

North American Division Edition

Timely Bank Reconciliations a High Priority

One of the many joys experienced by accountants and treasurers is the natural exhilaration that occurs when a bank reconciliation is performed to perfection. At the end of a famous television show from the 1980's, the lead character would always say, "I love it when a plan comes together." Does the accounting plan for your organization include timely bank reconciliations on a monthly basis?

There have been times when the auditors have arrived to perform the audit and then discovered that the bank accounts have not been reconciled for many months. Even worse, we've seen where the unopened envelopes containing the bank statements are tucked away in a desk drawer, supposedly for safe keeping.

Believe it or not, banks are prone to making errors. Do you think banks made errors with lending money over the past few years? Many banks have downsized and relied more heavily on less experienced employees who often times work for less money than

their experienced counterparts. By not performing a timely bank reconciliation, this is akin to blindly accepting the banks word that they have done everything correct.

To let your checking transactions go for an extended time without verifying their accuracy could easily prove to be a big mistake. Errors happen. Fraud happens. Your employees or unrelated parties can invent many ways to withdraw cash illegitimately.



Banks will generally take the responsibility for errors or illegal withdrawals from your account. Insurance may cover some losses. However, an undue delay in discovering errors will complicate issues. Some banks have account terms that require errors to be brought to their attention within a stipulated time period (typically 60 days or less after the issuance of the bank statement). Furthermore, most banks require notification of the error to be in writing.

The standard recommendation is that all bank statements be reconciled within a few days of receiving it. The reconciliation should be performed by an individual not involved in either the receipting or disbursement process. No matter who does the reconciliation, it must be

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reviewed and initialed by someone else in a responsible position.

One thing to keep in mind with reconciliations is that you are proving the general ledger balance, not the bank balance. Returned checks should be compared, perhaps on a test basis, to the check journal. Compare to see if the payee is the same as it is recorded. On deposits, are there any unusual or unexplained reasons for delays between the receipt date and deposit date? Are bank charges or credits reasonable?

Errors and irregularities do occur and timely reconciliations can safeguard your organization. Knowing about errors and irregularities sooner, rather than later, will help to minimize losses.

Contingency Plans - Natural Disasters



Besides developing a contingency plan for a possible outbreak of the H1N1 virus, does your organization have a contingency plan that covers natural disasters? Natural disasters can strike any organization with little or no warnings. A tornado could destroy the building with all of



your accounting data. Or an earthquake could make half of your school's classrooms inhabitable. It is important that you take time to develop and communicate contingency plans with management and employees so that your business operations can continue despite the effects of a natural disaster.

The following emergency preparedness tips are provided by the US Federal Emergency Management Agency (FEMA). These tips deal with the safety of your employees:

1. Two-way communication is central before, during and after a disaster.

- Include emergency preparedness information in newsletters, on company intranet, periodic employee emails and other internal communications tools.
- Consider setting up a telephone calling tree, a password-protected page on the company website, an email alert or a call-in voice recording to communicate with employees in an emergency.
 - Designate an out-of-town phone number where employees can leave an "I'm Okay" message in a catastrophic disaster.
- Provide all co-workers with wallet cards detailing instructions on how to get company information in an emergency situation.

Include telephone numbers or Internet passwords for easy reference.

- Maintain open communications where co-workers are free to bring questions and concerns to company leadership.
- Ensure you have designated staff members who are responsible for communicating regularly to employees.


2. Talk to co-workers with disabilities. If you have employees with disabilities ask about what assistance is needed. People with disabilities typically know what assistance they will need in an emergency.

- Identify co-workers in your organization with special needs.
- Engage people with disabilities in emergency planning.
- Ask about communications difficulties, physical limitations, equipment instructions and medication procedures.
- Identify people willing to help co-workers with disabilities and be sure they are able to handle the job. This is particularly important if someone needs to be lifted or carried.
- Plan how you will alert people who cannot hear an alarm or instructions.

3. Frequently review and practice what you intend to do during and after an emergency with drills and exercises.

In regards to accounting data, every organization should develop procedures that will ensure the continuity of the accounting records in case of a natural disaster. Simple procedures include:

- Identify critical accounting areas and develop methods to continue them in the event of a natural disaster.
- Utilize off-site back-up procedures for all electronic accounting information
- Keep important information in a fireproof vault.
- Develop plans that will ensure that vital cash disbursement functions such as payroll and payments to vendors can continue.
- Identify an off-site location that can be used to continue the accounting operations.
- Identify and communicate the responsibilities for various personnel to make sure off-site business continuity occurs.



Seventh-day Adventist Accounting Manual Update

In October 2008, the Annual Council of the General Conference of Seventh-day Adventists adopted the Seventh-day Adventist Accounting Manual. That action also gave organizations from January 1, 2009, to January 1, 2011, to implement this new manual. All organizations are to

be in conformity with the new manual on January 1, 2011.

The new manual requires conferences, missions, and fields and colleges and universities world-wide to adopt the principles of fund accounting. Fund accounting requires separate accounting records and report formats for specified groups of accounts, including at a minimum, an Operating Fund and a Plant Fund.

We recommend that each Organization establish a time schedule for implementation of the new accounting manual and develop procedures to educate and train accounting personnel in the application of fund accounting.



North American Division Working Policy

The North American Division Executive Committee identified 28 core working policies that they felt were significant for each organization to be in compliance. Additional guidance was provided to explain the policy as well as identifying what is considered noncompliance. These core policies are described in NADWP S 71 17.

Each organization is required by this policy to assert in writing their compliance with the core working

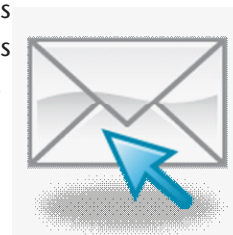
policies. Thus, management is responsible for establishing a system to ensure compliance for their organization as well as reporting this to the auditors.

If you are unfamiliar with the 28 core working policies, please take a moment to read them. If you do not have a printed or electronic copy of the latest NADWP (2008-09 edition), please contact NAD Secretariat Office or click on their website: <http://www.nadsecretariat.org/index.asp>.



The Pitfalls of E-mail

E-mail has revolutionized the way businesses and individuals communicate. With the click of a button, your e-mail can travel almost instantaneously to anyone in the world with an e-mail address.



The Radacati Group projected that the number of e-mail addresses in the world will increase from 1.4 billion in 2009 to 1.9 billion in 2013. They also estimate that 247 billion e-mails are generated daily with 81% being spam.

US Today recently included an article that identified white collar employees as receiving 140 e-mails per day. Just imagine how much time is consumed each day if a worker spends just one minute per e-mail. However, we all know

that reading and drafting an appropriate response takes more than one minute.

For all of its speed and ease of use, e-mail can be hazardous to the health of your organization. Computer experts warn about sending confidential or sensitive material through unsecured e-mail transmissions. Employees using careless e-mail procedures can subject the organization to undue legal exposure.

E-mails have an inherent ability to live forever. Since an e-mail

is a less formal communication technique than writing a letter, it is typically written and sent without careful editing. Attorneys and investigators love to uncover e-mails that help to prove their case. Thus, be careful about what you write in an e-mail and who receives it.

If your organization has possible legal issues or pending litigation, you should inquire with your legal counsel on steps to safeguard your e-mail, as well as the organization's e-mail. How would it look to an attorney if you knew about a legal

matter and you then deleted or manipulated e-mails pertaining to that matter?

Each organization should include e-mail transmissions in its record retention policy. If your organization has such a policy, has it been reviewed recently? Again, if you have a policy that covers e-mails, it should be relevant and realistic. It would be counterproductive to have a comprehensive written policy that is not utilized. If your organization has a policy, it should be followed or modified appropriately.

Modification to the ACL

The ACL (**Audit Communication Letter**) issued by the auditors as part of the report package for each audit will include a minor modification. With the convergence of International Audit Standards and USA Audit Standards, the definitions of "significant deficiency" and "material weakness" have been slightly modified.

Those definitions are:

- **Significant deficiency** - a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- **Material weakness** - a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.



US \$16 trillion

The amount of loss sustained by the 500 largest fund managers in 2008 when compared with the prior year.

Source: Watson Wyatt, www.watsonwyatt.com

Time Saving Tips



Time management skills are an essential tool that will help us to achieve greater efficiencies for both work and personal endeavors. Each of us have been granted an equal amount of time each day. The following tips provide essential tools that can improve your time management skills:

- **Schedule your time** – At the beginning of the week, create a list of the projects you wish to accomplish. Be realistic with your estimates of the time needed to complete the projects. Update your list when you complete a project.
- **Delegate** – Don't be afraid to utilize other members of your team. Those who fail to delegate lower-priority jobs waste time and limit their productivity.
- **Say "No"** – Failure to say "no" when appropriate will leave you overbooked and overstressed.
- **Limit e-mail intrusions** – Set aside a block of time in the morning and afternoon to handle your e-mails. Unless you are an expert at multi-tasking, continually interrupting your work to read and respond to e-mails is an ineffective use of time.
- **Handle paperwork** – Don't delay in filing, copying, shredding or scanning essential paperwork.
- **Deal with phone calls** – Always be personable and courteous as well as cognizant of the need to be efficient and candid.
- **Organize computer files** – Create and use a consistent filing method for your e-mails and other computer files. This will make finding and accessing the files much easier.

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Please send any comments, questions, suggestions, or contributions (or articles, not money) to:

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This newsletter is intended to provide general information about a variety of topics. Before acting upon any information provided in this newsletter, we suggest that you study further and seek counsel to clarify your understanding before taking action. This is a complicated world, please be careful.