

# Financial Management Policies and Procedures

## 1. GENERAL PURPOSE

The purpose of these policies is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of Columbia College (referred to as “the college”), and appropriately managing the funds of the College.

## 2. FINANCIAL RESPONSIBILITIES

The Board of Directors appoints annually members to the Audit & Risk Committee whose task includes, but is not limited to, review of annual financial statements and Annual Reports.

The Vice President, Finance is responsible for formulating financial policies and procedures which are reviewed on a regular basis with the Board of Directors.

Vice President, Finance updates and implements financial policies. The Vice President, Finance has the responsibility of managing the College’s funds, ensuring the accuracy of the accounting records, internal controls, financial objectives and policies, financial statement preparation, and bank reconciliation review and approval.

The Accountants are directly supervised by Vice President, Finance and responsible for the preparation of the Chart of Accounts, Reporting Formats, Accounts Payable Processing, Payroll Processing, Cash Receipts, Invoicing, Accounts Receivable, Journal Entries for General Ledger, GST reporting, Bank Reconciliations, Year End and Financial Records for Tax Purposes.

## 3. CONFLICT OF INTEREST

The Board of Directors may not be used to personally benefit a Director at the expense of the College. If a Director has a financial interest in a College transaction, The Director must fully disclose the interest and abstain from voting. Loans to Directors are prohibited.

A Conflict of Interest may occur whenever an employee may use their position to influence a decision that triggers personal gain as a result of the College’s business dealings. Real, perceived or potential conflicts shall be shared with the employee’s supervisor for review and follow up.

## 4. BUDGETING PROCESS

Vice President, Finance shall be responsible for presenting budgets to the President as a draft. The President reviews the draft budget, makes recommendations prior to submission to the Board of Directors.

The Vice President, Finance shall recommend fiscal year budget revenues, expenses, capital purchases and cash flow and submit to the President for approval.

As part of the budget process, revenues and expenses are forecasted monthly and a monthly cash flow statement shall be available.

## **5. FINANCIAL STATEMENTS**

The College's Financial Statements shall be prepared quarterly to coincide with GST reporting and in accordance with Generally Accepted Accounting Principles (GAAP).

The presentation of the Financial Statements shall follow the recommendations of the Financial Statements of Not-For-Profit Organizations.

Under GAAP, net assets and revenues, expenses, gains and losses are classified based on government restrictions. Resources for various purposes are classified accordingly and maintained for each type of fund.

## **6. AUDIT**

The College will have an audit of its financial statements annually, within 4 months of the end of the fiscal year. The audit shall be completed by a third party firm of Independent Certified Public Accountants. The Vice President, Finance shall have direct responsibility in overseeing the implementation of the audit. At the discretion of the Vice President, Finance and President, the Board Audit Committee can be involved.

The Vice President, Finance shall recommend to the Audit Committee for approval, the selection of a third party firm to perform the annual audit. A representative from the audit firm shall be invited to attend the annual presentation to the Audit Committee as part of the presentation to the Board report from Audit and Risk Committee. The auditor's report shall include any material weaknesses in the internal controls or reportable conditions as part of the financial statements.

## **7. REVENUE AND INCOME PROCEDURES**

The Vice President, Finance develops and proposes revenue goals and objectives and submits them to the President prior to Board discussion and approval.

All contributions shall be recorded in accordance with GAAP with specific attention to Canadian accounting standards for not-for-profit organizations. Revenue must be credited to the appropriate revenue lines as presented in the annual budget and coded with the appropriate account number as designated in the College's Chart of Accounts.

## **8. RECORDING RECEIPTS**

For cash received in a program, main reception, or given to a staff person, shall follow and maintain College procedures. Mail should be opened by a staff person working in reception area or if confidential, then forward to Accounting Department. All cash receipts must be accompanied by a receipt prepared in Reception, indicating the name of the person, amount and type of payment, program, and employee name receiving the payment. Payment information is to be recorded in the College Record System

(CRS). All cheques must be stamped with the College stamp with appropriate bank account information before depositing.

An individual deposit slip shall be prepared in triplicate bearing different denominations of cash and cheques. A copy of the deposit slip is retained with copies of the deposited cheques and receipts. All cheques and cash receipts, whenever possible, are to be deposited daily. Transactions should be periodically rechecked by Vice President, Finance.

Electronic transfers require appropriate backup in a timely manner in order to reconcile. Accounting staff are required to request backup wherever necessary to allocate funds appropriately based on the Chart of Accounts.

The Accountant shall make the appropriate entries in the General Ledger books. The Accountant shall reconcile all records of incoming cash/cheques with the deposit slips and with the record of receipts in preparation of financial statements.

Records are kept securely for 7 years.

## **9. EXPENDITURES PROCEDURES**

All specific program expenditures shall be approved by a College Program Manager before submission to Accounting. Program expenses are based on the Program Budget Building process for each program at the College. Program Managers are required to complete a purchase order in regards to purchases that will be delivered at a later date.

The Accountant maintains standard accounting records containing all aspects of the College's financial operations. Included in the records are general ledger, check register and payroll registers.

Once invoices have been approved, either by Vice President, Finance and/or President, the purchase order is attached to the appropriate invoice and packing slip before payment is approved and prepared. Payments by electronic transfer are prepared by an Accounting assistant. Electronic transfers are reviewed by Accountant and approved for transfer by an employee with rights to transfer funds. Alternatively, cheques may be prepared and would follow similar process to electronic processing, respecting collection of signatures may take extra time. Upon payment completion, a copy of the cheque payment or confirmation of payment is attached to the invoices and filed alphabetically according to individual name and shall be kept on a fiscal year basis.

Records are maintained securely for a period of 7 years.

## **10. SIGNATURE POLICY**

The President and Vice President shall endorse/sign cheques, contracts and EFT submissions but in the absence of one of the above, the Registrar, Accountant and/or

Facility Manager have signing authority with the requirement of 2 signatures at all times. Some with signing authority are limited to the amount while the President and Vice President, Finance have signing authority for all levels. For online and EFT payments, Vice President, Finance has the authority to assign Administrative rights for such things as transfers for employees within the Accounting Department.

#### **11. COMPENSATION AND PAYROLL**

Payroll is prepared internally on a biweekly basis. Approved timesheets are submitted to Accounting 5 banking days before pay date. Any expenses approved to reimburse are included with payroll at this time. Pay cheques and email notices for those paid by EFT are submitted by Payroll Employee after review by the Accountant. Adjunct contracted services are handled similar to payroll, after the appropriate approval has been received and approved by Program Managers.

Monthly payroll expenses are reviewed on a monthly basis by Vice President, Finance.

Compensation for the President and Vice President, Finance are recommended by the Board of Directors, but final decision remains President's role based on the financial health of the College. The salaries of all other employees shall be determined annually with the Accountant reviewing current local economic conditions, roles and responsibilities of the employee and industry standard for any particular role within the college. Final decision each year for changes to employee's compensation is part of the role of the President. No employee of the College may be compensated outside of the approved range for a position, without the approval of the President and Vice President, Finance.

#### **12. TRAVEL AND EXPENSE REIMBURSEMENT**

The College maintains a policy in relation to travel expenses and reimbursements. Required approved reports are submitted to Accounting to be reimbursed with the next payroll. If expenses exceed amount approved within a program budget, a Manager shall submit a Preapproval for Expenses to their Supervisor before expecting expenses to be paid. Travel expenses will not exceed reasonable rates using Canada Revenue Agency as a guideline.

Parking and other expense receipts must be attached as a condition for reimbursement.

#### **13. CREDIT CARD EXPENDITURES**

The College maintains a credit card for company based expenses that are either an online purchase, US purchase or other unusual situation. Program Managers may request use of the credit card and submit appropriate vendor information and purchase order. The Accountant will assist the Program Manager with the purchase by completing an online order and supplying credit card information. The credit card will be maintained within the Accounting Department. Packing slips and invoices for purchases charged to the credit card must be attached to the statement each month and the

statement reconciled before payment. If the credit card appears to be misused in any way, the Vice President, Finance shall cancel it until such time that an investigation in the misuse has been cleared or Vice President, Finance is satisfied and willing to approve another card.

#### **14. PURCHASING**

Program and Department Managers receive on an annual basis, an approved expense budget for their area. The Program Manager receives on a quarterly basis, an updated expense statement with actual expenses to the end of that quarter. These quarterly statements are discussed in monthly meetings with the President. If a Program Manager's expenses exceed a budgetary amount, the Program Manager is expected to explain the excess expenses. If expenses exceed a budgetary area for another quarter, the Program Manager may have their ability to approve expenses to be paid jeopardized in the future. The Vice President, Finance, in review with the Accountant shall determine whether the President should be notified in such a case, in order for the President to advise the Program Manager of such a situation.

Any expenditure in excess of an amount identified by the Vice President, Finance as part of the Program Expense Budget (typically, in excess of \$1000 per item) will need discussion and preapproval by the President and/or Vice President, Finance. The President and/or Vice President, Finance may request three (3) quotes from suppliers in order to make a better informed decision. These quotes are reviewed by Vice President, Finance and the appropriate quote specifically approved in advance by the President and Vice President, Finance.

Should a Board member make a purchase, on behalf of the College, prior approval will be required by the President, before reimbursement shall occur.

All fixed assets require reasonable diligence (such as three quotes) to comparatively shop for available sources.

#### **15. LEASES AND OTHER CONTRACTUAL AGREEMENTS**

The College conducts all its operations from leased facilities. Facility lease agreements are negotiated by the President in consultation with the Vice President, Finance. The President may, in his wisdom, choose to work with a corporate leasing realtor in order to understand the current market and receive a fair lease agreement. The President shall inform the Board of the process in discussion for advice.

Other contractual agreements may be discussed as part of some Department Manager's role and responsibilities. When such a situation occurs, the Program Manager shall be involved in gathering information to share with the President at their monthly meetings. The President will involve the Vice President, Finance before any other leases are approved and implemented.

The President and/or Vice President, Finance are authorized to develop and enter into contractual agreements with vendors, banks, insurance companies and third parties for the purpose of ensuring the college's general operations. The Vice President, Finance shall take full responsibility for such agreements and make recommendations when necessary.

#### **16. NOTES & LOANS**

All notes, loans and other indebtedness to be contracted in the name of the College (except open accounts and other routine banking transactions), shall require the signature of the President and Vice President, Finance, as established in the present management policies and procedures. All indebtedness must be approved by the President.

#### **17. DEEDS, CONVEYANCES, ETC**

The President and Vice President, Finance shall execute all or any Deeds, Conveyances, Mortgages, Leases, Contracts, and other instruments in the name of the College.

#### **18. BANK ACCOUNTS AND INVESTMENT ACCOUNTS**

The Vice President, Finance shall maintain and oversee Bank and Investment accounts, and ensure the college's day to day financial operations. Accounts maintained by the college are as follows:

1. Main Administrative Chequing Account
2. Individual Chequing Accounts for Individual Not-For-Profit Companies
3. Individual Charity Accounts for both the Charity and Alberta Gaming
4. GIC Account
5. Money Market Account within Insurance Account

These accounts may be changed as the working requirements within the college change, depending upon financial conditions and government requirements.

#### **19. CHEQUING ACCOUNT**

All cheques, cash, money orders and credit card deposits, are reviewed by the Accountant and deposited in the appropriate Accounts. Money shall be transferred to GIC or Investment account when necessary, by Vice President, Finance. Cheques and EFT payments are processed every two weeks to meet obligations and ongoing operational expenditures.

#### **20. BANK RECONCILIATIONS**

Bank reconciliations shall be completed monthly for all bank accounts under the supervision of the Accountant and supporting documents for receivable reports reviewed by the Accountant monthly. The Financial Statements for each College department/company shall be reviewed by Vice President, Finance and presented to the President monthly.

All banking information and Financial Statement records will be reconciled on a monthly basis and records securely kept in the Accounting Department, respecting all Privacy Laws.

## **21. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of six months or less. The College only supports cash investments with highly rated financial institutions. The Vice President, Finance closely monitors monthly balances of all the Bank and Investment accounts. The Vice President, Finance ensures accounts are kept in good standing and maturity dates for investments are handled in a timely manner.

## **22. PETTY CASH**

Petty cash is a method used in certain departments for paying small amounts, too small to be made otherwise. The amount of petty cash a program or department may have is dependent on the requirement of the department. Petty cash is reconciled from daily to yearly, depending on the department. The maximum allowed petty cash in any department at any time will not exceed \$500.00. As necessary, petty cash is reconciled and the fund replenished.

The Accountant shall maintain control of, and be responsible for, payments disbursed from Petty Cash.

## **23. INVESTMENTS REPORTS AND INVESTMENTS POLICY**

Investment reports shall be included with monthly financial statements at cost or market value. The Vice President, Finance shall oversee and review regularly to determine the strategy for the funds.

The philosophy of the College's short term investments is safety of the principle and liquidity of the investment.

Acceptable investments include GIC's with major banks and Business Advantage Accounts with Manulife Bank.

All financial institutions shall be selected and approved by VP, Finance and must have a long term investment rating of A or higher by Standard & Poor's or a compatible rating.

## **24. INSURANCE**

Reasonable and adequate insurance coverage shall be maintained to protect the College, the Board of Directors and the College's employees. The following insurance policies are to be maintained, negotiated and renewed, where appropriate for the following policies:

- Commercial Liability for Property, Contents and Educational Liability

- Directors and Officers Liability Coverage
- Workers' Compensation
- Short & Long Term Disability, Life Insurance
- Life Insurance for Key Shareholders
- Employee Health and Dental Insurance
- Critical Illness Insurance
- Employee & Student Assistance

Insurance policies are reviewed and analysed on an annual basis by the Accountant and Vice President, Finance before renewal is approved each year.

## **25. BONDING**

Any programs under the jurisdiction of Alberta Private Institutions and Alberta Advanced Education require appropriate bonding to be in place in support of student loans and grant funding received for tuitions. The Vice President, Finance will review the annual enrolment for each program to determine the required security based on the formulae provided. A Letter of Credit may be considered acceptable in place of a bond.

All security related bonding must be reviewed annually and any required reporting submitted to appropriate government department. Any changes to the security must be reviewed and discussed by Vice President, Finance and reported appropriately to whichever government department. At no time shall security for tuitions be altered and jeopardize the integrity of the college and its employees.

## **26. PROPERTY AND EQUIPMENT**

The costs of furniture and fixtures and equipment are amortized over their estimated useful lives using the diminishing balance method at a rate of 20% per annum. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Long-lived assets are tested for impairment whenever a change of events or circumstances indicates that the carrying value may not be recoverable. Any resulting loss is recognized in the period it is determined.

## **27. EQUIPMENT INSTALLATION**

Purchase, installation and maintenance of all technical equipment, including telephone equipment and lines, office equipment, computer equipment and labs, firewall and all network equipment, etc, shall be approved by the Accountant after discussion and approval by the President and Vice President, Finance. Program and Department Managers, in conjunction with the Facility Manager and the IT Manager, shall be responsible for receiving and supervising the installation of equipment scheduled for their offices or classrooms generally occupied by their program, and for maintaining and protecting the equipment installed.



## **28. CONFIDENTIALITY AND RECORDS SECURITY**

Financial records are restricted materials with limited access. Only the Accountant and Vice President, Finance (or others so authorized) shall have access to financial records, unless a contractual requirement within an agreement with government or bank.

## **29. DOCUMENT CONTROL AND RETENTION**

Financial records are expected to be kept in locked cabinets within the Accounting Department. No records shall leave the Accounting Department unless approved in advance by Vice President, Finance. The whole department will be locked using the appropriate department method/key when closing as another level of document control.

All Financial records are retained for a period of 10 years before shredding. A record of what documents have been shredded shall be placed in the Accounting year end binder as a future reference, if necessary.

## **30. TAX REPORTING**

The college is exempt from income tax but is required to complete a tax return each year (T2Corporation Income Tax Return). It is on this premise that no provision for income tax shall be reflected in the financial statements.

## Effective Systems of Internal Control

Internal control can be divided into two areas:

- Accounting controls
- Administrative controls

Administrative controls deal with the operations of the business, whereas the accounting controls deal with accounting for such operations. Accounting controls should be designed to achieve the five basic objectives:

- **Validation**

Validation is the examination of documentation by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place and that it occurred in accordance with prescribed procedures. Some systems are sophisticated enough to test transactions for predetermined exceptions

- **Accuracy**

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, and additions and account classifications. The control objective is to be certain that each transaction is recorded at the correct amount, in the appropriate account and the right period.

- **Completeness**

Completeness of control tasks ensures that all transactions are initially recorded on a control document and accepted for processing once and once only. Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions as well as a final check for completeness, subsidiary ledgers and journals with control accounts need to be maintained.

- **Maintenance**

The objective of maintenance controls is to monitor accounting records after the entry of transactions to ensure they continue to reflect accurately the operation of the business. The control system should provide systematic responses to errors when they occur, to changed conditions, and to new types of transactions. The maintenance function should be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation and subsequent review by a responsible authorized individual. Discrepancy control tasks, such as supervision and segregation of duties, should ensure that the internal control system is operating as planned.

- **Physical Security**

It is important in all business organizations that the assets are adequately protected. Physical security of assets requires that assets be limited to authorized personnel. One means to limit access to both assets and related accounting records is through the use of physical controls. Protection devices restrict unauthorized personnel from obtaining direct access to assets or indirect access through accounting records that could be used to misappropriate assets. Locked storage facilities restrict access to inventories, and fireproof vaults prevent access to cash or codes. Transaction recording equipment limits access to assets by limiting the number of employees involved in recording and posting transactions.

Further detail can be observed by referring to the following internal documents:

- Monthly & Yearly Planners for Accounting, Payroll, HR and VP, Finance
- Business Plan Timelines related to Accounting and VP, Finance
- Employee Handbook