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## **Ensuring Financial Compliance of our Federal Awards**

Presented by: Maritza Valdez Fagin, MPA

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# Learning Agreements

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Co create a supportive learning environment.

- Listen actively, try on new ideas
- Share freely & honor confidentiality
- Ask questions
- Share the mic (literally and figuratively)
- Define terms and acronyms for others

# Learning Objectives

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By the end of this segment, you will be better able to:

- Inventory finance-related policies and practices that protect organizational health and viability;
- Apply tools for grants project management that enhance program sustainability.
- Apply tools for grants financial management that enhance program sustainability;
- Prioritize which financial policies and procedures to focus on strengthening in the near future.

**Clarity doesn't always mean you know exactly what you're doing...**

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**It does mean you know who you're being and why.**

# Question 1:

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What are the top reasons given by not-for-profits for not having strong fiscal policies?

# Reasons Nonprofits Give for Not Having Strong Fiscal Policies

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- It is no one's job to develop them
- Don't know how / no expertise
- Takes too much time
- Not why we work here
- Not how we work here

## Question 2:

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Why should our organizations have a financial management system?



# Why should a non-profit have a financial management system?

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- Required
- Establishes operating standards and behavioral expectations
- Protects the assets of the organization
- Guides strategic fiscal and programmatic decision-making
- Protects organizational viability and reputation

# Direct vs. Indirect Costs

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- Specific / Direct Costs
  - Salaries for program personnel
  - Program specific non-personnel expenses
  - Salaries for fiscal staff
  - Fundraising expenses
- Shared / Indirect Costs
  - Rent, utilities in common space
  - Office supplies
  - Depreciation

# Restricted vs. Unrestricted Funds

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- Restricted
  - Most government and foundation grants
  - Any funds raised for a stated specific purpose, even if from individual donors
- Unrestricted
  - Funds the organization can use at their own discretion, often for unfunded positions, community-specific approaches to DV work, and the building of a reserve.

# Overview of Core Costs

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- Management (governance, ED and associated staff, employee benefits, consultants)
- Operations (telephone, copier, postage, fax, IT, rent, building maintenance, insurance)
- Research & development (staff training, program development, evaluation)

# Covering Core Costs: Funding sustainable infrastructure

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- Core support funding from foundations or other major donors
- Indirect line from program grants
- Membership or service fees
- Unrestricted funds raised from constituency

# Diversifying funding for sustainability...

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- Federal, state, local government grants
- Private foundations
- Corporations
- Individual donors
- Earned income

## Question 3:

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What are five of the most important adjectives associated with sound fiscal management?

# Five important adjectives for fiscal management

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- Clear
- Realistic
- Consistent
- Understandable
- Compliant



# Key Elements of a Compliance System

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- Accounting Procedures
  - Internal Controls
  - Financial Planning & Reporting
  - Revenue/Accounts Receivable
  - Expense/Accounts Payable
  - Asset Management
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- *Nonprofit Fiscal Policies & Procedures: A Template and Guide, CompassPoint (2012).*

# 1. General Accounting

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- Expense/Accounts Payable
- Payroll
- Timesheets
- HR policies about paid time (vacation, sick, bereavement, termination)
- Purchase and Procurement
- Independent Contractors
- Cash disbursements
- Employee Expense Reimbursements
- Travel expenses
- Credit Cards

# Sample Policy: Timesheets

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- A team creates an excel workbook for each staff person per fiscal year that lays out all grant program objectives that the staff is funded to do.
- Each staff completes their timesheets every 2 weeks. The person they report to signs off on them. The timesheets then go to Finance.
- A Finance person familiar with program objectives reviews each timesheet, catches mistakes, and cross-references the client database to make sure that timesheets match case notes entered by each staff person.
- Finance gets from the timesheet the ongoing tabulation of each person's hours worked on any objective of any grant
- The Finance Director reviews the calculation (eg. hours worked on CSSP x hourly rate) and uses that for the invoiced amount and to calculate FTE by function.

## 2. Internal Controls

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- A set of policies and procedures to prevent deliberate or misguided use of funds for unauthorized purposes
- Based on organization's size
- Too many are bad
- No system can ever be perfect
- Always involve subjectivity and judgment calls
  
- Peer examples?

# Sample Conflict of Interest Policy

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All employees and members of the Board of Directors are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee or Board member conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

# 3. Financial Planning & Reporting

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- Budgeting Process
  - Correlation with strategy / planning processes
- Internal Financial Reports
- Audits
- Tax Compliance

## 4. Revenue / Accounts Receivable

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**Sample Policy:** All grants and projects are invoiced each month to capture all billable time and expenses. All final invoices for the prior month are completed by the 15<sup>th</sup> of the following month (e.g. May 15<sup>th</sup> for April).

# Consider These Suggestions

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- Time set-aside for system development
- Fiscal *and* programmatic expertise included in system development
- Clear alignment with mission and values
- Time to train personnel on it
- Schedule and protocol for policies to be discussed, amended, agreed upon, and regularly reviewed by more than one person



## Question 4:

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What Do You Need to Know  
About a Grant Award to Account  
for it in Your Fiscal Operations?

# Grant information that must be accounted for in fiscal operations

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- Start and end dates
- Allowable costs
- Required documentation
- Matching funds requirements
- Audit information
  - Special conditions
  - How to access / draw-down funds
  - Financial reporting (dates and requirements)
  - Budget modifications (procedures, allowable timeframes)
  - Close-out procedures

# Grants Project Tracking & Financial Management

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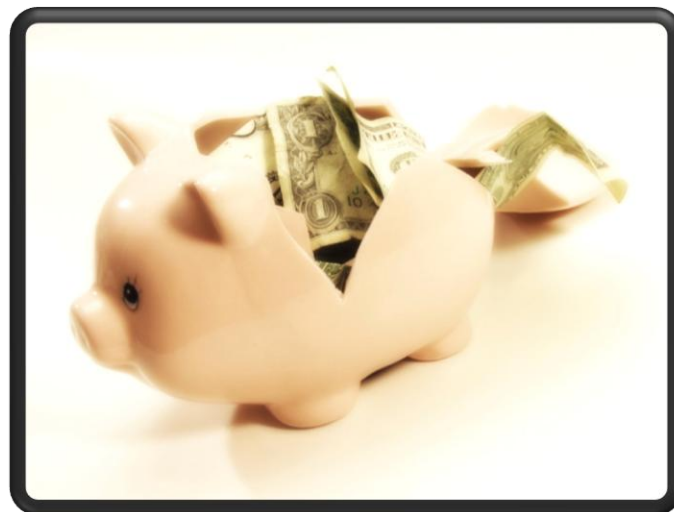
To reduce overwhelm and increase clarity.

**WE NEED ORGANIZATION.**

# Activity: Financial Self-Assessment

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- Developed by the Nonprofits Assistance Fund
- **Instructions:** Take 10 minutes to work with your organizational team to complete the self-assessment.
  - Discuss critically with your group.
- Share feedback with all and questions.



# Contact Information

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