



Case Study:

Internal Audits Reduce the Risk Associated with Global Operations



CPAs & ADVISORS

Challenge

Global Operations Create Inconsistencies in Policies and Procedures

International organizations with operations across the globe are unique in many ways. Perhaps predictably, one of the recurring issues seen in this sector is a distinct difference in policies and procedures between offices or locations of the same organization. Each office has its own set of capacity/budget limitations and regulations under which the office must operate due to local and regional government requirements and other constraints. This opens the door to clear inconsistencies in policy manuals and operating practices associated with finance and accounting, information technology and cybersecurity, human resources, legal compliance and other operational areas. Sometimes it is inadvertent, but other times these diversions from standard operations manuals are necessary to operate effectively and maintain compliance.

Unfortunately, over time this creates significant issues for the parent organization as it attempts to manage country offices with vastly different operating policies. With a goal of implementing and maintaining better management practices, a 501(c)(3) international nonprofit organization headquartered in the United States* made the strategic decision to invest a portion of their \$90M budget in conducting regular internal audits. In addition to improved management, another objective was to minimize the organizational risk associated with key business processes administered at headquarters as well as at its field offices across the world.

Solution

Develop and Execute an Internal Audit Plan

The organization's first step in developing an internal audit plan was to perform a "needs assessment" designed to gain an understanding of the various risks and processes the organization planned to address and/or improve through internal audit procedures. Following the assessment, the organization prioritized its focus areas and developed a timeline for performing the detailed procedures. Prioritizing specific focus areas helped the organization address areas with the most significant potential for impact as well as those most likely to result in negative consequences for them.

When considering the level of staff resources required, the organization decided to engage an independent consultant to assist with the development of an internal audit plan, the administration of internal audit procedures, and the reporting of detailed observations and recommendations. This allowed the organization's management to focus on their mission while subject matter experts performed detailed audit procedures. This win-win arrangement maximized the efficiency and results of the internal audit process.

In this case, the organization developed a detailed, multi-year audit plan and engaged GRF CPAs & Advisors (GRF) to conduct the internal audit. In accordance with the plan, GRF performed the phase one internal audits over key business processes implemented within seven field offices located across South America, Africa, and Asia. The initial engagement plan consisted of three on-site and four virtual internal audits to be performed with the assistance of staff from headquarters. However, due to the COVID-19 pandemic, GRF was only able to perform one on-site internal audit and the firm conducted the remaining six virtually. Although this was not in accordance with the original engagement plan, GRF and the organization worked together to adapt to the circumstances. Together the team capitalized on the efficiencies that come with performing a virtual vs. on-site engagement while reducing travel costs and ensuring the health and safety of all involved.



Results

A Custom-Tailored Internal Audit Solution Provided the Best Results

The internal audit included seven different field offices implementing programs that vary in size and mission. GRF utilized a risk-based approach to develop the detailed audit procedures for each office. Following the review of financial information, policy and procedure manuals, and discussions with local teams, GRF developed internal audit procedures that were customized to address the risks and processes that were unique and/or critical to each field office

GRF's risk assessment included detailed review and consideration of the following items, among others:

Risk & Processes Categories Considered	Activities Reviewed
Sources and levels of funding	Federal vs. non-federal grants, contributions, contracts, medical services, and in-kind contributions
Volume of activity	Revenue, expenditures, in-kind contributions, number of patients served
Regulatory, legal, and compliance requirements	General Data Protection Regulation (GDPR), Uniform Guidance and Single Audit Requirements, and local laws and regulations
Information technology infrastructure	Segregation of duties, information security and backup/retention policies, systems utilized and integrations, and cybersecurity controls implemented
Assts held at each location	Cash, pharmaceuticals, warehouses with medical/general supplies, medical equipment, vehicles, and physical facilities
Number of employees	Breakdown by department, full-time vs part-time, volunteers





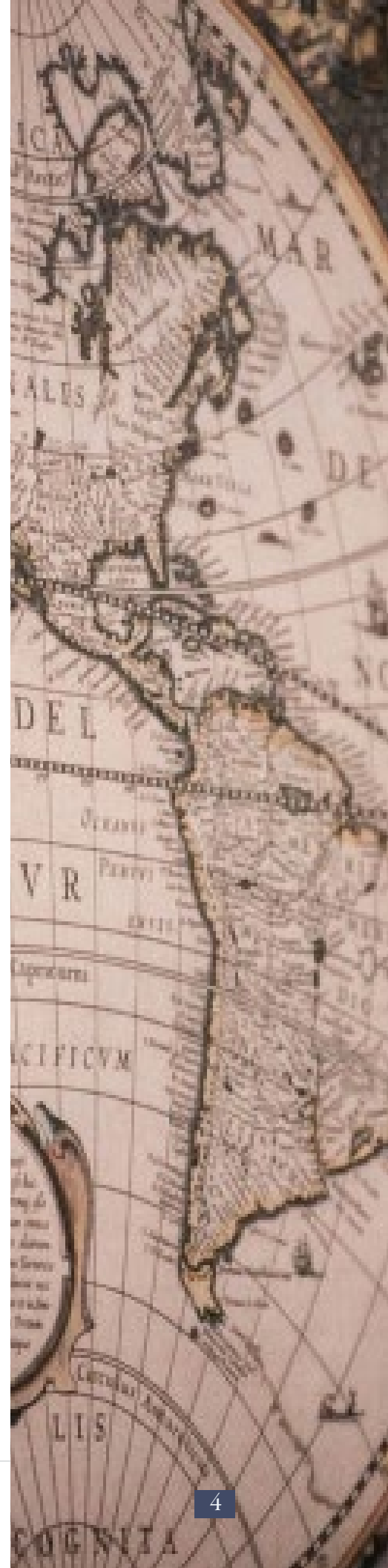
*Regular internal audits
reduce risks by identifying
vulnerabilities on an ongoing
basis*

The risk-based approach allowed GRF to identify the policies, processes, systems, etc. unique to each office, which enabled the team to develop specific procedures to address high-risk areas and any concerns noted by management. The result was a report with detailed observations and recommendations that helped the client standardize policies and processes across its field offices, while also documenting the operations unique to each office/region. As an additional benefit, the organization's external auditors were able to leverage GRF's internal audit procedures during the annual audit. The client was able to both decrease the cost of its annual audit and minimize the staff time required.

Conclusion

Operating a growing international organization presents considerable challenges when it comes to standardizing processes and procedures while also ensuring compliance with all applicable laws and regulations. Performing regular internal audits helps the organization ensure effective controls are in place and proactively identifies ways to improve processes and systems. Utilizing an experienced, independent consultant throughout the process enabled the organization to leverage subject matter experts to perform the assessments, while the organization's management team remained focused on their mission and programs.

*The nonprofit organization featured in this case study is a client of GRF CPAs & Advisors but asked to remain anonymous.



Contact

GRF's Risk & Advisory Services team consists of subject matter experts across fields including, but not limited to, finance/accounting, fraud and forensic auditing, information technology and cybersecurity, and US government funding compliance, which provides a holistic internal audit approach for any organization.



For more information about GRF's internal audit solutions, contact **Mac Lillard, Risk & Advisory Services Manager** at mlillard@grfcpa.com.

For more information about GRF, visit our website at www.grfcpa.com.

About GRF CPAs & Advisors

Our risk experts work with organizations to provide support for complex decision-making over a wide range of business and financial issues.

Services include Enterprise Risk Management (ERM), third-party risk assessment, internal audit, cybersecurity, privacy, fraud support, compliance consulting, and financial systems optimization. For more information on how our experts can support your organization, visit our website at <https://www.grfcpa.com/accounting-services/advisory-services/>.

Headquartered in the Washington, DC metropolitan region serving clients locally, nationally and around the world. GRF CPAs & Advisors is a full-service professional services firm providing clients with audit, accounting, tax and advisory solutions.



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