

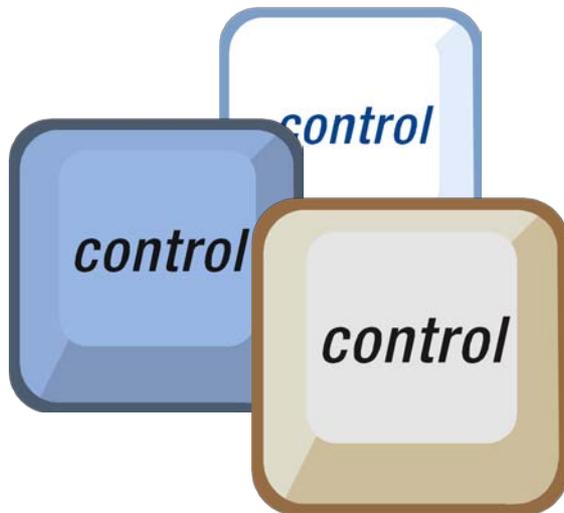


FINANCIAL MANAGEMENT

**A SOUND INVESTMENT
IN SUCCESSFUL
VR OUTCOMES**

Fiscal Controls and Contract Management

INTERNAL AND EXTERNAL FISCAL CONTROL



Presenters:

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Fundamental Concepts

What is the definition of internal controls?

- GAO definition...

An **integral component** of an organization's management that provides **reasonable assurance** that the following **objectives are being achieved**:

- effectiveness and efficiency of operations,
- reliability of reporting, and
- compliance with applicable laws and regulations.

Management Controls = Internal Controls

Fundamental Concepts

Examples from your personal life...

Controls	Reduce Risks	Achieve Objectives
Balance your checkbook	Fraud, Mistakes	Account for Cash
Lockup valuable personal belongings	Stolen property	Protect belongings
Keep copies of tax returns	Unable to provide evidence of filing	Comply with requirement to file tax return

Fundamental Concepts

Examples from your business life...

Controls	Reduce Risks	Achieve Objectives
Monitor grantee or contractor performance	Fraud, waste and abuse	Use funds efficiently and effectively
Keep records to track property	Stolen property	Protect assets
Implement & track performance measures	Non-achievement of critical goals	Achieve strategic plan

Fundamental Concepts

Why controls?



Fundamental Concepts

What do you need to do?

Be proactive by:

- Setting the right tone for internal controls in your operation
- Making internal controls an integral part of your day-to-day responsibilities
- Providing reasonable assurance on the adequacy of your controls

***You are key to the success of the goal
'improve controls' !!!!***

Fundamental_Concepts

Internal controls...

Span across all aspects of an organization

Increase the likelihood that goals will be achieved

Help the organization be more proactive

Can be used as a tool by managers to improve operations

Are the responsibility of everyone

Managers must set a positive tone for others!

Standards of Internal Controls

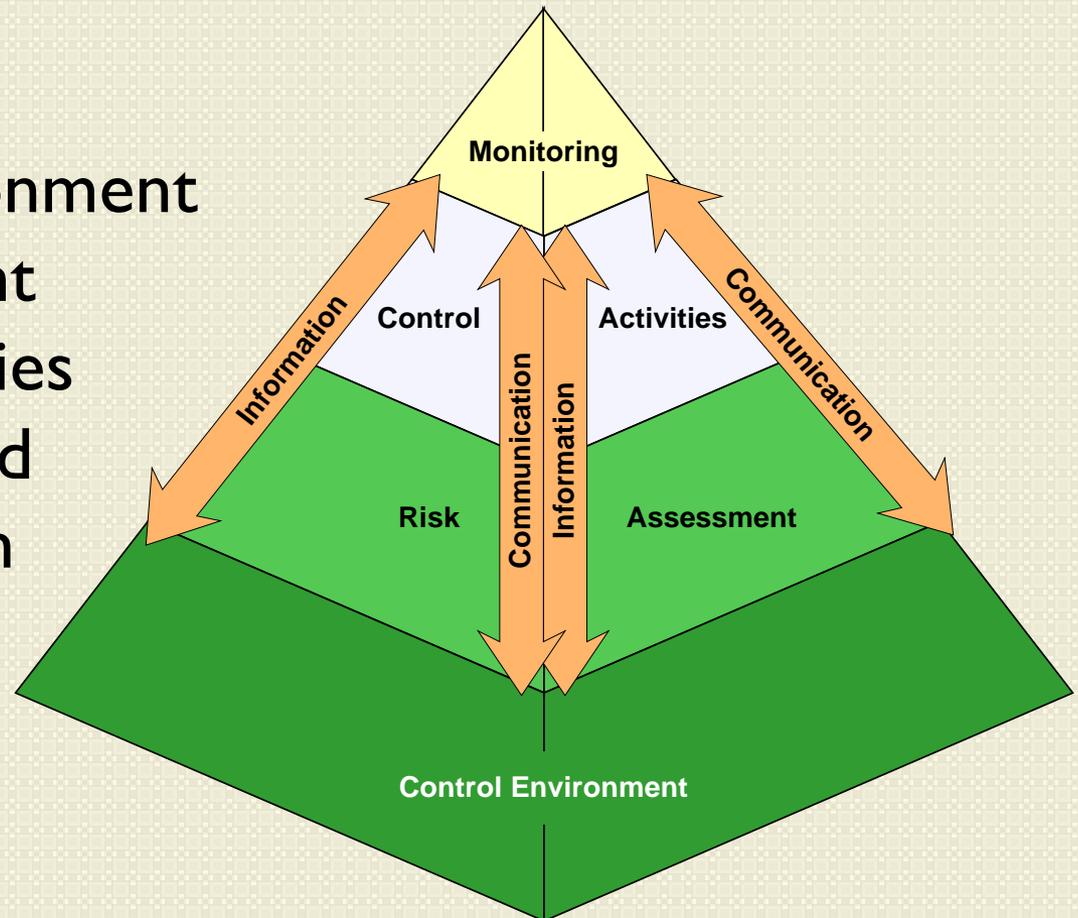
Control Activities – Types of Control

Type	Definition	Example
Preventive	Deters risk from being realized	Eligibility requirements are verified against independent party information prior to award
Detective	Finds if risk does get realized	Data mining to detect fraud patterns
Corrective	Detects if risk realized and reacts	Thermostat in computer room that protects valuable equipment

Standards of Internal Controls

Five Standards of Effective Internal Controls

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring



Standards of Internal Controls

Risk Assessment – Risk Identification Questions

- How could we fail?
- What must go right for us to succeed?
- Where are we vulnerable?
- What assets do we need to protect?
- Do we have liquid assets or assets with alternative uses?
- How could someone steal from the organization?
- How could someone disrupt our operations?

Standards of Internal Controls

Guide for Evaluating Risks

Likelihood	High	II Area of Minimal Concern	IV Area of Most Concern
	Low	I Area of Least Concern	III Area of Most Concern
		Low	High
		Impact	

Standards of Internal Control

Risk Assessment – Risk Management

Once risks are analyzed, consider how to:

- Manage risks; i.e., accept, mitigate
- How to schedule periodic re-evaluation of risks and evaluation of the effectiveness of risk mitigation mechanisms; i.e., control activities

Standards of Internal Control

Example of Control Activities

- Approvals (proper person)
- Authorization (proper usage)
- Verification
- Reconciliation
- Independent checks on performance
- Access controls
- Recording/documenting



Standards of Internal Control

Information and Communication Factors

Factors to be considered

- Internal and external information on operational performance provided to management
- Information distributed to the "right" people at the right time
- Effective communications

Standards of Internal Control

Monitoring Factors

Factors to be considered:

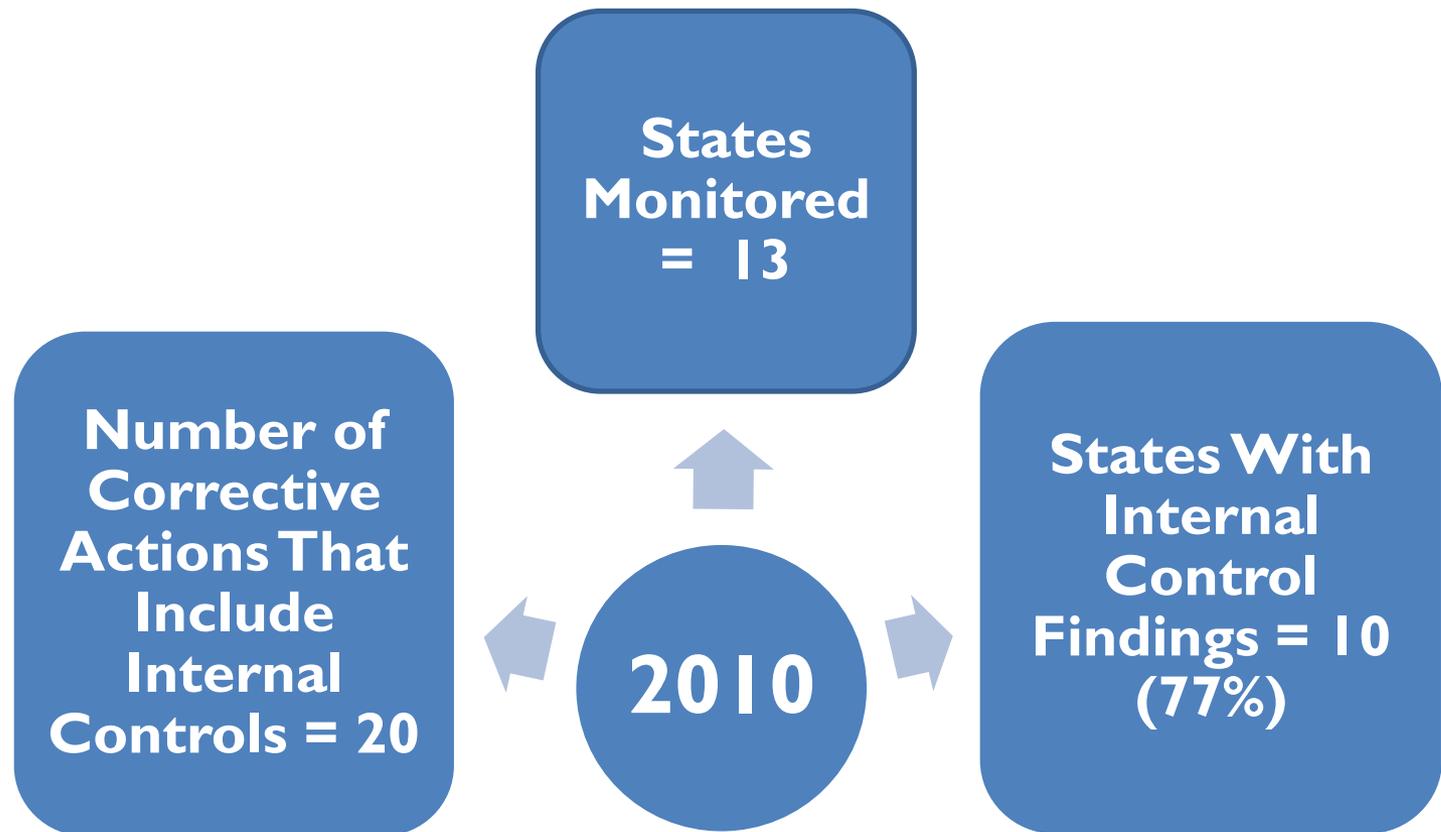
- Monitoring should be ongoing
- Separate evaluations take place
- Findings are resolved

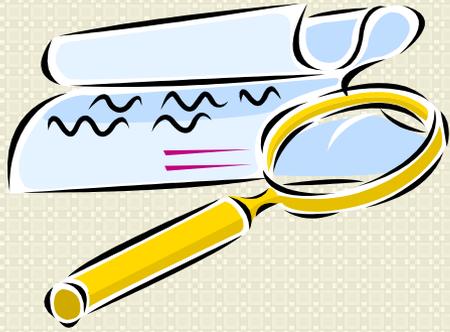
Standards of Internal Control

Monitoring Ongoing Examples

- Monitoring of grantees by reviewing and using the Single Audit reports to help assess grantee performance
- Monitoring contractor performance against terms and conditions of contract
- Monitoring usage of cell phones, purchase/phone cards

FY 2010 RSA MONITORING INTERNAL CONTROLS





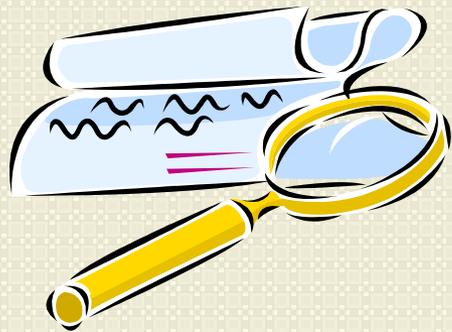
INTERNAL CONTROL FINDINGS CONTRACT MONITORING

- Contract specifications and budget are not detailed enough to allow for determination of cost allowability.
- Contractor's performance with the terms, conditions, and specifications of the contract is not monitored and documented.

POTENTIAL CONTROL ACTIVITIES



- Contract procedures ensure specifications, and budget are sufficient to allow for determination of allowability.
- Contractor's performance with the terms, conditions, and specifications of the contract is monitored and documented.



INTERNAL CONTROL FINDINGS CONTRACT PAYMENTS

- Paying invoices without any supporting basis to ensure services provided are allowable under the VR program, or that the services are provided in accordance with the individual's IPE.
- Grantee does not have fiscal controls in place that enable it to expend and account for funds to such a degree that it can trace the funds for each activity to ensure that the funds were expended in accordance with Federal requirements.

POTENTIAL CONTROL ACTIVITIES

- Supporting documentation compared to list of acceptable documentation, allowable and unallowable expenditures.
- Computation checked for accuracy.
- Adjustments to unallowable costs are made , where appropriate, and follow-up action taken to determine the cause.
- Any changes made to invoices include date change was made and information necessary to identify individual who made the change.
- Policy for how rates are established (reasonableness).





-Including indirect costs in contract budgets.

-Contractor costs not being allocated.

-Line Item Budgets for contract services.

SEGREGATION OF DUTIES

The same individual:

- Enters the services to be provided for consumers;
- Chooses the provider of those services;
- Authorizes the services, which obligates agency to make payment for those services; and
- Approves payment for the services.

POTENTIAL CONTROL ACTIVITIES



- Establish segregation of duties between employees responsible for authorization and reimbursement of services.
- Supervisors review procurement and contracting decisions for compliance.
- Accountability for authorization is fixed in an individual who is knowledgeable of the requirements for determining activities allowed and allowable costs.

Summary

- Be proactive...
- Participate in risk and self-assessments.
- Ensure sound controls are in place, such as by conducting management reviews.
- Take action: prevent, detect, and correct issues.
- Follow established policies and procedures and discipline others for not following them.
- Report fraud, waste and abuse.
- Speak up if you notice opportunities for improvement outside of your area.

SURVIVAL KIT

Education Department General Administrative Regulations
(EDGAR) - <http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>

U.S. General Accountability Office Website: www.gao.gov
Search on "standards for internal control"

Federal Audit Clearing House: <http://harvester.census.gov/sac>

OMB Circular A133 Compliance Supplement:
www.whitehouse.gov/omb/circulars/a-133-compliance/06/06yoc.html





QUESTIONS?