

Policy Code # A-FN-105-001/AG-001

Chapter 30: Write-Off, Reporting, and Investigation of Loss Theft or Damage of Non-Public Property (NPP)

Date of Issue: 27 April, 2011

Revision date: 28 January, 2022



INTRODUCTION

1. This chapter constitutes official direction on the Reporting and Investigation of the Loss, Theft or Damage of Non-Public Property (NPP) and NPP write-off and disposal procedures. The policies and procedures contained herein apply to all NPP Organizations and are in support of identifying internal control shortcomings and initiating the appropriate corrective action.

REPORTING AND INVESTIGATION OF LOSS THEFT OR DAMAGE TO NPP

Note: Suspected and/or witnessed NPP fraud may be reported to fraud@cfmws.com at any time.

2. As per **QR&O: Volume I - Chapter 21**, Article [21.72](#) (Loss Of Or Damage To Non-Public Property) and [21.73](#) (Investigation Into Loss, Overage Or Damage Due To A Service Or Criminal Offence) an investigation appropriate to the magnitude of the loss or damage to NPP shall be conducted. The investigation shall be instituted by the Senior Manager, PSP for PSP controlled entities, by the local CANEX Manager for CANEX entities and for all other entities by the manager/supervisor providing oversight of NPP operations.
3. All loss, theft or damage to NPP totalling \$1,000 (\$1K) or more, shall be reported by the custodian of the NPP:
 - a. to the local NPPAM and/or the RAM, and
 - b. to the Base/Wing/Unit Commander
 - i. through the Senior Manager, PSP for PSP controlled entities;
 - ii. through the local CANEX Manager for CANEX entities; and
 - iii. for all other entities, through the manager/supervisor providing oversight of NPP operations.
4. A copy of all reports/submissions to Base/Wing/Unit Commanders and replies thereto, shall be forwarded to the RAM directly or through the local NPPAM.
5. When loss, theft or damage to NPP totalling \$1K or more is suspected to be the result of a criminal offence, the custodian of the NPP shall, in addition to performing the reporting action as detailed in paras 3 and 4 above:
 - a. immediately notify the military police (MP) section if there is one in the locality;
 - b. if there is no MP section in the locality, immediately notify the civilian police and/or the nearest [Canadian Forces National Investigation Service](#) (CFNIS) office;
 - c. ensure that any physical evidence of the commission of an offence is left undisturbed until viewed by the MP, civilian police and/or CFNIS investigators as applicable;
 - d. as soon as possible (subject to subparagraph c), verify the NPP on hand values by conducting a stocktaking for any inventory, a verification of any cash on hand and verification of any Fixed Assets; and
 - e. as per para 13 below, assist the overseeing manager in determining the total estimated loss of NPP. For stocktaking procedures, refer to Chapter 26 (Stocktaking) for cash verification procedures see Chapter 18 (Security of Non-Public Funds and Cash

Receipt Controls) and for Fixed Asset verification procedures refer to Chapter 28 (Fixed Assets and Museum Collections).

Note: Call 911 to report a crime in progress or to request immediate assistance.

REPORTING WHEN THE INVESTIGATION IS COMPLETED

6. Upon completion of an investigation, the MP section and/or the investigating CFNIS Office as applicable, shall forward the final report to the Base/Wing/Unit Commander who in turn shall have copies of the report provided to the responsible manager and to the RAM directly or through the local NPPAM.

REPORTING RECOVERY AND ACCOUNTING ACTION

RECOVERY OF NPP

7. Upon advisement that NPP previously reported to be lost or stolen is recovered by the NPP Organization, it shall be reported immediately by the responsible manager to the Base/Wing/Unit Commander and the MP section and/or the nearest [CFNIS](#) office who in turn will ensure that the civil police agencies are notified (if they were involved in the investigation). The recovered NPP shall be returned to the losing NPP Organization provided it is not required as evidence.
8. In turn, the responsible manager shall also advise the local NPPAM and/or the RAM who will initiate accounting action to reduce the actioned write-off amount(s) (in whole or in part as applicable).

RESTITUTION ORDER

9. Upon advisement that a restitution order has been enacted and approved by the courts, the MP section and/or the investigating [CFNIS](#) Office as applicable shall advise the Base/Wing/Unit Commander and provide them with a copy of the restitution order and supporting documentation. In turn, the Base/Wing/Unit Commander shall provide copies of the restitution order and supporting documentation to the responsible manager and to the RAM directly or through the local NPPAM.
10. The local NPPAM shall initiate accounting action to set up an accounts receivable and reduce the actioned write-off amount(s) (in whole or in part as applicable). In turn, the NPPAM will liaise with the National Accounts Receivable Office (NARO) to arrange for the collection of the accounts receivable and provide NARO with a copy of the restitution order as authority for collection.

WRITE-OFF AND DISPOSAL OF NPP

WRITE-OFF DEFINITION

11. Write-off is defined as the authority to adjust accounting records to reflect the deletion or changed monetary value of an asset or liability arising from an occurrence outside of normal operations. Examples of situations in which write-off action is appropriate are devaluation (write-down), fraud, arson, damage, destruction, theft, loss, fire, disappearance and deletion of bad debts.

DETERMINATION OF WRITE-OFF AMOUNT AND AUTHORITY LEVEL

12. The write off amount is the sum of:

- a. the loss at cost price for merchandise inventory;
 - b. the amount of the loss of Non-Public Funds (cash and/or cash equivalents); and
 - c. the Net Book Value (acquisition cost less any accumulated depreciation charges) for the loss of fixed assets.
13. When there is loss, theft or damage of NPP, the NPP custodian and the overseeing manager, shall, as soon as possible (subject to subparagraph 5.c above), verify the applicable the NPP on hand values. In turn, with assistance from the supporting NPP Accounting Manager, the NPP on hand values shall be compared to the accounting and entity records to determine in detail what NPP is missing and/or damaged and develop an estimate of the total loss amount. For stocktaking procedures, refer to Chapter 26 (Stocktaking) for cash verification procedures refer to Chapter 18 (Security of Non-Public Funds and Cash Receipt Controls) and for Fixed Asset verification procedures refer to Chapter 28 (Fixed Assets and Museum Collections).
 14. The write off amount will be used as the basis for determining the appropriate write-off authority notwithstanding that the loss may have occurred over a period of time and/or is the result of more than one incident.
 15. Where losses are recovered, in whole or in part, the gross amount shall determine the level of authority required to approve closure of the incident. While recovery may offset a loss, the situation that contributed to the loss must be made known and, if necessary investigated. All requests for write-off shall be supported by an investigation appropriate to the magnitude of the write-off sought.
 16. Write-offs shall be actioned by a Request for Write-off in memorandum form. Full particulars of the circumstances and reasons for write-off shall be outlined in the memorandum.
 17. Guidelines for the reporting and processing of write-offs for NPP Organizations (excluding CANEX) are presented at [Annex A](#). CANEX guidelines are promulgated by CANEX Headquarters.
 18. Accounting action **shall be taken in the month of discovery** to recognize the write-off of the loss, theft or damage of NPP when a reasonable estimate of the total loss amount can be made (as per para 13 above) and shall not be delayed pending the outcome of any investigation and/or awaiting official approval. If there is a subsequent recovery of NPP or receipt of funds through a restitution order, (as per paras 7 to 10 above), accounting action **shall be taken in the month of receipt** to reduce the actioned write-off amount(s) (in whole or in part as applicable).

Note 1: Approval for write-off does not prejudice disciplinary action or subsequent financial recovery from persons responsible.

Note 2: **ALL** transactions including recoveries, shall be recorded in the same/single natural GL Account 7681 (Loss/Recovery of NPP) and in the applicable sub accounts (628 Inventory, 629 Non-Public Funds, 630 Fixed Assets, 215 (Other)).

APPROVAL LEVELS FOR THE WRITE-OFF AND DISPOSAL OF NPP

19. Approval levels for the write-off and disposal of NPP are found in the Chief of Defence Staff Delegation of Authorities for Financial Administration of Non-Public Property.

WRITE-OFF AND DISPOSAL OF FIXED ASSETS

20. Write off authority is required to dispose of an asset or liability at less than net book value. Fixed asset write off and disposal procedures are detailed in Chapter 28 (Fixed Assets and Museum Collections).