

## MONITORING REPORTS

### 2.8 FINANCIAL CONDITION AND ACTIVITIES

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#### 2.8.2

**Policy:** [The President shall not] Fail to document all financial procedures, or fail to establish clear staff responsibilities for carrying them out.

**Operational definition:**

Prudence in financial management requires fully documented procedures around cash receipts, cash disbursements, investments, banking, and receipt of gifts and requires monitoring of these systems. According to the evaluation structure used by our auditors, a control system must include:

- Segregation of duties
- Approvals are required
- Authorizations are clear and limited
- Regular reconciliation of accounts
- Verifications of transaction processing, assets, and valuations
- Regular review of operating performance
- Security or custody of assets
- Competence of staff

As a part of the annual audit, auditors review our procedures for these characteristics and are required to note deficiencies in financial control systems. According to the AICPA's *Communicating Internal Control* (SAS 112), auditors are required to "...evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses."

Thus, compliance would be indicated by two things:

1. Fully documented financial procedures and gift processing procedures; and
2. A report from the auditors saying there are no such deficiencies or that any deficiencies have been remedied.

**Rationale:** The key components of internal control have been developed by COSO, the Committee of Sponsoring Organizations of the Treadway Commission. COSO is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. Our auditors use a framework for evaluating internal controls based on COSO principles. While auditors are not required to search out or have procedures in place to identify deficiencies in internal control, their regular audit procedures include a review of internal procedures and testing to insure that they are enforced. Regular auditing processes are highly likely to detect significant problems with control systems. The audit process

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includes reviews of each of the major processes in the financial accounting system and analysis of all major transactions. This process should surface any significant deficiencies in financial control systems. The fact that this is an independent review by a firm selected by and reporting to the Audit Committee as representative of the Board of Trustees provides assurance of objectivity.

**Supporting evidence:** The UUA has extensive and detailed procedures manuals covering all aspects of financial management and gift processing. In 2007, in response to a management recommendation from our auditors, the UUA financial services staff thoroughly reviewed and updated our financial procedures and documented them in a Financial Services Procedures Manual issued in September 2007. The Manual is now updated in real time as new circumstances change and appropriate procedures are developed. A thorough review and reissuing of the procedures manual will be concluded during the next fiscal year. These documents are available for direct inspection.

In the management report delivered to the UUA's Audit Committee in November, 2011, the UUA's audit firm, Mayer, Hoffman, McCann – Tofias New England Division, noted no control deficiencies that amounted to significant deficiencies or material weaknesses. In addition, they made a series of recommendations for improvement which the staff has reviewed with the Audit Committee and is in the process of implementing. That report is available for direct inspection.

**Therefore, I report compliance.**

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### **Policy 2.8.16**

**Policy:** [The President shall not] Fail to make payments for travel or other reimbursable expenses incurred by staff members or volunteers (including board, committee, or commission members), except as authorized by a travel and expense reimbursement policy.

**Operational definition:** We interpret this to mean that the Administration shall issue and make available a travel and expense reimbursement policy and that the policy will be communicated to all relevant staff and volunteers. And further that all travel and reimbursement expenses will be reviewed for compliance with the policy before payments are issued.

**Rationale:** The Administration must develop a travel and reimbursement policy consistent with the Board's policies in order to have the benchmark against which to test expenses and the guidance for all who incur such expenses. It is essential to have clear and easily accessible policies for all users.

**Supporting evidence:** The UUA's travel and expense reimbursement policy is posted on the website at <http://www.uua.org/uuafinances/30950.shtml>. The policy is also included in the Committee Guide issued to all committee chairs. According to the website, the

policy was last reviewed by the Treasurer in 2008. Travel policies for staff are contained in the UUA Employee Manual, posted on the UUA Intranet as is the travel reimbursement form. Since the vast majority of UUA staff travel expenses flow through corporate American Express credit cards, a specific policy for the management and review of these expenses was issued in 2008 and updated in 2011. The policy, Employee Manual, and Amex policy are available for direct inspection.

Under our procedures, volunteer expenses are submitted to the relevant staff liaison for each such committee, board, or commission. The liaison reviews the expense for proper documentation and compliance with the policy, indicates approval and submits to the financial services department for payment. Financial Services staff reviews the payment request for proper approvals and support before issuing payment. There are special policies for reviewing the expenses of the President, and the Audit Committee is recommending new policies for reviewing the expenses of the Moderator.

Our procedures call for staff expenses to be handled in a similar manner: individuals submit their American Express reports and requests for reimbursement to their supervisors who review and indicate approval before submitting to Financial Services for payment.

While the Administration believes that the procedures described above are sound, a thorough review and update is needed. Further, we believe that an internal audit function should be initiated that would periodically examine and test compliance with these and other procedures. Our plan is to review all of our travel and expense reimbursement policies and procedures, update them, and enforce adherence to them by the end of fiscal year 2012. In addition, a plan for an internal audit function will be developed during fiscal year 2012.

**Therefore, I report compliance.**

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