

SCHEDULE E

BOARD OF HEALTH FINANCIAL CONTROLS

Financial controls support the integrity of the Board of Health's financial statements and support the safeguarding of assets and prevent and/or detect significant errors including possible fraud. The following control criteria ensure financial transactions include the following attributes:

- **Completeness** – all financial records are captured and included in the Board of Health's financial reports;
- **Accuracy** – the correct amounts are posted in the correct accounts;
- **Authorization** – the correct levels of authority (i.e. delegation of authority) are in place to approve payments and corrections including data entry and computer access;
- **Validity** – invoices received and paid are for work performed or products received and the transactions properly recorded;
- **Existence** – of assets and liabilities and adequate documentation exists to support the item;
- **Error Handling** – errors are identified and corrected by those who have proper authority;
- **Segregation of Duties** – to ensure certain functions are kept separate to support the integrity of transactions and the financial statements; and,
- **Presentation and Disclosure** – timely preparation of financial reports in line with the approved accounting method (e.g., Generally Accepted Accounting Principles (GAAP)).

The Board of Health is required to have the following financial controls in place:

1. Controls that support the collection of accurate and complete financial information.

Controls include, but are not limited to:

- Numbered documents such as sequentially numbered cheques to avoid duplication.
- All accounts reconciled on a regular and timely basis.
- Automated controls such as valid date ranges, dollar value limits.
- Regular comparison of budgeted versus actual dollar spending and variance analysis.
- Documented policies and procedures and clearly defined lines of authority for approving payments (e.g., documented Delegation of Authority).
- Exception reports and the timeliness to clear transactions.
- Segregation of duties (e.g., ensure the same person is not responsible for ordering, recording and paying for purchases).
- System batch totals.

2. Chart of accounts that are used to correctly record financial transactions.

Controls include, but are not limited to:

- An authorized chart of accounts.
- Use of a capital asset ledger.
- Dedicated staff with authority to approve journal entries and credits.
- Access to accounts is appropriately restricted.
- Budget to actual comparisons (variance analysis) including cash flow analysis.
- Trial balances including all asset accounts that are prepared and reviewed by supervisors on a monthly basis.

3. Receivable balances are collected on a timely basis.

Controls include, but are not limited to:

- Independent review of an aging accounts receivable report to ensure timely clearance of accounts receivable balances.
- Separate accounts receivable function from the cash receipts function.
- Reconcile trial balances with general ledger control accounts on a regular and timely basis.
- Original source documents are maintained and secured to support all receipts and expenditures.

4. Goods are purchased, received and accounted for and paid by someone with proper authority.

Controls include, but are not limited to:

- Segregation of duties is used to apply the three way matching process (i.e. Supplier invoices are 1) matched with the applicable authorized purchase order, 2) matched with applicable validated packing slips, 3) reviewed for accuracy).
- Duties are segregated with respect to those who set up a vendor versus those approving payment to the vendor, and those receiving goods.
- Any discounts are accounted for (and recorded in accounts receivable); processes in place to take advantage of offered discounts.
- Trial balance of accounts payable is reconciled to the general ledger control account on a regular and timely basis.
- Evidence is on file to support the proper reimbursement of expenses (i.e. they've been submitted properly along with receipts with approval for payment and fall within internal policies and procedures).
- Original source documents are maintained and secured to support all receipts and expenditures.
- Regular monitoring to ensure compliance with applicable directives (e.g., Ontario Public Sector Travel, Meal and Hospitality Expenses Directive).
- Monitoring for duplicate payments (i.e. invoice stamped as paid and matched with cheque copy).
- Credit card expenses are monitored and authorized before payment is made.
- Monitoring of breaking down large dollar purchases into smaller invoices in an attempt to bypass approval limits.

5. Policy and procedures that prevent the event of potential errors, omissions or fraud through disbursement of funds including payroll.

Controls include, but are not limited to:

- General policies defining dollar limit for paying cash versus cheque.
- Separate roles to approve purchases versus paying for purchases along with authorized dollar limits.
- Cheques are sequentially numbered and access is restricted to those with authorization to issue payments.
- All cancelled or void cheques are accounted for along with explanation for the cancellation.
- A process is in place for accruing liabilities.
- Stale-dated cheques are followed up on and cleared on a timely basis.
- Bank statements and cancelled cheques are reviewed on a regular and timely basis by a person other than the person processing the cheques / payments.
- Bank reconciliations occur monthly for all accounts and are independently reviewed by someone other than the person authorized to sign cheques.
- Separate payroll preparation, disbursement and distribution functions.

6. Accounting functions including authorizing and processing a financial transaction, recording and holding assets are segregated to substantially reduce the risk of misappropriation of funds.

Controls include, but are not limited to:

- Separating responsibilities of:
 - The person who records transactions and the person who is responsible for purchasing;
 - The person who handles accounts payable and the individual(s) who signs cheques;
 - The person who records invoices and accounts receivable and the person who opens the mail and makes bank deposits;
 - Record keeping is separate from operations and/or the handling and custody of assets; and,
 - Bookkeeper's duties exclude receiving cash or cheques, preparing bank deposits, signing cheques, and opening incoming mail.
- Audit trails support the monitoring of transactions including those with override capabilities and the opportunity to spot-check for unauthorized activity.
- Audit trails of recorded overrides are monitored by individuals who do not hold override capability and are responsible for overseeing the financial activities of the Board of Health.