



# BREAKING THE SILOS TO ACHIEVE EFFECTIVE FINANCIAL MANAGEMENT

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FOSTERING COLLABORATION BETWEEN THE FINANCE  
DEPARTMENT, LEADERSHIP AND PROGRAM STAFF

# Topics

- ◆ The Relationship Between Finance and Mission
- ◆ Key Components of a Strong Finance Department Infrastructure
- ◆ The Role of Leadership and Program Staff in Maintaining a Strong Finance Department
- ◆ Collaboration in the Budgeting Process
- ◆ Next Steps for Leadership
- ◆ Fostering Collaboration: Best Practices

# Breaking The Silos and Improving Collaboration

**Silos** exist in an organization when departments or teams work independently and do not communicate with each other or share information.

**Collaboration** between the finance department, leadership and non-finance staff is essential for building a strong finance department that enables the organization to successfully carry out its mission.

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# The Relationship Between Finance and Mission

Key Responsibilities of a Nonprofit Finance Department	Results When Fulfilling Those Responsibilities
Implement processes and systems to <b>safeguard the assets</b> of the organization (e.g., cash, investments, physical property).	Financial resources are available to run the organization's programs, deliver services and successfully carry out its mission.
Generate <b>accurate and timely financial reports and financial data</b> used by senior management, the Board of Directors, financial institutions, funders and donors.	Reliable financial data and financial reports are available to make important decisions about the operation of the organization and develop strategic plans.

**A strong finance department is the foundation upon which you build and maintain a strong nonprofit organization.**

## Key Components of a Strong Finance Department Infrastructure

- ◆ Accounting Policies and Procedures
- ◆ Internal Controls
- ◆ Digital Transformation
- ◆ Effective Contract Management
- ◆ Timely and Accurate Financial Reporting

# Key Components of a Strong Finance Department

## #1. Accounting Policies and Procedures

**Policies** are the principles or rules upon which important decisions are made and courses of action determined.

*Example: The organization will issue credit cards to Officers and Program Directors only. Those credit cards are issued to them based on their business needs and upon approval by their supervisors.*

**Procedures** are the steps to be followed to ensure the policies are consistently carried out.

*Example: Employees are issued credit cards only when requested by their supervisor in writing directed to the credit card Administrator. The request should include the business purpose for the credit card and its credit limit.*

## Why Does the Finance Department Implement Policies and Procedures?

- **Protect the assets** of the organization such as cash, investments and physical property, so that the organization can run its programs and successfully carry out its mission

***Example:** An organization must have policies and procedures in place to ensure that all checks and cash received are properly accounted for, recorded and promptly deposited.*

- Implement **internal controls** (checks and balances) that mitigate the risk of unauthorized or fraudulent activity

***Example:** All organizational spending requires supervisory review and approval.*

## Why Does the Finance Department Implement Policies and Procedures?

- Ensure **compliance** with regulatory and accounting requirements  
***Example:** Organizations must comply with regulations from government funders and with the IRS' requirement to file a Form 990, which is the organization's annual information return.*
- Support the **accurate recording of transactions** in the financial records, in order to generate timely and accurate financial data and financial reports used by leadership and the Board of Directors to make important decisions about the operation of the organization



Documenting the policies and procedures in an **Accounting Policies and Procedures Manual** helps to ensure that the policies and procedures are uniformly and consistently followed. The manual should be updated at least annually, reviewed by senior management and approved by the Audit or Finance Committee prior to approval by the Board of Directors.

### **SAMPLE TABLE OF CONTENTS:**

Section 1: Background Information  
Section 2: General Ledger & Chart of Accounts  
Section 3: Accounting Principles & Procedures  
Section 4: Accounts Receivable & Cash Receipts  
Section 5: Accounts Payable & Cash Disbursements  
Section 6: Bank Reconciliations  
Section 7: Month-End Accounting Procedures  
Section 8: Year-End Closing Procedures & Financial Audit  
Section 9: Investments  
Section 10: Debt  
Section 11: Reserves & Designated Funds

Section 12: Internal Controls  
Section 13: Compliance  
Section 14: Budgeting  
Section 15: Computer System Access & Backup  
Section 16: Record Retention & Access  
Section 17: Conflicts of Interest  
Section 18: Maintenance of Accounting Policies & Procedures Manual  
Section 19: Preparation of Informational Returns  
Section 20: Property & Equipment Inventory Control  
Section 21: Grants & Contracts  
Section 22: Sample Accounting Forms

## Collaboration: Accounting Policies and Procedures

*Developing, implementing and enforcing effective accounting policies and procedures requires collaboration between staff within and outside the finance department.*

### Examples:

#### Organizational Spending

- Supervisory review and approval of organizational spending
- Proper supporting documentation and account coding

#### Revenue Cycle Billing

- Complete documentation and approval of services provided
- Timely submission of services to finance for billing

#### Budgeting

- Preparation and submission of proposed program budgets
- Adhering to the timeline established for the budgeting process

# Collaboration: Accounting Policies and Procedures

Examples: Developing Policies and Procedures	
Policies & Procedures	Collaboration With
Accounts Payable & Cash Disbursements	Procurement/Purchasing Department
Computer System Access & Backup	Information Technology (IT) Department
Budgeting	Program and Department Managers

## Implementing & Enforcing Policies & Procedures

- ◆ Senior leadership and managers should discuss the policies and procedures and the importance of adhering to them when meeting with their staff and at mandatory training workshops.
- ◆ Request feedback from staff as to the challenges they face in understanding and adhering to the policies and procedures.



# Key Components of a Strong Finance Department

## #2. Internal Controls (checks and balances)

Internal controls are processes implemented to provide reasonable assurance in achieving:



## **Examples of Internal Controls:**

### **Review and Approval**

- Supervisory review and approvals of organizational spending

### **Check Signing and Electronic Payments**

- Requiring two authorized signatures for checks and wires in excess of a designated monetary threshold

### **Separation of Duties**

- No one person should have complete control over all aspects of a financial transaction

### **Physical Safeguarding of Assets**

- Keeping cash and confidential documents in a locked cabinet or secure online location with access given only to authorized personnel

### **Bank Reconciliations**

- Performing monthly bank reconciliations timely with supervisory review and approval by an individual other than the one performing the bank reconciliation



## Collaboration: Internal Controls

*Everyone in the organization is responsible for maintaining **effective internal controls**. Senior leadership sets a positive “**tone at the top**” for the importance of adhering to internal controls.*

### Examples:

- ◆ Review and approval of vendor **invoices** for goods received and services provided for programs and departments throughout the organization
- ◆ Ensure proper **supporting documentation** is provided to verify that expenses have a valid business purpose
- ◆ Review and approval of **business credit card charges** for all staff, even those at the highest levels
- ◆ Keeping **cash** received from program participants and **sensitive documents** in a locked cabinet or secure online location, with limited access
- ◆ Proper authorization for **purchases** made for programs and departments and maintaining internal controls over the goods when they are received
- ◆ Safeguarding **physical property** used by programs and departments



# Key Components of a Strong Finance Department

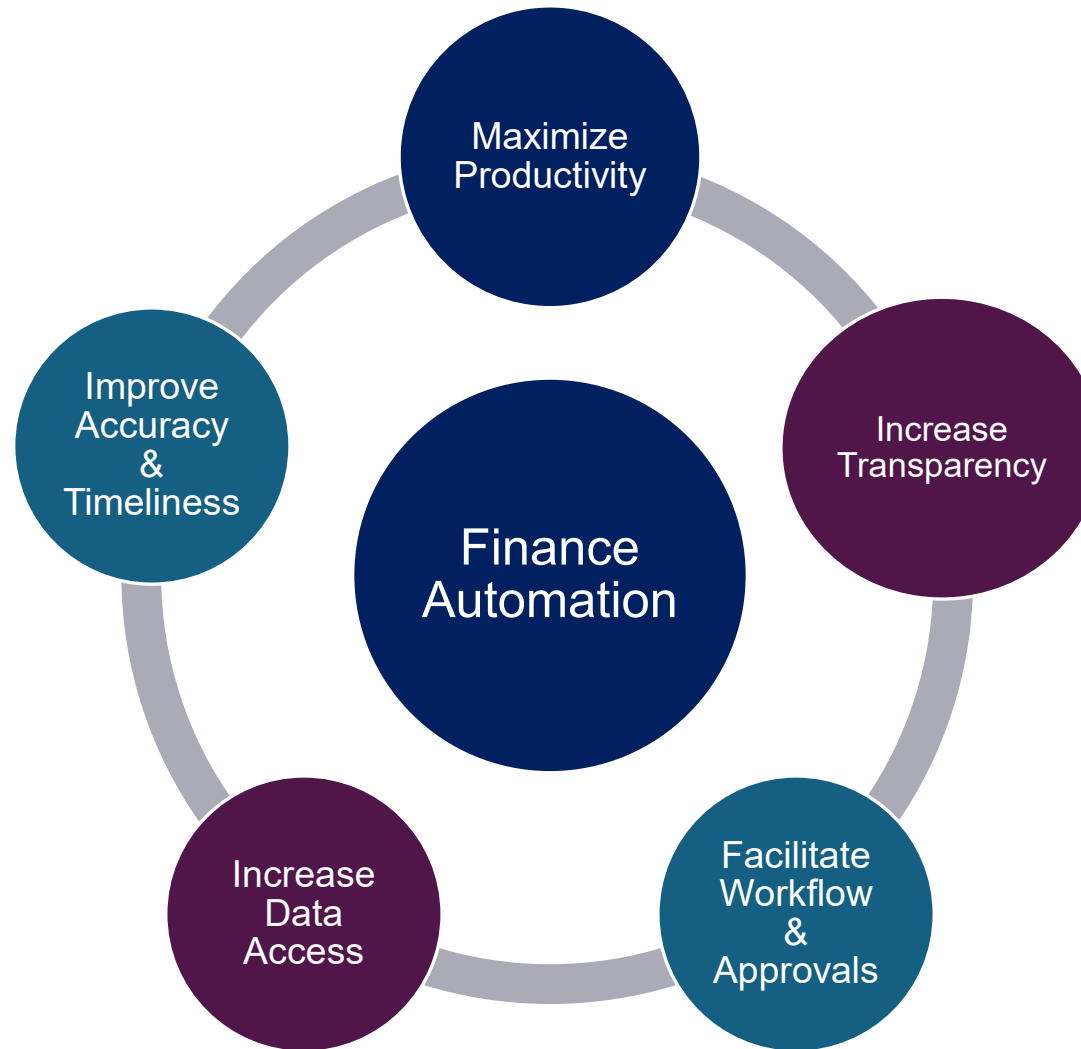
## #3. Digital Transformation-Implementing Automated Financial Systems

Finance departments use automated systems for many processes including:

- ◆ Accounting & Reporting
- ◆ Accounts Payable
- ◆ Expense Management
- ◆ Accounts Receivable
- ◆ Grant Management
- ◆ Budgeting and Forecasting
- ◆ Payroll Management



## Benefits of Implementing Automated Financial Systems



## Collaboration: Automated Financial Systems

*Non-finance department staff contribute to the ability of the finance department to maximize the efficiency and effectiveness of using **automated financial systems**.*

### For Example:

- ◆ By submitting, reviewing and approving invoices, business credit card charges and employee expense reimbursements through the automated systems **in a timely manner**
- ◆ By approving expenses only when accompanied by proper **supporting documentation** and general ledger account **coding** (e.g., office expense, meals and entertainment)
- ◆ By program and department supervisors requesting **training** by the finance department on the use of the automated systems so that staff is properly trained
- ◆ By program and department managers submitting **budget** data to the finance department in a timely manner for preparation of the organization's budget
- ◆ By the Board of Directors reviewing the proposed budget electronically and following up with questions and comments timely, to meet the deadline for final budget approval

# Key Components of a Strong Finance Department

## #4. Effective Contract Management

Effective contract management is essential for maintaining ongoing receipt of goods and services and for meeting financial obligations to vendors in accordance with negotiated contract prices.

Senior leadership must know what contracts the organization has entered into and its obligations under the contracts.



### Tips For Effective Contract Management

- ◆ Maintain and update an online database of all executed contracts, terms and dates.
- ◆ Scan all contracts and establish a secure central online location to file all executed contracts.
- ◆ Monitor the expiration dates of the contracts and renew them in a timely manner.
- ◆ Ensure that all contracts for goods and services cover all your organization's locations.

## Collaboration: Effective Contract Management

*Staff members who are authorized to enter into contracts on behalf of the organization play an important role in **effective contract management**.*

### For Example:

- ◆ Program managers who engage professionals for a specialized skill or activity should ensure that a contract for the services provided is duly executed.
- ◆ Ensure that all executed contracts are included in the organization's contract database.
- ◆ If contractual services are extended to additional programs or sites (e.g., food delivery services) ensure that the contracts are amended to reflect the agreed upon changes.
- ◆ Program services that are terminated prior to contractually agreed upon termination date should be communicated to the appropriate internal party.
- ◆ Monitor spending for contractual services and discuss with the finance department any significant variances from budgeted amounts.

# Key Components of a Strong Finance Department

## #5. Timely and Accurate Financial Reporting

To ensure the reliability of the monthly financial statements which are generated by the finance department, a **month-end close process** should be implemented. These statements are then distributed to senior management, the Board of Directors and other third-party stakeholders.

### Key Financial Statements

**Statement of Financial Position** (Balance Sheet) reports the organization's assets, liabilities and net assets at a point in time.

**Statement of Activities** (Income Statement) reports the organization's revenue, expenses and net surplus (deficit) usually monthly or year-to-date.

**Budget vs. Actual** (Variance) report compares the actual revenue, expenses and net surplus (deficit) results compared to the estimates in the approved budget.

**Statement of Cash Flows** reports where funds are coming from and what the funds are used for.



## What Is a Month-End Close?

A formal, documented and enforced process established for reviewing the financial data recorded in the financial records to ensure that it is **complete, accurate and timely** prior to closing the books for the month and generating monthly financial reports.

## Why Do You Need a Month-End Close?

Financial data is an indicator of the **financial health** of the organization. The data should be reviewed regularly and consistently throughout the year. Financial health is a key indicator of the sustainability of the organization and its ability to carry out its programs and successfully fulfill its mission.

## When Should a Month-End Close Occur?

- ◆ Since financial statements provide valuable information to senior management, the Board of Directors and other third-party stakeholders, they should be presented timely.
- ◆ The finance department must receive and process all financial transactions for the month by a designated due date. This due date is determined by the finance department and is usually by the 15<sup>th</sup> day of the following month. The financial statements are generated shortly thereafter.
- ◆ At year-end, the books will be kept open for approximately 4-6 weeks so that all transactions and adjustments for the year are properly recorded. The annual financial audit will take place after the books are closed at year-end.

# Collaboration: Timely and Accurate Financial Reporting

*Non-finance department staff play an important role in the **month-end close process**.*

## Examples:

### Prior to closing the books for the month:

- ◆ All vendor invoices, check requisitions, business credit card charges and employee expense reimbursement requests for the month must be received, approved and submitted to the finance department for processing and recording in the financial records.
- ◆ Supervisory approval for time worked by hourly employees must be completed in the timekeeping system for processing by finance.
- ◆ Documentation and supervisory approval for services provided must be completed and submitted for billing by the finance department (e.g., progress notes completed and approved by program service providers and managers).



# Creating and Monitoring the Budget: Collaboration Between Finance, Leadership and Program Staff

## What Is a Budget?

A budget is a plan for how the organization will spend its money. It includes the sources of revenue the organization anticipates receiving and expenses it anticipates incurring. For example:

### Revenue

- ◆ Government Revenue
- ◆ Individual Donations
- ◆ Special Events

### Expenses

- ◆ Salaries and Benefits
- ◆ Rent
- ◆ Utilities

## Why Does the Organization Need a Budget?

A budget helps to allocate resources in accordance with the needs and mission of the organization. It serves as a tool to track where and how money is spent.

## Budget Team

Typically, the budget team will include:

- ◆ CEO or Executive Director
- ◆ CFO
- ◆ Department and Program Directors
- ◆ Program Managers and other key program staff



## Budget Preparation and Approval Process

*The budget process is a team effort and will vary for each organization. However, the process usually includes the following steps:*

- ↓ Budget planning meetings with the finance department
- ↓ Distribution and review of year-to-date actual results for current year
- ↓ Submission of preliminary budget by programs and departments
- ↓ Review by the finance department and follow-up meetings
- ↓ Review by senior leadership and approval by the Board of Directors

## Monitoring the Budget

- Monitor spending throughout the year
- Identify inefficiencies in spending, such as those that are not mission aligned
- Review Budget vs. Actual reports distributed by the finance department on a monthly basis

Sample Nonprofit Organization Budget vs. Actual FY 2025 Current Period: 7/1/24-10/31/24 Budget Period: 7/1/24-6/30/25					
	Year-To-Date Actual	Year-To-Date Budget	Variance	Yearly Budget	Notes (variance explanations)
<b>Revenue</b>					
Government	24,000	25,000	(1,000)	75,000	
Grants	8,160	8,500	(340)	25,500	
<b>Total Revenue</b>	32,160	33,500	(1,340)	100,500	
<b>Expenses</b>					
Automobile Expense	5,250	2,200	(3,050)	6,600	
Office Supplies	6,991	10,067	3,076	30,200	
Staff Training	1,917	3,900	1,983	11,700	
Travel Expense	12,074	13,667	1,593	41,000	
<b>Total Expenses</b>	26,232	29,834	3,602	89,500	
<b>Surplus/(Deficit)</b>	5,928	3,666	2,262	11,000	



## Next Steps for Leadership

- ◆ Confirm that the finance department has an Accounting Policies and Procedures Manual that is distributed, enforced and approved annually by the Audit or Finance Committee prior to approval by Board of Directors.
- ◆ Review with managers how they oversee staff in enforcing internal controls in their areas of responsibility. Communicate the importance of maintaining and adhering to policies and procedures and effective internal controls.
- ◆ Ensure staff collaboration in effectively using automated financial systems in their areas of responsibility.
- ◆ Confirm that contracts are maintained in a central digital database, tracked on an ongoing basis and accessible electronically.
- ◆ Facilitate the month-end close by ensuring that staff adhere to deadlines established by the finance department to generate timely and accurate financial statements.

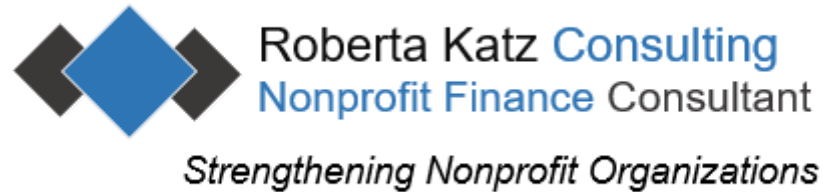
# Fostering Collaboration: Best Practices



- ◆ **Identify** areas where collaboration is needed by reviewing, documenting and evaluating the finance department's operating procedures.
- ◆ **Communicate** to leadership the areas where collaboration is needed and why it is important to the organization.
- ◆ **Discuss** ways to promote collaboration and address challenges that might be encountered.
- ◆ **Train** non-finance staff in areas where their collaboration is needed to facilitate and improve compliance.
- ◆ **Provide guidance** to non-finance staff in complying with policies, procedures, internal controls and deadlines established for maintaining a strong finance department.

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# About Roberta



**Roberta Katz**  
**Founder**

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Roberta spent the early part of her career as an auditor for a Big Four accounting firm and as a tax manager for a mid-sized CPA firm.

Nineteen years ago, Roberta decided to redirect her career to the nonprofit sector using the skills and experience she gained in the for-profit sector to help nonprofit organizations build and maintain strong finance departments.

Roberta held senior financial management positions at several major nonprofit organizations and is now working as a finance consultant using the hands-on experience she gained to assist nonprofit organizations with innovative guidance and practical solutions that have proven to be successful in the organizations she has worked for.