

# THE AGENCY FOR CO-OPERATIVE HOUSING

## POLICY MANUAL

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**REVIEW CYCLE:**

3 Years

**AUTHORITY:**

Board of Directors

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**SUBJECT:**

Financial Accountability

### 1. Financial Accountability Chain

- 1.1** The Agency's financial accountability chain comprises four levels, as illustrated below:

Level 4	Board of Directors
	Accounts to ↑Oversees ↓
Level 3	Chief Executive Officer
	Account to ↑ Oversees ↓
Level 2	Division Directors; Manager, Lending and Default Prevention Services
	Account to ↑ Oversee ↓
Level 1	Regional Managers, Operations; Manager, Technical Services; Manager, Information Systems

- 1.2** Accountability is achieved through the assignment of responsibility for specific revenues and expenditures or groups of revenues and expenditures ("Revenue Centres" and "Expenditure Centres") to designated staff at appropriate levels in the organization.

- 1.3** Levels 2 and 3 (Division Directors; Manager, Lending and Default Prevention Services; Chief Executive Officer) in the accountability chain have direct responsibility for budgeting and controlling the Revenue and Expenditure Centres assigned to them. In certain instances, responsibility for discrete Expenditure Centres has been further delegated (to Level 1). Level 4 (Board of Directors) performs an approval and oversight function. Each level in the organization accounts to the next higher level for how well it, and those reporting through it, have discharged their direct responsibility for controlling revenues and expenditures against approved budgets.
- 1.4** An example will illustrate how the accountability chain works. The Ontario/PEI Manager, Operations is accountable to the Director, Corporate Services for the financial performance of the Toronto office facility. In turn, the Director is accountable to the Chief Executive Officer for facilities and equipment costs for the Agency as a whole. The Director is further accountable to the Chief Executive Officer for the overall performance of the Corporate Services Division. The Chief Executive Officer is accountable to the Board of Directors for all revenues and expenditures of the organization.

## **2. Assignment of Financial Accountability**

- 2.1** The chart in *Appendix A: Assignment of Financial Accountability* sets out existing Revenue and Expenditure Centres. The staff position listed next to each centre is directly accountable for the financial performance of that centre.
- 2.2** Revenue and Expenditure Centres shown correspond to the departments and sub-departments in the general ledger and include all accounts listed within those groups in the chart of accounts.

## **3. Budgeting**

- 3.1** The annual Agency budget consists of a budget for each of the operating and capital funds, indicating estimated revenues and expenses, inter-fund transfers and the anticipated change in the fund balance and any reserves. The budget is the financial reflection of the operating plan developed by management in support of the Board-approved strategic focus areas. It respects the terms of the Agency's agreement with CMHC and any other government clients.
- 3.2** The budget is drawn up on the basis of estimates prepared for each Revenue and Expenditure Centre by the persons accountable for those centres, with the assistance of staff reporting to them and under the direction of the Director, Corporate Services. The budget is then approved by the Chief Executive Officer for submission to the Board.

- 3.3 At the Board of Directors' last meeting each year, the budget is presented to the Board for approval.
- 3.4 Before adopting the budget as provided above, the Board obtains the advice of the Finance and Audit Committee.
- 3.5 Once the Board has approved the budget, staff is authorized to make expenditures in accordance with the provisions below.

#### **4. Financial Commitments**

- 4.1 Purchases and other financial commitments on behalf of the Agency may be authorized in advance to the limit of the approved budget, in accordance with *Appendix B: Authorization Required for Expenditures*.
- 4.2 In the absence of the responsible staff member, and in order to avoid an undue delay in the procurement, any of the person appointed to act in the staff member's place, the person to whom the staff member reports or the CEO may authorize a commitment on the person's behalf.
- 4.3 In the absence of the CEO, the CEO's authority may be exercised by the Division Director appointed to act in the CEO's place.
- 4.4 For the purposes of paragraphs 4.2 and 4.3, "absence" means a period of absence of at least three consecutive business days.
- 4.5 Subject to paragraph 4.6, if the approved annual budget for a group of Expenditure Centres has been exceeded, or the proposed expenditure would cause it to be exceeded, the approval of the next higher level in the accountability chain is required.
- 4.6 The Chief Executive Officer may authorize spending in excess of the total approved operating or capital expenditure budget, provided any budgeted net income for the operating fund for the year is realized or any budgeted net loss is not exceeded. Significant variances must be reported to the Board of Directors. This provision does not authorize the CEO to incur expenditures or make financial commitments where the approval of a higher authority is expressly required as provided in Appendix "B."

**5. Cash Disbursements**

- 5.1 Payment of expenditures must be authorized and documented in accordance with Appendix “B.”
- 5.2 In the absence of the responsible staff member, any of the person appointed to act in the staff member’s place, the person to whom the staff member reports or the CEO may authorize a disbursement on the person’s behalf.
- 5.3 In the absence of the CEO, the CEO’s authority may be exercised by the Division Director appointed to act in the CEO’s place.
- 5.4 For the purposes of paragraphs 5.2 and 5.3, “absence” means a period of absence of at least three consecutive business days.
- 5.5 A copy of the documentation for any cash disbursement authorized under paragraph 5.2 or 5.3 will be provided to the absent manager or director or the CEO, as the case may be, upon that person’s return.

**6. Monitoring Budget Performance**

- 6.1 To maintain the integrity of the Agency’s financial reporting, all revenues and expenditures must be classified in the accounts according to their kind and nature and not according to budget availability.
- 6.2 Following the end of each month, general ledger extracts for the Revenue and Expenditure Centres for which they are responsible, with corresponding financial statements, are forwarded to each position shown on the Financial Accountability Chart. Each of these persons is to review these documents, advise the Director, Corporate Services of any errors, and adjust spending plans as necessary to ensure that the financial plan for the year is met.
- 6.3 The Director, Corporate Services submits summary financial statements for the most recently completed fiscal quarter to each regular meeting of the Board of Directors. A report commenting on the Agency’s current financial position and financial performance to date that year and the complete, detailed financial statements are provided to the Finance and Audit Committee at its meeting preceding the board meeting. The Committee discusses the statements with staff and advises the Board as it deems appropriate.
- 6.4 The Board has fiduciary responsibility for all Agency operations. It approves the annual audited financial statement and submits it to the Agency’s sole member, the Co-operative Housing Federation of Canada.

**APPENDIX A: Assignment of Financial Accountability**

**Operating Fund**

<b>Revenue/Expenditure Group</b>	<b>Revenue/Expenditure Centre</b>	<b>Responsible Position</b>
<b>Revenue</b>	All	Director, Corporate Services
<b>Operations</b>	<ul style="list-style-type: none"> <li>• Personnel</li> <li>• Out-Partners</li> <li>• General Expenses (support centre)</li> <li>• General Expenses (regional service centres)</li> </ul>	<ul style="list-style-type: none"> <li>• Director, Operations</li> <li>• Manager, Technical Services</li> <li>• Director, Operations</li> <li>• Manager(s), Operations</li> </ul>
<b>Lending and Default Prevention Services</b>	All	Manager, Lending and Default Prevention Services
<b>Corporate Services</b>	<ul style="list-style-type: none"> <li>• Personnel Costs</li> <li>• Facilities and Equipment</li> <li>• Information System</li> <li>• Governance</li> <li>• Communications</li> <li>• Other Operating Expenses (support centre)</li> <li>• Other Operating Expenses (regional service centres)</li> </ul>	<ul style="list-style-type: none"> <li>• Director, Corporate Services</li> <li>• Director, Corporate Services</li> <li>• Manager, Information System</li> <li>• Director, Corporate Services</li> <li>• Director, Corporate Services</li> <li>• Director, Corporate Services</li> <li>• regional Managers, Operations</li> </ul>

**Capital Fund**

<b>Revenue/Expenditure Group</b>	<b>Revenue/Expenditure Centre</b>	<b>Responsible Position</b>
<b>Capital Assets</b>	All	CEO
<b>Expenditures</b>	All	CEO

## APPENDIX B: Authorization Required for Expenditures

NOTE: *Two signatures are required on the actual cheque, money order or request for electronic funds transfer, in addition to the authorization required below.*

	<b>Authorization to Make Expenditure</b>	<b>Documentation and Authorization to Pay*</b>
• transfers between bank/credit union accounts	any two of CEO and Division Directors	transfer slip
• purchase/sale of operating investments	Director, Corporate Services	payment request
• expense advances	any one of CEO and Division Directors	payment request
• prepaid expenses	same as current expenses (below)	same as current expenses (below)
• GST remittance	n/a	payment request signed by Director, Corporate Services or CEO
• employee salaries and benefits	as per Human Resources Policy	payroll change authorization signed by Director or Manager of unit to which employee is attached plus the Director, Corporate Services, or in the case of Corporate Services staff, the CEO required for each change in salary or benefits and for new employees
• staff overtime/vacation payments	<ul style="list-style-type: none"> <li>• authority to approve overtime: as per Human Resources Policy</li> <li>• authority to pay: Director, Corporate Services</li> </ul>	employee time report

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|--|--|--|
| <ul style="list-style-type: none"><li>• personal services</li></ul>                      | <p>appropriate Division Director or Manager or CEO</p>   | <p>invoice with reference to executed contract, letter of agreement or signed purchase order</p>   |
| <ul style="list-style-type: none"><li>• staff and volunteer travel expenses</li></ul>    | <p>no advance authorization required for expenditures made in accordance with policy</p>   | <p>expense statement signed by claimant, authorized by appropriate Division Director or Manager or CEO and accompanied by receipts or other documentation as required by policy; copies of the CEO's expense accounts will be retained after payment and made available to the President to sign at each meeting of the Board of Directors</p> |
| <ul style="list-style-type: none"><li>• office lease</li></ul>                           | <p>Board of Directors, through decision to lease space</p>   | <p>landlord's invoice or automatic payment authorization, signed by Director, Corporate Services</p>   |
| <ul style="list-style-type: none"><li>• equipment leases</li></ul>                       | <p>CEO</p>   | <p>supplier's invoice or automatic payment authorization, signed by Director, Corporate Services</p>   |
| <ul style="list-style-type: none"><li>• postage and courier</li></ul>                    | <p>no advance authorization required</p>   | <p>delivery receipts and invoice signed by Director, Corporate Services</p>  |
| <ul style="list-style-type: none"><li>• long distance telephone or fax charges</li></ul> | <p>no advance authorization required</p>   | <p>invoice signed by Director, Corporate Services</p>  |
| <ul style="list-style-type: none"><li>• audit fees</li></ul>                             | <ul style="list-style-type: none"><li>• member (through appointment of auditor)</li><li>• Finance and Audit Committee (through approval of audit plan)</li></ul> | <p>invoice signed by Director, Corporate Services</p>  |

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- all other current expenses per financial accountability chart signed purchase order or contract, invoice, and evidence of receipt of goods or services

\* where different from authorization required to make expenditure