

# Spending Policy – Approved at AGM Sep 15, 2016

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## Purpose of the policy

- To put in place adequate controls and authorization for the co-op's spending
- To provide board, committees, members and staff with a framework for spending on behalf of the co-op
- To ensure the co-op meets budget projections.

## Definitions

A **purchase** is any commitment to buy goods or services, or have work done at the co-op's expense.

**Expenses** are either discretionary or non-discretionary:

- The co-op can control or choose to spend money on **discretionary** items, or not. For example, it can decide each year to plant some trees, paint the common room or hire a handy person. Even though an expense is defined as discretionary for purposes of this policy, it may still be critical to the co-op's operations.
- You have no choice when it comes to **non-discretionary** expenses. You must pay the mortgage and taxes, and renew your insurance.

**Emergency expenses** are unbudgeted purchases of work or materials that must be made immediately because a delay can:

- result in property damage
- endanger the safety of people or property, or
- disrupt essential services to members.

## Policy

- 1) Spending authorization
  - a) Persons spending or purchasing on behalf of the co-op must do so in accordance with this policy on written authorization of the relevant committee.
  - b) Non-discretionary expenses:
    - The finance committee must report any expense that goes over budget to the next board meeting.
  - c) Discretionary expenses:
    - The finance, maintenance, and membership committees can authorize spending on and approve payment for discretionary expense items in their own budget.

- The maintenance *committee* can authorize spending on and approve payment for unbudgeted discretionary items up to \$2000; *3 quotes are recommended but not required.*
- The finance *committee* can authorize spending on and approve payment for unbudgeted discretionary items up to \$2000; *3 quotes are recommended but not required.*
- Unbudgeted expenses must be reported to the next board meeting.
- The board must approve spending on unbudgeted items *between \$2,000 and \$10,000* before the purchase is made; *3 quotes are required.*
- The general membership must approve spending on unbudgeted items over \$10,000 before the purchase is made.

d) Emergency expenses

- Authorized persons will authorize unbudgeted spending required to deal with emergencies. Authorized persons are board members .Emergency expenses over \$1,000 must be reported to the next general meeting.

e) Budget revisions

- The board may revise the budget as necessary in consultation with the finance committee during the fiscal year. Revisions must be reported to the next general meeting as follows:
  - o any difference in one budget category over 10%
  - o any overall change of more than \$1,000 in total expenses, and
  - o for a discretionary expense, any overall change to the budget of more than \$1,000 must be approved by the general membership before the purchase is made.

f) Committee budgets

- The committees are authorized to spend from their approved budget.
- Any unbudgeted items must be brought to the board for approval before spending.
- No committee may overspend in any one budget category by more than 10% without board approval.
- No committee may overspend its annual budget without board approval.
- Where a committee member is authorized to spend any part of the committee budget, the member's name and the dollar amount authorized shall be recorded in the committee's minutes.

2) Purchases

- Authorized purchases for the co-op must be made using a:
  - o purchase order
  - o written co-op authorization to a selected supplier or contractor,
  - o tendering process for major items.
  - o all contracts must be signed by the board.

3) Payment

- Payments must be made following procedures set by the co-op.
  - o There must always be two signatures on a cheque; *the signers cannot be the payee.*

## **Procedures needed to carry out this policy**

- 1) Identify type of purchase that may be made by purchase order or written authorization and the type of written authorization required (board or committee minutes, etc.).
- 2) Identify pre-approved suppliers, spending limits and agreed method of purchase.
- 3) Identify authorized persons and spending limits for dealing with emergencies.
- 4) Identify how payments will be made. For example:
  - up to \$50 from petty cash with petty cash voucher and receipt, or by cheque
  - over \$50 by cheque, and
  - pre-authorized withdrawal from the co-op's bank account for identified expenses.
- 5) Identify documentation required before payment will be made for different types of expenditures. For example, reimbursing an individual for a purchase, paying invoices, etc.
- 6) Check list for signing officers, including the following:
  - is the cheque filled out in full?
  - does the amount agree with the spending policy?
  - has proper approval been given if required?
  - does the cheque match the details in the documentation?
  - have the purchase orders been checked against deliveries, delivery slips and invoices?
  - has the work been checked against the contract and invoice? etc.