Good Fiscal Process

Good fiscal process encompasses two basic areas: accountability and internal controls.

Accountability

When money is given to a non-profit entity there is a fiduciary responsibility (def: The relationship wherein an organization has an obligation to act for another's benefit) to use those funds in the manner proscribed and with clear tracking available, to assure that it is the case. This requires that an organization be accountable for the funds they are given.

Accountability for funds is shown through multiple ways:

- On-time reporting to funders (for example the fiscal form for DOL 9130)
- On-time reporting to the IRS (non-profits must submit form 990 annually to the IRS)
- On-time payroll tax and report submissions
- Interim and Annual Fiscal Reports
- An annual independent audit

Internal Controls

In order to have full assurances and accountability it is essential that an organization have good internal controls (def: accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.). More simply put, internal control is the process which delegates duties surrounding money so that no one person has the ability to purposefully or mistakenly misuse funds.

Find attached an internal control check list which shows good segregation of duties (def: Separation of duty, as a security principle, has as its primary objective the prevention of fraud and errors. This objective is achieved by disseminating the tasks and associated privileges for a specific business process among multiple users. This principle is demonstrated in the traditional example of separation of duty found in the requirement of two signatures on a check).

Good fiscal process is governed by the Office of Management and Budget and specifically important is the OMB Circular A-122: Cost Principles for Non-Profit Organizations.
http://www.whitehouse.gov/omb/circulars_a122_2004

- Specifically this circular’s Purpose is to establish principles for determining costs of grants, contracts and other agreements with non-profit organizations. It does not apply to colleges and universities which are covered by Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions"; State, local, and federally recognized Indian tribal governments which are covered by OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments"; or hospitals. The principles are designed to provide that the Federal Government bear its fair share of costs except where restricted or prohibited by law. The principles do not attempt to prescribe the extent of cost sharing or matching on grants, contracts, or other agreements. However, such cost sharing or matching shall not be accomplished through arbitrary limitations on individual cost elements by Federal agencies. Provision for profit or other increment above cost is outside the scope of this Circular. These principles shall be used by all Federal
agencies in determining the costs of work performed by non-profit organizations under grants, cooperative agreements, cost reimbursement contracts, and other contracts in which costs are used in pricing, administration, or settlement. All of these instruments are hereafter referred to as awards. The principles do not apply to awards under which an organization is not required to account to the Federal Government for actual costs incurred.

- Attachments A and B state specifically costs that are allowed and disallowed under the circular.
- Additionally it is important to read the regulations for each grant and granting agency. They may impose additional restrictions that must be met; for example a certain amount of matching dollars may be required for grant compliance. Food is often a disallowed cost.

Each organization should have its own fiscal procedures manual. This dictates the specific processes that each organization employ to maintain accountability and internal control. Often this includes: procurement policies and purchase order or voucher systems and approval process for purchases, codes that assign expenses to appropriate funding sources, processes for tracking employee time spent on specific projects, and allocations for administrative and indirect costs.