

## Humanity Financial Management Inc.

### AMSSA Internal Controls – Digital Workbook

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#### Provided separately as Microsoft Word documents:

1. Senior Bookkeeper/Accountant Position Description
2. Treasurer Position Description

#### Links to external third-party resources:

	Organization	Title	Link
1	The Bridgespan Group	Non-profit Job Description Toolkit	<a href="https://www.bridgespan.org/insights/library/hiring/nonprofit-job-description-toolkit">https://www.bridgespan.org/insights/library/hiring/nonprofit-job-description-toolkit</a>
2	BoardSource	Nonprofit Policy Sampler	<a href="http://tinyurl.com/hczygon">http://tinyurl.com/hczygon</a>
3	Blue Avocado	Accounting Procedures Manual Template	<a href="https://blueavocado.org/finance/accounting-procedures-manual-template/">https://blueavocado.org/finance/accounting-procedures-manual-template/</a>
4	Wegner CPAs	Accounting Policies and Procedures Manual Template	<a href="https://www.wegnercpas.com/wp-content/uploads/2021/05/accounting_policies_and_procedures_manual.doc">https://www.wegnercpas.com/wp-content/uploads/2021/05/accounting_policies_and_procedures_manual.doc</a>



**Treasurer Roles and Responsibilities**  
**NFPOs and Charities**

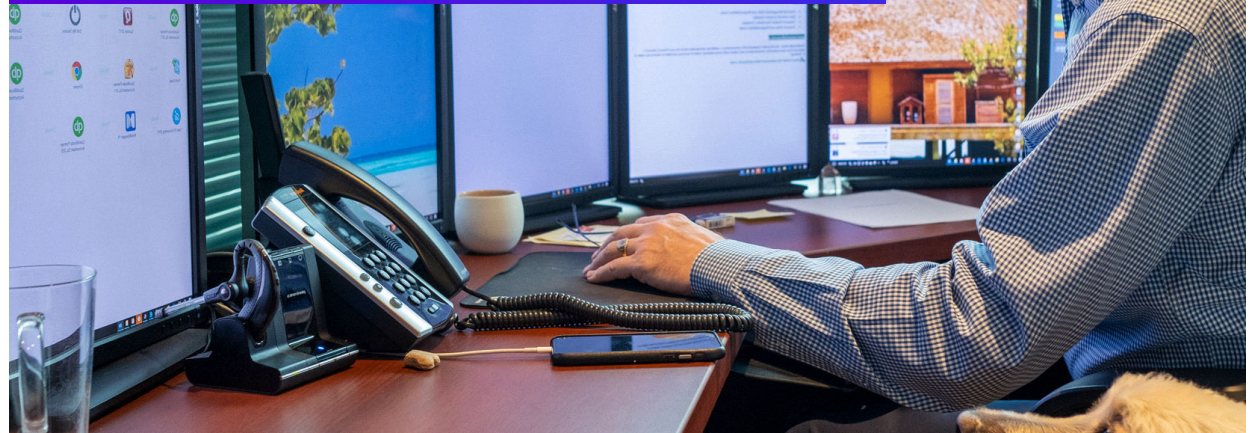
**WITH RESPECT TO FINANCIAL MANAGEMENT, THE BOARD OF DIRECTORS IS ULTIMATELY RESPONSIBLE FOR ENSURING THAT:**

- the Board is receiving all of the financial information it needs (in appropriate and useful formats) to ensure the long term financial sustainability of the organization.
- there are appropriately skilled people (including the Treasurer) and appropriately designed systems (software, policies, processes and internal controls) in place to make sure that all financial information and reporting is relevant, timely, accurate and complete.
- financial risks are identified and managed and that the financial assets of the organization are appropriately protected through insurance and appropriate internal controls.
- the Board has the financial management skills and understanding to properly understand, evaluate and act on all financial information and reporting that it receives.
- the organization is in compliance with its regulatory environment (Provincial or Federal Incorporation legislation, Canada Revenue Agency, Ministry of Finance, Constitution and By-laws, organization policies, procedures and internal controls, etc.)

*NOTE: The responsibilities listed above CANNOT be delegated.*

**The Board Treasurer is often tasked with helping the Board of Directors understand and achieve these responsibilities. All Board Treasurers have some basic roles and responsibilities. In addition Board Treasurers often take on additional roles and responsibilities unless there are formal committees and hired staff or contractors in place.**

- **Treasurer**
- **Audit/ Finance Committee**
- **Volunteer Board of Directors**



**TREASURER'S BASIC ROLES AND RESPONSIBILITIES:**

- Chair's the Audit and/or Finance Committee (if in place)
- Ensures the board meets all of its' financial fiduciary duties
- Educates and informs board members - Interprets financial reporting from management and advises Board directors
- Facilitates strategic thinking within board about short-and long-term financial vitality
- Develops financial literacy among all directors
- Establishes key financial performance indicators for organization and reports on these indicators regularly
- Advises management team on preparation of financial budgets and regular board financial reporting required
- Oversees all financial reporting – internally to the board and externally

## ADDITIONAL DUTIES IF NOT BEING PERFORMED BY FORMAL COMMITTEE, HIRED STAFF, OR CONTRACTOR:

### FINANCE & AUDIT COMMITTEES

#### Audit Committee

- Oversees external financial reporting
- Performs internal audits, supervises external audits
- Ensures regulatory compliance
- Responsible for risk management/internal controls
- Reviews all external reporting (T3010, T1044, T2, T3, etc.)

#### Finance Committee

- Oversees internal financial reporting, budgeting, asset management
- Reviews all internal reporting, including financial statements, budgets, cash flow projections, variance reporting, financial analysis, etc.
- Reviews all sales tax and payroll reporting
- Monitors third-party services (e.g. Investment Advisors)

### HIRED MANAGEMENT/STAFF FINANCIAL TEAM

#### Audit Committee

- Responsible for overall financial budgeting and reporting
- Manages financial results
- Achieves financial targets set by board
- Generally responsible for fundraising (T3010, T1044, T2, T3, etc.)

#### CFO

- Interprets financial reports and advises CEO/ED
- Ensures prudent asset management in accordance with financial objectives and Board-approved policy
- Recommends and monitors financial management policies, procedures and internal controls
- Financial risk identification and management

#### Controller

- Accounting system selection, setup and implementation
- Designs budgeting and reporting framework
- Prepares budgets and cash flow projections
- Reviews work of bookkeeper for accuracy and completeness

#### Bookkeeper

- Records daily financial transactions and reconciles accounts
- Prepares payroll, makes payroll remittances and files sales tax returns

### BEST PRACTICES IN FINANCIAL MANAGEMENT:

While Treasurers are often asked to perform bookkeeping and accounting tasks, it is generally not an appropriate role for them and should be avoided if possible. As the Board's representative, the Treasurer is primarily responsible for overseeing the work of the organization's bookkeepers and accountants - ensuring it is accurate and complete - and helping the Board interpret the reports provided by staff. In order to perform this key internal control role the Treasurer needs to be able to review someone else's work - no one can effectively review their own work. As a result, the organization should hire staff or engage volunteers - other than the Treasurer - to perform bookkeeping and accounting tasks. This will leave the Treasurer in a position to play an effective role as part of the organization's internal control infrastructure.



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**Treasurer Roles and Responsibilities – NFPOs and Charities**



**Financial Management Roles  
and Responsibilities Guide**

# Introduction



Quality financial management secures the future of your organization. It's the foundation that builds reputation, protects assets and assures stakeholders that you are worthy of their trust. Without it, many worthwhile, well-meaning organizations never reach their potential. And some perish.

All organizations – regardless of size or industry – have certain financial management needs. In large organizations these needs are allocated among a full accounting department – bookkeeper, controller, Chief Financial Officer (“CFO”), etc. – and a board of directors with oversight responsibility. In smaller organizations, many of these roles are performed by fewer people.

Regardless of the size of your organization, you'll need to provide assurance that your finances are being managed and documented responsibly, consistently and with future needs in mind. One way to do this is to prepare a Financial Management Roles and Responsibilities Matrix for your organization, using the one in this handy guide as a starting point or template.



### HOW TO USE THIS GUIDE

This guide is set up as a matrix. It lists many - if not most - of the primary financial management roles and responsibilities that most organizations will need. As you create the matrix for your organization, you can customize the roles and responsibilities to reflect the unique needs of your organization.

Once completed, you can use the matrix as a starting point to develop or update the financial management portions of job descriptions for your organization.

### A WORD OF CAUTION

It isn't unusual for smaller organizations preparing their first roles and responsibilities matrix to realize that many of the Controller and CFO roles are not being performed by anyone, or, if they are being performed, they're being performed by someone who does not have the required financial skills. This is a role that we provide for many of our customers – so call us to find out how we can help your organization make sure these roles are being taken care of.



# Roles & Responsibilities: The 12 Most Common Financial Management Tasks

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## Building Capacity for Strong Financial Management (Infrastructure)

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Sets up organizational legal structure							■				
Drafts board calendar						■		■			
Approves board calendar								■		■	
Analyses organizational risk & creates risk management plan							■		■		
Approves risk management plan									■	■	
Creates financial roles & responsibilities / job descriptions							■		■	■	
Creates organizational policies, procedures & internal controls (governance, financial management, HR)							■		■		
Approves organizational policies, procedures & internal controls									■	■	
Creates operating policies, procedures & internal controls	■					■					
Approves operating policies, procedures & internal controls	■					■					

## Building Capacity for Strong Financial Management (Infrastructure)

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Completes self-assessments	■	■	■	■	■	■	■	■	■	■	■
Executes performance reviews	■	■	■	■	■	■	■	■	■	■	■
Performs after-action reviews	■	■	■	■	■	■	■	■	■	■	■
Creates and monitors training & development plans	■	■	■	■	■	■	■	■	■	■	■
Performs succession planning	■	■	■	■	■	■	■	■	■	■	■
Trains junior staff			■	■	■	■	■				

# Financial Performance Management and Reporting System Design, Selection and Implementation

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Analyses needs, defines requirements						■	■				
Designs & implements budgeting & financial reporting framework						■	■				
Performs vendor & system selection & negotiation						■	■				
Executes implementation						■	■				
Reviews and approves implementation						■	■				

*"...clear roles and responsibilities provide vital advantages necessary for continuing growth. Among the most important are increased internal control, opportunities for job specialization, improved process management and enhanced operational performance."*

Jackie Lohrey, The Advantages of Clear Roles and Responsibilities in an Organization

# Strategic Planning

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Creates and updates vision, mission, values	■						■			■	
Reviews & updates charter and bylaws	■						■			■	
Creates & updates long-range strategic plan	■						■			■	
Approves long-range strategic plan										■	

*"A nonprofit should have written job descriptions for its directors, officers, employees, volunteers and consultants. The work of the organization will be more easily accomplished and problems will be avoided if all involved understand what is expected of them and the limits of their authority."*

Eric T. Schneiderman, Internal Controls and Financial Accountability for Not-for-Profit Boards

# Annual Operating Plan and Budget

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Prepares / drafts annual operating plan and budget	■					■		■			
Prepares cash flow projections						■		■			
Approves annual budget										■	
Enters annual budgets into financial accounting software				■							
Prepares internal financial reporting and variance analysis (e.g. budget vs. actual)						■		■			
Makes recommendations for budget changes						■		■			

*“A primary responsibility of management and the board is to ensure that an organization is accountable for its finances to contributors, members, the public, and government regulators. All too often, however, internal controls are poorly designed, misapplied, and misunderstood.”*

Charles Tate, CPA, MS, The Importance of Effective Financial Governance and Internal Controls in the Wake of Reported Embezzlements at Prominent Nonprofits

## Initiates Financial Transactions (Approved in Budget)

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Negotiates employment contacts with employees / volunteers	■										
Advises employee or independent contractor						■					
Makes purchases from suppliers	■										
Approves payments to suppliers	■										
Negotiates customer / funder contracts	■										
Receives payments from customers / funders	■										

*"According to the International Federation of Accountants, clear roles and responsibilities are vital to establish the decision-making hierarchy that a strong internal control system requires."*

Jackie Lohrey, The Advantages of Clear Roles and Responsibilities in an Organization

## Calculates / Pays / Collects Money & Files Returns

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Calculates payroll deductions & creates employee paycheques					■	■					
Calculates employee benefits & administers employees benefit plan					■	■					
Files T4s, T5s, T5013s, additional tax reporting					■	■					
Completes WCB returns & creates cheque for payment					■	■					
Prepares cheques for suppliers			■								
Creates customer invoices			■								
Collects accounts receivable, makes bank deposits			■								
Prepares charitable receipts					■	■					
Calculates GST & PST payable					■	■					
Creates cheques for GST & PST payments & installments			■								
Files GST & PST returns					■	■					



# Internal-Use Financial Statement Preparation, Analysis and Reporting

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Reviews work of internal bookkeeper(s) for accuracy and completeness					■	■					
Cleans up work of inexperienced bookkeeper					■	■					
Analyses GL accounts					■	■					
Reviews monthly closing & account reconciliation					■	■					
Manages inventory					■	■					
Prepares year end adjusting entries including depreciation (conversion to accrual basis)					■	■					
Provides complex reporting					■	■					
Analyses financial statements & financial performance						■					

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Prepares internal, management-use-only, Statement of Financial Position and Statement of Operations						■					
Reviews & approves internal, management-use-only, Statement of Financial Position and Statement of Operations	■						■	■		■	■
Performs industry benchmarking						■		■			
Manages cash & excess cash investment						■		■			
Monitors third-party investment advisor						■		■			
Ensures compliance with CRA regulations						■	■				
Presents monthly reporting to board							■	■			

# Audit Preparation

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Prepares financial statements for external users based on GAAP, with appropriate reporting & disclosure for external parties (banks, shareholders, creditors)						■					
Prepares Statement of Cash Flows						■					
Prepares Statement of Financial Position						■					
Prepares Notes to Financial Statements						■					

*“If you’re keeping your overhead low and that’s keeping you from making good on your mission, you’re violating your fiduciary duty to your donors. Going into the nonprofit sector does not have to be a prison sentence that suffocates your potential. It is an invitation to be brave enough to pursue your dreams—to be a true radical.”*

Dan Palotta, The Laws of Money and Meaning, published in Harvard Business Review

# Fundraising / Financial / Financing Strategies

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Performs asset planning & preservation							■				
Develops pricing strategies							■				
KPI development & reporting							■				
Oversees mergers & acquisitions							■				
Acts as outside lawyer interface							■				
Manages banking relationship							■	■			
Manages fundraising processes							■	■			
Reviews equipment leases & borrowing terms							■	■			
Administers working capital & line of credit & debt							■	■			
Develops strategies for securing financing							■	■			
Executes turnarounds & workouts							■	■			

# External-Use Financial Statement Preparation and Reporting

	ED / CEO	Admin	Junior Bookkeeper	Intermediate Bookkeeper	Senior Bookkeeper	Controller	CFO	Treasurer/ Finance Committee	Treasurer/ Audit Committee	Board	External Auditor
Prepares independent review & audit assurance engagements											■
Reviews & approves all external reports & returns							■		■	■	
Works with independent auditor						■	■		■		
Prepares and files corporate (T2) and trust (T3) income tax returns						■			■		■
Prepares & files T1044 or T3010						■					■
Approves T2, T3, T1044 or T3010							■		■	■	
Performs corporate tax planning, including corporate structure, business structure							■				■

*"The nonprofit realm lacks the bottom-line measure of for-profits, but that doesn't mean it lacks any measures at all."*

Charles Bronfman and Jeffrey Solomon, *The Art of Giving*



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**Financial Management Roles and Responsibilities Guide**



**Comparative Nonprofit Finance  
Team Position Descriptions**

# Detailed Roles & Responsibilities

Financial Governance

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Financial Transaction Processing

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Bookkeeping and Accounting

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Financial Budgeting and Reporting

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# Comparative Nonprofit Finance Team Position Descriptions



ROLE	METAPHOR	SUMMARY POSITION DESCRIPTION AND “VALUE-ADD”
<b>Bookkeeper</b>	Skilled Trade	<ul style="list-style-type: none"> <li>• Bookkeeping</li> <li>• Payroll</li> <li>• Sales taxes</li> <li>• Basic financial reporting</li> <li>• Maintains source documents to support audit</li> </ul>
<b>Controller</b>	General Contractor	<ul style="list-style-type: none"> <li>• Ensures accuracy and completeness of all financial reporting and budgeting</li> <li>• Ensures regulatory compliance</li> </ul>
<b>Chief Financial Officer (CFO)</b>	Architect	<ul style="list-style-type: none"> <li>• Improves organizational financial health, performance, sustainability and cash flow</li> <li>• Designs financial reporting systems to deliver meaningful and useful insights for better decision-making</li> <li>• Manages financial risk and protects assets</li> </ul>
<b>Treasurer</b>	Building Inspector	<ul style="list-style-type: none"> <li>• Interprets financial reporting from management and advises Board directors</li> <li>• Ensures board meets all financial fiduciary duties</li> <li>• Develops board financial literacy</li> <li>• Facilitates strategic thinking about financial vitality for board</li> </ul>
<b>Board</b>	Municipal Council	<ul style="list-style-type: none"> <li>• Ensures mission achievement</li> <li>• Ensures financial sustainability</li> <li>• Stewards and protects assets and reputations</li> <li>• Supports ED/CEO</li> <li>• Acts as ambassador for organization</li> </ul>

# Financial Governance Roles

	EMPLOYEE/CONTRACTOR ROLES			VOLUNTEER ROLES	
	Bookkeeper	Controller	CFO	Treasurer	Board
Visioning and planning, long-term financial sustainability		<ul style="list-style-type: none"> <li>Implements plans for long-term financial sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Designs and monitors plans for long-term financial sustainability</li> <li>Ensures appropriate funding model and diversification of funding</li> </ul>	<ul style="list-style-type: none"> <li>Facilitates strategic thinking within board about financial vitality</li> </ul>	<ul style="list-style-type: none"> <li>Ensures appropriate strategic and operational planning processes are followed</li> <li>Ensures board has financial knowledge required to understand, evaluate and act on financial information</li> </ul>
Financial health and performance management	<ul style="list-style-type: none"> <li>Prepares monthly draft reports</li> </ul>	<ul style="list-style-type: none"> <li>Reviews work of bookkeeper for accuracy and completeness and trains bookkeeper</li> </ul>	<ul style="list-style-type: none"> <li>Analyses financial results for trends and meaning</li> <li>Monitors financial performance and recommends adjustments as required</li> </ul>	<ul style="list-style-type: none"> <li>Educates and informs board members – interprets financial reporting from management and advises board as required</li> </ul>	<ul style="list-style-type: none"> <li>Periodically reviews financial health and performance and requires course correction as necessary</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>Follows documented financial processes and procedures</li> </ul>	<ul style="list-style-type: none"> <li>Implements internal controls, financial processes and procedures to mitigate risk, and monitors compliance</li> </ul>	<ul style="list-style-type: none"> <li>Designs risk identification and risk management processes</li> <li>Designs internal controls, financial processes and procedures to mitigate risk</li> <li>Ensure appropriate insurance coverage</li> <li>Manages relationship with external auditor</li> <li>Manages relationship with external lawyer</li> </ul>	<ul style="list-style-type: none"> <li>Ensures the board meets all of their fiduciary duties</li> </ul>	<ul style="list-style-type: none"> <li>Ensures financial risks are identified and managed and that financial assets are protected through insurance and other internal controls</li> <li>Ensures appropriate financial governance policies are developed and followed</li> </ul>

	EMPLOYEE/CONTRACTOR ROLES			VOLUNTEER ROLES	
	Bookkeeper	Controller	CFO	Treasurer	Board
<b>Investment management</b>	<ul style="list-style-type: none"> <li>Records investment revenues and expenses</li> </ul>	<ul style="list-style-type: none"> <li>Monitors and reports on investment performance</li> </ul>	<ul style="list-style-type: none"> <li>Ensures excess funds are invested appropriately</li> </ul>		<ul style="list-style-type: none"> <li>Ensures investment policies are developed and followed</li> </ul>
<b>Pension plan</b>	<ul style="list-style-type: none"> <li>Records pension plan expenses</li> </ul>	<ul style="list-style-type: none"> <li>Monitors and reports on employee pension plan</li> </ul>	<ul style="list-style-type: none"> <li>Designs and monitors employee pension plan</li> </ul>		<ul style="list-style-type: none"> <li>Ensures pension policies are developed and followed</li> </ul>
<b>Liquidity</b>		<ul style="list-style-type: none"> <li>Drafts and updates cash flow reports</li> <li>Provides regular reporting to bank</li> </ul>	<ul style="list-style-type: none"> <li>Plans for strategic operating reserves and bank credit facilities</li> <li>Maintains banking relationships</li> </ul>		<ul style="list-style-type: none"> <li>Ensures cash management policies are developed and followed</li> </ul>
<b>Benchmarking</b>	<ul style="list-style-type: none"> <li>Updates benchmarking reports</li> </ul>	<ul style="list-style-type: none"> <li>Builds and manages benchmarking processes</li> </ul>	<ul style="list-style-type: none"> <li>Identifies appropriate benchmarking targets and information sources</li> </ul>		<ul style="list-style-type: none"> <li>Periodically reviews benchmarking performance</li> </ul>
<b>Compliance with regulatory environment</b>	<ul style="list-style-type: none"> <li>Files forms, meets deadlines, makes remittances</li> </ul>	<ul style="list-style-type: none"> <li>Monitors and ensures compliance with regulatory environment</li> </ul>	<ul style="list-style-type: none"> <li>Ensures regulatory compliance</li> </ul>		<ul style="list-style-type: none"> <li>Ultimately responsible for regulatory compliance</li> </ul>



# Financial Transaction Processing Roles

	EMPLOYEE/CONTRACTOR ROLES			VOLUNTEER ROLES	
	Bookkeeper	Controller	CFO	Treasurer	Board
Payroll & benefits	<ul style="list-style-type: none"> <li>• Payroll &amp; benefits administration</li> <li>• Posts basic, recurring journal entries as required</li> </ul>	<ul style="list-style-type: none"> <li>• Implements employee compensation strategy</li> <li>• Implements employee benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Designs employee compensation strategy</li> <li>• Designs and monitors employee benefits</li> </ul>		
Customer invoices and payments	<ul style="list-style-type: none"> <li>• Creates customer invoices, receives payments</li> </ul>	<ul style="list-style-type: none"> <li>• Builds and monitors customer invoicing and payment systems</li> </ul>	<ul style="list-style-type: none"> <li>• Designs customer invoicing and payment systems</li> </ul>		
Vendors' bills and payments	<ul style="list-style-type: none"> <li>• Pays approved vendor bills</li> </ul>	<ul style="list-style-type: none"> <li>• Builds and monitors vendor billing and payment systems</li> </ul>	<ul style="list-style-type: none"> <li>• Designs vendor billing and payment systems</li> </ul>		
Sales taxes	<ul style="list-style-type: none"> <li>• Calculates and remits sales taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Ensures CRA &amp; regulatory compliance</li> </ul>			
Contract and grant management	<ul style="list-style-type: none"> <li>• Allocates revenues and expenses to funders and programs</li> </ul>	<ul style="list-style-type: none"> <li>• Ensures compliance with funder contracts and agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiates financial terms in funder contracts and agreements</li> </ul>		
Charitable receipts	<ul style="list-style-type: none"> <li>• Issues charitable donation receipts</li> </ul>	<ul style="list-style-type: none"> <li>• Ensures CRA &amp; regulatory compliance</li> </ul>			

# Bookkeeping and Accounting Roles

	EMPLOYEE/CONTRACTOR ROLES			VOLUNTEER ROLES	
	Bookkeeper	Controller	CFO	Treasurer	Board
<b>Bookkeeping and accounting system</b>	<ul style="list-style-type: none"> <li>• Uses accounting system competently</li> </ul>	<ul style="list-style-type: none"> <li>• Selects and implements accounting system</li> </ul>	<ul style="list-style-type: none"> <li>• Designs and develops accounting system specifications</li> </ul>		<ul style="list-style-type: none"> <li>• Ensures appropriate accounting system in place</li> </ul>
<b>Adequate books and records</b>	<ul style="list-style-type: none"> <li>• Source document collection, organization and filing</li> </ul>	<ul style="list-style-type: none"> <li>• Implements document management system</li> </ul>	<ul style="list-style-type: none"> <li>• Designs document management system</li> </ul>		<ul style="list-style-type: none"> <li>• Ensures adequate books and records are kept</li> </ul>
<b>Financial transaction processing systems</b>	<ul style="list-style-type: none"> <li>• Enters data for bank and credit card accounts, expense reports</li> </ul>	<ul style="list-style-type: none"> <li>• Builds revenue receipt and expense payment systems</li> </ul>	<ul style="list-style-type: none"> <li>• Designs revenue receipt and expense payment systems</li> </ul>		
<b>Direct cost allocation system</b>	<ul style="list-style-type: none"> <li>• Allocates direct costs to funders &amp; programs</li> </ul>	<ul style="list-style-type: none"> <li>• Builds reporting framework for funders and programs</li> </ul>	<ul style="list-style-type: none"> <li>• Designs reporting framework for funders and programs</li> </ul>		
<b>Indirect (overhead) cost allocation system</b>	<ul style="list-style-type: none"> <li>• Allocates overhead expenses to funders and programs</li> </ul>	<ul style="list-style-type: none"> <li>• Implements overhead expense allocation methodology</li> </ul>	<ul style="list-style-type: none"> <li>• Designs overhead expense allocation methodology</li> <li>• Understands and communicates "true" (fully-loaded) program costs</li> </ul>		<ul style="list-style-type: none"> <li>• Understands and periodically reviews overhead cost allocation system</li> </ul>
<b>Reconciles accounts</b>	<ul style="list-style-type: none"> <li>• Reconciles accounts and conducts self-reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Reviews reconciliations for accuracy and completeness</li> </ul>			

# Financial Budgeting and Reporting Roles

	EMPLOYEE/CONTRACTOR ROLES			VOLUNTEER ROLES	
	Bookkeeper	Controller	CFO	Treasurer	Board
<b>Board, management and funder reporting</b>	<ul style="list-style-type: none"> <li>• Drafts board, management and funder reports</li> </ul>	<ul style="list-style-type: none"> <li>• Builds board, management and funder reports</li> <li>• Reviews reports for accuracy and completeness</li> </ul>	<ul style="list-style-type: none"> <li>• Designs financial reporting framework</li> <li>• Designs board, management and funder reports</li> <li>• Reviews reports for usefulness and meaning</li> <li>• Establishes key financial performance indicators and reports on these regularly</li> </ul>	<ul style="list-style-type: none"> <li>• Develops financial literacy among board members</li> <li>• Advises management team of board financial information requirements</li> <li>• Oversees all financial reporting – internally and to the board</li> </ul>	<ul style="list-style-type: none"> <li>• Ensures board is receiving all financial information required for decision making in appropriate and useful formats</li> <li>• Ensures that there are appropriately skilled people in all financial positions and appropriately designed systems in place for accurate, complete and timely financial information</li> </ul>
<b>Revenue and expense budgets</b>	<ul style="list-style-type: none"> <li>• Provides details from prior years as starting point for budgeting process</li> <li>• Enters approved budgets into accounting software</li> </ul>	<ul style="list-style-type: none"> <li>• Drafts budgets by funder and contract</li> <li>• Analyses variances from budget and creates management and board reports</li> </ul>	<ul style="list-style-type: none"> <li>• Ensures spending aligned with mission and purpose</li> <li>• Recommends course corrections as required</li> </ul>	<ul style="list-style-type: none"> <li>• Reviews and interprets budgets on behalf of board</li> </ul>	<ul style="list-style-type: none"> <li>• Reviews and approves revenue and expense budgets</li> </ul>
<b>Cash flow budgets</b>		<ul style="list-style-type: none"> <li>• Implements cash flow budgeting processes</li> <li>• Updates cash flow reports</li> </ul>	<ul style="list-style-type: none"> <li>• Designs cash flow budgets</li> </ul>	<ul style="list-style-type: none"> <li>• Reviews and interprets budgets on behalf of board</li> </ul>	<ul style="list-style-type: none"> <li>• Reviews and approves annual cash flow budgets</li> </ul>
<b>Capital budgets</b>	<ul style="list-style-type: none"> <li>• Updates capital budgets</li> </ul>	<ul style="list-style-type: none"> <li>• Implements capital budgeting processes</li> </ul>	<ul style="list-style-type: none"> <li>• Designs capital budgeting processes</li> </ul>	<ul style="list-style-type: none"> <li>• Reviews and interprets budgets on behalf of board</li> </ul>	<ul style="list-style-type: none"> <li>• Reviews and approves annual capital budgets</li> </ul>



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**Comparative Nonprofit Finance Team Position Descriptions**



**Checklist for Basic Financial Management Internal  
Controls for Small to Mid-Size Not-for-Profit  
Organizations and Charities**





## Introduction

In 2011, CGA Canada conducted a national survey of Small to Medium Enterprises and found that 26% of those reporting had at least one significant incident of occupational fraud in the past 12 months.

Based on the 2012 Global Fraud Survey undertaken by the Association of Fraud Examiners, the authors estimated 5-7% of all revenue of Not-For-Profit Organizations and Charities was lost to occupational fraud each year.

In an effort to assist small to mid-size Not-for-Profit Organizations and Charities protect the reputations of their organizations and those of their directors, we prepared this listing of some of the most basic internal controls that such organizations should have in place. It is designed as a checklist that you can review and compare to your existing financial management policies and procedures in order to identify opportunities for improvement. We recommend that you use this list as a starting point to review your own financial management policies and procedures. From here you may require professional assistance to make sure that your financial assets are appropriately protected.

It only takes one significant instance of occupational fraud to hit the front page of the newspaper and do serious damage to reputations. And most occupational fraud is entirely preventable with good internal controls.

**The biggest asset that most Not-for-Profit Organizations and Charities have is the reputation of their organization and directors. As a result, it is imperative to take appropriate steps to protect those reputations by implementing basic internal controls to support their financial management processes.**

# Checklist for Basic Financial Management Internal Controls for Small Not-for-Profit Organizations and Charities

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## Hire the Right Employees (& Volunteers & Board Members)

Get legal advice on HR policies and procedures (Employment agreements, job descriptions, etc.)	<input type="checkbox"/>
Develop an application policy / process	<input type="checkbox"/>
Perform due diligence:	
- Independent confirmation (50% of hiring managers report lies on résumés)	<input type="checkbox"/>
- Check past employment / education	<input type="checkbox"/>
- Check references	<input type="checkbox"/>
- Check criminal and civil history	<input type="checkbox"/>
- Get credit checks	<input type="checkbox"/>
- Search on Google / Social Media	<input type="checkbox"/>

## Employee vs. Independent Contractor

*"5-7% of all of the revenue of all Not-for-profit Organizations and Charities is lost to occupational fraud each year."*

2012 Global Fraud Survey undertaken by the Association of Fraud Examiners



Consider whether contractors are in fact, contractors, and not employees (See CRA RC4110 Employee or Self-employed)	<input type="checkbox"/>
Real contractors fail each of the following tests established by the courts (& followed by the CRA): Control test / Integration test Ownership of tools test Chance of Profit/Risk of Loss Intention of parties/documentation	<input type="checkbox"/>
Contractors and employees should have signed contracts prior to starting work	<input type="checkbox"/>
Consider hiring only incorporated contractors (much less risk of payroll reassessment against hiring organization)	<input type="checkbox"/>
Remember WCB for contractors	<input type="checkbox"/>

## Hire the Right Employees (& Volunteers & Board Members)

Generally all payments to volunteers (who are not employees) are considered business income to the volunteer for income tax purposes and will require a T4A to be issued, with the following exceptions:	
Honorariums paid to volunteers are an exception if they meet the following tests:	
- They are nominal - \$500 or less in a calendar year	<input type="checkbox"/>
- They are made to an individual for voluntary services for which fees are not legally or traditionally required	<input type="checkbox"/>
- They are not reflective of the value of the work done	<input type="checkbox"/>
- They are made on a one-time or non-routine basis to an individual as a "thank you"	<input type="checkbox"/>
Can also provide non-taxable, non-cash gifts if the following conditions are met:	
- Can't include gift cards as they are near-cash (these would be considered an honorarium by CRA)	<input type="checkbox"/>
- Must be for special occasion or accomplishment	<input type="checkbox"/>
- Fair market value of all gifts in the year (including honorariums) <\$500	<input type="checkbox"/>
- Can't be performance related	<input type="checkbox"/>
If the total fair market value of all gifts (including honorariums) exceeds \$500 in any calendar year, a T4A will be required.	<input type="checkbox"/>

# Revenue

All revenue to which the organization is entitled is recorded	
- Only revenue for which the organization has performed services has been recorded	<input type="checkbox"/>
-Revenue is recorded when earned and deemed collectible	<input type="checkbox"/>
- All revenue is properly classified as endowment, restricted (internally or externally restricted should be segregated and disclosed separately), and unrestricted	<input type="checkbox"/>
All donor-imposed restrictions are complied with	<input type="checkbox"/>
All required acknowledgment letters are issued	<input type="checkbox"/>
All "quid pro quo" contributions are documented as required:	
- Contributor received something of value	<input type="checkbox"/>
- Appraisals performed and retained	<input type="checkbox"/>
- Donated goods and services are recorded according to policy (charities can't issue donation receipts for services provided)	<input type="checkbox"/>

## Donations, cash receipts, collections

Ensure all cash intended for use by organization is received	<input type="checkbox"/>
Ensure all cash received is deposited in organization's bank account	<input type="checkbox"/>
Two people should always be involved with collecting cash	<input type="checkbox"/>
For donation receipts issued by registered charities:	
- Compare receipt book to cash collected	<input type="checkbox"/>
- Make sure receipts in numerical order	<input type="checkbox"/>
- Daily deposits should be tied into bank statement and reconciled to receipt book and to donations in accounting system	<input type="checkbox"/>
- Cheques received – ensure segregation of duties	<input type="checkbox"/>
- Consider "lock-box" arrangement with bank	<input type="checkbox"/>

## Credit Card Donations, Transactions & Merchant Statements

*"26% of Small to Medium Enterprises reported  
having at least one significant incident of  
occupational fraud in 12 months"*

CGA Canada

Ensure segregation of duties (Process / record /reconcile transactions)	<input type="checkbox"/>
Deposits (Cash, Visa, MC, Amex) should either be reconciled to sales/donations transactions on Point of Sale ("POS") statements, or book all deposits to sales, reconcile to POS sales in total	<input type="checkbox"/>
Treasurer should directly receive and review POS statements for refunds/credits	<input type="checkbox"/>



## Purchases, Cash Disbursements, Cheques & Petty Cash

Ensure controls are in place for authorization and approval of all purchase transactions - prior to payment	<input type="checkbox"/>
Limit individual who can authorize transactions	<input type="checkbox"/>
Establish purchase thresholds	<input type="checkbox"/>
Limit access to and use of cash	<input type="checkbox"/>
Reconcile, review & top up petty cash monthly	<input type="checkbox"/>
Control access to cheques, signing authority, and signature stamps	<input type="checkbox"/>
Track cheque numbers, missing/void cheques, duplicate cheque numbers	<input type="checkbox"/>
Don't pre-sign cheques!	<input type="checkbox"/>
Ensure that documented processes are in place with respect to the procedures authorized cheque signers must follow prior to signing cheques	<input type="checkbox"/>

## Credit Cards & Debit Cards

<p>Don't use Debit Cards          No control over debit card credit limit          Credit cards have better protection against unauthorized charges</p>	<input type="checkbox"/>
Credit Cards:	
- Treasurer to receive statement directly, for monthly retroactive review and approval	<input type="checkbox"/>
- Match receipts with all items on statements	<input type="checkbox"/>
- Separate, unique card for each employee w/ separate statements	<input type="checkbox"/>
- Establish credit card use policies (EE repay if w/o receipt)	<input type="checkbox"/>
- Manage credit limits for each employee	<input type="checkbox"/>
- Get monthly cut-off at end of month or first week of month	<input type="checkbox"/>

## Employee Expense Reimbursements

Establish policies:	
- Can't approve own transactions	<input type="checkbox"/>
- Original receipts required (not photocopies)	<input type="checkbox"/>
- Appropriate use	<input type="checkbox"/>
Monthly expense reports within 5 days of month end, reviewed by Treasurer (or ED/CEO for staff)	<input type="checkbox"/>
Establish policies for key items:	
- Mileage	<input type="checkbox"/>
- Personal items	<input type="checkbox"/>

## Travel Expense Reimbursements

Approval for travel is obtained prior to making travel arrangements	<input type="checkbox"/>
Reimbursements based on: Actual expenses as allowed by company policy Per diem rates as published by the National Joint Council <a href="http://www.njc-cnm.gc.ca/directive/travel-voyage/s-td-dv-a4-eng.php">[http://www.njc-cnm.gc.ca/directive/travel-voyage/s-td-dv-a4-eng.php]</a> CRA allowed mileage reimbursement rates	<input type="checkbox"/>
Travel advance is settled prior to issuance of new advance	<input type="checkbox"/>
Time limits are imposed for submission of expenses	<input type="checkbox"/>
Consider processing as part of payroll	<input type="checkbox"/>

# Banking

*"The median losses reported for Not-for-Profit organizations and charities was in excess of \$100,000 and took an average 18 months to uncover."*

2012 Global Fraud Survey undertaken by the Association of Fraud Examiners



Board of Directors approve opening and closing of all bank accounts	<input type="checkbox"/>
Wire transfers within and external to the organization follow procedures and controls	<input type="checkbox"/>
Unopened bank statements are periodically routed to management or someone independent of cash receipts and disbursements function	<input type="checkbox"/>
Person signing checks should keep track of last check # from the last batch of checks	<input type="checkbox"/>

## Bank Statements, Cancelled Cheques, Reconciliations

*"The vast majority (77%) of all frauds were committed by individuals working in one of six departments: accounting, operations, sales, executive/upper management, customer service and purchasing."*

2012 Global Fraud Study by the Association of Fraud Examiners  
Association of Fraud Examiners



Pay attention – don't blindly sign cheques without appropriate supporting documentation	<input type="checkbox"/>
Payments are made on original invoices and verified for mathematical accuracy	<input type="checkbox"/>
Treasurer to receive directly and review bank/credit card and investment account reconciliations regularly Investigate old items	<input type="checkbox"/>
Review each cancelled cheque for payee, amount, signatures and date	<input type="checkbox"/>

# Electronic Banking

No (or "Read-Only") online access for anyone – including bookkeeper / Executive Director / Treasurer	<input type="checkbox"/>
Limit signing authorities with bank:	
- Two signers on all chequing accounts (one signature should always be Treasurer)	<input type="checkbox"/>
- Two signers for all transfers	<input type="checkbox"/>
New banking methods require new controls:	
- Electronic cheque scans for deposits	<input type="checkbox"/>
- Electronic payments, receipts	<input type="checkbox"/>
Consider TelPay for electronic payments	<input type="checkbox"/>
Treasurer to monitor/review online banking daily (with Read-only access)	<input type="checkbox"/>
Receipts reconciled daily/monthly	<input type="checkbox"/>

# Payroll Processing

Payroll typically lacks of segregation of duties - try to get appropriate segregation of duties if possible	<input type="checkbox"/>
Ensure review process for Control Points:	
- Adding / terminating employees	<input type="checkbox"/>
- Changes to salary/hourly rate	<input type="checkbox"/>
Treasurer needs to be intimately involved in reviewing payroll details	<input type="checkbox"/>
Make sure hours, overtime, expense reimbursement approvals required prior to processing	<input type="checkbox"/>
Compare Payroll and remittances to prior periods and get explanations for differences	<input type="checkbox"/>



## Capital Assets

*“Occupational frauds can be classified into three primary categories: asset misappropriations, corruption and financial statement fraud. Of these, asset misappropriations are the most common, occurring in 85% of the cases in our study, as well as the least costly, causing a median loss of \$130,000”*

2014 Global Fraud Study by the Association of Fraud Examiners



All assets are capitalized and depreciated following organization policy	<input type="checkbox"/>
Asset inventories are maintained and periodically reconciled to accounting records (asset sub-ledgers)	<input type="checkbox"/>
Insurance coverage for assets is periodically reviewed	<input type="checkbox"/>
Identification of assets purchased with endowment or restricted funds	<input type="checkbox"/>

# Financial Reports

Financial books and records and kept up-to-date on timely a basis	<input type="checkbox"/>
Most important financial control Budget vs. Actual – variance reports with explanations of significant variances	<input type="checkbox"/>
Treasurer to confirm and review monthly processes:	
- Bank reconciliations	<input type="checkbox"/>
- Cash receipts reconciliations	<input type="checkbox"/>
- Payroll reconciliations	<input type="checkbox"/>
Treasurer to review monthly comparative reports:	
- Statement of Financial Position / Statement of Operations	<input type="checkbox"/>
- General Ledger	<input type="checkbox"/>
- Accounts Receivable and Accounts Payable Aging Detail Reports	<input type="checkbox"/>

## Prevention, Detection & Insurance

*"It takes time and effort to recover the money stolen by perpetrators, and many organizations are never able to fully do so."*

2014 Global Fraud Study by the Association of Fraud Examiners



Documented Financial Management policies and procedures and Internal controls	<input type="checkbox"/>
Ensure financial management roles and responsibilities are clearly documented and evaluated regularly	<input type="checkbox"/>
Lock transactions every month in accounting software so prior periods can't be changed	<input type="checkbox"/>
Make sure you have Crime Insurance with Employee Dishonesty coverage	<input type="checkbox"/>



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