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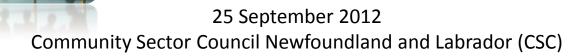
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Personnel and Payroll: Internal Controls for Non Profits



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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



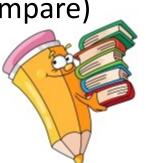






Here are the five components of an internal control system:

- 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 <u>www.hrcouncil.ca</u> 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 <u>www.hrcouncil.ca</u>
- Price Waterhouse
- •Volunteer Canada, especially on screening at: <u>http://volunteer.ca/topics-and-resources/screening/workbooks-and-resources</u>







Thank You

Visit Community Sector Council Newfoundland and Labrador at: <u>www.communitysector.nl.ca</u>

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

Thank you to United Way of Newfoundland and Labrador for the funding which made this possible.

