



Spending Policies and Procedures for the Christian Senior Citizens Home of Chatham

Approved by the Board of Directors: June 18, 2013

Principles

In making purchases and awarding contracts the following principles will be adhered to:

1. The housing provider will follow fair and objective business practices in selecting contractors and suppliers.
2. If price and quality are comparable, local suppliers/contractors will be given priority over non-local suppliers.
3. The housing provider's purchasing agent will carry out price comparisons no less frequently than annually on routinely purchased supplies.
4. The housing provider must be able to support its choice of supplier or contractor to outsiders. That means there must be good reasons for choosing anyone other than the lowest bidder and these reasons must be discussed by the Board and documented.
5. Prices obtained from ONPHA's Best Deals program may be substituted for a competitive process because the group purchase program uses a regular competitive process in selecting their suppliers.

Spending Authority

Spending authority is primarily exercised when goods or services are ordered or contracted for, thus creating an obligation to pay on the part of the housing provider.

The Property Manager will act as the Purchasing Agent for the corporation and will be responsible for the spending process. The following procedures will be followed:

(a) Mandatory Expenses:

Mandatory expenses are those that are incurred by the housing provider routinely and are not the result of a specific purchase order or management decision. They include such things as municipal taxes, utilities (electricity, water and sewage and gas), insurance (if the coverage

is not being changed), mortgage payments, any contracted services once a contract has been signed, and employee salaries and payroll expenses once staff has been hired.

Before contracts, written or oral, are entered into, committing the corporation to ongoing routine expenditures (for example, staff salaries, maintenance contracts), the Manager shall advise the Board as to the budgetary and cash flow implications and appropriate revisions to the budget if applicable. Such contracts or commitments need Board approval prior to implementation. The Manager shall, on an annual basis, review the housing provider's insurance coverage and advise the board as to whether limits and deductibles continue to be adequate. The Manager, or a signing officer designated by the Board, may approve any mandatory expenditure. If a mandatory expenditure goes over budget or is expected to go over budget, the Manager shall advise the Board of this at its next regular meeting.

Hiring of staff is dependent on the job applicant making a written conflict of interest declaration at the time of the job offer.

(b) Discretionary Expenses:

Discretionary expenses are those where the housing provider has an option as to when (or if) to incur them. They include such things as equipment purchases, maintenance supplies, office supplies, professional services, education, and membership in other organizations, new staff positions, changes in insurance coverage and signing new contracts for any goods or services.

All discretionary expenses must be authorized by means of a purchase order. The housing provider's Purchasing Agent may issue purchase orders as follows:

1. Where the expense is within the budget approved for that category and is up to \$500.00, no further approval is required; where the expense is within the budget approved for that category, and more than \$500.00 or if it will put the budget category over budget, it must be approved by the Treasurer;
2. For any discretionary expense of more than \$2,000, Board approval is required.
3. Before seeking approval of a discretionary expense of more than \$2,000 but less than \$14,999 the Purchasing Agent will obtain 3 bids or quotes when the product or service is not available through the ONPHA Best Deals Program. A written agreement will be executed.
4. For any financial commitment for a discretionary expense over \$14,999 (or \$20 per unit in the portfolio, minimum \$2,000), the Purchasing Agent will hold a public tender or invitational qualification tender (minimum three (3) invitations) when the product or service is not available through the ONPHA Best Deals Program. For the public or invitational tender written specifications

shall be prepared. Final approval will rest with the board on recommendation from the Manager.

When carrying out a public or invitational tender, procedures outlined in the CCDC *a guide to calling bids and awarding contracts* will be followed. The following principles will apply:

- Once bids are submitted, then a binding contract between the bidder and the housing provider arises, imposing obligations on both parties during the bid period
 - Where bids are to be submitted according to bid depository rules, those rules must be strictly complied with, and both the person receiving and the person submitting the bid are bound by them
 - If the bid conditions specify that bids will be awarded subject to certain rules, then the housing provider will follow those rules, so as to reduce the possibility of a claim for damages from a bidder
 - The advertising for public or invitational tenders will state that there is no obligation on the part of the housing provider to accept the lowest or any bid submitted
 - If the housing provider has a preference for local suppliers, the advertising for public or invitational tenders will state this fact so as to limit the possibility of a suit for damages
 - Conditions of the bid cannot be unilaterally altered by the housing provider after submission of the bids
 - Two weeks will be allowed between advertising and the deadline for submissions of bids
 - Bids will not close on a Friday
5. In any situation where the purchasing agent does not think it is advisable to take the lowest bid, the reasons for this must be documented in writing and approval sought from the Board of Directors prior to a commitment being made to the supplier/contractor.

(c) Emergency Expenses

Emergency expenses are those that have to be incurred immediately because a delay will endanger personal safety or risk property damage.

Notwithstanding procedures outlined in previous sections, an emergency expenditure may be approved by designated staff or the Treasurer without a maximum. The Board of Directors shall designate the people who can approve emergency expenditures as required.

All emergency expenditures must be reported to the next meeting of the Board of Directors.

Capital Expenditures

Capital expenses are those items for which funds have been provided in the mortgage or, after the initial set-up of the housing provider, those items with an anticipated life expectancy of five years or longer.

The Board of Directors will be responsible for authorizing expenditures from the capital budget of \$2,000 or more on the recommendation of the Manager.

Conflict of Interest Declarations Required

For any relationship that the housing provider is thinking of entering into which will cost over \$14,999, or \$20 per unit in the project/portfolio (whichever is less) in any fiscal year (if the project/portfolio is less than 100 units, the minimum amount is \$2,000), the housing provider will obtain a written conflict of interest declaration from the party being contemplated.

Contracts or agreements for contractors and suppliers must contain the following clause:

“The [corporate or other legal name] acknowledges that prior to executing this Agreement, he or she will be required to sign and submit a declaration of conflict of interest. If it is determined that the [corporate or legal name] is in a conflict of interest, the housing provider is entitled to terminate this Agreement, without any right or recourse by the _____ [corporate or other legal name] against the housing provider.

Internal Control Procedures for Payables

Step 1 - All invoices or bills shall be initialled indicating accuracy and approval by the party responsible for the order and shall be accompanied by a completed copy of the purchase order. Each invoice or bill will be date stamped upon receipt and stamped with the housing provider's audit trail stamp prior to being paid.

The Manager or other designated staff person will assign the account code to each invoice or bill.

In the case where there is no invoice or bill; for example, refund of rent, a cheque requisition form will be filled out with the necessary details.

Step 2 - All cheques will be prepared for signing by the signing officers. In no case will the person preparing the cheque be a signing officer who signs that cheque.

Step 3 - All cheques must be signed by two of the President, Vice-President, Secretary and Treasurer (signing officers). Invoices and purchase orders or cheque requisitions must be attached to the cheques submitted for signature for review by the signing officers. The invoices must be marked paid, with the cheque number and date.

(Alternative: All cheques must be signed by the Executive Director, or acting Executive Director in the absence of the Executive Director and one of either the President or Treasurer. In the absence of the President

and Treasurer, the Vice President will be the Board signing officer for cheques.)

Step 4 - The Manager or other designated staff person is responsible for the release or transmittal of the signed cheques to the payees. If cheques are picked up, identification should be provided by the payee.

Step 5 - The Manager or other designated staff person will file all initialled and paid invoices, by supplier name.

Step 6 - The Manager will prepare monthly reports for the board on income and expenses. Any variances from budget will be explained in the Manager's report.

SCHEDULE "A" – CAPITAL EXPENDITURES

This list has been developed to provide some guidance to corporations when determining which expenditures should be charged to the Capital Reserve Fund and which are operating costs. This list is not intended as a definitive or comprehensive listing but as an illustration of the treatment of various types of expenditures.

Appliances

Purchases of major appliances (such as refrigerators and stoves) are capital expenditures.

Building components

The replacement or upgrade of major building components is a capital expenditure. Examples of such items are:

- A complete bathroom upgrade such as the replacement of all the fixtures and installation of new tile
- Major elevator upgrade
- Flooring and carpet replacement
- Furnace replacement
- Roof replacement due to long term deterioration
- Windows replacement

Regular maintenance items, which are required at fairly short-term intervals due to normal wear and tear, are operating costs. These include:

- Caulking
- Elevator repairs
- Painting
- Rectifying deficiencies from annual inspections
- Rectifying deficiencies from move-outs
- Replacement of drapes and blinds
- Replacement of faucets

Furniture

Purchases of furniture are capital expenditures.

Grounds

Construction of walkways and fencing and significant site upgrades such as re-grading or construction of retaining walls is a capital expenditure.

Re-sodding parts of the grounds, planting or removing trees, shrubs or flowerbeds, repairing fences, pruning trees and other general grounds maintenance items are operating cost.

Office equipment

Purchases of office equipment (such as computers and photocopiers) are capital expenditures.

Paving/asphalt

Paving of driveways and parking lot areas, or other jobs that involve upgrading, laying stone and reconstruction work are capital expenditures.

Repairs to asphalt to restore it to an efficient operating condition are operating costs.

Vehicles and other equipment

Purchases of vehicles, mowers or other large equipment are capital expenditures.

President

Date