

Money & Mission



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Did You Know?

The Canada Revenue Agency (CRA) has announced that a new T3010 Charity Information Return has been designed for use by charities for year-end periods ending on or after December 31, 2010. This means that all Salvation Army entities will use the new form for reporting for the current year ending March 31, 2011. The revised form and general guidelines for completion should be available shortly. The finance department will issue revised guidelines for Salvation Army units later this year. T3010s for the year ended March 31, 2011 are due at the CRA by September 30, 2011.

Editorial

Fraud . . . misappropriation . . . theft . . . these are not words we like to think could apply to a charitable organization, especially one based on Christian principles. Unfortunately, they are words that we have to use from time to time. Human nature being what it is, there will, regrettably, always be some individuals who, even in an organization like ours, will misappropriate organizational assets for their own benefit. The truth is that white collar crime is alive and well in Canada, even in religious charities.

Those of us in financial management roles must be ever vigilant about ensuring that internal controls are in place to help prevent and detect fraudulent behavior. That doesn't mean that we can completely eliminate fraud. The reality is that clever fraudsters will find ways to circumvent controls if they are intent on defrauding the organization. The finance department is only too well aware of this unfortunate reality. We still bear

the scars of our discovery that one of our own staff had embezzled a significant amount of funds during 2004 and 2005.

One of the lessons we learned is that we cannot simply implement good controls and leave them alone. We have to be constantly on the lookout for improved processes and systems that can reduce the risks we face. While the environment in which we function is increasingly complex, there are still some simple steps that can be taken to minimize risk. Ensure two people count cash. Make deposits promptly. Store cash in a proper safe, limit access to the combination to a minimum number of people and change it frequently. Reconcile cash register tapes to cash received. Use electronic transactions whenever possible. Reconcile your bank account often. These and other steps will help minimize the risks of your unit becoming a victim.

Capital Assets

All furniture and equipment acquired by a ministry unit should be recorded on its financial statements. Items over \$5,000 are capitalized and depreciated over the expected useful life of the asset, as set out in the Territorial Finance Manual (see section 0608 – Fixed Assets). Items under \$5,000 should be expensed in the year of acquisition.

Territorial headquarters accounts for all real property (both land and buildings). Only in exceptional circumstances will a ministry unit be given approval to record real property on its financial statements.

In some cases, divisional headquarters or the ministry unit itself manage capital projects, with payments to contractors and other suppliers made locally. To ensure that these capital expenditures are properly recorded at territorial headquarters, ministry units must record these payments on their books as an expense or allocation to capital projects in the inter-entity section of the chart of accounts. For more information, please refer to the Ministry Unit Preparation Guide Part II at <http://salvationist.ca/departments/finance/consolidated-statements/>.

Cheque Fraud

By Brenda Young

When you think about it, it is not surprising that cheques are so vulnerable to fraud. What other publicly distributed piece of paper contains bank account information, names and addresses and samples of authorized signatures? This article describes some of the most common fraud schemes and what you can do to avoid them.

Cheque washing occurs when fraudsters use solvent to erase the information on a cheque other than the authorizing signature. The payee's name and/or the dollar amount of the cheque are then rewritten.

Cheque alteration involves alteration of the payee's name and/or the dollar amounts of the cheque. By inserting his/her own name, it becomes easier for the fraudster to cash the cheque.

Forged endorsement occurs when a fraudster steals a cheque written to a third party and, posing as the payee, wrongfully endorses and cashes the cheque.

The simplest way to avoid cheque fraud is to convert to electronic payments. These are more secure, timelier and considerably less expensive than cheques. If you are not using electronic payments, please contact thq_treasury@can.salvationarmy.com to learn more.

When you are issuing cheques, here are important controls which will assist in the prevention of cheque fraud.

- Segregate duties associated with accounts payable, cheque creation and processing.
- Always have more than one person perform bank reconciliations
- Always have more than one person perform bank reconciliations
- Match cancelled cheques to supporting documents and store them securely
- Ensure that cheque signing officers or authorizers are not involved in cheque processing and preparation.
- Mail cheques immediately after signing.
- Use envelopes without windows to mail cheques so that they are not easily identified.
- Ensure that voided cheques are reconciled, defaced, secured, or destroyed.
- Store blank cheques in a secure location and conduct regular inventories to ensure all are present.
- Set a limit with the bank to prevent cheques above this amount from being cashed.

Brenda Young is a certified fraud examiner with more than 30 years' experience in retail loss prevention, internal audit and policing. She is a member of the internal audit group at territorial headquarters.

Who's Who

IRENE CHAN is assistant financial secretary at territorial headquarters. A certified management accountant, she holds a bachelor of commerce degree from McGill University. She worked for a variety of private and not-for-profit organizations before joining the finance department in 1998 as director of financial reporting. In her current role, Irene oversees the financial reporting, consolidation and financial accounting groups at THQ. She makes her home in Markham, Ontario with her husband and teenage daughter.



Irene Chan
Assistant Financial Secretary

Closing of General Ledgers

There has never been a defined date for monthly closing of ministry units' general ledgers (GL's). There is usually a cut-off date for sending remittances to divisional headquarters (often the 15th of the following month). With new technology (such as on-line access to ministry unit records by divisions), this time frame is no longer relevant.

At the same time, consolidation of financial information now requires us to establish a minimum GL cut-off date for all units. This is critical at year-end in order to prepare fully consolidated financial statements on time. However, it is also important on a monthly basis. More and more, we are asked to extract consolidated data from all statements for management reports. We need to

know that all GL's are closed if we are to rely on this consolidated information. For example, territorial leadership may wish to know how much money has been collected for Partners in Mission at the end of April. To extract accurate information, all records must be closed by an agreed upon date.

The finance department has already established a cut-off date of 5 working days after month end to close the GL's of ministry units for which we perform accounting. In the 2011/12 fiscal year, we have established the 15th of the following month as the date when all GL's must be closed.

After closing, your GL must not be opened for any postings.

Reconciliation adjustments, errors or new information related to months that are closed must be posted in the current month. This protects the integrity of the information reported in prior months. While this will represent a change for some of you, it is a standard accounting protocol to close and lock accounting periods.

Remember that, for the fiscal 2011 year-end, all ministry units that are externally audited must close their GL's by April 22. All other units that perform their own accounting have until May 13 to close their GL's.

The Territorial Finance Manual will be updated shortly to reflect this change.



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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.

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Key Dates for 2011

Date	2011 Finance Calendar - Key dates	Responsibility
12-Jan	TX1 forms due in Payroll	All Officers & Employees with PHH vehicle
15-Jan	Home Missions payments due at THQ	Divisions/RACs
24-Jan	Final Divisional Statements of Resources for fiscal 2011/12 issued to divisional commanders.	Finance Dept.
28-Jan	Target date to complete 2010 charitable receipts	All units issuing charitable receipts
31-Jan	MU Budgets due at DHQ (actual date varies by division)	Ministry Units
18-Feb	All THQ/DHQ budgets due to be received in the Finance Department.	THQ departments and DHQ
28-Feb	Deadline for issuance of T4's	All payroll offices
16-Mar	Presentation of budget proposals to the Territorial Finance Council	Finance Dept.
2-Apr	Date for receipt of all Deposit Summary Forms in the Finance Department. (by facsimile or scan)	Ministry Units
7-Apr	Date for receipt of all Capital Campaign expenses in the Finance Department	Ministry Units
8-Apr	Deadline for receipt of invoicing requests in the Finance Department pertaining to 2010/11.	All Units
13-Apr	Deadline for receipt of 2010/11 invoices in the Finance Department	All Units
14-Apr	Date for issuance of Preliminary Deposit Account reports	Finance Dept.
15-Apr	Deadline for any AP accruals to be received in Finance Department	All Units
18-Apr	Preliminary MSA calculation for March, 2011	Finance Dept.
19-Apr	Date for issuance of final PMA reports to ministry units	Finance Dept.
19-Apr	Date for issuance of final Deposit Account reports	Finance Dept.
21-Apr	Date for GL close of 2010/11 GL for audited MU and DHQ	Finance Dept. /Ministry Units
21-Apr	Date for closing THQ General Ledger	Finance Dept.
2-May	DHQ audits commence	Finance Dept. / Divisions
2-May	Ministry unit audits commence	Finance Dept. / Ministry Units
6-May	DHQ Audit completion date	Divisions/RACs
13-May	Final GL close for unaudited ministry units performing local accounting	Ministry Units
16-May	THQ Audit commences	Finance Dept.
31-May	Distribution of audited MU statements	Finance Dept. /Ministry Units
3-Jun	THQ Audit completion date	Finance Dept.
30-Jun	Final MSA calculation for 2010/11. To be charged to fiscal year 2011/12	Finance Dept.
30-Jun	Approval of Consolidated FS by TFC	Finance Dept.
15-Jul	All Partners in Mission Income recorded on ministry unit records for income received to the end of June.	Ministry Units
18-Jul	Partners in Mission funds to be transferred to THQ via electronic transfer	Finance Dept.
30-Sep	Date that T3010's must be submitted to CRA	Divisions
31-Oct	IHQ International Audit of Canada & Bermuda Territory	Finance Dept.
15-Nov	Preliminary Divisional Statement of Resources issued	Finance Dept.
15-Nov	Budget Templates posted to Notice Board	Finance Dept.
12-Dec	THQ/DHQ Budget worksheets issued	Finance Dept.
31-Dec	Home Missions payments due at DHQ	Ministry Units