

Money & Mission



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Editorial

Fraud happens in all kinds of organizations, large and small. Not-for-profit organizations are particularly vulnerable because trust is part of the culture, perhaps even imbedded in the DNA, of these organizations. To some degree, losing that basic level of trust in our people would undermine our effectiveness, and go against the very nature of who we are as a religious organization. At the same time, we have to recognize that an environment in which there are scarce resources and a tendency to trust people creates an opportunity for fraudsters. In an organization like ours where trust is

a fundamental component of the culture, we will have to be even more vigilant than others in ensuring that opportunities for fraud are minimized without undermining our need to trust people.

Preventing fraud is not just the responsibility of senior management at the THQ, DHQ or ministry unit. It is a responsibility that all of us bear: officers, employees and volunteers.

How? This issue is dedicated to this subject.

Accounting & Financial Reporting Focus

DON'T PAY MORE THAN YOU SHOULD!

All of us look for ways of reducing costs in order to deliver maximum mission results for the minimum expenditure. Sometimes that's a difficult challenge, but there are some simple ways to save money. Here are some steps you can take to make sure you don't pay more than you should:

1. Don't pay any invoice unless you're absolutely certain the goods or services billed have actually been received. Don't assume. Check your facts. If the invoice is a photocopy, rather than an original, check to ensure it hasn't already been paid.
2. Check tax rates you've been billed. We've uncovered examples where companies have charged rates far in excess of actual tax rates in effect. We recently saw a restaurant bill that charged over 40% tax!

3. Check gratuity rates on claims for reimbursement submitted by your staff. A 45% gratuity is never called for! Operating Policy 3408 sets the maximum gratuity rate at 15%.
4. Check prevailing market rates for the product or service you are purchasing, particularly if you have a long-term relationship with a single supplier. It pays to shop around periodically.

Special Feature

KEY INGREDIENTS TO PREVENT FRAUD

- Governance – Those charged with governance must exhibit “tone at the top”, setting the pace for others in the organization as it relates to how the organization will take steps to prevent fraud and deal with it appropriately when it occurs.
- Internal controls – The policies and practices of the organization, at every level, must be designed to protect its assets and minimize risk. Control activities must be designed to be efficient and economical, but that’s not enough. They must also be working effectively.
- Compliance – Everyone from the CEO to the janitor must understand that 100% compliance to organizational policies is mandatory.
- Internal audit – A qualified team of internal auditors supported by a strong audit committee will ensure that internal controls are reviewed to ensure that they are functioning appropriately as designed, and that appropriate action is taken by management when flaws are uncovered.
- Vigilance – Everyone in the organization must be vigilant, aware of the risks of fraud, watching for unusual events or “red flags”, and willing to blow the whistle when they have suspicions that fraud may be taking place.

COMMON RED FLAGS

Common red flags that something may be amiss include:

- An officer or employee who appears to be living beyond his/her means, particularly if there have been sudden changes in lifestyle.
- An officer or employee who ignores operating policies, particularly those dealing with financial controls.
- An officer or employee who has high expenses or purchases.
- An officer or employee who frequently misplaces documents such as receipts and invoices.
- Missing equipment or furnishings that have been acquired for the ministry.
- Unexplained delays in providing information.
- An officer or employee who avoids taking regular vacation time or prevents others from full access to records while on vacation.
- Answers to questions that are evasive or implausible.
- Apparent alterations to documents.

POSSIBLE AREAS OF RISK FOR FRAUD

- Handling of cash.
- Fictitious vendors.
- Kickbacks.
- Ghost employees.
- Overstatement of hours worked.
- Fictitious expenditures submitted for reimbursement.
- Fictitious or inflated invoices.

KEY STEPS TO MITIGATE THE RISK OF FRAUD

- Conduct background checks on all employees who are being hired for management positions or positions involving access to cash or processing financial transactions. Such checks should include references, educational background, credit, criminal background and personal bankruptcy.
- Ensure that there is adequate segregation of duties. No single person should have access to assets and the records that are kept about them. For example, a person who opens the mail containing cheques should not also be the individual who is responsible to record cash receipts in the accounting records.
- Ensure all staff members take annual vacations and that there is complete access to their workspace and files while they are away.
- Ensure there is a clear organizational structure and that everyone understands who they report to, and who reports to them.
- Ensure no one has relatives or close friends reporting to them.
- Ensure there is no culture of “entitlement” among staff as it relates to the Army’s assets or donated products.
- Ensure that cash is secured in an appropriate safe (see Operating Policy #4005) and that the combination is changed regularly.
- Ensure that funds are deposited regularly and not kept in the safe more than 3 business days.
- Manage the use of gift cards as you would manage access to cash (see Operating Policy #4008).
- Ensure that no vendor has a monopoly position; periodically test the market.
- Ensure that all staff are aware of the territory’s whistleblower policy (Operating Policy #0202).
- Ensure that funds held on behalf of clients and residents are managed appropriately (see Operating Policy #4004).
- Ensure that all expenditures are authorized appropriately in accordance with Operating Policies #3401 to #3410
- Ensure that inventories of all furniture, equipment and donated products are maintained, recorded at current replacement values and checked to physical assets regularly.
- Ensure that the premises are secure, with staff members having access only to specific areas needed to fulfill their responsibilities.
- Ensure cash register tapes are reconciled to the cash on hand.
- Ensure unused cheques are stored in a secure location.



Giving Hope Today

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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:

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