ABSTRACT
The study was undertaken to determine the impact of internal control systems on donor funds management with a specific focus on Spark Rwanda. The specific objectives of the study were: to identify the internal controls systems used in managing donor funds, find out ways in which internal control systems have helped in effective management of donor funds and examine the challenges faced in using internal control systems to manage donor funds. These were achieved using questionnaires, interview guides and secondary data analysis. The study found that the internal control systems used by Spark Rwanda in managing donor funds included; segregation of duties, authorization of transactions, retention of records, supervision or monitoring of operations and physical safeguards among others. The ways in which internal control systems have helped in the management of donor funds were according to respondents, preparation of financial reports containing most relevant material information, sufficient reliable information on budget execution, reducing the queries about the financial reports prepared, submission of reported for business advances in a timely manner and timely achievement of project objectives as per plans. Concerning the challenges of using internal control systems to manage donor funds, the study found out that the organizations facing some challenges like moral behavior of the employees in the organization, poor records management, improper payments, poor monitoring systems, recipient organization capacity to align itself to different requirement from multiple donors and inadequate skills. In a bit to address such challenges, the study made the following recommendations, NGOs should deliberately invest in putting in place sound internal control system and engage management and all members in the organization through training, coaching and mentoring. It is also recommended that SPARK should review their current accounting systems to identify gaps and then put in place steps to fill those gaps. Donors should intensify efforts to harmonize their practices and procedures to the maximum extent possible in a bid to reduce the capacity reducing impact they have on NGOs internal controls.