Alberta SPCA

Special Report

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CHARTERED PROFESSIONAL ACCOUNTANTS

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I. Introduction

The Board of Directors of the Alberta Society for the Prevention of Cruelty to Animals (ASPCA) has identified the need for our professional advice on three matters:

1. Establishing a suitable level of reserves,
2. Classification of contingency funds, and
3. Developing a better understanding of the organization's internal controls and the risk of fraud or material error.

The analysis and data collection for this report were carried out during and after the audit work for the December 31, 2019 year end, and is presented as confidential information only for the Board of Directors of the ASPCA. The information in this special report should not be used by or relied upon by anyone other than the Board of Directors and the Executive Director of the ASPCA. Information and analysis from this report should not be distributed nor published without the express written consent of our firm.

II. Independence

As auditors, we are required to maintain independence according to Canadian generally accepted standards for audit engagements. The work in this special report will not contravene any such standards, as it would consist only of making observations and recommendations to the Board on governance issues. The fees related to the provision of this special report are not material to our overall annual audit fees.

III. Reserve Funds

Review of Industry Standards

An ideal reserve level is one that is high enough to allow an organization to maintain sufficient liquid assets, without being considered excessive for a not-for-profit organization by its stakeholders. Many NPOs in the industry simply set aside a particular number of months' worth of operating expenses as their best estimate of a reserve. This can vary anywhere from three to six months' worth of expenses to a full year, or, in exceptional circumstances, a multiple number of years. Some Alberta not-for-profits have more sophisticated planning completed for their reserve computation which takes into consideration a number of other factors such as long-term financial forecasts, cash flow requirements, potential operating risks and then quantifying the risks to determine an appropriate amount of a reserve to establish.

Comparative study of similar-sized not-for-profit organizations

We obtained financial information for a selection of comparable organizations, and compared their data to that of the ASPCA. Organizations selected included other provincial animal protection societies as well as other Alberta not-for-profit organizations of a similar size or financial scope. The purpose of the comparison is to see if the ASPCA's existing reserves are consistent with those of other similar organizations.

See Appendix I for full details and calculations.

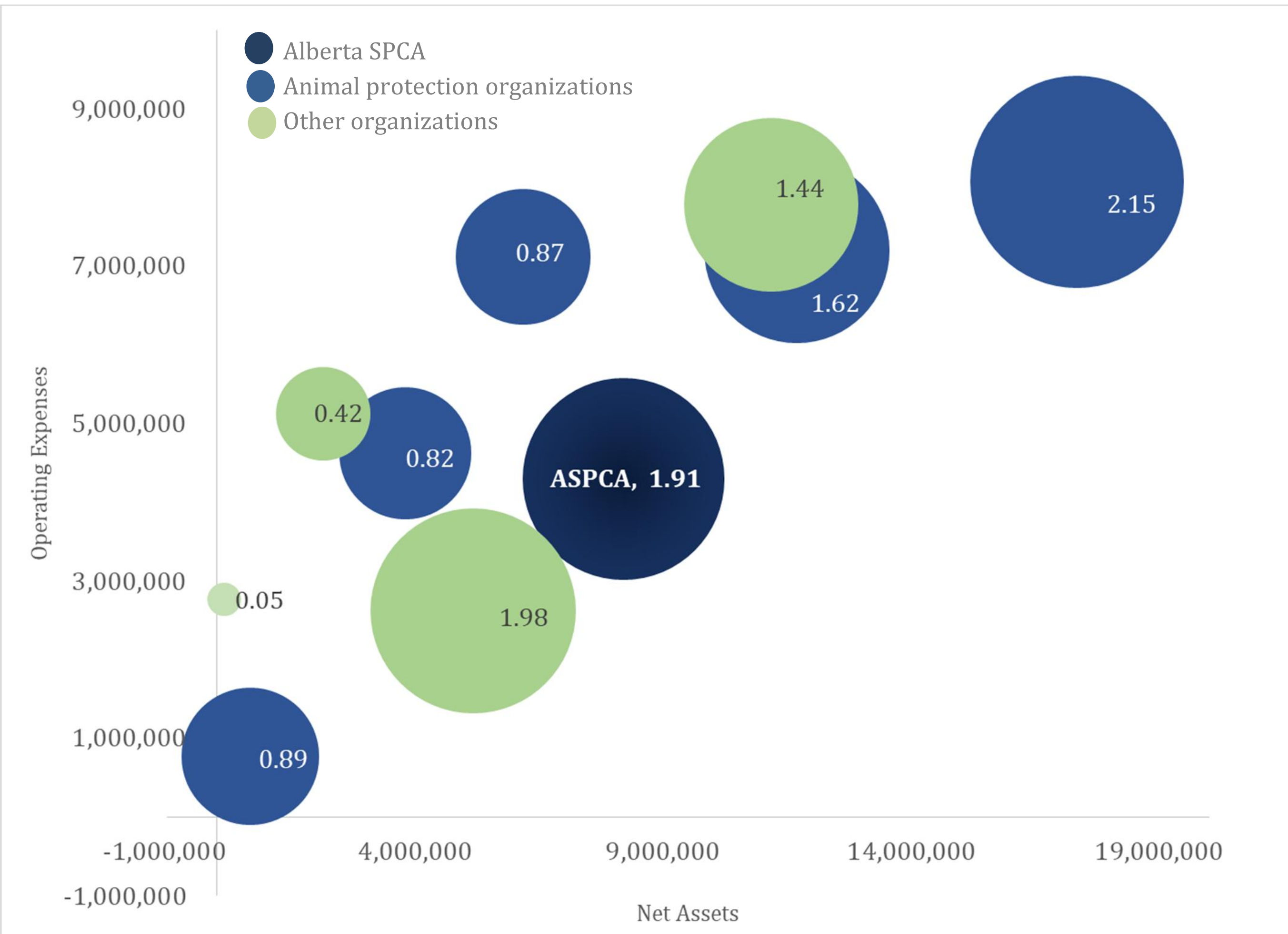
The following organizations were used in the comparison:

- Edmonton Humane Society
- Saskatchewan SPCA
- Winnipeg Humane SPCA
- Ontario SPCA
- Montreal SPCA
- Nova Scotia SPCA
- Edmonton Community Adult Learning Association (ECALA)
- Kids With Cancer Society of Northern Alberta
- United Way of Fort McMurray
- United Way of Canada

We reviewed their most recent available financial statements for net assets and reserves. Not all organizations specified delineated reserves, therefore the relationship between net assets, revenues and expenses was considered an indication of notional reserve fund planning.

When comparing net assets to operating expenses, the ratios ranged from a low of 0.05 to a high of 2.15, with an average of 1.17. ASPCA's net assets to operating expenses ratio at December 31, 2019 was above their peer group average at 1.91. There was no relationship noted between size of the organization's net assets or operating expenses to the notional "reserve" ratio: large organizations did not appear to have more reserves in relation to operating expenses.

Exhibit I: Comparison of ASPCA to other organization: Ratio of net assets to operating expenses



(Note that this sample of comparative organizations should not be considered statistically representative of all non-profit organizations.)

Review of ASPCA Cash Flows

See Appendix II for full details and calculations.

A recalculation of the last three years' annual cash flows of the Society was performed. Two different types of cash flows were calculated. The purpose of these calculations was to project cash required for ongoing operations in the case of a loss of one or several revenue streams. This analysis helps to inform the reserve fund question, in that one of the most important purposes of a reserve fund is to be able to support operational expenses in case of an interruption of revenues.

The first calculation was taken directly from the ASPCA's 2017, 2018 and 2019 statements of cash flows as presented in the audited financial statements. Over the past three years, cash flows have increased from $1.7 million in 2017 to $3.3 million in 2019. On average, over the past three years, the ASPCA has maintained approximately $2.4 million in cash.

The second calculation was a projected cash flow review of the last three years based on net cash inflows (outflows) from the financial statements without considering any non-cash items. This cash-flow comparison consisted revenue and expenses from the past three years. This cash flow showed a consistent increase year-over-year of cash on hand.

Projection of cash requirements for a transition in case of loss of revenue

A sensitivity analysis was performed based on a variety of different losses from particular revenue streams. The analysis was performed based on the 2019 draft financial statements and the 2018 audited financial statements.

See Appendix III for full details and calculations.

Four different scenarios were analyzed based on potential losses from different revenue streams of the Society:

Loss of Gaming and Other Revenues

This scenario took overall outcomes from the year less gaming and other revenue streams. This resulted in an overall net cash inflow of approximately $258,000 (2018 outflow - $216,000).

Loss of Donations, Bequests and Other Revenues

This scenario took overall outcomes from the year less donations, bequests and other revenue streams. This resulted in an overall net cash outflow of approximately $1.8 million (2018 - $1.1 million).

Loss of Donations, Bequests, Gaming and Other Revenues

This scenario took overall outcomes from the year less donations, bequests, gaming and other revenue streams. This resulted in an overall net cash outflow of approximately $3 million (2018 - $2.2 million).

Loss of Grants

This scenario took overall outcomes from the year less only grants revenue stream. This resulted in an overall net cash inflow of approximately $365,000 (2018 outflow - $500,000).

However unlikely, in summary if any one or all of the large revenue streams—grants, gaming or donations and bequests—are lost it will result in an overall cash loss for the Society. See Exhibits 2 and 3.

Observations

On average over the past three years, the ASPCA has achieved positive cash flow of just under $1 million annually. Loss of either Gaming or grant revenues would result in negative cash flows of approximately $300,000. This would be well within the capacity of the existing reserves to absorb for an adjustment period. However, loss of donations and bequests would result in negative cash flows of $1.3 million, which could require some immediate adjustments.

In practice, there is always a risk of sudden and immediate loss of either Gaming or grant revenues. The loss of donations and bequests is likely to be more gradual. The current experience during the pandemic will provide the ASPCA with a good indication of the rate of change in donations in a worst-case scenario. It will be important to track the changes COVID-19 has on the Society's donations revenue and cash flow, as this will provide real life data points to assist in the overall analysis.

Exhibit II: Cash flow outcomes on loss of revenue

Scenario	Net cash flows – 2019	Net cash flows – 2018	Net cash flows – 2017	Average
Current situation	$ 1,498,000	$ 1,004,000	$ 457,000	$ 986,333
Loss of Gaming	$ 259,000	$ (216,000)	$ (851,000)	$ (269,333)
Loss of donations & bequests	$ (1,826,000)	$ (1,100,000)	$ (962,000)	$ (1,296,000)
Loss of donations & bequests and Gaming	$ (3,015,000)	$ (2,237,000)	$ (2,148,000)	$ (2,466,667)
Loss of grant funding	$ 365,000	$ (496,000)	$ (1,045,000)	$ (392,000)

Exhibit III: Cash flow outcomes on loss of revenue

Projection of cash requirements in case of wind-up

A second question to consider when making a reserve fund balance recommendation is the potential cash needed in the event the ASPCA was dissolved for any reason.

For this analysis, we used the 2019 draft and 2018 comparative balance sheet to calculate the working capital of the Society. From there, we determined how much cash would remain upon a potential wind-up of the Society. This shows us the amount of cash required, after a sale of all assets, to pay the debts of the corporation.

From the calculations performed, the total projected cash on wind-up would be approximately $2.9 million as of the end of fiscal 2019. Please note that wind-ups can also have substantial one-time payments (for example, severance payments) that can have a material impact on the organization's final cash flows.

See Appendix IV for full details and calculations.

Exhibit IV: Projection of cash requirements in case of wind-up – summary of Appendix IV

Year	Current Assets	Current Liabilities	Closing Costs	Cash on Wind-Up
2019	$7,262,071	$369,241	$4,029,182	$2,863,648
2018	$5,444,266	$225,967	$3,496,261	$1,722,038

Recommend a basis for reserve amount

In determining a recommended basis for an appropriate reserve amount for the Society, in addition to the research and work performed above, we took into consideration both qualitative and quantitative factors.

Qualitative analysis

- The Society has numerous years of positive cash flows and steady revenues streams with no signs of slowing down. While some concerns were expressed that the average age of regular annual donors and the increase in the number of annual bequests may be an indicator that regular donors are passing on, and may not be replaced, this has yet to be seen in the recent donation numbers.
- The Society has positive working capital. The Society has very limited liabilities and adequate assets to cover any potential future losses.
- The Society's 2019 current ratio shows that ASPCA is able to cover its current liabilities 19.67 times over (2018 - 24.09) using all of its current assets.

- The Society's 2019 quick ratio shows that ASPCA is able to cover its current liabilities 19.50 (2018 – 23.89) times over using only its most liquid current assets which doesn't include inventory or prepaid expenses.
- The Society is important to the people of the Province of Alberta, with low risk of significant revenue losses due to the Province's significant reliance on the services of the ASPCA.

Quantitative analysis

Exhibit V: Current Ratio

Year	Current Assets	Current Liabilities	Current Ratio
2019	$7,262,071	$369,241	19.67
2018	$5,444,266	$225,967	24.09

Exhibit VI: Quick Ratio

Year	Current Assets (less inventory & prepaid expenses)	Current Liabilities	Quick Ratio
2019	$7,201,479 ($7,262,071 - $60,367 - $225)	$369,241	19.50
2018	$5,397,412 ($5,444,266 - $46,502 – $352)	$225,967	23.89

Conclusions

Compared to a selection of ten comparable organizations, the ASPCA's current net assets are adequate as a whole, and about average for the industry. Based on the analysis performed, we would recommend a reserve amount in the range of $3.8 million to $4.3 million. This is a range that we feel is appropriate based on the needs of the Society but also considers the relatively low risks around potential future revenue losses. With reserves in this range, the ASPCA would be able to cover approximately one full year of operating expenses in the case of a catastrophic loss of revenue, and would be able to fund a successful wind-up if needed.

Compared to the ASPCA's December 31, 2019 unrestricted net assets of $4.7 million, the Society could currently tolerate a loss of all revenue streams for a one year period, and still fund a successful wind-up.

IV. Contingency funds

The ASPCA is considering restricting bequests to a reserve fund, rather than classifying them as general revenue. Bequests over the past three years ranged from $290,000 to $2.1 million per year (2019 bequests included an unusually large bequest of $920,000). Normalized for this one large bequest, average annual bequests over the last three years have been approximately $830,000.

There are a number of considerations to in making a restricted allocation of bequests: the wishes of the donor, the ability of the Society's other cash flows to meet operating needs, the conditions of the restrictions, oversight requirements, and application of accounting standards.

External restrictions

A review of bequest documentation (wills and correspondence with lawyers) indicated that very few bequests include specific conditions of use. Terra Johnson, Executive Director, indicated that she has seen very few situations where a will specifies how the ASPCA must spend funds received (a current exception is the Jane Rogers bequest of $67,000). Donors appear to trust the ASPCA to make correct allocation decisions with their bequests.

Cash flow impact

In light of the cash flow studies discussed above, restricting bequests of $831,700 (average) from operating revenues would still leave the Society with ongoing annual positive operating cash flows of approximately $420,000.

Governance

If bequests were to be restricted, there would need to be conditions of use applied to those restricted funds. Potentially, a target reserve could be established, with bequests restricted to the reserve until such a target is met, and transferred to unrestricted funds once such a target was achieved. Organizations looking to build long term endowment funds often follow this approach.

Internally restricted funds can have any number of restrictions. Commonly, such funds are restricted to capital assets, a building, a future project or an expansion of services. Also, internal restriction to certain operating activities consistent with the organization's mandate (as opposed to administration and management) is common.

Oversight would be required in the proposed definition of the restricted funding. Subsequently, governance oversight could include: formal review of the use of these restricted funds, and documentation and support when these funds are transferred to unrestricted. Governance would need to articulate the specific criteria as to when funds would be allowed to be used (spent from restricted funds, or, transferred back to unrestricted funds.)

Accounting standards

Canadian accounting standards for not-for-profit organizations are fairly specific around the treatment of contributions.

Government funding provided to a not-for-profit organization is considered to be a contribution. This section presents the accounting standards and applies them to the ASPCA's current situation.

Current treatment: Unrestricted contributions

The ASPCA currently has restricted and unrestricted contributions, and accounts for both using the deferral method. Restricted contributions are generally comprised of Gaming revenues, but could include externally restricted bequests (such as the Jane Rogers bequest).

Bequests are almost always unrestricted when received, and, as such, they are recorded as revenue when received. Prior to accepting bequests, the ASPCA follows a rigorous process to ensure that the ASPA is indeed entitled to receive the funds according to the terms of the will. Bequests are also not recognized until received (i.e. there are no bequests receivable) because the timing of bequests is generally uncertain.

Exhibit VII: Application of accounting standards to restricted funds

Accounting standards for not-for-profit organizations, Contributions, Section 4410.02	Application of standard to ASPCA
(b) A contribution is a non-reciprocal transfer to a not-for-profit organization of cash or other assets or a non-reciprocal settlement or cancellation of its liabilities. *There are three types of contributions identified for purposes of this Section:* *(i) A **restricted contribution** is a contribution subject to externally imposed stipulations that specify the purpose for which the contributed asset is to be used. A contribution restricted for the purchase of a capital asset or a contribution of the capital asset itself is a type of restricted contribution.*	Gaming funds (lottery, casino, bingo) are generally considered externally restricted to the approved use of proceeds per the AGLC. Bequests might occasionally fall into this type of contribution.
*(ii) An **endowment contribution** is a type of restricted contribution subject to externally imposed stipulations specifying that the resources contributed be maintained permanently, although the constituent assets may change from time to time.*	Currently, the ASPCA does not have these types of contributions.

*(iii) An **unrestricted contribution** is a contribution that is neither a restricted contribution nor an endowment contribution.*	Donations and most bequests are unrestricted contributions.
*(c) **Restrictions** are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Internal restrictions are imposed in a formal manner by the organization itself, usually by resolution of the board of directors. Restrictions on contributions may only be externally imposed. Net assets or fund balances may be internally or externally restricted. **Internally restricted net assets or fund balances are often referred to as reserves or appropriations.***	Gaming funds are correctly reported as restricted contributions and restricted net assets, due to their external restrictions. There are currently no formally imposed internal restrictions on fund balances or net assets, other than net capital assets. An internal restriction could be formally applied to establish a reserve fund.
*(d) Under the **deferral method** of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Endowment contributions are reported as direct increases in net assets. All other contributions are reported as revenue of the current period. Organizations that use fund accounting in their financial statements without following the restricted fund method would account for contributions under the deferral method.*	The ASPCA currently follows the deferral method. Under this method, most bequests are recorded as revenue when received. Contributions received to an internally restricted fund would be recognized as revenue, but identified in a separate fund in the Statement of Net Assets.
*(e) The **restricted fund** method of accounting for contributions is a specialized type of fund accounting which involves the reporting of details of financial statement elements by fund in such a way that the organization reports total general funds, one or more restricted funds, and an endowment fund, if applicable. … The following definitions relate to the restricted fund method of accounting for contributions:*	The ASPCA does not follow the restricted fund method. The following information presents the possible application of restrictions to bequests received.
*(i) A **restricted fund** is a self-balancing set of accounts the elements of which are restricted or relate to the use of restricted resources. Only restricted contributions, other than endowment contributions, and other externally restricted revenue would be reported as revenue in a restricted fund. Allocations of resources that result from the imposition of internal restrictions are recorded as inter fund transfers to the restricted fund.*	Since bequests are generally not externally restricted, bequests would be internally restricted by way of inter-fund transfer from the general fund. This presentation would be very similar to the presentation of internally restricted net assets discussed in (d).
*(ii) An **endowment fund** is a self-balancing set of accounts which reports the accumulation of endowment contributions. Only endowment contributions and investment income subject to restrictions stipulating that it be added to the principal amount of the endowment fund would be reported as revenue of the endowment fund. Allocations of resources to the endowment fund that result from the imposition of internal restrictions are recorded as inter fund transfers.*	Currently the ASPCA does not receive endowment contributions. However, an ASPCA Endowment could be established.
*(iii) A **general fund** is a self-balancing set of accounts which reports all unrestricted revenue and restricted contributions for which no corresponding restricted fund is presented. The fund balance represents net assets that are not subject to externally imposed restrictions.*	All unrestricted revenue, including donations and bequests, would be presented as revenue to the general fund in the income statement, and as an inter-fund transfer in the statement of net assets.

Alternative treatment: Internally restricted contributions

The ASPCA could establish an internally restricted fund under the current accounting and presentation standards by a governance direction to establish the internally restricted fund. The mechanism for doing this is to have the Board formally pass a motion to do so in the minutes of the Society. This would not alter the accounting treatment, and would only add a column to the Statement of Net Assets for this internally restricted fund.

One feature of this approach is that it is easily done, therefore it is also easily un-done.

Alternative treatment: Endowment contributions

The ASPCA could separately establish an endowment to which bequests would be directed. The endowment would then be responsible for investing the principal and providing the investment income to the ASPCA for use. The benefit of this approach is that the bequests would be added to principal and would never be spent. However, there would be set-up and ongoing costs, and the initial investment income would be small therefore this is generally considered a long-term strategy.

Conclusions

Based on the current needs of the ASPCA, a change in overall approach would not appear to be of substantial benefit to the organization. The Society continues to have the ability to internally restrict funds to drive specific projects or outcomes. The setting of such internally restricted funds remains at the purview of the Board of Directors.

Establishing an endowment could be a long-term option, but would require a substantial investment in time and resources, and would permanently restrict the funds placed within the endowment fund.

If bequests are to be restricted, we recommend that some opening balance be formally established as internally restricted, following existing deferral accounting procedures. Subsequently, formal guidance on transferring bequests—perhaps up to a certain target amount—would maintain and increase the internally restricted reserve fund. Governance would also formally establish the criteria for use of these internally restricted funds.

V. Fraud prevention

The Board has expressed a desire to better understand operations of the ASPCA, and increased their understanding of where those operations might present a risk of fraud.

The following tasks were undertaken in conjunction with the audit of the 2019 fiscal year:

- Review and documentation of existing controls and systems
- Identification of risk areas
- Expanded testing in identified risk areas
- Expanded revenue and expense testing overall

The details of this work are presented in appendices V through VII, and are summarized here.

Overall control environment

The overall control environment of the ASPCA is strong. There is appropriate segregation of duties in most functions to mitigate the risk of fraud. The internal accountant is experienced and efficient, and has created appropriate reconciliations and procedures to identify errors and potential fraud. The Executive Director reviews operating results in detail and in comparison to budget. The Executive Director provides strong oversight to her team and receives strong oversight from an engaged and informed Board.

Summary of existing controls and identified risks

Exhibit IX: Revenues, receipts and receivables – identified risks – Summary of Appendix V

Revenues, receipts and receivables		Risk of fraud
Grants	Grant revenue is received by direct deposit.	Low
Gaming	Grant revenue is received by direct deposit from the Government of Alberta. Gaming revenue is heavily regulated and scrutinized by the AGLC – missing revenue would be noted during their process.	Very low
Donations	Donations are received via multiple systems, mostly electronic through 3rd-party systems. Cash donations are always a risk, however, there are few such received. Duties are separated such that the donations are tracked, receipted and recorded by one person, and recorded to the accounting system by another. Cash receipts are likewise received by one person and recorded by another. Cheques are deposited electronically thereby reducing the opportunity for deposit to fraudulent accounts. Email transfers are not currently accepted due to the risks of fraud inherent in this system.	Low
Bequests	Bequests are generally received via cheque from an executor. Fraud would require collusion due to segregation of duties: the Executive Director, Donations Manager and Accountant are all involved.	Very low
Seizures	Funds collected by Peace Officers may be received in cash. Risk of theft is mitigated by tracking of each seizure in a separate trust account; missing payments would be noted by the owner.	Low
Other revenue controls	Volunteers do not handle donations or cash. Donations recorded are reconciled to 3rd-party records. Bank reconciliations are prepared by one person and checked for accuracy by another. Variance analysis to budget is prepared and reviewed. External agencies require periodic reporting.	
Opportunities for improvement	Bank reconciliations should be reviewed by the Executive Director. Receipted donations could be reconciled in aggregate to donations recognized as revenue. Funds collected by Peace Officers should be reported and recorded promptly. An acknowledgment form could be developed where the payer and Officer agree to the amount by signature. A change to accepting E-mail transfers should carefully consider the potential for expanded fraud risks.	
Opportunities for theft of revenues are limited by appropriate segregation of duties, oversight, and the limited cash received. Any fraud is likely to be of low value.		

Exhibit X: Purchases, payables and payments – identified risks – Summary of Appendix VI

Purchases, payables and payments		**Risk of fraud**
Purchasing	The use of a PO system limits the opportunity for fraud by requiring multiple approvals of purchases for non-budgeted items.	Low
Credit cards	There are 21 credit cards issued to staff members, particularly for staff who travel. Spending limits are based on operational needs. There is opportunity for personal use of Society credit cards, which is mitigated by accounting review of credit card statements. There is also risk associated with lost or stolen credit cards.	Moderate
Fuel cards	Multiple cards are issued to 14 staff based on travel needs. Cards are for fuel only. Employees are required to submit mileage logs monthly. There is opportunity for personal use of Society credit cards, which is mitigated by accounting review of credit card statements. There is also risk of lost or stolen credit cards.	Moderate
Cheques	Cheques are prepared by the accountant and require two signatures. The accountant has signing authority. Purchases over $3,000 require Board approval. The requirement for a second signature is an effective risk mitigation measure as long as the person signing second is provided with and examines the supporting documentation. A second person prepares the signed cheques for mailing and performs a third examination for accuracy. Segregation of duties reduces the risk; accountant signing authority increases the risk. Significant theft would require collusion.	Low
EFT payments	The payments are prepared and authorized by the accountant. EFT payments are made only to routine vendors. There is no second person involved in this system. The increasing preference for EFT payments will increase this risk.	Moderate to low
Other purchasing controls	Bank reconciliations are prepared by one person and checked for accuracy by another; specifically, cheque amounts as cleared by the bank are compared to the cheque image as prepared and issued by a person who does not have signing authority. Variance analysis to budget is prepared and reviewed. Some departments have added their own secondary purchasing approvals process.	
Opportunities for improvement	Credit card statements should be periodically reviewed by department heads and/or the Executive Director. Existence of this review should be made known to staff. An occasional, rolling review should be sufficient deterrent; review of each statement would be onerous. Fuel card statements and mileage logs should be periodically reviewed by department heads or managers familiar with travel requirements, similar to above. EFT payments should be set up by one person and reviewed/approved by a second person.	
Opportunities for fraudulent spending would either require collusion (inappropriate payments), or would be small in value (personal use of Society credit cards). The exception is EFT payments, which present the highest risk and largest potential impact.		

Exhibit XI: Payroll – identified risks – Summary of Appendix VII

Payroll		Risk of fraud
Payroll system	Payroll is completed by the accountant using software separate from the main accounting system. Timesheets are reviewed and authorized by department heads or the Executive Director prior to entry. Paystubs are provided to each employee.	Low
Payments	Payment to employees is via EFT; the payroll software provides the information with is entered to the bank and processed by the accountant. The Executive Director reviews payroll records after payment. There is a risk of unauthorized payments being processed.	Low
Benefits	Employees are registered to benefits by department heads per ASPCA's policies. Payments are made directly to the 3rsd-party benefit provider.	Low
Wage increases	ASPCA maintains a salary schedule per position; staff are paid according to their experience. This mitigates the risk of overpayment to an employee.	Low
Vacation	Vacation is accrued for salaried staff. Some employees carry a large balance, representing many weeks of earned vacation.	Low
Other payroll controls	Variance analysis to budget is prepared and reviewed, including wages and salaries.	
Opportunities for improvement	Payroll EFTs should if possible be reviewed and approved before processing. If this is not practical, detailed payroll records should be periodically reviewed for fictitious employees, unusual payments, and for accuracy of bank deposit details.	
Opportunity for fraudulent payroll payments exists due to limited segregation of duties and oversight. Risk mitigated by frequent comparison of actuals to budget.		

Conclusions

While there is always some risk of fraud, the controls in place at the ASPA are generally strong and effective. Both the Board and management have a good attitude towards appropriate controls and provide strong oversight. There is current documentation of accounting procedures, appropriate segregation of duties, and very few functions where only one person has access. Some specific items have been identified above as higher risk and present opportunities for improvement.

We did note that the current accountant is experienced, very efficient, maintains excellent records and prepares appropriate reconciliations. As with all key personnel, there is a risk that, should she leave the ASPCA, systems would not operate as well or as efficiently. Continued strong oversight by both the Executive Director and the Board significantly reduce the overall risk of fraud.

VI. Appendices

Appendix I: Comparison of similar organizations

Number	Organization	Year Ending	Total Assets	Total Liabilities	Total Net Assets	Total Revenues	Total Expenses	Ratio of net assets to operating expenses
1	Edmonton Humane SPCA	12/31/2018	25,212,485	7,865,066	17,347,419	8,518,921	8,069,388	**2.15**
2	Saskatchewan SPCA	3/31/2019	853,089	171,280	681,809	807,929	766,433	**0.89**
3	Winnipeg Humane SPCA	3/31/2019	13,045,418	1,350,065	11,695,353	6,857,643	7,198,121	**1.62**
4	Ontario SPCA	12/31/2018	34,058,324	2,390,382	31,667,942	24,140,242	21,568,391	**1.47**
5	Montreal SPCA	12/31/2018	8,511,693	2,334,336	6,177,357	8,060,200	7,114,247	**0.87**
6	Nova Scotia SPCA	12/31/2018	4,968,918	1,164,581	3,804,337	4,724,698	4,619,047	**0.82**
7	Edmonton Community Adult Learning Association (ECALA)	7/31/2019	1,108,389	958,229	150,160	2,782,255	2,759,506	**0.05**
8	Kids With Cancer Society of Northern Alberta	12/31/2018	5,825,547	652,759	5,172,788	2,419,245	2,610,846	**1.98**
9	United Way of Fort McMurray	12/31/2018	12,236,630	1,065,581	11,171,049	6,831,446	7,778,226	**1.44**
10	United Way Centraide Canada	12/31/2018	2,675,772	528,156	2,147,616	5,711,359	5,121,259	**0.42**
	ASPCA	**12/31/2019**	**9,940,087**	**1,736,970**	**8,203,117**	**5,646,658**	**4,292,076**	**1.91**

Average	**1.17**	**5,028,409.12**
Min	0.05	233,555.62
Max	2.15	9,227,024.50

Appendix II: Cash flow analysis – Indirect method

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	1,593,715.00	739,338.00	288,995.00
Non-cash items			
Gain on disposal of assets	-	-	-
Amortization	143,916.00	163,058.00	174,932.00
	1,737,631.00	902,396.00	463,927.00
Changes in non-cash working capital			
Accounts receivable	- 878.00	- 3,561.00	154,583.00
Trust accounts receivable	- 104,305.00	- 21,808.00	- 532,406.00
Inventory	127.00	521.00	109.00
Prepaid expenses	- 13,865.00	2,383.00	- 10,724.00
Accounts payable	148,879.00	48,774.00	- 21,273.00
Deposit on real-estate	-	-	-
Deferred contributions	- 17,212.00	- 381,528.00	- 324,306.00
	12,746.00	- 355,219.00	- 734,017.00
	1,750,377.00	547,177.00	- 270,090.00
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in short term investments	- 627,331.00	23,357.00	207,044.00
Issuance (repayment) of long term debt	- 29,390.00	- 63,597.00	- 30,389.00
Proceeds from sale of capital assets	-	-	-
Purchase of capital assets	- 22,102.00	- 18,736.00	- 46,590.00
	- 678,823.00	- 58,976.00	130,065.00
NET INCREASE (DECREASE) IN CASH	1,071,554.00	488,201.00	- 140,025.00
CASH - beginning of the year	2,222,690.00	1,734,489.00	1,874,514.00
CASH - end of year	3,294,244.00	2,222,690.00	1,734,489.00
CASH - 2017 to 2019 AVERAGE			**2,417,141.00**

Appendix III: Cash flow analysis – loss of revenues. Basis: 2019 actual cash flows

	2019				
	Grants, Bequests & Donation	**Grants and Gaming**	**Grants only**	**No grants**	**2019 (DRAFT)**
Cash inflows					
Grants	1,133,460.00	1,133,460.00	1,133,460.00	-	1,133,460.00
Donations & Bequests	3,273,448.00	-	-	3,273,448.00	3,273,448.00
Gaming	-	1,188,459.00	-	1,188,459.00	1,188,459.00
Other contributions	-	-	-	2,685.00	2,685.00
Interest	-	-	-	48,606.00	48,606.00
	4,406,908.00	2,321,919.00	1,133,460.00	4,513,198.00	5,646,658.00
Cash outflows					
Admin	- 9,026.00	- 9,026.00	- 9,026.00	- 9,026.00	- 9,026.00
Advertising	- 72,392.00	- 72,392.00	- 72,392.00	- 72,392.00	- 72,392.00
Automotive	- 350,421.00	- 350,421.00	- 350,421.00	- 350,421.00	- 350,421.00
Donations	- 10,758.00	- 10,758.00	- 10,758.00	- 10,758.00	- 10,758.00
Education	- 270,812.00	- 270,812.00	- 270,812.00	- 270,812.00	- 270,812.00
Insurance	- 42,117.00	- 42,117.00	- 42,117.00	- 42,117.00	- 42,117.00
Interest and bank charges	- 49,255.00	- 49,255.00	- 49,255.00	- 49,255.00	- 49,255.00
Office	- 330,049.00	- 330,049.00	- 330,049.00	- 330,049.00	- 330,049.00
License, fees and dues	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00
Lottery draw prizes	- 250,000.00	- 250,000.00	- 250,000.00	- 250,000.00	- 250,000.00
Professional fees	- 106,968.00	- 106,968.00	- 106,968.00	- 106,968.00	- 106,968.00
Rent	- 29,497.00	- 29,497.00	- 29,497.00	- 29,497.00	- 29,497.00
Repairs and maintenance	- 96,497.00	- 96,497.00	- 96,497.00	- 96,497.00	- 96,497.00
Salaries and benefits	- 1,914,426.00	- 1,914,426.00	- 1,914,426.00	- 1,914,426.00	- 1,914,426.00
Staff expenses	- 5,197.00	- 5,197.00	- 5,197.00	- 5,197.00	- 5,197.00
Telephone and utilities	- 70,602.00	- 70,602.00	- 70,602.00	- 70,602.00	- 70,602.00
Travel	- 36,077.00	- 36,077.00	- 36,077.00	- 36,077.00	- 36,077.00
Uniforms and supplies	- 7,861.00	- 7,861.00	- 7,861.00	- 7,861.00	- 7,861.00
Vet fees and animal transport	- 494,649.00	- 494,649.00	- 494,649.00	- 494,649.00	- 494,649.00
Volunteers	- 56.00	- 56.00	- 56.00	- 56.00	- 56.00
	- 4,148,160.00	- 4,148,160.00	- 4,148,160.00	- 4,148,160.00	- 4,148,160.00
Net cash inflow (outflow)	258,748.00	- 1,826,241.00	- 3,014,700.00	365,038.00	1,498,498.00
	A	**B**	**C**	**D**	**E**

Conclusions:

A - If revenue loss is related to Gaming and other revenues (interest, etc.) the Association should expect a cash inflow of approx. $258k

B -If revenue loss is related to Donations, Bequests and other revenues (interest, etc.) the Association should expect a cash loss of approx. $1.8 million

C - If revenue loss is related to all inflows except Grants, the Association should expect a cash loss of approx. $3 million

D - If revenue loss is related to a loss of Grant inflows only, the Association should expect a cash inflow of approx. $365k

E -2019 net cash inflows from the audited financial statements was approx. $1.5 million

Assumptions:

- No changes made to any expenses with revenue losses. This is likely to overstate the lossess in most cases and ultimately shows a worst-case-scenario.
- Assumption that when there is a loss of a particular revenue stream(s), it is a full loss of all revenues associated to that income stream.

Appendix III: Cash flow analysis – loss of revenues. Basis: 2018 actual cash flows

	2018				
	Grants, Bequests & Donation	**Grants and Gaming**	**Grants only**	**No grants**	**2018 (from FS)**
Cash inflows					
Grants	1,500,127.00	1,500,127.00	1,500,127.00	-	1,500,127.00
Donations & Bequests	2,020,342.00	-	-	2,020,342.00	2,020,342.00
Gaming	-	1,136,700.00	-	1,136,700.00	1,136,700.00
Other contributions	-	-	-	6,210.00	6,210.00
Interest	-	-	-	77,326.00	77,326.00
	3,520,469.00	2,636,827.00	1,500,127.00	3,240,578.00	4,740,705.00
Cash outflows					
Admin	- 18,568.00	- 18,568.00	- 18,568.00	- 18,568.00	- 18,568.00
Advertising	- 68,110.00	- 68,110.00	- 68,110.00	- 68,110.00	- 68,110.00
Automotive	- 309,935.00	- 309,935.00	- 309,935.00	- 309,935.00	- 309,935.00
Donations	- 11,650.00	- 11,650.00	- 11,650.00	- 11,650.00	- 11,650.00
Education	- 243,298.00	- 243,298.00	- 243,298.00	- 243,298.00	- 243,298.00
Insurance	- 33,446.00	- 33,446.00	- 33,446.00	- 33,446.00	- 33,446.00
Interest and bank charges	- 43,366.00	- 43,366.00	- 43,366.00	- 43,366.00	- 43,366.00
Office	- 312,559.00	- 312,559.00	- 312,559.00	- 312,559.00	- 312,559.00
License, fees and dues	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00
Lottery draw prizes	- 251,800.00	- 251,800.00	- 251,800.00	- 251,800.00	- 251,800.00
Professional fees	- 54,979.00	- 54,979.00	- 54,979.00	- 54,979.00	- 54,979.00
Rent	- 34,133.00	- 34,133.00	- 34,133.00	- 34,133.00	- 34,133.00
Repairs and maintenance	- 90,558.00	- 90,558.00	- 90,558.00	- 90,558.00	- 90,558.00
Salaries and benefits	- 1,778,857.00	- 1,778,857.00	- 1,778,857.00	- 1,778,857.00	- 1,778,857.00
Staff expenses	- 14,177.00	- 14,177.00	- 14,177.00	- 14,177.00	- 14,177.00
Telephone and utilities	- 80,928.00	- 80,928.00	- 80,928.00	- 80,928.00	- 80,928.00
Travel	- 20,428.00	- 20,428.00	- 20,428.00	- 20,428.00	- 20,428.00
Uniforms and supplies	- 13,638.00	- 13,638.00	- 13,638.00	- 13,638.00	- 13,638.00
Vet fees and animal transport	- 354,210.00	- 354,210.00	- 354,210.00	- 354,210.00	- 354,210.00
Volunteers	- 581.00	- 581.00	- 581.00	- 581.00	- 581.00
	- 3,736,721.00	- 3,736,721.00	- 3,736,721.00	- 3,736,721.00	- 3,736,721.00
Net cash inflow (outflow)	- 216,252.00	- 1,099,894.00	- 2,236,594.00	- 496,143.00	1,003,984.00
	A	**B**	**C**	**D**	**E**

Conclusions:

A - If revenue loss is related to Gaming and other revenues (interest, etc.) the Association should expect a cash loss of approx. $216k

B -If revenue loss is related to Donations, Bequests and other revenues (interest, etc.) the Association should expect a cash loss of approx. $1.1 million

C - If revenue loss is related to all inflows except Grants, the Association should expect a cash loss of approx. $2.2 million

D - If revenue loss is related to a loss of Grant inflows only, the Association should expect a cash loss of approx. $500k

E -2018 net cash inflows from the audited financial statements was approx. $1 million

Assumptions:

- No changes made to any expenses with revenue losses. This is likely to overstate the lossess in most cases and ultimately shows a worst-case-scenario.
- Assumption that when there is a loss of a particular revenue stream(s), it is a full loss of all revenues associated to that income stream.

Appendix III: Cash flow analysis – loss of revenues. Basis: 2017 actual cash flows

	2017				
	Grants, Bequests & Donatior	**rants and Gamin**	**Grants only**	**No grants**	**2017 (from FS)**
Cash inflows					
Grants	1,501,785.00	1,501,785.00	1,501,785.00	-	1,501,785.00
Donations & Bequests	1,297,006.00	-	-	1,297,006.00	1,297,006.00
Gaming	-	1,185,313.00	-	1,185,313.00	1,185,313.00
Education	-	-	-	1,046.00	1,046.00
Other contributions	-	-	-	4,252.00	4,252.00
Interest	-	-	-	117,143.00	117,143.00
	2,798,791.00	2,687,098.00	1,501,785.00	2,604,760.00	4,106,545.00
Cash outflows					
Admin	- 14,989.00	- 14,989.00	- 14,989.00	- 14,989.00	- 14,989.00
Advertising	- 66,847.00	- 66,847.00	- 66,847.00	- 66,847.00	- 66,847.00
Automotive	- 336,770.00	- 336,770.00	- 336,770.00	- 336,770.00	- 336,770.00
Donations	- 5,300.00	- 5,300.00	- 5,300.00	- 5,300.00	- 5,300.00
Education	- 233,318.00	- 233,318.00	- 233,318.00	- 233,318.00	- 233,318.00
Insurance	- 34,668.00	- 34,668.00	- 34,668.00	- 34,668.00	- 34,668.00
Interest and bank charges	- 51,428.00	- 51,428.00	- 51,428.00	- 51,428.00	- 51,428.00
Office	- 279,392.00	- 279,392.00	- 279,392.00	- 279,392.00	- 279,392.00
License, fees and dues	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00	- 1,500.00
Lottery draw prizes	- 251,000.00	- 251,000.00	- 251,000.00	- 251,000.00	- 251,000.00
Professional fees	- 78,178.00	- 78,178.00	- 78,178.00	- 78,178.00	- 78,178.00
Rent	- 30,409.00	- 30,409.00	- 30,409.00	- 30,409.00	- 30,409.00
Repairs and maintenance	- 86,368.00	- 86,368.00	- 86,368.00	- 86,368.00	- 86,368.00
Salaries and benefits	- 1,819,717.00	- 1,819,717.00	- 1,819,717.00	- 1,819,717.00	- 1,819,717.00
Staff expenses	- 10,084.00	- 10,084.00	- 10,084.00	- 10,084.00	- 10,084.00
Telephone and utilities	- 81,838.00	- 81,838.00	- 81,838.00	- 81,838.00	- 81,838.00
Travel	- 20,025.00	- 20,025.00	- 20,025.00	- 20,025.00	- 20,025.00
Uniforms and supplies	- 4,595.00	- 4,595.00	- 4,595.00	- 4,595.00	- 4,595.00
Vet fees and animal transport	- 239,825.00	- 239,825.00	- 239,825.00	- 239,825.00	- 239,825.00
Volunteers	- 3,213.00	- 3,213.00	- 3,213.00	- 3,213.00	- 3,213.00
	- 3,649,464.00	- 3,649,464.00	- 3,649,464.00	- 3,649,464.00	- 3,649,464.00
Net cash inflow (outflow)	- 850,673.00	- 962,366.00	- 2,147,679.00	- 1,044,704.00	457,081.00
	A	**B**	**C**	**D**	**E**

Conclusions:

A	- If revenue loss is related to Gaming and other revenues (interest, etc.) the Association should expect a cash loss of approx. $850k
B	-If revenue loss is related to Donations, Bequests and other revenues (interest, etc.) the Association should expect a cash loss of approx. $960k
C	- If revenue loss is related to all inflows except Grants, the Association should expect a cash loss of approx. $2.15 million
D	- If revenue loss is related to a loss of Grant inflows only, the Association should expect a cash loss of approx. $1 million
E	- 2017 net cash inflows from the audited financial statements was approx. $450k

Assumptions:

- No changes made to any expenses with revenue losses. This is likely to overstate the lossess in most cases and ultimately shows a worst-case-scenario.

- Assumption that when there is a loss of a particular revenue stream(s), it is a full loss of all revenues associated to that income stream.

Appendix IV: Projection of cash requirements in case of wind-up

	2019	2018	
Cash	3,294,244.00	2,222,690.00	
Accounts receivable	1,440.00	1,336.00	
GST receivable	21,650.00	20,876.00	
Trust accounts receivable	866,984.00	762,679.00	
Inventory	225.00	352.00	
Prepaids	60,367.00	46,502.00	
Short term investments	3,017,161.00	2,389,831.00	
Total current assets	7,262,071.00	5,444,266.00	
Accounts payable	339,502.00	190,623.00	
Current portion of LTD	29,739.00	35,344.00	
Total current liabilities	369,241.00	225,967.00	
Working capital	**6,892,830.00**	**5,218,299.00**	**Note 1**
Closure Costs	- 3,038,000.00	- 3,038,000.00	**Note 2**
Proceeds from sale of long term assets (buildings, equipment)	2,750,000.00	2,750,000.00	**Note 3**
Realized loss on sale of investments	- 741,182.00	- 208,261.00	**Note 4**
Grant, gaming and excess funds to be returned	- 3,000,000.00	- 3,000,000.00	**Note 5**
Total estimated cash on wind-up	**2,863,648.00**	**1,722,038.00**	

Note 1*:* As of December 31, 2019 the Society has a working capital of $6,892,830 (2018 - $5,218,299).

Note 2: Closure costs consist of estimated taxes, professional fees, lease paydowns, utility paydowns, penalties and other miscelaneous costs

Note 3: Estimated proceeds from the sale of Edmonton building, Okotoks building and other equipment.

Note 4: Estimated loss on sale of investments assuming worst case scenario of a full loss in value for all higher risk investments

Note 5: Related to repayment of gaming funds to the AGLC and returning the grant/excess funds to the government

Appendix V: Revenue, receipts and receivables narrative and sample walk-throughs

Alberta SPCA
Revenue/Receivables/Receipts System Narrative
December 31, 2019

<u>Revenue</u>

Revenue is recorded on a deferral basis. There are a number of sources of revenue:

- Grants – are recorded when payment received
  - Funding is received from Alberta Agriculture and Forestry based on historical and budgeted expenditures.
  - Any specific grants are deferred and recognized over the period of the grant as per the grant agreement.
  - Alberta Agriculture receives a quarterly report of grant expenditures (prepared monthly by Val, submitted quarterly by Terra).
- Gaming Revenue – These include funds received from lottery.
  - Three lotteries run annually, and Alberta Gaming requires that the funds for each lottery be maintained in six separate bank accounts. The spending of these funds must only be for lottery related costs.
    - Each lottery has to start with a zero account.
      - Gaming revenue would therefore be considered restricted funds
  - The profits from each lottery are then transferred to consolidate gaming account, which can then be used for expenditures specifically approved by AB Gaming.
  - Held until associated expenditures are incurred or come up.
  - There are now 6 accounts but they are for licensed applications – the accounts are used on a rotating basis by season because each new lottery must start with a zero account and be completely sent out.
  - Bingo is no longer run; too intensive on volunteers. Bank account is still open.
  - Casinos are run on the typical 18-month cycle.
- Donation revenue – recorded when received.
- Bequests are recorded when received.

<u>Receivables</u>

- Almost all revenue is recorded on receipt therefore there is little trade A/R.
- Grants are typically received once per year at the start of Alberta Agriculture fiscal year. If there were any grants receivable, those would be noted.
- Bequests are not entered until received. While the ASPCA may be aware of expected bequests, there is no receivable recorded because the amounts are uncertain.

Receipts

Grants

- Grant funds are received by direct deposit.
- Gaming funds are received by direct deposit.

Gaming funds

- Lottery ticket purchases may be completed by credit card, cash or cheque. Most are purchased over the phone or online.
- Casino revenue is received by direct deposit after the event (to cover advisor fees) and after the end of the quarter to which the event belongs (for the majority of the event). Revenues are recorded when

received. A Casino event late in the year would be recorded as receivable once the amount was known if there were a cutoff issue.

Donations – Cheque or cash

- Mail is received by Ruth-Ann Burak at the front desk, who then prepares a spreadsheet of receipts.
- The funds are totaled (cheque or cash) then go to Allyson McLean, who is responsible for data entry into Razor's Edge (software which tracks donations and issues tax receipts).
- Cheques are deposited via the cheque depositing system (Cheque-pro).
- Any cash, if received, is taken to the bank. Cash may sometimes come in via mail (2 per month) or a walk-in with a fundraiser. Allyson prepares any cash deposits and either her or Val will make the bank deposit.
    - Fundraisers may or may not advise the SPCA of their intention.
- After the cheque or cash deposit is completed Allyson's spreadsheet and stamped deposit sheet copy from the bank go to Valerie Bueckert, Accounting Manager for bookkeeping and reconciliation.
- Allyson provides the donations date to Val, approximately weekly, who enters as a batch into AccountEdge.
- Allyson keeps the deposit book. Bank receipts are attached to bank rec.
- Bequests are generally received via cheque from Estate executors. Allyson records the donation to Razor's Edge and issues the receipts. Allyson makes all bequest deposits as stand-alone transactions and documents them individually. Estate documentation is kept by Terra.

Donations – electronic receipt

- Monthly donations are received by PAD by authority of donors. Val enters changes to RBC Express for updated amounts, new/cancelled donors, bank account changes.
- Donors can also donate by debit or credit cards via the ASPCA website, which interfaces with Razor's Edge.
- One-time credit card donations can also be done, over the phone or online. Allyson enters to Razor's Edge. 2% retained by credit card companies. Each donation comes in separately.
- E-mail transfers are not yet accepted. This is currently under discussion with the bank.

<u>Tax receipts</u>

- Donors are issued a tax receipt for donations. Exceptions are anonymous donations, or group / fundraiser donation.
- Donations received in January are recorded to the prior year if (and only if) the envelope is stamped in the prior year, which is required by law.
- Tax receipts are issued annually for monthly donors (called Animal Response Team (ART) donations). These are issued at the end of January.
- One-off donations (online, phone, cheque etc.) are issued per donation, at the time of donation.

<u>Bank recs and review</u>

- A regular review of Valerie's work is conducted by Terra to ensure that amounts are reported as expected.
- Terra reviews budgets vs. actual and are required to Board of directors on a quarterly basis. Spending of grant funds are reported to Alberta Agriculture and Forestry on a quarterly basis.
- Ruth-Anne reviews Valerie's reconciliation and balances for accuracy, and also looks at the cheque images to confirm that the cheques cleared as written / unchanged.

<u>Volunteer access to revenue</u>

- Per Terra, Val and Allyson: there are very few volunteers and they are not in a position to handle cash or cheques. Volunteers are mostly with Education and Lottery departments working on campaigns.

Seizures

- Cash may be received from owners of seized animals. Owners who want to get their animals back must pay by cash or money order / bank draft. Cash is counted by the Peace Officer and given to Ken, who passes on to Val. Envelopes with cash are sealed and signed across the seal.

Alberta SPCA
Revenue/Receivables/Receipts Walkthrough
December 31, 2019

Purpose: To ensure that the system is operating as documented

Walkthrough #1

(1) Select one revenue transaction from the general ledger

Donations – Direct Response (#4-3140) – September 24, 2019- $21,500.00

(2) Agree to deposit sheet

Done – agreed to batch control report (deposit sheet) for $24,870 on Sept 24, 2019
Deposit was for $21,500 + $2,870 in Direct Response revenue plus $500.00 to unsolicited donation.

$21,500 is comprised of multiple small donations received by cheque in the mail.

Deposit was made via Cheque-Pro system, where cheques are scanned and deposited to RBC bank accounts electronically. Deposit for $24,870 per Cheque Pro report agrees to batch report.

Direct Response is differentiated from Donations if, when received, the amount is accompanied by response form or other request for donations. Unsolicited donations are labeled "donation" is Razor's Edge.

(3) Agree deposit sheet to actual deposit

Done – deposit on Sep 12, 2019 to RBC Operating Account (GL 1-1111)

(4) Ensure GL coding is appropriate

Account code – 4-3140 Donations – Direct Response - Coding is correct
$500 unsolicited donation is correctly recorded to 4-3340 Donations.

(5) Ensure donation receipt generated, if appropriate

Done – traced a donor to donation receipt.

Selected a sample of one donor (Louise Pannenbecker, $125). Vouched her record on screen showing one-time donation of $125.00. Viewed her donation receipt $125. Numbered receipts are printed to pre-printed donation receipt forms which correspond to CRA receipt requirements.

(6) Ensure that the bank is reconciled

Bank reconciled by Valerie, reviewed by Ruth-Ann Burak for accuracy.

Walkthrough #2

(1) Select one donations revenue transaction from the general ledger

Donations (#4-3340) – Feb 01, 2019 - $14,625.00
(Monthly pre-authorized debit donations)

(2) Agree to deposit sheet

Done – agreed to Batch Commit Report (Razor's Edge) showing $14,600 "after NSFs"
Chargeback of $25.00 recorded to GL on Feb 07 2019

Deposit prepared Feb 01, 2019

(3) Agree deposit sheet to actual deposit

Done – deposit of $14,625 on Feb 01, 2019 to RBC Operating Account 101-909-0.
$25.00 PAD return (NSF) reversed on Feb 04 2019 per bank statement.

(4) Ensure GL coding is appropriate

Account code – 4-3340 Donations - Coding is correct for monthly donations

(5) Ensure donation receipt generated, if appropriate

Done – traced a donor to donation receipt.

Selected a sample of one monthly donor (Aileen Gordashko, $25.00). Vouched her record on screen showing 12 monthly donations of $25.00. Viewed her annual donation receipt for 12 x $25 = $300. Numbered receipts are printed to pre-printed donation receipt forms which correspond to CRA receipt requirements.

(6) Ensure that the bank is reconciled

Done - Bank reconciled by Valerie, reviewed for accuracy by Ruth-Ann Burak.

Walkthrough #3

(1) Select a Blackbaud revenue transaction from the general ledger

4-3340 Donations (received via Blackbaud)
Revenue amount consists of 7 deposits during the month of January, each of which was comprised of multiple donations.

(2) Agree to deposit sheet

Done – Agreed Blackbaud reporting to reconciliation report amounts and transaction fees

Deposits made on weekly from payment processing company. Deposits of funds received occur automatically.

(3) Agree deposit sheet to actual deposit

Done – Seven deposits totaling $21304.50 made during the month of January.

(4) Ensure GL coding is appropriate

Account code – 4-3340 Donations - Coding is correct for one-time donations received via SPCA website. The Blackbaud system only receives donations, no other type of revenue.

(5) Ensure donation receipt generated, if appropriate

Discussed with Valerie. Alison receives the detailed reporting from Blackbaud, enters donations into Razor's Edge, and generates the Batch Commit report for Val.

(6) Ensure that the bank is reconcile received during the month of January,

Done - Bank reconciled by Valerie, reviewed for accuracy by Ruth-Ann Burak.

The bank account where this was received is a bank account set up specifically to receive donations and ticket purchases via various transaction methods (Blackbaud, Canada Helps, lottery).

Walkthrough #4

(1) Select a cash donations revenue transaction from the general ledger

Donations – Direct Response (#4-3140) – August 28, 2019- $5,136.00

(2) Agree to deposit sheet

Done – agreed to Batch Commit Control Report (deposit sheet) for $5,136.00 on Aug 28, 2019
Deposit was for $5,136 in Direct Response revenue.

Revenue of $5,136.00 is comprised of 5 individual donations by cheque.

Deposit was made via Cheque-Pro system, where cheques are scanned and deposited to RBC bank accounts electronically. Deposit for $5,136 per Cheque Pro report agrees to batch report.

(3) Agree deposit sheet to actual deposit

Done – deposit on Sept 03, 2019 to RBC Operating Account (GL 1-1111)

(4) Ensure GL coding is appropriate

Account code – 4-3140 Donations – Direct Response - Coding is incorrect – amount was unsolicited and is part of Nud Vodka's national corporate social responsibility. Account code should have been 4-3340 Donations.

Discussed with Val – data entry error. However, the use of the Donations vs Direct Response donations is the same; the accounts are separated to provide feedback on effectiveness of outreach activities. Therefore the classification error is acceptable.

(5) Ensure donation receipt generated, if appropriate

Done – traced a donor to issued donation receipt.

Selected a sample of donation (Nud Vodka for $5,000). Vouched corporate record on screen showing one donation of $5,000. Viewed the donation receipt for $5,000 issued in 2019.
Numbered receipts are printed to pre-printed donation receipt forms which correspond to CRA receipt requirements.

(6) Ensure that the bank is reconciled

Bank reconciled by Valerie, reviewed by Ruth-Ann Burak for accuracy.

Walkthrough #5

(1) Select a lottery revenue transaction from the general ledger

4-2019 Lottery income

(2) Agree to deposit sheet

Done – Handwritten deposit slip for $6,660.00 agrees to ChequePro listing of cheques for $6,660

Deposit is comprised of 111 cheques for $60 each for lottery tickets.

(3) Agree deposit sheet to actual deposit

Done – Deposit for $6,660 made to bank on Apr 23 2019
Deposit bank account was 1-1123 June Lottery

(4) Ensure GL coding is appropriate

Account code – 4-2190 Lottery income - Coding is correct for lottery ticket revenue

(5) Ensure donation receipt generated, if appropriate

Done – no donation receipt issued for lottery ticket purchase.

Selected a sample of one donor. Vouched on screen that ticket purchase was recorded to lottery databased. Vouched that payment was not recorded as a donation. In this case, one cheque was written for a donation and a ticket; both amounts are recorded in Razor's Edge but the ticket amount of $60 was noted as "no receipt". Viewed the donation receipt on screen and confirmed that only the donation amount was receipted, not the ticket purchase.

(6) Ensure that the bank is reconcile received during the month of January,

Done - Bank reconciled by Valerie, reviewed for accuracy by Ruth-Ann Burak.

The bank account where this was received is a designated Lottery bank account which is used only for lottery purposes.

Conclusion:
The revenue and receipts system is operating as documented.

Appendix VI: Purchases, payables and payments narrative and sample walk-throughs

Alberta SPCA
Purchases/Payables/Payments Narrative
December 31, 2019

Purchases

- Purchases are initiated based on needs of each department and on the budgeted expenditures
- A purchase order system is used in which a purchase order is completed listing the purchases made along with supporting receipts or invoices. This is typically for items not budgeted for, but this is used to help with Val for classification and to know which account to pay out of.
- POs are required for non-budgeted expenses.
- POs for non-budgeted expenses may be completed.
  - Departments fill out PO books on pre-printed pre-numbered forms.
  - Expenses under $100 do not require PO.
  - Routine purchases such as gas, utilities, etc. do not require a PO
  - Animal Protection Services (Ken Dean) does not prepare POs but Ken Dean signed off on each expense and provides to Val ready for payment.
  - Budgeted items do not generally require additional approval.
  - PO also provides details on intended allocation of expenses.
- Valerie Bueckert, Accounting Manager then matches the order forms up with the related receipts and prepares a cheques.
- Employees expenses – employees may make purchases and be reimbursed if they don't hold a credit card. Staff who use personal vehicles for business are paid per km. Travel or conference expenses may also be expensed. Employees fill out an expense form and are reimbursed.
  - Board travel expenses are processed similar to above.

Payables

- The accounts payable subledger is not used throughout the year. Expenses are dated at the date of payment. Year-end accruals are prepared to reflect accounts payable at year-end, but for the remainder of the year, cash basis is used to record expenses.
- At year end, invoices dated in the year but received after year end are paid on a cheque dated Dec 31 (which may be written after Dec 31), and recorded as outstanding cheques in the bank as at Dec 31.

Payments

- Payment cheques and reports are reviewed for accuracy of date and amount by Ruth-Ann Burak prior to sending out cheques to vendors.
- Cheques from General and Gaming Consolidated accounts are printed to pre-printed, pre-numbered forms from AccountEdge. Cheques from all other accounts are hand-written on numbered cheques by Val. Cheques are kept in Val's locked cabinet. Val writes all the cheques.
- Cheques are typically signed by Val first, on preparation, then Terra or Melissa. All cheques require two-signatures.
- Any purchases with value greater than $3,000 (increased to $10,000 as of fall 2019) must be approved and signed off by the President of the Board. Val provides a list with the expense, reason, cheque etc. to Duane Landals, President, explaining the reason for the purchase. Approval takes place via email; the approval is printed and kept in files. Per Terra Johnson, the reason for this process is so that the Board is made aware of larger purchases. The policy limits and rationale are being reconsidered for 2020.
- Cheques must be signed by two of the signing authorities. In practice, this is most often Valerie, with Terra or Melissa, but may be a Board member:

- Valerie Bueckert, Accounting Manager
    - Melissa Logan, Director of Education,
    - Terra Johnston, Executive Director
    - President, Dr. Duane Landals
    - Vice-President, Doug Sawyer
    - Treasurer, Judy Clark
    - Secretary, Bonnie Weiss
- There is regular review of reports on spending and comparisons of actual to budget by Terra, such that a review of Valerie's work is done. Terra does not typically review bank recs.
- Ruth-Ann mails the cheques, returns invoices and cheque stubs to Val, and Val files.

Credit cards

- Credit cards are held by 21 staff members.
    - Cards are issued to Peace Officers, Department Heads, etc. based on need.
    - Reason is to allow staff who travel to easily manage their expenses for the department.
    - Staff are issued cards after 3 months' probation period.
- Cards have individual spending limits ranging from $1,500 to $5,000. Spending limits are based on operating needs.
- Credit card statements are reviewed by Val, but are not generally reviewed by department heads.

Fuel cards

- There are 14 staff across the province with multiple fuel cards each (FasGas, PetroPass, Coop etc.) issued for operations around the province. Cards are issued to correspond with expected travel region and stations available in their areas.
- Cards are for fuel only.
- Employees are required to submit mileage logs and receipts. Val does not trace individual receipts to gas company statements. However, each card is itemized separately and could be compared to mileage reporting by an individual should unusual purchases occur.
- Personal km are logged and submitted monthly; personal km are recorded as a taxable benefit on T4 slips.

<u>EFT payments</u>

- ASPCA pays routine / main vendors by EFT (Enmax, Telus, Shaw, mortgage, Blue Cross, vehicle fuel, Visa). Val feels that the cheque-signing process is a valuable control which enables singing authorities to see the original documentation.
- Val prepares the payments with the bank and makes the payments. There is currently no other authorization or routine review, other than quarterly review of financials vs budget.
- Per Terra, the ASPCA will likely have to look more closely at EFT payments because more vendors are interested in EFTs rather than cheques. The approval process will need to be revisited.

<u>Bank reconciliations</u>

- Val reconciles active bank accounts monthly in Account Edge.
- Ruth-Ann reviews Valerie's reconciliation and balances for accuracy, and also looks at the cheque images on bank statements to confirm that the cheques cleared as written / unchanged.
- Ruth-Ann is aware of what to expect in terms of vendor payments due to her involvement in the payment process. She has no signing authority and no bank access.
- Terra does not routinely look at bank reconciliations, however, she does look closely at financial statements and year-to-date spending vs budget.

Alberta SPCA
Purchases/Payables/Payments Systems Walkthrough
December 31, 2019

Walkthrough #1

(1) Select an invoice for payment

Line of Fire Defence Systems
$1,445.25 + $72.26 GST = $1,517.51

(2) Agree amount to general ledger

Dr 6-1085	Uniform expense		$1,481.94
Dr 1-1040	GST recoverable	$35.57 (50% recoverable could be $36.13)	
Cr 1-1111	RBC Operating Account	$1,517.51	

Dated October 10 2019 in GL – Reasonable; invoice is dated Oct 02 2019, received Oct 07 2019
Per narrative, Valerie dates purchase transactions at the payment date.

GST reasonable; system calculates 2.344% of total invoice as recoverable rather than 50% of GST/HST. This is a conservative approach and ensures ASPCA is never over-reporting the GST recoverable. Difference is $0.56.

(3) Ensure coding is reasonable

Reasonable – invoice is for Peace Officer patches, body armour and uniforms.
Amount coded to expense account 6-1085 Uniform Expense

(4) Ensure purchase is authorized

Authorized via stamp and signature on invoice by Ken Dean, Oct 07 2019

(5) Ensure payment is authorized

Agreed – cheque signed by Valerie Bueckert (Accountant) and Duane Landals (President).

(6) Agree to accounts payable subledger

N/A – Valerie records expense transactions on a cash basis; this amount does not transit A/P.

(7) Agree amount paid to amount withdrawn from bank account.

Agreed – Cheque #6921 written to Line of Defence dated Oct 10 2019 for $1,517.51

(8) Ensure payment came out of the bank account

Agreed – Cheque 6921 for $1,517.51 cleared bank on Oct 17 2019.

(9) Ensure that the bank is reconciled

Bank reconciled by Valerie at month end. Bank reconciliation checked by Ruth-Ann B for accuracy.

Walkthrough #2

(1) Select an invoice for payment

Parkland Fuel Corporation (Fleet Plus / FasGas Plus)
$4,412.25 + $220.66 GST = $4,632.92

(2) Agree amount to general ledger

Dr 6-1086	Vehicle - operating	$4,524.33
Dr 1-1040	GST recoverable	$108.58 (50% recoverable could be $110.33)
Cr 1-1111	RBC Gaming account	$4,632.91

Dated December 31 2019 in GL – Reasonable; invoice is dated Dec 31 2019.

GST reasonable; system calculates 2.344% of total invoice as recoverable rather than 50% of GST/HST. This is a conservative approach and ensures ASPCA is never over-reporting the GST recoverable. Difference is $1.75.

Per AGLC Use of Proceeds, vehicle fuel is an approved use therefore use of restricted funds is reasonable.

(3) Ensure coding is reasonable

Reasonable – invoice is for gas purchased on fuel cards.
Amount coded to expense account 6-1086 Vehicle - Operating

(4) Ensure purchase is authorized

Holders of gas cards are authorized to use them. No additional authorization is required.

(5) Ensure payment is authorized

Agreed – cheque signed by Valerie Bueckert (Accountant) and Terra Johnson (Executive Director). Both are authorized to sign cheques.

(6) Agree to accounts payable subledger

N/A – Per narrative, Valerie records expense transactions on a cash basis; this amount does not transit A/P. Noted that invoice was received in January 2020; cheque 2624 was listed as outstanding on Dec 31 2019 bank reconciliation for Gaming bank account.

(7) Agree amount paid to amount withdrawn from bank account.

Agreed – Cheque #2624 written to Parkland Fuel Corporation dated Dec 31 2019 for $4,632.91

(8) Ensure payment came out of the bank account

Agreed – Cheque 2624 for $4,632.91 cleared Casino bank on Jan 23 2020.

(10) Ensure that the bank is reconciled

Bank reconciled by Valerie at month end. Bank reconciliation checked by Ruth-Ann Burak for accuracy.

Walkthrough #3

(1) Select an invoice for payment

Bell Media / CTV
$1,000.00 + $50.00 GST = $1,050.00

(2) Agree amount to general ledger

Dr 6-1022	Advertising expense	$1,025.39
Dr 1-1040	GST recoverable	$24.61 (50% recoverable could be $25.00)
Cr 1-1111	RBC Operating Account	$1,050.00

Dated June 13 2019 in GL – Reasonable; invoice is dated June 30 2019 for an appearance on CTV Morning Live May 30 2019. Invoice specifies 8:10am on May 30 as the billed line item.
Per narrative, Valerie dates purchase transactions at the payment date; in this case the transaction date is the date the June 05 2019 RBC Visa statement was paid.

GST reasonable; system calculates 2.344% of total invoice as recoverable rather than 50% of GST/HST. This is a conservative approach and ensures ASPCA is never over-reporting the GST recoverable. Difference is $0.56.

Expense was paid by RBC Visa by Dan Kobe (Communications Manager). Per Terra Johnson, Dan is an authorized holder of an RBC Visa card.

(3) Ensure coding is reasonable

Reasonable – invoice is for TV appearance.
Amount coded to expense account 6-1022 Advertising Expense

(4) Ensure purchase is authorized

Holders of gas cards are authorized to use them. No additional authorization is required.

(5) Ensure payment is authorized

Agreed – EFT made by Valerie, approved by virtue of the holder being authorized to make purchases. No secondary approval / review is completed.

(6) Agree to accounts payable subledger

N/A – Valerie records expense transactions on a cash basis; this amount does not transit A/P.

(7) Agree amount paid to amount withdrawn from bank account.

Agreed – Documentation of EFT $1,513.11 attached to credit card statement. Subsequent statement shows payment processed to this card.

(8) Ensure payment came out of the bank account

Agreed – Debit memo to RBC Visa for $1,513.11 cleared Operating bank on June 13 2019.

(11) Ensure that the bank is reconciled

Bank reconciled by Valerie at month end. Bank reconciliation checked by Ruth-Ann B for accuracy. Credit card statement also shows evidence of double-check by Ruthann B

Walkthrough #4

(1) Select an invoice for payment

GlenPark Pet Hotel and Suites
$414.00 + $20.70 GST = $434.70

Payment is entered as one transaction for multiple invoices:

Invoice date	Net	GST	Total	Service date
1-Mar	349.00	17.45	366.45	Feb222019
27-Feb	326.70	16.34	343.04	Dec222018toWedJan022019
27-Feb	414.00	20.70	434.70	Dec082018toDec152018
27-Feb	936.10	46.81	982.91	Dec05-Jan012019
27-Feb	1,774.20	88.71	1,862.91	Dec012018-Jan012019
27-Feb	969.40	48.47	1,017.87	Dec012018-Dec202018
27-Feb	1,665.23	69.21	1,734.44	Dec012018-Dec202018
	6,434.63	307.68	6,742.31	

(2) Agree amount to general ledger

Dr 6-1087	Vet & Caretaker Fees	$6,548.30
Dr 1-1040	GST recoverable	$158.02 (50% recoverable should be $153.84)
Cr 1-1111	RBC Operating Account	$6,742.32

Dated March 12 2019 in GL – Potential cut-off error due to December 2018 boarding costs. Vendor invoice is dated in Feb 2019 therefore the entry is not incorrect, however, ASPCA would have known about the dogs in boarding and should have asked for invoices dated in 2018 to Dec 31 2018 as part of cut-off procedures.

GST reasonable; system calculates 2.343971% of total invoice as recoverable rather than 50% of GST/HST. GST recoverable was over-stated by $4.18 because of some non-taxable dog food.

(3) Ensure coding is reasonable

Reasonable – invoice is for kennel / boarding for particular animals.
Amount coded to expense account 6-1087 Vet & Caretaking Fees

(4) Ensure purchase is authorized

A purchase order on pre-printed, pre-numbered forms was generated by PSK (Pet Safe Keeping) and authorized by Julia or Patricia.

Per policy, cheques over $3,000 are to be authorized by Duane Landals. Vouched to approved list of expenses, produced by Val on Mar 19 2019 with approval dated Mar 30 2019, signed by Dr Landals.

(5) Ensure payment is authorized

Agreed – cheque signed by Valerie Bueckert (Accountant) and Terra Johnston (President). Both are authorized to sign cheques.

(6) Agree to accounts payable subledger

N/A – Valerie records expense transactions on a cash basis; this amount does not transit A/P.

(7) Agree amount paid to amount withdrawn from bank account.

Agreed – Cheque #2392 written to Glenpark Pet Hotel dated Mar 12 2019 for $6,742.32

(8) Ensure payment came out of the bank account

Agreed –Cheque 2392 for $6,742.32 cleared bank on Mar 21 2019.

(12) Ensure that the bank is reconciled

Bank reconciled by Valerie at month end. Bank reconciliation checked by Ruth-Ann B for accuracy.

Control risks identified:
Risk of theft of assets by charging personal fuel expenses to ASPCA card, or loss of cards. Risk of loss of card, resulting theft of credit limit. Risk is mitigated by limits on each card, and by only providing cards relevant to the geographic area of travel.

Examined 2020 GlenPark invoice; invoice was for Jan 2020 boarding.

Conclusion:
While there are opportunities for modest improvements, the purchases, payables, payment system is operating as documented.

Appendix VII: Payroll narrative and sample walk-throughs

Alberta SPCA
Payroll Narrative
December 31, 2019

Note – pay period is semi-monthly (16th and last day of each month)

- Payroll is completed in house using QuickBooks payroll module by Valerie Bueckert, Accounting Manager.
    - Note that QuickBooks is used for payroll only. A Journal Entry moves the payroll into Account Edge. Net payroll per QuickBooks is allocated by fixed percentage into departments.
    - Source deductions are similarly allocated by department per fixed percentage but are paid out of Account Edge.
- Each employee submits time sheets directly to Valerie, who inputs the information into QuickBooks.
    - Department heads authorizes these timesheets; Ken (animal protection services), Jocelyn, (fund development manager), or Melissa (director of education).
    - Terra Johnston, Executive Director, approves all other ones.
    - Hourly workers are paid to cut-off (~36 hours prior to deposit) and hours worked at cut-off are paid in the next pay period.
- QuickBooks submits this information directly to the bank, which produces a banking report of the amounts directly deposited to employee accounts.
- QuickBooks produces and emails paystubs automatically to each employee.
- Val enters the payroll to RBC Direct and generates the payments.
- Terra signs off after the fact on the payroll report with the bank payment records.
- Source deductions are paid by cheque on the last day of each month.
- Val generates T4 slips from QuickBooks

Benefits and pension

- ASPCA offers a defined contribution pension plan.
    - Full time employees after their one-year anniversary are required to register for the pension plan.
    - Part time staff can be eligible for the pension after 2 years under certain criteria. Only one staff meets this criteria (minimum amount of hours is need (28 to 30 hours per week).
    - Pension is an employee contribution of 5% of gross salary matched by ASPCA to the same amount.
- Full time staff are eligible for Alberta Blue Cross health, dental, STD/LTD insurance benefits after 3 months. Part time staff may enroll also if they work 30 hours per week or more.
- RRSP matching plan is available to full-time staff after one year, and provides matching contributions up to $600 per year. Funds must be invested with group RRSP (Great West Life).
- QuickCard pharmacy card for up to $250 / yr.
- There are two payroll account (RP0001 and RP0002) based on the in house benefits plan. Those who are on the benefit plan are RP0001 and those who are not are on RP0002 for the EI benefits.
    - These correspond to CRA RP accounts – CRA requires that pension-contributing staff be on a separate payroll account from non-pensioned staff.
- Vacation
    - Full time staff accrue vacation
    - Part time staff are paid out each pay
    - Val tracks vacation accrual per person in Excel and provides same to Terra and Ken every month for review.
- The reports are reviewed against one another by Valerie and then once again by Terra.

- Maternity leave top-up is available.

Hiring
- Staff are hired to fill approved positions.
- Job is posted and advertised, as appropriate to the position.
- Department head short-lists candidates, conducts interviews.
- Interviews are conducted by 2 – 3 interviews, who use a rubric / interview key.
- An offer letter is generated by the Department head confirming dates, compensation and benefits.
- Police criminal record checks are requested on hiring
    - Peace Officers go through a more rigorous process; education department goes through the vulnerable sector check.
    - Policy currently indicates that existing employees are asked to repeat the process every three years. The policy is under review.
- Employee files are kept by Val (compensation) and Terra (disciplinary, other, matters)
- Salary is determined per established wage grid as approved by the Board. .

Wage increases
- Increases are per the salary schedule, which provides for incremental increases on the anniversary date for up to five years of service.
- Cost of living increases are periodically recommended, reviewed and approved by the Board. The salary grid is updated if approved, and all staff salaries are increased per the new grid.

Terminations
- A decision to terminate would be made by a department manager of the ED.
- Val generates ROE forms when needed.

Volunteers
- There are few volunteers. Volunteers are not paid for expenses (do not incur any). No honoraria are paid.
- Onboarding includes a criminal records cheque.

Board
- There are no Board honoraria
- Board may be paid travel and accommodation expenses.
- Onboarding includes a criminal records cheque.

Alberta SPCA
Payroll Walkthrough
December 31, 2019

Purpose: To ensure that the system is operating as documented

Walkthrough #1 – RP0002 Account – full time employee (he will switch to RP0001 on anniversary)

(13) Select an employee and pay period

Employee:	James Dudnar
Period:	Mar 29 2019
Gross pay:	$2,500.89

Deductions:	(716.53)
STD/LTD premiums	(67.75)
Net pay:	$1,716.61
Plus: taxable vehicle benefit	40.00
Plus: taxable Blue Cross benefit	12.61

(14) Agree rate of pay to employee file

Employee paid salary gross of $2,500.89 semi-monthly.
Contract agrees - rate per offer letter is $60,021.26 (Level E Peace Officer) / 24 pay periods = 2,500.5.
Amount agrees to salary grid for a Peace Officer Level E (starting salary).
James started Apr 23 2018 therefore was not yet eligible for pension at Mar 29 2019.

(15) Agree hours to timesheet

N/A - James is full time and hours of work are specified per contract.
Vehicle benefit is an estimated amount; Val reconciled to actual personal use mileage at year end for T4. Val uses online CRA Automobile Benefits calculator.

(16) Ensure deductions are reasonable

Done – amounts agree to CRA online for CPP and EI
Amount for tax is higher: $553.23 per paystub vs 452.24 per CRA online payroll calculator.

(17) Agree to total payroll amount for period

Done – total net payroll is $42,507.63

(18) Agree total to EFT

Agreed - Net pay to James Dudnar on EFT report agrees to paystub.

(19) Agree amounts to the general ledger

Accounts appropriate - 6-1090 – Payroll expense – batch entry totaling $42,507.63 recorded March 29, 2019.
Amounts allocated by department: 65% OERWO, 10% FW, 10% EDW, 15% AW.

(20) Ensure that the bank is reconciled

Bank reconciled by Valerie at month end

(21) Ensure total payroll (net pay and source deductions) amounts clear bank

Net payroll withdrawal from bank on Mar 29,2019 matches total batch for all employees - $42,507.63

Source deductions of $10,737.73 & $32,912.92 totaling $43,650. 65 withdrawn from bank on Apr 09 and Apr 10 2019 agree to payroll total.

Walkthrough #2 – RP0001 Account – perm part-time employee

(1) Select an employee and pay period

Employee:	Jocelyn Brulotte
Period:	Apr 30 2019
Gross pay:	$667.63
Deductions:	(117.48)
Pension contribution	(33.38)
RRSP contribution	(25.00)
STD/LTD premiums	(161.63)
Net pay:	$330.14
Plus: RRSP benefit	25.00
Plus: taxable Blue Cross benefit	14.00

(2) Agree rate of pay to employee file

Agreed – Fund Development Manager Level B as of Feb 2018 - $74,061.84 = 3,085.91 per pay period.

Jocelyn was on maternity leave at Apr 30 2019; this pay cheque represents maternity leave top-up to EI. Top-up wage was calculated as 15 weeks supplementary mat leave + 10 weeks parental leave benefits. ASPA pays up to 45% of normal weekly insurable earnings for up to 25 weeks – divided by the number of weeks she is actually off work. Amount is reasonable.
Employee paid salary gross of $2,500.89 semi-monthly. Reviewed Val's detailed calculations for adjusted wages and agreed to all file details.

(3) Agree hours to timesheet

N/A – Jocelyn is a salaried employee and does not keep a time sheet.

(4) Agree benefits to source documents

RRSP contributions agreed to Great West Life statement.
Blue Cross premium and benefits agreed to Alberta Blue Cross statement.

(5) Ensure deductions are reasonable

Done – amounts agree to CRA online for CPP and EI
Amount for tax is higher: $117.48 per paystub vs nil per CRA online payroll calculator. However, Val's calculation accounts for taxable benefits.

(6) Agree to total payroll amount for period

Done – total net payroll is $43,627.67

(7) Agree total to EFT

Agreed - Net pay to on EFT report agrees to paystub.

(8) Agree amounts to the general ledger

Accounts appropriate - 6-1090 – Payroll expense – batch entry totaling $43,627.67 recorded April 30, 2019.
Amounts allocated by department: 65% OERWO, 10% FW, 10% EDW, 15% AW.

(9) Ensure that the bank is reconciled

Bank reconciled by Valerie at month end

(10) Ensure total payroll (net pay and source deductions) amounts clear bank

Net payroll withdrawal from bank on Apr 30, 2019 matches total batch for all employees - $43,627.67
Source deductions of $9,663.40 & $33,807.76 totaling $43,471.16 withdrawn from bank on May 02 agree to payroll total. ($43,471.16 per GL)

Walkthrough #3 – RP0001 Account – perm part-time employee

(1) Select an employee and pay period

Employee:	Colin Loov
Period:	Sept 16 2019
Gross pay:	$3,039.84
Deductions:	(916.71)
Pension contribution	(151.99)
RRSP contribution	(25.00)
STD/LTD premiums	(106.39)
Net pay:	$1,839.75
Plus: RRSP benefit	25.00
Plus: Vehicle benefit	100.00 (based on agreement with employee)
Plus: taxable Blue Cross benefit	14.34

(2) Agree rate of pay to employee file

Agreed - Rate per employee file is $72,956.23 (Peace Officer Level A – highest rate) / 24 pay periods = $3,039.84
Amount agrees to salary grid for a Level A Peace Officer.

(3) Agree hours to timesheet

N/A – Colin is a salaried employee and does not keep a time sheet.

(4) Agree benefits to source documents

RRSP contributions agreed to Great West Life statement.
Blue Cross premium and benefits agreed to Alberta Blue Cross statement.
Vehicle benefit agrees to estimated amount; employee agrees to a monthly estimate to mitigate taxes on the eventual benefit.

(5) Ensure deductions are reasonable

Done – CRA online deductions are $856.32 vs $916.71. Difference likely due to taxable benefits.

(1) Agree to total payroll amount for period

Done – total net payroll is $44,686.19

(6) Agree total to EFT

Agreed - Net pay to Colin Loov on EFT report agrees to paystub.

(7) Agree amounts to the general ledger

Accounts appropriate - 6-1090 – Payroll expense – batch entry totaling $44,686.19 recorded April 30, 2019.
Amounts allocated by department: 65% OERWO, 10% FW, 10% EDW, 15% AW.

(8) Ensure that the bank is reconciled

Bank reconciled by Valerie at month end

(2) Ensure total payroll (net pay and source deductions) amounts clear bank

Net payroll withdrawal from bank on Sept 16, 2019 matches total batch for all employees - $44,686.19
Source deductions of $5,939.83 & $32,852.95 totaling $38,792.78 withdrawn from bank on Oct 10 agree to payroll total. ($38,792.78 per GL)

Walkthrough #4 – RP0002 Account (part time employee)

(1) Select an employee and pay period

Employee:	Rachel Kelly
Period:	Dec 31 2019
Gross pay:	$321.30
Vacation pay (4%)	12.85
Deductions:	(90.01)
Pension contribution	(-)
RRSP contribution	(-)
STD/LTD premiums	(-)
Net pay:	$244.14

(2) Agree rate of pay to employee file

Agreed - Employee wage of $17.85 / hour agrees to wage review on file.
4% vacation pay is also paid – agrees – 4% of gross salary included in $334

(3) Agree hours to timesheet

Agreed – Rachel worked 12 hours.
Pay includes 6 hours of stat holiday for Dec 25, calculated as average of the previous 9 same weekdays for Christmas Day.

(4) Agree benefits to source documents

N/A – Rachel does not have benefits.

(5) Ensure deductions are reasonable

Done – deductions per CRA are $15.01 vs. 90.01 per payroll.
Difference is due to year-to-date earnings based on fluctuation hours worked. Difference is reasonable.

(3) Agree to total payroll amount for period

Done – total net payroll is $48,507.61

(6) Agree total to EFT

Agreed - Net pay to Rachel Kelly on EFT report agrees to paystub.

(7) Agree amounts to the general ledger

Accounts appropriate - 6-1090 – Payroll expense – batch entry totaling $48,507.61recorded Dec 31, 2019.
Amounts allocated by department: 65% OERWO, 10% FW, 10% EDW, 15% AW.

(8) Ensure that the bank is reconciled

Bank reconciled by Valerie at month end

(4) Ensure total payroll (net pay and source deductions) amounts clear bank

Net payroll withdrawal from bank on Dec 31, 2019 matches total batch for all employees - $48,507.61
Could not find source deduction cheques clearing in January statement.

Conclusion:
The payroll system is operating as documented.