Business Office Optimization

MHCA 2023 Annual Convention

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Session Objectives

In this session you will:

- Gain an understanding and discuss importance of internal controls
- Discuss best practices for bookkeeping, processing and financial reporting
- Learn reporting techniques to present information to varied users which will help support decision making and goal achievement
- Learn budgeting techniques and best practices

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Internal Controls

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What is Internal Control

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of reporting
- Compliance with applicable laws and regulations

Source: Committee of Sponsoring Organizations of the Treadway Commission (COSO)

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What is Internal Control?

This definition emphasizes that internal control is:

- Geared towards the achievement of objectives in one or more categories- operations, reporting, and compliance.
- A process consisting of ongoing tasks and activities. It is a means to an end, not an end in itself.
- Affected by people. It is not merely about policy manuals, systems, and forms, but about people at every level of an entity that impact internal control.
- Able to provide reasonable assurance, not absolute assurance, to an entity's stakeholders.
- Adaptable to entity structure (size and complexity of an entity).

Source: Committee of Sponsoring Organizations of the Treadway Commission (COSO)
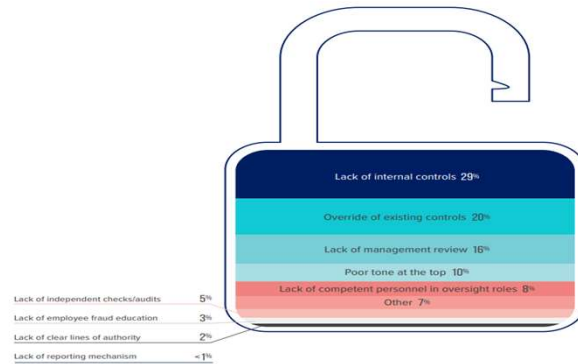
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Weaknesses that Contributed to Fraud

FIG. 29 WHAT ARE THE PRIMARY INTERNAL CONTROL WEAKNESSES THAT CONTRIBUTE TO OCCUPATIONAL FRAUD?

Lack of internal controls 29%
Override of existing controls 20%
Lack of management review 16%
Poor tone at the top 10%
Lack of competent personnel in oversight roles 8%
Other 7%

Lack of independent checks/audits 5%
Lack of employee fraud education 3%
Lack of clear lines of authority 2%
Lack of reporting mechanism <1%

Source: 2022 Global Fraud Study: Report to the Nations on Occupational Fraud and Abuse, Association of Certified Fraud Examiners

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Fraud Risks

FIG. 21 WHAT ARE THE MOST COMMON OCCUPATIONAL FRAUD SCHEMES IN VARIOUS INDUSTRIES?

INDUSTRY	Cases	Billing	Cash larceny	Cash on hand	Check and payment tampering	Corruption	Expense reimbursements	Financial statement fraud	Noncash	Payroll	Register disbursements	Skimming
Banking and financial services	351	10%	11%	14%	14%	46%	8%	11%	11%	4%	2%	10%
Government and public administration	198	21%	8%	7%	9%	57%	12%	8%	16%	16%	3%	8%
Manufacturing	194	26%	5%	9%	7%	59%	10%	12%	23%	10%	4%	8%
Health care	130	20%	6%	8%	8%	50%	11%	9%	18%	12%	2%	9%

Source: 2022 Global Fraud Study: Report to the Nations on Occupational Fraud and Abuse, Association of Certified Fraud Examiners
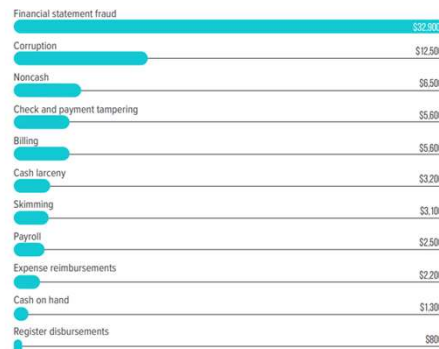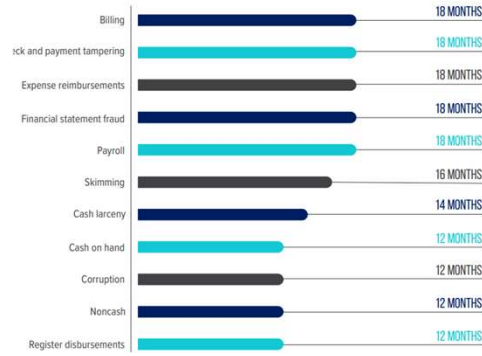
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What's at Stake?

WHAT IS THE TYPICAL VELOCITY (MEDIAN LOSS PER MONTH) OF DIFFERENT OCCUPATIONAL FRAUD SCHEMES?

Scheme	Median loss per month
Financial statement fraud	$32,900
Corruption	$12,500
Noncash	$6,500
Check and payment tampering	$5,600
Billing	$5,600
Cash larceny	$3,200
Skimming	$3,100
Payroll	$2,500
Expense reimbursements	$2,200
Cash on hand	$1,300
Register disbursements	$800

Source: 2022 Global Fraud Study: Report to the Nations on Occupational Fraud and Abuse, Association of Certified Fraud Examiners
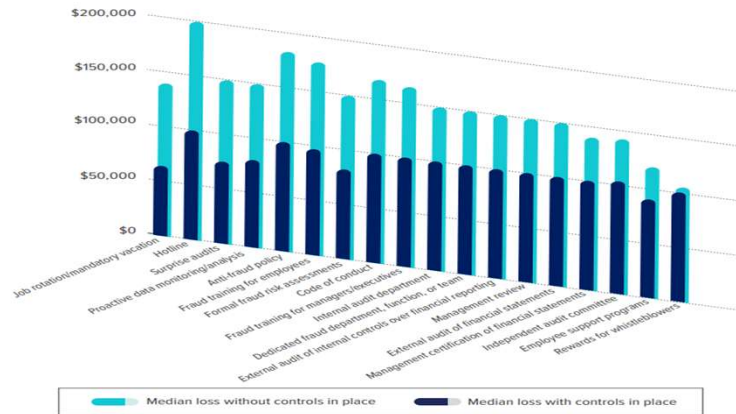
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What's at Stake?

HOW LONG DO DIFFERENT OCCUPATIONAL FRAUD SCHEMES LAST?

Scheme	Duration
Billing	18 MONTHS
Check and payment tampering	18 MONTHS
Expense reimbursements	18 MONTHS
Financial statement fraud	18 MONTHS
Payroll	18 MONTHS
Skimming	16 MONTHS
Cash larceny	14 MONTHS
Cash on hand	12 MONTHS
Corruption	12 MONTHS
Noncash	12 MONTHS
Register disbursements	12 MONTHS

Source: 2022 Global Fraud Study: Report to the Nations on Occupational Fraud and Abuse, Association of Certified Fraud Examiners

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How Effective are Controls?

FIG. 23 HOW DOES THE PRESENCE OF ANTI-FRAUD CONTROLS RELATE TO MEDIAN LOSS?

Median loss without controls in place   Median loss with controls in place

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Internal Controls and Automation

Web-based Workflow and Controls

- Ensure Compliance, Reduce Costs, and Risk
- Safely engage all employees and volunteers in financial processes
- Real-time visibility plus financial control

- Multiple levels of approvals
- Comprehensive audit trails
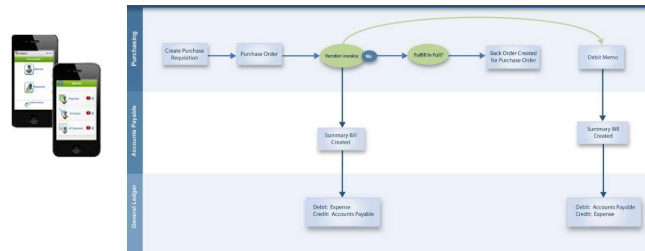
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Group Discussion

What are some controls 'inside' your business?

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Financial Reporting

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The Financial Close

The Hackett Group reports:

75% of Finance managers believe their financial close processes are ineffective.

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Signs that your Financial Close Process May be Broken

- No defined close process
- Not enough automation
- No access to real-time data
- Poor integration with plan
  and actual data
- Manual creation of
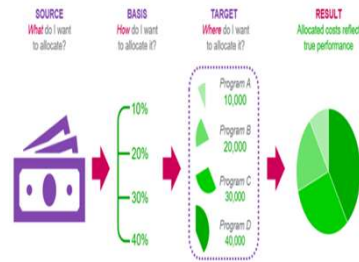 Financial Statements

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What Can you Automate?

- Best in Cloud – integrates with CRM, Payroll, Bill.com, Expensify, FloQast, etc
- Multi-location, entity, and currency
- Track multiple fiscal years in one database (org, grant, calendar)
- Track multi-books (GAAP, Encumbrances)
- Built in Approval workflows
  - Purchasing and Spend Management
  - AP bill and payment approval
  - Receipt burning – credit card transactions
- Bank/CC Feeds for continuous reconciliations
- Automating Project/Grant Billing on reimbursements
- Journal Entry/Allocation Automation
  - Release from restrictions
  - Functional Expenses; payroll allocations; overhead allocations
  - Shared revenue/expenses for multi-sites
  - Revenue Recognition Management (ASC 606)
  - GL Outlier Detection

SOURCE	BASIS	TARGET	RESULT
What do I want to allocate?	How do I want to allocate it?	Where do I want to allocate it?	Allocated costs reflect true performance

Program A 10,000
Program B 20,000
Program C 30,000
Program D 40,000

10%
20%
30%
40%

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Cloud Computing

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Why Software?

- What is your biggest pain point with your finance department?
- Do you wish you could receive special reports to run your business – Daily? Weekly? Monthly?
- Do you wish you had a real-time dashboard to see daily cash flow or keep performance indicators? How about budgeting? Forecasting?
- Is your accounting team always behind due to too many manual processes? or massaging of data?
- Do you have integration issues with other software's that impact accounting?

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Cloud adoption will continue to rise… Why???

Easier access to data	• Access wherever you have an internet connection
Less upkeep	• Typically cloud based software provides automatic updates
Stronger controls	• SSAE 16 (SAS70) – reports on controls for the cloud based vendor software
Ease of system integration	• Ability to interface with multiple external software (i.e. grant management software)

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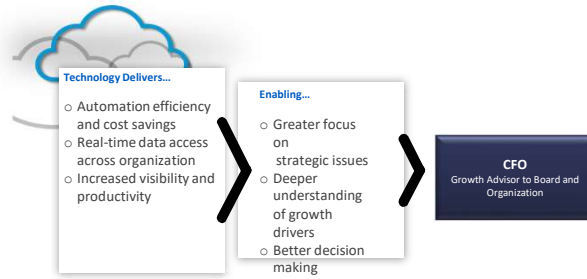
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Access Anywhere

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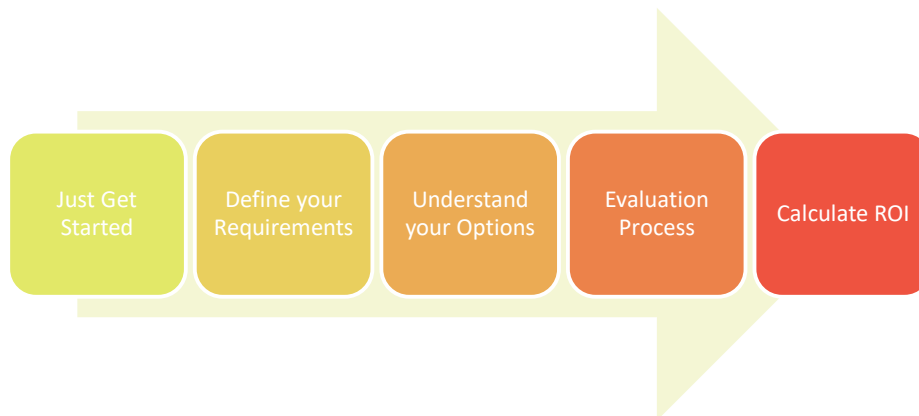
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Cloud Allows Us To Be More Strategic

Technology Delivers...
- Automation efficiency and cost savings
- Real-time data access across organization
- Increased visibility and productivity

Enabling...
- Greater focus on strategic issues
- Deeper understanding of growth drivers
- Better decision making

CFO
Growth Advisor to Board and Organization

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Roadmap Planning

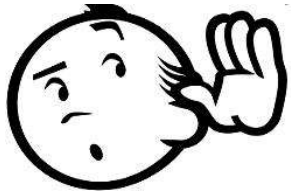| Just Get Started | Define your Requirements | Understand your Options | Evaluation Process | Calculate ROI |

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Questions or Comments???

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Data Analytics: Visibility & Oversight

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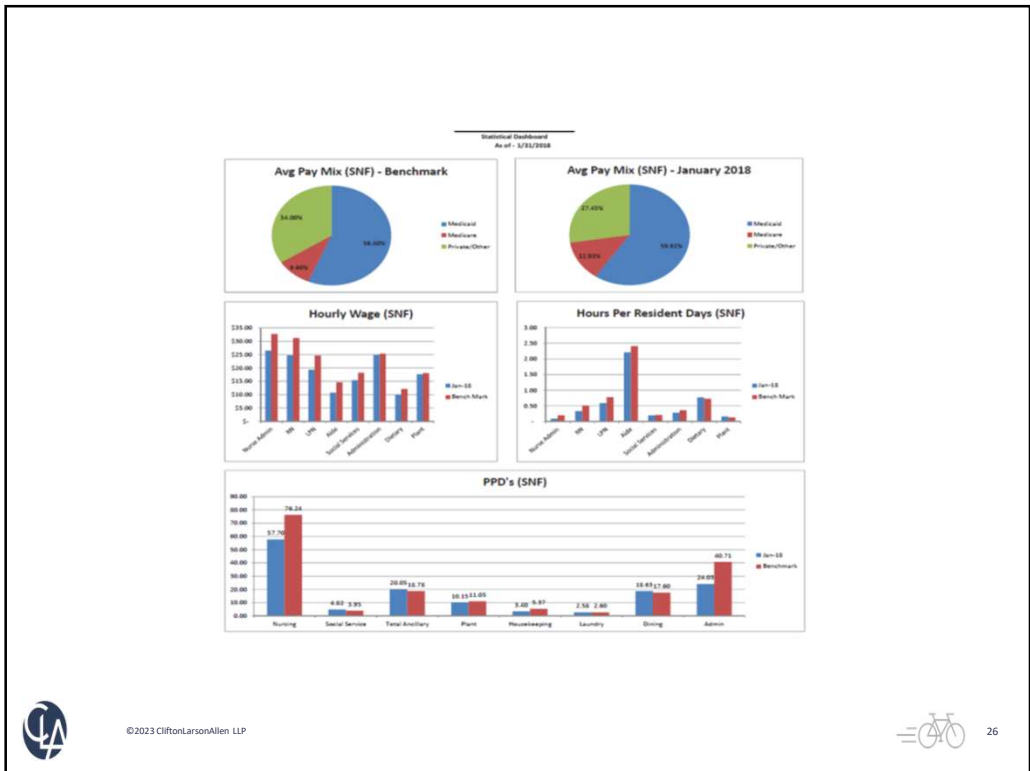©2023 CliftonLarsonAllen LLP
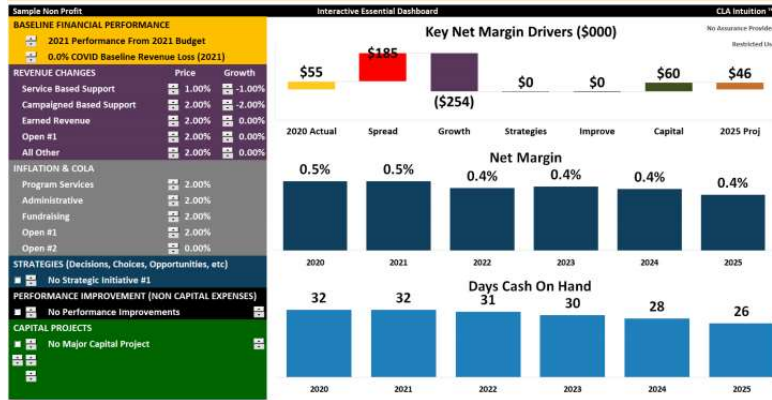
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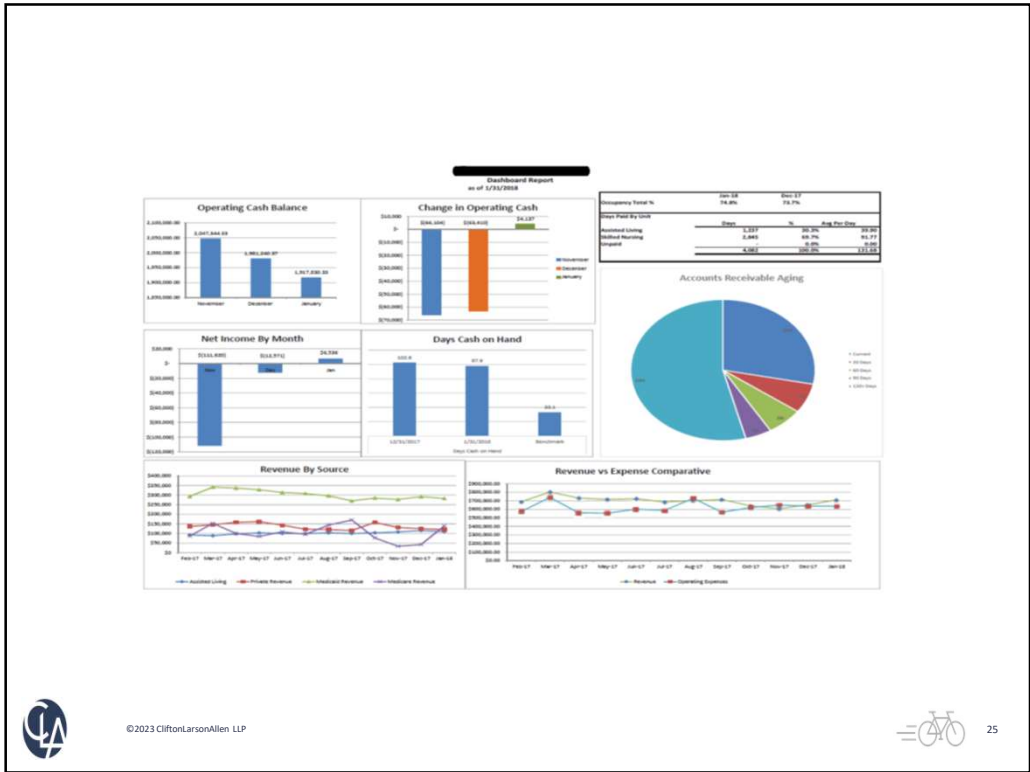
Forecasting Tools

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Group Discussion - KPIs

- What KPI's have you implemented, or would like to implement?
- What was, or could be, the impact on stakeholders?

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Impactful Financial Data for Specific Audiences

- Owners/ Governance

- Departmental Managers/Committee Chairs

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Owners/Governance

Very high level – no more than a few reports to review
- Statement of Financial Position – Summary
- Statement of Activities – Summary
  - Monitor month, YTD, Actual vs. Budget, comparable to PY
  - Summary by Department/Committee/Program
- Cash Flow / Projection
- Dashboard / Ratio Analysis

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Question or Comments???

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Budgeting 101

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What is a Budget?

- Budget – a formal expression of the plans for the operation for a specific period
- An estimation of revenues and expenses over a period of time
- Operating Budget: Focus on day-to-day revenue and expenses. Usually covers a one year period.
- Capital Budget: Focus on capital or investment spending. Usually covers multiple years.

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Advantages of a Budget

- Used to analyze anticipated results vs. actual results
- Provide early warning of deviations from plans, avoids surprises
- Control spending
- Improves communication

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Who Should be Involved?

- The budget should be all inclusive and transparent
- Owner/ operator
- Members of management
- Accounting personnel or outsourced accountant

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Budget Best Practices

- One Person – one person should compile all of the data and keep the master budget.
- One Language – common assumptions, input and terminology – making it as easy as possible.
- Single Chart of Accounts – common accounts should be the same across ministries
- Reduce Time Spent on Budget – minimize detail and streamline
- Accommodate Change – monitoring performance and reacting to business conditions

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We have a Budge – Now What?

Once you have completed your budget you want to put it in a file drawer and never look at it again. But you spent all of that time and effort on it let's see how to use it.

- Daily – compare requested expenses to the budget
- Monthly - review a budget to actual report
- Quarterly – consider revising the budget based on actual data
- Annually – evaluate your performance

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Conclusion

- Questions??

THE END!

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Thank You!

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