Welcome!

As you log in, please select your language preference

![Language selection interface](image)
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
Today’s Presenters

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

Jasmine Nasser
Experienced Senior Associate
She/Her
### Meeting Norms: Participate Authentically

<table>
<thead>
<tr>
<th>Icon</th>
<th>Norm</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Heart" /></td>
<td>Respect each other - judge ideas, not people</td>
</tr>
<tr>
<td><img src="image2.png" alt="Lightbulb" /></td>
<td>Be present &amp; engaged</td>
</tr>
<tr>
<td><img src="image3.png" alt="Lock" /></td>
<td>Expect confidentiality</td>
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<tr>
<td><img src="image4.png" alt="Chat" /></td>
<td>Expect active participation</td>
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<tr>
<td><img src="image5.png" alt="Person with laptop" /></td>
<td>Avoid multi-tasking</td>
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<tr>
<td><img src="image6.png" alt="Mic" /></td>
<td>Be patient with tech</td>
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<td><img src="image7.png" alt="Mic" /></td>
<td>Mute your microphone (unless you want to speak)</td>
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<tr>
<td><img src="image8.png" alt="Chat" /></td>
<td>Step up and step back</td>
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# Zoom Controls

<table>
<thead>
<tr>
<th>Chat</th>
<th>Reactions</th>
<th>Closed Captioning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>For questions and comments during the session, open the chat and send to everyone or a specific person</td>
<td><strong>2</strong></td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>To turn on close captioning, click “CC Live Transcript” Select hide or show subtitles as needed.</td>
<td><strong>Note:</strong> if not already enabled, you may need to request access</td>
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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
What are you hoping to learn from this workshop?
Poll: How much of your organization’s revenue is government funding?

<table>
<thead>
<tr>
<th></th>
<th>None or very little</th>
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<tbody>
<tr>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Some</td>
</tr>
<tr>
<td>3</td>
<td>Most</td>
</tr>
<tr>
<td>4</td>
<td>Almost all or all</td>
</tr>
<tr>
<td>5</td>
<td>I’m not sure</td>
</tr>
</tbody>
</table>
Poll: Do you expect your government funding strategy to significantly change in the coming years?

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes, I expect more of our funding will be from government</td>
</tr>
<tr>
<td>2</td>
<td>Yes, I expect less of our funding will be from government</td>
</tr>
<tr>
<td>3</td>
<td>No, I expect our level of government funding to remain about the same</td>
</tr>
<tr>
<td>4</td>
<td>I’m not sure</td>
</tr>
</tbody>
</table>
Overview of Government Funding
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.
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

- **Documentation**
  - BUDGET OWNERS
  - Authorization & Coding
  - Recording & allocating to the correct accounts & programs
  - Reporting accurate, timely data needed for decision making
  - Monitoring variances and developing action plans for course correction

**FINANCE**
Internal Controls

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

- Independent Contractors
- Purchasing
- Cash Disbursements
- Cash Receipts
- Payroll
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

<table>
<thead>
<tr>
<th>STRATEGIC</th>
<th>MANAGERIAL</th>
<th>TRANSACTIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead and support organizational financial planning and monitoring</td>
<td>Ensure finance is effectively carrying out its operational responsibilities</td>
<td>Perform day-to-day accounting functions, data entry, and finance administrative tasks</td>
</tr>
</tbody>
</table>

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

- 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

STRATEGIC

- 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

MANAGERIAL

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

TRANSACTIONAL

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?

<table>
<thead>
<tr>
<th>INTERNAL</th>
<th>OUTSOURCED</th>
<th>FISCAL SPONSORSHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Access information and accounts quickly</td>
<td>- Gain access to expertise you don’t require full-time</td>
<td>- Can be an effective vehicle for strengthening early-stage organizations</td>
</tr>
<tr>
<td>- More difficult to staff appropriate skills at each level</td>
<td>- Can find outsourced support at all levels</td>
<td>- Strategic activities still conducted by project</td>
</tr>
<tr>
<td>- Typically, preferred option when you can afford what you need</td>
<td>- Outsource process, not strategy or decision making</td>
<td>- Varied levels of support based on type of sponsor (professional, intentional, community...etc.)</td>
</tr>
<tr>
<td></td>
<td>- Still need someone in-house to manage the relationship and certain data</td>
<td>- Critical to establish what you need from your sponsor- its ok to change your sponsor!</td>
</tr>
<tr>
<td></td>
<td>- Establish clear criteria for measuring success</td>
<td></td>
</tr>
</tbody>
</table>
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 ⭐ for 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
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.)
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
ENTER IN CHAT:
What types of software solution systems are currently in use at your organization?
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

- Assets
- Liabilities
- Net Assets
- Revenue
- Expenses

Diagram:
- Class: Program, M&G, Fundraising
  - Sub-Class: Program A, Program B
  - Sub-Class Level 2
  - Customer: Funder1, Funder 2
  - Job: Grant A, Grant B
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 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.*
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.
Financial Management Resources

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

StrongNonprofits Toolkit
Resources to strengthen your nonprofit financial management

Cash Flow

Once you have completed your annual budget process, these tools can help your team translate your newly minted operating budget into a detailed cash flow projection over the course of a fiscal year.

www.strongnonprofits.org
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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