

# Money & Mission



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## Did You Know?

According to the CRA, 89% of charities are issuing inappropriate donation receipts.

## Editorial

The dreaded five letter word is back. The word we fear and hope not to hear. Of course, I'm referring to "fraud". Two cases in our Ontario operations have been center stage in the media in the last couple of weeks. The cases are very different in nature, but the basic fact is the same. Two of our employees, both executive directors in positions of trust, set out to deliberately appropriate Salvation Army assets for their own purposes.

Our policy framework, as set out in the territory's Operating Policy Manual and Territorial Finance Manual, is strong and robust. But having policies that

set out appropriate internal controls to protect the Army's assets is only part of the solution. We also have to ensure that those policies are followed, reviewed periodically, and enforced without exception.

Clever fraudsters will always find a way to perpetrate their crimes, but a system of properly designed internal controls that is operating effectively in an environment in which staff are vigilant will do much to reduce the instances and amounts involved.

Are the internal controls in your unit operating effectively, or are you likely to be the next victim?

## Policy Perspective

### SALVATION ARMY CORPORATIONS

Operating Policy #0201 outlines important information concerning the Army's legal and corporate structure in the territory. In particular, it details the purpose of The Governing Council of The Salvation Army in Canada ("the Governing Council"), the principal legal entity through which the Army conducts its business.

The Governing Council is a corporation which was established by federal act of Parliament in 1909. Unlike conventional corporations, the Governing Council has members, rather than directors. Five individuals holding office in the territory must be the members of the Governing Council, namely, the territorial commander, chief secretary, secretary for business administration, secretary for personnel and financial secretary. In addition, the territorial commander, chief secretary, secretary for business administration and financial secretary hold office as the

chair, vice-chair, treasurer and secretary of the corporation, respectively.

Other corporations established to oversee Salvation Army operations include The Salvation Army Corporation of Bermuda, The Salvation Army William and Catherine Booth University College, The Salvation Army Grace Communities Corporation and The Salvation Army Golden West Centennial Lodge. Each of these corporations is controlled by the Governing Council, either because the Governing Council appoints its board or because the members of the Governing Council are members of the other corporation's board. Generally, the Governing Council will only establish other corporations in exceptional circumstances, preferring to maintain most Salvation Army operations under the direction and control of the Governing Council itself.

# Accounting & Financial Reporting Focus

## INTERNAL CONTROLS

A properly designed system of internal controls operating effectively is your best defense against fraud and misappropriation. So, how do you ensure that you have good internal controls and that they are working effectively? The Operating Policy Manual and Territorial Finance Manual contain policies that will minimize the chances of fraud if they are followed. A thorough review of these policies in comparison to the policies and procedures followed in your operation will help highlight areas of weakness. The following list is no substitute for a thorough review of our entire policy framework. However, it does present just a few of the key areas to check to ensure you have compliance.

- Are bank reconciliations prepared, reviewed and corrective action taken at least once per month?
- Are you using RBC's disbursement auditor to minimize the chances of cheque fraud?
- Are you using RBC's electronic transaction processing services to reduce the number of cheques?
- Is all cash counted in the presence of two people who are unrelated by blood or marriage?
- Are bank deposits made frequently?
- Are cash and cheques that cannot be deposited stored in a proper safe?
- Is the combination to the safe kept secure and changed periodically?
- Is access to the premises controlled?
- Are inventories of food and other products maintained and kept in a secure location, separate from the products themselves?
- Is supporting documentation for credit card expenditures provided within 30 days of the statement date?
- Is there proper segregation of duties between staff who handle cash and cheques, and staff who have access to the accounting records?
- Is there a culture of "entitlement" among staff to goods that are donated, or do staff recognize that personal appropriation of even the smallest donated item represents misappropriation of goods that were given for charitable purposes?
- Is there a culture of "complete trust" that results in individuals having unquestioned and unfettered access to cash or other assets?
- Do staff members take all vacation time they earn every year?
- Are staff expenses reimbursements carefully reviewed and approved by the individual's immediate supervisor?
- Are budget variances carefully reviewed and explained satisfactorily?
- Do all individuals with expenditure approval authority understand and fulfill their responsibilities as set out in Operating Policy 3410?



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## Comments, Suggestions?

Do you have comments on any of the topics raised in this issue, or suggestions for a future issue? Write to us at:

[Money&Mission@can.salvationarmy.org](mailto:Money&Mission@can.salvationarmy.org).

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# Charity Corner

## GIFT IN KIND DONATIONS

In our last issue, we described the steps required in issuing a receipt for a non-cash gift. You should also be aware that there are some non-cash gifts that should never be receipted, according to the Canada Revenue Agency. These include:

- A court ordered fine or other transfer of property to the charity
- The payment of a basic fee for admission to an event or program
- A payment for a lottery ticket or other chance to win a prize
- The purchase of goods or services from a charity
- A donation for which the fair market value of the advantage or consideration provided to the donor exceeds 80% of the value of the donation ( for example, a benefit dinner where the meal represents over 80% of the ticket cost)
- A gift in kind for which the fair market value cannot be determined
- Donations provided in exchange for advertising/sponsorship
- Gifts of services (for example, donated time, labour)
- Gifts of promises (for example, gift certificates donated by the issuer, hotel accommodation)
- Pledges