

# Internal Controls Best Practices for Donation Management



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# Overview

- The purpose of this presentation is to inform SSVP Councils and Conferences of the best practices relating to donor receipt management, so that they can determine what is best for them.
- While the practices may seem overwhelming to some, each Council/Conference needs to determine what's best for them and use this information as a guide.
- This presentation was triggered by questions raised by some new Treasurers within the WRC region.

# What are Internal Controls

- Internal Controls are policies and procedures that are put in place to protect officers and members of SSVP Councils and Conferences against fraud, CRA noncompliance, and financial mismanagement.
- Experience has shown that the implementation of internal financial controls is something which is welcomed by all concerned.

# Why are Internal Controls Important

It is important to remember that while most people are diligent, all organizations need to take steps to avoid putting people in situations where they might lose the trust of their donors or the CRA.

Without proper guidelines on this subject, Councils or Conferences may, out of ignorance, act in a way which may damage the reputation of the Society.



# Setting up a System of Internal Controls

- Because each SSVP Council or Conference is unique and operates with its own set of unique circumstances, the financial leaders of each organization must design a system of internal controls to meet their specific needs.
- Certified Accountants should have the knowledge and expertise to help groups implement these needed procedures.
- If you do not have one in your organization, consider contacting your Higher Council for help.



# What you need to do

- Best practice publications indicate that the most important measure you can put in place is separation of duties, especially where a small conference has only one person handling all their financial affairs.
- National SSVP recommends all Councils and Conferences should try, if at all possible, to use enough individuals to achieve proper segregation of these activities
- ... for that person's sake as well as the organization.



# Criteria a Parish and Conference to consider:

- Money collected should be stored in a secure safe.
- Offerings should always be counted by at least two non-related individuals (regardless of how big or small you are).
- Counters and ushers should be rotated periodically.
- Counters should have a safe room to count the offerings with no interruptions.
- Counters should fill out a Count Summary document and sign it to verify their accounting.



# Criteria a Parish and Conference to consider: *(continued)*

- Donation cheques should be photocopied and attached to count summary.
- Donation envelopes containing cash and gift cards should also be attached to the summary.
- Treasurers should not be involved in the counting or banking function. Instead, he or she should be responsible for reviewing the Count Summary documentation and recording the contributions to the general ledger and Donation Management system.
- Presidents/Treasurers should also be the individuals to investigate any donor issues on donations receipts.





# Donor Facts

- Most donors make their SSVP contributions online or with envelopes to their Parish or SSVP donation box.
- The CRA rule: whoever (Parish, CanadaHelps or SSVP etc.) banks the donation, must issue the donation tax receipt,
- If Parish, SSVP Higher Council or CanadaHelps banks the donation, they must remit it to the conference on a timely basis, and the Conferences must record the donation as a receipt from a charity.
- Gift Card donated: it should be recorded as Gift card Cash donation. The Conference Chart of account should have a separate accounting code under the banking subgroup for gift cards.



# Donor Facts

*(continued)*

- Gift card given out: treat as cash disbursement.
- Keep an inventory of all gifts received and disbursed, including a record of parties donating and receiving benefit.
- Use CanadaHelps, where appropriate, to help the conference with its due diligence duties.

# Donor Tax Receipt Management Considerations

CRA has a very specific format for issuing donation receipts. Councils or Conferences should consider using specific donation management program to help them comply with this need as:

- SSVP – Excel Spreadsheet called CAMS (developed by Toronto Central Council)
- QuickBooks version with donor tax receipt program
- Parish Friendly – probably best for large conferences – Some conferences in Calgary use it.
- Cooper Software – affordable for small conferences
- PDS system (some Conferences in Ontario use it)

**Critical: Ensure Accounting records totals match donation \$ total on Donation Management Software system**



# Tax Receipting Rules

The rules are well documented on the CRA website. However, conferences should pay attention to the following topics:

1. Gifts in kind – calculating the FMV. No tax receipts for food, Angel Tree etc.
2. Fund raising, when it's appropriate to issue tax receipts
3. Donation of services – not allowed, however:
  - a. Conferences can pay the service bill (e.g. Dental services)
  - b. Vendor can make donation to SSVP (e.g. Dental bill value)
4. Issuing receipt in name of other than donor



# Tax Receipting Rules

*(continued)*

5. Receiving donations around Dec 31<sup>st</sup>. What can be receipted and what falls into next year?
6. Gifts to other Charities (no receipt required)
7. Split receipting
8. Sponsorship
9. Dos and Don'ts

Councils or Conferences should contact their higher Council, where they have questions on tax receipting.



# Disbursement Considerations

The following procedures must be followed regarding the use of donation funds for donor trust:

1. All expenditures should be preauthorized with supporting documentation attached.
2. All payments should be signed by two authorities (treasurer and one other board member) for either paper cheques or online payments.
3. No bank cheques signed awaiting second signature at a later date.
4. The treasurer should prepare a monthly bank reconciliation to present to the Board along with Financial Statements for transparency.



# Pass Downs

- Many Councils pass down funds to other Councils and Conferences.
- We recommend that Treasurers set up a pass down account in their chart of accounts, where they allocate the funds they receive, and pass down.
- Pass downs need to be eliminated from the SSVP revenues (2002A) and expenditure lines to avoid double counting on the consolidated financial reports.



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