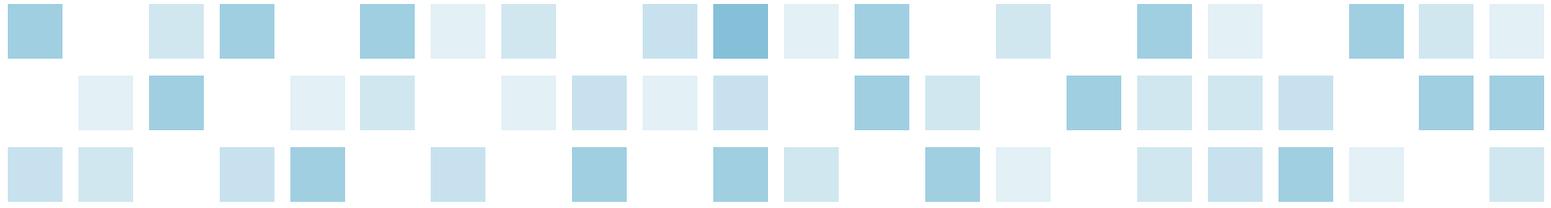


Nonprofits and international data transformation in developing nations



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Overview

Donors, such as the U.S. Agency for International Development (USAID), are increasing their requirements and expectations for reporting, while pushing grant recipients to use greater local resources in fulfilling the grant. Recipients wishing to continue to receive funding from these donors need to have consistent and adaptable international data transformation (IDT) procedures and technology in place ahead of pressure from donors.

IDT is the combination of systems and processes an organization uses to consolidate financial information from international locations that do not use the same financial database as the primary account system.

In the case of nonprofits that operate in developing nations, this often involves various accounting and grant reporting requirements in the field locations (locations where the primary award activities take place), followed by manual or semiautomated batch processing to consolidate this information at the headquarters level (or location). The batch processing is time-consuming, often provides challenges related to losing data and transaction detail and compromising data integrity and causes substantial delays in the reporting cycle.

Trends in donor requirements

Donors are increasing their push for recipients to use local capabilities in achieving the goals of the award. USAID uses the term “promote sustainable development through high-impact partnerships.” Recipients with existing partnerships with USAID can protect these partnerships by investing and developing their local capabilities to meet the new standards. UNICEF already has expectations of high accounting capabilities in the field, as some donations are distributed directly to field offices, rather than through a centralized office.

Donors are also expecting more from grant recipients during award audits. This includes:

- Reducing or removing manual manipulation from reporting
- Assurance that recipients with multiple awards can separate, track, control and report all financial streams properly
- System-generated reports and less Excel-consolidated reports

Common challenges nonprofit grant recipients face

Local resources

Grant recipients face low levels of education and training for employees in developing countries. Talent management can be challenging in field offices, where it is more lucrative for people with higher levels of training to work in for-profit industries or move to other grants recipients to maximize compensation.

This level of training and education conflicts with an important element of IDT—standardization and controls. Standardization of operational processes is important in creating systems and processes that operate effectively with low levels of manual intervention. Standardization also allows for interchangeable resources to be used across field locations, since there is not location-specific knowledge in the operations (apart from local regulation).

A drawback to standardization is the level of training needed. Grant locations are often in less-accessible regions of the world that have high travel-related costs. With some recipients having high turnover, the cost of providing a training resource on-site can add up over multiple project years. A way to avoid constant retraining is succession planning. It will greatly reduce the costs faced by the grant recipients if there are capable local resources available to onboard and train any new staff. Cross-training staff in locations where resources are limited will also prevent key knowledge from being lost when one staffer leaves the organization.

Effective controls are paramount to assure efficient data migration and consolidation with some level of automation. Implementing such controls is often compromised due to lack of resources (focus in such cases shifts to capturing data and reporting, not data quality and controls), or lack of understanding of the overall process (i.e., this is required for someone else and does not affect us).

Technology

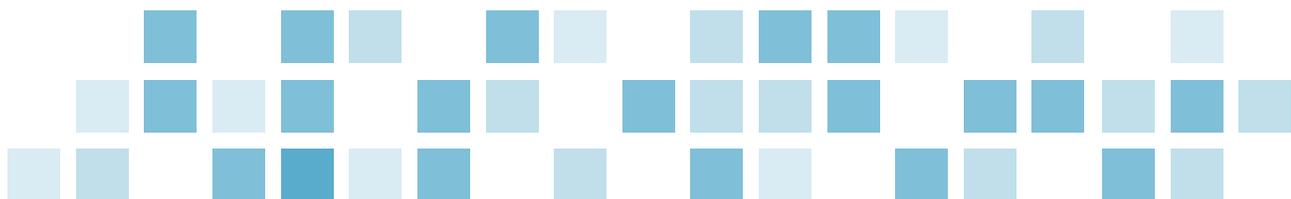
Grant recipients operating in developing nations are well aware of the infrastructure limitations. There are many international accounting and operational solutions that are affordable and work well for different currencies, and can accommodate both USAID and donor and local regulations. However, these solutions often involve consistent Internet and power, and are not designed to operate effectively in situations where infrastructure is weak.

Implementing a solution that can meet this requirement, while being simple enough to use that local resources can achieve consistency across project locations, involves adapting systems to address these problems. There are a number of combinations of systems, in various implementations, that can achieve these goals, and it is important for the organization to understand their own requirements when determining the best implementation or update.

Capital constraints

Grant recipients are limited in the funds that can be dedicated towards operational initiatives and technology. The limited, nonrestricted funding forces recipients to identify solutions that can be implemented on a large scale at a relatively low cost.

Costs involved in an IDT redesign project include: new systems that have been identified for implementation, data mapping, training for field staff and headquarters staff, operational costs associated with any processes, as well as any outside assistance needed in the design and implementation.



Keys to overcoming common challenges

Key stakeholder support

It is necessary to have the support of key stakeholders in the organization on both the operations side and the project side. Project and award staff are affected by operational changes and resistance to the change. This reduces the success rate.

Dedication to consistency

Making consistency and standardization a requirement in all the aspects of operations across different field locations will reduce processing time, reduce system complexity, increase accuracy and increase data integrity.

Flexibility

The environment that international nonprofits operate in often changes at a slower rate than many other for-profit industries. However, these grant recipients do need to be equipped to handle change, and this includes flexibility and scalability of systems. Given the costs associated with a major redesign of any process or organization, it is important that the new systems and processes are capable of adapting to the changing environment to avoid costly future redesigns.

Lean, strong headquarters capabilities

The indirect cost of an organization can compromise the overall project goals, and this is one reason we see donors pushing for local resources being used. Often, grant recipients operating in different locations rely on the central office for support and standardization. This central office needs to be efficient and effective. This means the central office must deliver a high quality of support, while using as few resources as possible.

Recipients attempting to lead from a central office that does not have these capabilities often face a more complex set of challenges that drives toward delays in design and implementation of the necessary changes. Such grant recipients need to first invest in the necessary central capabilities before looking outward toward field locations.

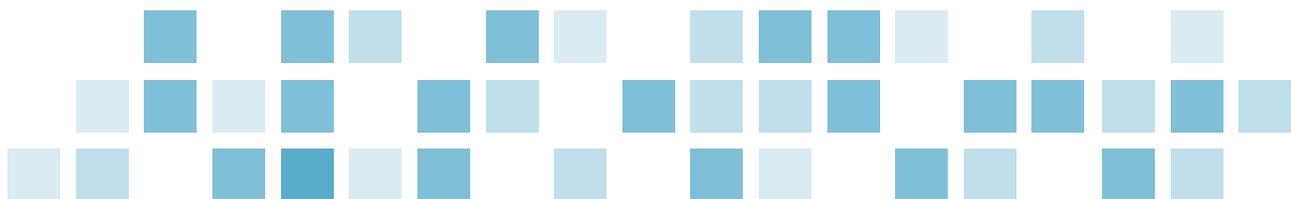
Acting sooner rather than later

Making change under duress will result in ineffective processes, project management and higher costs. Grant recipients need to act on these changes before they are feeling pressure from donors in a “one year or else”-type scenario.

Some recipients do not recognize the problem until it is late (not too late, but late). In situations like this, there is turmoil, resistance and high turnover because stakeholders throughout the organization begin feeling pressure and stress. In these situations, outside resources must be utilized more heavily to support the organization during change.

Ignoring the key success factors limits change

An organization and its leaders are able to implement change by owning the key success factors. A nonprofit had been utilizing a combination of systems and spreadsheets for accounting, consolidating all of the information manually in the headquarters office. The organization was not able to meet reporting standards for accuracy and timeliness. The management team recognized the need for change (through failed audits and an inability to generate reports), and developed consistent processes and systems across all field offices. However, they did not act soon enough, so the change was forced by specific failures and deployed on a rapid timeline. This limited the consistency in training and viability of the change. The organization had a



history of promoting within and pulling underqualified staff out of field offices to work in headquarters. Even though these staff members had a strong knowledge of the organization, the processes at headquarters were inconsistent and inefficient, as a result of a status quo culture. Furthermore, the organization had not involved all stakeholders necessary, so throughout the change, they met resistance at different levels in the organization, and were not fully informed of the challenges they faced because of weak communication. The organization was able to effect enough change to remain in business; however, this change came at high costs, and was limited in effectiveness.

Nonprofit grant recipients can avoid the same mistakes by owning the key success factors of international data transformation process change early.

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