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# Personnel and Payroll: Internal Controls for Non Profits



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Community Sector Council Newfoundland and Labrador (CSC)

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# This is why you practice internal controls.....to:

- Protect your Assets
- Be Efficient in Operations
- Comply with reporting and legislation requirements





## Here are the five components of an internal control system:

- Tone at the Top (a culture of controls)
- Authorization (clear lines of authority outlined in policy)
- Recording (timely and accurate accounting)
- Reconciling (tally up by separate persons and compare)
- Monitoring (sometimes called 'early detection')





## What am I trying to achieve by placing controls on personnel and payroll?

Select competent staff :

- who are honest
- who are competent
- who are efficient

Protect payroll from :

- abuse
- mistakes
- inefficiencies & oversights



HR Council at [www.hrcouncil.ca](http://www.hrcouncil.ca)  
Is the best Canadian source for tips and  
tools on hiring...



Their HR Toolkit has sample job descriptions, and  
reference checking outlines to cover **general staff  
selection** processes.

Today we will zero in on the specific personnel  
selection issues related to money matters.



## Best Practices on Personnel Selection

1. Intensive reference checking
2. Verify educational backgrounds directly
3. Screen for past behaviours with personal calls to referees
4. Examine time and employment gaps in resumes
5. Check out hesitancies in referees
6. Adhere to human right legislation
7. Determine the 'bondability' of applicants
8. Record findings for your use and to satisfy insurance needs
9. Establish personnel records
10. Get permission from applicants to seek complete information on their work and volunteer histories





## A note on human rights....

Know this when reference checking .....

Employers may not discriminate against employees/potential employees based on criminal convictions that are unrelated to the employment

Best advice:           When checking references, stick to employment related fact-checking!





## What internal controls are needed for payroll?

The objectives of internal control on payroll are to ensure that:

- ✓ payroll disbursements are made only upon proper authorization to bona fide employees,
- ✓ payroll disbursements are properly recorded , and that
- ✓ related legal requirements (such as payroll tax deposits) are complied with.

According to Price Waterhouse's booklet, *Effective Internal Accounting Control for Non-Profit Organizations: A Guide for Directors and Management*



## Best Practices on Internal Control for Payroll

1. Have a payroll register
2. Record time (cards) and benefits (in accounting )accurately
3. Authorize overtime in advance, only.
4. Limit authorization of pay increases to the most senior (staff or board) level.
5. Separate authorization from payment functions
6. Bond employees who handle money
7. Disallow cash advances against payday
8. Reconcile the register against entitlements
9. Review remittances
10. Secure payroll cheques in locked cabinets



## Thank you to...

- Alberta Job Centre dot ca
- BCJobs
- Human Rights Commission of Newfoundland and Labrador
- HR Council at [www.hrcouncil.ca](http://www.hrcouncil.ca)
- Price Waterhouse
- Volunteer Canada, especially on screening at: <http://volunteer.ca/topics-and-resources/screening/workbooks-and-resources>



## Thank You

Visit Community Sector Council Newfoundland and Labrador at: [www.communitysector.nl.ca](http://www.communitysector.nl.ca)

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**A short evaluation follows: only one question - please take a moment to help us improve.**

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