Please Note

This resource can be edited based on written instructions.

This resource was developed for the Office of Head Start by the National Center on Program Management and Fiscal Operations. It is for noncommercial use only.

Fiscal Trends & Topics:
Stewardship of our Federal Resources

Fiscal Monitoring

Three Overarching Concerns
1. Results over compliance for accountability
2. Targeting waste, fraud, and abuse
3. Limiting allowable costs for best use of resources
Results Over Compliance for Accountability

- Governing bodies recognize their fiscal responsibilities and receive training/support to meet those responsibilities.
- Decision-makers receive accurate, timely, and useful fiscal information.
- All fiscal stakeholders understand program goals and objectives and receive data on progress and challenges.
- Organizations examine the relationship between how resources are used and progress toward program goals so they can make data-informed spending decisions.
- The professional development and capacity of fiscal managers to meet compliance requirements and program needs is supported.

Internal Controls: Policies versus Procedures

Policy versus Procedure

Internal Controls

Internal financial controls are the systems put in place by Head Start leaders, financial managers, and governing bodies to ensure that program resources are safeguarded from fraud, waste, and abuse.
Internal Controls

3 Objectives that Drive Auditor’s Test
1. Transactions are properly recorded and accounted for
2. Transactions are executed in compliance
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition

The Evolution of Internal Controls in Head Start

- Enron, Tyco, Worldcom (MCI)
- GAO Report
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Sarbanes-Oxley
- Head Start Act

5 Components to Internal Controls

- Control Environment
- Control Activities
- Risk Assessment
- Information & Communication
- Monitoring
Internal Controls: Control Environment

The control environment is concerned with the actions, policies, and procedures that reflect the overall attitude of the grantee’s top management, governing body, and Policy Council.

Internal Controls: Risk Assessment

Did You Do Your Risk Assessment?

Internal Controls: Control Activities

Control activities are policies and procedures that a grantee has established to meet their objectives for financial reporting and operations. Risks are managed through the implementation of control activities in order to mitigate unnecessary exposure to waste and/or fraud.
Internal Controls: Control Activities

- Segregation of Duties
- Authorizations
- Adequate Documentation
- Physical Control
- Independent Checks/Audits

Internal Controls: Information and Communication

Communication is…

Internal Controls: Monitoring

5 monitoring strategies to ensure internal controls are effective
1. Adequate segregation of duties
2. Proper authorization of transactions
3. Adequate records
4. Physical control over assets
5. Independent checks on performance
Internal Controls in Your Program: An Activity

Internal Controls and Governing Bodies

Internal controls can be judged as effective if the governing body and management have reasonable assurance that:

• They understand the extent to which the entity’s operations objectives are being achieved
• Published financial statements are being prepared reliably
• Applicable laws and regulations are being addressed

Questions?
Internal Controls: An Activity

In small groups, discuss how each aspect of internal controls affects a selected element in your program. The presenter will assign a program element to your table. Below are questions to consider for each aspect of internal controls.

The **Control Environment** of the organization:
- Are there organization-wide expectations around integrity and compliance?

**Risk Assessment:**
- Does the organization identify, analyze, and manage risks that relate to the ability of the organization to achieve its objectives?

**Control Activities:**
- Does the organization have policies and procedures that help ensure management’s directives are carried out?

**Information and Communication:**
- Does the organization identify, capture, and exchange information to enable people to carry out their responsibilities? For instance, is the accounting system able to provide separate identification of federal and non-federal transactions and allocation of transactions for both? Does adequate source documentation exist to support amounts and items reported? Is there a recordkeeping system to ensure that accounting records and documentation can be retained for the time period required? Are reports provided on a timely basis to managers and governing bodies?

**Monitoring:**
- Does the organization have an ongoing monitoring system that provides for independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports?