AGENDA
MIDDLESEX-LONDON BOARD OF HEALTH
Finance and Facilities Committee

50 King Street, London
Middlesex-London Health Unit – Room 3A
Thursday, October 2, 2014 9:00 a.m.

1. **DISCLOSURE OF CONFLICTS OF INTEREST**

2. **APPROVAL OF AGENDA**

3. **APPROVAL OF MINUTES - September 4, 2014**

4. **BUSINESS ARISING FROM MINUTES**

5. **NEW BUSINESS**

   5.1. Health Unit Insurance - Policy Changes (037-14FFC)
   5.2. Financial Controls (038-14FFC)
   5.3. Gifts & Honorariums Policy Revisions (039-14FFC)
   5.4. Reserve Fund Policy – Memorandum of Agreement Update (040-14FFC)
   5.5. 2015 Board of Health Budget – Financial Parameters (041-14FFC)
   5.6. Draft FFC Work Plan (042-14FFC)

6. **CONFIDENTIAL**

7. **OTHER BUSINESS -** Upcoming meetings –Thursday, November 6, 2014

8. **ADJOURNMENT**

PUBLIC MINUTES
Finance and Facilities Committee
50 King Street, Room 3A
MIDDLESEX-LONDON BOARD OF HEALTH
2014 September 4 9:00 a.m.

COMMITTEE MEMBERS PRESENT: Mr. David Bolton
Ms. Trish Fulton (Chair)
Mr. Marcel Meyer
Mr. Ian Peer

REGRETS: Mr. Stephen Orser

OTHERS PRESENT: Dr. Christopher Mackie, Medical Officer of Health and CEO
Mr. John Millson, Director, Finance and Operations
Ms. Sherri Sanders, Executive Assistant to the Board of Health (Recorder)
Ms. Laura Di Cesare, Director, Human Resources and Labour Relations

At 9:00 a.m., Ms. Trish Fulton, Committee Chair, welcomed everyone to the July Finance and Facilities Committee (FFC) meeting.

DISCLOSURES OF CONFLICT(S) OF INTEREST

Chair Fulton inquired if there were any disclosures of conflict of interest to be declared. None were declared.

APPROVAL OF AGENDA

It was moved by Mr. Bolton, seconded by Mr. Peer *that the Agenda for the July 3, 2014 FFC meeting be approved. Confidential item in public domain and will inquire to consider in camera.*

Carried

APPROVAL OF MINUTES

It was moved by Mr. Bolton, seconded by Mr. Peer *that the **Public Minutes** from the July 3, 2014 Finance and Facilities Meeting be approved.*

Carried

BUSINESS ARISING FROM MINUTES

It was moved by Mr. Meyer, seconded by Mr. Peer *that staff prepare a report for the October Finance and Facilities Committee meeting that deals with Policy 4-055 Gifts and Honorariums.*

Carried

NEW BUSINESS

Q2Finance Policies Review (Report 030-14FFC)

Mr. John Millson, Director, Finance & Operations assisted Committee members with their understanding of this report. He anticipates a break even situation at end of year; however, negotiations and the unknown provincial funding level (anticipating no more than 2% increase) could impact the final position at year end. Dr. Mackie highlighted Table 1 which identifies priority projects that are not yet funded. Management will work to identify funds from current operating dollars to cover these expenses, but they may need to be deferred to 2015 or require seeking funds from other sources.

It was moved by Mr. Bolton, seconded by Mr. Peer *that the Finance and Facilities Committee receive Report No. 030-14FFC re Second Quarter Financial Update for information*.

Carried

Janitorial Services – Contract Award (Report 031-14FFC)

Mr. Millson and Dr. Mackie explained the tender process and reported that both companies in the motions below are companies that have not previously be contracted by the Health Unit.

It was moved by Mr. Meyer, seconded by Mr. Bolton *that the Finance and Facilities Committee make recommendation to the Board of Health to award the following two year contracts for janitorial services:*

i) GDI Integrated Facility Services – for leased premises located at 50 King Street and 399 Ridout Street, London Ontario for a total amount of $241,238.00, and further;

ii) Bee Clean Building Maintenance – for leased premises located at the Kenwick Mall, 51 Front Street, Strathroy, Ontario for a total amount of $25,832.56.

Carried

Committee Tools / Checklists (Report 032-14FFC)

Chair Fulton discussed the information that Mr. Ian Jeffries, Audit Partner, KPMG, provided about financial governance.

Mr. Millson explained that a new Schedule E to the Accountability Agreement will be added that Boards must meet.

It was moved by Mr. Bolton, seconded by Mr. Meyer *that the Finance and Facilities Committee receive Report No. 032-14FFC re Committee Tools /Checklist for information*.

Carried

Program Budget Marginal Analysis (PBMA) Criteria/Weights (Report 033-14FFC)

Dr. Mackie explained that approximately 150 to 175 staff participated in sessions to discuss Health Unit values and direction. He explained that the changes in weight presented in Report 033-14FFC were a result of input from staff and frontline management.

Dr. Mackie reminded Committee members that the Proposed Values Tree (Appendix B to this report) was reviewed (as a tree diagram) at the July 18, 2014 Board education session.

It was moved by Mr. Peer, seconded by Mr. Bolton *that the Finance and Facilities Committee endorse the revised weightings of the PBMA Criteria as proposed in this report.*

Carried

The Committee asked Dr. Mackie to express its gratitude to staff for their work on the weightings and values information.

Middlesex-London Health Unit – March 31st Draft Financial Statements (Report 034-14FFC)

The purpose of the financial statements is for the Health Unit to settle the funds provided for the Health Unit programs with a March 31st year end. Dr. Mackie explained that the April 1st to March 31st programs are earmarked for specific projects, and surpluses must be returned to the respective Ministry.

It was moved by Mr. Bolton, seconded by Mr. Peer *that the Finance & Facilities Committee recommend that the Board of Health approve the audited Consolidated Financial Statements for the Middlesex-London Health Unit, March 31st, 2014 as appended to Report No. 034-14FFC.*

Carried

MOHLTC Reconciliation Report (**Report 035-14FFC**)

It was moved by Mr. Meyer, seconded by Mr. Bolton *that the Finance & Facilities Committee make recommendation to the Board of Health to approve the 2013 Ministry of Health & Long-Term Care Reconciliation Report as appended to Report No. 035-14FFC.*

Carried

Committee Work Plan - Verbal

Chair Fulton explained that the Committee requires a Work Plan that would contain a checklist of monthly projects that the committee is required to review. Chair Fulton will review the minutes of the FFC and create a draft of the monthly reports that committee reviewed between August 2013 and September 2014.

IN CAMERA

At 10:10 a.m. it was moved by Mr. Peer, seconded by Mr. Meyer *that the Finance and Facilities Committee move in camera to discuss an issue concerning an identifiable individual.*

Carried

At 10:30 a.m., it was moved by Mr. Meyer, seconded by Mr. Bolton *that the Finance and Facilities Committee return to a public forum and report that a discussion was held about an issue concerning an identifiable individual.*

Carried

STI CLINIC REVIEW – SOLE SOURCE PROCUREMENT (**Report 036-14FFC**)

It was moved by Mr. Bolton, seconded by Mr. Peer *that the Finance and Facilities Committee receive Report No. 036-14FFC re STI Clinic Review – Sole Source Procurement for information.*

Carried

Mr. Peer agreed to present the Finance and Facilities Committee Report at the Board of Health meeting on September 18, 2014, in Chair Fulton's absence

ADJOURNMENT

At 10:40 a.m., it was moved by Mr. Bolton, seconded by Mr. Meyer *that the meeting be adjourned.*

Carried

_____
TRISH FULTON
Chair

_____
CHRISTOPHER MACKIE
Secretary-Treasurer

MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 037-14FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 October 2

HEALTH UNIT INSURANCE – POLICY CHANGES

Recommendation

It is recommended that the Finance & Facilities Committee make recommendation to the Board of Health to proceed with securing a different insurance provider using the insurance coverage as appended to Report No. 037-14FFC.

Key Points

- The Middlesex-London Health Unit currently obtains insurance and risk management services through the City of London.
- A survey of Ontario Public Health Units reveals that 28 (78%) health units are insured through Frank Cowan Company.
- The Middlesex-London Health Unit could reduce its insurance costs significantly if it were to reduce its insurance coverage as identified in Appendix A.

Background

At the May 1st Finance & Facilities Committee meeting, Report No 022-14FFC, re: "Insurance Review Update" was received for information. Staff reported that they will continue to review the insurance needs of the Health Unit in order to be more prepared in the event the decision is to move to a different Broker. This would include a survey of other Ontario Public Health Units to understand what types of insurance policies are in place.

The purpose of this report is to provide recommendations in regards to the level and types of insurance the Middlesex-London Health Unit should purchase if it were to move to a different insurer.

Environmental Scan

A survey of other Ontario Public Health Units was conducted and out of 36 health units, 28 or 78% are insured with Frank Cowan Company. Out of the 28, 19 are insured directly, and the other 9 are integrated with a municipality and are insured indirectly through them. (i.e. Durham Region). The majority of these health units carry $15 million in general liability insurance. Cowan indicates that it can tailor their program to where exposure (risks) exists for health units.

Recommended Insurance

Staff have worked with Mr. Jeff Coleman from Cowan Insurance to prepare recommended insurance limits for the Health Unit. Attached as Appendix A are proposed levels of insurance and associated deductibles. Attached as Appendix B is a chart that compares the current insurance provided by Ontario Municipal Exchange (OMEX) through the City of London and the proposed level of insurance. Generally the differences to the OMEX policy can be described by lower insurance coverage (limits) with slightly higher deductibles. Under the OMEX insurance policy through the City of London, the Health Unit has higher

insurance coverage, with very low or $0 deductibles. This is because OMEX is tailored to a large municipality and the program accounts for all services that you would find in a City. The low or $0 deductible in the various categories is due to the City's policy of contributing to a Self-Insurance Reserve Fund (SIRF). For the Health Unit the contribution to the SIRF is additional insurance due to the fact that the Health Unit has no ownership or entitlement to the reserve fund once the contributions have been made. The Health Unit claims history (Appendix A, Report No. 022-14FFC) shows low claims from the SIRF ($6,443.78 over the past five years.). This would indicate that there is a low level of risk moving to a new policy with higher proposed deductibles.

If the Health Unit were to move to a different insurance model whereby it reduces its limit of insurance and takes slightly higher deductibles, it would realize significant savings in the range of $30,000 or 30% with very low increase in risk.

Conclusion

It is recommended that the Health Unit proceed with changing insurance providers, using the limits found in Appendix A, noting these limits will sufficiently cover the Health Unit's risks and are similar to other Ontario Public Health Units. By doing so, the Health Unit would achieve significant costs savings.

This report was prepared by Mr. John Millson, Director of Finance & Operations.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health

Highlights of your Insurance Program

Schedule of Coverage

(Coverage is provided for those item(s) indicated below)

Casualty

Coverage Description	Deductibles	($) Limit of Insurance
General Liability (Occurrence Form) *Broad Definition of Insured*	$ 5,000	15,000,000 Per Claim No Aggregate
Sewer Backup	$ 5,000	
Medical Payments		10,000 Each Person 50,000 Each Accident
Forest Fire Expense		1,000,000 1,000,000 Aggregate
Employers' Liability		Included
Medical Malpractice Liability (Claims Made Form)	$ 5,000	15,000,000 15,000,000 Aggregate
Retroactive Date January 1, 2003		
Errors & Omissions (Claims Made Form)	$ 5,000	15,000,000
Retroactive Date January 1, 2003		
Directors' & Officers' Liability (Claims Made Form)	$ 5,000	5,000,000 Aggregate
Non-Owned Automobile Liability		15,000,000
Legal Liability for Damage to Hired Automobiles	$ 500	50,000
Environmental Liability (Claims Made Form)	$ 2,500	1,000,000 2,000,000 Aggregate

Automobile – Excess Liability

Coverage Description		Deductibles	($) Limit of Insurance
Underlying Policy	**($) Underlying Limit**		$5,000,000
Owned Automobile	$10,000,000		

Follow Form – Excess Liability

Coverage Description		Deductibles	($) Limit of Insurance
Underlying Policy	**($) Underlying Limit**		10,000,000
General Liability	15,000,000		
Errors & Omissions Liability	15,000,000		
Non-Owned Automobile	15,000,000		
Owned Automobile	15,000,000		

Total Limit of Liability ($) 25,000,000

Schedule of Coverage

(Coverage is provided for those item(s) indicated below)

Crime

Coverage Description	Deductibles	($) Limit of Insurance
Commercial Blanket Bond		100,000
Money Orders and Counterfeit Paper Currency		Included in above
Depositors' Forgery		Included in above
Audit Expense sub-limit		100,000
Money & Securities		10,000

Accident

Coverage Description	Deductibles	($) Limit of Insurance
Board Members : Persons Insured 11 Board Members		
Board Members Accidental Death & Dismemberment		100,000
Paralysis		200,000
Weekly Income – Total Disability		300
Weekly Income – Partial Disability		150

Legal Expense

Coverage Description	Deductibles	($) Limit of Insurance
Legal Defence Cost		100,000 250,000 Aggregate

Schedule of Coverage

(Coverage is provided for those item(s) indicated below)

Property

Coverage Description	Deductibles	Basis	($) Limit of Insurance
Property of Every Description - Blanket	$ 5,000	RC	4,613,175
Valuable Papers			250,000
Accounts Receivable			250,000
Media			250,000
Earthquake			Excluded
Flood			Excluded
Scheduled Items of Coverage - Insured	Refer to Schedule		Refer to Schedule
Scheduled Locations and Coverage - Excluded	Refer to Schedule		Refer to Schedule
Extra Expense			250,000
($) Total Amount of Insurance			5,613,175
RC = Replacement Cost ACV = Actual Cash Value VAL = Valued			

Summary of Current and Proposed Insurance Policies, Premiums & Deductibles

MIDDLESEX LONDON HEALTH UNIT

POLICY TYPE	CURREN COVERAGE LIMITS	CURRENT DEDUCTIBLE	PROPOSED COVERAGE LIMITS	PROPOSED DEDUCTIBLE
ALL RISK PROPERTY, COMPUTER, BOILER & MACHINERY	Property/Computer $1,452,791,972 (including Business Int.) $300,000 000 per loss Boiler & Machinery – Various	$1,000	Total replacement value of all assets $4,613,175	$5,000
AUTO FLEET	$50,000,000	Liability – NIL Physical Damage -$250	Total replacement cost	$5,000
AUTO HEAVY COMMERCIAL	$50,000,000		Not required	N/A
CRIME (3-D BOND)	Employee Dishonesty $1,000,000 Loss Inside/Outside Premises $1,000,000 Money Orders & Counterfeit $1,000,000 Depositors Forgery - $1,000,000,000 Third Party Computer Fraud $1,000,000 Credit Card Forgery $1,000,000	Same as Policy	$100,000 limit for each, except Money Orders & Counterfeit is $10,000	Nil
ENVIRONMENTAL LIABILITY	$5,000,000 per claim/ Annual Aggregate, claims made basis	NIL	$1,000,000 $2,000,000 Aggregate	$2,500
ERRORS & OMISSIONS	$50,000,000 Including Conflict of Interest & Defence Costs	NIL	$15,000,000	$5,000
GARAGE AUTO LIABILITY	$50,000,000 Collision & Upset $200,000 / Automobile Specified Perils $500,000 / Occurrence	Liability – NIL Physical Damage -$250	Not required	N/A
GROUP ACCIDENT	$200,000	Various	$100,000	Various
NON-OWNED AUTO	$50,000,000	Liability – NIL Physical Damage -$250	$15,000,000	Nil
GENERAL LIABILITY	$50,000,000	NIL	$15,000,000	$5,000
HEALTH CARE PROF LIABILITY	$25,000,000 sub limit of GL	NIL	$15,000,000	$5,000

MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 038 -14FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 October 2

FINANCIAL CONTROLS

Recommendation

It is recommended that the Finance & Facilities Committee receive Report No 038-14FFC re: Financial Controls" for information.

Key Points

- Financial controls are a critical part of an organization's internal controls system. They ensure that the resources are being correctly used and activities are accurately reported.
- The Ministry of Health & Long-Term Care will require each Board of Health to comply with a new schedule (Appendix A) to ensure certain financial controls are in place.
- The Health Unit is in compliance to the financial requirements as explained in Appendix B.
- The Health Unit is committed to continuous quality improvement and as such continues to improve its financial controls through automation, internal audits, and exception reporting.

Background

As part of the Finance & Facilities consideration of Report No 032-14FFC, re: "Committee Tools / Checklist" it was discussed that the new Accountability Agreement, that the Board will have to enter into with the Province, will include a new Schedule E – Financial Controls. This new schedule will require the Board of Health to ensure that certain standard financial controls are in place. Attached as Appendix A is the draft schedule.

This report intends to provide information to Committee members in regards to the Health Unit's compliance to the financial controls found in the new schedule.

Health Unit – Financial Controls

There are many factors that contribute to an organization's internal controls. Internal controls help organizations achieve its objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and legislation. In a broad definition, it involves everything that controls risk to an organization. Financial controls are a critical part of an organization's internal controls system. They ensure that the resources are being correctly used and activities are accurately reported. It is the responsibility of the Board to ensure that good financial controls are in place and it is the responsibility of management to ensure that the controls are operating effectively.

A one way or one approach to designing and managing financial controls is not always realistic given the complexity a various processes and systems to support them. Financial controls need to address key risks in the context of the overall business and environment in which it operates. There are several factors to consider when putting controls in place. They include:

- Segregation of duties
- Qualifications of staff
- Budgetary Controls
- Cash Controls
- Expenditure and Purchasing Controls
- Payroll and Personnel Controls
- Controls over Assets
- Treasury Management (Accounts Payable/Receivables)
- Audits
- Insurance

The new Schedule E – Financial Controls considers many of these factors. Attached as Appendix B, is a chart that lists the requirements set out in the schedule and provides the Health Unit's financial controls that are currently in place to mitigate risk to the organization. The financial controls currently in place are good and operating effectively. Even when a good system of financial controls is in place and fully utilized, it can only provide reasonable, and not absolute, assurance against material misstatement of accounts, loss or misuse of resources and non-compliance with laws or regulations.

Two areas that the Health Unit continues to develop and make improvements to enhance financial controls is in automation and developing effective exemption reporting and audits. For example, automating the submission of mileage claims has reduced errors and enhances the segregation of duties with staff entering in their mileage information and having their managers approve the transactions rather than having finance staff perform data entry from paper forms and also approve payments and print cheques or send EFTs. Instead, finance staff can focus on performing random internal audits to ensure compliance to policies.

Conclusion

Financial controls are a critical part of an organization's internal controls system. They ensure that the resources are being correctly used and activities are accurately reported. The Health Unit has good financial controls that are operating effectively. The Health Unit is committed to continuous control improvement and as such is improving its financial controls through increased automation, internal audits, and enhanced exception reporting. The Health Unit is in compliance with new requirements from the Ministry of Health & Long-Term Care.

This report was prepared by Mr. John Millson, Director of Finance & Operations.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health

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.

Appendix B

Middlesex-London Health Unit
Financial Controls

Controls	PHAA Requirements	Comments - MLHU Controls
1. Controls that Support the collection of accurate and complete financial information. (Completeness)	• Number documents • Accounts are reconciled • Automated controls – • Regular Variance Analysis • Signing Authority • Exception Reporting • Segregation of Duties • System batch controls	All financial instruments use a system generated sequential numbering which match paper documents (cheques, EFT notices, invoices etc). Accounts are reconciled regularly and subject to audit. Management have access to weekly updated internal budget reports which provide a budget to actual comparison. Formal quarterly variance analysis performed across the organization and reported to the Finance & Facilities Committee (FFC). Signature and authorization level clearly articulated and practiced (Policy #1-060). Segregation of duties exists for functions such as purchasing/payables/cash management. All batch reports have totals and are verified when posting to the general ledger. While exception reporting and automated controls are used, marginal changes (customized reporting) would provider a greater enhancement to overall controls.
2. Chart of Accounts that are used to correctly record financial transactions (Accuracy)	• Authorized Chart of Accounts • Use of Capital Ledger • Journal Entry Authorization • Account restrictions • Budget to Actual Comparisons, (including cash flow) • Monthly review of trial balances	An authorized chart of accounts is used and only the Director of Finance & Operations (FOS) and the Accounting & Budget Analyst has authorization to make changes. Capital items are maintained in an excel spreadsheet with the balances being recorded in the general ledger. Appropriate use of accounts is verified by finance staff. Transactions (including journal entries) are entered by separate staff that has authorization to approve and post into the general ledger. Account reconciliations (including asset accounts) performed are performed on a monthly basis and reviewed by the Director of FOS.
3. Receivable balances are collected on a timely basis	• Independent review of an aging A/R report • Separate accounts receivable from cash receipts • Reconcile A/R sub-ledger with G/L control account • Original documentation to support all receipts and expenditures	This area financial controls focus on segregation of duties. The staff who receive payments and cash transactions are different than the staff that have authorization to issue invoices. The Accounting and Budget Analyst position reviews an aging A/R report periodically to ensure timely payments or reimbursements, and reconciles the sub-ledger totals to the control account found in the general ledger. Original documents are kept secure and retained for a period of seven years as required by the Health Unit's records retention policy.

Controls	PHAA Requirements	Comments - MLHU Controls
4. Goods are purchased, received and accounted for and paid by someone with proper authority	• Segregation of duties that: ➢ apply the three way matching principle; ➢ Setting up vendors, approving payments, receiving goods; ➢ Discounts are accounted for and are taken; ➢ A/P sub-ledger is reconciled to the control account in the G/L; ➢ Evidence exists to support the proper reimbursement of expenses; ➢ Original source documents are maintained and secured; ➢ Regular monitoring to compliance to policies; ➢ Monitoring for duplicate payments is in place; ➢ Credit card expenses are monitored and authorized before payment is made; ➢ Monitoring for by-passing approval limits.	Segregation exits between across the organization to minimize the financial risks. Accounts payable staff receives authorized invoices and/or purchasing documents, matches them with any shipping documents and reviews the invoice for accuracy, completeness and ensures it has been paid already. Staff who set up vendors do can't authorize payments, and receiving goods is handled by other staff who can't authorize payments. We do take discounts when provided. All sub-ledger accounts are included in the monthly reconciliation process. Accounts payable staff require original documents prior to reimbursement of expenses. When original documents are not available staff are required to verify and document the circumstances. Credit card reconciliation is performed each month where staff who have access to a corporate credit card must reconcile their purchases, provide original documents, and have it authorized by their supervisor prior to submitting to Finance for review, input in the general ledger, and processed for payment. The following policies are in place and monitored as part of this financial control: • Policy #1-070 Procurement • Policy #1-060 Signing Authority • Policy #4-130 Corporate Purchase Cards
5. Policy and procedures that prevent the event of potential errors, omissions or fraud through disbursements of funds including payroll	• Policies defining dollar limit for paying cash vs. cheque • Separation between approvals and payment of purchases • Sequential numbers for cheques and access to cheques is limited/controlled • Cancelled or voided cheques are accounted for and documented • Process in place for accruing liabilities	Policy #4-040 governs petty cash disbursement. Again, segregation exists between payments and authorization or approvals. Policy #1-060 Signing Authority provides authorization levels. Cheques are sequentially pre-numbered with all numbers being accounted for. A/P cheques are stored in a locked (secure) area which only staff who have authority to print cheques have access to them. All electronic funds transfers are provided a system generated number which can be found on remittance slips which are provided to the vendor. Bank reconciliations are performed monthly by the Accounting and Budget Analyst who authorizes payments but doesn't print or sign cheques. Sending EFTs and payroll files to the bank requires a 2 step verification process performed by separate staff. Payroll is performed by the Payroll and Benefits Administrator, reviewed (second verification) by the Accounting &

	• Stale-dated cheques process • Bank accounts reconciled by someone other than a person authorizing to sign cheques • Separate payroll preparation, disbursement and distribution	Budget Analyst prior to posting into the G/L. The Director of Finance & Operations reviews batch totals prior to authorizing the bank entries.
6. Accounting functions including authorizing and processing a financial transaction, recording and holding assets are segregated to substantially reduce the risk of misappropriation funds.	Segregation of duties: ➢ Transaction recording & purchasing; ➢ A/P and cheque signing; ➢ A/R and deposits/ cash receipts; ➢ Record keeping is separate from operations (handling or custody of assets); ➢ Bookkeeper's duties exclude receiving cash/cheques, preparing bank deposits, signing cheques, and opening incoming mail. • Audit trails support the monitoring of transactions include overriding and spot checks. • Audit trails of recorded overrides are monitored by someone who doesn't have override capabilities.	Sufficient segregation of duties exist as described in this section. New staff are entered into the payroll system (Initial information such as employee number, SIN number, and other personal information). Pay rate changes are supported by written communication from Human Resources. Any changes in pay rates or overrides are verified by a second person either the Accounting & Budget Analyst or the Director of Finance.

MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 039-14FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 October 2

GIFTS & HONORARIUMS POLICY

Recommendation

It is recommended that the Finance & Facilities Committee make recommendation to the Board of Health to approve the Gifts and Honorariums Policy #4-055 as appended to Report No. 039-14FFC.

Key Points

- The Board of Health asked the Finance & Facilities Committee to further discuss the policy revisions.
- The policy has been revised to allow staff to receive small intrinsic valued gifts that are an appropriate common expression of courtesy.

Background

At the July 3rd Finance & Facilities Committee meeting Policy 4-055, Gifts and Honorariums was reviewed and the Committee recommended revising the policy.

The Board of Health asked the Committee to further discuss the Gifts & Honorariums policy.

Revised Policy

Since the July 3rd Committee meeting concerns were raised regarding the change to not accept any token gifts and the impact that may have on staff to client relationships. Staff surveyed other public health units and the City (Appendix A) to determine their policy regarding receipt of gifts. From the responses received it would seem that small token gifts in the range of $25-$100 may be accepted.

Attached as Appendix B is a revised Gifts and Honorariums policy (Policy #4-055). The policy has been revised to include the following statement:

> *"Staff may accept gifts of small intrinsic value if they are an appropriate common expression of courtesy or appreciation within normal standards of hospitality; all other must be declined. All gifts received must be reported to the employee's supervisor".*

This report was prepared by Mr. John Millson, Director of Finance & Operations.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health

Appendix A

Summary of other Health Unit Policies re: Gifts and Honorariums

Health Unit	Policy	Gift Levels
York Region Public Health	Yes- Code of Conduct	• Infrequent promotional items, valued under $25 • No other gifts accepted, should be returned to sender or donated to charity
Haliburton, Kawartha, Pine Ridge District Health Unit	Yes – Code of Conduct	• Small gifts or tokens of appreciation may be accepted • Honorariums from an organization deposited to Health Protection & Promotion fund
City of Hamilton Public Health Services	Yes – Code of Conduct, Gifts & Hospitality Procedure, Disclosure of Gifts & Hospitality form	• Nominal gifts or hospitality valued under $25 • Gifts, hospitality and invitations to special events valued $25-$100 documented and disclosed to General Manager • No gifts, hospitality or invitations accepted over $100
Peterborough County-City Health Unit	Yes – Administrative Policy: Gifts and Honorariums	• Nominal gifts that don't promote brands may be accepted • Gifts of greater value must be refused
Halton Region Health Department	Yes – Code of Conduct	• Gifts of a small intrinsic value may be accepted if they are an appropriate common expression of courtesy within normal standards of hospitality, all others must be refused • All gifts must be reported to employee's supervisor
Elgin St. Thomas	Yes	• Yes they are able to accept gifts – awaiting copy of policy for specifics
Other		
City of London	Yes – Code of Conduct	No gift, present, favour, entertainment or compensation which a reasonable person perceive as affecting past, current or future business relationships with the Corporation

MIDDLESEX-LONDON HEALTH UNIT

ADMINISTRATION MANUAL

SUBJECT:	Gifts and Honorariums	**POLICY NUMBER:**	4-055
SECTION:	Financial Management	**PAGE:**	1 of 2
IMPLEMENTATION:		**APPROVAL:**	Board of Health
SPONSOR:	Director Finance and Operations	**SIGNATURE:**	

PURPOSE

This policy addresses what is an acceptable gift/honorarium for staff to receive when acting in their capacity as Health Unit employees and/or as public health professionals.

This policy applies to full time, part time and contract employees, unless otherwise stated. This policy applies at all times, whether during a traditional gift-giving season or not.

POLICY

Gifts/Gratuities

The giving of personal gifts of nominal value, on an occasional basis, is a common practice in building and maintaining business / client relationships. Suppliers, business associates and others with whom the Health Unit has professional relationship may from time to time provide staff with tokens of appreciation. Staff may accept gifts of small intrinsic value if they are an appropriate common expression of courtesy or appreciation within normal standards of hospitality, all others must be declined All gifts must be reported to the employee's supervisor. Gifts or other favours that could in any way influence or appear to influence business decisions are not an acceptable practice of the Health Unit and should not be accepted.

Honorariums

As part of their public service, staff members may prepare and/or deliver health unit-related programs or materials to community organizations. In these situations, the receiving organization may provide a nominal amount of remuneration to the Health Unit employee, in appreciation and recognition of the service delivered. Honorarium payments can be in the form of gift or gift cards and must be limited to a maximum value of $500. Notable exceptions might be for a distinguished or recognized professional key note address at a major event, conference or fundraising activity. When an honorarium is received, the employee will turn the funds over to their immediate supervisor. Funds will be used to purchase resources within the Service Area. Canada Revenue Agency regulations state that honorariums exceeding $500 cumulatively in one calendar year are to be considered a taxable benefit and subject to a T4A.

Notification & Documentation of Gifts and Honorariums

For the purposes of an audit, all gifts or honorariums (regardless of value) received by staff should be appropriately documented, including the name of the individual receiving the gift, the individual who approved the receiving of the gift, the reasons for the awarding of the gift, the contents and value of the gift itself, and any other relevant details. Accurate records must be

REVISION DATES (* = major revision):): September 30 1992, June 15 1994, August 2 2000 March 2 2005, October 2 2014

maintained in order to demonstrate the reasonableness and appropriateness of any gift. Awarding gifts must be compliant with Canada Revenue Agency rules.

DEFINITIONS

Gift: Is something acquired without compensation. This would include, for example, a meal, flowers, gift cards, gift certificates, or a ticket to a special event.
Honorarium: Is an ex gratia payment made to a person for their services in a volunteer capacity or for services for which fees are not traditionally required. It is typically a small payment made on a special or non-routine basis.
CRA: Canada Revenue Agency
T4A: Canadian tax information slip is a Statement of Pension, Retirement, Annuity, and Other Income

REFERENCES

Corporate Policies: N/A

REVISION DATES (* = major revision):): September 30 1992, June 15 1994, August 2 2000 March 2 2005, October 2 2014

MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 040-14FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 October 2

RESERVE FUND POLICY – MEMORANDUM OF AGREEMENT UPDATE

Recommendation

It is recommended that the Finance & Facilities Committee receive Report No 040-14FFC re: Reserve Fund Policy – Memorandum of Agreement Update" for information.

Key Points

- Health Unit staff have met with municipal staff to discuss the draft Memorandum of Agreement (Appendix A) and made mutually agreeable changes to reflect shared goals.
- Revised MOA has been sent to both the City and County councils for consideration.

Background

This report is intended to provide an update on the progress of having a signed Memorandum of Agreement (MOA) with the City of London and County of Middlesex in regards to the Board's Reserve/Reserve Fund Policy.

Since the last time the Committee received a report regard the MOA, staff have worked with City staff to revise and strengthen the MOA in regards to its linkages to the Reserve / Reserve Fund Policy, reporting to the municipalities, and to changes to reflect shared goals.

The attached MOA (Appendix A) reflects changes made as of September 8th, 2014 and has been forwarded to the City of London and County for final review and consideration.

Highlights of Changes

The following points reflect the major changes in the MOA since the last time the Committee seen the draft MOA, they include:

- Reserves / Reserve Funds be established through resolution of the Board of Health - this was covered in the policy but not the MOA
- Clause was added to mention the Health Unit would make all reasonable efforts to secure the provincial share.
- Includes a list of current reserves / reserve funds
- Added a clause in regards to "In the event that municipal funding obligations terminate under the Health Protection & Promotion Act, the Health Unit will return all unspent municipal reserves / reserve funds at their respective rate.

- Planned contributions will be included in the annual operating budget, and if there are any audited residual (surplus), there would be consultation with municipal councils prior to the Board making any further contributions.
- Where possible, annual reporting will include future contributions and planned drawdowns.

Next Steps

The revised MOA has been sent to both the City of London and the County for final review and consideration by their respective administration and/or councils.

This report was prepared by Mr. John Millson, Director of Finance & Operations.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health

DRAFT: September 8, 2014
Memorandum of Agreement

Between

Middlesex-London Health Unit
(Hereinafter Referred to as the "Health Unit")

And

The Corporation of the City of London

It is recognized that the maintenance of a reserve and reserve funds is an acceptable business practice, and will help protect the Health Unit and its funders from future funding liabilities. In order for the Health Unit to address one-time or short-term expenditures, either planned or unplanned, which arise, it is necessary to maintain reserves and/or reserve funds.

In accordance to Health Unit Policy #4-015 any reserve and/or reserve funds will be established by resolution of the Board of Health which will provide the purpose or use, maximum contributions, and expected timelines for contributions and withdrawals. As of the date of this agreement, the following reserve and reserve funds are currently being maintained:

- Funding Stabilization Reserve
- Sick Leave Reserve Fund
- Dental Treatment Reserve Fund
- Environmental Reserve Fund
- Technology & Infrastructure Reserve Fund
- Wage Stability Reserve Fund

It is understood that the Health Unit will attempt to offset any unexpected expenditures within their annual operating budget for all Health Unit programs, where possible without jeopardizing programs.

It is further understood that the Health Unit will, where possible, leverage the use of reserve and reserve funds by requesting funding grants from provincial funders or other sources.

Any planned contributions and drawdowns to the reserve or reserve funds will be included in the annual operating budget approved by the Board of Health. Any audited unexpended municipal funds are eligible for transfer to a reserve or reserve fund by resolution of the Board of Health subject to consultation with municipal councils.

Any contributions to reserve or reserve funds that include funding from municipal sources will be made using the same municipal apportionment used for funding public health programs. The current apportionment used is the percentage of population method.

It is agreed that the reserve which is presented in the audited financial statements will be capped at 10% of the Health Unit's total gross revenues found on the statement of operations of the audited financial statements. It is further agreed that annual contributions will be capped to 2% of the Health Unit's total gross revenues found on the statement of operations of the audited financial statements.

It is agreed that in the case of reserve funds, there is no cap on annual contributions; however, the maximum contributions shall equal the estimated amount of the commitment or requirement specified.

Any excess unexpended municipal funds above the amount transferred annually to a reserve and/or reserve funds will be returned to the obligated municipality at their respective rate following the approval of the annual financial statements.

In accordance to Health Unit Policy #4-015 any withdrawal from a reserve or reserve fund will be made by a Board of Health resolution.

The Health Unit will provide an annual report to the obligated municipalities outlining the transactions of the reserve and reserve funds during the previous year. Where possible, planned or future contributions and drawdowns will be described in the annual report.

In the event that municipal funding obligations terminate under the Health Protection & Promotion Act, the Health Unit will return all remaining municipal reserves / reserve funds at their respective rate.

IN WITNESS THEREOF, the parties have executed this Agreement, dated at,_____, Ontario this _____ day of _____, 2014.

The Corporation of the City of London:	**Middlesex-London Health Unit:**
1) _____	1) _____
Signature	Signature
_____	Mr. Marcel Meyer, Chair – Board of Health
Name, Title	Name, Title
2) _____	2) _____
Signature	Signature
_____	Dr. Christopher Mackie, Secretary-Treasurer
Name, Title	Name, Title

MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 041-14FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 October 2

2015 BOARD OF HEALTH BUDGET – FINANCIAL PARAMETERS

Recommendation

It is recommended that the Finance & Facilities Committee make recommendation to the Board of Health on budget targets for the 2015 Board of Health budget.

Key Points

- On September 18th the Board of Health approved changes to the Program Marginal Budget Analysis (PBMA) criteria weightings for developing the 2015 Board of Health budget.
- Financial parameters are also required in developing the budget.

Background

In the health system, it is generally accepted that resources are scarce. That is, there are not enough resources available to meet all the claims on those resources. This concept is built into the Board of Health's budget process by using the Program Budget Marginal Analysis (PBMA) process. The PBMA process is a criteria-based budgeting process that facilitates reallocation of resources based on maximizing service impact. At the September 18th meeting the Board approved revised weightings of the criteria as explained in Report No. 033-14FFC, re: "Proposed Criteria for the 2015 Budget Process".

2015 Budget – Financial - Parameters

Developing high level planning parameters is an integral part of any budget development process. They help guide and inform planning and resource allocation decisions. Ideally the parameters should be linked to the organization's strategic direction. The City of London's 2015 budget is being developed to maintain existing service levels. All Departments and Boards & Commissions have been provided this direction except for the Middlesex-London Health Unit, which has been asked to submit a 0% request over its 2014 appropriation level. For the purpose of developing a draft 2015 Board of Health budget, the following three financial planning parameters are being considered:

1) 0% municipal funding increase

This parameter is consistent with the Board's strategic decision made in 2005 to maintain the level of municipal investment and use provincial grant increases to maintain and or enhance public health programs and services in Middlesex-London. Given this parameter along with the expectation of little to no growth in provincial grants, the Health Unit will need to explore administrative and program efficiencies to maintain or lessen the impact on services to the community.

2) 1.4% increase in municipal funding

This planning parameter will provide assistance with expected inflationary pressures on existing public health programs and services and mitigate impacts on programs due to expected reductions in provincial

funding. However, it is not consistent with the Board of Health's approach taken since 2005 as explained above, nor is it consistent with City staff's 2015 request of 0% for the Board of Health.

3) Other - as directed by the Finance & Facilities Committee

The Committee may wish to examine and/or recommend other options at the October 2nd meeting.

Conclusion

Developing high level planning parameters is an integral part of any budget development process. They help guide and inform planning and resource allocation decisions and prioritize options for management to bring forward recommendations to the Finance and Facilities Committee and the Board of Health.

This report was prepared by Mr. John Millson, Director of Finance & Operations.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health

MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 042-14FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 October 2

DRAFT FFC WORK PLAN

Recommendation

It is recommended that the Finance & Facilities Committee receive Report No. 042-14FFC, re: "Draft FFC Work Plan" for information.

Background

Further to the discussion at the September 4th Finance and Facilities Committee meeting please find attached, as Appendix A, a draft copy of the Committee Work Plan that was prepared by Ms. Patricia Fulton, FFC Chair, for discussion.

This report was prepared by Ms. Patricia Fulton, Chair of the Finance and Facilities Committee.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health

Appendix A

Middlesex London Board of Health
Finance and Facilities Committee

Draft Annual Work Plan: review refers to activity by the Finance and Facilities Committee; recommendations for approval are made to the Board of Health. The draft work plan is designed to ensure that the Finance and Facilities Committee meets its mandate to assist and advise the Board of Health, the Medical Officer of Health /Chief Executive Officer, and the Director of Finance & Operations in the administration and risk management of matters related to the finances and facilities of the organization. The draft work plan is organized around the requirements to uphold public accountability over the use of resources, to manage the budget process efficiently, to communicate and report on the status of the budget, and to align the budget to the strategic priorities of the Board of health.

Accountability

- Review and recommend the audited Consolidated Financial Statements for the MLHU for programs operating April 1 to March 31. (September)
- Review and recommend Provincial Grants
- Review and recommend the audited Financial Statements for the Middlesex London Health Unit (June)
- Review and recommend the audited (MHLTC) Schedule of Revenues and Expenditures and Reconciliation Report (June)

C**ommunication**

- Review quarterly budget variance report

Budget Process

- Review Program Budgeting and Marginal analysis criteria and recommend changes if any for the next operating year (September)
- Review and recommend strategic direction and key budget planning assumptions for next year's budget (October)
- Review and recommend budget for the year (January/February)
- Review and recommend strategic and financial targets (when?)
- Recommend guidelines for City budget targets (May)
- Review Reserves and Reserve Funds and recommend as needed(annually)

Facilities, Risk Management, Administration

- Review space needs and recommend (as needed)
- Review and recommend property leases and acquisitions (as needed)
- Review of Financial Policies, Insurance, Appointment of Auditors, and recommend as appropriate