CHAPTER 8 SUNDRY ACCOUNTING POLICIES AND DISCLOSURES

8.1 specified purpose accounts

1. Effective Date

This Policy is effective as of April 1, 2001.

2. Policy Objective

The objective of this policy is to outline the accounting treatment of Specified Purpose Accounts (SPAs) in accordance with Generally Accepted Accounting Principles (GAAP), and requirements for financial statement presentation.

3. Definitions

Specified Purpose Accounts (for the purpose of this policy) are accounts established for the deposit of monies the use of which is restricted to specific purposes in accordance with applicable agreements and statutes. These include all accounts involving restricted assets, restricted revenues, and restricted liabilities.

The **Inmates Trust Fund (ITF)** is a Specified Purpose Account created under the authority of the *Corrections and Conditional Release Regulations* (CCRR) specifically to record all inmate monies received or disbursed by Correctional Service Canada on behalf of inmates. They include Savings, Current and Canteen accounts for each inmate and accounts for the Inmate Welfare Committee, Inmate owned Canteens and various clubs for the inmate population at large.

The **Inmate Accounting System (IAS)** is a central system, operated by PWGSC on behalf of CSC, which accounts for all transactions affecting Inmates' accounts (current account and savings account) in the Inmates Trust Fund.

The **Point-of-sale program (POS)** is used to manage the canteen's inventory and record the inmates' purchases.

4. Scope

This policy applies to monies for which the use is restricted to specific purposes.

5. Policy Statement and Requirements

A Treasury Board (TB) submission for authority to establish a Specified Purpose Account will be prepared for approval by Treasury Board when the requirement is identified by CSC. The NHQ Director, Financial Management is responsible for coordinating all Treasury Board submissions including submissions for the establishment of SPAs based on the recommendation of the NHQ Director Operations.

A Specified Purpose Account, and the necessary coding (Allotment and Line Objects), will be created in the Integrated Financial and Materiel Management System (IFMMS), following receipt of TB approval.

Separate accounts will be established and maintained for each activity that meets the criteria for Specified Purpose Accounts (SPA).

CSC will:

a) account for SPAs in accordance with the accrual basis of accounting, as required under GAAP;

b) record all SPAs in the departmental financial systems;

c) take appropriate action to apply monies held in specified purpose accounts only to the purpose for which they are intended; and

d) establish and maintain SPAs according to applicable Commissioner's Directives, Receiver General Directives and Treasury Board policies.

All monies received for specified (restricted) purposes will be deposited in the Consolidated Revenue Fund and appropriate accounting entries will be posted in the related SPA in the departmental financial system.

Accounting for disbursements from Specified Purpose Accounts are in accordance with the requirements of the *Financial Administration Act (FAA*) - e.g. Sections 33 and 34.

Personnel involved in the management of Special Purpose Accounts will be subject to the segregation of duties in the receipt, disbursement and banking of monies and the reconciliation of related accounting records.

Financial statements are prepared as required for all Specified Purpose Accounts.

Monthly reconciliation reports will be produced for all subsidiary ledgers and SPA control accounts.

The Specified Purpose Accounts will be reviewed on a regular basis to ensure the adequacy of the processes for collecting, recording and accounting for monies held in these accounts. These accounts include restricted assets and revenues, and liabilities.

6. Procedural Requirements

6.1 Inmates Trust Fund

Managers are responsible for operation of the Inmate Trust Fund to ensure that the accounts are managed in accordance with appropriate policies, directives, agreements or statutes.

6.1.1 Authority

The authority to establish the Inmate Trust Fund (ITF) is provided in the *Corrections and Conditional Release Regulations*; Section 111.

Authority to pay interest on the funds held in the ITF is established in the *Financial Administration Act.*

The Inmate Trust Fund will earn interest pursuant to Order-in-Council 1979-1026. This rate will be the published annual rate provided each month by the Department of Finance.

6.1.2 Establishment of Accounts

The following Allotment and Line Objects have been established for processing transactions related to the Inmate Trust Funds:

Allotment / Line Object	Comments
820 - Inmate Trust Fund	These accounts are used to record transactions into / out of the individual trust fund accounts
44000 - Balance forward	
44001 - Receipts	
44002 - Disbursement	
44003 - Adjustments	
44004 - Interest	
850 - Inmate Trust Fund Interest Payable (NHQ Use Only)	When interest is paid on inmate accounts, an entry is recorded to DR Allot 850 - LOBJ 44202 CR Allot 820 - LOBJ 44004 NHQ Corporate Accounting must creditor
44200 - Balance forward	
44201 - Reimbursement of interest from Dept. of Finance	

44202 - Debit entry for interest credited to individual current and savings accounts	initiate an IS to the Dept. of Finance to recover the interest paid, the entry to record the IS would be: DR IS Account CR Allot 850 - LOBJ 44201
44203 - Adjustments	
870 - Inmate Trust Fund **Unclaimed (NHQ Use Only)**	When balances remain in an inmate trust fund account and the inmate cannot be located, the balance should be transferred to NHQ and record in Allotment 870.
44000 - Balance forward	
44001 - unclaimed trust fund balances	
44002 - Payments to inmates	
44003 - Adjustments	
44004 - Interest Earned	

6.1.3 Inmate Accounting System (IAS)

The NHQ Director, Comptrollership Systems is responsible for the implementation, testing, validation of system and information integrity, daily maintenance of the Inmate Accounting System (IAS), and the accurate and timely design and development of required financial reports.

Individual Inmate Trust Accounts will be maintained in the IAS for each inmate and the general inmate population in accordance with CD 860.

Transactions are processed daily in the IAS by Finance staff at each institution. These transactions include all monies received from or on behalf of an inmate and include all payments to and by inmates, canteen transactions, special purchases, and transfers between accounts.

Institution finance personnel will establish and maintain accounts for their respective institution as follows:

For each inmate:

a) A current account - used to deposit inmates pay and provide funds for the purchase of approved items in the canteen.

b) A savings account - used to provide funds for the inmates and their families upon release. The savings account will maintain a minimum balance as specified by Commissioner’s Directive 860, Inmates’ Money.

c) In addition, the IAS will facilitate the encumbrance of funds in either of the Savings or Current accounts for payment of invoices for items purchased outside the institution on behalf of the inmate.

d) A canteen account, through which the inmate may obtain supplies and comforts from the institution canteen.

For the inmate population:

a) An Inmate Welfare Fund (IWF); and

b) Club and association accounts.

6.1.4 Receipts

Institutional staff are responsible for receiving payments, recording receipt of payments to the Inmates' Trust Accounts (ITFs) and maintaining accounting records.

For all monies received from or on behalf of an inmate, receipts will be issued in the name of the inmate and signed by the CSC staff member receiving the monies. All such monies will be deposited to the Consolidated Revenue Fund.

One copy of the receipt will be given to the inmate and one copy retained by the institution for finance records.

Institution personnel will enter the receipts into the IAS and ensure that they are properly recorded in the Inmate Sub-ledger on a timely basis. The daily receipts are to be posted to the IFMMS ITF Control Account in an overnight batch process by the IFMMS/IAS batch interface program. The corresponding credit will be applied to the inmate’s account in the Specified Purpose Account - Inmate Trust Fund. The following illustrates the accounting entries required for posting in the IFMMS.

	CSC Coding								Government wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Line Object	Internal/ External
DR. Deposit Control Account	99999	999	99999	610	BCMO1	1	1		11112	R300	0000	E

CR. Inmate Trust Fund	XXXXX	XXX	XXXXX	820	44001	1	1		23223	P532	6083	E

6.1.5 Interest

The interest earned by the ITF will be calculated monthly, based on the combined minimum monthly balance in the Savings and Current Accounts, using the interest rate provided by the Department of Finance for such purpose. The IAS performs the interest calculation using the following formula:

$$\text{Monthly Interest} = [(C + S) \times (i) \times (n)] / 365$$

where:

(i) = Annual interest rate as provided monthly by Department of Finance
(n) = Number of days in the month
(C) = Minimum balance of the Current Account for month being calculated
(S) = Minimum balance of the Savings Account for month being calculated

Interest calculated by the Inmate Accounting System is automatically posted to the appropriate inmates' accounts. The following illustrates the accounting entry required to record the payment of interest to the inmate and establish the Accounts Receivable from the Department of Finance:

	CSC Coding								Government wide Coding			
Entry	Resp. Centre	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	TB Object	Internal/ External
DR. A/R Dept o Fin. Inmate Int.	XXXXX	XXX	XXXXX	850	44202	1	1		11242	R300	5323	E
CR. Inmate Trust Fund	XXXXX	XXX	XXXXX	820	44004	1	1		23223	P532	6083	E

Finance staff within NHQ Corporate Accounting will raise a creditor initiated ISN to recover the Accounts Receivable from the Department of Finance. The accounting entry and coding to be used in the IFMMS for this purpose are as follows:

	CSC Coding								Government wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Line Object	Internal/ External
DR. IS Control	99999	999	99999	177	SPS06	1	1		11242	R300	0000	I

Account												
CR. A/R Dept o Fin. Inmate Int.	XXXXX	XXX	XXXXX	850	44201	1	1		11242	R300	5323	E

6.1.6 Disbursements

Monies will be disbursed from the ITF in accordance with procedures for the operation of the ITF as outlined in Commissioner's Directive 860, Inmates' Money. Examples of the J/Es created are as follows:

	CSC Coding								Government wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Line Object	Internal/ External
DR. Inmate Trust Fund	XXXXX	XXX	XXXXX	820	44002	1	1		23223	P532	6083	E
CR. SPS Ctl Account	XXXXX	XXX	XXXXX	C61	CE999	1	1		61053	0000	0000	E

6.1.7 Inmate Owned Canteens

In the annual estimates CSC receives Parliamentary approval for the:

- authority to pay into the Inmate Welfare Fund revenue derived during the year from projects operated by Inmates and financed by the said Fund.

The following provides an overview of the process relating to inmate owned canteen transactions which spans across three separate accounting systems: Point-of-sale program (POS), Inmate accounting system (IAS) and Integrated Financial Management and Materiel System (IFMMS).

Inmate requests canteen funds

Inmates request to move funds (maximum established under CD 890) from Current to Canteen account in POS. These canteen requests are transferred and posted to IAS by diskette file transfer. Once availability of funding has been confirmed in IAS, a new file is uploaded from IAS to POS. An exception to this process is the institutions that distribute canteen amounts in cash to inmates. In these cases, the inmate request for funds (maximum established under CD 890) is posted by Finance as a direct disbursement from his current account in IAS. The purchases made by the inmate are inputted to POS.

In POS, the hygiene allowance is automatically applied to all inmate accounts.

The above transactions are not reflected in IFMMS.

Inmate committee purchases canteen/hygiene inventory

All items purchased to be sold in the canteen (including hygiene) are purchased from the Inmate Welfare Fund (IWF) account.

The purchase order is initiated in POS. In IAS, a hold is placed on CL-Canteen Commissary Account. There is no transaction in IFMMS.

Example: Cola at $32,000 + $1,920 GST, Toothpaste at $2,000 + $120 GST. Note: canteen/hygiene inventory is purchased PST exempt.

In POS, when inventory is received, add to inventory with a cost matching the invoice amount (excluding GST).

In IAS, with overnight interface to IFMMS, pay the supplier invoice as follow:

	CSC Coding								Government Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR. IWF CL- Canteen Commissary Account	XXXXX	XXX	XXXXX	820	44002	1	1	34,000	23223	P532	6086	E
DR. IWF GST Payable Account	XXXXX	XXX	XXXXX	820	44002	1	1	2,040	23223	P532	6086	E
CR. Accounts Payable	99999	999	99999	DAP	99999	1	1	36,040	21111	R300	6299	E

<u>Inmates purchase canteen items</u>

CD 890 - Inmates' Canteen is the governing authority for the operation of canteens by CSC. CD 890 specifies that the profit margin be set at 10 per cent unless the Inmate's Committee agrees with the Institutional Head to set the profit margin at less than 10 per cent. The canteen stock will be priced for sale at a price that includes the cost of the item plus a profit margin, and all applicable sales taxes (GST/HST/PST).

Example: Cola at $32,000 + 10% profit of $3,200 + 6% GST + 8% PST = $40,128

In POS, inmates total purchases are reduced from their individual canteen accounts, inventory accounts are decreased (net of GST and PST) and amounts are recognized as sales, GST and PST.

At the close of the two-week inmate accounting period, POS reports are extracted to IAS and the following entries are posted to IAS. The last period of the month, the Profit and Loss Statements for both the canteen and hygiene product lines are prepared.

	CSC Coding								Government Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR. Individual Canteen Accounts	XXXXX	XXX	XXXXX	820	44002	1	1	40,128	23223	P532	6086	E
CR. IWF CN-Canteen Control Account - Sales	XXXXX	XXX	XXXXX	820	44001	1	1	40,128	23223	P532	6081	E
DR. IWF CN-Canteen Control Account - Sales	XXXXX	XXX	XXXXX	820	44002	1	1	40,128	23223	P532	6086	E
CR. IWF CL-Canteen Commissary Account	XXXXX	XXX	XXXXX	820	44001	1	1	32,000	23223	P532	6081	E
CR. IWF Profit Account	XXXXX	XXX	XXXXX	820	44001	1	1	3,200	23223	P532	6081	E
CR. IWF GST Payable Account	XXXXX	XXX	XXXXX	820	44001	1	1	2,112	23223	P532	6081	E
CR. IWF PST Payable Account	XXXXX	XXX	XXXXX	820	44001	1	1	2,816	23223	P532	6081	E

In POS/IAS, any balances left in the individual inmate canteen accounts are transferred back to their current account.

The following JV is posted to IAS/IFMMS usually at the time of preparing the tax remittance.

	CSC Coding								Government Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR. IWF GST Payable Account	XXXXX	XXX	XXXXX	820	44002	1	1	72	23223	P532	6086	E
CR. GST Payable	XXXXX	XXX	XXXXX	601	35001	1	1	72	21134	R300	6299	E
DR. IWF PST Payable Account	XXXXX	XXX	XXXXX	820	44002	1	1	2,816	23223	P532	6086	E
CR. PST Payable	XXXXX	000	00000	601	32XXX	1	1	2,816	21151	R300	6299	E

Inmates purchase hygiene items

As hygiene products are not considered canteen items, CSC must reimburse the IWF the cost of the hygiene products sold plus any applicable taxes (GST/HST/PST) and the profit margin on the hygiene sales.

Example: Toothpaste at $2,000 + 10% profit = $2,200 + 6% GST + 8% PST = $2,508

In POS, inmates purchases of hygiene items *in the hygiene environment* are reduced from their individual hygiene accounts. Inventory accounts are decreased (net of GST and PST) and amounts are recognized as sales, GST and PST.

At the close of the two-week inmate accounting period, POS reports are extracted to IAS and the following entries are posted to IAS and journal voucher recorded in IFMMS. The last period of the month, the Profit and Loss Statements for both the canteen and hygiene product lines are prepared.

Note: CSC Appropriation is charged PST even though there was no PST charged to purchase the inventory because CSC expenditure is actually the $4 allowance, however this expenditure is not recognized until the inmate actually spends the $4. This includes markup and taxes.

	CSC Coding								Government Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR. Hygiene Expenses	XXXXX	238	XXXXX	240	07005	1	1	2,508	51321	B120	1179	E
CR. IWF CN- Canteen Control Account – Sales	XXXXX	XXX	XXXXX	820	44001	1	1	2,200	23223	P532	6081	E
CR. IWF GST Payable Account	XXXXX	XXX	XXXXX	820	44001	1	1	132	23223	P532	6081	E
CR. IWF PST Payable Account	XXXXX	XXX	XXXXX	820	44001	1	1	176	23223	P532	6081	E

In POS/IAS, any balances remaining in the individual inmate hygiene accounts are cumulative.

The following JV is posted to IAS/IFMMS usually at the time of preparing the tax remittance.

	CSC Coding								Government Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR. IWF GST Payable Account	XXXXX	XXX	XXXXX	820	44002	1	1	132	23223	P532	6086	E
CR. GST Payable	XXXXX	XXX	XXXXX	601	35001	1	1	132	21134	R300	6299	E
DR. IWF PST Payable Account	XXXXX	XXX	XXXXX	820	44002	1	1	176	23223	P532	6086	E
CR. PST Payable	XXXXX	000	00000	601	32XXX	1	1	176	21151	R300	6299	E

<u>Remitting GST/HST to Canada Revenue Agency (CRA)</u>

Once a month, RHQ remits GST/HST to CRA. Example: GST of $2,112 collected on canteen items less GST of $1,920 paid on canteen items = $192. GST of $132 collected on hygiene products less GST of $120 paid on hygiene products = $12. A total of $204 GST is to be remitted to CRA. The RHQ monthly remittance to CRA would be coded to:

	CSC Coding								Government Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR. GST/HST Payable	XXXXX	000	00000	601	35001	1	1	204	21134	R300	6299	E
CR. Accounts Payable	99999	999	99999	DAP	99999	1	1	204	21111	R300	6299	E

Remitting PST to Province

Remittance of PST collected on canteen and hygiene sales is done by each individual site or by Regional Headquarters. Example: PST of $2,816 is collected from inmates on canteen items and $176 on hygiene products for a total of $2,992.

	CSC Coding								Government Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR. PST Payable	XXXXX	000	00000	601	32XXX	1	1	2,992	21151	R300	6299	E
CR. Accounts Payable	99999	999	99999	DAP	99999	1	1	2,992	21111	R300	6299	E

6.1.8 Inmate Pay

Pursuant to Section 78 of the *Corrections and Conditional Release Act*, managers are responsible to ensure that Inmates receive pay for work performed while participating in programs provided by the Service. Inmates receive pay every two weeks. Inmate Pay is to be apportioned between the Inmate's Current Account and his/her Savings account in accordance with CD 860.

Pay transactions are to be entered into the IAS by institution personnel and the Inmate sub-ledger updated every two weeks.

	CSC Coding								Government wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Line Object	Internal/ External
DR. Inmate Pay Expense	XXXXX	XXX	XXXXX	240	1261X	1	1		51321	B120	3259	E
CR. Inmate Trust Fund	XXXXX	XXX	XXXXX	820	44001	1	1		23223	P532	6083	E

6.1.9 Incentive Pay recoverable from CORCAN

Inmates may receive incentive pay for work performed under arrangements with CORCAN. Incentive pay entitlements are calculated at the institutions by managers, paid by Finance personnel within CSC and subsequently recovered from CORCAN.

The accounting entries for recording the incentive pay, and the recoverable amount from CORCAN are as follows:

	CSC Coding								Government wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Line Object	Internal/ External
DR. Incentive Pay	XXXXX	XXX	XXXXX	246	12952	1	1		51321	B120	3259	E
CR. Inmate Trust Fund	XXXXX	XXX	XXXXX	820	44000	1	1		23223	P532	6083	E

Regional accounting offices will initiate invoices to CORCAN to recover the incentive pay; the following entry to recover the incentive pay from CORCAN:

	CSC Coding								Government wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Line Object	Internal/ External
DR IS CORCAN Suspense	99999	999	99999	CRC	SPS08	1	1		21612	R300	XXXX	I
CR. Incentive Pay	XXXXX	XXX	XXXXX	246	12952	1	1		51321	B120	3259	E

6.1.10 Fines and Forfeitures

Inmates may receive fines pursuant to the CCRR. These transactions represent internal events and are accounted for through various adjustments to the inmate's current account. Journal entries to record such transactions will be entered into the IAS by finance personnel at the institution in which the transaction originates. The following entry is required to record fines and forfeitures:

	CSC Coding								Government wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Line Object	Internal/ External
DR. Inmate Trust Fund	XXXXX	XXX	XXXXX	820	44002	1	1		23223	P532	6083	E
CR. Fines and Forfeitures	XXXXX	XXX	XXXXX	160	14601	1	1		42711	E500	4851	E

6.1.11 Inmate Claims

Under certain circumstances inmates may have claims against the Crown. These may include reimbursement for loss or damage to personal effects, court awards and ex-gratia payments etc. Conversely, the Crown may have claims against an inmate. In such cases these take the form of internal transactions resulting in adjustments to one or more of the inmate's accounts.

The following is an accounting entry to record settlement of an inmate claim:

	CSC Coding								Government wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Line Object	Internal/ External
DR. Claims Against the Crown	XXXXX	XXX	XXXXX	240	12500	1	1		51321	B120	3251	E
CR. Inmate Trust Fund	XXXXX	XXX	XXXXX	820	44001	1	1		23223	P532	6083	E

6.1.12 Room and Board

Inmates earning income in excess of specified amounts are required to pay Room and Board in accordance with the requirements of the CD 860 Inmate's Money. Institution finance staff will be responsible for initiating room and board charges. The following is an example of the room and board entry:

	CSC Coding								Government wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Line Object	Internal/ External
DR. Inmate Trust Fund	XXXXX	XXX	XXXXX	820	44002	1	1		23223	P532	6083	E
CR. Revenue – R&B	XXXXX	XXX	XXXXX	130	14304	1	1		42312	E500	4539	E

6.2 Monitoring/Reporting and Reconciliation

Regional and NHQ staff are responsible for performing regular reviews to ensure compliance with requirements of this policy and attendant *Acts, regulations* and directives and reconciling subsidiary ledgers to control accounts..

A complete audit trail must be provided to permit the tracing of all transactions related to SPAs.

Site financial staff will ensure that monthly trust account statements will be provided to each inmate at least monthly showing all transactions e.g. receipts and disbursements, from their accounts.

Site financial staff will ensure that statements of the financial position of the Inmate Welfare Fund (IWF) and financial results of the canteen operations will be produced and provided to the Inmate Welfare Committee at least annually.

Site financial staff will provide financial results of the canteen operations to the IWF Committee at least monthly.

6.2.1 Reconciliation

Institution staff will, at least every two weeks, perform a balancing of the ITF accounts to the trial balance to facilitate the monthly reconciliation of the trial balance to the ITF control account in IFMMS. This involves the following:

a) summarize all transactions posted to the inmates accounts during the previous two weeks,

b) agree the closing balance to a trial balance of the ITF taken from the Inmate Accounting System,

c) identify differences , and

d) take appropriate action to clear reconciling items in a timely manner.

Each month, Institution /Regional personnel will reconcile the trial balance from the IAS to Management Object 4400 in the IFMMS. The account analysis activity report will be run from IFMMS by institution personnel and used in the reconciliation of the subsidiary accounts (ITFS) to the control accounts.

Reconciliation working papers will clearly indicate the date of transactions and appropriate reference numbers for audit trail purposes.

Regional finance staff will monitor the reconciliation to ensure that they are completed in a timely manner.

NHQ staff will monitor the reconciliation process to ensure they are performed on a timely basis and to ensure that reconciling items are actioned in a timely manner.

7. Financial Statement Presentation and Disclosure

7.1 Statement of Financial Position

SPA - Restricted assets should appear in the Assets section of the Statement of Financial Position under the category Financial Assets. Details of significant asset accounts should be described in the Notes.

The ITF account will appear separately in the Current Liabilities section of the Statement of Financial Position with details of significant accounts described in the Notes.

7.2 Statement of Operations

No impact as all transactions of the SPA flow through the SPA accounts.

7.3 Notes

The notes to the financial statements should disclose the nature and authorities for any specified purpose accounts. Following is the note that should appear in CSC's Financial Statements regarding the Inmate Trust Funds.

Note N. Details of Specified Purpose Accounts.

As of March 31, yyyy, under the authority of the *Corrections and Conditional Release Act*, the department held $x,xxx,xxx on behalf of individual inmates and in general inmate welfare funds at each Federal institution. These monies are held in trust on behalf of the inmates to facilitate the meeting of approved expenditures as defined in the Commissioner's Directive CD 860 relating to Inmate Monies. Interest is payable on the minimum monthly balance and accordingly $xxx,xxx was paid during the fiscal year xxxx-xxxx.

7.4 Schedules

Not Applicable.

8. References

Treasury Board Accounting Standard 1.2 -
Departmental and Agency Financial Statements
Treasury Board FIS Accounting Manual Section 9; Sundry Accounting Policies and Disclosures, Sub Section 9.1 - Specified Purpose Accounts
Treasury Board Manual - Comptrollership,
Policy on Special Purpose Accounts Ch. 5-7
Financial Administration Act Sub Section 21(2)
Public Sector Accounting and Auditing Handbook,
Section 3100 - Restricted Assets and Revenues
Commissioner's Directive 860 Inmate's Money
Commissioner's Directive 890 Inmates Canteen
Commissioner's Directive 730 Inmate Program Assignment and Payments
Corrections and Conditional Release Act, Sections 78,104.1 and 111
Standard Operating Practices Comptroller's Branch,
    235-012 Inmates Trust Fund, Correctional Service Canada
Departmental Financial Statements

8.2 Departmental bank accounts

1. Effective Date

This Directive is effective as of April 1, 2001.

2. Directive Objective

The objective of this directive is to outline the accounting treatment and control requirements and financial statement presentation of transactions processed using Departmental Bank Accounts (DBA). This directive must be read in conjunction with the DBA process procedures.

3. Definitions

Authorization number is a unique eight-digit number, assigned by the Receiver General for Canada (RG), to identify a cheque-issue location. The first three digits correspond to the department number. The remaining five digits are assigned by the Cash Management Operations Division within Banking and Cash Management Sector of the Receiver General for Canada, at the time that the DBA is approved.

Cancelled DBA Cheque is a cheque for which issue has been submitted to SPS and which is:
Withdrawn for any reason, or
To be replaced because of a change in the amount or the payee.

Cheque Series and Cheque Number is a twelve-digit number that identifies the DBA cheque that has been issued.

Cheque issue location is a department or branch or division thereof, authorized to issue cheques on a DBA, for the purpose of making expenditures in locations where the normal facilities for the issue of RG cheques are not readily available.

Counterfeit item is any item that has been replicated to resemble a DBA cheque and which an individual is attempting to negotiate or present as a valid DBA cheque.

Departmental Bank Account (DBA) is a bank account in a financial institution in Canada, in the name of a department of the Government of Canada, which is established by the RG and on which that department can draw cheques. The department is not the proprietor of the bank account.

Departmental Bank Account Cheque is a cheque drawn on a DBA in Canadian dollars by authorized officer(s).

Fraudulent Departmental Bank Account Cheque is a DBA cheque which has a forged or irregular endorsement, or which has been altered in any way.

Payment Reference Number (PRN) is a unique 13-digit number assigned by SPS to each payment made by the department.

Series Number is a number selected by the department and approved by CRCD to identify, in the CRCD System, a cheque-issue location.

Standard Payment System (SPS) is the PWGSC system for processing RG payments.

Stop Payment is a process initiated by the department on a DBA cheque which has been lost or stolen or which has been issued in error and which is outstanding at the time of the request. A stop payment is to be initiated only in situations where the cheque is not physically available to the department to be cancelled or voided and the department is unable to recover the cheque before it is negotiated.

Void Departmental Bank Account Cheque is a DBA cheque for which issue data has not been submitted to SPS and to which one of the following has occurred:

a) the DBA cheque has been spoiled in processing;

b) the DBA cheque was printed but due to an error in the information contained on the cheque, it is not released to the payee.

c) the payment has subsequently been reissued, with the correct information, as a new cheque; or

d) the blank DBA cheque is intended to remain unused.

4. Application

This policy applies to all authorized Departmental Bank Accounts in CSC and to all CSC personnel responsible for the operation of a DBA.

5. Policy Statement and Requirements

It is CSC policy to use Departmental Bank Account when the Public Works and Government Services Canada (PWGSC) cheque issue facilities do not meet the CSC requirements.

All sites operating DBAs are responsible for reporting DBA issue data through SPS **NO LATER THAN FIVE (5) DAYS AFTER CHEQUE ISSUE** and for initiating correcting entries to resolve payment/issue differences.

DBAs will not be used to circumvent the TB payment on due date (PODD) policy, or as an emergency cheque issue practice for non-specified classes of payments, or to compensate for cheque requisitioning delays or other payment processing problems internal to CSC.

Every DBA cheque must be signed by hand by any two of the signatories listed in the Delegation of Authorities matrix.

Electronic authorization and authentication (EAA) is not to be used; neither are signature stamps or equipment to apply signatures to DBA cheques.

Cheques drawn on a DBA **must not exceed $5,000**, except under the special authorities granted by TB.

The classes of payments that may be paid out of a DBA include the following:

a) emergency salary advances;

b) reimbursement of expenditures made from petty cash advances;

c) accountable travel advances when the use of a travel card, traveler's cheque or direct deposit is not a satisfactory alternative;

d) reimbursement of travel and removal expenses;

e) supplies and services acquired under the local purchasing authority and requiring immediate payment, or where an acquisition card could not be used;

f) brokerage fees and custom duties payable to an independent customs broker; and

g) postage.

Note: DBA cheques are not to be used to pay a beneficiary following a salary garnishment. In these cases, a PWGSC cheque is to be requisitioned.

The following classes of payments **may exceed the $5,000 limit**:

a) monies owing to an inmate at the time of release, when insufficient notice is given to requisition a PWGSC cheque;

b) goods and services purchased on behalf of inmates for rehabilitation purposes (e.g. hobby, craft material, or tuition fees), when urgently required and authorized by the management of the institution;

c) payments to an inmate' s family, when urgently required and authorized by the management of the institution; and

d) emergency salary advances under paragraph 4(b) of the *Accountable Advances Regulations*.

NHQ Corporate Accounting must be advised as soon as a DBA cheque exceeding the $5,000 limit is issued.

The following classes of payments will not be made from DBAs:

- Payments to other federal government departments, and
- Establishing a petty cash or standing advance.

Signing officers must never sign the following DBA cheques:

- If the cheque is payable to themselves;
- If they have initiated the expenditure; or
- If they have provided the section 34 signature.

Cheques must never be made payable to "cash".

6. Procedures

6.1 Internal Controls

Refer to the DBA Process document for procedures on safeguarding of cheques, segregation of duties, preparing DBA cheques, signatories of DBA cheques, specimen signatures, distribution of cheques, DBA cancellation.

6.2 Recording DBA Cheques in IFMMS

DBA payment transactions will be entered in the IFMMS payable module. Refer to IFMMS Manual for step by step instruction. The DBA issue data is sent to the Standard Payment System via a generic input file. DBA payments are sent in the same interface as regular cheque issue payments to SPS. The following journal entry is a sample of an initial DBA accounting entry to record the expense related to the issuance of a DBA cheque.

	CSC Coding								Government-Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR Expense	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1		XXXXX	XXXX	XXXX	E
CR Accounts Payable	99999	999	99999	DAP	99999	1	1		21111	R300	0000	E

The DBA issue data must be entered into IFMMS on a timely basis (**within 5 days**) so that Cheque Redemption Control Directorate (CRCD) can reconcile the redeemed cheques with the issue data and SPS can provide the DBA control data to the Receiver General.

DBA payments will be batched into requisitions by NHQ through the Extract SPS Payment Information process and included in the generic input file to be sent to PWGSC. An Autoload Control File will be created and sent to SPS. Since DBAs are pre-issued, they are marked as issued as soon as they are loaded.

6.3 DBA Payment Transactions

A DBA is in the name of CSC, not in the name of the Receiver General (RG).

An authorization letter is required for the RG to reimburse the financial institution for uncashed DBA cheques.

NHQ Corporate Accounting must monitor the issuance of DBA cheques and, if the levels exceed those indicated in the authorization letter ensure that a new one is initiated.

6.4 Cancellation of a DBA Cheque

If a site determines that a DBA cheque has to be cancelled, the site should advise the Cheque Redemption Control Directorate (CRCD) immediately.

Invoice in Current Fiscal Year

Once the site receives confirmation from NHQ Corporate Accounting and when the original invoice is in the **current fiscal year,** the site will void the payment. Refer to the IFMMS Reference Manual for the procedure. The following entry cancelling the invoice will be **automatically** generated by the system.

	CSC Coding								Government-Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR Accounts Payable	99999	999	99999	DAP	99999	1	1		21111	R300	0000	E
CR Expense	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1		XXXXX	XXXX	XXXX	E

Invoice in Previous Fiscal Year (but after April 1, 2001)

Once the site receives confirmation from NHQ Corporate Accounting and when the original invoice is in the **previous fiscal year (after April 1, 2001),** the site will void the payment. Refer to the IFMMS Reference Manual for the procedure. The site will then input and post a journal voucher in the GL module to cancel the invoice as follow:

	CSC Coding								Government-Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR Accounts Payable	99999	999	99999	DAP	99999	1	1		21111	R300	0000	E
CR Inmate Trust Fund or Refund of Previous Year Expenditures	XXXXX	XXX	XXXXX	820 165	44002 14700	1	1		XXXXX	XXXX	XXXX	E

Note: When the site uses Refund of Previous year expenditures, it is recommended to use the same Resp-subresp and Cost Centre as in the original expenditure from prior year.

Invoice in Previous Fiscal Year (but before April 1, 2001)

Once the site receives confirmation from NHQ Corporate Accounting and when the original invoice is in the **previous fiscal year (before April 1, 2001),** the site will void the payment (Refer to the IFMMS Reference Manual for the procedure) and will input and post a journal voucher in the GL module as follow:

	CSC Coding								Government-Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR SPS Control	99999	999	99999	C68	CE997	1	1		68053	0000	0000	E
CR Cash Clearing	99999	999	AAAA1	999	99999	1	1		21111	R300	0000	E

The site will also input and post a journal voucher in the GL module to capture the invoice cancellation as follow:

	CSC Coding								Government-Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR SPS Clearing Account-DBA	99999	999	99999	DAP	99999	1	1		21111	R300	0000	E
CR Inmate Trust Fund or Refund of Previous Year Expenditures	XXXXX	XXX	XXXXX	820 165	44003 14700	1	1		XXXXX	XXXX	XXXX	E

Note: When the site uses Refund of Previous year expenditures, it is recommended to use the same Resp-Subresp and Cost Centre as in the original expenditure from prior year.

6.5 DBA Adjustment

When there is a discrepancy between the amount reported as DBA issued (entered in IFMMS) and the amount written on the cheque, or when a cheque has been reported cancelled then clears through CRCD, form PWGSC 5494 DBA Cancellation – Adjustment is prepared by CRCD and forwarded to NHQ.

NHQ will forward the information to the site by fax to process the adjustment in IFMMS.

The only way to enter an adjustment is by an IFMMS Journal using Category External Adjustment.

If the cheque amount is bigger than the invoice amount entered in IFMMS, the following financial coding will be used:

Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR Expense or Inmate Trust Fund	xxxxx	xxx	xxxxx	xxx	xxxxx	1	1		XXXXX	XXXX	XXXX	E
CR SPS Control	99999	999	99999	C68	CE997	1	1		68053	0000	0000	E

If the cheque amount is lower than the invoice amount entered in IFMMS, the following coding will be used:

	CSC Coding								Government-Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR SPS Control	99999	999	99999	C68	CE997	1	1		68053	0000	0000	E
CR Expense or Inmate Trust Fund	xxxxx	xxx	xxxxx	xxx	xxxxx	1	1		XXXXX	XXXX	XXXX	E

6.6 Lost, Destroyed or Stolen DBA Cheques

In the event of a loss or theft of DBA cheque forms or blank cheques, the site report the event to its security staff as well as to NHQ immediately. Follow same procedure as for the cancellation of a DBA cheque.

6.7 Replacement Cheques

Refer to DBA Process Section G33 for procedure.

6.8 Voiding DBA Cheques

A DBA cheque is declared void by writing, printing, or stamping the word "VOID" across the face of the cheque. Refer to Financial instructions Fops-2006-08 “Management of Void DBA Cheques” for procedure to follow. The cheque voiding instructions can only be used when the cheque has NOT been mailed out or distributed, and has not been entered in SPS, otherwise, the appropriate cheque cancellation procedures must be followed.

No accounting entries are necessary because the cheque has never been entered in IFMMS.

6.9 Reporting and Monitoring

NHQ Corporate Accounting will co-ordinate the reconciliation of the control account for DBAs and advise Regions accordingly of missing information.

NHQ Corporate Accounting will provide regions with reports detailing the amounts of cheques issued but not yet cashed, as well as cheques recorded for the wrong amounts for follow-up and correction.

Uncashed DBA cheques that were issued and charged to an inmates trust fund account should be cancelled and returned to the inmates trust fund account.

7. Financial Statement Presentation and Disclosure

7.1 Statement of Financial Position

DBAs have no impact on the Statement of Financial Position. The transaction for which the DBA was used will appear on the Statement of Financial Position if the transaction was in payment of and asset or liability

7.2 Statement of Operations

DBAs have no impact on the Statement of Operations. The transaction for which the DBA was used will appear on the Statement of Operations if the transaction was in payment of an expense or refund of a revenue item.

7.3 Notes

Not applicable.

7.4 Schedules

Not applicable.

8. References

Treasury Board Policy on Departmental Bank Account
Treasury Board Minutes 741358
Treasury Board Minutes 755008
Receiver General Directive 1999-7R2 DBA
Financial Instruction Fops-2006-08 Management of Void DBA

8.3 Contingencies

1. Effective Date

This Directive is effective for the 2005-2006 financial statements and subsequent years. It replaces the version issued in 2001.

2. Directive Objective

The objective of this directive is to outline the accounting treatment and financial statement presentation of contingent liabilities and contingent losses.

3. Definitions

A **Contingency** is an existing condition or situation involving uncertainty as to possible gain or loss to an organization that will ultimately be resolved when one or more future events occur or fail to occur. That uncertainty will ultimately be resolved when one or more future events not wholly within CSC's controls occur or fail to occur. Resolution of the uncertainty may confirm the acquisition of an asset or the reduction of a liability or the loss or impairment of an asset or the incurrence of a liability.

A **contingent liability** is a possible obligation that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty.

A **contingent recovery or gain** is a possible future inflow of economic benefits arising from existing conditions or situations involving uncertainty.

4. Scope

This directive applies to all CSC contingent liabilities. A separate CSC directive exists for Environmental Liabilities given that slightly different recording and reporting requirements exist for these liabilities.

5. Directive Statement and Requirements

It is Correctional Services Canada (CSC) directive to account for contingent liabilities in accordance with Treasury Board accounting policies, which are consistent with Canadian Generally Accepted Accounting Principles (GAAP) for the public sector.

In 2005-2006, Treasury Board Secretariat (TBS) has completed the devolution of all central allowances that have been recorded previously on behalf of departments. CSC is now responsible to produce financial statements, which include all allowances and liabilities relevant to its operations.

CSC is to record an estimated liability for a contingency in the Integrated Financial and Material Management System (IFMMS) once it is assessed as likely to result in a liability and it can be reasonably estimated.

CSC is required to provide information on a quarterly basis (i.e. Plates I–11 new cases only and I–12) to the Receiver General regarding the existence of any contingencies in the department.

5.1 Characteristics of Contingencies

5.1.1 Characteristics

There are two basic characteristics of contingent liabilities:

a) there must be an existing condition or situation; and
b) there must be an expected future event that will resolve the uncertainty as to whether a present obligation to sacrifice economic benefits exits.

5.1.2 Inclusion

Contingencies include, but are not limited to, such matters as:

- claims and pending or threatened litigation;
- threat of expropriation of assets;
- recoverable grants, loans or contributions;
- guarantees of the indebtedness of others; and,
- indemnities and provisions related to insurance programs.

5.1.3 Exclusion

In the preparation of the financial statements, estimates are required for many on-going and recurring activities. However, the mere fact that an estimate is involved does not constitute the type of uncertainty that characterizes a contingency. For example, amounts owed for goods or services received but not billed are not contingencies, even though these amounts may be estimated. There is no uncertainty about the fact that these obligations have been incurred; any uncertainty is related solely to the amounts thereof. Contingent liabilities are characterized by the uncertainty related to the existence of a liability at the financial statement date.

5.2 Uncertainty

The uncertainty relating to the occurrence or non-occurrence of the future event(s), which determines the outcome of a contingency, can be expressed by a range of probabilities that provide a basis for establishing the appropriate accounting treatment. In determining the proper accounting treatment for contingent liabilities, the following two elements are required:

- an assessment of the likelihood of an adverse outcome for the Government; and
- an estimate of potential liability.

The likelihood of an adverse outcome will be assessed by CSC Legal Services. The likelihood (or probability) that the future event(s) will confirm the incurrence of a liability can range as follows:

- Likely: greater than 70% chance of adverse outcome;
- Medium: between 30% and 70% chance of adverse outcome;
- Unlikely: less than 30% chance of adverse outcome;
- Unable to assess: insufficient information to assess the likelihood of adverse outcome.

Prediction of the outcome of contingencies, including estimation of the financial effects, is a matter for judgement, taking into account the particular circumstances. In identifying contingencies and determining their amount, consideration would be given to all information available prior to completion of the financial statements, supplemented by experience in similar transactions and, in some cases, reports from independent experts.

5.3 Interest on Awards and plaintiff's legal costs

CSC may be involved in a dispute where it is expected, if the case is found in favour of the other party that CSC will have to pay an interest and/or a legal costs component. This may be the case if the dispute involves a supplier account and the judge finds CSC responsible to pay the amount asked for in the original legal action, as well as some amount of interest and legal costs. Such amount of interest and legal costs will be accrued if the following criteria are met:

- there is significant probability that the award will include such a provision for interest and/or legal costs, as well as significant probability that the courts will find in favour of the other party; and
- the amount of the interest expense and/or legal costs can be reasonably estimated.

5.4 Accounting Treatment

Use of conservatism in making judgments under conditions of uncertainty affects the neutrality of financial statements in an acceptable manner. When uncertainty exists, estimates of a conservative nature attempts to ensure that assets, revenues and gains are not overstated and, conversely, that liabilities, expenses and losses are not understated.

5.4.1 Contingent Losses

The treatment of contingent losses in financial statements depends upon the likelihood that a future event (or events) will confirm that an asset had been impaired or liability incurred as at the financial statement date.

The amount of a contingent loss will be accrued in the financial statements when both of the following conditions are met:

- information available prior to the issuance of the financial statements indicates that it is likely that a future event will confirm that an asset had been impaired or a liability incurred at the date of the financial statements; and
- the amount of the loss can be reasonably estimated.

A reasonable estimate may be determined using CSC's experience, legal advice or educated estimates based on lessons learned by personnel in the best position to know.

5.4.2 Summary

The following table is a summary of the various scenarios that can occur for contingent liabilities:

	Event likely	**Event not Determinable**	**Event Unlikely**
Amount estimable	Record as an estimated liability **(*)**	Disclose in notes	Do not disclose in notes or record
Amount Not Estimable	Disclose in notes	Disclose in notes	Do not disclose in note or record

(*) Unless one of the exceptions in paragraph 6.2 applies, in which case, disclose in notes.

5.4.3 Contingent recoveries (Gains)

Contingent gains are not accrued in financial statements as this accounting treatment could result in the recognition of revenue that might never be realized. Nevertheless, disclosure of the existence of a contingent gain that is considered likely to be realized and is material should be included in a note to the financial statements. Particular care should be exercised in the disclosure of contingent gains to avoid a misleading implication as to the likelihood of realization.

6. Procedural Requirements

Regional headquarters which comprise NHQ Accounting Services will provide information to NHQ Legal Services as to any existing conditions or situations involving possible contingencies arise.
NHQ Corporate Accounting will request information from Legal Services on any existing conditions or situations involving possible contingencies on a quarterly basis.

At year-end, Regional Comptrollers and NHQ Manager Financial Operations must liaise with senior management to uncover any contingencies, and report the information to NHQ Legal Services.

NHQ Legal Services will provide advice on the prediction of the outcome of the contingencies and provide, when possible, a reasonable estimate of the amount of the contingency.

During the year, as possible contingencies develop, the information is usually reported to the Justice Canada - Legal Services representatives at NHQ. They in turn report to NHQ Corporate Accounting.

On an annual basis, NHQ Corporate Accounting will compare the amounts previously reported as contingent liabilities to the actual amounts subsequently paid to validate statistics on the estimation of the liabilities.

6.1 Range of amount

The estimation of the amount of a contingent loss to be accrued in the financial statements may be based on information that provides a range of the amount of loss. When a particular amount within such a range appears to be a better estimate than any other, that amount would be accrued. However, when no amount within the range is a better estimate than any other, the minimum amount in the range would be accrued. Disclosure of any exposure to loss in excess of the amount accrued would be made by way of notes to the financial statements.

6.2 Accounting Entry

CSC is required to record an estimated liability for a claim once it is assessed as likely to result in a liability and, it can be reasonably estimated. However, the following two exceptions apply:

- Where the magnitude of the estimated liability is so significant that its inclusion in expense/liabilities risks revealing the estimate of potential liability; and
- Where the claim relates to decisions of TBS as the Public Service employer and the potential impact of the claim extends across many departments.

In these situations, the accounting treatment in the departmental financial statements should be limited to note disclosure. The liability and related expense stemming from these contingencies should be communicated to TBS so that they may be recorded in the consolidated financial statements.

CSC will record or update the expense and liability in its accounts, on a quarterly basis once the uncertainty surrounding the liability is removed (for example, a court decision is rendered or a settlement agreement is reached).

- **Claim assessed as likely to result in a financial loss**

NHQ is responsible to record accrued liabilities on a quarterly basis

	CSC Coding								Govern.-Wide Coding		
Entry	Resp.	Act.	project	Allot.	L. O.	Ent.	Dept.	Amt.	FRA	Auth.	Object
DR – Est. cost related to Cont. Liability	xxxxx	xxx	xxxxx	225	12970	1	1	5,000	51321	F128	3469
CR – Allowance Cont. Liability	xxxxx	xxx	xxxxx	690	84310	1	1	5,000	21433	R300	7029

- **Confirmation that loss has occurred**

Regional Offices will proceed with the payment following the court decision or settlement out-of-court with the plaintiff. In this example, the **final amount to be paid** is a $1,000.

	CSC Coding								Govern.-Wide Coding		
Entry	Resp.	Act.	project	Allot.	L. O.	Ent.	Dept.	Amt.	FRA	Auth.	Object
DR – Claims against the Crown	xxxxx	xxx	xxxxx	240	12500-12503 and 12505	1	1	1,000	51321 51321	B120 B120	3250 3251
CR – Accounts	xxxxx	xxx	xxxxx	DAP	99999	1	1	1,000	21111	R300	6299

Payable											

NHQ is responsible for the reversal of accrued liabilities on a quarterly basis

	CSC Coding								Govern.-Wide Coding		
Entry	Resp.	Act.	project	Allot.	L. O.	Ent.	Dept.	Amt.	FRA	Auth.	Object
DR – Allowance Cont. Liability	xxxxx	xxx	xxxxx	690	84310	1	1	5,000	21433	R300	7029
CR – Est. cost Related to Cont. Liability	xxxxx	xxx	xxxxx	225	12970	1	1	5,000	51321	F128	3469

Note: If CSC wins the court decision or there is no financial liability resulting from the settlement, the only required entry is the reversal of the accrued liability.

7. Financial Statement Presentation and Disclosure

7.1 Statement of Operations

The estimated expense related to a claim or threatened litigation should appear in the Operating expenses section. (Refer to TBAS 1.2).

7.2 Statement of Financial Position

Accrued liabilities should appear in the liabilities section of the Statement of Financial Position. When the existence of a contingent loss or gain is disclosed in a note to the financial statements, it is desirable to include a reference to the contingencies note. (Refer to TBAS 1.2).

7.3 Statement of Cash Flow

CSC has decided to prepare the Statement of Cash Flow using the indirect method. Accrued liabilities (increase/decrease) should appear in the Operating Activities section under variations in Statement of Financial Position. (Refer to TBAS 1.2).

7.4 Notes

7.4.1 Contingent Liabilities Disclosure

CSC will disclose a general statement regarding contingencies that have not been accrued in a note to its financial statements. The information in the note should include:

- the nature of any contingencies;
- The best estimate of the contingent liability or a range of possible amounts, except where the amount cannot be reasonably estimated or where this disclosure would have an adverse effect on the outcome;
- The reasons for any non-disclosure of the estimate of contingent liability or range of possible amounts;
- When an estimate of the amount has been made, the basis for that estimate.

7.4.2 Parliamentary Appropriations

CSC is required to prepare the following table: *Reconciliation of net cost of operations to current year appropriations.* The increase/decrease in accrued liabilities should appear in the Adjustments for items affecting net cost of operations but not affecting appropriations section. (Refer to TBAS 1.2).

8. References

- TBAS 1.2 – Departmental and Agency Financial Statements
- TBAS 3.6 – Contingencies
- Guidance on Accounting for Contingent Liabilities Stemming from claims and litigation and contingent gains
- Detailed Guidance on Accounting for Contingent Liabilities Stemming from claims and litigation and contingent gains
- Receiver General Manual – Chapter 15 – Public Accounts Instructions
- CICA – PSAB Handbook Sections 3300 Contingent Liabilities, and 3310 Loans Guarantees
- CICA Handbook Section 3290 – Contingencies

8.4 ENVIRONMENTAL LIABILITIES

1. Effective Date

This Directive is effective for the 2005-2006 financial statements and subsequent years. It supersedes the version issued in 2001 and is based on the last update issued by Treasury Board Secretariat dated February 23, 2005.

2. Directive Objective

The objective of this Directive is to ensure that all costs and liabilities related to management and remediation of environmentally contaminated sites, for which Correctional Service Canada (CSC) has ongoing responsibilities, are accounted for and recorded in CSC's financial statements in the fiscal year in which the environmental damage occurs or when the liabilities are identified.

3. Definitions

Environmental liabilities are the costs identified to manage and provide remediation of environmentally contaminated sites for which CSC is responsible.

Contaminated sites are sites at which substances occur at concentrations (1) above background levels and pose or are likely to pose an immediate or long term hazard to human health or the environment, or (2) exceed levels specified in policies and/or regulations.

Solid Waste Landfill sites are defined areas of land or excavation that receive waste that may include household waste, commercial solid waste, non-hazardous sludge and industrial solid waste. (CICA)

4. Scope

This Directive applies to all CSC costs and liabilities related to the management and remediation of environmentally contaminated sites. For Contingencies, refer to Chapter 8, Section 8.3 of the CSC Accounting Manual.

5. Directive Statement and Requirements

In accordance with TBS Directive on Accounting for Costs and Liabilities Related to Contaminated Sites, CSC must account for costs and liabilities related to the management and remediation of environmentally contaminated sites, when contamination occurs if CSC is obligated, or is likely to be obligated, to incur such costs:

- for reasons of public health and safety;
- due to contractual arrangements; or

- to meet the standards set out in an act or regulation of a government (federal, provincial or municipal) in Canada or abroad which is considered to be acceptable to the government.

CSC is obligated or likely to be obligated when there is little or no discretion to avoid a future transfer of assets to remediate a contaminated site.

CSC will gather information related to departmental environmental liabilities and record liabilities in its financial statements where appropriate.

6. Procedural Requirements

CSC Technical Services staff will identify its sites that impose an environmental liability on the Government. In addition to identifying such sites, Technical Services will determine the extent of the liability (insofar as the liability can be reasonably estimated).

CSC should estimate costs using the most appropriate methods for our circumstances. Methods may include technical or engineering estimates, historical comparisons, or other analytical tools. The cost should be estimated based on the technology and costs at the time the damage is incurred (current cost estimate). Estimates will be adjusted annually to recognize technological advances, inflation and progress towards remediation. The inflation rate to be used for the annual adjustment is the change in the consumer price index.

Information gathered relating to the department's environmental liabilities will be forwarded to NHQ Corporate Accounting.

Technical Services will provide a listing to the Treasury Board Secretariat for publication in the Federal Contaminated Sites Inventory (FCSI). They will also provide the information to NHQ Corporate Accounting.

NHQ Corporate Accounting will then provide information to the Receiver General as specified in Chapter 15 of the Receiver General Manual “Public Accounts Instructions”.

7. Accounting Entry

CSC is required to record a liability once it is assessed that CSC is obligated or likely obligated to incur future remediation/management costs. You may refer to Section 8.3 – Contingencies of the CSC Accounting Manual under paragraph 5.2.

7.1 Assessment of Site

CSC performs an assessment of its sites to determine whether contamination exists. The assessment costs are recorded as an annual operating expense.

	CSC Coding								Govern.-Wide Coding		
Entry	Resp.	Act.	Project	Allot.	LOBJ	Ent.	Dept.	Amt.	FRA	Auth.	Object
DR – Exp.	xxxxx	xxx	xxxxx	240	04950	1	1	5,000	51321	B120	0495
CR – A/P	99999	999	99999	DAP	99999	1	1	5,000	21111	R300	6299

7.2 Results of Assessment

i) Whenever possible, the Canada Council of the Ministers of the Environment National Classification System rating (CCME NCS) is to be used

Characteristics		
Class – 1	Action required (existing concern for public health and safety)	Liability to be recorded
Class – 2	Action likely required (70% or greater possibility - high potential for adverse off-site impacts)	Liability to be recorded
Class – 3	Action may be required (not a high concern)	No accounting entry required No liability to be recorded Report as a contingent liability the estimate of any future remediation work that may be required Any future assessment or remediation work is recorded as an annual expense
Class – N	Action not likely required (probably no significant environmental impact)	No accounting entry required Site does not represent a contingent liability – report no amount No liability to be recorded No disclosure

Class – I	Insufficient Data With likely obligation	No accounting entry required No liability to report at this point Consider for contingent liability reporting if appropriate Once future site assessment is performed and classification changes, follow guidance for new site class Disclose in notes Refer to point ii) below

ii) Assessment identifies Class 1 or 2 and in limited cases Class I

Liabilities should only be recorded for sites identified as Class 1 or 2 or equivalent rating if another rating system is used. In certain situations, a liability can be recorded for site identifies as class I. In these circumstances, although there is insufficient information to provide a Class 1 or 2, CSC has sufficient information to know that it is likely obligated to remediate the site.

	CSC Coding								Govern.-Wide Coding		
Entry	Resp.	Act.	Project	Allot.	LOBJ	Ent.	Dept.	Amt.	FRA	Auth.	Object
DR – Exp.	xxxxx	xxx	xxxxx	225	12980	1	1	50,000	51321	F127	3469
CR – Env Liab	xxxxx	xxx	xxxxx	690	84350	1	1	50,000	24141	R300	7029

The liability **should include** the estimate of costs to remediate the site to a level appropriate to the lands current or intended use. Costs include any estimate related to the remediation and management of sites identified as one of the above-mentioned classes. Estimated costs associated with steps 5 to 10, of the 10-step process for addressing contaminated site guidance, http://www.ec.gc.ca/etad/csmwg/pub/fed aprch/en/c2_e.htm, can be included in the estimated liability.

The following costs **should be excluded**: any expenses associated with determining the existence of contamination (associated with steps 1 to 4, of the 10-Step Process for Addressing Contaminated Site), overhead costs and project management costs internal to CSC.

7.3 Remediation, Risk Management and/or Care and Maintenance Work is performed

i) Remediation work is performed during the year

	CSC Coding								Govern.-Wide Coding		
Entry	Resp.	Act.	Project	Allot.	LOBJ	Ent.	Dept.	Amt.	FRA	Auth.	Object
DR – Exp.	xxxxx	xxx	xxxxx	240	04960 04970	1	1	50,000	51321	B120	0496 0497
CR – A/P	99999	999	99999	DAP	99999	1	1	50,000	21111	R300	6299

This accounting entry is the same as the one described in 7.1, except the object codes “0496 – Services Related to the Remediation of Contaminated Sites” or “0497 – Services Related to the Care and Maintenance of Contaminated Sites” are used.

0496: Activities related to the development and application of a planned approach that removes, destroys, contains or otherwise reduces the exposure of contaminants to receptors of concern.

0497: Services related to ongoing activities at:

- Abandoned or idled properties to maintain the structures and infrastructure necessary to prevent contaminant migration, in order to avoid an increase in federal financial liability related to the site;
- Properties where the risk to human health and/or the risk of significant engineering failure are imminent and a risk management strategy is being pursued.

ii) In the following scenario, the outstanding liability is reduced. The accounting entry is the reversal of the entry establishing the liability in Section 7.2 ii)

	CSC Coding								Govern.-Wide Coding		
Entry	Resp.	Act.	Project	Allot.	LOBJ	Ent.	Dept.	Amt.	FRA	Auth.	Object
DR – Env Liab	xxxxx	xxx	xxxxx	690	84350	1	1	50,000	24141	R300	7029
CR – Exp	xxxxx	xxx	xxxxx	225	12980	1	1	50,000	51321	F127	3469

For any additional information and scenarios, please consult the following guide issued by TBS: *Guidance on Accounting for Environmental Liabilities* at: http://www.tbs-sct.gc.ca/rpm-gbi/rpmdpubs/liabilities-passifs_e.asp

7.4 Site has been remediated

Once a site has been fully remediated, any assessment or future monitoring costs to test for contamination would be accounted for as an annual operating cost, similar to the initial assessment costs of the site (accounting entry section 7.1)

	CSC Coding								Govern.-Wide Coding		
Entry	Resp.	Act.	Project	Allot.	LOBJ	Ent.	Dept.	Amt.	FRA	Auth.	Object
DR – Exp	xxxxx	xxx	xxxxx	240	04950	1	1	1,000	51321	B120	0495
CR – A/P	99999	999	99999	DAP	99999	1	1	1,000	21111	R300	6299

8. Reporting and Monitoring

CSC is to review the amounts reported for contaminated sites each year-end as at March 31. CSC is also to consider any available information **subsequent to this date** in completing its update of the Federal Contaminated Sites Inventory (FCSI). Any information that affects amounts reported and related to a condition that existed prior to year-end should be considered in quantifying amounts.

A complete audit trail will be provided to permit the tracing of all transactions related to the accounting for costs and liabilities related to contaminated sites.

Project codes should be assigned to permit the accumulation of costs for any project.

CSC is required to provide updated information to TBS for update to the FCSI as information becomes available. CSC must also sign off on the liabilities and contingent liabilities information contained in the FCSI each year-end.

9. Financial Statement Presentation and Disclosure

9.1 Statement Of Operations

The estimated expense should appear in the Operating expenses section. (Refer to TBAS 1.2).

9.2 Statement Of Financial Position

Environmental liabilities should appear in the liabilities section. (Refer to TBAS 1.2).

9.3 Statement Of Cash Flow

CSC has decided to prepare this statement using the indirect method. Accrued liabilities (increase/decrease) should appear in the Operating Activities section under variations in Statement of Financial Position. (Refer to TBAS 1.2).

9.4 Notes

CSC will disclose a general statement regarding environmental liabilities that have not been accrued in a note to its financial statements.

10. References

- Financial Administration Act
- Receiver General Manual – Chapter 15 – Public Accounts Instructions

TBS Publications

- Accounting for Costs and Liabilities Related to Contaminated Sites (will be abolished when the new Directive on Contingencies will come into effect)
- Guidance on accounting for environmental liabilities
- Federal Contaminated Sites Inventory
- Accounting Standard 1.2 – Departmental and Agency Financial Statements
- Accounting Standard 3.1 – Capital Assets
- Accounting Standard 3.6 – Contingencies
- Assets and Acquired Services - Policies and Publications
- PSAB 3270 – Solid waste landfill closure and post-closure liability
- CICA Handbook Section 3290 – Contingencies

8.5 CONTRACTUAL COMMITMENTS

1. Effective Date

This Policy is effective as of April 1, 2001.

2. Policy Objective

The objective of this policy is to outline the accounting treatment and financial statement presentation of contractual commitments.

3. Definitions

A **contractual commitment / agreement** represents a written obligation to outside organizations or individuals as a result of a contract and includes any associated on-going costs (e.g. utilities) that are written into or are ancillary to the contract.

A **contract** is normally a written agreement that can be enforced by law.

Financial commitments are monetary obligations payable to organizations or individuals outside the Government, that become liabilities if and when the terms of contracts, agreements or legislation are met.

4. Scope

This policy applies to all CSC contractual commitments, including CORCAN commitments.

This policy does not address commitments of funds by responsibility managers to encumber funds according to section 32 of the *Financial Administration Act*. Until there is an agreement to purchase, no contractual commitment exists.

5. Policy Statement and Requirements

It is Correctional Services Canada (CSC) policy to account for contractual commitments in accordance with Generally Accepted Accounting Principles (GAAP), i.e. to disclose information on material contractual commitments in the notes to the financial statements.

A contractual commitment is the stage between the establishment of an agreement between parties (whether that be signing a contract or passing legislation) and the fulfilment of the requirements of the agreement by one or more parties. This creates an obligation to perform, on the part of the remaining party or parties.

Financial contractual agreements that may have material commitments, include the following categories:

a) construction or acquisition of capital assets;

b) leases (operating and capital);

c) purchases, will include goods or services;

d) transfer payment agreements.

Standing offers do **not** constitute contractual commitments as they do not represent an agreement to purchase but only set out the price at which a purchase may be made.

Exchange of service agreements between CSC and a province/territory do **not** constitute contractual commitments. Even though CSC will be involved in these agreements for the foreseeable future, these agreements are more similar to standing offers than contractual commitments and do not bound CSC to purchasing a given amount of service in the future.

A contract may include a clause permitting one of the parties to unilaterally terminate the contract, normally by providing the other party or parties notice in writing. If there is no evidence that such a clause will be exercised at the time of preparation of the financial statements, the commitment will be disclosed (if material).

Contractual and financial obligations that are material in relation to the current financial position or future operations should be disclosed in a note to the financial statements.

6. Procedural Requirements

NHQ Corporate Accounting will request information from the regions on all existing contracts and agreements that have a material financial commitment. The information required will be set out in the annual public accounts instructions issued to the regions.

With regards to individual contracts paid to suppliers for an item or items of a similar nature or activity, CSC will have to report them as one commitment. An example of this would be all aftercare or health services contracts given to numerous suppliers to supply a service to inmates. On an aggregate level, the contracts represent one commitment to supply health services to inmates.

Specifically, for each of the four categories (construction or acquisition of capital assets, operating and capital leases, purchases including goods or services and transfer payment agreements) the Regional / NHQ Contract Administrator will provide the following for each multi-year contract that extends beyond March 31st of the fiscal year:

a) Name of contractor;

b) Brief description of contract;

c) Start date and end date of contract;

d) Authority (vote numbers, cabinet orders, etc.);

e) Total estimated amount of contract;

f) Amount expensed at March 31st;

g) Outstanding commitment amount at March 31; and

h) Schedule of payments for the next five years and the total beyond the five years.

Regional Finance Officers will be responsible to co-ordinate the information for the region for onward submission to NHQ.

NHQ Corporate Accounting will aggregate individual contracts paid to suppliers for an item of a similar nature and report them as one commitment in the notes to the financial statements.

7. Financial Statement Presentation and Disclosure

7.1 Statement of Financial Position

Not applicable.

7.2 Statement of Operations

Not applicable.

7.3 Notes

The note to the financial statement should disclose information to describe CSC's financial commitments at the end of the accounting period. The note should include the amount of contractual commitments for each of the next five years and a total amount for all years beyond that.

The contractual commitments will be disclosed according to the following categories:

a) Construction or acquisition of capital assets;

b) Leases (operating and capital);

c) Purchases; and

d) Transfer payments.

7.4 Schedules

Not applicable.

8. References

TBAS 1.2 - Departmental and Agency Financial Statements
TBAS 2.1 - Summary of Significant Accounting Policies
FIS Accounting Manual Section 9.5
PSSAB Handbook Section 4460
CICA Handbook Section 3280

8.6 SUSPENSE / OTHER ACCOUNTS

1. Effective Date

This Policy is effective as of April 1, 2001.

2. Policy Objective

The objective of this policy is to ensure that suspense accounts are cleared on a timely basis.

3. Definitions

Suspense accounts are temporary accounts established to permit the processing of transactions that, due to errors or incomplete information, can not be readily classified and distributed to their correct accounts in the General Ledger.

4. Scope

This policy applies to the establishment or maintenance of suspense accounts in CSC.

5. Policy Statement and Requirements

It is CSC policy to maintain suspense accounts for transactions that can not be posted to the appropriate accounts at the time that they are originally processed.

Accrual accounting applies a matching principle that requires revenues and expenses to be recorded for the period in which the economic event giving rise to the transactions occurred. Therefore, all CSC suspense accounts will, to the extent possible, be cleared to zero before the cut-off date to for each accounting period.

6. Procedural Requirements

CSC has established the following suspense accounts:

Salary suspense - Allotment 520, LOBJ 01000
GST Refundable Advance Account (RAA) - Allotment 603, LOBJ 35001
Losses awaiting write-off or recovery - Allotment 720, LOBJ 41404
Petty Cash Liabilities - Allotment 660, LOBJ 41450
Officers’ Custom deposits - Allotment 640, LOBJ 4210X
CSC Suspense - Allotment 660, LOBJ 4300X
American Express Suspense - Allotment 670, LOBJ 4310X
Travel Receipts Suspense - Allotment , LOBJ 43500
Pay Deductions Suspense - Allotment 760, LOBJ 45XXX
Garnisheed salaries suspense - Allotment 760, LOBJ 46XXX
OGD suspense receipts - Allotment 187, LOBJ 14990

OGD suspense - payments - Allotment Various - usually 240, LOBJ 12990
Undistributed IS receipts - Allotment 175, LOBJ 14900

Regional finance staff must monitor the clearing of these suspense accounts on a regular basis to ensure they are cleared to the appropriate coding.

In addition to the various suspense accounts, there may exist various IFMMS journals that have not yet been posted which will have the effect of leaving transactions in suspense.

Regional finance staff shall ensure that all unposted J/Vs for their respective regions are posted in on a timely basis. Before the close of the accounting period in which they arose.

Corporate Accounting will monitor unposted IFMMS Journals and suspense accounts on a regular basis and ensure that regional finance staff clear the suspense accounts as soon as possible.

6.1 Salary suspense - Allotment 520

NHQ Corporate Accounting is responsible for the ongoing processing of salary files. When a transactions fails funds checking during the posting of that transaction, NHQ Corporate Accounting will change the allotment to allotment 520 to permit the transaction to be recorded. All other aspects of the coding will remain the same.

Regional finance staff must ensure that a budget transfer is effected to cover the expense, and process a category "Pay corrections" journal to record the salary expense to the correct allotment.

This account must be cleared to zero prior to year-end.

6.2 Salary suspense - LOBJ 01000

NHQ Corporate Accounting will review the salary reject reports following each pay process and modify the coding and/or the DAO of rejected pay transactions to validate them in IFMMS by either applying the correct coding or redirecting the transaction to the suspense coding, LOBJ 01000. The following is an example of changes made by NHQ Corporate Accounting staff:

Region finance staff will review the IFMMS reports, correct coding errors as required and correct the actual error transaction and clear the suspense account with a category "Pay corrections" journal to record the expense appropriately.

This account must be cleared to zero prior to year-end.

6.3 GST Refundable Advance Account (RAA) - Allotment 603, LOBJ 35001

Accounts payable invoices from suppliers will normally include amounts for GST/HST. These amounts are not charged to the Manager's Budget. When processing the invoices for payment, the GST/HST portion is to be coded to the following coding: 19600 000 00000 603 35001.

Each year at March 31st, NHQ Accounting Services is responsible to initiate a creditor initiated transaction against CCRA to recover the amount in this account.

6.4 Petty Cash Losses awaiting write-off or recovery - Allotment 720, LOBJ 41404

Petty Cash losses cannot be written-off or forgiven unless they have been properly authorized in accordance with the CSC financial Signing Authorities. In order to permit the custodian to replenish the petty cash fund and resume operations, losses are temporarily coded to allotment 720, line object 41404.

Once an investigation has been completed, the funds will either be recovered from the custodian or submitted for approval to write-off.

6.5 Petty Cash Liabilities - Allotment 660, LOBJ 41450

The replenishment of the petty cash fund will usually involve numerous lines of coding. To facilitate the cheque issue process, the reimbursement is coded to allotment 660 using line object 41450. Then, a journal entry is prepared to clear the suspense amount and charge each applicable line of coding.

This account must be cleared to zero prior to year-end.

6.6 Officers' Custom deposits - Allotment 640, LOBJ 4210X

Periodically employees of CSC will enter into agreements to purchase goods or services produced by inmates. These goods or services are usually part of an approved operational program. Prior to any work commencing, there is a requirement to obtain a deposit from the employee. These deposits will be coded to allotment 640 using line object 42101. When the goods or services are delivered and the amount is paid in full, the deposit will be cleared and recorded as revenue.

6.7 CSC Suspense - Allotment 660, LOBJ 4300X

When CSC receives funds from an outside party or an IS from an OGD and is unable to identify the reason for receiving the funds, the funds must be deposited in the bank and credited to allotment 660, line object 43001. At no time should disbursements be recorded against this account if the credit does not already exist in the account for the specific item. The finance office receiving the funds must initiate contact with the sender to determine the correct distribution of the funds.

6.8 American Express Suspense - Allotment 670, LOBJ 4310X

NHQ maintains a supply of American Express Traveller's Cheques for use in exceptional circumstances, i.e. when the traveller does not have access to an individual travel card. When the cheques are issued to travellers, an entry will be required to establish a travel advance and to credit allotment 670 using line object 43101. On a weekly basis, NHQ Accounting Services must issue a cheque to American Express for the amount of all travellers cheques issued during the week. The cheque will be coded to allotment 670 using line object 43102 to clear the credits.

6.9 Travel Receipts Suspense - Allotment 660, LOBJ 43500

When processing travel claims and the traveller must reimburse the crown for any unused portion of travel advances. Once the claim has been processed, the advance will be cleared and any remaining portion will be transferred to allotment 660 using line object 43500. When the outstanding amount has been received, the credit will be coded to this allotment and line object to clear the amount in suspense.

6.10 Pay Deductions Suspense - Allotment 760, LOBJ 45XXX

Periodically CSC may have occasion to make payments to employees that will require us to withhold the applicable payroll deductions. An example will be the payment of awards which requires us to withhold the applicable taxes. Generally the full amount is charged to the manager's budget, with the amounts being withheld credited to allotment 670 using the applicable line object code.

The site finance office that has withheld the amount is responsible for issuing a cheque for the amount withheld to the appropriate authority.

6.11 Garnishment suspense - Allotment 760, LOBJ 46XXX

When CSC receives notifications from judicial authorities to withhold amounts owing to suppliers or employees, the amounts shall be charged to the applicable Manager's budget with an offsetting credit to allotment 760 using line object 46001.

The site finance office that has withheld the amount is responsible for issuing a cheque for the amount withheld to the appropriate authority.

6.12 OGD suspense receipts - Allotment 187, LOBJ 14990

Periodically CSC will participate in a project, contract or program with an OGD that will provide funding to CSC to finance some or all of the activities. In addition, the OGD expects to receive an accounting of the funds advanced and a transfer of the expenses from CSC 's books to their books. Examples of this would be our involvement with CIDA for such projects as Kosovo and Lithuania.

To accommodate the tracking and reporting of the funds received from the OGD, they will be credited to allotment 187 and line object 14990. It is advisable to use specific project codes to identify the various projects.

All expenditures related to this funding are coded to allotment 187 using the line object that describes the nature of the expenditure, e.g. travel or temporary help services.

Prior to the end of the fiscal year, the site finance office must calculate the balance owing to the OGD by running a report on allotment 187. A debtor initiated IS must be initiated to return the unused portion to the OGD. In addition, a summary of the expenditures must be sent to the OGD.

When recording the payment of the unused portion to the OGD, CSC will record the following entry;

- Debit allotment 187, line object 14990 for the initial amount received
- Credit allotment 187, using the same amounts and line objects of each expenditure made
- The net amount will be the amount of the cheque.

Recording the cheque in this fashion will have the effect of removing the expenditure from CSC's books.

This account must be cleared to zero prior to year-end.

Note: Should the OGD not require the refund of any unused portions or expect an accounting, when the funds are received they should be credited to the Manager's budget, eg allotment 240 using line object 12415 - Shared Cost Programs CR. No further follow-up action would be required.

6.13 OGD suspense - payments - Allotment Various - usually 240, LOBJ 12990

Should the above situation be reversed and CSC be the one providing the funds in advance, the payment would be recorded to the applicable allotment, e.g. 240 using line object 12990. Amounts will remain in this line object until the OGD sends CSC any unused portions and an accounting of the expenditures.

Any returned portion will be credited to the applicable allotment, e.g. 240 using line object 12990. When the accounting is received from the OGD, the site finance officer must prepare a journal entry to debit the applicable expense lines of coding as identified and credit line object 12990. Thus, the expenses will have been transferred to CSC 's books.

Note: Should the CSC not require the refund of any unused portions or expect an accounting, when the funds are received they should be charged to the Manager's budget, eg allotment 240 using line object 12416 - Shared Cost Programs DR. No further follow-up action would be required.

6.14 Undistributed IS receipts - Allotment 175, LOBJ 14900

When an OGD debtor initiates and sends funds to CSC they are automatically recorded to the following coding 19600 000 00000 175 14900. On a monthly basis, NHQ Corporate accounting is responsible for reviewing any such funds received and allocating them to the appropriate region and or coding.

This account must be cleared to zero prior to year-end.

6.15 Reporting and Monitoring

A complete audit trail must be provided to permit the tracing of all transactions cleared through suspense accounts.

NHQ Corporate Accounting will review the status of transactions held in suspense accounts on a regular basis and follow up with regional staff to ensure a timely clearing of the accounts.

7. Financial Statement Presentation and Disclosure

7.1 Statement of Financial Position

Suspense accounts will be presented in the Statement of Financial Position according to their disposition. Debit balances will be presented in the asset section and credit balances will be presented in the liabilities section.

7.2 Statement of Operations

Not applicable.

7.3 Notes

Detailed schedules of items included in the suspense accounts will be included in the Notes to Financial Statements.

7.4 Schedules

Not applicable.

8. References

CSC Year-end Procedures 1999-00
CSC Financial Administration Manual Section 7.6
CSC Financial Coding Manual
CSC Operations Directorate Communique 2000-10, Correction of Salary Rejects

8.7 system access and maintenance

1. Effective Date

This Policy is effective as of April 1, 2001.

2. Policy Objective

The objective of this policy is to provide procedures to ensure the integrity of financial information in CSC's financial systems.

3. Definitions

Authentication is the process of validating the identity of persons entering or processing electronic transactions.

Authorization is the process by which systems ensure that persons originating or processing electronic transactions are properly authorized to do so.

Integrity of financial information means ensuring the completeness, accuracy and security of information entered into and maintained in the financial systems that report on CSC's financial operations. This is achieved in large part by allowing only authorized individuals to process financial data and providing mechanisms within the systems to electronically validate the identity of the users by one or more processes of authentication.

4. Scope

This policy applies to the establishment and maintenance of process and procedures for access to financial systems and data.

5. Policy Statement and Requirements

It is CSC policy to maintain safeguards to ensure that access to financial systems, information and processes is restricted to authorized individuals as follows:

a) application of electronic approvals, in compliance with the *Financial Administration Act*, will be in accordance with departmental signing authorities and reflected in access and control procedures of the financial systems,

b) control of access to CSC financial information and systems will be restricted to approved individuals,

c) the identity of individuals accessing financial systems and information is system authenticated.

Appropriate CSC staff must properly authorized all applications for access to financial systems and other financial data prior to access being enabled.

Financial systems will retain details of all transactions, including the identification of the originators and the date and time of each entry.

An audit trail of all transactions affecting financial systems or information will be maintained

6. Procedural Requirements

All requests for access to SPS/IFMMS/SSP will be submitted on the approved request form CSC/SCC 1139 (R-99-04) or its replacement that may be in effect from time to time.

The NHQ Director Operations will identify and approve the functional profiles necessary for each "type of authority or access" to financial systems and information and ensure that:

a) access and authority profiles conform to the departmental signing authorities,

b) the effectiveness of security procedures for financial systems is verifiable, and

c) the process of controlling access and maintaining system integrity is auditable.

The employee's manager must initiate all requests for access.

Employees, for whom access is requested, will sign the application acknowledging that they have read and understood the terms and conditions attached to the application.

The request for access will be reviewed and approved by the authorized site finance officer (e.g., Chief of Finance) and forwarded to NHQ Comptrollership Systems for activation.

NHQ Systems administrators will ensure that persons with designated authority have approved all applications for access and notify the employee (applicant) that the request for access has been approved and the account(s) activated.

NHQ Systems administrators will maintain a system access profile for all individuals with access to financial data and processes. This profile will identify each system that an individual is authorized to access and the functions within those systems that the individual may perform.

Finance staff will, upon termination of employees or transfer of employees, ensure that access profiles and system authorities are adjusted to reflect the change of status.

6.1 Reporting and Monitoring

A complete audit trail must be provided to permit the tracing of all transactions.

The systems should maintain a log of all denied access requests and report on a periodic basis incidents of repeated access denial by user, terminal ID and application.

The IFMMS security officer will review all incidences of access violation beyond acceptable limits with the NHQ Director Comptrollership Systems and the NHQ Director Operations and take appropriate action as necessary.

NHQ Comptrollership Systems will provide regions with reports of profiles to allow regions/sites to perform annual reviews of persons with access in their regions.

7. Financial Statement Presentation and Disclosure

7.1 Statement of Financial Position

Not applicable.

7.2 Statement of Operations

Not applicable.

7.3 Notes

Not applicable.

7.4 Schedules

Not applicable.

8. References

Treasury Board Secretariat Manual, Comptrollership. Chap 2.2 (Jul 96)

8.8 DATA RETENTION and disposition

1. Effective Date

This Policy is effective as of April 1, 2001.

2. Policy Objective

The objective of this policy is to ensure that financial records are retained and disposed of in accordance with the *National Archives Act, Multi-institutional Dispositions Authorities* and CSC Departmental Records Classification and Schedule Plan.

3. Definitions

Disposition is;

- the destruction of records by shredding, pulping, burning, crushing, erasing or any other means to ensure that the information cannot be reused; or
- the transfer to National Archives of records that have archival or historical importance for the nation.

Financial records are:

a) original instructions for payment or instruments for settlement, or claims for settlement; or

b) media such as magnetic tape, disk or diskette that contain original instructions or claims or is used to store instructions or claims.

Retention is the active or dormant period that must elapse before disposition of data.

Source documents are the original documents that provide the supporting information for the generation of an accounting entry**.**

4. Scope

This policy applies to all source documents that result in the generation of an entry in CSC's financial statements.

5. Policy Statement and Requirements

All source documents that support the creation of an entry in CSC's financial records shall be retained for a period of six years.

All summary reports generated from the processing of financial transactions shall be retained for a period of two years.

The operation of a trust fund is governed by the provincial authority in each applicable province. Unless such documentation indicates a lesser period, the source documents and records which support payments into or out of individual trust accounts shall be retained indefinitely.

Information or records concerning a debt that is written off pursuant to the Debt Write-off Regulations will be retained until:

a) all audit procedures are completed;

b) administrative requirements with respect to the debit and write-off are satisfied;

c) in the case where a debt or part thereof has been written off, there is no longer any probability of future set-off; and

d) the limitation period for initiating any legal action with respect to the determination of the amount or recovery of the debt has expired.

Accounting Services at each site will co-ordinate the collection and boxing of records for annual transfer to National Archives. All boxes sent to National Archives should follow standard procedures indicated in CSC Records Procedures Manual - Section IV - Records Retention and Disposition or contact their records office.

Procedures

Not applicable

7. Financial Statement Presentation and Disclosure

7.1 Statement of Financial Position

Not applicable.

7.2 Statement of Operations

Not applicable.

7.3 Notes

Not applicable.

7.4 Schedules

Not applicable.

8. References

Financial Administration Act, S. 36(2) - Destruction of Instructions for Payment, Records

Destruction of Paid Instruments Regulations, 1996 SOR/97-238

National Archives of Canada Act

National Archives of Canada - Multi-institutional Disposition Authorities - Retention Guidelines for Common Administrative Records of the Government of Canada - June 2000

Treasury Board Manual -Privacy and Data Protection Chapter 2.03 - Retention and Disposal of Personal Information

CSC Departmental Classification Plan - Retention and Disposition

CSC Departmental Records Classification and Scheduling Plan, Schedule 4

CSC Multi-Institutional Disposition Authorities and Supplementary Documentation

CSC Records Procedures Manual - Section IV - Records Retention and Disposition