

Fall 2013

15 Toronto Street
Suite 700
Toronto, Canada
M5C 2E3

(416) 366-9256
1 (800) 265-7818
Fax: (416) 366-9171
info@pyc.net

In This Issue

Memories Are Made of This	1
PYC Briefs.....	2
We Need Good Bookkeepers	3
PYC Contact Information....	4

Memories Are Made of This



Carelessly managed data storage can cause some very big headaches.

Regardless of the size and type of your business, chances are you are constantly gathering and storing data. Whether it is simply names and addresses or more detailed personal information such as social insurance numbers, drivers' license numbers, medical history or family names and birthdates, such information must be protected in accordance with the provisions of the *Privacy Act*.

Unfortunately, news headlines about lost customer data can generate negative publicity for your company, which could potentially cost you business. To avoid such problems, ensure your company has policies governing data use, storage and disposal. Data that may no longer be needed may still be quite useful to criminals.

In the Old Days...

When hardcopy was king, and files had been in storage long enough to meet statutory retention requirements, businesses simply called up the shredding company and watched as documents were safely destroyed. Digital data has not only different disposal problems, but also can be transmitted almost anywhere.

Storage Today

Today a wide variety of digital devices can become storage media for confidential data. For instance, PDAs or smartphones of staff and management may easily contain contact names, addresses, birthdates and photographs. USB flash drives and hard drives can store significant amounts of information, and could potentially contain data about your company, clients, engineering plans, budgets, passwords, addresses, or payroll, just to use a few examples.

Whether it's Mini SD, micro SD, or Compact Flash, they all store data. These memory cards increase a device's basic storage capacity to the extent they can store sufficient personal and business data to create serious breach-of-confidence issues if used by unauthorized individuals. Many of these cards are interchangeable between devices; for example, the card on the corporate camera may contain data that was on a laptop or PDA.

Digital cameras used to create visual records of client assets (trailers, trucks, backhoes, etc.), office and plant layouts are harmless when used for insurance purposes, for example. Such data in the wrong hands, however, could provide details on assets location, alarm systems, and floor or yard plans that could be used to commit a crime.

Many newer photocopiers have hard drives that support copy, print, scan and fax functions. Some copiers can also support user-based access to thousands of stored documents.

Old laptops and desktops rendered obsolete by changes in operating programs often remain loaded with information transferred to newer technology. This data is easily accessible and could be a goldmine of information for the unscrupulous if thrown away.

Let us not forget the storage devices that existed before flash memory such as tapes backups, ZIP drives and floppy diskettes. Much of their information has been transferred to new technologies but kept on the old computers. CD+/-R or DVD+/-R discs can store roughly 700MB or up to 8.5GB of data, respectively. There are probably hundreds of discs in your office containing backup data that is accessible to anyone with an optical drive on their computer.

Ensure Proper Disposal of Data

Protecting and properly destroying old but still accessible information requires management to re-establish control.

Take Inventory

1. Inventory all old floppies, ZIPs, tape drives, computers, removed hard drives as well as equipment currently in operation. ■

Memories... ► *continued from previous page*

2. Document the type, location and users of all media.
3. Determine whether the data and/or equipment need to be retained.
4. Determine whether the data was simply archival.
5. Find out whether the data has been migrated to newer equipment.
6. Establish the age of the data.
7. Is older equipment required to read the data?

Once all this has been determined you can decide whether the older data and equipment can safely be destroyed.

Understand the Flow of Information

- What information is being collected?
- What information should be considered confidential?
- Where and on what media is the information stored?
- Is the information on paper?
- Is the information on a centralized server?
- Is the information on individual standalones, laptops, or a combination of all of the above?

This knowledge will tell you where critical information is located and will assist in determining what needs to be destroyed.

Manage Data and Its Carrier

Once all the information has been located, you need to determine the possibility of limiting the media using and storing the data. For example, if data is stored on a main server, how frequently is it backed up, what medium is used and where is it stored?

Laptops, flash drives and other data storage media supplied to staff should be accounted for at all times. Any missing backup disks should be investigated immediately, especially if they contain sensitive information. All changes to equipment such as hard drive upgrades must be accounted for. Retired equipment should be inventoried and stored in a secure location until a decision is made to purge the data and destroy the medium.

Defining the medium recording the original data source and limiting the number of backups to a predetermined protocol will also make it easier to determine where the data resides when the time comes to destroy it. For example, if the original data is on a server and operational procedures require daily saving onto a hard drive and weekly saving onto a DVD or CD securely stored to record disc number, date deposited, date removed and by whom, there should be little need for additional backup. Should it become necessary to retrieve older data the records will be available.



PYC Briefs

The annual **Ontario Non-Profit Housing Association (ONPHA)** conference will be held in October in Toronto. You will be able to find J.J. Pauze and Charlie Petralito at the Trade Show. Tom McGivney will be presenting the award of Excellence at the opening plenary and ONPHA's audited financial statements at the AGM.

Plans are underway for **Tools 2013** to be held on November 20th at Hart House on the University of Toronto campus. Find out the latest at www.toolsconference/2013. PYC will be presenting three workshops; Fraud, Demystifying the Audit, and End of Operating Agreements for S95 Co-ops and Non-Profits.

We would like to welcome **Garry Gatti, Sanjay Kiran and Jesika Sundaralingam** to our professional staff. You will meet them as they become important members of our team.

Best of Luck to **Liza Gowe** who after many years with PYC, has decided to pursue other endeavours.

Best of Luck to **Rajiv Samani** who is leaving PYC to broaden his experience hours as he works toward his CPA designation.

Disposal

Hard Drives

Hard drives store information magnetically; deletion does not actually remove the data, it simply marks it as "deleted" to be overwritten later. A determined individual could recover the deleted data. Prior to disposing of hard drives, consider wiping the drive with a utility that will overwrite each bit with null data, thus making data recovery that much more difficult.

CDs and DVDs

Rewritable and reusable CDs or DVDs should be reformatted before being reused. Discs that cannot be reused should be shredded.

Memory Cards

If memory cards can be removed from PDAs, cell phones, cameras, etc., remove and reformat them for future use. Resident memory in portable devices should be reformatted and, as a final security, crushed to ensure that the memory cards are no longer useable.

Establish and Police Policies

Staff policies should ensure that all equipment and memory devices are accounted for. Downloading sensitive data to home-office computers or personal laptops should be prohibited without management's permission.

Follow-up procedures should ensure data is erased from personal laptops once the job is completed and the office files are updated. Sensitive data files should be encrypted and password-protected to make unauthorized access more difficult. This will help prevent unauthorized distribution of company data and ensure all data can be destroyed in an appropriate manner.

.....*continued on back cover* ■

We Need Good Bookkeepers



The often-neglected bookkeeper can be the key to important cost savings and compliance.

The underpinning of any successful business is the knowledge and experience employees bring to their jobs. Without that, a business must be doomed to failure from the start. For exceptional abilities, owner/managers are willing to seek out and pay top dollars to the best in the field. Unfortunately, not all owner/managers see record keeping as a job requiring the same high level of skills; instead, they underestimate the need for knowledgeable and experienced bookkeepers.

The Bookkeeper's Role

According to Wikipedia *"A bookkeeper (or book-keeper), also known as an accounting clerk or account-ing technician, is a person who records the day-to-day financial transactions of an organization. A bookkeeper is usually responsible for writing the "daybooks." The daybooks consist of purchase, sales, receipts, and payments. The bookkeeper is responsible for ensuring all transactions are recorded in the correct daybook, suppliers' ledger, customer ledger, and general ledger. The bookkeeper brings the books to the trial balance stage. An accountant may prepare the income state-ment and balance sheet using the trial balance and ledgers prepared by the bookkeeper."*

Bookkeepers Are Often Highly Underrated

This definition of a bookkeeper also underrates the qualifications and experience that should be basic requirements for a bookkeeper in today's increasingly rule-driven society. Without reliable and correctly recorded financial data almost every aspect of decisions based on this data could be disastrously wrong.

Certainly a bookkeeper should be able to journalize, post to the ledger and produce an adjusted trial balance. Indeed, with the assistance of today's accounting software most bookkeepers can provide income statements and balance sheets as well; however, even the best accounting software cannot protect a company from the effects of improperly trained users of the software. Thus a bookkeeper's ability needs to stretch beyond the historical fundamentals of data entry and incorporate the following attributes.

1. High proficiency in the accounting software now used to record transactions. Proficiency should go beyond the ability to know where to record sales, payroll, journal entries and the like and should extend to an understanding of how the system interacts to allow tracing of source document entries and how to correct errors on the system that is used.

2. Good bookkeeping skills go far beyond simply entering data from a source document into the accounting system. Automated systems will, for instance, reduce the general ledger bank account by the amount of a cheque, but cannot necessarily determine whether the offset is to be allocated to capital assets, inventory, owner draw, loans to employees, or payment of an account payable. Thus, if a bookkeeper does not

understand the intricacies of his or her specific business, the bookkeeping program may record and allocate incorrectly. As a result, many financial and operation decisions will be wrong.

3. Bookkeepers should know not only how to do the payroll and make the correct source deductions, but also they need to understand the employment law governing statutory holidays, vacation pay, overtime, workers' compensation, premium requirements for provincial or private health plans, as well as the filing requirements for the Canada Revenue Agency.

4. Bookkeepers must understand how suppliers' invoices are allocated in their particular business. Entering or posting invoices may seem like a "slam dunk", but the incorrect identification of an invoice will allocate funds to the incorrect expense account, misallocate a capital expenditure to an expense account or visa versa, incorrectly allocate a business expense to the draw account of a shareholder, or allocate funds to an expense account instead of to inventory.

5. Bookkeepers must understand the importance of sales invoices to clients. Failure to allocate invoices correctly could result in misleading sales figures by product line or improper reduction of inventory.

6. Bookkeepers should possess the experience to understand the difference between deposits for sales and deposits for other reasons. Loans to the company by the shareholder or financial institution or sale of equipment, for example, should not end up as sales figures on which the corporation would ultimately pay income taxes.

7. Bookkeepers know how to comply with the rules of many regulatory agencies and government departments. Today's bookkeepers must know how to enter data such as payroll source data so that it fulfills a multiplicity of reporting requirements. Data must be developed and recorded to comply with union agreements, the employee health tax, GST/HST, various employee tax issues including termination information on records of employment and, at the end of the year, to provide adequate supporting documentation to employees, employers and governments.

8. A bookkeeper must have an appreciation of what the Chartered Accountant requires to complete the year-end corporate financial statements and corporate tax returns. Lack of communication with the CA about reporting needs could result in delayed production of the corporate tax returns or financial statements because the information is not readily obtainable and must be rebuilt.

9. Bookkeepers must have the ability to address employees of the government using the terminology with which they are familiar. Whether addressing issues of source deductions, withholding taxes or injury claims, the ability to address the issues in the language of the regulatory employee ensures that mistakes due to interpretation are avoided and that a resolution is arrived at without conflict. Tact is always necessary.

10. The ability to use the Internet for online banking is a must for bookkeeping staff. The ability to provide owner/managers with up-to-date details on the cash account combined with the ability to transfer funds between various corporate bank accounts not only saves the time required to go the financial institution but also avoids those embarrassing NSF calls from the bank or, worse, the client. The ability to clarify regulatory requirements over the Internet reduces the time needed to resolve uncertainties about the treatment of corporate or employee matters.

.....continued on back cover



Good Bookkeepers...► continued from previous page

11. Communication skills should be top of the list of soft skills required of any bookkeeper. For many owner/managers the bookkeeper is the only source of knowledge that allows management to address financial issues with employees, government, clients and suppliers. While the owner/manager is looking after the operational side of the business the bookkeeper is often taking care of business.

The Perfect Choice

Locating an ideal bookkeeper with all of the above skill sets is not an easy task. Résumés and referrals may provide you with a starting position but what is on paper may not translate into the skills actually needed at your business. To narrow the field:

- Look for a résumé that indicates continuous experience at one or two employers, rather than one showing a long list of jobs with different employers in different industries.

- Enquire as to whether the bookkeeper was responsible for the full array of software functions rather than just one function such as accounts payable.

- Ensure the accounting software with which the bookkeeper is familiar is the same as yours.

- Find out whether the individual's experience is in a similar business.

- Confirm the individual is bondable for insurance purposes.

- Determine whether the work experience demonstrates the ability to deal with constant change.

- Assess whether the individual has sufficient self motivation to find answers to problems by researching or addressing the issues with management or the company's Chartered Accountant.

- Look for signs that confirm the applicant likes working with detailed information.

- Determine whether the applicant has demonstrated a penchant for bookkeeping by taking courses in high school or community college.

Professionalism

Although bookkeepers have not organized and become "sanctioned" as have paralegals in some provinces, there are organizations seeking to bring a sense of professionalism to the bookkeeping field by increasing the level of excellence. Two such non-profit organizations in Canada are The Institute of Professional Bookkeepers of Canada and The Canadian Bookkeepers Association. Membership in such organizations does not necessarily guarantee the applicant is the ideal client for your business, but enrolment is one indicator that he or she is interested in belonging to a collective that works toward improving the skills of its members.

Don't Pinch Pennies When Hiring a Bookkeeper

In an age where government regulations, rules and filing requirements for regulatory agencies, obtaining bank loans, and the future survival of your company are dependent upon information supported by qualitative and quantitative measurement of financial data, hiring competent individuals and paying top dollar to ensure their loyalty is a true money saver. ♦

Memories...► continued from inside cover

The proliferation of electronic devices allowing storage of confidential data within an organization is overwhelming. Implementing and adhering to controls on how data is accessed, stored and ultimately destroyed can reduce the risk of unauthorized access to and distribution of sensitive information. ♦



Fall 2013

Prentice Yates & Clark, Chartered Accountants

Phone: 416-366-9256 / Toll Free: 800-265-7818

Fax: 416-366-9171

Contact Tel. Extension e-mail Address

Partners

Charlie A. Petralito.....	226	charlie.petralito@pyc.net
Lloyd K. Turner.....	235	lloyd.turner@pyc.net
Tom McGivney.....	233	tom.mcgivney@pyc.net
J.J. Pauze.....	230	jj.pauze@pyc.net

Retired Partner

David L. Robertson.....	234	davidr@pyc.net
-------------------------	-----	----------------

Accounting Staff

Ahmad, Bakhtawar.....	238	bakhtawar.ahmad@pyc.net
Bardhoshi, Viola.....	239	viola.bardhoshi@pyc.net
Bell, Katya.....	236	katya.bell@pyc.net
Chohan, Preety.....	246	preety.chohan@pyc.net
Everett, Jessie.....	237	jessie.everett@pyc.net
Gatti, Garry.....	253	garry.gatti@pyc.net
Jaroszko, Paul.....	227	paul.jaroszko@pyc.net
Kiran, Sanjay.....	274	sanjay.kiran@pyc.net
Oza, Bhavin.....	251	bhavin.oza@pyc.net
Reid, Dionne.....	232	dionne.reid@pyc.net
Sharma, Rohan.....	231	rohan.sharma@pyc.net
Sundaralingham, Jesika.....	248	jesika.sundaralingham@pyc.net
Tozer, Colin.....	245	colin.tozer@pyc.net
Wheater, Rob.....	249	rob.wheater@pyc.net

Administrative Staff

St. Louis, Carole.....	228	carole.stlouis@pyc.net
Palmer, Shannette.....	242	shannette.palmer@pyc.net
Colleen Pereira/Reception....	221	reception@pyc.net

visit our web site

www.pyc.net

We hope that you find info@pyc.net a useful source of information. If you should ever have any specific questions or concerns regarding your own business or personal finances, please call us. We will gladly help in any way that we can. If you

would like to contact us by e-mail, we can be reached at info@pyc.net. Some of the articles appearing in this issue of info@pyc.net were prepared by the Chartered Professional Accountants of Canada for the clients of its members.

