

# CENTRE FOR INDEPENDENT LIVING IN TORONTO (C.I.L.T.) INC.

## Financial Control and Accounting Policy

### Version Control History

Version	Date	Initiated by	Approval	Change description
1	Apr 12, 2012	Executive Committee	Board of Directors	New policy
2	May 8, 2015	Executive Director		6.6 added
3	Aug 6, 2020	Executive Committee	Board of Directors	Various
4	Aug 5, 2021	Executive Committee	Board of Directors	6.6 amended (at least 2 estimates) 9 amended (corporate credit card) 10 added Other miscellaneous edits

### **1. Introduction**

- 1.1. The following is a policy of the Board of Directors on financial control and accounting at CILT. It is intended to set out the Board's basic requirements of CILT's Executive Director and to provide other guidance with respect to financial control and accounting.
- 1.2. The Board may provide additional requirements or guidance (or may override specific provisions of this policy) by resolution at a duly-constituted meeting of the Board of Directors.

### **2. Finance & audit committee**

- 2.1. The Executive Committee (or other committee the Board may appoint to undertake these duties) shall be responsible to the Board for
  - advising on financial and accounting policies and procedures,
  - advising on short-term or strategic planning with respect to CILT's finances,
  - monitoring the budgeting and reporting processes,
  - reviewing internal financial control policies and procedures,
  - all formal communications with CILT's auditors, and
  - review of the audited financial statements prior to presentation to the Board.
- 2.2. The Executive Director shall advise the committee and shall report any errors which may result in material misstatement in the financial statements and any fraud to the committee.

### **3. Budgeting**

- 3.1. The Board of Directors shall be responsible for providing the strategic planning and any other directions required by the Executive Director to prepare an annual budget.
- 3.2. The Executive Director shall be responsible for preparing an annual budget consistent with the strategic plan or other directions provided by the Board. The budget shall also be prepared in a

manner consistent with the requirements of CILT's funders (including any agreement which requires that CILT have an annual balanced budget in each fiscal year).

- 3.3. The annual budget shall consist of an operating budget and, when appropriate, a capital and/or a one-time funding budget.
- 3.4. The operating budget shall be divided into significant programs or projects to be determined by Executive Director but shall include a "core operations" category comprising CILT's on-going programs and administrative functions. The budget shall also include a written commentary giving the following information:
  - the goals and objectives for the coming year as reflected in budget,
  - a rationale for the division of budget into programs or projects and a description of those programs or projects,
  - the status of funding grants or other income estimates,
  - an explanation of substantial changes in budgeted revenue and expenses relative to the previous budget year, and
  - a summary of the salary schedule and an explanation of any significant changes in it.
- 3.5. The capital and/or one-time funding budget (if any) shall include a list of proposed capital or one-time funding projects, budgeted amounts for each, funding sources for each, and a commentary giving the rationale and description of each.
- 3.6. A draft annual budget prepared by the Executive Director shall be presented to Board at the first Board meeting of the fiscal year (first meeting after April 1<sup>st</sup>). The Board shall approve an annual budget at that meeting or as soon thereafter as possible.
- 3.7. During any period of a fiscal year for which an annual budget has not yet been approved, the following rules shall apply until a budget is approved:
  - all revenue lines to be the lesser of
    - the equivalent revenue lines in the previous year's budget or
    - any known or anticipated decreased revenue amount,
  - all expense lines to be the lesser of
    - the equivalent expense lines in the previous year's budget or
    - any known or anticipated decreased expense amount,
  - Board to be advised of any expense lines that must be increased by law or other external obligation, and
  - no salary increases or changes in staffing complement without approval by Board.
- 3.8. The approved budget may be amended by the Board at a duly constituted meeting at any time during the fiscal year.

#### **4. Financial reporting**

- 4.1. The Executive Director shall be responsible for providing interim financial statements to the Board during each fiscal year and for reporting to the Board on CILT's financial position and activities.
- 4.2. Financial statements shall be presented quarterly for at least the following periods
  - the six months ending on September 30<sup>th</sup>,
  - the nine months ending on December 31<sup>st</sup>, and
  - the fiscal year ending on March 31<sup>st</sup>

and should be presented within two months of the end of the period reported (e.g. results up to September 30<sup>th</sup> should be reported to Board at the November meeting).

- 4.3. The statements shall include a balance sheet, income statement, and variance reports. The income statement and variance reports shall be consistent with budget presentation (i.e. same line items and same programs and projects).
- 4.4. In the variance reports, dollar variances shall be expressed using the formula:  
$$\text{Year-To-Date (YTD) Actual} - \text{YTD Budget} = \$ \text{ Variance.}$$
Percentage variances shall be expressed using the formula:  
$$\text{YTD Actual} \div \text{YTD Budget} \times 100 = \% \text{ Variance.}$$
- 4.5. In the variance reports, a written commentary shall be provided for all line items having both a dollar variance greater than plus or minus \$5,000 and a variance greater than 120% or less than 80%.

## **5. Internal financial controls**

- 5.1. The Executive Director shall be responsible for implementing a system of internal financial controls which are intended
  - to protect the CILT's assets;
  - to minimize the risk of error (resulting in material misstatement in the financial statements);
  - to minimize the risk of fraud; and
  - to ensure compliance with accounting standards, legislation, and funders requirements with respect to finance.
- 5.2. One of the key features of internal financial controls is the principle of "segregation of duties" which ensures that no single individual has sole responsibility for any single transaction from authorization to completion and review. While it is recognized that complete separation of duties is difficult in a small organization like CILT, the following sections of this policy include some basic requirements for the segregation of duties at CILT.

## **6. Purchasing**

- 6.1. For the purposes of this policy, "purchases" shall be understood to include
  - purchases of goods and services,
  - pre-payment or reimbursement of expenses for travel, mileage, conference fees, meals, catering, etc.,
  - program and project disbursements (such as grants, research, honoraria, travel allowances, etc.),
  - legal settlements, fines and penalties, and
  - other financial obligations (such as leases).
- 6.2. All purchases at CILT shall be subject to the following two levels of financial control: "authorization to purchase" and "approval for payment".
  - Authorization to purchase must be obtained before any commitment to a purchase is made. Authority to purchase shall be understood to include responsibility for deciding if the purchase is within budget and for ensuring that relevant procurement procedures are followed.

- Approval for payment must be obtained before payment of a purchase is processed. Approval of the payment of a purchase shall be understood to include responsibility for ensuring that the purchase has been duly authorized, and attesting that purchased goods have been received, purchased services have been rendered, expenses incurred, and disbursements and other financial obligations are due.
- 6.3. The Executive Director shall be responsible for authorizing purchases and for approving payment of purchases (excepting purchases of \$25,000 or more for CILT's core operations as noted below), and for ensuring that all purchases, payments and related liabilities are correctly recorded as to account, amount, and period.
- 6.4. The Executive Director may delegate responsibility to authorize purchases or to approve payment of purchases to other staff members or committees subject to the following.
- The delegation shall be documented in the position's job description or in a written agreement with the incumbent or in the terms of reference of the committee.
  - The responsibility to authorize purchases and/or approve payment shall be delegated only for specified programs or projects or administrative functions, or for specific budget expense lines, and/or for amounts up to specified dollar limits.
  - The delegated responsibility to authorize purchases shall be exclusive (i.e. two people should never have authority over spending of the same funds).
  - The Board shall be advised of any delegations to authorize purchases and to approve payments.
  - To the greatest extent possible, staff should not be delegated both to authorize purchases and to approve payment of the same purchases.
- 6.5. All purchases shall be consistent with the requirements of CILT's funders (including any agreement which requires the acquisition of supplies, equipment or services over a set value through a competitive process).
- 6.6. Purchases over \$25,000 shall normally be made through a competitive process that will involve at least two (2) independent quotes which shall be free from any perceived or undeclared conflict of interest of staff, Board members and donors. This provision does not apply to direct subsidies paid to the intended beneficiaries of a funding program and project (such as the Direct Funding or PSW Training programs) or to routine payroll-related remittances.
- 6.7. Purchases (as defined in paragraph 6.1 above) of \$25,000 or more shall be authorized by the Board or by at least two of the signing officers (as defined by CILT's By-laws) who are also Board members and payment of such purchases shall be approved by a Board signing officer (preferably the Treasurer). Such authorizations and approvals may be obtained by exchange of e-mails. This provision does not apply to direct subsidies paid to the intended beneficiaries of a funding program and project (such as the Direct Funding or PSW Training programs) or to routine payroll-related remittances, but the Executive Director shall be responsible to ensure that such programs have appropriate processes in place for authorizing and approving purchases.

A sample of a chart to show the segregation of duties for purchasing is attached as Appendix A.

## **7. Payroll**

- 7.1. The Executive Director shall be responsible for ensuring that

- before any hiring commitment is made, the commitment is within budget and relevant recruitment policies and procedures have been followed,
- salaries and wages are paid in a manner consistent with the budget approved by the Board,
- salaries and wages are paid for work performed,
- benefits and entitlements are paid or granted in a manner consistent with personnel policies approved by the Board or required by statute, and
- remittances are made as required by policy or statute.

7.2. The Executive Director may delegate some or all of the above responsibilities to other staff subject to the following.

- The delegation shall be documented in the position's job description or in a written agreement with the incumbent.
- The Board shall be advised of any such delegations.

A sample of a chart to show the segregation of duties for payroll is attached as Appendix B.

## ***8. Grants, donations & other revenue***

8.1. The Executive Director shall be responsible for ensuring that

- grants from CILT's major funders are received per the funding agreement and deposited to CILT's bank accounts;
- incoming cash and cheques are immediately secured at point of receipt, independently reported, and promptly deposited;
- all grants, donations, and other revenue are recorded properly in CILT's accounts as to account, amount, and period; and
- proper receipts are issued for donations and other revenues received.

8.2. The Executive Director may delegate some or all of the above responsibilities to other staff subject to the following.

- The delegation shall be documented in the position's job description or in a written agreement with the incumbent.
- The Board shall be advised of any such delegations.

## ***9. Methods of payment & signing authority***

9.1. The following are the only methods of payment permitted at CILT:

- cheques (pre-printed, coded cheque forms only) signed by two authorized signing officers,
- bank drafts issued on instructions signed by two authorized signing officers,
- electronic fund transfers (EFT's) subject to the following:
  - EFT's shall be used only for routine batch disbursements of program funding (such as the Direct Funding program) and for payroll;
  - EFT's shall be based on data files authorized and approved by the Executive Director or by the staff members delegated to authorize and/or approve; and
  - the EFT data upload and release process shall be governed by procedures established by the Executive Director to ensure funds are disbursed as approved;

- corporate credit cards subject to controls and procedures approved by the Executive Director;
  - pre-authorized automatic withdrawal (AWD's) subject to the following:
    - AWD's shall be used only for payment of goods and services and of other financial obligations (such as leases);
    - AWD's arrangements shall be limited to routine periodic payments of amounts subject to the control of the Executive Director or the staff members delegated to authorize and/or approve to purchases; and
    - all AWD's arrangements must be approved by a Board signing officer (preferably the Treasurer); and
  - petty cash subject to controls and procedures approved by Executive Director.
- 9.2. In addition to those signing officers specified in CILT's Bylaws, the Board may authorize other management staff recommended by the Executive Director to sign cheques or approve EFT's subject to the following.
- Such authorization shall be documented in the position's job description or in a written agreement with the incumbent.
  - The signing authority shall be delegated only for specified programs or projects or administrative functions, or for specific budget expense lines, and/or for amounts up to specified dollar limits.
  - To the greatest extent possible, staff should not be delegated both to approve payment of purchases or payroll and to sign cheques or approve EFT's in payment of the same purchases or payroll.
- 9.3. All signing officers are responsible to ensure that each purchase and payroll has been duly approved for payment.
- 9.4. No signing officer shall sign a cheque or approve an EFT payable to him or herself (excepting as part of a routine payroll or program disbursement) which he or she has also approved for payment.

## ***10. Reserve funds***

- 10.1. Reserve Funds have been accumulated since 1991 from various sources such as proceeds from fundraising events, productive enterprises and interest.
- 10.2. The use of the General/Capital section of the Reserve Fund may include such items as moving costs, improvements and repairs to rental space, the addition or improvement of accessibility features such as electric door openers or other unfunded devices or features required to accommodate disability (if such funds cannot be obtained from the operating budget).
- 10.3. The Program Development section of the Reserve Fund is meant for such things as severance packages, vacation pay and program closure costs. This may also be used to fund special programs that benefit CILT and its community, where other funding might not be available but where the program is clearly needed to assist persons with a disability wanting to live and work independently in the community. Other uses of this fund would include unfunded legal or consultants' fees in connection with projects and for rent in the event that funding is not forthcoming.
- 10.4. The use of these reserve funds must be approved by the Board of Directors.

## ***11. Significant accounting policies***

11.1. The following are CILT's significant accounting policies.

- Receipts for all government grants shall be recorded in the financial statements on an accrual basis.
- CILT shall capitalize all capital acquisitions and record the net amounts as a capital reserve; CILT may also expense capital acquisitions purchased with contributions from funders and record the amounts as a "capital contributions from funders" liability.
- CILT shall use the deferral method of accounting with respect to contributions.
- CILT will not account for contributed materials and services.
- Amortization of furniture and equipment shall be provided for on a straight-line basis over five years.
- CILT's capital shall be the balance maintained in its Unrestricted Net Assets. CILT's primary objective shall be to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital shall be invested under the direction of the Finance and audit committee with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements.

## Appendix A

### *Chart of the segregation of duties for purchasing*

Purchases	Authorization	Approval for payment	Signing authority
<b>Purchases of \$25,000 or more excepting direct subsidies paid to the intended beneficiaries of a funding program and project (such as the Direct Funding or PSW Training programs)</b>			
<b>All programs</b>	Board of Directors or at least two of the signing officers who are also Board members	Board signing officer (preferably the Treasurer)	
<b>Purchases of less than \$25,000 and all direct subsidies paid to the intended beneficiaries of a funding program and project (such as the Direct Funding or PSW Training programs)</b>			
<b>Administration</b>			
<b>Core program</b>			
<b>Direct Funding program</b>			
<b>PSW Training program</b>			

**Purchases** shall be understood to include

- purchases of goods and services,
- payment of expenses (such as travel, conferences, etc.),
- program and project disbursements (such as grants, research, honoraria, travel allowances, etc.),
- legal settlements, fines and penalties, and
- other financial obligations (such as leases).

For purchases,

- **Authorization** means that, before any purchase commitment is made, the designated person is responsible for deciding if the purchase is within budget and for ensuring that relevant procurement procedures are followed;
- **Approval for payment** means that, before a purchase payment is processed, the designated person is responsible for ensuring that the purchase or payroll has been duly authorized, and attesting that purchased goods have been received, purchased services have been rendered, expenses incurred, and disbursements and other financial obligations are due; and
- **Signing authority** means that, before signing a cheque or approving any other method of payment, the designated person is responsible to ensure that each purchase has been duly approved for payment.

## Appendix B

### *Chart of the segregation of duties for payroll*

<b>Payroll</b>	<b>Authorization</b>	<b>Approval for payment</b>	<b>Signing authority</b>
<b>Administration</b>			
<b>Core program</b>			
<b>Direct Funding program</b>			
<b>PSW Training program</b>			

For payroll,

- **Authorization** means that, before any hiring commitment is made, the designated person is responsible for deciding if it is within budget and for ensuring that relevant recruitment policies and procedures are followed;
- **Approval for payment** means that, before a payroll disbursement is processed, the designated person is responsible for ensuring that
  - salaries and wages are paid in a manner consistent with the budget approved by the Board,
  - salaries and wages are paid for work performed,
  - benefits and entitlements are paid or granted in a manner consistent with personnel policies approved by the Board or required by statute, and
  - remittances are made as required by policy or statute; and
- **Signing authority** means that, before signing a cheque or approving any other method of payment, the designated person is responsible to ensure that each payroll disbursement has been duly approved for payment.