACTIONAL

- ▶ Processes accounts payable, cash disbursements
- ▶ Creates invoices, processes accounts receivable and cash receipts, makes deposits
- ▶ Processes payroll and facilitates related reporting and filings

Adapted from Jeanne Bell Peters and Elizabeth Schaffer, *Financial Leadership for Nonprofit Executives: Guiding Your Organization to Long-term Success* © 2005

Fiscal Staffing at Your Organization?

INTERNAL

- ▶ Access information and accounts quickly
- ▶ More difficult to staff appropriate skills at each level
- ▶ Typically, preferred option when you can afford what you need

OUTSOURCED

- ▶ Gain access to expertise you don't require full-time
- ▶ Can find outsourced support at all levels
- ▶ Outsource process, not strategy or decision making
- ▶ Still need someone in-house to manage the relationship and certain data
- ▶ Establish clear criteria for measuring success

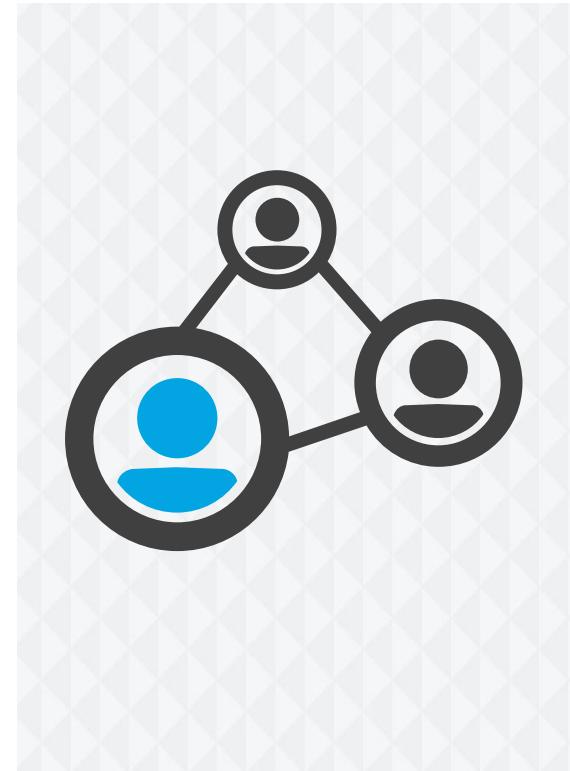
FISCAL SPONSORSHIP

- ▶ Can be an effective vehicle for strengthening early-stage organizations
- ▶ Strategic activities still conducted by project
- ▶ Varied levels of support based on type of sponsor (professional, intentional, community...etc.)
- ▶ Critical to establish what you need from your sponsor- its ok to change your sponsor!

Fiscal Staffing

Number and complexity of grants/contracts affect finance department.

- ▶ Always identify staff responsible for various elements of compliance.
- ▶ As funding and number of contracts grow, consider need for additional positions:
 - Titles may vary, including “Contracts Manager”, “Grant Accountant” or “Budget Manager”
 - Duties typically include grant accounting and reporting, invoicing/ vouchering and grant budget management

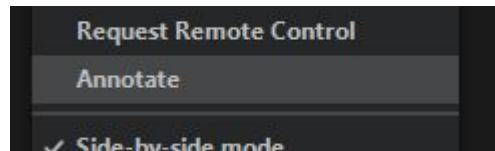


Annotation Activity

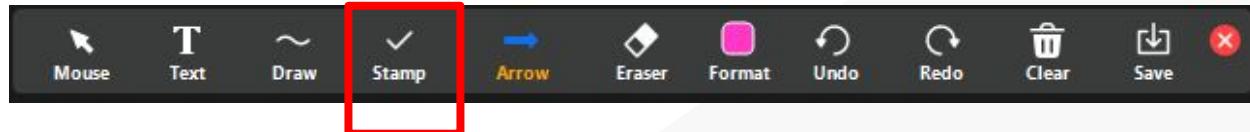
- At the top of your screen, select “View Options” next to the green bar:



- Select the “Annotate” option:



- From the toolbar, select the stamp option:



- Select or where you are located today

Annotation Activity

1. Take a moment to think about the following questions:

-  Where do you think the team at your organization spends the most time/energy on financial management?
-  Where do you think there are gaps?

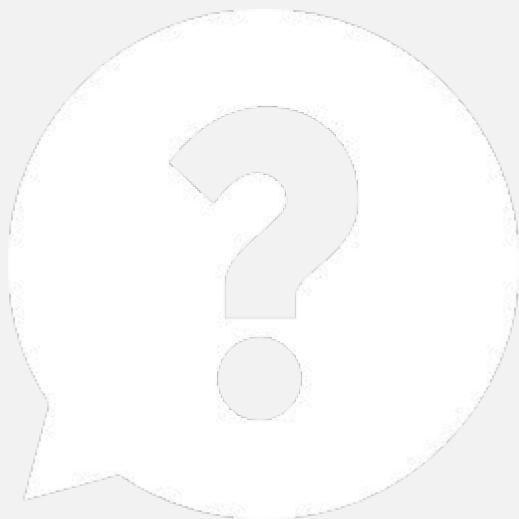
2. Use the above stamps to indicate your answers to the questions

STRATEGIC

MANAGERIAL

TRANSACTIONAL

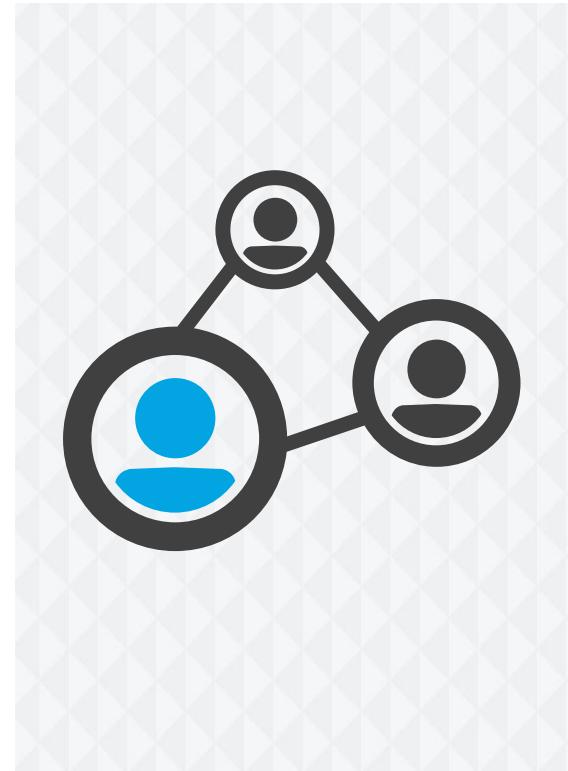
Thoughts & Questions



Break

Workflows

- ▶ Adding government contracts to your business model will require a level of collaboration between finance and program staff that may not have existed in managing other funding streams
- ▶ In addition to strong financial and contract management, organizations will require program leaders who are very aware of their contract budgets (line-item projections, budget modifications, etc.)



Systems

- ▶ Adding government funding to your business model is system-intensive, too!
- ▶ Systems can support the management of government contracts by operationalizing:
 - Robust cost allocation
 - Time tracking
 - Comprehensive financial analysis
 - Billing & collections



Systems

ENTER IN CHAT:

What types of software solution systems are currently in use at your organization?



Systems: Accounting System

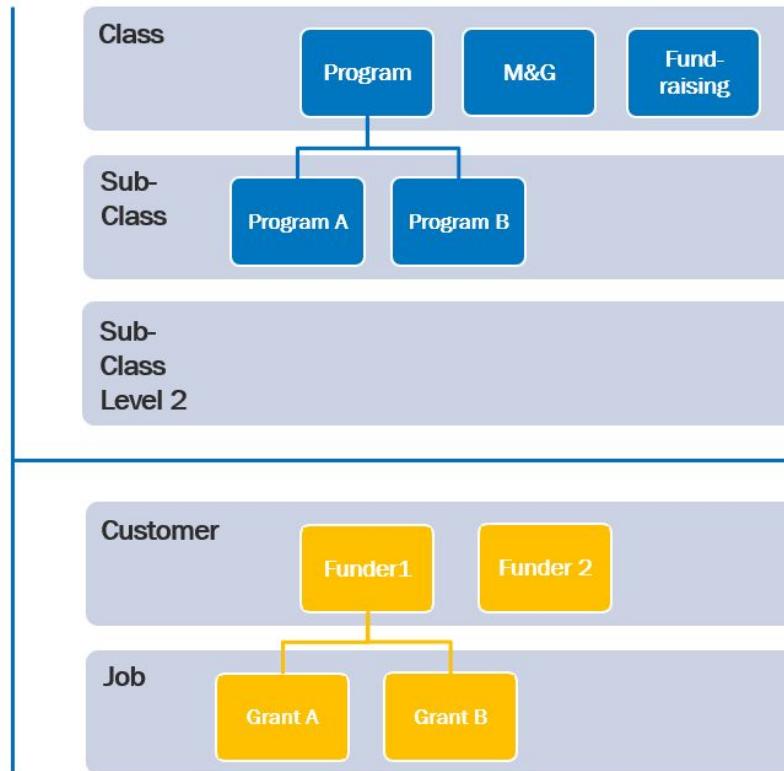
Must provide the following for EACH federal award:

- ▶ Amount received and amount expended
- ▶ ALN (Assistance Listing Number), federal agency and pass-through as applicable
- ▶ A full accounting of the finances related to the funded activity and maintenance of supporting documentation



Systems: Accounting System

► Chart of Accounts Setup



Systems: Electronic Accounts Payable*

INTERNAL CONTROLS:

- ▶ Cannot pay invoices without documentation of approvals (electronic name and date stamp)
- ▶ Ensures maintenance of supporting documentation for each transaction

EFFICIENCIES:

- ▶ Automated invoice approval workflow that can be accessed via any computer or mobile device
- ▶ Integration with accounting software
- ▶ Elimination of the manual process of cutting and mailing checks
- ▶ Electronic archiving



* Be aware of procurement standards

Systems: Expense Management Software

Technology: Automated Travel and Expense Reporting Systems



Web-based,
mobile access



Scan or take a
picture of
receipts/
documentation



Electronic
approval
routing



Direct
connections
to: credit
cards, payroll,
accounting
system



Electronic
audit trail

Systems: Banking Technology

INTERNAL CONTROLS

- ▶ Positive pay: Ensures checks are only paid to verified vendors
- ▶ ACH block and filters: Prevent unauthorized outsiders from accessing or removing funds from an account

EFFICIENCIES

- ▶ Remote deposit: Check scanning



Systems: Time Tracking

► Personnel Time

Detailed Time Sheets

- ▶ How are staff coding time?
- ▶ What tool are you using?
- ▶ How is it recorded on the general ledger?

Time Study

- ▶ How often will you ask staff to complete?
- ▶ How many pay periods will you track?

Funder often dictates method of substantiation.

Understand requirements to ensure compliance.

Systems: Revenue, Billings & Collections

- ▶ Invoicing often requires using a government agency's external system.
- ▶ Invoicing often requires the submission of backup documents in specific formats.
- ▶ Payments from government agencies can be subject to delays.
- ▶ For cost-reimbursement grants/contracts, it's important to think strategically about how to optimize the contract and be aware of budget modification opportunities.

Systems: Revenue, Billings & Collections

INVOICING IS ONE CONSIDERATION & REVENUE IN THE GL IS ANOTHER

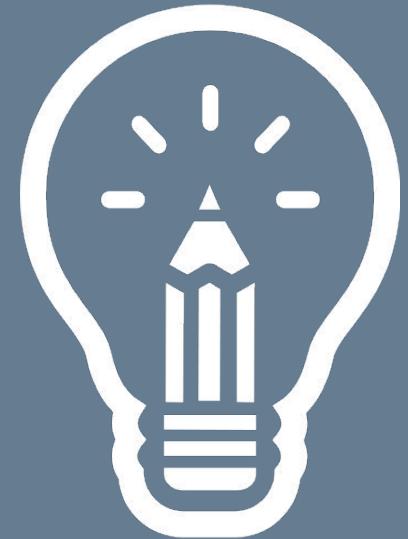
Most commonly:

Government Grants = Contributions

- ▶ Follow contribution guidance for recognizing revenue.
- ▶ Revenue cannot be recognized until grant conditions are satisfied. Can be recorded in stages.
- ▶ For most common reimbursement-based grants, there is a simultaneous satisfaction of conditions and release from restriction. *For that reason, revenue is commonly recorded monthly as grants are invoiced.*

Question & Answer

Have a question? Put it in the chat!

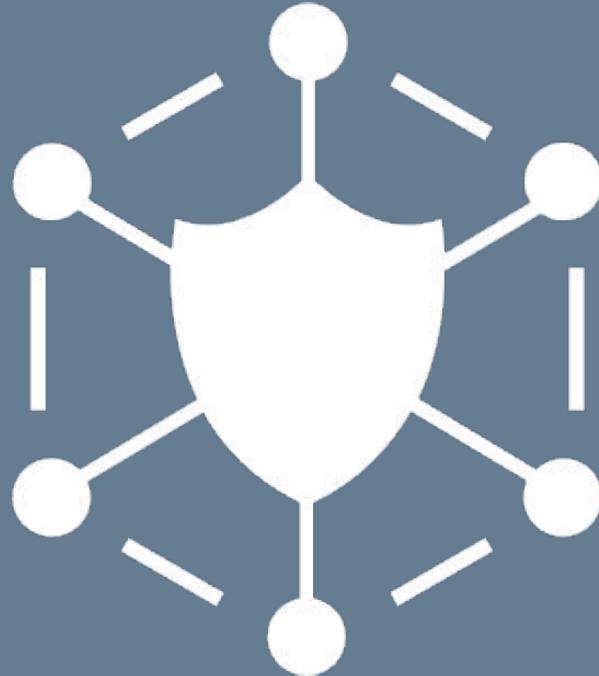


Resources & Wrap Up

Up Next:

BUDGETING & REPORTING FOR GOVERNMENT FUNDING

- ▶ July 28th at 10am



Resources: LA County Solicitations & Contracts

- ▶ Sign up for LA County solicitation and contract notifications



Resources:

- ▶ Want to learn more about working with the County? Visiting Doing Business with LA County.

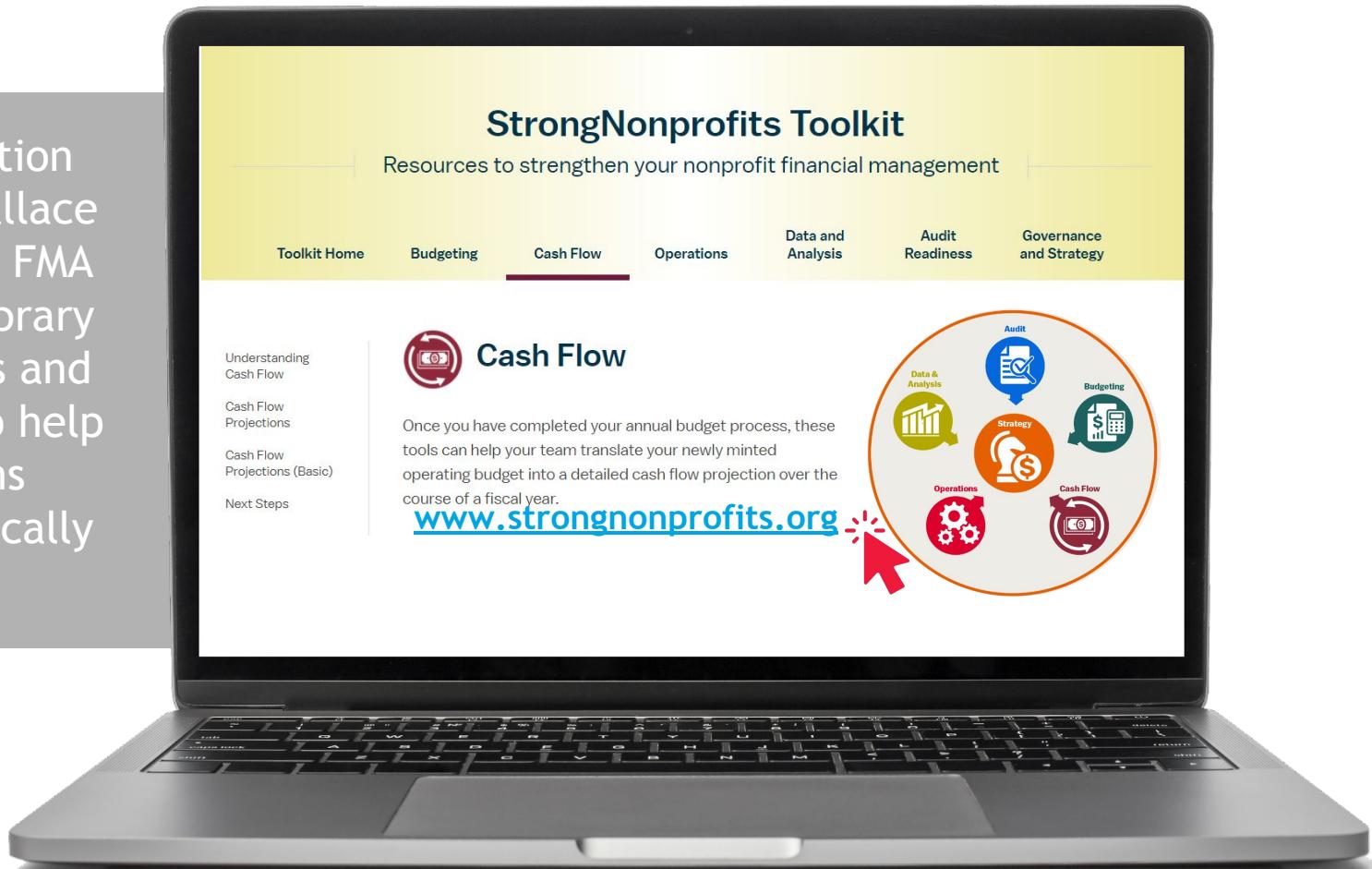
The screenshot shows the official website of the County of Los Angeles. At the top, there is a dark blue header featuring five circular icons representing different county services: a hand, a bird, a city skyline, a wave, and a tree. Below the icons, the text "County of Los Angeles" and the website address "lacounty.gov" are displayed. A navigation menu below the header includes links for RESIDENTS, GOVERNMENT, BUSINESS, SERVICES, EMERGENCY, NEWSROOM, and LANGUAGE. The LANGUAGE link is highlighted with a yellow background. Below the menu, a breadcrumb trail shows "HOME / BUSINESS / DOING BUSINESS WITH LA COUNTY". The main content area features a large photograph of the Kenneth Hahn Hall of Administration, a modern building with a light-colored facade and a prominent glass-enclosed entrance. The entrance is labeled "KENNETH HAHN HALL OF ADMINISTRATION". Two people are visible near the entrance. To the left of the building, there are palm trees and a clear blue sky.

DOING BUSINESS WITH LA COUNTY

Depending on the value of purchases and contracts, policies differ regarding the method of purchase and the level of approval needed. Items under \$1,500, for example, require no competitive bidding, while purchases over \$100,000 generally must be approved by the Board of Supervisors. The County also develops non-exclusive negotiated agreements that enable County departments to take advantage of opportunities to acquire supplies, materials, equipment and value-added services at prices that are substantially lower than through other procurement methods.

Financial Management Resources

In collaboration with the Wallace Foundation, FMA created a library of free tools and resources to help organizations become “fiscally fit”.



Resources: CalNonprofits



A Nonprofit's Guide to Getting Your First Government Grant

<https://calnonprofits.org/publications/a-nonprofit-s-guide-to-your-first-government-grant>

CalNonprofits Nonprofit Overhead Project

www.calnonprofits.org/programs/overhead

Causes Count: The Economic Power of California's Nonprofit Sector - New Findings <https://calnonprofits.org/publications/causes-count>

Where to find government grant opportunities:

- Federal: grants.gov
- State: www.grants.ca.gov
- Local: individual department websites (can sign up to be notified about RFPs)

About BDO FMA

BDO FMA exists to build a community of individuals with the confidence and skills to lead organizations that change the world.

- ▶ Established in 1999 to serve not-for-profit organizations around the country – combined with BDO in 2021
- ▶ Provides customized financial management, accounting, software, organizational development, and other consulting services
- ▶ Works directly with organizations or through funder-supported management and technical assistance programs



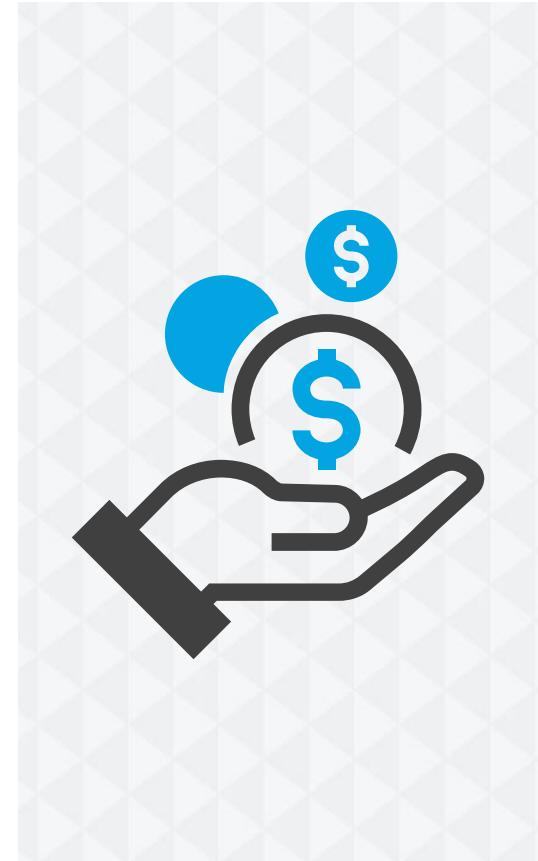
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