

STATEMENT of POLICY and PROCEDURE			
Manual:	Not-for-Profit	SPP No.	NP 4.03
Section:	Financial Management	Approved	Mar 2018
Subject:	Expenses	Amended	Mar 2018
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1 POLICY

- 1.01 All purchases of goods or services or agreements to purchase goods or services shall be subject to appropriate authorization.
- 1.02 All contracts or agreements that materially affect the direction or finances of the organization shall be reviewed and authorized by the **Board of Directors**. In particular, and without restricting the generality of the foregoing, any contract with a total value over **[\$2,000]** shall be reviewed and authorized by the **[Board of Directors]**.
- 1.03 Purchases of goods or services greater than **[\$2,000]** shall be subject to an RFP process except where explicitly exempted by the **[Board of Directors]**.
- 1.04 Goods or services obtained through a cooperative purchasing agreement or barter arrangement shall be treated in the same manner as other standard purchasing arrangements.
- 1.05 In general, the organization will sustain relationships with two or more suppliers for any major recurring type of expense. Periodically, supplier performance will be reviewed and assessed by the Senior Staff
- 1.06 Expense advances may be provided to employees when the nature and approximate amount of the expense is approved beforehand.
- 1.07 All employees or board members travelling on organizational business will adhere to the travel guidelines for behaviour and expenses.
- 1.08 Costs shall be recognized at the time they are incurred unless they qualify for treatment as an asset under the capitalization policy.

2 PURPOSE

- 2.01 The purpose of this Statement of Policy and Procedure is to provide guidance on the treatment of expenses of the organization as well as appropriate controls over expenses.

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3 SCOPE

3.01 This policy applies to the Board of Directors, the **[ED/CEO]**, and all employees involved in the handling of expenses.

4 RESPONSIBILITY

4.01 It is the responsibility of the **[Board of Directors]** to approve the expense budget for the coming year and to assure itself that expenses are being managed and controlled effectively.

4.02 It is the responsibility of the Senior Staff to ensure that expenses are authorized appropriately, both at time of commitment and at time of payment, that they are consistent with the intent of the expense budget, and that appropriate internal controls are established over all expenses.

5 DEFINITIONS

5.01 “**Accounts payable**” is an expense recorded as a liability of the organization until the account is paid.

5.02 “**Barter transaction**” means an exchange of goods or services between two or more parties where no money changes hands.

5.03 “**Budget**” means a financial plan outlining expected revenues, expenses and expenditures for fixed assets that is formally reviewed and approved by the Board of Directors.

5.04 “**Controls**” are the processes and procedures, including organizational structure, reports, supervision and review, that ensure that the organization’s objectives are achieved, and also reduce the risk of fraud or error.

5.05 “**Contribution agreement**” is a contract arrangement between a government organization and a non-governmental organization for specific purposes and with specific deliverables subject to reporting and audit processes.

5.06 “**Cooperative purchasing arrangements**” are agreements to combine with other organizations to obtain volume discounts on commonly purchased items.

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5.07 **“Costing”** means the collection of all per-unit fixed and variable costs associated with a particular product or service being sold by the organization.

5.08 **“Government not-for-profit organization”** is an organization that is controlled by the government and has all of the following characteristics:

- It has counterparts outside the public sector.
- It is an entity normally without transferable ownership interests.
- It is an entity organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose.
- Its members, contributors and other resource providers do not, in such capacity, receive any financial return directly from the organization.

For the meaning of “controlled by government” please refer to page 4.01-ii.

5.09 **“Grant”** is a gift of funds for a specified purpose.

5.10 **“Petty cash”** means a small amount of cash kept on hand at a worksite to be used for necessary minor purchases.

5.11 **“RFP/RFQ process”** means a series of predefined steps where potential suppliers of goods or services are requested to make a proposal or quote on that supply. Used as a formal way to compare and select a supplier for a major expense.

5.12 **“RFP”** stands for Request for Proposal, the process generally followed before awarding a major service contract. RFPs identify the need and leave it up to the prospective contractors to make a proposal that is appropriate.

5.13 **“RFQ”** stands for Request for Quote, the process generally followed before awarding a major supply contract. RFQs identify the specific requirements and terms of the proposed contract and request a price quote only.

6 REFERENCES and RELATED STATEMENTS of POLICY and PROCEDURE

See also *Finance and Accounting PolicyPro*, Volume I, Chapter 2 — The Purchasing Cycle

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For not-for-profit organizations (other than government not-for-profit organizations): *CPA Handbook*, Part III and Part II (Accounting Standards for Not-for-Profit Organizations) or *CPA Canada Handbook*, Part I (International Financial Reporting Standards).

For government not-for-profit organization: *Public Sector Accounting Handbook*.

- SPP NP 2.05 – Risk Management
- SPP NP 4.01 – Financial Management Primer
- SPP NP 4.04 – Assets
- SPP NP 4.05 – Cash Management
- SPP NP 4.06 – Budgets, Forecasts and Reporting

7 PROCEDURES

7.01 Expense Authorization

- (a) Authorization for any purchase must be made in advance, unless specified otherwise in another policy.
- (b) Authorizations for barter transactions shall follow the same process as a standard purchase.
- (c) Goods and services costing less than \$20 required in the normal course of business may be paid for from petty cash without prior authorization.
- (d) Purchases with a gross value under [**\$300**] must be authorized in advance by Senior Staff.
- (e) Purchases with a gross value greater than [**\$300**] but less than [**\$1,000**] which have been approved in the budget must be authorized in advance by Senior Staff..
- (f) Purchases with a gross value greater than [**\$300**] but less than [**\$2,000**] which have not been approved in the budget must be authorized in advance by Senior Staff
- (g) Purchases with a gross value greater than [**\$1,000**] but less than [**\$2,000**] which have been approved in the budget must be authorized in advance by the Board of Directors
- (h) Purchases with a gross value greater than [**\$5,000**] which have not been

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approved in the budget must be authorized by the Board.

- (i) Any agreement that may materially affect the direction or the finances of the organization shall be reviewed and authorized by the **Board of Directors**, including acquisitions, divestitures, contracts with a gross value greater than \$2,000 and any contract extending more than **[two years]**.

7.02 **HST/GST**

The **[Finance Manager]** will ensure that all invoices and receipts processed capture the amount of HST/GST paid. The **[Finance Manager]** will apply for reimbursement of the allowable portion of HST/GST paid.

7.03 **Petty Cash**

- (a) Petty cash will be used when, and only when, employees are required to make small cash purchases on behalf of the organization. Receipts must be retained and recorded by the employee responsible for petty cash.
- (b) Petty cash will be kept in a secure location in a locked cash box. One employee, the petty cash custodian, will keep the petty cash box key and manage the petty cash, including monthly reconciliation and refreshment of funds.
- (c) In shift operations, it may be necessary to identify more than one employee as petty cash custodian. Where there is more than one petty cash custodian, transactions logs must show the initial of the individual accessing petty cash for each transaction.
- (d) For normal purchases, employees will make the purchase from their own funds and present the receipt to the petty cash custodian for reimbursement. The receipt must be initialled by the employee's supervisor and contain a simple explanation on the back as to the nature of the expense.
- (e) In cases where it is not practical for employees to make the purchase from their own funds, the petty cash custodian may make a disbursement to an employee in the estimated amount of the purchase, recording the nature of the requirement and amount disbursed in the petty cash log. The receipt from the actual purchase together with the change from the petty cash advance will be returned to the petty cash custodian at the same time.
- (f) Disbursements will be recorded in the petty cash log and the receipts kept in the petty cash box until reconciliation.

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- (g) Monthly, the petty cash custodian will perform a reconciliation of cash and receipts. Any unreconciled amounts must be investigated and corrected by the petty cash custodian. Where an investigation fails to provide reconciliation, the overage or shortage must be reported to the custodian's supervisor.
- (h) Upon reconciliation, the petty cash log and related receipts will be forwarded to the **[Finance Manager]** who will arrange to provide a refreshment of funds to the petty cash custodian.
- (i) HST/GST amounts will be recorded separately in the petty cash log to allow for recovery of a not-for-profit HST/GST rebate by the **[Finance Manager]**.

7.04 **Supplier Management**

- (a) Good supplier records should be kept to track locations and contact names and numbers, payment preferences, contract provisions and purchase and payment history as well as any quality issues that might have arisen with the supplier.
- (b) Periodically, supplier records should be analyzed to obtain information on the reliability of each supplier, comparison of prices or discounts provided or volume of business which may lead to the creation of a purchasing contract providing better prices, discounts or payment arrangements.
- (c) Periodically, the organization will research alternative suppliers for major expense line items, which can be used as a basis for broadening the list of available suppliers, negotiating with an existing supplier or general information about market rates for pertinent goods and services.
- (d) The organization expressly forbids its employees from accepting any good, service, gift or other personal offering of more than a nominal value from its suppliers at any time. (See also SPP NP 2.04 – Ethics.)

7.05 **RFP/RFQ and Contract Administration**

- (a) All supply arrangements valued at more than **[\$2,000]** shall be subject to an RFQ/RFP process.
- (b) Requests for Proposals or Quotes will be drawn up by the operating department requiring the goods or services in consultation with a lawyer where deemed appropriate.
- (c) RFP/RFQs will be sent to a minimum of three potential suppliers. Suppliers who have been in default of a contract with the company or who have a history of poor contract performance shall be excluded from the process.

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- (d) RFPs will specify:
- (i) Date by which proposals are due
 - (ii) Background to the requirement (e.g., context, challenges)
 - (iii) Specific requirements of the proposal
 - (iv) Qualifications of the ideal supplier (e.g., track record, experience, integrated services)
 - (v) Criteria by which the proposals will be assessed
 - (vi) Timing of response to proposals
 - (vii) Process for entertaining questions regarding the RFP and sharing responses with other potential suppliers
 - (viii) Caveat providing the company with the right to pick any proposal or none
 - (ix) Any other special terms and conditions requested (e.g., maximum price expected, delivery dates or constraints)
- (e) RFQs will specify:
- (i) Date by which quotes are due
 - (ii) Specific requirements of the quote, including volumes, quality, timing, shipping terms and guarantees
 - (iii) Criteria by which proposals will be assessed
 - (iv) Timing of response to proposals
 - (v) Process for entertaining questions regarding the RFQ and sharing responses with other potential suppliers
 - (vi) Caveat providing the company with the right to pick any proposal or none
 - (vii) Any other special terms and conditions requested (e.g., maximum price expected, delivery dates or constraints)
- (f) RFQ and RFP responses (proposals and quotes) will be assessed by the operating department and any others invited to partake in the assessment, a minimum of two people. The following guidelines apply:
- (i) All quotes and proposals will remain confidential and be retained on file in accordance with the records retention policy
 - (ii) The assessment mechanism will reflect the criteria for assessment specified in the original request document
 - (iii) Assessors will make note of special or differentiating features of each quote or proposal
 - (iv) The operating department paying for the goods or services will make note of the assessors' comments in its decision

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- (v) When a quote or proposal is selected, appropriate credit or reference checks will be made before the decision is finalized
- (vi) Successful and unsuccessful competitors in an RFP/RFQ process will be informed on the day a decision is made as to the outcome of the process according to the terms of the original request
- (vii) Once the successful competitor has been selected and informed, a contract will be produced specifying:
 - (A) Agreed-upon delivery dates and prices
 - (B) Shipping requirements or conditions
 - (C) Details of guarantees or warranties
 - (D) Default conditions or conditions which would render the contract void
 - (E) Recourse provisions in the case of default
 - (F) Penalty clauses if appropriate
 - (G) Schedule of payments
 - (H) Agreed-upon change management process
- (viii) Contracts will be signed by those authorized to sign for the company but only after appropriate authorization has been obtained

7.06 **Travel Guidelines**

- (a) Every employee travelling on organizational business is responsible for following procedures and guidelines for expenses, retaining all receipts and behaving as a representative of the organization at all times.
- (b) In general, the organization recognizes the following as normal travel expenses:
 - (i) Economy class air fares, train and bus tickets to the city of destination; if the estimated costs are expected to be less, a rental car for travel to the city of destination is considered a reasonable alternative
 - (ii) Travel insurance
 - (iii) Airport fees
 - (iv) Lodging in the city of destination at a mid-range hotel or motel
 - (v) Personal meals and associated tips not to exceed Breakfast \$15.00, Lunch \$20 and Dinner \$35.00
 - (vi) Telephone calls home of a reasonable duration
 - (vii) Telephone calls to the office or business contacts

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- (viii) Taxi fares to and from destinations within a city and associated tips; if estimated costs are expected to be less, a rental car is considered a reasonable alternative
- (ix) Parking and gasoline charges in the case where a rental car has been deemed appropriate
- (x) Minor incidental expenses that would not otherwise be incurred by the employee, such as tips in a hotel or public transportation costs
- (c) In general, the organization does not reimburse employees for:
 - (i) Entertainment in the city of destination
 - (ii) Alcoholic purchases (iii) Upgrades to high classes of service for air or train service
 - (iv) Fines for traffic violations
 - (v) Personal items and duty or sales tax charges on personal items
 - (vi) Additional expenses related to travelling with a spouse or other guest
 - (vii) Fees for excess baggage or baggage handling
- (d) When an employee or director travelling on organizational business has an opportunity to lodge with a friend or relative and in doing so will reduce the overall cost to the organization, a gift in lieu may be purchased at company expense. Gifts are expected to be symbolic in nature and minor in cost, not to exceed **[\$50]**.
- (e) Employees may participate to personal advantage in frequent flier programs so long as all decisions regarding carriers are made first with due regard to the best available flight prices and times.
- (f) An employee or director has the option of using their personal car for business travel so long as the following conditions are met:
 - (i) The vehicle must have insurance coverage of at least **[\$1,000,000]** for both personal injury and third-party liability
 - (ii) The individual has a three-year safe-driving record
 - (iii) The cost of the trip will not exceed the costs of using other forms of transportation
 - (iv) The kilometrage reimbursement rate is **[\$0.55]** per kilometre (for up to 5,000 km per year)
- (g) The organization expects all receipts to be retained and submitted with an expense report. All receipts should indicate the nature of the expense, the date, the location and the purpose of the trip. Receipts must be reviewed and approved by the individual's supervisor, or in the case of board travel, by the [Expenses for which a receipt has been lost or misplaced

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will be reimbursed only at the discretion of the Treasurer.