Soros Foundation-Moldova
Management Response to the
Recommendations on the Internal Control System Review conducted by EY in September 2013
Report issued by EY on October 10, 2013

RECOMMENDATIONS	MANAGEMENT RESPONSE	PLANNED MANAGEMENT ACTIONS	DELIVERABLES	EXPECTED COMPLETION DATE	RESPONSIBILITY	REPORT ON IMPLEMENTATION
1. It is our recommendation that SFM should formalize its procedures in order to ensure that the National Board receives a Risk Management Report, which, retrospectively, addresses significant risks and also provides a forward-looking analysis. Furthermore, this report should constitute an obligated annual strategy document on which the National Board may decide.	Management agrees with this recommendation. Although the foundation conducts risk analysis of different areas of its operation, it does not document it in a single Risk Management Report.	SFM will seek expert advice and support from OSI or other entities to develop and formalize its procedures in risk analysis and risk management.	Internal procedures developed and formalized on addressing significant risks associated with the foundation's strategy implementation. A Risk Management Report is presented to the Board for review and approval.	By September 2014	Victor Ursu, ED	**Partially completed. Work in progress** **Agreed with OSF Audit Department on providing technical assistance in RM** **On February 26, 2014 a videoconference was organized with key staff facilitated by the OSF auditors** **A workshop on RM moderated by the OSF Audit Department is to be organized on March 31- April 1.**

2. It is our recommendation that SFM should identify and evaluate the significant risks in its financial process as well as the key controls that could mitigate these risks. This could be done by documenting the transactions flows.	Management agrees with this recommendation.	Management will commission an external audit expert to review the significant risks associated with the financial process and develop internal procedures to mitigate these risks.	Internal procedures on how to identify and evaluate significant risks in financial transaction flows developed and become operational.	By September 2014	Victor Ursu, ED Elena Vacarciuc, FD	**Partially completed. Work in progress** **A consolidated Risk Register is being developed.**
3. It is our recommendation that SFM should formalize the procedure of entering and deleting (blocking) personal information of employees in the GMS system. This work should be assigned to an employee who is not involved in payroll calculations. In this manner, proper segregation of duties is maintained and unauthorized employees would be blocked from entering data into the payroll master file data.	Currently the personal information of employees is entered by program staff. The right of blocking the personal information is given only to the Grants Manager and Finance Director. It should be mentioned that SFM Grants Management Policy is based on controls at different levels and segregation of duties within the organization. Moreover, when creating the Grants Management System (GMS), the OSI team located and evaluated all major risks and all key controls in order to design the system with the main accent on minimization of the risks to more than 40 organizations that are using	The implementation of a new, redesigned Grants Management System is planned for September 2014. The segregation of duties in entering data into the payroll master file will be synchronized with the implementation of this new software.	The segregation of duties will be maintained and unauthorized employees would be blocked from entering data into the payroll master file data.	By September 2014	Elena Vacarciuc, FD Dumitru Chitoroaga, GM	

	GMS.					
	The payments to grantees pass through 4 levels of control (Program Director; Grants Manager; CFO, Executive Director) and 3 levels of approval (Grants Manager; CFO, Executive Director).					
	Payments to suppliers pass through 3 levels of control and approval (Program Director or Admin. Manager, CFO, Executive Director).					
	Payrolls pass through 3 levels of control and approval (Chief Accountant, CFO, and Executive Director).					
	All these actions are performed in GMS and are duplicated on paper with the purpose to exclude any fraud in the transactions flows.					
4. In order to reduce the risk of errors and mistakes, we recommend the application/implementation of the appropriate GMS module (or	Management agrees with this recommendation. Although the auditors from the Big 4 Companies that perform the audit of SFM	After the year end closing process, staring with January 2014 SFM will start to review and improve the process of	Implemented an internal payroll system which is linked with existing management and accounting system - GMSME and Bank	Starting with January 2014	Elena Vacarciuc, FD	**Partially completed. Work in progress.** **A new payroll software application**

another accounting system, which may be integrated with the GMS) for automatic salary calculations.	have not identified any errors or mistakes during the last couple of years related to salary issues (we started to use GMSME in 2007), we agree that the automatic system for salary calculation is more efficient, time saving and secure.	payroll management and salary calculation. However, this process requires the involvement of other persons and teams: GMSME support team, Bank Client team, revision and adaptation of the software currently available on the market, etc.	Client systems for salary transfers. Adopting a new system will help us to save accounting time and the expense tracking challenges will become hassle-free and easy-to-use. Also, the system needs to be adjusted to all the SFM management and local authority reporting requirements.(e.g. Reporting to the Fiscal authority and Social Fund)			**was purchased and installed in January 2014.** **All initial employees' data was introduced into the software application and it is gradually used for salary calculations.** **The staff benefits from ongoing technical assistance from the vendor on adapting and integrating the software application to the foundations' GMS system.**
5. It is our recommendation that the Executive Director should receive financial reports from the project coordinators on a regular basis. We also recommend that the actual financial outcome should be compared with the budget and that significant variances should be explained in writing.	Management would like to emphasize that one of the ED's main responsibilities is budget control and activity oversight. But because this is not fully documented, management agrees to take further steps to formalize this process.	Management will introduce a mandatory documented monthly procedure on reviewing the budget vs. expenditures report prepared by program staff.	A budget vs. expenditures report template developed and enacted as part of the monthly specialized board minutes docket.	Starting with January 2014	Varvara Colibaba, DD Elena Vacarciuc, FD	**In progress.** **A regular trimestral(not monthly as initially planned)budget vs expenditures report is developed by program directors, which is reviewed by the ED in a common meeting.** **NB: Due to a new implementation**

						methodology of SFM's program strategy, specialized program boards do not meet monthly, that is why the report is to be attached to the sub-board minutes in accordance with the schedule of its meetings.
6. It is our recommendation that SFM should implement a routine where all significant accounts are reconciled against underlying documents. This control should be documented and reviewed by the management.	Management would like to emphasize that one of the FD's main responsibilities is financial control at all the levels and this is done during the annual and monthly closing procedures. But because this is not fully documented, management agrees to take further steps and to document this routine.	The Local FAAP will be improved. Additional required documents will be approved for monthly reconciliation of Cash, Liability and Receivable Accounts, in order to check identity analytical data accounting, turnovers and balances of synthetic accounting, as well as the identity of the debtor and creditor turnovers and balances at the end of each month.	End of Month procedure will be improved and presented in the Local FAAP	Starting with January 2014	Victor Ursu, ED Elena Vacarciuc, FD	**Completed.** **A monthly reconciliation report is developed by FD and is reviewed by ED.**
7. It is our recommendation that the Executive Director should receive an	Management agrees with this recommendation.	The report of Journal entries posted by FD will be exported from GMSME	The reporting procedure will be improved and presented in the Local FAAP	Starting with January 2014	Victor Ursu, ED Elena Vacarciuc,	**Completed.** **Starting with January,**

audit trail report of all journal entries that are prepared and executed by the CFO.		system and printed for review and approval (e.g. "fin : Journal list of Ledger A (this-year only)"			FD	the ED receives and reviews a monthly audit trail report of all journal entries that are prepared and executed by the CFO.
8. It is our recommendation that SFM should update its allowance policy in order to incorporate the special allowances for health and medical services.	Management agrees with this recommendation.	Management will revise its internal HR policy by introducing this benefit in it.	The special allowances for health and medical services will complete the package of benefits for foundation's employees stipulated in its HR Policy.	By December 2013	Varvara Colibaba, DD	**Completed.** On December 19, 2013, the Board approved an amendment to the HR Policy to include this benefit.