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Best Administrative and Governance Practices Guide

Suitable for Clubs and Districts of The Ontario Soccer Association

Prepared on behalf of the
The Ontario Soccer Association
by Grant Thornton
September 18, 2013

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Purpose, limitations and qualifications

Purpose

The purpose of this document is provide the Ontario Soccer Association, its member Districts, Clubs and Leagues with a reference tool to provide critical information regarding internal policies and best practices to all levels within the soccer community.

Based on the review of the three distinct levels noted above, we have identified the following areas as key topics for best practices:

- Budget preparation
- Financial reporting
- Operations reporting
- Good Governance Practices
- Risk management
- Contracts
- Human resources practices
- Internal financial controls
- Fraud
- Record keeping

This document presents details on these items in the following pages, identifying policies and practices you can apply to ensure your organization is operating at its potential.

Limitations and qualifications

Grant Thornton does not accept any form of liability for the contents of this document, for any omissions or errors, or for any consequences arising from the use of the document. This document has been prepared for a wide range of users with different levels of financial expertise. As a result, the policies and controls noted are not all encompassing nor are they intended as a substitute for specialized professional advice. Users are strongly cautioned to seek professional advice in assessing the adequacy of their internal systems and risk of fraud and error.

Budget preparation

Overview

Preparing an annual budget at the District and Club level is critical to operations. The budgeting process should be one where the organization stands back and assesses the requirements for the upcoming year (eg employment levels, number referees/coaches/volunteers, player enrolment, equipment purchases) and their financial impact during the year and over the entire year.

Policies and procedures

- The Accountant and/or Treasurer coordinates and initiates the preparation of the annual operating budget for review by the Finance Committee/Board of Directors. In many instances, the budget can be built from the completed operations from the prior year

- We strongly encourage involvement of the holders of "portfolios" within the club (eg head referee, head coach, equipment manager etc) in construction of the budget. Their involvement is likely to result in a more accurate budget, greater "buy-in" to the budget, and the ability to require portfolio holders to be accountable for results against their section of the budget

- We strongly encourage three financial planning tools to be used consistently throughout the year: an operating budget, a capital budget, and a cash-flow forecast

- The Accountant coordinates and initiates the preparation of the annual capital and cash flow budgets for review by the Finance Committee/Board of Directors

- The draft-consolidated budget is reviewed by the Treasurer, Finance Committee and Board of Directors and amended as necessary to address prioritized needs

- The final budget is approved by the Finance Committee/Board of Directors. It should be attached to the minutes of the meeting in which it is approved

- Throughout the fiscal year, the budget should be used to monitor and evaluate the financial status of the organization

Financial Reporting

Overview

With a budget now prepared, the organization must ensure that financial reporting and detailed review be performed on a monthly basis. This requires that all transactions during the month be correctly posted in the accounting software and that financial statement reports (a balance sheet and income statement) are used to compare the monthly results to the budgets and cash flow forecast.

Strong financial reporting policies are critical in providing useful information during the year to assess the organization's financial status, and ensure that spending is tracked appropriately. This is particularly important when cash flows swing strongly, as they do in soccer, with periods of high revenue and low expenses, and vice versa. Accurately understanding the true financial picture allows the Board to take action in response to off budget results – cutting spending and increasing revenue, or when achieving better than budget, taking on deferred projects.

Policies and procedures

General reporting standards

- Financial records are maintained in accordance with generally accepted accounting principles

- Financial reports meet federal and provincial governments reporting requirements (T2 when incorporated, HST reporting, payroll compliance and reporting)

- Financial reports include full disclosure requirements

- The Accountant is responsible for the maintenance of financial reports and for the preparation and adherence to the financial procedures required to maintain accounting records

- Accounting records document revenues and expenditure from all sources and identify revenue by program and expenditures separately for each cost centre

- The Accountant coordinates and initiates preparation of the financial statements and within 120 calendar days of the fiscal year-end, an independent audit or review is completed

- The audited/reviewed statements are prepared by a qualified public accountant selected by the Board of Directors and recommended for appointment annually by the General Membership, and licensed under The Public Accountancy Act, R.S.O. 1970, c. 373 (www.pacont.org)

- All working papers and other required information are gathered and summarized by the Treasurer and accountant with support from portfolio holders, particularly the President and Secretary, and made available to the public accountant

- The audited/reviewed financial statements are examined by the Finance Committee and presented to the Board of Directors for *approval*

- The Treasurer presents the financial statements with commentary to the general membership at the annual general meeting. A vote to *accept* the report is held with the results of the vote recorded in the minutes of the meeting

- Approved audited/reviewed financial statements are made available upon request

- A T2 corporate tax return (if incorporated) and a T1044 information return (if assets > $200,000 or property income >$10,000) are completed and filed with the Canada Revenue Agency within six months of fiscal year-end

- A T4 and T4A payroll information returns are filed by the last day of February for each calendar year. Records clearly indicate an understanding of the differences between self-employed individuals, contractors, part-time and full-time employees, when to deduct tax and when to issue T4's and T4A's.

Monthly reporting package

- The accountant ensures that monthly financial statements are prepared including monthly and year to date actual vs budget results, with variances shown between the year to day actual and budget figures.

- The accountant monthly prepares a cash flow projection to the end of the year by month, showing the opening cash balance, revenue and expenses (excluding amortization), expected changes in working capital (accounts receivable and prepaid expenses), capital purchases, and closing cash balance.

Operations/Activity Reporting

Overview

In order for management and the Board of Directors to objectively understand how their organization is executing on their goals each year, the organization should implement an efficient reporting structure that automatically captures key information. This can be summarized and only variances need to be investigated. This approach maximises the effective use of valuable time at meetings, and focuses discussion on topics that need to be improved.

The best practice structure is to identify and use Key Performance Indicators ("KPI's") specific to each component of the organization's operation, and report on them monthly.

Early in the annual planning cycle, portfolio holders should confirm their role in execution of the upcoming year's activities. They prepare their written plans for approval, along with their financial budget, *and how their success will be measured* – which is through KPI's and short written commentary.

The KPI's to be accomplished are the numerical benchmark, along with their related dollar benchmark (eg. budget) against which performance will be measured throughout the year. The KPI's and related budgets should then be summarized, for all portfolios, on to a single page report for management and the Board. Put more explicitly, readers can see, on a single page, the entire status of the organization, by looking at the KPI's: (year to date actual, target and variance) with a comment on the significant variances.

The KPI's we have attached provide a starting point for developing such a model of reporting. These items are not all inclusive or all required. Additional and alternative KPI's may be identified.

Key Performance Indicators (by portfolio)

Member Services
- <u>Revenue</u>
    - Number of members/registrants and their composition
    - Membership/registration fees charged
- <u>Expenses</u>
    - Number of full-time equivalent (FTE) staff
    - Number of clubs/players registered at a particular point in time
    - Number of members registered compared to prior year

Referees
- <u>Revenue</u>
    - Number of referees
    - Number of clinics
    - Number of participants at each clinic
- <u>Expenses</u>
    - Number of participants at each clinic
    - Travel costs for referees at competitions

Coaching
- <u>Revenue</u>
    - Number of clinics
    - Number of participants at each clinic
- <u>Expenses</u>
    - Number of participants at each clinic

Competitions
- <u>Revenue</u>
    - Number of events
    - Number of teams per event
- <u>Expenses</u>
    - Locations of the events

Organizational Development
- <u>Revenue</u>
    - Number and dollar value of grants
- <u>Expenses</u>
    - Percentage of the grants remaining to be spent

Governance practices

Overview

Even with an excellent activity and financial reporting system, a Board will not be effective unless the members work cohesively together, understand their roles and deliver on the activities they must undertake through the year.

Best practice to this and described below, are:

- A Board charter – the responsibilities and priorities of the Board
- An annual meeting plan – the cycle of meetings and their tasks
- A Board management plan – recruitment, orientation, training, assessment and retirement of Board members

Successfully ensuring that the Board is able to achieve this level of best practice requires significant staff effort (where applicable). A guideline that emphasizes this, is that the Executive Director should budget about 30% of his/her time to be spent working with the Board, including its President. Where there is no Executive Director, the equivalent role is typically filled by the volunteer Presdient.

The results of operating a high performing Board are significant – these can be found in the best performing not-for-profit organizations in Canada.

Concepts, policies and procedures
Board charter

The purpose of the Board charter is to help Board members to be aware of their total task, and provide a basis for ensuring that they are accomplishing that task. It is a plain English document, provided to new members and used for annual self-assessment.

Included below are items which would be answered by preparing the Board Charter:

1. The purpose of the organization

2. The values of the organization

3. Who are our stakeholders and what do they expect from us

4. How we will communicate with our stakeholders

5. Who speaks for the organization on which topics

6. Our strategic responsibilities to be found in our strategic plan

7. The key risks we face and how we will manage risk

8. The role of Board members

9. The selection of quality Board members

10. The way the Board is to work

11. When we will use Boards, task forces and consultants

12. How we work with the Executive Director and organization staff

13. How we assess the structure of the organization, internally and corporately

14. How we will assess the organization's performance

15. How we will assess personal and Board performance

16. How we assess the Executive Director's performance

Board Meeting plan

By organizing the topics to be covered through the annual calendar of Board tasks, preparation on the part of both staff and Board members is enhanced, resulting in much more productive meetings. An example of a calendar that could be adapted for the organization is as follows:

Review mission and philosophy of management of the organization	Mid-year
Set annual and long term goals	2 – 6 months prior to beginning of fiscal year
Approve action plans proposed by the Executive Director (or President) through which the organization will achieve the goals set by the Board	1 – 3 months prior to beginning of fiscal year
Establish regular meeting procedure and schedule for Board and Boards to accomplish goals	Mid-year
Organize the Board in order to achieve the goals of the Board: Boards; portfolios, task forces; consultants; new members	According to the schedule outlined by the Board
Monitor the progress of the management and staff toward its goals through activity (KPI) and financial reports from the Executive Director , senior staff and committees, portfolio holders, President	At each Board meeting

Identify the most urgent issues calling for Board attention and make a plan for how they will be addressed	1 – 3 months prior to beginning of fiscal year
Plan and conduct continuing education of the Board	Early in the new year
Identify and supply information useful to the stakeholders and provide for appropriate interaction – annual report, AGM, announcements, district meetings etc	Throughout the year
Review and evaluate the annual report of the Executive Director	2 – 3 months after close of fiscal year
Self-evaluate Board performance	2 – 3 months after close of fiscal year

Board Management plan

A best practice Board executes on life cycle (known as ROTAR) to ensure that Board members are suitable for the tasks ahead of them, "hit the ground running" when they start, improve their skills during their term, assess themselves and the performance of the Board, and retire to ensure fresh perspectives are brought forward. (ROTAR = recruit, orient, train, assess, retire)

Recruitment

A nominating committee is given the task of ensuring there are always high calibre candidates presented for election. High calibre means that the candidates are representative of different stakeholders, have the variety of skills needed on the Board, and have the commitment and time required for the role. The nominating committee publishes its work to the membership so that they understand the process that has been followed.

Recruitment is a two stage process. Candidate must pass a "quality screen". Then from this pool, a representational and competency screen is applied to identify the most suitable candidates in any particular year.

Quality screen:

The committee assesses whether the candidates have the following characteristics. A no answer on any criteria eliminates the candidate from consideration.

integrity	articulate
courage	willing to listen
good judgement	willing to ask questions
perspective	flexible
commitment to learning	dependable
commitment to soccer	organization wide perspective (not narrow team perspective)

Competency screen:

The committee drafts a competency screen of skills needed by the Organization. The goal is a balance of these skills on the Board (seldom would all be present). Typical examples are:

legal	business experience
communications	environment
finance	human resource/compensation
fund raising	government
human resources	internal control

Orientation

The best practice Board holds an orientation meeting for new members, to maximize the efficiency of on-going meetings, and ensure everyone is at the same base level of understanding. Topics typically include:

Board charter	legal structure
mission	strategic plan and stage of execution
stakeholder focus	relationship with Executive Director and staff
risk strategy	role as a Board member
how the Board works	internal control
director liability	committee structure
communication plan	current Board tasks/minutes
finance / budget	human resource plan
assessment of Board	assessment process of Executive Director

Training

A best practice Board includes training as one of its agenda items, just as it looks for on-going training and improvement of its staff. This is typically done through a session with external experts, with the knowledge retained and incorporated into the Board member orientation so that it advances the embedded knowledge. Examples include:

conflict resolution	decision making techniques
risk analysis	best practices in sport organizations
survey techniques /analysis	reward / recognition best practices

Board Assessment

A best practice Board assesses its own performance at least annually. Doing so requires both a task list against which it can measure its results, and a Board charter, outlining what it is to be responsible for, against which it can determine its progress. Just some examples of questions that Board members might personally be asked rate their Board, on for example, a scale of 1 to 5, are:

meeting quality	clarity and timeliness of information provided for meetings
adherence to Board policy	participation of Board members
quality of decision making	value of time contributed by Board members
quality of committees	focus on stakeholders

The quality of individual Board members clearly affects the successful working of a Board. A best practice Board addresses this sensitive topic by providing a process, introduced during orientation, where periodic assessments of co-members are provided to the nominating committee, for consideration on renewal of Board terms or re-nomination of Board members.

Retirement of Board Members

Fresh perspectives are valuable to a best practice Board. This requires that openings be created at the Board level for new members. Board terms, and work with the nominating committee on a pool of up-coming qualified candidates can ensure that this occurs.

Risk management

Overview

Risk is anything that affects an organization's ability to meet its objectives and preserve its reputation. Effective risk management begins at the top as the Board has the ultimate responsibility for risk oversight, with management also having a very important role to play.

Effective risk management should not be premised on risk avoidance. While there are some risks that an organization can avoid, if it avoided every risk, it is unlikely an organization would be able to meet its objectives. As a result, the goal is to manage the risk (risk/reward) and minimize occurrence of significant negative risks.

Role of the Board - To satisfy itself that effective risk management processes are in place to identify, assess and manage risk, *and* that these processes are functioning effectively.

Role of Management - Establishing effective risk management processes to identify, assess, monitor and manage risks and to manage risk on a day-to-day basis.
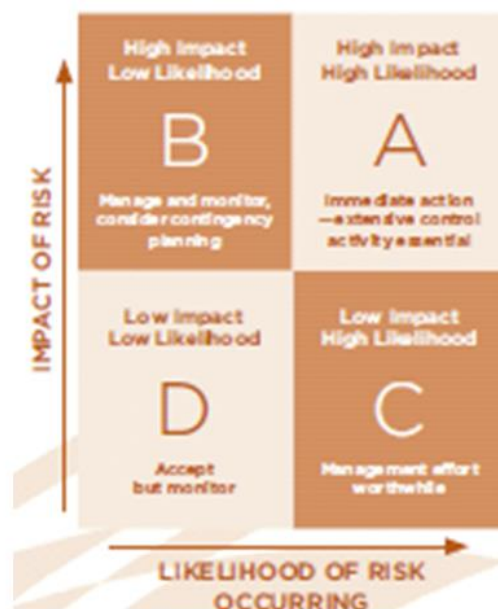
Risk framework

Identify Risks → Analyze & Prioritize Risks → Determine Risk Tolerance and Appetite → Manage Risks → Monitor Risks

Identify risks by major category
- Strategic risk
- Governance/leadership risk
- External risk
- Operational and program risk
- Financial risk
- Compliance risk
- Information Technology risk
- Reputational risk

Analyze and prioritize risks

Determine risk tolerance and appetite
- Risk capacity – the outer limit of risk that an organization could undertake
- Risk tolerance – the limit of risk set by the organization that it would not willingly exceed
- Risk appetite – the level of risk that enterprise is willing to accept

Manage risks
- Avoiding risk
- Transferring risk
- Mitigating risk
- Accepting risk

Monitoring risk

We recommend use of a risk register (list of risk down the left hand column) and colour (a "heat" map), as shown below, which through clear visual presentation assists in identifying the most important risks to be managed, out of the many that are present.

Risk Identified	Likelihood	Impact	Intercon-nectivity	Clockspeed Risk	Ability to mitigate risk	Overall risk	Control procedure	Retained risk	Monitoring process	Respon-sibility	Action required	Date or review
Low investment returns	Moderate	High	Low	Moderate	High	Moderae	Board approved investment policy Professional investment mgmt	Low	Investment committee review quarterly	Chair investment committee	Include reviews in board agendas	Quarterly
Injuries to participants in sports programs	High	Moderate	Low	Low	Moderate	Moderate	Safety training for coaches Incident reports Liability insurance	Low	Observe sports training	Sports director	Report serious reports to Board Include reviews in board agendas	Ad hoc Annual
Abuse of vulnerable individuals by staff and volunteers	Moderate	High	High	High	Moderate	High	Screening of staff and volunteers Awareness training	Moderate	Supervision Review of incident reports	Volunteer coordinator Manager Superisor	Report serious reports to Board Include reviews in board agendas	Ad hoc Quarterly
Loss of information systems and information	Moderate	High	High	Moderate	High	Moderate	Off-site back-ups Alternative processing resources	Low	Review of incident reports Review of controls by auditor	VP - IT Chair audit committee	Report serious reports to Board Include reviews in board agendas	Ad hoc Annual

Contracts, commitments, code of conduct and conflict of interest

Contracts and Commitments

Over the course of years the organization will enter into many contracts that bind it over multiple years, or that bind it to major financial or operating commitments. Examples of these contracts are those for employees, leases, sponsorships, credit cards, investments, computer software licences and equipment purchases.

- Under best practice, all major contracts will be kept, in current form, in a contract binder (or register) maintained by the secretary of the board. The exception to this practice is the employee contracts which are kept securely in the employee's file. However a note of the major terms of the employee contracts must be made in the binder.

- An annual review of the contract binder should be completed and reported to the board. The review may be conducted by the President, Executive Director or Treasurer. The purpose of the review is to determine that the binder is complete and current. The purpose of the report to the board is to ensure that the board is aware of all major commitments for which the organization is responsible.

Code of Conduct

A best practice organization prepares a code of conduct that applies to all involved in its operation – board members, staff, volunteers and parents/supporters. The code should be widely published, and administered objectively and fairly.

- An important aspect of its administration is that all participants, staff and volunteers confirm that they have read and agree to the terms of the code. Those who do not agree must be screened out. Those who do agree but do not comply can then be appropriately dealt with, without repercussions of unfairness.

- Administration at the board level will require annual written confirmation, with the confirmations held by the secretary of the board. Staff should confirm annually in writing with their confirmations filed in each employee file. Participants should confirm as part of the registration process. And volunteers should confirm as part of their annual volunteer training or orientation process.

Conflict of Interest

For best practice and good governance, it is essential that the board of the organization, as well as those is positions of key influence, be seen to be operating objectively, for the good of the organization and without any expectation of improper personal benefit. At the board level this is a statutory requirement. A board member is required by law to put the interests of the organization ahead of their own. This can be done through conflict of interest policy and practice.

- A conflict of interest representation must be completed by board members annually, and filed with the board secretary. If the details of the representation change during the year, the board member must notify the board secretary and president at the next meeting.

- In soccer organizations it will be very common and normal to have conflicts of interest – eg a board member's child is playing on a particular rep team, a board member is related to an individual who is paid by the organization for refereeing, a relative of a board member is regularly employed by the club in an administrative role, a board member is also a rep coach, etc.

- Two matters are essential in dealing with conflicts of interest: that they are known to all board members – through declaration, and that the member *abstains from discussion or vote* on decisions and issues with which they have a conflict. So for example, when budgets or funding is being discussed of rep teams, those board members with a personal interest in the teams temporarily leave the room until the decision is made. When hiring decisions are being made, those members who may have personal family members being considered leave the room, and so on.

- The process is simple, and should be conducted in a manner that is routine and unemotional.

- The minutes of the meeting should record the absence from the discussion and decision of conflicted members.

Human resources practices

Background

At both the Club and District level, staff, volunteers and members are core to the organization's foundation. As a result, human resources practices and policies are critical to ensure all sensitive activities are appropriately captured.

The areas of human resource policies have been divided into the following topics for analysis of best practices:

- General practices and policies
- Treatment of employees (full time vs. part time)
- Employment insurance
- Vacation pay
- Travel expenses and reimbursements

General practices and policies
Salaries

- Each pay period, salaried employees shall be paid a gross amount equal to their annual salary divided by the number of pay periods in the current fiscal year
- Pay stubs must be issued showing gross and net pay and deductions, with payroll withholdings promptly remitted to the government, insurance agencies and the like
- Changes to salary rates must be authorized by the Executive Director

Wages and Overtime

- Each pay period, wage-rate employees shall be paid for the scheduled hours from the previous period, plus time-and-one-half for any authorized time worked in excess of 44 hours per week.
- Overtime amounts paid shall not be included in calculations for pay-based benefits or pension.
- Complete and approved time sheets must be submitted one business day after the pay period
- Changes to wages and overtime rates must be authorized by the Executive Director

Direct Deposit

- Unless not practical, all employees shall be paid by direct deposit into a bank account identified by the employee and verified by the bank as pertaining to that employee
- Before release of funds to the bank, the human resources portfolio holder shall confirm the total payroll and individual deposits prepared by the accountant, and the Executive Director shall authorize the release indicated by initials and date on the payroll summary

Review and Authorization of Payroll

- No addition, deletions and changes to payroll may be processed unless the required approvals are indicated thereon.
- The accountant will review exception reports produced by the payroll system that show unusual amounts and ensure that all items are explained. The review will be signed and dated.
- The Executive Director will review and sign off the payroll register for reasonability at each pay period and review, sign off and date the payroll reconciliation and exception reports set out above

Annual Reconciliation and Review

- Within fifteen business days of each calendar year end, a review and reconciliation of the gross amount paid to every employee will be compared to information in the employee payroll file for consistency. The review must be carried out by an individual other than the preparer of the payroll
- The reconciliations required for federal and provincial tax purposes will be prepared annually by the accountant / treasurer. The treasurer will sign those reconciliations as evidence of being satisfied that all employees were paid according to policy and their employment agreements

Annual Employee Confirmation

- Annually each employee will be issued with a status summary, confirming the number of years employed, the pay rate and any planned change in the pay rate, their vacation entitlement and that status of their vacation taken and outstanding
- Each employee will be issued with the code of conduct for reconfirmation
- Each employee will be issued the conflict of interest declaration for update and reporting to the Board

Treatment of employees (full-time vs. part-time)

The Canada Revenue Agency ("CRA") does not differentiate between full-time and part-time employees but rather both are considered equal for payroll taxation and remittance purposes. This is also true for hourly vs. salaried employees. Vacation payable to part-time employees must be provided on a pro-rated basis consistent with that provided to full-time employees.

The differentiating factor for employees in the eyes of the CRA is that an organization must identify employees who are in management positions compared to non-management positions. For all non-management positions, the organization is required to pay employees overtime for time in excess of a standard expected work week.

The Ontario prescribed standard range of weekly hours required of non-management employees is 37.5 hours to 44 hours. Any time in excess of 44 hours per week is to be paid out at 1 ½ times the employee's regular hourly pay rate.

Employees may choose to take lieu time for their overtime in place of cash compensation. This lieu time should be agreed to in writing by both the organization and the employee. The organization is also required to provide lieu time at a rate of 1 ½ times the overtime worked. This ensures consistency between the amounts that the employee would have been paid if they had taken their overtime in pay and time received in lieu.

For management positions, overtime is considered a part of their job requirements, and payment for overtime hours is not required.

Employment Insurance (EI)
The CRA requires that EI be paid at full rates and is based on actual wages/salaries paid out.

Vacation Pay
According to Ontario Employment Standards, vacation must be at least 4% of an employee's gross earnings in the first four years of employment and 6% of gross earnings for subsequent years. This may be paid directly to employees or employees are considered to have received vacation pay by continuing to receive salary/wages during their vacation time off.

In order to pay the 4% out directly, both parties must agree to this arrangement in writing. Otherwise, vacation should be accruing at a rate of 4%, and employees have the option to take time off while continuing to receive wages similar to salaried employees.

In addition, for non-management employees, the payment of bonuses must be taken in to consideration when calculating vacation pay. Vacation pay is a percentage of the employee's gross earnings from the previous year of employment. Since the calculation of vacation pay is based the employee's entire gross earnings from the previous year, this would include all wages paid, including vacation pay, bonuses or commissions.

Travel allowances/reimbursement
According to the CRA, any fixed travel allowances received by employees are considered taxable benefits. However, the employee is allowed to deduct expenses incurred personally on their personal tax returns

In order to provide reimbursement, the organization should require original copies of the receipts. It is also recommended that the organization issue a separate cheque from payroll for these reimbursable expenses. This will ensure that the association has sufficient record should they face a payroll or HST audit.

Internal Financial Controls

Background

A key component of a best practice organization is the quality of the internal controls and systems governing day to day operations. These controls and practices around cash, receipts, and disbursements are critical to ensuring operations run smoothly, without error or fraud.

To assist your organization in reviewing its system of internal controls, the following is a detailed checklist of key transaction cycles which typically apply to a soccer club/district.

- Cash
- Petty cash
- Investments
- Inventory
- Capital assets
- Debt and liabilities
- Revenue
- Expenses
- Tournaments
- Payroll

Cash

	Y	N	N/A	Comments
Cash Receipts				
1. Are fees received in cash or by credit card/cheque?				
2. Are there adequate controls to ensure cash is deposited and recorded? i.e. are there two people involved in the collection?				
3. Are cash receipts entered into the accounting records by people not involved in the preparation of the bank reconciliation?				
4. Do adequate physical controls exist over cash from time of receipt to time of bank deposit?				
Cash Disbursements				
5. Are all disbursements, except petty cash disbursements, made by cheque?				
6. If there are cash disbursements, do two people sign off on the expenditure?				
7. Do adequate physical controls exist over access to the blank cheque stock?				
8. Are cheques prenumbered and used in sequence?				
9. Are all cheques accounted for? Are all voided/spoiled cheques retained?				
10. Are invoices approved by a person with proper authority from the governing board?				
11. Are cheques prepared from original invoices with proper approval?				
12. Are cheques prepared by people who do not have the authority to approve invoices?				
13. Are the cheque signers authorized by the governing board?				
14. Are authorized cheque signers independent of cheque preparation, cash receiving and petty cash?				
15. Are authorized cheque signers independent of timekeeping for payroll cheques?				
16. Are all supporting documents attached to the cheque presented for signature? Does the cheque signer examine supporting documents and initial the documents following examination?				

	Y	N	N/A	Comments
17. Are cheques required to have two signatures?				
18. Have dollar limits been established for one-signature cheques?				
19. Is there adequate physical control over the custody of cheques after signature and before mailing by a person independent of all payable, disbursing, cash, receiving, and accounting functions?				
Reconciliation				
20. Are bank reconciliations prepared on a monthly basis (at least, weekly is much better) by a person who does not have access to cash and are they initialled and dated?				
21. Are bank reconciliations reviewed by a responsible individual (e.g., executive director) and initialled? Is this reconciliation stored for examination by auditors?				
22. Does a responsible individual, other than the preparer of the cheques or the deposits, receive the bank statements (with cancelled cheques, debit and credit advices) unopened from the banks?				
23. Are cheques outstanding for over 90 days investigated?				
24. Is there one bank account or are there multiple bank accounts controlled by different individuals? Are there adequate reporting policies in place?				

Petty Cash

	Y	N	N/A	Comments
1. Is the responsibility for the petty cash fund assigned to only one person?				
2. Are petty cash withdrawals supported by receipts?				
3. Are loans to employees prohibited from petty cash funds?				
4. Is the petty cash fund periodically counted by someone independent of the person responsible for the petty cash?				

Investments

	Y	N	N/A	Comments
1. Are all investment transactions reviewed and approved by the governing board?				

	Y	N	N/A	Comments
2. Does a responsible person or investment committee determine that investments are of the type permitted by contributors and all investment income are used only for the purposes authorized by laws, contributors, or the governing board?				
3. Are employees with investment responsibilities required to take vacations and are other employees required to perform the investment functions during this time?				
4. Are securities adequately protected (in a safety deposit box, with a trustee, or held by a financial institution)?				
5. Are the people responsible for recording keeping for securities and investment income restricted from access to the securities and authorization of security transactions?				
6. Are securities counted on a periodic basis by an independent person if they are held at the company?				
7. Are reconciliations of broker=s statements and general ledger performed on a regular basis by a person independent of the investment responsibilities? Are these initialled and dated?				

Inventories

	Y	N	N/A	Comments
8. Are inventories adequately safeguarded against loss, theft, physical deterioration, or misuse by being kept in locked enclosures? Is access only granted to authorized people?				
9. Are inventories released from the storeroom only on the basis of written and properly approved requisitions?				
10. Is the individual responsible for receipt, storage and issuance of goods independent of responsibility for purchases, sales and inventory records?				
11. Are perpetual records maintained, both in dollars and quantities, and periodically balanced to control accounts?				
12. Are periodic physical inventories taken and balanced to perpetual records with material differences investigated and explained?				
13. Are people with inventory, shipping and receiving responsibilities required to take vacations and are other employees required to perform those functions when an employee is absent?				

Capital Assets

	Y	N	N/A	Comments
14. Is formal approval of the governing board required for capital asset additions and disposals in excess of a specified amount?				
15. Are there written policies to determine the cutoff criteria between capital assets and repairs and maintenance expenses?				
16. Are detailed capital asset records maintained that include description, date purchased/received, cost or fair value at date of contribution, contributor or funding source restrictions on use or disposition?				
17. On a regular basis, is a physical inventory of property and equipment taken that is compared with detailed records? Is a reconciliation prepared by a person who does not have custody of the capital assets?				
18. Is the reconciliation reviewed by a responsible person and initialled?				
19. Are the future cash flows of the capital assets estimated for capital assets and compared to the carrying value on an annual basis? If future cash flows are lower, are the capital assets written down to this value?				
20. Are capital assets safeguarded from loss due to fire, theft or misplacement?				
21. Are fully amortized assets maintained in the accounting records if still in use to ensure control over these capital assets?				

Debt and Liabilities

	Y	N	N/A	Comments
22. Is all borrowing (including interfund) authorized by the governing board?				
23. Are debt agreements and lease documents in the custody of a responsible person?				
24. Are there periodic review procedures to determine compliance with debt agreement restrictions and procedures by responsible person?				
25. Are effective procedures in place to identify contingent or other liabilities that should be recognized on a timely basis?				

Revenue

	Y	N	N/A	Comments
Revenue				
26. Is there budgeting of revenue that can be reasonably estimated? Are the budgets periodically compared to actual results and significant differences are investigated?				
27. Are records kept of all fees collected?				
Receivables				
28. Does an authorized person or governing board determine or approve the write-off of uncollectible receivables?				
29. Are employees with receivable responsibilities required to take vacations and are other employees required to perform those functions when an employee is absent?				

Expenses

	Y	N	N/A	Comment
Purchasing				
30. Are purchases made in accordance with established requirements of the governing board? Are quotes obtained? Does the board approve the suppliers?				
31. Do purchase orders require independent authorization by a responsible person that the expenditure is within budget? Is the purchase order initialled by the person authorizing the transaction?				
32. Is the purchasing performed by a person other than the person who authorizes the purchase, receives the supplies and records the payable in the accounting records?				
33. Is there a current and adequate manual of purchasing procedures? Does it define the method used for purchases (e.g, number of bids required)? Does it define procedures to be followed in an emergency? Does it define any restrictions of purchases of goods or services from governing board members and employees?				
34. Are the number of suppliers restricted to approved suppliers to limit the potential for kick-backs?				
Receiving				
35. Are materials and supplies inspected for condition and counted when received?				
36. Are the receipt of goods compared to the purchase orders				

	Y	N	N/A	Comment
and any discrepancies reported to the accounting department?				
37. Are the receiving reports forwarded on to the accounting department with a copy of the purchase orders?				
38. Is the person who receives the materials and supplies independent of the people that authorize the purchase, perform the purchase and record the purchase in the accounting records?				
Accounts Payable				
39. Are original vendor=s invoices matched to approved copies of purchase orders and receiving reports in the accounting department and retained? If no purchase orders or receiving reports are obtained for the payable, is the original invoice approved by an authorized person and initialled?				
40. Are the invoices initialled or stamped when entered into the accounting records to prevent duplicate entry?				
41. Are employees with purchasing and accounts payable responsibilities required to take vacations and are other employees required to perform those functions when an employee is absent?				

Tournaments

	Y	N	N/A	Comments
42. Are tournament registration fees collected by staff / volunteers independently from the tournament organizer?				
43. Are tournament fees collected in check or credit card form and never in cash?				
44. Are tournament fees reconciled with registrations independently of those collecting the fees?				
45. Are all sales of products/food at the event controlled by providing a documented opening cash float, costed listing of product, and documented closing cash and costed listing of remaining product count balanced to the sales collected?				
46. Are the product/food reconciliations verified by individuals not connected with their sales, and initials provided on the reconciliations to indicate same?				
47. Are fees paid to officials provided by cheque or direct deposit and never by cash?				
48. Are fees paid to officials based on game sheets or equivalent				

		Y	N	N/A	Comments
	signed by team managers, conveners or other independent authorized individuals?				
49.	Are thank you gifts to volunteers authorized in advance and in writing, delivered by at least two individuals, and the final amount reconciled to the authorized listing?				
50.	Are fees paid to occasional event staff provided by cheque or direct deposit, with full address and identification obtained, and compliance with payroll law obtained in advance?				
51.	Is a final summary of the tournament finances prepared by the organizer, reviewed by the accountant and approved by the treasurer?				
Payroll		**Y**	**N**	**N/A**	**Comments**
52.	Is it a requirement to conduct a background check and employment application from new employees?				
53.	Are personnel files maintained with updated employee information?				
54.	Do physical controls exist over personnel records that prevent their loss or use by unauthorized personnel?				
55.	If employees are hourly, are attendance and time records approved by a responsible person prior to being used to record payroll and initialled?				
56.	Is payroll subject to final approval before payment by a responsible official (e.g., executive director) or by another person who is independent of payroll preparation and timekeeping?				
57.	Are procedures in place to ensure that deductions at source (e.g., CPP, EI etc.) are remitted when due and annual returns are filed when due?				
58.	Are all individuals paid for services subject to source deductions (payment over $500)?				
59.	Are gifts provided to individuals paid for services subject to source deductions (payment over $500)?				
60.	Are paycheques distributed by someone independent of timekeeping or preparing payroll, cheques or envelopes?				
61.	Are any unclaimed paycheques returned to the individual that distributed them to contact the employee=s of the unclaimed paycheques directly?				
62.	On an annual basis, is the total of wages for the year				

	Y	N	N/A	Comments
reconciled to the general ledger and payroll register wages paid by an independent person? Are significant discrepancies followed up on?				
63. Is there a comparison of actual to budgeted payroll by a responsible person and are significant variances investigated and documented?				
64. Are employees with payroll responsibilities required to take vacations and are other employees required to perform those functions when an employee is absent?				

![Grant Thornton - An instinct for growth]

Fraud

Background

An external financial statement audit is unlikely to detect embezzlement, fraud, theft and misappropriation of funds unless it is quite large (material). An audit will tell you if you have a situation where the above is likely, and to what degree it is likely. It will also provide you with a complete and correct annual accounting for your club/district affairs.

Identification of weaknesses in internal controls is consequently a useful *first step* in ensuring financial control at your organization. The *second step*, is to ensure that you have a good system of internal controls – a set of rules surrounding finances. And the *third step* is to ensure that they are being followed – which is by having knowledgeable volunteers carry out an annual internal audit – check the rules against what is actually happening

Reviewing fraud risk factors is a three step process:

1. Your external auditor can help you put together an appropriate and practical set of financial rules
2. The Board must ensure it makes an assessment of the risk of material misstatement at your organization – and how you arrived at your conclusion
3. And the only way you can truly answer that is by looking at the quality of your set of rules, and how well they are carried out

In addition to the risk assessment process, policies related to fraud must also be included in the operating practices and policies of the Organization.

Policies and practices

- *The most likely way* fraud will be detected is through a "whistleblower" – an individual who observes practices they suspect are fraudulent and brings them to the attention of the Board for investigation.

- It therefore makes considerable sense that the organization make clear that they support whistleblowers, and identify to whom and how the whistleblower should report.

- The recipient of the whistleblower calls should be a highly respected and trusted individual, independent of staff and the board, but with the authority to bring matters to the attention of the board and get action where needed.

- The policy should be that any suspected act of fraud, misappropriation or other similar irregularity is to be fully investigated. An objective and impartial investigation must be conducted regardless of the position, title, length of service, or relationship with the organization of anyone who might be or becomes the subject of such investigation.

- When there are reasonable grounds to indicate that a financial fraud has occurred the Executive Director/President will contact local police services.

- Any employee, volunteer or member who has knowledge of an occurrence of irregular conduct or has reason to suspect that a fraud has occurred should immediately notify the appropriate person.

- Upon notification or discovery of a suspected fraud, the Executive Director/President or designate will promptly investigate the fraud.

- Once a suspected fraud is reported, immediate action must be taken to prevent theft, alteration or destruction of relevant records.

- All participants in a fraud investigation will keep the details and results of the investigation confidential. Particulars of the investigation may be disclosed by the Executive Director/President with potential witnesses if such disclosure would further the investigation.

- If a suspicion of fraud is substantiated by the investigation, disciplinary action up to and including dismissal can occur. A person under investigation for fraud is given notice in writing of the essential particulars of the allegations following the conclusion of the audit investigation and prior to any disciplinary action being taken.

- In the case of employees reporting fraud or irregularity the Non-Retaliation Policy will apply

- The alleged fraud or audit investigation is not discussed with the media by any person other than the Executive Director/President or designate.

Record Keeping – information technology and filing

Overview

In smaller and volunteer organizations, attention may not be paid to the importance, amount and confidentiality of data stored on computer/information technology (IT) systems. Consequently the risk from theft or breakdown of the data may not be fully understood, until it happens. Policies and procedures that include testing to prepare for disasters are therefore essential.

Policies and Procedures

IT will be maintained in a secure manner to protect the privacy of the data thereon, and to ensure there will be no significant data loss in the event of theft, power surge, fire, equipment failure or other destructive events.

Staff or volunteers must be assigned to take responsibility for the following steps to ensure the security of the network:

- Annually, the Executive Director must review the status of the security and backup of the IT systems with the IT staff/portfolio holder
- A detailed network diagram must be maintained for security analysis, showing addresses, ports and any wireless services. As a general rule, internet access points should be minimized.
- A firewall must be maintained for each access point and each computer, anti-virus and anti-spam software must be installed and kept up to date to protect each computer.
- Logical access to the operating system on each workstation, server and appliance must be limited to those individuals with a documented and authorized business need for such access
- IT staff must document the Windows control standards for the: domain/forest structure & trust relationship; account, user rights and audit policies; user accounts & groups; network shares; NTFS permissions; registry setting; security events; TCP/IP services.
- Control must be enforced over the number of user ids, quality of passwords, and quality of on-going administration

- Strong password authentication must be enforced, with password changes required every three months

To prevent access or information therein from being stolen or destroyed, physical access to facilities and equipment must be limited to those individuals with a documented and authorized business need for such access. To this effect, the following precautions must be implemented:

- Physical security over the servers controlled, and responsibility for its enforcement assigned to staff.
- Responsibility for user controlled equipment clearly assigned and subject to IT oversight.
- Fire and flood protection provided over servers
- Training of all staff and volunteers in computer security procedures and awareness.

To ensure recovery of data in the event of the loss or failure of equipment daily backups must be performed and removed offsite, resulting in a maximum loss of one day's data, or key systems must be moved to the internet "cloud":

- Any local data must be saved to the server
- A tape backup must be run nightly on the server and verified
- Each evening the previous day's tape must be removed off site in a secure manner,
- Tapes should be cycled by week (ie using five tapes, one for each day) and replaced on a regular basis.

Adherence to software licensing requirements is required, and only authorized software will be allowed on computers.

- A secure store of evidence of licences will be maintained for operating system and application software used
- Annually, IT staff will conduct an audit of the computers to ensure only licensed software is in use, and that the licences are sufficient. Unlicensed software will be removed from any computer on which it is found

Maintain mission critical software in a current state. This means that annual software maintenance fees will be kept current, software patches and service packs will be applied on a regular basis, and after review for their impact, software upgrades will be applied annually.

Filing and security of paper documents
In most clubs and districts, confidential information – payroll, personal information of parents, participants and children, etc is maintained in paper form. It is therefore essential that this information is stored in locked file cabinets, and these file cabinets are located in secure offices.
- Annually, the Executive Director should review the filing security of confidential information and report on the adequacy thereof to the board