FIRST NATION

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BASIC ACCOUNTING PRINCIPLES

Anyone involved with accounting or in dealing with auditors has heard the term "generally accepted accounting principles" or "GAAP". However, it would be very difficult for anyone to produce a list of these principles. That is because they cover many things and can be different in different types of organizations. One of the definitions of "GAAP" is as follows:

"Those accounting principles which have been given formal recognition or authoritative support in any particular jurisdiction."

The reason for accounting principles is so that everything is done the same way in each kind of organization. Accounting has been called the "language of business". Accounting principles make sure that everyone in the same business (in this case, ________________) is speaking the same language.

Some of the accounting principles followed by ________________ are described below:

Double Entry Bookkeeping

Every accounting entry has two parts, a Debit and a Credit. The total debits and credits of any entry must be equal. When each entry is equal, then the transaction will be balanced because all of its Debit entries will be offset by all of its Credit entries.

This leads to the basic formula for accounting:

\[\text{Assets} = \text{Liabilities} + \text{Accumulated Surplus/(Deficit)}\]

Revenue Recognition (use Financial Statements)

Accrual Accounting

Accrual accounting means that revenues are recorded when they are earned, not when the ________________ receives payment for them. It also means that costs charged to the ________________ are recorded when the service is performed or the goods received and not when they are paid for by the ________________.

For example, Unpaid invoices received from Suppliers and Creditors are summarized at recorded via a purchase order as follows:

\[\begin{align*}
\text{DR} & \quad \text{Proper expense account/s} \\
\text{CR} & \quad \text{Accounts Payable}
\end{align*}\]

Accrual Accounting shows a much more accurate picture of the financial position and operating results of the ________________. Accrual accounting allows the ________________ Board the ability to know the true financial position and is better able to make better financial decisions.

Contributed Services (Volunteer)
Volunteer services are certain corporate contributions in-kind and contributed on behalf of the ________________ are not recognized in financial statements due to the difficulty in determining their value.

Matching Costs with Revenues

It is important that each Cost Centre (i.e., Sections, Projects or Contracts) operated by the ________________ is properly charged with all costs, and credited with all revenues, relating to it. Funding (Revenue) for Core and Special Projects are based on the budgeted amounts.

The proper matching of costs with revenues in each Section is particularly crucial since the net results for each Section have an impact on ________________’s overall operations. The required method of allocating costs and revenues for each cost centre is shown in the Chart of Accounts section of this manual.

Consistency

Consistency makes sure that ________________ is treating revenues and expenses, are properly charged to the correct account(s) all the time and as defined in the budget. For example, service fee charges paid either from a bank service charge or the payroll service fee should always be credited to the General Office, Bank & Interest account, not to that account one month, and then to Office Supplies/Materials expense the next month. In other words, you must not mix apples with oranges ... all apples must be in one basket and all oranges in another.

Internal Control

Basic Concepts of Internal Control

Internal controls include all policies and procedures which:

- maintain reliable reporting systems;
- safeguard assets
- prevent and detect error and fraud; and
- optimize the use of resources.

The best way to prevent fraud, theft and errors is to develop a strong set of internal controls and to enforce them.

Some employees feel that internal controls are procedures imposed by employers and auditors to make sure they are not making mistakes or stealing assets. Effective internal controls are actually designed to protect both the employee and employer. For example, assume the same employee was responsible for receiving cash, recording receipts, making up the deposit and reconciling the bank account. If some cash accidentally went missing, it would be difficult for that employee, even though totally innocent, to prove that he or she was not responsible for the loss. Proper safeguarding of assets and segregation of duties would help prevent such a situation.
Components of Internal Control

**Budgets**

The budget is the financial plan for the year. If it is carefully done and well thought out, it is a useful tool. If it is not, then it can be a waste of time and effort.

The budget matches planned expenditures for the upcoming year with the revenues that the ________________ expects to receive during the same year. It also shows the months when revenue can be expected compared to the months when expenditures will be made. This helps the Director of ________________ to plan the cash flow.

A properly prepared budget is useful for several reasons:

- it shows the priorities for ________________ spending and makes sure that the minimum services are provided;
- it prevents the misuse of public funds;
- it helps with long term plans by allowing the Board to build or use its Surplus funds; and
- it helps the Board control the operating activities of the ________________.

A budget should be used as a tool and as a guide. Budgets are "best guesses" when they are prepared, and cannot be "carved in stone".

On the other hand, budgets should be used to control expenditures that are controllable. If actual expenditures are greater than budgeted expenditures after the first eight months of operations, it may be necessary to postpone non-essential expenditures in order to come in on budget for the year.

**Segregation of Duties**

Effective internal control can be created by separating the responsibility for keeping assets from the responsibility for recording assets, i.e., one person is responsible for receiving and caring for the asset and another person is responsible for recording the receipt and disposition of the asset.

**Safeguard Assets**

Many assets can be protected simply by locking them up. Desk drawers, file cabinets and office doors should all be locked at the end of every day.

**Lock Up Important Documents**

Everyone recognizes computers and cash as valuable assets. However, some documents can be just as important and equally valuable. Cheques and payroll information should be kept out of sight of the general public and out of sight of unauthorized employees as well. These documents should be accessible only to the individuals who will be working with them.
When important or accountable documents are not being used, they should be locked away. An **accountable document** is one for which the sequence of numbers used must be verified and accounted for, e.g., cheques, receipts.

**Data Protection Backup**

Back up for Data is important for __________________. Once a document has been produced a back up system utilizing data safeguarding is necessary. Data will be backed up utilizing back up discs and data travellers to ensure safekeeping of documents.

**Verify Document Sequences**

Confirm that each document in a numbered series is accounted for. For example, review the cheque listing and the cheques available to ensure that every cheque no longer available has been recorded and is valid. Keep all copies of any cheque that has been voided. Investigate if a cheque is missing and has not been recorded.

**Bank Reconciliation**

Reconciling the bank statement with the G/L balance provides an effective check of __________________ records against the records of the bank. Bank reconciliations are also important because of the difference in time between what is recorded by the _________________ and what is recorded by the bank. Bank reconciliations are discussed in greater detail in Month End Accounting Procedures.
Independent Verification

It is not practical for an individual to check their own work. They have been too involved in performing the work to sit back and take a fresh look. A quick independent and objective review by someone else can assist in determining how an employee is performing as well as locating and correcting errors.

Perform the Tasks an Auditor Would Perform

Doing some of the work that an auditor would perform is also an effective way of double-checking work for accuracy. It is important to remain independent and objective and to analyse the work and not the individual.

Some audit procedures which would be useful under these circumstances are as follows:

- ensure that bank reconciliations actually agree to the general ledger bank account. Scrutinize the reconciliations for any unusual or long outstanding items;
- ensure that trial balance totals of subsidiary ledgers agree with the corresponding general ledger control accounts. Scan the trial balances for any unusual or extraordinary balances;
- scan all general ledger balances for reasonableness and compare them to budget amounts;
- scan journal entries to see that they have been properly approved, documented and posted;
- make sure the general ledger balances!

Fraud

There is an important difference between frauds and errors. Frauds are illegal acts that benefit an individual or group by an intentional false representation of facts. Errors are a mistaken belief of fact which may also benefit an individual or group, although inadvertently. The important difference is intent.

Check the facts if you discover a questionable transaction. If the transaction is questionable because documentation is missing, attempt to locate the documentation. If the problem is one of mysterious payments to an individual or group, investigate the reasons behind those payments. Never discuss your concerns until you have done everything you can to find a reasonable explanation for the questionable items. Once a rumour begins, it is difficult to stop, even if the rumour is false.

If you have attempted to confirm or disprove a fraud and you still believe that a fraud has been committed, talk to your supervisor about your suspicions. Explain the steps
you have taken to dispel your concerns. Provide documentation of your attempts and the results of your investigation. Provide hard proof if it is available.

If your supervisor is the suspect, take your concerns to the next level of authority, i.e., the Board Chairperson.

If you are the supervisor of the suspect and someone brings this type of concern to you, be sure to double check the accuracy of the information. If, after double checking, you still have questions, you have the authority (as the supervisor) to ask directly for an explanation without implying illegal activity. If you are satisfied with the answer, inform the individual who first brought their concerns to you. They have probably spent many hours trying to resolve the issue. Then, create a procedure to ensure that, as a supervisor, you will be aware of future transactions of a similar nature.

If, as a supervisor, you are not satisfied with the suspected employee’s answer, inform the next level of authority, i.e., the President, who should also double check the information. If fraud is still suspected, the President should inform the Board of Directors.

**What Happens When Fraud is Found**

The Board of Directors of ________________ will decide if the RCMP should become involved or whether the auditors should be brought in to determine the magnitude of the loss.

Once the extent of the loss or fraud is determined and the charge is justifiable, the Board of Directors of ________________ will determine the legal action to take, if any.
DAILY ACCOUNTING PROCEDURES

Chart of Accounts

General Ledger Codes

General Ledger Accounts describe the type of asset, liability, revenue or expense. General Ledger Codes are four digits long and are broken down into the following ranges:

- 1000 Assets
- 2000 Liabilities
- 3000 Equity
- 4000 Revenue
- 5000 Expenses

General Ledger Accounts have not changed from year to year. This will help compare financial reports from year to year.

Cost Centre Codes

Within the expenses, Cost Centre Codes are used to describe the operation or project to which the Revenue and Expense must be charged. A review of the Chart of Accounts from the previous year, it was determined that the Cost Centre Codes should be amended for this new fiscal year to ensure that all project codes are current.

The newly revised Cost Centre Codes now represents the last three (3) digits of an account number. The proposed new Cost Centre Codes are broken down into the following ranges:

- 100 Capacity Development Services
- 200 Management (Governance)
- 500 Conference
- 600 Operations & Administration
- 800 Special Projects

Account Descriptions

Descriptions of the type of transactions included in each account code are provided below:

1000 Assets

1010 Petty Cash

This account is the cash on hand held for small local purchases. The amount of this account is determined when the fund is set up and does not change unless the outstanding amount of petty cash changes.
This account is used for business related expenses only and all cash disbursed from this account must be exchanged for a signed receipt.

1110 General Community Account

This account is the bank account or cash used for ________________ business operations. All monies received (except security deposits) are deposited into this account and all expenses paid by the ________________ come out of this account.

1111 First Nations Bank – Business Investors Account

This account is the investment monies of ________________.

1150 Investments

This account is used to record cash transferred to a short-term maximum ninety (90) day Guaranteed Investment Certificate (GIC) investment account for the sole purposes to earn interest.

1250 Inventory

This account is used to record the value of inventory items in inventory that are available for sale.

1301 Accounts Receivable

This account is used to record monies due to the association. The ________________ keeps a separate supporting invoice record for each party which owes money to the ________________.

1310 Accounts Receivable - Other

This account is used to record monies mainly due from GST rebates.

1315 Advances Receivable

This account is used to record monies due from ________________ staff or Board member who has received a travel or salary advance.

1320 Allowance for Doubtful Accounts

These accounts are used to estimate how much of the corresponding accounts receivable account will ultimately be uncollectible.

Entries to this account are normally made with an adjusting journal entry to account 5604, Bad Debts, after having analysed the likelihood of collecting the
current receivables.
1400 **Prepaid Expenses**

This account is used to record payments which have been made although the goods or services purchased have not yet been received. Insurance premiums made in advance are an example of prepaid expenses.

1520 **Computer Equipment**

This account is used to record computer equipment assets.

1525 **Amortization: Computer Equipment**

This account is used to record depreciation of computer equipment.

1540 **Office Equipment**

This account is used to record office equipment assets.

1545 **Amortization: Office Equipment**

This account is used to record depreciation of office equipment.

1550 **Leasehold Improvements**

This account is used to record any improvement between the landlord and the association of the rental space.

1555 **Amortization: Leasehold Improvements**

This account is used to record depreciation on the rental space.

2000 **LIABILITIES**

2100 **Accounts Payable**

This account is used to accrue (record) an expense where goods or services have been received, and an invoice may or may not have been received but the payment has not yet been made.

2150 **Accounts Payable: Other**

This account is used to accrue (record) an expense where goods or services have been received, and an invoice may or may not have been received but the payment has not yet been made.
2200  **Salary and Benefits Payable**

This account is used to record any compensation-related amounts due to employees, and/or to record severance pay and any non-compensation related amounts owing to an employee or former employee. At year end, this account may be used to record the value of unused vacation time to which employees are entitled.

Amounts due to employees for reasons unrelated to their status as employees must not be recorded in this account.

2240  **Receiver General Payable**

This account records any payroll deductions which are to be submitted to the Receiver General of Canada (e.g., Income Tax, CPP, EI premiums) or corporate service fees owing to the Government of Canada (ie: Canada Corporations Act).

2310-2329  **GST Accounts**

These accounts are used to record GST collected and payable to the government or rebates repayable to ________________ by the government.

2400  **Deferred Income**

This account is used to record payments made to the ________________ where the ________________ has not yet earned the revenue. An example of deferred revenue would be an advance received on a service contract where the ________________ will not perform the work until the following summer.

Memberships paid in advance by ________________ members must not be recorded to this account.

2425  **Deferred Membership Income**

This account is used to record membership payments made to the ________________ where the ________________ has not yet earned the membership revenue.

2450  **Conference Sponsorship**

This account is used to record conference sponsorships and other conference related expenses.

2455  **On Line Course Deposits**

This account is used to record payments of online tuition fees; deferral fees and course material deposits.
2500 **Accrued Liabilities**

This account is used to record the liabilities accrued to previous accounting period.

2600 **Due To Health Canada**

This account is used to record amounts repayable to Health Canada (HC) for excess funding of a Health Canada grant and non-qualifying expenses in the fiscal year ending periods of March 31, 2001 and March 31, 2002.

2600 **Due To INAC**

This account is used to record amounts repayable to Indian and Northern Affairs Canada (INAC) for excess funding of INAC grants and non-qualifying expenses in the fiscal year ending periods of March 31, 200_ and March 31, 200_.

3000 **Equity**

3600 **Current Earnings**

This account is used to record the net assets.

4000 **Revenue**

4100 - 4108 **Service Revenue**

These accounts are used to record all types of membership fees is paid or incurred to _________________. Some examples of membership revenue include Individual memberships, Corporate memberships, fees for exemption/special arrangements, and on-line course registration fees).

4110 **VISA Income Clearing Account**

This account is used to record Credit Card monies received/recorded in a bank deposits from appropriate organizations and/or individuals. This account is only used temporarily to allow time to charged the appropriate revenue to the appropriate service revenue category.

4120 **Other/Interest Income**

This account is used to record any interest earned on cash, deposits, interest or other income earned by ________________ of Canada. An example of “Other/Interest Income” would be payment of an advance received on a service contract where the ________________ will not perform the work until the following summer.
4200 – 4209 Conference Revenue

This account is used to record the conference registration fee or other income generated or earned as a result of a ________________ conference.

4500 - 4599 Revenue - Core

This account is used to record monies received under each of the funding programs. Additional information on these funding programs can be found in ________________’s Business Plan.

4800 - 4899 Revenue – Special Projects

These accounts are used to record monies received under each of the funding programs. Additional information on these funding programs can be found in ________________’s Business Plan.

5000 Expenditures

5100 - 5199 Services: Capacity Development

These accounts are used to record monies paid out to the appropriate organizations or service providers to charge products or services to its appropriate expense category.

5200 - 5299 Governance: Board

These accounts are used to record monies paid out to individuals, organizations or companies to charge products or services used specifically for Board related expenses.

5300 - 5399 Governance: Committees

These accounts are used to record monies paid out to individuals, organizations or companies to charge products or services used specifically for Committees established or tasked by the ________________ of Canada Board of Directors for their related expenses.

5500 - 5599 Conference

These accounts are used to record monies paid out to individuals, organizations or companies to charge products or services used specifically for the annual Conference expenses which are based against an approved Board of Director Conference budget amounts.

5600 Operations & Administration

5601 Amortization Expense
This account is used to record deprecations of capital assets.

5602 General Office, Bank & Interest

This account is used to record routine costs miscellaneous expenses that are mostly small in total or service charges, including, for example, the cost of new cheques. Some examples found in this expense account are the monthly cleaning or janitorial costs, monthly bank service charges and other interest charges that resulted from over-due or late payments to a supplier). Note: NSF cheques or returned cheques must be recovered from the person who issued the cheque and must not be included in this account.

5604 Bad Debts Expense

This account records the balances in accounts receivable that are estimated to be uncollectible. Entries are normally made to this account after an analysis of accounts receivable has been made.

5620 Advertising

This account is used to record the cost of placing notices/ads in newspapers and on the radio. This account may also be used for recruiting advertisements intended to attract people from outside the ________________ community.

5621 Annual Report

This account is used to record the expense of the annual report presented to various government departments, ________________ members and any other entities required.

5622 Newsletter

This account is used to record costs incurred with newsletter expenses.

5630 Equipment Rentals

This account is used to record all short term or long term rentals of equipment. Examples include leases for photocopiers, fax machines and mailing machines. The full amount of the lease payment must be recorded.

5641 Human Resource (HR) – Accounting/Audit:

These expenses reflect to record the expenses of the auditors, or bookkeeping / accounting services.

Auditing refers to the verification of the financial statements, accounting system, and supporting records.
Bookkeeping or Accounting Services refers to the preparation or correction of financial statements, accounting records and supplementary schedules.

5641 Human Resource (HR) – Civil Court Case:

These expenses reflect any service contracts where an outside contractor is hired to the filing of any legal documents.

5642 Human Resource (HR) - Consultants:

These expenses reflect any service contracts where an outside contractor is hired to perform certain work used to record the services and associated expenses.

5643 Human Resource (HR) – Legal Fees:

These expenses reflect any service contracts where an outside contractor is hired to provide advice, to assist, and/or to record costs associated to filing legal documents for _________________. Note: this expense account may include the legal costs associated to collect arrears outstanding.

5644 Human Resource (HR) - Professional Membership Fees:

These expenses reflect any membership, union due or service fees.

5645 Human Resource (HR) - Professional Development:

These expenses reflect any service contracts where an outside contractor is hired to provide professional development or some form of training to ________________ staff. It may include tuition fees, travel, accommodation costs, and the cost of instructors.

5650 Information Technology

This account is used to record any technical support and related technology costs.

5653 Insurance

This account is used to record any insurance costs associated to comprehensive general liability coverage (ie: theft, personal injury, tenant’s legal liability), Events coverage (ie: coverage for theft, personal injury for a 3-day conference) and Directors/Officer’s Liability coverage.

5665 Public Relations/Marketing

This account is used to record any costs related to promotion, marketing and public relations with ________________ and any other organization or department.
5670 **Meeting Costs (staff)**

This account is used to record staff meetings and any other related activities with staff.

5680 **Office Supplies/Materials**

This account is used to record the cost of general office supplies, materials or the purchase of minor assets such as computer equipment accessories, and software. Note: Supplies and/or Materials are coded to this expense account as they are purchased (as opposed to when the materials are used).

5683 **Postage/Courier**

This account is used to record outgoing mail or courier expenses.

5686 **Office Rent**

This account is used to record the cost of renting or leasing the office space of ____________________.

5687 **Telecommunications (phone, Fax, etc)**

This account is used to record the costs of telephone, fax and cell phones. Any service charges or rental amounts on the phone bill must be recorded to this account.

This account must not be used to record any equipment lease.

5689 **Travel: Staff**

This account is used to record costs of travel expenses for staff to participate in meetings or other business related activities outside of the _______________ office. Such expenses charged to this expense account are accommodations, meal and incidental per diem allowances, mileage, vehicle rentals, gas purchase for vehicle rental, airfares, etc.

5690 **Salaries/Wages**

This account records the periodic (e.g., every two weeks) salaries and wages of maintenance staff. These expenses are normally provided by the payroll system.

5691 **CPP Expense (Employee Benefits)**

This account records the employer’s portion of the cost of Canada Pension Plan (CPP) employee benefits. These expenses are normally provided by the payroll system.
5692 **EI Expense (Employee Benefits)**

This account records the employer’s portion of the cost of Employment Insurance (EI) employee benefits. These expenses are normally provided by the payroll system.

5693 **Car Allowance (employee benefits)**

This account records the cost of a car allowance employee benefits. These expenses are normally provided in a letter of offer by ________________ to an employee.

5694 **Group Insurance (employee benefits)**

This account records the cost of group insurance employee benefits. Premiums are billed monthly.

5696 **RRSP (employee benefits)**

This account records the employer’s portion of the cost of Registered Retirement Savings Plan employee benefits.

5697 **WSIB (employee Benefits)**

This account records the employer’s portion of the cost of Workplace Safety and Insurance Board benefits. These expenses are normally paid on a quarterly basis and calculated at a rate of 0.58% per $100 of insurable earnings.

5699 **Visa Clearing (temporary expense)**

This account is temporarily used as a temporary measure to apply the entire credit card payment to. When the reconciliation process is finalized, an entry to credit the VISA clearing account will be off-set by charging the expenditures to the appropriate ________________ expense accounts.

5800 **SPECIAL PROJECTS**

5810 - 5813 **KSI**

This account records the costs of any activities related to the Knowledge Sharing Information (KSI).

5815 **Fiscal Planning Calendar**

This account records the cost of any activities related to the Fiscal Planning Calendar.

5820 – 5829 **Chapter Development**
This account records the costs of any activities related to chapter development such as, management travel, meeting space, courier costs, marketing materials, chapter incorporation costs.

Daily Accounting Procedures

The parts of the accounting system that are used on a regular daily basis are:

- Chart of Accounts (See Section 6.0)
- Source Documents
- Source Journals
- Subsidiary Ledgers
• Journal Entries

It is important to keep accounting records as **up to date** as possible instead of leaving everything to a month-end rush.

Time should be set aside each day or each week to update Source Journals, file Source Documents and generally review the records for reasonableness and possible necessary adjustments.

**Source Documents**

Source documents are the "roots" of any accounting system. They are defined as the **original record** or evidence of a transaction.

Source documents can be of two types.

1. **External** - documents received from outside parties, e.g., packing slips, creditors' invoices, creditors' statements, registration application forms (ie: _________________’s conference, workshops), bank statements, service contracts;

2. **Internal** - documents produced by the _________________, e.g., purchase orders, work orders, _________________ cheques, cash receipts, credit card receipts, _________________ invoices, payroll authorization forms;

The following sections show how source documents are handled for:

• Suppliers and Creditors;
• _________________ Invoices to Trade receivables;
• Cash Receipts; and
• Handling of Cash.
Acquisition of Goods and Services

Policy Objective

To provide direction regarding the acquisition of goods and services for ___________ and specify requirements for expenditure commitments, purchases and contracts.

Policy Statement

All acquisition of goods and services activity shall comply with the following policy:

Prior to making a commitment for the expenditure of funds, there must be sufficient funds in a budget approved by the Board of __________. When availability of funds is confirmed steps to purchase the goods and/or services can proceed.

1. Commitment of Funds

1.1 Numerically controlled purchase orders are to be used for amounts over $100 and items not covered by a contract.

1.2 The authority and limits for signing of purchase orders shall be up to the President up to $1,000.

1.3 The President shall sign for amounts over $1,000 that is supported by an authorizing motion of the ____________ Board.

1.4 No Board Member may commit the association’s funds without an authorizing motion by the Board of Directors of ____________.

1.5 Under no circumstances are the purchasing limits of each authority to be circumvented through the use of two or more purchase orders to commit funds in the purchase of any one item or service.

2. Purchases

2.1 For all product purchases that have a value over $5,000 at least three quotes are required.

2.2 For all service contracts over $5,000 a formal Request for Proposals (RFP) should be invited from at least three (3) individuals or firms, or publicly advertised in publications and on the Website or distributed to the known individuals or firms that supply the goods or services and posted on the Website. All RFP’s shall identify ____________ has a preference to Aboriginal owned companies/suppliers.

2.3 The authorization of purchases shall be the same as the signing of purchase orders.

3. Contracts

3.1 A contract is required for the purchase of services over $1,000.
3.2 The approval of contracts shall be the same as the signing of purchase orders and purchases.

3.3 The President shall report to the Board of ________________ all contracts awarded in excess of $1,000.

3.4 All contracts, as a minimum shall provide for clauses that include Scope of service; Specific Deliverables; Timeline, Budget; Non-Performance; Payment; Arbitration; Non-Competition; Copyright; and Confidentiality of Work.

4. Exclusions

4.1 The Acquisition of Goods and Services Policy does not apply to staff recruitment and retention. The Board of Directors delegates this responsibility to the President, as identified in the Staff Recruitment Policy.

Policy Application

The President shall have authority to establish supportive administrative and financial procedures consistent with this policy.
Accounts Payable Processing and Reporting

Policy Objective

To provide direction and ensure timely, efficient, cost effective and transparent processing and reporting of all accounts payable.

Policy Statement

________________ will promptly pay, within 30 days, all legitimate invoices received by the association. Through its Accounts Payable and Reporting Process, __________________ will present a fair picture of the association’s operations and financial position while ensuring accountability to both its members and funding agencies.

Accounts Payable Procedures

The general procedure for source documents from and to Suppliers and Creditors is as follows:

1. Vendor accounts are opened for any person, company, or government department that provides material, goods or services to _________________.

2. Purchase Orders (PO) are issued for any supplies or materials over $1000.00 and must be prepared and verified by the ________________ Board and approved by the President, the expense code will be written on the PO.

   PO's are not issued for services such as Sask Tel, Office Rent payments and/or other regular office expense service charges.

   PO's (Purchase Orders) should come in two parts and are to be pre-numbered.

2. This office copy of the PO is filed in an "Outstanding PO" file until the order has been received. Then, when the order has been received and checked, the PO is filed in the Accounts Payable file.)

3. When the items are received from the supplier, appropriate back-up [ie: the Packing Slip (PS)] is checked by the person receiving the order. Any missing items must be clearly marked on the packing slip. Also, be sure to advise the supplier right away if any items were missing. The PS is then also placed in the Accounts Payable file in alphabetical order by supplier name.

4. When the Invoice is received from the Supplier/ Creditor, verified against the work performed or the goods delivered and authorized by the President. The date of the invoice, the invoice number, the amount of the invoice, the invoice is coded to the appropriate account(s) are recorded in Accounts Payable for that Vendor. The Invoice is then placed in the Accounts Payable file in alphabetical order by supplier name.
5. After the end of the month, a statement will be received from the Supplier/Creditor. This statement is also placed in the Accounts Payable file in alphabetical order by supplier name. By the end of the month, the Accounts Payable folder will contain packing slips, purchase orders, invoices and statements, all filed in alphabetical order by supplier name.

6. When it is time to pay the Suppliers and Creditors, sort all of the Accounts Payable documents for each Supplier/Creditor. All Invoices should be matched with all PO’s, and Packing Slips (if available). Cheque Requisitions will then be prepared for the President to approve payment. Each Cheque Requisition shall have the expense codes and amounts for each expense code on every cheque requisition.

7. When a Creditor's Statement is to be paid, tick off (/) all of the Creditor's invoices from the Accounts Payable file against the statement. Check any un-ticked amounts on the statement very carefully - they have either already been paid or they have not yet been received or they are someone else's invoices.

8. An ________________ cheque (2 parts) is produced for the total amount of invoices owing to each Supplier/Creditor. On the information portion of the cheque, the details of the invoice number(s) and amount of payment should appear.

9. Once the cheques have been signed and approved, ensuring that the details of the cheque numbers and dates approved are well documented and attached to the respective invoices. The three-part cheques are then separated and distributed as follows:

Copy 1 (original) – mailed/delivered to Supplier/Creditor

Copy 2 – photocopied/duplicate cheque to remain in file attached to invoice

Copy 3 - cheque stub to remain intact in numerical order in cheque book

Tips for Saving ________________ money

- Take full advantage of any payment terms or discounts offered by the supplier. For example, do not pay suppliers before the due date stated on their invoices. If they offer instalment payments without additional service charges, take advantage of the additional time to pay in order to preserve your cash flow.
- Pay the invoice, not the total amount on a statement. (A statement may show invoices already paid by ________________ if the statement is mailed before the supplies received the cheque payment).
- Ensure credit notes issued by a supplier are properly recorded and deducted from the payment.
- Carefully check and reconcile supplier’s monthly statements to ensure that all charges are valid and that all payments have been recorded by the supplier.
Cheque Issuance

Policy Objective

To provide direction and ensure a standard ________________ practice in streamlining the accounts payable process.

Policy Statement

Disbursements of cheques are authorized by two signing officers, as approved by the ________________ Board of Directors as follows:

- cheques processed up to $1,000.00, the ________________ requires the two (2) signatories.
- All cheques processed requires two authorized Board members signatories.

Cheque Issuance Procedures

1. All cheques are numbered sequentially so as to be accounted for.
2. Cheques are never to be issued blank or post-dated.
3. Lost or stolen cheques are to be reported immediately and a stop payment order issued to the bank.
4. All cheques that have not been presented in the six-month period after issuance are to be cancelled, and a new cheque issued only on the request of the payee.

Record of Cheques

Details from each cheque are recorded on a cheque requisition form outside A/P as follows:

- Record the name of the payee, date of cheque and cheque number under the proper headings.
- Record the amount of the cheque along the same line under the Net Cheque column.
- Record the number or date of the invoice or statement being paid in the Invoice Number column.
- Record each amount that is beside the expense codes detailed on the cheque along the same line and under the same expense code. All the amounts on that line under each expense column should add up to the total amount of the cheques as shown in the Net Cheque column.
• After the details are recorded in the accounting system, stamp (or write) "Posted" on the cheque requisition with the current day it was posted (ie: today's date).

• All cheques must be recorded in proper number order. If a cheque has been cancelled, record it as "Cancelled" and write the cheque number under the "Cheque No." column.

At the end of each month, all columns are added and cross-balanced. The column totals and the individual amounts in the "Miscellaneous" columns are posted to the General Ledger accounts with the same account numbers.
NSF and Returned Cheques

______________ may receive a cheque that will be returned by the bank because there are Not Sufficient Funds in the account. ________________ cheques will also be returned to the ________________ if mistakes have been made or if signatures are missing.

A cheque returned by the bank due to Not Sufficient Funds or an error in the cheque must be charged back to the appropriate member. Record it in the appropriate accounts receivable and cash receipts journal under Payments in brackets < > and allocate the credit to the Bank account in the Miscellaneous columns. Make sure to include the bank charges as well as the amount of the cheque returned. Banks will hold NSF cheques for a limited time to attempt to certify them if you request this service. However, you must keep in touch with the bank and be sure they are following up on certification of the cheque. When the cheque is replaced, the payment should be recorded as a regular payment on account.

Cheques issued by the ________________ but returned due to errors or missing signatures must be properly cancelled. On the Record of Cheques, record the cheque that was returned in brackets < > in the net cheque column and in the column for the expense account where the cheque was originally recorded. On the next line, record the new cheque issued to replace the one being cancelled. Remember to remove the cancelled cheque from your list of outstanding cheques on the bank reconciliation.

Returned cheques may also be cancelled by way of Journal Entries.
Cash Receipts / Deposits

Cash, Cheques, etc., must be kept in a secure place (a safe or locked cabinet) until it is deposited to the bank.

1. All cheques, money orders and drafts received are stamped "For Deposit Only" immediately as they are received. (Photocopied and deposited daily).

2. As soon as Cash or Cheques are received, a Deposit Summary Report is prepared.

3. The Deposit Summary Report and the bank deposit book are used to record the entry into the General Journal including special measures to accurately record realized membership revenue and deferred membership revenue.

4. From the General Journal entry, the receipt date and amount paid to ________________ are recorded.

Remember: Cash is an extremely liquid asset and, as such, is susceptible to loss or misappropriation by theft or embezzlement. All those responsible for the handling of cash will benefit when they ensure that proper internal controls are in place and that they are adhered to. ________________ and those responsible for the handling of cash will be protected from the risk of loss. (See Basic Concepts of Internal Control)

Additional procedures to strengthen internal ________________ control over cash include:

- the use of a valid receipt is the only acceptable proof that payment has been received;
- the person making the cash payment and the ________________ staff person who receives to accept payment must initial the ________________ Office Copy of their receipt;
- all cash deposits must be deposited intact. That is, only what is received is deposited and cash cannot be used to cash cheques.

Handling of “Cash”

A separate bound and pre-numbered receipt book should be used to record the receipt to “cash”.

The receipts should be in duplicate with the original copy going to the receivables and the second copy retained permanently in the receipt. In either case, the receipt should indicate whether the amount was paid in cash.

Tip for saving ________________ some Money: Make all of the deposits to the bank account as quickly as possible so that maximum interest can be earned. Money sitting in an ________________ drawer does not earn any interest!
Cashing of Personal or Business Cheques

The ________________ does not cash any personal or business cheques on behalf of employees.

Accounts Receivable

The general procedure for ________________ Invoices to receivables is as follows:

1. The invoices are prepared by ________________ and ensure amounts are correct. The invoices will include the G/L codes.

3. All invoice date(s) and are pre-numbered. If an invoice has been cancelled, record it as "Cancelled" and will be maintained on file for record keeping purposes.

Collection Procedures

_______________ is responsible for initiating appropriate action regarding any arrears owing to ________________.

Appropriate action may include:

- phone call or email to initiate collection;
- follow-up up with a written letter and/or invoice;
- follow-up phone calls and/or reminder notices;
- a collection agent may be requested and utilized if necessary.
General Journal Entries

The General Journal Entries are prepared using back-up journal sheet with separate columns for the adjustment number, date, name of account, account code number, a Debit column and a Credit column. Also be sure to give a description as to why the entry is made. Before an adjusting entry is made, the Director of ________________ must be very clear as to what accounts are to be affected and whether their balances are to be increased or decreased. To be kept in a separate file for future a reference.
Insurance Coverage

On an annual basis, the ________________ should review its insurance coverage to ensure it maintains adequate protection against a variety of possible claims.

_______________ will maintain Officers and Directors office insurance. Insurance coverage is designed to provide the broadest protection for ________________ officers and directors who can be found personally liable for their actions in the event that they are negligent in their duties. Note, liability may be attached to retired or terminated officers and can also be attached to their estates.

Insurance coverage to review periodically.
Inventory / Safeguarding of Assets

______________ holds assets on their balance sheet. Assets represent performance potential and capability, so it is important to manage their acquisition, retention, and disposal to get the maximum performance of these types of investments.

In order to effectively manage assets, the ______________ should develop and use practices, analytical capabilities and quantitative measures to help manage effectively and, where appropriate, to sell or otherwise dispose of under-performing or un-needed assets (i.e.: an old computer).

To clarify, there are two types of assets that need to be defined. They are:

- **Financial** assets consist of cash and other monetary assets and receivables held by the ______________. Examples of financial assets are cash balances, investments and accounts receivable.

- **Physical** (or Capital) assets consist of personal property owned by the ______________. Examples of personal property include computer systems, and goods purchased for the purposes of re-sale.

The **Physical** (Capital) Asset management process should make sure that ______________:

1. adequately tracks the assets through the respective life cycles;
2. determines whether the asset is being utilized properly as well as identifies which assets should be suitable for disposal; and
3. provide an accurate asset valuation for financial statement (audited and un-audited) purposes.

**Capitalization**

______________ shall treat as capital assets any assets for which the company has title with an expected useful life beyond one (1) year; together with any expenditure relating to the alteration, modernization of such asset which appreciably prolongs that item’s period of usefulness, increases its value, or improves its utility to the company. A capital asset, to be classified as such, must meet the following criteria:

- A useful life in excess of one (1) year and a per item cost in excess of $1,000;

- A total cost per bulk purchase order for furniture and office equipment in excess of $1,000; and

- A purchase and/or work order for business premises renovations in excess of $1,000 per project.

**Amortization**
On a monthly basis, the capital assets Amortization is calculated using a 30% declining rate for computer systems and 20% for office equipment. A registry of assets is also maintained on file.

Disposal

Any physical assets sold or disposed of with a value less than $1,000 requires the approval of the President before any action is taken. A list of sold or disposed assets will be reported to the Board.

Any physical assets sold or disposed of with a value greater than $1,000 requires the approval of the Board before any action is taken.
Payroll

________________ payroll is processed internally.

A payroll summary form is used to list the individual staff and amounts paid for each pay period.

________________ operates on a semi-monthly payroll cycle. The following payroll procedure will be used to verify the semi monthly pay period:

1. Each employee prepares time sheet for a 2 week period and submits their attendance to their appropriate supervisor.

2. The supervisor will match Requests for Absences, etc., to the time sheet. If correct, the supervisor will sign the time sheet and return it to the employee.

3. The employee will submit the original time sheet to Finance and the time sheet will be recorded in each individual employee’s Summary of Credits.

4. The original time sheet is filed in each individual’s personnel file by date order.

6. The Friday before each pay day, the General Journal Payroll Form is used to record the normal payroll plus identify any changes if needed. This form is submitted to the President for approval.

7. On the Wednesday (the day before pay day), a general journal entry to be recorded into the General Ledger.

9. The Director of _________________ will file the General Journal Payroll Form (to be developed) in a secure and locked area of the Finance files.

Tips to ensure Payroll meets the Labour Standards Act

- An employee must work the regular working days before and after a statutory holiday to be paid for the statutory holiday.

- Vacation pay or annual vacations are determined by the terms of the Employment Agreement. The Labour Standards Act sets a minimum of 4% of the employee’s gross wages for vacation pay where the employee is entitled to two weeks vacation. At _________________, non-management employees are entitled to at least three weeks vacation and the minimum becomes 6% of the gross wages. Management employees are entitled to four weeks and the minimum for senior management employees is 8% of the gross wages.
Government Remittances

The ________________ Director prepares and submits employers’ quarterly payroll tax returns to federal and provincial regulatory agencies on behalf of ________________ payroll.

Garnishees

An ________________ employee may have their wages garnisheed, e.g., for maintenance enforcement, child support or taxes imposed by Revenue Canada. The garnisheed amount will be forwarded to ________________ President and Board and then to the ________________ Director for payroll processing and a subsidiary general ledger account will be made to ensure the proper recording of the garnishee since ________________ is legally obligated to comply with the garnishee.

Pay Advances

Employees to be given an advance on their pay cheque upon President approval.

Personnel Records

When an individual is hired, the following forms must be completed and filed in a permanent employee file:

- a signed copy of the job offer and acceptance; and
- a TD1 form signed by the employee (updated annually).

Whenever there is a change in an employee’s salary level, a new payroll authorization form should be completed, signed by the President and filed in the employee’s personnel file.

Personnel records are strictly confidential.

Terminated Employees

When an employee quits his job with the ________________:

- a letter of resignation, accepted by the President, should be placed in the employee’s personnel file;

- the final pay must be calculated and must include any vacation pay to which they are entitled. Be sure to look through the employee’s personnel file to determine any outstanding amounts owed to the ________________ by the employee, e.g., vacation credits used, but not yet accrued or earned. These outstanding monies must be deducted from the final pay which must be paid to the employee within ten days of the date of termination.
Worker’s Compensation Coverage

On a quarterly basis (every three months, for example, January to March), the actual payroll insurable earnings total must be used on the Workplace Safety and Insurance Board (WSIB) Premium Remittance Form to calculate WSIB premium due. Late filings are subject to fines and penalties.

T4 Slips and T4 Summaries

A T4 that states all earnings made and deductions taken from the employee from January to December of each year will be issued by ________________ for each employee. The totals of all T4s issued by ________________ must be reported on the T4 summary and will be filed with Revenue Canada by February 28th.
Travel Policy

Policy Statement

It is _______________‘s intention that no Staff or Board Member shall be out of pocket because of travel or other expenses necessarily incurred on assignments undertaken for the Association. However, Staff or Board Members should not profit from assignments nor incur abnormal costs through carelessness or excessive spending.

Policy Application

Recognized Expenses – Transportation

For Board of Directors, regular Air Travel shall be reimbursed to a maximum of the equivalent of one (1) business class air fare for trips that are three hours or more, and to a maximum of the equivalent of one (1) economy class fare for trips that are less than three hours, for all travel within North America.

For ________________ staff, regular air travel shall be reimbursed to a maximum of the equivalent of one (1) full fare (flexible class) air fare for trips that are three hours or more, and to a maximum of the equivalent of one (1) economy class fare for trips that are less than three hours, for all travel within North America.

For Board of Directors, regular Air Travel shall be reimbursed to a maximum of one (1) business class fare for international travel. When air travel exceeds six (6) hours, and the nature of the business requires the presence of the individual’s spouse, up to two (2) business class fares are reimbursable.

For ________________ staff, regular air travel shall be paid to a maximum of one (1) business class fare for international travel.

Regular Ground Travel shall be reimbursed to a maximum of one (1) mid-size car rental, or when the staff or Board Member’s own vehicle is used the reimbursed mileage will be based upon the current Treasury Board Guidelines.

Board of Director’s – Substitute Fares

For Board of Directors, where a vacation is taken in conjunction with an ________________ business trip, the resulting extension of time may enable the Board Member to qualify for an “Excursion” or other reduced airfare, which could not be obtained, based on the length of the business trip alone.

If Board Members wish to have their spouse and/or children accompany them on such a combined business-vacation trip, and to take advantage of “Excursion” or “Charter” vs. “Business Class” air fare, savings achieved on their own ticket can be used to help defray part of the cost of the spouse’s and/or children’s transportation. This will be permitted subject to the following rules being observed:
- This privilege is intended to permit a Board member's spouse and/or children to travel at a reduced cost and cannot be used for any other member of the family or a friend, nor can it be converted to a cash benefit for the traveling Board Member.

- Cashing in of the Association’s purchased tickets is not permitted, nor the ticket of the spouse or child (ren) where this privilege has been invoked.

- The Board Member must attach to the expense statement, copies of all the airline tickets to show that the expenditure was made according to policy and that the total cost equaled or exceeded the airfare equivalent claimed.

**Meal Allowances**

Except in situations where meals are provided for, meal allowances shall be paid in accordance with the following rates in Saskatchewan:

<table>
<thead>
<tr>
<th>Meal Type</th>
<th>Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>12.00</td>
</tr>
<tr>
<td>Lunch</td>
<td>12.50</td>
</tr>
<tr>
<td>Dinner</td>
<td>33.60</td>
</tr>
<tr>
<td>Incidentals</td>
<td>17.30</td>
</tr>
<tr>
<td>Daily Maximum Total</td>
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</table>

Incidental allowances are intended to cover a number of miscellaneous expenses not otherwise provided for. Incidental allowances are provided only for over-night stay is claimed for that particular travel day.

Where a traveler incurs meal costs that are higher than the established meal allowances in situations outside of the traveller’s control, the actual and reasonable expenses incurred shall be reimbursed, based on receipts.

Allowances in the United States of America are the same as Canada but paid in U.S. funds.

**Mileage**

If an individual’s preference is to drive to a meeting location in lieu of regular commercial transportation modes, the lesser of kilometers traveled versus the airline equivalent will be used as reimbursement for mileage.

The kilometric rate payable for the use of privately owned Canadian registered vehicle is driven on authorized ____________ business travel is the province or territory of the registered vehicle. The rate for Saskatchewan is .49/km.
Accommodations

The standard accommodations can be described as a single room, in a safe environment, conveniently located and comfortably equipped. Typically, _______________ will pay for room and applicable room tax charges only. Other additional room charges (ie: mini bar, movies, room service, etc.) will be sole responsibility of the individual.

Although travellers generally stay in commercial accommodation, private non-commercial accommodation is encouraged. An individual who chooses private non-commercial accommodation shall be reimbursed a rate of $30.00 per day (no receipt required).

Additional business Expenses

Staff and Board Members shall be reimbursed for business expenses not otherwise covered such as business telephone calls, photocopies, word processing service, faxes, internet connections, rental and transportation of necessary office equipment and transportation of required personal effects.

General & Sundry Expenses

Staff or Board Members away from home for periods in excess of three consecutive days may claim laundry and valet charges.

Expense Report Procedures

Expense reports must be supported by receipts for all expenditures.

Where possible, all meals and incidentals must be expensed within _______________ guidelines.

A full accounting of expenses must be submitted within 30 days of the date of a meeting or function attended on behalf of _______________.
Investment Policy

Supply and reserve funds for operating purposes should not be allowed to remain unproductive for any period of time. Cash should be invested in such a manner as to be readily available and to earn a reasonable return without jeopardizing the ________________'s assets.

For the safe custody of surpluses as well as operating funds, the Board of ________________ shall act as an investment committee to oversee the ________________'s investment portfolio.

As a means of guiding the investment process, the following considerations should be considered:

1. What is the investment objective?
2. How much risk is the ________________ prepared to take?
3. What types of investments will be permitted?
4. How much diversification of investment funds will be permitted?

According to ________________ of Canada’s by-laws, the Board may invest in securities authorized by law for trust funds and also, at the Board’s discretion, in those securities in which life insurance companies may by law invest their funds.
MONTH END ACCOUNTING PROCEDURES

Month End Flow Chart

Make sure all Source Documents are recorded in Source Journals up to end of the month

Add & Cross balance

Make all necessary adjustment in General Journal

When bank statements are received, reconcile bank balance to General Ledger

Post to General Ledger

Trial Balance of General Ledger

Ensure Accounts Receivables and Accounts Payables Subsidiary Ledger trial balances agree with General Ledger control accounts

Prepare monthly Financial Statements

Prepare monthly Financial Statements & present to President and Treasurer
General Ledger

The General Ledger is like a collecting bin for all the information from the Source Journals and the General Journal. The Source Journals record information from Source Documents day by day and total it month by month. The General Ledger collects the balanced totals from the Source Journals (and General Journal) month by month so that a year to date total is known for each separate account.

All the month end column totals from each of the Source Journals are entered in the same accounts in the General Ledger. "Debit" (DR) totals are entered in the "Debit" column in the General Ledger and "Credit" (CR) totals are entered in the "Credit" column. The current month postings are added to or subtracted from the previous balance in the General Ledger account (depending on whether it is a Debit or Credit balance) and the new balance is shown as a Debit or Credit in the "Balance" column.

Since the Source Journal totals were all cross-balanced (i.e., total Debit amounts = total Credit amounts) before posting to the General Ledger, then all the accounts in the General Ledger should also balance after each Journal is completely posted. (See "Balancing Tips" Section).

Cut-Offs

As the final record in the accounting system, the general ledger accumulates all data from other records and journals and therefore completes the double entry system. It contains the control accounts to which subsidiary reconciliations and journals are balanced. It is therefore essential that all cut-offs be properly recorded at the end of each month.

Proper cut-offs ensure that all parts of a transaction are recorded within the same time period.

Some examples of proper cut-offs are as follows:

- if a supplier’s invoice relates to services performed in the current month and the invoice was paid at the beginning of the following month, the amount of the invoice must be recorded as an account payable at the end of the current month . . . it should not be ignored because it was paid immediately following the month-end; and/or

- if the Record Of cheques is held open for several days following a month end in order to capture some of the routine expenditures relating to that month, no expenditures relating to the following month should be included in the current month (i.e., if an invoice for a computer lease for the following month is received in the current month, it should not be included as an expenditure for the current month.

Periodically, a check for proper cut-offs at any month end will be initiated. This will involve a scanning of all general ledger accounts which contain routine monthly transactions and make sure that only transactions for the number of months to that date
are included. E.G.: at the end of September, 6 monthly charges were be recorded for any item on a continuous monthly charge. If there are only 5 charges, an account payable may have been missed (or the charge miscoded, or a prepaid expense not properly reversed).

Trial Balance

At the end of each month, a **Trial Balance** is taken of the General Ledger. A trial balance is done to **see if the General Ledger balances**.

Since all the Source Journals and the General Journal are balanced before they are posted to the General Ledger, then, if all postings and additions have been made correctly, the General Ledger will also balance.

Every month, also take a trial balance of the Accounts Receivable cards and the Accounts Payable cards (**Subsidiary Ledgers**).

These balances should agree as follows:

1. The balance on the listing of the Accounts Receivable cards should equal the balance shown in the General Ledger account titled **Accounts Receivable**.

2. The balance on the listing of the Accounts Payable cards should equal the balance shown in the General Ledger account titled **Accounts Payable**.

Be sure to write the month on these listings and file them in separate files for Accounts Receivable and Accounts Payable trial balances.

*If the trial balances do not balance, see the section on Balancing Tips.*

[See Appendix A for Month end procedures check list]
Financial Statements

Financial Statements consist of two major parts: the **Balance Sheet** and the **Income Statement** (Revenue and Expenditure).

The **Balance Sheet** shows the financial position of the _______________ at a specific point in time. Its date always refers to "As at ______". A Balance Sheet may be compared to a "snapshot" of the _______________'s financial picture on that particular date.

The **Income Statement** (or Statement of Revenue and Expenditure) shows the operating results of the _______________ over a period of time. Its date refers to a month ended or year ended. The Income Statement, instead of being a "snapshot", could be compared to a "video" of everything that has happened for a specific period of time.

Monthly Income Statements will be prepared for both general/core related activities of _______________ as well as separate reporting for Special Projects.

**Why Prepare a Monthly Financial Statement**

Financial Statements are the final result of all the accounting records. They are _______________'s financial health report. They allow the President and the Board to review the transactions to date and compare them to budget.

**Using Financial Statements to Control and Monitor**

Review the monthly statements on a line by line basis for reasonableness and accuracy. Also, compare them to the budgeted amounts to ensure the balances are realistic to that point in time. Investigate any major variances and decide whether or not there is a need for immediate action. Document the details of the reasons for any variances as well as the decided course of action so that proper follow-up may be monitored.

**Financial Reporting Policy**

The financial reporting requirement is:

<table>
<thead>
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<th>WHO</th>
<th>WHAT</th>
<th>WHEN</th>
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<tr>
<td>Members/Board Directors</td>
<td>Audited Financial Statements</td>
<td>_______ Annual Meeting</td>
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<td>Board</td>
<td>Financial Statements &amp;</td>
<td>Quarterly or prior to a meeting Report of the Treasurer</td>
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<tr>
<td>President &amp; Treasurer</td>
<td>Financial Statements and Cash Flow Forecast</td>
<td>Monthly and within 30 days</td>
</tr>
<tr>
<td><strong>WHO</strong></td>
<td><strong>WHAT</strong></td>
<td><strong>WHEN</strong></td>
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<tr>
<td>-----------</td>
<td>------------------------------------</td>
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<tr>
<td>Cash Management</td>
<td></td>
<td>Daily</td>
</tr>
</tbody>
</table>
Bank Reconciliations

A bank reconciliation is prepared every month to make sure that the Bank's records agree with the bank account balance in the ____________________'s general ledger. These two amounts will rarely be the same since there will usually be some deposits and/or cheques which have been issued by the ________________, but not yet received by the bank.

_______________________ has thirty (30) days to notify the bank of any errors or problems. Accordingly, the bank reconciliation should be prepared immediately upon receipt of the bank statement, and any bank errors should be immediately resolved with the bank.

Bank Reconciliation Procedures:

1. Cancelled cheques returned with the bank statement are checked off against the bank statement. Circle any charges on the bank statement (service charges, debit memos, N.S.F. cheques) for which cheques were not issued. If these items have not been recorded in the Cheque Journal, prepare a journal entry to record them. The journal entry is recorded in the General Journal and then posted to the General Ledger.

2. Cleared cheques and items added per step (1) are then checked off to the Cheque Journal.

3. From the Cheque Journal, prepare a list of outstanding cheques (those that are not ticked off as cleared). Make sure that outstanding cheques from the previous month's reconciliation are cleared or carried forward to the new outstanding list.

4. Using the duplicate deposit slips, check off the deposits which have cleared the bank. Circle any items on the bank statement for which a bank deposit has not been prepared. If these items are not recorded in the Cash Receipts Journal, prepare a journal entry to record them.

5. Enter the bank errors, if any, on the bank reconciliation form and add the reconciliation. The bank reconciliation must agree with the general ledger balance. If the amounts do not agree, repeat the above steps and check all additions until the errors are found.

6. If any outstanding bank deposits do not appear on the next month's bank statement, or if bank errors have not been corrected, contact the bank and resolve the problem.

After six months, an outstanding cheque is considered stale-dated and must be cancelled and reissued, if appropriate. Once the cancelled cheques have been checked to the bank statement, they may be sorted into number order so that it is easier to check them to the Source Journals. However, once the bank is reconciled, KEEP THE CANCELLED CHEQUES AND BANK STATEMENT TOGETHER. Do NOT separate all the cancelled cheques from the bank statements for each month and file them in numerical order. It is very important to keep each month's bank statements and cheques together.
Balancing Tips

If any records such as Source Journals, the General Ledger, Subsidiary Ledgers, Financial Statements or even Bank Reconciliations are out of balance, these are quick checks to look for:

- Scan the records to see if an item equal to the amount of the difference has been missed or included twice.

- If the difference is an even amount such as $1.00, $100.00 or $1,000.00, it is likely an error in addition.

- An even difference such as $30.00, $500.00 or $2,000.00, could mean that $50.00 was taken as $20.00, $800.00 was taken as $300.00 or $9,000.00 was taken as $7,000.00 or the other way around.

- If the difference divides evenly by 2, then it could be a Debit listed as a Credit or the other way around. For example, if a $250.00 Credit was taken as a $250.00 Debit, the difference would be $500.00. If $500.00 is divided by 2, it could mean that $250.00 has been taken the wrong way.

- If the difference divides evenly by 9, it could be that numbers have been reversed. For example, if $720.00 is taken as $270.00, the difference will be $450.00 which divides evenly by 9 (50 times).

  If the difference divides evenly by 9, it could also mean that a number has been entered with the decimal in the wrong place. For example, if $27.00 was entered in error as $2.70, the difference of $24.30 divides evenly by 9.

  If the above tests fail to find the difference, then it is a matter of backtracking until the difference is found. Remember that the difference might be a combination of errors, so it is important to be alert for every detail.

Other Tips

- Issue all Purchase Orders, Cheques, Invoices and Receipts in proper number order.
- Keep all copies of cancelled or ruined Cheques, Invoices or Receipts and file them in proper numerical order.
- Carefully check Suppliers/Creditors packing slips, invoices and statements. Make sure that you do not pay:
  - for items not yet received;
  - different copies of the same invoice;
  - both an invoice and a statement balance; or
  - a statement balance that may already have been completely or partly paid.
- If a Supplier/Creditor sends more than one copy of the same invoice, stamp all copies except for the first one with a stamp "Copy - Do Not Pay". No invoice should be paid if it has already been stamped.
YEAR END ACCOUNTING PROCEDURES

If all month end procedures have been performed on a regular and timely basis, year end accounting procedures should not be an onerous task. Some additional matters that should be attended to are as follows:

- Deposit all cash on hand by noon on March 31, even though a deposit would not normally be made according to routine policy.

- Make sure that all transactions recorded at the end of the day on March 31 are properly recorded in all subsidiary records and that any transactions made the following day (April) are not recorded as March transactions (i.e., ensure that year end cut-offs have been properly made).

- Review all accounts for adjustments that are normally required only at year end (e.g., allowance for doubtful collections on accounts receivable, accrued wages and expenses).

- Review revenue and expense accounts that have regular monthly charges to ensure that all transactions have been recorded for the full twelve months and that all necessary accounts receivable and payable have been accounted for.

- Ensure all required accounting functions are completed.

Review A Schedule of Tasks For Year End © (usually included with Terms of Reference For Audits referred to above) and ensure that all tasks have been completed. (The most recent Schedule of Tasks is attached).

- Contact your auditors to see if any other year end requirements or working papers can be completed by ________________ staff prior to their arrival.
See also Preparing for Audits - How to Reduce the Auditors Time and Costs.

The Year End Procedures Checklist provided in Appendix B can be copied and ticked off as the tasks are performed.
Preparing the Budget

Prepare the budget carefully AFTER planning for all revenues and expenditures that will be known to arise throughout the year.

Several sources of information may be used in developing a budget:

1. Prior years' financial information can be useful to help determine expense patterns; however, be sure to look at each budget expense item realistically and not simply increase the items by a percentage of last year's total.
2. Some expenses, such as lease costs, may be known in advance and can be incorporated into the budget.
3. Available funding may determine how much money can be allocated to a particular activity or type of expense.

The important point is to consider the operations the ________________ expects to have during the coming year and then determine the revenues and expenses associated with those operations.

Two Types of Budgets

There are two types of budgets:

- Core Budget; and
- Special Project Budgets.

The Core Budget includes all normal revenues and expenses of the ________________. It does not include projects which may be planned for the upcoming year.

The Core Budget includes:

- all revenues including membership fees,
- Salaries & Benefits and Administration & Governance costs

The Special Project Budget includes any costs related to specific grants or generated revenues. This includes ________________’s Annual Conference and any workshops hosted by ________________.

Budgeting Process

The budgeting process is initiated by the ________________ Board approved business plan. Once the budget packages are complete and approved by the ________________ Board, they are entered into the accounting system.
During the course of the year, the account by account detail will be used to provide the budget column in the monthly Operating Statements against actual to determine variance from planned expenditures.

Budget Preparation Instructions

Each revenue and expense account in the general ledger should be reviewed to determine if any financial transactions are anticipated during the course of the upcoming year.

In practice, most of the budgeting effort will focus on those accounts which are being used in the current year, with a quick review of the other GL accounts to see if anything new is to be added in the upcoming year.

An electronic spreadsheet should be set up to record the assumptions made for each account, the budget amounts for each month, and the total for the year.

________________’s accounting system allows the use of budgeting features to create their budgets.

Detailed instructions and allowable amounts for individual GL accounts are set out below.

**Membership Revenue** (4101 to 4103)

Membership revenues should be based on anticipated membership dues, not the amount of membership fees that is likely to be collected.

Anticipated membership dues can be derived from historical average income.

**Core Grant Revenue** (4510)

Core Grant Revenue is based on an actual core grant / contribution agreement.

**Governance** (GL accounts in the 5200s)

Budgeting for Board costs to govern the operations of the __________________ can be based on the anticipated number of Board meetings and historical average meeting costs.

**EXPENSES** (5600s)

**Salaries** (GL 5690)

Salary expenses should be based on number of people required to perform the anticipated ____________ activities, and their current or anticipated salary levels.
Benefits (GL accounts 5691-5697)

The budgeting process can anticipate typical benefits costs associated with salary and wages using historical averages from prior year(s). It should be noted that benefit entitlements may vary if the __________________ has negotiated a specific agreement with an individual employee.

Other Administration costs (GL accounts 5600s)

The remaining administration costs should be based on an annual in-depth review of the last year’s audited actuals, and year to date expenditures. This usually involves a three-step process:

- determine the administrative expenses required to operate effectively;
- calculate the allowable amount for total administrative expenses; and
- adjust the administrative expenses to fit within the allowable amount.

Special Projects (GL accounts 5800s)

The budgeting process will be in accordance to the specific special project agreement whereby the agreement stipulates the anticipated financial activities to complete the project activities / deliverables.
Preparing for Audits

Appointment of an Auditor

According to the __________________ Canada’s by-laws, the an auditor shall be appointed by the members at each annual meeting of the Association and audited financial statements, for the year prior to the meeting, shall be presented at each annual meeting.

Reason for an Audit

The reason for an audit is to make sure that the records and financial statements produced by the ________________ present a fair picture of what is actually going on. Many people think of an audit as a costly and "necessary evil" and the auditors as people looking for someone doing something wrong.

Neither of these ideas are necessarily true.

Unless they are especially asked to look for errors (either accidental or on purpose), auditors are not looking for fraud. If they happen to find a fraud (or a theft), they will of course look into it further and report the details to the Board.

Many people also think that once the records are audited, they are perfectly correct. They are very surprised if they find later that the auditor has "missed" something.

If auditors had to make sure that everything was in perfect order, audits would be very costly and the auditors would be at the ________________ office for many months. Even if the auditors did this, there would still be no guarantee that everything was exactly correct.

The Audit Procedure

Generally Accepted Auditing Standards require auditors to express an "opinion" whether or not the financial statements "present fairly the financial position . . . and the operating results" of the ________________ OF SASKATCHEWAN.

Auditors accomplish this by the following procedures:

- evaluating the accounting systems and controls in place;
- "testing" Source Documents to Source Journals and Source Journals to the General Ledger to make sure the systems and controls work properly;
- examining certain transactions to make sure they are properly authorized by Board and by the Bylaws of the ________________ and ________________ of Canada;
- analysing certain accounts in detail to make sure they are reasonable;
• confirming some balances with other people or organizations (e.g., the bank) to make sure they are right;

• assessing the risk and materiality of possible misstatements on an ongoing basis and formulating additional audit procedures to quantify them;

• checking (or preparing) financial statements from the records.

The last point is important for several reasons.

In a true audit, auditors should only check financial statements that have been prepared by management. Records and financial statements are the representations and the responsibility of management, not the auditors.

The Auditor’s Report

Auditors should not make any changes or adjustments to financial statements without the agreement of management. If management does not agree with the auditor’s suggested changes or adjustments, then all the auditors can do is explain in the Auditor’s Report (which is attached to the financial statement) how, in their opinion, the lack of such an adjustment affects the financial statements.

There are four types of "opinions" auditors can given in their Auditor’s Report:

1. The "Unqualified Opinion" (or "clear opinion") means everything is okay and fairly presented.

2. The "Qualified Opinion" explains any deficiencies (or possible deficiencies) in the financial statements; however, except for the qualification, the financial statements are fairly presented.

3. The "Adverse Opinion" states that the financial statements are not presented fairly, because in the auditor's opinion, management has not presented some particular things properly.

4. The "Denial of Opinion" states that the auditors were unable to verify the financial statements at all because of poorly kept records and/or lack of supporting evidence.

Most often, auditors do prepare the year-end financial statements for the OF SASKATCHEWAN. They also often must complete or balance the Source Journals, Subsidiary Journals or the General Ledger before they can prepare the financial statements. This should be done by OF SASKATCHEWAN staff. Auditors are very expensive bookkeepers.

The Management Letter

After completing the year-end examination, auditors send a Management Letter to the Board. This letter will tell where there are weaknesses in the _____________’s
accounting or control systems and what should be done to correct these weaknesses. These matters should be reviewed very carefully and the recommendations should be followed if it is possible.

Correction of the weaknesses would improve the accounting system and would help cut down the auditor’s time and costs for the following years.

**How to reduce the Auditor’s Time and Costs**

There are many things __________________ staff can do to help prepare for an audit and therefore help reduce year-end costs. Make sure that:

- the Management Letter from the previous year has been reviewed and recommendations have been followed where possible;
- Source Documents are properly and neatly filed;
- Source Journals are in proper monthly order, neatly arranged and properly labelled;
- the General Ledger is posted up to the year-end date and is balanced;
- aged trial balance listings of Subsidiary Ledgers are made and their totals agree to the proper control accounts in the General Ledger;
- copies of all Bank Reconciliations are available for the year;
- all usual year-end receivables and accruals have been accounted for and recorded, i.e., grants or subsidies not received;
- Board Minutes and By-laws are up to date and properly signed.

Some auditors will send a **Schedule of Tasks** before they arrive for their year-end examination. This schedule outlines what the auditor would expect to be done in preparation for the audit. If a **Schedule of Tasks** is not received, contact the auditors and ask them to advise you in writing what additional work could be done by the __________________ staff in order to help the auditor. Sample working papers provided by the auditor for __________________ staff to prepare may also help in this area.

**Request for Proposal (RFP) for Audit Services**

Request For Proposals (RFPs) have become a common practice for legal, banking and audit services. As far as audits are concerned, this method has both advantages and disadvantages. The following are some points to consider before requesting proposals for audit services:

- If you feel audit fees are high, **request an explanation from your auditors.** Points made in the Management Letter could explain why their fee was
greater than you might expect.

- Request your auditors to show separately on their invoice how much was for the audit, how much was for additional accounting services and how much was for travel and disbursements.

- Ask other Chapters of ________________ of Canada, which can typically be seen as the same size of an organization, what their audit fees were for the year and if any major recommendations had to be made by the auditor.

- Make the RFP well in advance of your year-end so that auditors have enough time to respond and plan their schedules.

- Check out any unknown firms who respond. Remember, experience and an ability to properly service your needs are the most important.

- Make sure that any fee quoted adequately addresses all parts of the fee (i.e., audit, expected additional accounting services, disbursements, etc.)

- Auditors who perform other engagements in the same community or district can sometimes offer shared travel costs.
Appendix A - Monthly Procedures Checklist

<table>
<thead>
<tr>
<th>Item #</th>
<th>Task Description</th>
<th>DONE</th>
<th>Reason for non-Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agree all bank and cash balances to appropriate reconciliations</td>
<td></td>
<td></td>
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<tr>
<td>2.</td>
<td>Agree receivable balances to Aged Trial Balance of trade receivables listing</td>
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<tr>
<td></td>
<td>(if timing errors exist, prepare a reconciliation)</td>
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<td>3.</td>
<td>Ensure that all pre-paids are explained and reconciled</td>
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<tr>
<td>4.</td>
<td>Ensure all other assets are explained and reconciled</td>
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<tr>
<td>5.</td>
<td>Agree Salaries payable balances to Aged Trial Balance of trade</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>receivables listing (if timing errors exist, prepare a reconciliation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Accounts Payable – check to ensure accounting fees are accrued and reconciled on</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>A/P listing</td>
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<tr>
<td>7.</td>
<td>Analyze revenue and expense accounts to ensure coding is reasonable and that any</td>
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<td></td>
<td>reversing payables have been cleared.</td>
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<tr>
<td>8.</td>
<td>Ensure any pertinent reconciliations are placed in the file and that all original</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>documents are filed.</td>
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</tbody>
</table>

The month-end checklist can be copied and ticked off as the above tasks are performed.
## Appendix B - Year-End Procedures Checklist

<table>
<thead>
<tr>
<th>Item #</th>
<th>Task Description</th>
<th>DONE</th>
<th>Reason for non-Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Ensure Acc’ts Receivable, Deposits, Payroll and Record of cheques have been totalled, allocated in accordance with the standard chart of accounts and cross balanced</td>
<td></td>
<td></td>
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<tr>
<td>2.</td>
<td>Ensure GL is balanced</td>
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<tr>
<td>3.</td>
<td>Deposits completed by March 31&lt;sup&gt;st&lt;/sup&gt;</td>
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<td></td>
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<tr>
<td>4.</td>
<td>Bank Reconciliation @ March 31&lt;sup&gt;st&lt;/sup&gt; should incorporate reversing stale dated or cancelled o/s cheques</td>
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<td></td>
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<tr>
<td>5.</td>
<td>Prepare list of Accounts Receivable as at March 31&lt;sup&gt;st&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Prepare list of Accounts Payable as at March 31&lt;sup&gt;st&lt;/sup&gt;</td>
<td></td>
<td></td>
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<tr>
<td>7.</td>
<td>Perform physical count of inventory and prepare lists as at March 31&lt;sup&gt;st&lt;/sup&gt;</td>
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<td></td>
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<tr>
<td>8.</td>
<td>Ensure filing is complete (ie: make sure each paid invoice is in their respective vendor file and in order by date paid)</td>
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<td>9.</td>
<td>General journal entries, and back up should be filed by date</td>
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<tr>
<td>10.</td>
<td>Bank statements &amp; cancelled cheques should be in the same conditions as received from the bank</td>
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<tr>
<td>11.</td>
<td>Prepare list of prepaid expenses as at March 31&lt;sup&gt;st&lt;/sup&gt;</td>
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<tr>
<td>12.</td>
<td>Analyze administration costs for budgeting purposes</td>
<td></td>
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<tr>
<td>13.</td>
<td>Ensure that properly signed contribution agreements are available and the terms &amp; conditions have been met</td>
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<tr>
<td>14.</td>
<td>Ensure by-laws are up to date and in order so they may be reviewed by the auditor</td>
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<tr>
<td>15.</td>
<td>Prepare appropriate schedule (working paper) for each special project is up to date</td>
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<tr>
<td>16.</td>
<td>Ensure _________________ is in good standing with the Incorporation Registrar (ie: board member names are up to date)</td>
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</tbody>
</table>