



Financial Institution Account, Cash & General Revenue Management Policy

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1. Policy

This policy focuses on establishing effective and efficient controls for all banking activities and financial service agreements with financial institutions.

2. Purpose

The purpose of this policy is to specify authorities and responsibilities over banking activities including signing and approval authorities, opening and closing of accounts, adding/deleting new payees and vendors; processing transactions, and borrowing funds. It is also to ensure that all financial institution accounts are: operated solely for the identified purposes and by properly authorized persons; reconciled in a timely manner; independently reviewed and approved; properly recorded in the accounting system and in financial statements; and that proper records are maintained of all financial institution transactions.

3. Scope

This policy applies to the Executive Director, Board Directors, Accounting staff and any other employee/contractor who has been assigned financial institution account responsibilities.

4. Definitions

“**cash**” is currency, cheques, money orders, and equivalent financial instruments.

“**financial institutions**” means a bank or credit union.

5. Responsibilities

(1) The Board of Directors is responsible for:

- (a) approving the addition or the removal of authorized signatories for each financial institution account used by TLC;
- (b) designating the financial institutions that TLC may conduct banking activities with;
- (c) approving the establishment of an operating line of credit or overdraft account.

(2) The Executive Director (or designated Accounting Staff) is responsible for:

- (a) representing the TLC in dealing with financial institutions;
- (b) approving financial service agreements with financial institutions;
- (c) controlling the opening, maintenance and closing of any TLC bank accounts;
- (d) assigning banking duties and ensuring that adequate segregation of duties is maintained (i.e., the person responsible for receiving and caring for cash/cash

- equivalent assets is not the same person recording the receipt, disposition or changes to the value of the asset);
- (e) ensuring physical safeguards are implemented over any handling of cash and TLC blank cheques;
 - (f) ensuring all money received by TLC is deposited as soon as practicable into the appropriate accounts described;
 - (g) reviewing and approving monthly bank reconciliations for each financial institution account;
 - (h) ensuring that a reconciliation is performed each month for every financial institution account;
 - (i) documenting and alerting the Board Treasurer of any irregularities in the reconciliation process; and
 - (j) managing the TLC's short-term liquidity and working capital including credit line facilities.
- (3) The Executive Director (or designate) and the accounting staff/contractor¹ are jointly responsible for:
- (a) receiving (and documenting initial receipt of) cash.
- (4) The designated accounting staff/contractor is responsible for:
- (a) recording revenue deposited in the accounting system;
 - (b) ensuring all anticipated recurring deposits have been received; and
 - (c) alerting the Executive Director when expected receipts have not been received.
- (5) The designated accounting staff/contractor assigned banking duties by the Executive Director is/are responsible for:
- (a) preparing cheques and cash for deposit to the appropriate financial institution account;
 - (b) setting up direct payments to TLC; and,
 - (c) reconciling petty cash accounts not under his/her control, on a monthly basis.
- (6) The accounting staff/contractor designated by the Executive Director to prepare financial institution account reconciliations is responsible for:

¹ NOTE: While accounting staff/contractor terminology is used throughout the policy, segregation of duties will be maintained in all instances.

- (a) preparing a reconciliation for each of the TLC's financial institution accounts;
 - (b) ensuring that supporting documentation and records are retained for each reconciliation;
 - (c) monitoring and forecasting TLC's cash position; and,
 - (d) alerting the Executive Director and/or Treasurer of any irregularities.
- (7) The Treasurer and/or accounting staff/contractor is responsible for alerting the Executive Director of significant irregularities or unusual reconciling items that should be investigated and in informing the Board of Directors.
- (8) Signing authorities (as outlined in Appendix B – Expenditure Policy) are responsible for signing cheques and authorizing online payments (s.6(5)), as outlined in this policy.

6. Procedures

Financial institution account management

- (1) The Executive Director will retain correspondence and official documents relating to the opening, maintenance, and closing of all financial institution accounts, in accordance with the record keeping procedures outlined in the Records Management Policy.
- (2) The Executive Director is the TLC's primary representative in dealing with financial institutions and will provide the designated financial institution representative with necessary financial reporting information and updates on the TLC operations and forecasts, in order for the financial institutions to respond to the TLC's financial service requirements.
- (3) The Executive Director is the only individual authorized by the Board of Directors to negotiate financial service agreements on behalf of the TLC, however, the Treasurer and/or other signing authority may assist in negotiations. Agreements must, however, be vetted and formally approved by the Board of Directors.
- (4) The Executive Director will develop a clear description of the purpose of each financial institution account and provide it to accounting staff who are responsible for depositing funds or reconciling the accounts.
- (5) The use of online financial institution transactions is encouraged. Should it be financially and administratively feasible to change to commercial accounts which allow for online access and authorization controls, procedures for access and control of these accounts will be as follows:
- (a) the employee performing account reconciliations will be granted inputting/read-only access to the account he/she has been assigned to reconcile;
 - (b) only signing authorities will be provided with online banking access to authorize transactions;

- (c) transactions will only be processed once approved by two signing authorities;
- (d) transaction completion activities, such as electronic funds transfers, will be controlled in a similar manner as cheques. Two signing authorities will be required to approve each transaction. Should an electronic method be feasible to implement with the financial institution, each accounting staff/signing authority will be given a separate login and individual password.

Cash receipts

- (1) Cash received will be recorded in a duplicate receipt book. One copy will be provided to the payee submitting the cash and the other will be retained by TLC and used as outlined below.
- (2) All cash received by TLC must be received and verified by two staff or Board members, and a numbered receipt completed and initialed by both.
- (3) Both the cash and the completed and initialed receipts must be provided to an accounting staff person on the day it is received. Accounting staff will date and initial receipt of the funds in the receipt log.
- (4) Two individuals will record cash receipts and the person making the bank deposit will not be the same as the individual performing bank reconciliations.
- (5) The person who receives Membership and Donation cheques in the mail will:
 - (a) Record their receipt in the processing database, photocopy and attach a copy of the cheques to the processed batch report; and
 - (b) Provide Accounting staff the original cheques with a copy of the batch report.
- (6) Accounting staff will reconcile cheques to the batch report and create a deposit slip.
- (7) The person who receives accounts receivable cheques will photocopy the cheques and enter the receipt into the Accounting database. The cheque will then be deposited by another Accounting Staff.
- (8) Cash donations received at Abkhazi Garden will be collected from the donation box by a TLC staff person, in the presence of a garden volunteer, on regular² basis.
 - (a) The numbered cash bag will contain an unlocked padlock
 - (b) The volunteer and staff person will initial the log book, acknowledging that the money was jointly retrieved, placed in the cash bag and locked.
 - (c) The staff person will return the cash bag to the TLC office and transfer it to an accounting staff person who will lock the cash bag in a cabinet.

² In the Spring and Summer months, this may be as frequently as daily.

- (d) The Executive Director (or delegate) will hold the key to the cash bag.
 - (e) A staff person will open the bags and verify the cash amounts in the presence of an accounting staff person.
 - (f) The accounting staff person will then prepare the deposit.
 - (g) Cash received at Abkhazi Garden will be deposited within three days of preparing the deposit.
- (9) All cash received will be stored in the TLC's safe or locked cabinet until it can be deposited in a financial institution account. Access to the secure storage should be limited to the employee responsible for making deposits
- (10) Cash received at the TLC Office, will be deposited as soon as practically possible but at a minimum, on a weekly basis or when the total amount received reaches \$500, whichever occurs first.
- (11) The person making the deposit at the financial institution provides the remittance / deposit book to another accounting staff person responsible for accounts receivable.
- (12) A list of anticipated ongoing deposits will be maintained and will be reviewed monthly. Any expected deposits that have not been deposited in the financial institution account(s) will be reported to the Executive Director.
- (13) The receipts are to be stored in the Cash folder in a locked cabinet in the Accounting Department. This folder is to be reviewed and initialed by the Executive Director on a monthly basis to ensure all receipts are accounted for, and cash is being handled appropriately.

Petty Cash

- (1) A limited number of petty cash accounts as determined by the Executive Director, and based on business needs will be created to pay for small items when payment by cheque is not practical or possible; however, every effort will be made to pay by cheque or electronic transfer. Petty cash will be managed as follows:
- (a) the creation of a petty cash account must be approved by the Executive Director;
 - (b) the total amount of the fund will not exceed \$300;
 - (c) the maximum transaction that can be paid using petty cash will not exceed \$50;
 - (d) the person responsible for the security of the fund will keep an activity log, supporting documentation, and ensure filing of this information with the account reconciliation;
 - (e) petty cash reconciliations will occur quarterly or as needed by a person other than the person responsible for the security of the fund in (d) above;

- (f) petty cash funds and supporting documentation (vouchers, receipts) must be kept in a safe location (locked drawer or safe); and
- (g) the petty cash fund will only be replenished when complete documentation and a completed petty cash fund reconciliation is provided to the Executive Director.

Cheque stock

- (1) All blank cheque stock will be stored in a locked cabinet or safe with controlled or limited access.
- (2) Cheque stock must be sequentially pre-numbered and any “voided” cheques kept and attached to verification documents.
- (3) The location of missing cheque(s) must be investigated and if these cheque(s) can neither be found or accounted for within two days, a stop payment on the cheque(s) must be registered with the financial institution.
- (4) Cheque signers will not sign blank cheques under any circumstances.

Credit Lines

- (1) The Executive Director will authorize the draw down on any line of credit or overdraft facilities.

Opening a Financial Institution Account

- (1) A written request to open a new financial institution account must be reviewed and approved by the Executive Director, and must include the purpose of the account.
- (2) Once the financial institution account has been approved, the Executive Director or designate prepares an account inventory form, which includes the following elements:
 - (a) Name of account;
 - (b) Instructions regarding purpose of account;
 - (c) Authority limits;
 - (d) Address where all statements and correspondence is to be sent; and
 - (e) The contact person or department at the financial institution.
- (3) The account establishment letter must be signed by any two of the following: the Executive Director and an additional signing authority.
- (4) The financial institution accounts will be created such that all non-deposit transactions (such as cheques, electronic transfers, etc.) require two signatures for approval as identified in Appendix B in the Expenditure Policy.

Bank Reconciliations

- (1) Each of the TLC's financial institution accounts will be reconciled to the accounting system records on a monthly basis, as soon as all entries for the month are entered into the accounting system, but within two weeks of the end of the month.
- (2) The designated accounting staff must contact the financial institution to communicate any unusual transactions noted in the bank statements that cannot be reconciled within 30 days of the statement (per errors and omissions deadline imposed by the institutions).
- (3) Reconciliation records will be retained. Documentation to support the amounts recorded on the reconciliation, such as accounting system general ledger reports, financial institution statements, outstanding cheque reports, etc., will be included in the reconciliation file.
- (4) The employee reconciling the bank accounts must not be the same person who prepared the on-line transactions and cheques.
- (5) The employee preparing the financial institution account reconciliation will monitor and investigate adjustments that carry over from month to month.
 - (a) Outstanding cheques will be monitored and any cheques outstanding for more than two months will be investigated with the employee responsible for preparing cheques (i.e. Accounts Payable) to determine whether the cheques remain valid or if they should be stale-dated.
 - (b) In-transit deposits will be investigated immediately if not cleared by the financial institution within one week.
 - (c) Unusual, or unresolved entries that carry over for more than one month, will be reported to the Executive Director.
- (6) The employee preparing the reconciliation will sign it as evidence that the reconciliation is complete, and that they have carried out their duties as described in this policy, and will then forward the reconciliation to the Executive for review.
- (7) The Executive Director will review and approve the bank reconciliation as noted in the Independent Review Section of this policy.

Managing and Monitoring Accounts receivables

- (1) Managers responsible for budgets will provide the Executive Director with information supporting the need for the creation of an invoice for services rendered or other monies owed to the TLC (i.e., copy or reference number to an agreement, hours of work performed for a third party etc.).
- (2) The Executive Director will forward or provide Accounting staff with documentation for any invoices that need to be produced. This information must include the Executive Director's authorization for invoicing.
- (3) The designated Accounting staff will then produce invoices which are numerically sequenced (using a number following from the last used number); print/forward a copy to the client/proponent and file a copy in the 'A/R Outstanding' folder, with the most current on top.

- (4) Once payment is received, the designated accounting staff will stamp 'paid' on the invoice and write the date of deposit on the invoice; and then file the invoice in numerical sequence in the 'A/R Paid' folder.
- (5) On a monthly basis, the designated Accounting staff will produce and review the aged Accounts Receivable report.
- (6) The Executive Director will review and initial the report and return the report to the Accounting department and stored in the 'A/R Aged folder'.
- (7) Any items outstanding for more than 30 days are to be brought to the attention of the Executive Director immediately.
- (8) The Executive Director will decide on any action to be taken to collect the amount owing.
- (9) The Executive Director or the Accounting staff will forward a copy of the aged A/R report to the Board Treasurer as part of the monthly review process.
- (10) Accounts Receivable reversals or voids must be authorized by the Executive Director and kept in a new folder.

Accounts Payable

- (1) All expense invoices are to be coded and initialled by the individual who initiated the expense and the person who is responsible for the line item on the Budget, and then forwarded to Accounting who will enter the invoice into the accounting system.
- (2) Payment of all invoices must be approved by the Executive Director and one other signing authority prior to payment. Recurrent, pre-authorized payments need only be authorized for payment once by signing authorities. Invoices that exceed average billing amounts for a given period, must be brought to the attention of the signing authorities so that further investigation and/or resolution with the provider can be undertaken.
- (3) Unpaid Accounts Payable invoices are to be kept in alphabetical order in an 'Outstanding' folder.
- (4) All paid invoices must have the date of payment and cheque number written on the invoice. Paid invoices are filed in vendor files, in order of date issued, with the most current on top. The vendor files are kept in alphabetical order.
- (5) An aged Accounts Payable listing is to be produced and reviewed by the Accounting staff/contractor on a monthly basis. Any items outstanding more than 30 days are to be brought to the attention of the Executive Director. After review, the Executive Director will initial the report. These A/P aged reports will be stored in the filing cabinet in the Accounting Department.
- (6) The Executive Director or the Accounting staff will forward a copy of the aged A/P report to the Board Treasurer as part of the monthly review process.

Closing a Financial Institution Account

- (1) A written request to close a financial institution account must be reviewed and approved by the Executive Director and another signing authority (Appendix B – Expenditure Policy).
- (2) The request to close must include:
 - (a) Name of account;
 - (b) Financial institution account number;
 - (c) Closing bank balance and statement; and
 - (d) Approval by appropriate TLC personnel
- (3) Upon approval, a financial institution account closing letter will be prepared and delivered to the financial institution with instructions to transfer any remaining account balance. The letter will be signed by at least two authorized signatories of the TLC (Appendix B – Expenditure Policy).
- (4) Once the financial institution account has been closed, the Executive Director notifies the Accounting personnel to deactivate the account in the general ledger.

Questionable Activities

- (1) If an activity or transaction is found to be questionable, the individual discovering the questionable activity or transaction must make every reasonable attempt to investigate the reasons behind the activity or transaction, within his/her scope of authority, before taking his/her concerns up with anyone else in the organization. If, after the attempts to confirm or disprove the activity, the individual still believes a fraud has been committed, the individual will inform the appropriate person and follow the procedures as outlined in the Whistleblower policy.

Independent Review

- (1) The Executive Director, in consultation with the designated Accounting Staff, will review and approve (sign and date) each financial institution account's monthly reconciliation for completeness, timeliness, and accuracy, to ensure that:
 - (a) The reconciliation balances (General Ledger balances agrees to reconciliation balances);
 - (b) Trial Balance totals of subsidiary ledgers for Accounts Payable and Accounts Receivable agree with the corresponding general ledger control accounts;
 - (c) All amounts recorded on the reconciliation are appropriately supported by documentation such as financial institution statements and financial system reports;
 - (d) Journal entries have been properly approved, documented, and posted;
 - (e) The reconciliation is scrutinized for any unusual or long outstanding items; and
 - (f) Unusual adjustments are well explained, supported, and, if material in nature, are brought to the attention of Treasurer and Board of Directors.
- (2) The Board Treasurer will review year to date income statements, outstanding A/P and A/R reports and Statement of Financial Position on a quarterly basis at minimum and will:
 - (a) compare the account figures to budgeted year-to-date figures (calculating percent change from budget year to date and calculating percentages OF annual budget expended/received) and highlighting the percentages that individual accounts are over/under the year-to-date budget;
 - (b) Follow-up with the Executive Director and/or accounting staff to obtain clarity on the reason for the overages;
 - (c) Make adjustments to income to remove non-cash-related amounts/accounts (i.e., in-kind contributions, restricted amounts that have not yet been segregated from the operational budget; gain/losses etc.) and compare with the projected budgeted income;
 - (d) Calculate the adjusted current; Operating Reliance and Defensive Ratios; and
 - (e) Present an income statement report to the Board on a quarterly basis (at minimum) (exception: may be suspended during audit preparation) with the information noted above, highlighting areas of concern to the Board of Directors and management.