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Please find below some recommendations regarding internal control modifications and other helpful reminders related to the Coronavirus pandemic:

Maintaining Strong Internal Controls During the Coronavirus Pandemic

As the COVID-19 pandemic grows, we've begun receiving questions from our clients on how to best handle the many disruptions. To help broadly respond to the situation, we have decided to list some of the recommendations here:

Internal Control Considerations

Because of the impact of COVID-19, entities may need to implement new internal controls or modify existing ones. Any changes in internal controls that have materially affected, or are reasonably likely to materially affect, entities' internal control over financial reporting should be documented and approved by appropriate levels of management prior to implementation.

Entities will need to consider the operating effectiveness of controls, including assessing any breakdown in review-type controls or the inability of individuals to perform control duties because of absences (e.g., due to employee illness or the closure of affected offices). Entities should also consider how a lack of information may affect management's ability to effectively operate controls (e.g., personnel may not be available in offices in affected areas to provide information that is essential to the effective operation of an internal control). If an existing control cannot be performed, management may need to identify alternative appropriately designed controls to compensate for the lack of information.

Entities should also consider management's ability to complete its financial reporting process and prepare its financial statements on a timely basis. Delays in closing the underlying financial records may increase the potential for error in the financial statements and merit the use of new or modified controls to offset the increased risk of potential financial statement error. In addition, entities will need to ensure that they have properly designed and implemented controls related to the selection and application of accounting standards and the related disclosure issues arising from COVID-19.

Working from Home

While working from home is recommended by authorities for containing the outbreak, employees remoting in creates challenges when following internal control policies and ensuring proper segregation of duties.

Given all of this, some best practice recommendations to consider include the following:

Accounting Policies and Procedures

- We highly recommend calling an email requester before wiring funds, sending a check, sending sensitive information, changing direct deposit accounts, or updating system settings. Unfortunately, fraudsters will see the coronavirus as an opportunity to push out phishing and spear phishing attacks on organizations.
- Consider how all your approval processes will change for areas in which you aren't currently using an online approval process.
- Diligently check online banking at least weekly, if not daily, since segregation of duties is harder to accomplish.
- For those with grants or contracts that have periods of availability specified in them, you may want to reach out to negotiate a longer period of availability if your capacity to execute on the agreement is limited during this time.
- Payroll is typically an organization's largest expense. Whether you do it yourself or outsource the responsibility, develop a plan for processing and approvals in a remote environment.

IT Policies and Procedures

With regard to your IT systems, while employees are working remotely you should consider:

- Multi-factor authentication for all external access (especially email) no matter the situation. It may be easier for organizations to implement this now since they can use the change in work environments as a trigger.
- Data and remote access policies are another item of concern as more people work from home, especially if they are using a personal computer to access company resources. It's important to address these questions:

  1. If employees don't have laptops, do you allow employees to work from their own computer and what are the minimum acceptable operating system and antivirus software requirements for doing so?
  2. What is the policy for accessing data/resources (e.g. cloud services) from a personal computer?
  3. Are there policies around (not) storing data on personal computers?

Payroll Taxes

One consideration is federal tax requirements.

- Tax forms are required to be signed by specific individuals in your organization. Look into the consideration early and have a plan to get needed approvals.

Conclusion

If there is anything we can do to assist you regarding these matters, please contact us. We are in uncharted waters now, so please contact our office if you have questions.