

Compensating Controls Evidence Pack — FY2025 (Jul 1, 2025 – Jun 30, 2026)

Riverbend Youth Services, Inc. (fictional sample) · Prepared by the Board Treasurer, Jul 20, 2026 · For: independent auditors, funders, insurer

This pack documents the compensating control adopted in response to the prior-year management letter comment on segregation of duties, and every performance of that control during the fiscal year, including the month it was not performed on time.

1. The deficiency and the control

Prior-year finding (FY2024 management letter, paraphrased)

Because of the size of the finance staff, the Finance Manager records transactions, initiates electronic payments and prepares monthly bank reconciliations. No individual independent of these functions reviews the bank statements or reconciliations. The auditors recommended that a board member independent of cash handling review monthly statements and reconciliations and document that review.

Control adopted by the Board (resolution of Aug 5, 2025)

Independent monthly review of all bank and credit-card statements and reconciliations by the Board Treasurer, using the Monthly Independent Review Checklist, within 15 days of month-end; second approval of any disbursement of \$2,500 or more; exception log with written resolution; annual evidence pack to the Board and auditors.

2. Roles matrix as of Jul 1, 2025

Person	Authorize	Custody	Record	Reconcile	Review
Dana Whitfield, Executive Director	Yes	Yes (co-signer)	No	No	No
Luis Ortega, Finance Manager	No	Yes (ACH initiation)	Yes	Yes	No
Northline Nonprofit Accounting (outsourced)	No	No	Yes (month-end)	Yes	No
Priya Nair, Board Treasurer	No	No	No	No	Yes
Marcus Bell, Board Chair	Yes (≥\$2,500)	No	No	No	Yes (alternate)

Changes during the year: none. Reviewer independence was confirmed on each monthly checklist.

3. Monthly reviews performed

Month	Reconciliation prepared by	Reviewer	Signed off	Status	Exceptions
Jul 2025	Northline (L. Ortega, prep.)	P. Nair	Aug 9, 2025	Completed	0
Aug 2025	Northline	P. Nair	Sep 11, 2025	Completed	1
Sep 2025	Northline	P. Nair	Oct 8, 2025	Completed	0
Oct 2025	Northline	P. Nair	Nov 20, 2025	Late (day 20)	1
Nov 2025	Northline	M. Bell (alternate)	Dec 12, 2025	Completed	0
Dec 2025	Northline	P. Nair	Jan 10, 2026	Completed	2
Jan 2026	Northline	P. Nair	—	Missed — deferred by Chair, see note	—
Feb 2026	Northline	P. Nair	Mar 9, 2026	Completed (Jan items included)	1

Mar 2026	Northline	P. Nair	Apr 7, 2026	Completed	0
Apr 2026	Northline	P. Nair	May 12, 2026	Completed	0
May 2026	Northline	P. Nair	Jun 10, 2026	Completed	1
Jun 2026	Northline	P. Nair	Jul 13, 2026	Completed	0

Summary: 11 of 12 months reviewed; 10 on time, 1 late, 1 missed. January 2026 was deferred by the Board Chair on Feb 3, 2026 (Treasurer on medical leave; alternate unavailable during audit fieldwork) and its items were reviewed together with February. Statement source for every month: Treasurer's read-only online banking access, granted Jul 28, 2025.

4. Exception log

#	Month	Exception	Owner	Resolution	Closed
E-01	Aug 2025	ACH \$3,180 to new payee "Summit Facility Svcs" — no second approval evidenced	L. Ortega	Invoice located; ED approval obtained retroactively; vendor added to approved list; ED reminded that approval precedes payment	Sep 18, 2025
E-02	Oct 2025	Reconciling item \$1,240 outstanding 47 days (deposit in transit)	Northline	Duplicate deposit entry reversed; corrected in Nov close	Nov 25, 2025
E-03	Dec 2025	Debit card: \$412 restaurant charge, no receipt	D. Whitfield	Receipt provided (donor dinner, 6 attendees); card policy re-circulated	Jan 14, 2026
E-04	Dec 2025	Check #4471 voided, #4472 missing from sequence	L. Ortega	#4472 located: printer jam, destroyed; void recorded	Jan 14, 2026
E-05	Feb 2026	Payroll register total differs from bank by \$96.40	Northline	Bank fee posted to payroll account; reclassified	Mar 12, 2026
E-06	May 2026	Wire \$9,800 to grant subrecipient — approval by ED present, but initiated and approved same day by same login	L. Ortega / D. Whitfield	Confirmed separate persons; bank dual-control setting enabled so system enforces it going forward	Jun 2, 2026

All six exceptions closed in writing. None resulted in a loss. E-06 led to a system change (bank dual control), recorded as a control improvement.

5. Sample completed monthly review — December 2025

Reproduced from the signed checklist. Every other month's checklist is attached in Appendix B.

Field		Entry
Reconciliation prepared by		Northline Nonprofit Accounting (staff: J. Alvarez), completed Jan 6, 2026
Reviewer		Priya Nair, Board Treasurer
Independence confirmed		Yes — no transactions initiated or recorded by reviewer
Statement source		Read-only online access, downloaded Jan 8, 2026
	Item examined	Result / note
☒	Ending balance agrees to reconciliation and GL	Agrees: \$184,322.17
☒	Reconciling items > 30 days	None
☒	Disbursements ≥ \$2,500 — second approval evidenced	9 items; all approved by ED in BILL
☒	New / changed payees	2 new (Lakeside Printing, Camp Osprey) — purpose confirmed
☒	Electronic transfers, ACH, wires	14 ACH, 0 wires — all recognized
☒	Card transactions — receipts	Exception E-03 raised
☒	Payments to insiders / related parties	1 board reimbursement \$88, approved
☒	Check sequence	Exception E-04 raised
☒	Deposits spot-check (3)	Agree to donor CRM
☒	Payroll total vs register	Agrees

Signed: Priya Nair, Jan 10, 2026, 7:42 pm. Time spent: 55 min. Received and filed by: Marcus Bell, Jan 11, 2026.

6. Change history

Date	Event	Detail
Aug 5, 2025	Policy adopted	Board resolution 2025-08-02; Treasurer designated reviewer, Chair alternate
Jul 28, 2025	Statement access	Read-only online banking access issued to Treasurer
Feb 3, 2026	Review deferred	Chair deferred January review; rationale recorded
Jun 2, 2026	Control improvement	Bank dual-control enabled following E-06
Jul 20, 2026	Pack compiled	No monthly checklist edited after sign-off; corrections appear only as exception entries

7. Board oversight

The Treasurer reported on completed reviews and open exceptions at Board meetings on Sep 16, Dec 9, 2025, Mar 10 and Jun 9, 2026 (minutes attached, Appendix C). The Board received this pack on Jul 21, 2026.

Appendices (attached separately)

- A. Compensating Financial Controls Policy v1.0 and roles matrix
- B. Twelve monthly review checklists (eleven signed; January deferral note)
- C. Board minutes excerpts — policy adoption and quarterly Treasurer reports
- D. Bank read-only access confirmation

Riverbend Youth Services, Northline Nonprofit Accounting and all names and figures in this pack are fictional and used only to illustrate the format.