Is Your Financial Data Supported by Efficient and Effective Financial Operations?

Your organization's financial data is only as reliable and accurate as the operating procedures it follows to gather, process and record the data. Financial statements, budgets, forecasts, and strategic plans all depend on the quality of the data used to develop them. During periods of economic uncertainty, changing funding sources, and staffing challenges, timely and accurate financial data is especially important for both ongoing operations and informed decision-making.

The following three areas are especially important to review:

1. Accounting Policies and Procedures
Accounting policies and procedures should be documented, communicated, updated and approved by the board of directors. When these policies and procedures are implemented and enforced, it promotes consistency in recording transactions, compliance with regulatory and accounting requirements, safeguarding financial assets, and transparency in financial management and reporting.

2. Financial Reporting
A structured month-end closing process should be in place to support timely and accurate financial reporting. Tasks to be performed, staff members responsible and due dates for completion should be clearly defined resulting in useful and meaningful financial data and financial reports that are available when needed. At year-end, final adjustments should also be recorded before the books are closed and the annual financial audit occurs.

3. Internal Controls
Effective internal controls are essential for mitigating the risk of unauthorized or fraudulent activity. These controls include appropriate expense approvals to ensure a valid business purpose, meaningful approval hierarchies, dual-signature requirements, and separation of duties so that no one staff member has complete control over all aspects of a financial transaction. Gaps in internal controls can result in misstatements or omissions of amounts from financial reports.

Together, these practices ensure that financial data and financial reports are accurate, reliable and timely. It ensures that internal staff, current and potential donors, financial institutions, and board members have the information they need to support operations, oversee the financial health of the organization and make sound decisions.