Administration and Management Standards

Financial Management

Purpose

Sound financial management practices ensure efficient, data-informed use of the organization's resources in support of mission fulfillment.

Introduction

Sound financial management is the foundation for providing high quality services and achieving the organization's mission. Organizational leadership must foster a culture of accountability in all areas of organizational practice, including the management of the organization's finances. Accountability is established through clearly defined lines of authority and responsibility, adherence to internal control responsibilities, and by making the strategic connection between efficient and effective use of organization resources and improved outcomes. Effective financial management ensures that resources are being directed to those programs or interventions that have the strongest impact on persons served. Additionally, the attention and commitment of the governing body to their fiduciary responsibilities are essential to ensuring that the organization's financial practices enable it to achieve operational effectiveness and efficiency, accurate and reliable financial reporting, and compliance with applicable laws and regulations.

Note: *COA Accreditation's Financial Management standards do not apply to for-profit organizations. For-profit organizations see COA Accreditation's Administration and Financial Management (AFM) standards.*

Note: *Please see the FIN Reference List for the research that informed the development of these standards.*

Table of Evidence

Self Study Evidence

No Self Study Evidence

Financial Management

FIN 1: Internal Control Environment

Purpose

Sound financial management practices ensure efficient, data-informed use of the organization's resources in support of mission fulfillment.

The organization has implemented internal control policies and procedures that promote ethical financial management and include mechanisms for:

a. conducting ongoing monitoring of the effectiveness of internal control policies and procedures;
b. management review by more than one individual;
c. ensuring that fiscal directives from management are carried out;
d. prevention of error, mismanagement, or fraud;
e. safeguarding and verification of assets; and
f. segregation of duties to the extent possible.

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2

Practices are basically sound but there is room for improvement; e.g.,

- One element is not fully implemented.

3

Practice requires significant improvement; e.g.,

- Two elements are not fully implemented;
- One element is not addressed at all.

4

Implementation of the standard is minimal or there is no evidence of implementation at all; e.g.,

- Fraudulent practices or serious financial mismanagement have occurred, and problems have not been remediated; or
- Three or more elements are not fully implemented; or
- Two elements are not addressed at all.

Table of Evidence

Self Study Evidence

*	• Finance manual that includes internal control policies and procedures	

Site Visit Evidence

No Site Visit Evidence

On-Site Activities

*

- Interviews may include:

1. Governing body
2. Governing body treasurer
3. CEO
4. CFO

Financial Management

FIN 2: Revenue and Investments

Purpose

Sound financial management practices ensure efficient, data-informed use of the organization's resources in support of mission fulfillment.

The organization works to ensure its long-term financial viability and achievement of its mission through active pursuit of diverse sources of revenue and proper management of funds and investments.

Rating Indicators:

1

The organization's practices fully meet the standard, as indicated by full implementation of the practices outlined in the FIN 2 Practice standards.

2

Practices are basically sound but there is room for improvement, as noted in the ratings for the FIN 2 Practice standards.

3

Practice requires significant improvement, as noted in the ratings for the FIN 2 Practice standards.

4

Implementation of the standard is minimal or there is no evidence of implementation at all, as noted in the ratings for the FIN 2 Practice standards.

Table of Evidence

Self Study Evidence

*	• List of revenue sources with percentage of each to total budget	
*	• Asset management procedures	
*	• Investment policy, if applicable	

Site Visit Evidence

*	• Governing Body minutes and/or committee meeting minutes where fund management and investments were reviewed	

On-Site Activities

*

- Interviews may include:

1. Governing body
2. CEO
3. CFO

FIN 2.01

The organization pursues stable, predictable sources of revenue through diversification and balance in funding streams consistent with the organization's mission and programs.
Related Standards: GOV 5.03

Interpretation: *Organizations meet the intent of the standard if they can demonstrate that they are actively pursuing stable and predictable sources of revenue, even if they have not yet achieved that goal.*

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2 Practices are basically sound but there is room for improvement; e.g.,

- The organization makes active efforts to diversify or strengthen resources but still relies primarily on one or two major funding sources.

3 Practice requires significant improvement; e.g.,

- Minimal efforts have been made to expand, diversify, or strengthen the organization's resource base.

4

Implementation of the standard is minimal or there is no evidence of implementation at all; e.g.,

- The organization has made little or no effort to protect itself from the consequences of dependence on a single source or unstable revenue.

FIN 2.02

The organization has procedures that address the management, purchase, or sale of real estate, securities, or other assets.

Related Standards: RPM 1

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2

Practices are basically sound but there is room for improvement; e.g.,

- Some elements of the procedures are unclear.

3

Practice requires significant improvement; e.g.,

- The procedures are vague or limited and are not useful.

4

Implementation of the standard is minimal or there is no evidence of implementation at all; e.g.,

- The organization has no procedures addressing the standard.

FIN 2.03

The organization independently, or in collaboration with an external financial manager, establishes and reviews an investment policy statement that:

a. identifies purpose and scope, including what assets the policy applies to and the roles and responsibilities of relevant staff members and/or external financial managers;
b. defines a risk management structure and the parties responsible for monitoring and reporting on investment performance;
c. includes investing objectives and constraints;
d. describes an asset allocation plan;
e. sets benchmarks, including defining success and establishing the investment's performance measurements; and
f. outlines the process for reviewing annually and updating as needed.

NA: The organization does not make long-term investments such as stock, bonds, or mutual funds.

Examples: *In regard to element (c), objectives and constraints can include: (a) return objectives, (b) risk tolerance, (c) time horizons or how long the assets will be invested, (d) any relevant tax implications or impacts, (e) liquidity or cash flow needs, (f) legal or regulatory requirements, and (g) any unique circumstances that should be considered.*

Rating Indicators:

1

The organization's practices reflect full implementation of the standard.

2

Practices are basically sound but there is room for improvement; e.g.,

- The investment policy was last reviewed between one and two years ago; or
- One element is not fully implemented.

3

Practice requires significant improvement; e.g.,

- The investment policy has not been reviewed or updated within the last three years; or
- Two elements are not fully implemented; or
- One element is not addressed at all.

4

Implementation of the standard is minimal or there is no evidence of implementation at all; e.g.,

- There is no investment policy.

Financial Management

FIN 3: Financial Planning

Purpose

Sound financial management practices ensure efficient, data-informed use of the organization's resources in support of mission fulfillment.

Planning for the current fiscal cycle is data-driven, organization-wide, and involves key stakeholders.

Rating Indicators:

1

The organization's practices fully meet the standard, as indicated by full implementation of the practices outlined in the FIN 3 Practice standards.

2

Practices are basically sound but there is room for improvement, as noted in the ratings for the FIN 3 Practice standards.

3

Practice requires significant improvement, as noted in the ratings for the FIN 3 Practice standards.

4

Implementation of the standard is minimal or there is no evidence of implementation at all, as noted in the ratings for the FIN 3 Practice standards.

Table of Evidence

Self Study Evidence

*	• Budget planning procedures	
*	• Annual Budget	
*	• Sample of monthly analysis of financial performance	
*	• Operating reserves policy	
*	• Most recent executive report on organization finances	

Site Visit Evidence

*
- Governing body minutes reflecting budget planning and review of financial reports for the previous 12 months

On-Site Activities

*
- Interviews may include:

1. Governing body
2. CEO
3. CFO

FIN 3.01 (FP)

The annual planning and budget cycle includes participation of management, the governing body, program personnel, and other relevant stakeholders and is based on:

a. the organization's mission and strategic priorities;
b. performance improvement and outcomes data;
c. direct and indirect operating expenditures;
d. contractual requirements;
e. changing costs and conditions; and
f. anticipated revenue for the program year.

Related Standards: GOV 2.04

Examples: *Performance improvement and outcomes data in this context refers to the use of program and individual outcomes data in planning and budgeting decisions. Such data may be used, for example, to direct available resources toward programs or interventions that have the strongest impact on individuals and families served.*

Note: *See GOV 4.01 for more information on annual planning and how budget and annual planning cycles can support the organization's mission and strategic priorities.*

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2

Practices are basically sound but there is room for improvement; e.g.,

- The budget planning process is not comprehensive or formalized in one of the standard's elements; or
- Program personnel do not participate.

3

Practice requires significant improvement; e.g.,

- The budget planning process is not comprehensive or formalized in two of the standard's elements; or
- Either the governing body or management does not participate.

4 Implementation of the standard is minimal or there is no evidence of implementation at all.

FIN 3.02

A quarterly executive report on the organization's finances is provided to the governing body that includes:

a. current financial performance and any anticipated problems;
b. shifting strategic priorities and their financial implications;

c. a review of budget projections and areas of risk; and
d. discussion of other financial matters, as necessary.

Related Standards: GOV 5.06, GOV 6.01, RPM 4.03

Rating Indicators:

1	The organization's practices reflect full implementation of the standard.
2	Practices are basically sound but there is room for improvement; e.g., • One element is not fully addressed.
3	Practice requires significant improvement; e.g., • Two elements are not addressed at all; or • Reports are provided less than quarterly.
4	Implementation of the standard is minimal or there is no evidence of implementation at all.

FIN 3.03 (FP)

Financial information is routinely analyzed and includes:

a. a monthly and annual analysis of financial performance against budget projection with budget-to-actual variance analyses performed on interim financial statements of activities;
b. confirmation that cash flow meets operational needs;
c. confirmation that cash reserves are in alignment with an operating reserves policy;
d. a review of service revenues and actual service delivery costs; and
e. an annual inventory of significant assets, including securities.

Related Standards: GOV 5.06, RPM 4.03

Rating Indicators:

1	The organization's practices reflect full implementation of the standard.
2	Practices are basically sound but there is room for improvement; e.g., • The organization routinely analyzes financial information but is not always stringent about comparing it with data about actual service delivery costs; or • Financial analyses are conducted at least quarterly and annually.
3	Practice requires significant improvement; e.g., • Analysis of financial performance is not performed at least quarterly; or • An annual analysis is not conducted; or • The organization does not analyze service revenue information and service delivery costs.
4	Implementation of the standard is minimal or there is no evidence of implementation at all; e.g., • The organization makes no attempt to either keep adequate service revenue information or to analyze it.

FIN 3.04

The organization revises its budget as needed when financial performance or significant changes in conditions indicate that updates are necessary to maintain accuracy and continued alignment with its strategic goals.

Rating Indicators:

1

The organization's practices reflect full implementation of the standard.

2

Practices are basically sound but there is room for improvement; e.g.,

- The organization identified a need to revise the budget, but it is still in the revision and approval process.

3

Practice requires significant improvement; e.g.,

- The organization identified a need to revise its budget but has taken limited steps to formally make revisions.

4

Implementation of the standard is minimal or there is no evidence of implementation at all; e.g.,

- The organization’s budget is no longer reflective of current operations or in alignment with its strategic goals.

Financial Management

FIN 4: Financial Accountability

Purpose

Sound financial management practices ensure efficient, data-informed use of the organization's resources in support of mission fulfillment.

The organization undergoes an audit or review of financial statements that is:

a. conducted within 6 months of the end of the fiscal year;
b. performed by an independent, certified public accountant; and
c. overseen by a designated board committee that does not include any staff members, including executive leadership.

Interpretation: *The decision to conduct an audit or a review of financial statements should be based on individual organizational factors such as: (a) size of the organization; (b) funder or donor requirements; (c) regulatory requirements; and (d) organizational policies.*

Interpretation: *Regarding element c, while staff should not be on the oversight committee, they may be involved in the audit itself.*

FEC Interpretation: *Credit counseling organizations are required to have an annual audit to achieve accreditation.*

Examples: *There are three levels of financial statement services offered by CPAs: audits, reviews, and compilations, each of which should be conducted by an independent CPA.*

An audit provides the highest level of assurance on an organization's financial statements. An audit provides assurance that an organization's financial statements are free of material misstatement and are fairly presented based upon the application of generally accepted accounting principles. An audit includes: (a) confirmation with outside parties, (b) testing selected transactions by examining supporting documents, (c) completing physical inspections and observations, and (d) considering and evaluating the internal control system of the organization.

A review of financial statements provides limited assurance on an organization's financial statements. During a review, inquiries and analytical procedures present a reasonable basis for expressing limited assurance that no material modifications to the financial statements are necessary; they are in conformity with generally accepted accounting principles. Following a review engagement, the CPA will issue a formal report that includes a conclusion as to whether, based on the review, the CPA is aware of any material modifications that should be made to the financial statements to bring them in accordance with the applicable financial reporting framework.

A compilation provides no assurance on an organization's financial statements and does not meet the requirements of the standard.

Rating Indicators:

1

The organization's practices reflect full implementation of the standard.

- The organization seeking reaccreditation has completed audits or reviews of financial statements for each intervening year since its last accreditation; or
- The organization undergoing accreditation for the first time completed an audit or review of financial statements in the most recent auditable year.

2

Practices are basically sound but there is room for improvement; e.g.,

- The organization undergoing reaccreditation completed an audit or review of financial statements for the most recent auditable fiscal year; however, it did not conduct one for any or all the intervening years since their last accreditation; or
- The organization completed the audit or review; however, it was not completed within eight months of the end of the fiscal year, but the organization implemented procedures to ensure timely completion for future audits; or
- The organization has a designated audit committee, but it includes one or more paid staff.

3 Practice requires significant improvement; e.g.,

- The audit or review for the most recent auditable year is scheduled but has not been completed; or
- The most recent audit or review was completed more than eight months after the end of the fiscal year, and no plan is in place to ensure timely completion of future audits.

4 Implementation of the standard was minimal or there is no evidence of implementation at all; e.g.,

- An audit or review for the most recent auditable year has not been completed nor has one been scheduled.

Table of Evidence

Self Study Evidence

No Self Study Evidence

Site Visit Evidence

*

- Most recent audit or review and the accompanying management letter
- Governing body minutes reflecting review of the most recent audit or review

On-Site Activities

*

- Interviews may include:

1. Governing Body
2. CEO
3. CFO

Financial Management

FIN 5: Financial Management System

Purpose

Sound financial management practices ensure efficient, data-informed use of the organization's resources in support of mission fulfillment.

Positive financial outcomes are achieved through a financial management system that receives, disburses, and accounts for funds consistent with sound financial practices.
Note: *See RPM 5: Security of Information for more information on appropriately limiting access to financial records to protect against destruction, modification, and unauthorized use.*

Rating Indicators:

1

The organization's practices fully meet the standard, as indicated by full implementation of the practices outlined in the FIN 5 Practice standards.

2

Practices are basically sound but there is room for improvement, as noted in the ratings for the FIN 5 Practice standards.

3

Practice requires significant improvement, as noted in the ratings for the FIN 5 Practice standards.

4

Implementation of the standard is minimal or there is no evidence of implementation at all, as noted in the ratings for the FIN 5 Practice standards.

Table of Evidence

Self Study Evidence

*	• Financial management and accounting procedures	
*	• Job description of the person responsible for managing financial accounts	
*	• Resume of the person responsible for managing financial accounts	
*	• Procedures regarding protection of the funds and assets of persons served	

*	• Network procedures for verifying accuracy of services billed	
*	• Network procedures regarding provider appeal of payment denials	
*	• Network procedures for informing providers of a possible delay in payment	

Site Visit Evidence

*	• Documentation tracking staff training on the accounting system

On-Site Activities

*	• Interviews may include: 1. Governing body 2. CEO 3. CFO 4. Relevant personnel • Observe reporting and accounting system • Network interviews may include: 1. Directors of subcontracted organizations

FIN 5.01 (FP)

Accounting records are kept up-to-date and balanced on a monthly basis, as demonstrated by:

a. timely reconciliation of the bank statement and subsidiary records to the general ledger;
b. up-to-date posting of cash receipts and disbursements;
c. monthly updating of the general ledger; and
d. review of the bank reconciliation by an individual who does not prepare the reconciliation and is not authorized to sign checks.

Related Standards: RPM 4.03

Interpretation: *Subsidiary records include, but are not limited to: accounts receivable, accounts payable, and fixed assets.*

Interpretation: *Organizations with smaller numbers of finance staff may utilize their finance committee or treasurer to conduct the bank reconciliation review.*

Rating Indicators:

1	The organization's practices reflect full implementation of the standard.
2	Practices are basically sound but there is room for improvement; e.g., • The organization has an occasional, minor problem in compliance such as short delays in posting receipts and disbursements or slightly overdue updates to the general ledger; or

- One element is not fully addressed.

3

Practice requires significant improvement; e.g.,

- One element is not addressed at all.

4 Implementation of the standard is minimal or there is no evidence of implementation at all.

FIN 5.02

The organization uses the accrual method of accounting, at least at the end of the year.

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2 Practices are basically sound but there is room for improvement.

3 Practice requires significant improvement.

4 Implementation of the standard is minimal or there is no evidence of implementation at all.

FIN 5.03

Oversight and management of the organization’s accounting system require:

a. a financial officer or business manager to maintain the financial accounts who has prior accounting and bookkeeping experience or an accounting degree, C.P.A. credential, or other recognized accounting/financial certification, as appropriate to the size and complexity of the organization; and
b. all personnel who use the system demonstrate competency in, or are trained on its use, including refresher trainings when changes or updates are made to the system.

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2

Practices are basically sound but there is room for improvement; e.g.,

- Refresher staff training needs strengthening.

3

Practice requires significant improvement; e.g.,

- The organization has a qualified financial officer, but the system is deficient in some significant regard, such as lack of training for key personnel.

4 Implementation of the standard is minimal or there is no evidence of implementation at all.

FIN 5.04 (FP)

An organization that assumes fiduciary responsibility for, or disburses funds of persons served:

a. segregates the funds from other organization funds; and
b. protects the assets of persons served.

NA: The organization does not assume fiduciary responsibility for, or disburse personal or non-fee-for-service funds to service recipients.

Related Standards: RPM 1

Interpretation: *Organizations should manage the funds of persons served in accordance with applicable rules and regulations. This may include, for example: (a) daily deposits of funds, (b) credit balances on accounts, (c) uncashed checks, (d) funds left in deposit accounts of persons served, and (e) trust account reconciliation.*

Interpretation: *Fiduciary responsibility refers to an individual's or organization's responsibility to act in good faith on behalf of another person. The fiduciary is legally or ethically trusted to make decisions in the best interest of the person and may not use their role to benefit themselves. Examples of fiduciary relationships include those of a guardian and ward or representative payee and beneficiary.*

Examples: T*ypes of funds that organizations may assume responsibility for or disburse to persons served may include: (a) allowances for children and youth in out-of-home care, (b) funds under the control of the organization in guardianship cases, and (c) social security or SSI benefits when the organization serves as representative payee.*

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2

Practices are basically sound but there is room for improvement; e.g.,

- Procedures for segregation of funds or protection of funds for persons served need strengthening.

3

Practice requires significant improvement; e.g.,

- One element is not addressed at all.

4 Implementation of the standard is minimal or there is no evidence of implementation at all; e.g.,

- The organization has no written procedures, and adequate protection and guidelines have not been developed to protect assets of persons served; or
- There have been instances in which funds for which the organization had a fiduciary responsibility appear to have been misused, e.g., assets or funds have been inappropriately co-mingled or disbursed inconsistently.

FIN 5.05 (FP)

The network management entity:

a. has a process for verifying the accuracy of network services billed by subcontracting service providers; and
b. maintains a formal mechanism through which subcontracting providers can appeal payment denials and that includes timely written notification of the resolution and an explanation of any further appeal, rights, or recourse.

NA:

- The organization is not a network management entity and is not assigned the Network Administration (NET) standards.
- The network management entity does not manage contracts.

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2 Practices are basically sound but there is room for improvement; e.g.,
- Procedures for verifying accuracy of billing or for appealing payment denial need strengthening.

3

Practice requires significant improvement; e.g.,

- There are reported concerns about the process for verifying billing or for appealing adverse decisions; or
- Written procedures for one element is weak or nonexistent.

4 Implementation of the standard is minimal or there is no evidence of implementation at all.

FIN 5.06

Contracted providers are informed in a timely manner if delays in payment to the network by the purchaser may result in delays in payment to providers.

NA:

- The organization is not a network management entity and is not assigned the Network Administration (NET) standards.
- The network management entity does not manage contracts.

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2 Practices are basically sound but there is room for improvement; e.g.,
- Procedures for informing providers need strengthening.

3 Practice requires significant improvement; e.g.,
- There are reported concerns about the process for informing providers; or
- Written procedures are weak or nonexistent.

4 Implementation of the standard is minimal or there is no evidence of implementation at all.

Financial Management

FIN 6: Fundraising

Purpose

Sound financial management practices ensure efficient, data-informed use of the organization's resources in support of mission fulfillment.

The organization raises funds in an ethical, fiscally-responsible manner.

NA: The organization does not raise funds through solicitations or general funding events.

Interpretation: *This section is applicable to organizations that solicit or receive money from private individuals or the general public, including, but not limited to, direct mail or social media campaigns, fundraising events, capital campaigns and contribution plans. This section is not applicable to money raised from private or public grants and contracts.*

Examples: *Organizations can reconcile fundraising practices with prevailing ethical practices of national bodies, such as the Association of Fundraising Professionals.*

Rating Indicators:

1

The organization's practices fully meet the standard, as indicated by full implementation of the practices outlined in the FIN 6 Practice standards.

2

Practices are basically sound but there is room for improvement, as noted in the ratings for the FIN 6 Practice standards.

3

Practice requires significant improvement, as noted in the ratings for the FIN 6 Practice standards; e.g.,

- Staff are unaware of the organization's fundraising policies and/or procedures; or
- Fundraising practices may pose a risk to the organization.

4

Implementation of the standard is minimal or there is no evidence of implementation at all, as noted in the ratings for the FIN 6 Practice standards.

Table of Evidence

Self Study Evidence

*	• Fundraising procedures	

Site Visit Evidence

*
- Analysis of costs and benefits for sample of fundraising activities
- Financial statements/reports
- Annual Report
- Governing body meeting minutes where fundraising was discussed
- Examples of feedback obtained

On-Site Activities

*
- Interviews may include:

1. CEO
2. CFO
3. Relevant personnel

FIN 6.01 (FP)

The organization:

a. accurately describes the purpose for which solicitations are being made;
b. reduces the risk of harm, exploitation, and re-traumatization by obtaining feedback from individuals, communities, and other representative groups on fundraising materials;
c. spends funds for the purposes they were solicited, with the exception of reasonable costs for administration of the fundraising program;
d. maintains accounting segregation for restricted funds; and
e. respects donor confidentiality requests, and ensures that such donors' names are not published in publicly available documents.

Examples: *Regarding element b, other representative groups can include Tribes, cultural organizations, advocacy groups, and other community partners. The organization can take advantage of existing feedback mechanisms (e.g. community surveys, advisory groups, focus groups, etc.) to inform the development of or obtain input on fundraising materials.*

Rating Indicators:

1 The organization's practices reflect full implementation of the standard.

2

Practices are basically sound but there is room for improvement; e.g.,

- One element is not fully addressed, but the organization has taken steps to strengthen practice; or
- The organization has a system of controls that may need strengthening; however, contributions are appropriately recorded and acknowledged.

3

Practice requires significant improvement; e.g.,

- There have been some violations of donor requests for confidentiality; or
- One element is not addressed at all.

4

Implementation of the standard is minimal or there is no evidence of implementation at all; e.g.,

- Unethical or deceptive practices regarding costs in relation to funds raised exist; or
- The organization does not accurately describe the uses of the funds; or
- Two or more elements have not been addressed.

FIN 6.02

The organization collects and maintains data that supports sound fund-development decisions by its leadership and allows for the costs and benefits of each fundraising activity to be analyzed, including the reasonableness of fundraising costs in comparison to dollars raised.

Examples: *Factors that may affect the reasonableness of fundraising costs to dollars raised include, but are not limited to: the differential costs of donor solicitation, donor renewal, large bequests, or donations that would obscure true fundraising costs.*

Rating Indicators:

1	The organization's practices reflect full implementation of the standard.
2	Practices are basically sound but there is room for improvement; e.g., • Some fundraising costs are not sufficiently reviewed for full analysis.
3	Practices require significant improvement; e.g., • Analysis of fundraising costs is minimal or not utilized in decision-making.
4	Implementation of the standard is minimal or there is no evidence of implementation at all.