Foreign Offices—*Keeping Control; Losing the Hassle*
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If your non-profit organization has foreign offices, control over their accounting functions may at best seem like an inefficient logistical hassle, and at worst may seem like an ineffective, costly, time consuming venture. Many organizations struggle to implement effective controls over foreign offices especially in the areas of banking transfers, expense processing, and data storage and still maintain an efficient flow of transactions. While the administration and control over the accounting functions of foreign offices present unique challenges, nonprofit managers can indeed establish efficient and effective procedures to safeguard the association's assets while eliminating logistical hassle. Nonprofit managers should take three actions to establish effective procedures: streamline banking transfers, implement an imprest system for expenditures, and establish a data backup and storage system.

Banking Transfers

Many organizations with foreign offices obtain a local bank account for the foreign office. Often, one individual in the foreign office is the signer on the bank account and is responsible for making payments out of the local account. If a member of headquarters management is not also a signer on the account, management may have difficulty accessing account records or accessing funds. In addition, using a different bank for a foreign office account could cause additional account fees and foreign currency translation fees. Account access can be streamlined and account fees may be reduced by using the same bank for all of the organization's offices. Many banks now offer online options that can both provide additional monitoring and security functions over account transfers with instantaneous recording and processing of transfers. These features allow a manager at the headquarters office to review all banking activities within a foreign bank account to better assess the financial status and activities of the foreign office. Also, if your bank does not have foreign banking capability, many banks have established partnerships with other banks within various regions of the world that offer streamlined arrangements. As an additional benefit, many banks will offer reduced fees or even waive fees associated with transfer costs and foreign exchange translations if transfers are made within the same bank. For organizations that execute a large amount of transfers, this could constitute a significant savings to the organization.

Processing of Expenditures

Processing the expenditures of a foreign office can often be a difficult function within an organization. Documentation supporting an expenditure can be sparse, incomplete, or in a language that a nonprofit manager may not understand. Also, local approval may not be readily apparent or properly indicated when submitted to headquarters for payment. Management at the headquarters office must resolve all of these issues to determine that all expenditures funded by the organization are in line with the organization's exempt purpose. If foreign operations are funded by grants, undocumented expenditures would result in unallowable costs that would have to be returned to the grantor. A control procedure such as the imprest system, is needed to ensure that all foreign office expenditures are allowable and documented.

Under an imprest system, the organization provides the foreign office with a one-time advance to fund about 45 to 60 days of expenditures. After the initial advance, the organization only sends money to the foreign office as reimbursement for documented allowable costs. To obtain additional funds, the foreign office must submit a reimbursement request with documentation verifying that all expenditures incurred were allowable and appropriate. After verifying that all documentation is appropriate, management reimburses the foreign office for the allowable costs incurred. With this system in place, an organization's assets are safeguarded by ensuring that no expenditures can be funded by the organization without appropriate documentation.

Data Storage Systems

Monitoring and establishing data backup and storage systems for accounting and financial data can pose concerns and risks for a foreign office. For many foreign offices, accounting and financial data is not backed up or stored in a secondary location due to logistical or technological constraints. With the potential for natural disasters and the threat of computer hackers and viruses, large amounts of data and information could be easily lost or destroyed, with the potential for a great cost to the organization. By installing adequate backup systems for all financial data, and organization can establish an effective internal control procedure to safeguard the assets of the organization from these types of situations and prevent any substantial losses from unexpected events. Three simple solutions that an organization could utilize to implement a data backup and storage system would include online storage through online databases, “off-site” storage through the usage of memory drives, or utilizing an outsourced vendor for data storage. Each of these solutions can be implemented at a minimal cost to the organization and would ensure that data can be recovered in the event of loss or destruction. Different organizations may prefer one control procedure over another, but each procedure is equally effective in safeguarding an organization's assets by preventing massive loss of data. It is in the best interests of an organization to evaluate the technology structure in its foreign office and consider a solution that fits the organization's desired control structure.

While many of the aspects of maintaining the accounting functions and control procedures of an organization's foreign offices may seem challenging to a nonprofit manager, there is hope! By streamlining banking transfers, implementing an imprest system, and establishing a data backup and storage system, an organization can indeed obtain more effective, efficient controls over its foreign office activities while improving its safeguards over assets in foreign offices. Δ

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