

SECTION:	FINANCE	POLICY NUMBER:	FN 10-025
SUB-SECTION:	The Purchasing Cycle	EFFECTIVE DATE:	2005-09-08
SUBJECT:	Expense Authorization	LAST REVISION DATE:	2011-12-01

POLICY:

All employees shall obtain authorization for any expenditure of Hospital funds in accordance with Hospital Corporate Policies.

A sound system of internal controls requires that there be separation between the person approving an expenditure from the person incurring the expenditure. To permit business activities to operate efficiently, routine expenditures already approved under the budget are subject to less stringent requirements than expenditures that are not approved under the budget, or are out of the ordinary course of business.

PROCEDURES:

1. Goods and Services less than \$50

- a) Goods and Services costing less than \$50 required in the normal course of business may be paid off from Petty Cash.
- b) All withdrawals from Petty Cash and all expenditures using Petty Cash must be authorized by the employee's supervisor or the supervisor's delegate.
- c) Amounts exceeding the threshold may in exceptional circumstances be paid using Petty Cash but must be authorized by the Director or delegate of the department responsible for the Petty Cash Float.

2. Goods and Services greater than \$50 and less than \$500

- a) Goods and Services greater than \$50 and less than \$500 necessary in the normal course of business require a purchase order or a cheque requisition. Limited exceptions are allowable but must be authorized by the respective senior officer prior to purchase.
- b) A cheque requisition must be completed by the employee and authorized by the employee's supervisor.
- c) Invoices must be sent to the employee's department and authorized for payment by the employee's supervisor before the Finance Department will pay the invoice.

3. Goods and Services greater than \$500.

- a) For individual goods and services costing more than \$500 required in the normal course of business, the purchase order process must be used, except in the case of regular predictable expenses such as rent or utilities.

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- b) For purchases of a recurring nature from major suppliers, or for standing order purchases, and required in the normal course of business, the purchase order process must be used regardless of the amount.
- c) For purchases of a recurring nature from major suppliers, or for standing order purchases and required in the normal course of business, authorization is required as follows:
 - i. Any purchase with a gross value under \$10,000 and approved in the budget shall be reviewed and authorized by a Director/Manager or his/her delegate.
 - ii. Any purchase with a gross value greater than \$10,000, but less than \$25,000 and approved in the budget shall be reviewed and authorized by the Senior Manager.
 - iii. Any purchase with a gross value greater than \$25,000, and approved in the budget shall be reviewed and authorized by the Chief Executive Officer or approved designate.
- d) For purchases of a non-recurring nature and/or not included in the approved budget, authorization is required as follows:
 - i. Any purchase with a gross value under \$2,000 shall be reviewed and authorized by a Director/Manager or his/her delegate.
 - ii. Any purchase with a gross value over \$2,000 but less than \$10,000 shall be reviewed and authorized by a Senior Manager.
 - iii. Any purchase with a gross value greater than \$10,000 but less than \$25,000 shall be reviewed and authorized by the Chief Executive Officer or approved designate.
 - iv. Any purchase with a gross value greater than \$25,000 shall be reviewed and authorized by the Board of Directors.
- e) Authorizations for any activity, unless specified otherwise in another policy, shall be as follows:
 - i. Any agreement and/or contract that materially affects the direction or the finances of the Hospital shall be reviewed and authorized by the Chief Executive Officer. This includes, but is not restricted to:
 - Acquisitions, or the purchase of a business
 - Divestitures, or the sale of part of the business
 - Any contract out of the ordinary course of business
 - Any contract extending beyond 5 years (other than operating leases)
- f) Authorizations levels from time to time may be lowered by the Chief Executive Officer when deemed necessary. i.e fiscal restraint.

4. Purchases Initiated by Management

All purchases made on behalf of the Hospital must have an authorizing signature other than that of the initiator of the purchase.

5. Authorization by Board of Directors

- a) The Board of Directors authorizes the annual expenses of the Hospital by approving the annual operating and capital budget.

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- b) For major purchases not incorporated into the fiscal budget, the Board of Directors will delegate authorization responsibility to the Chief Executive Officer. However, the Board of Directors shall be informed of major purchases that have the potential to affect the direction or the financial results of the Hospital.
- c) For major purchases not incorporated into the fiscal budget, the Board of Directors requires the Chief Executive Officer to obtain Board authorization for major purchases with a gross value greater than \$50,000.
- d) Non competitive consulting engagements shall be approved by the Board of Directors irrespective of value.

APPENDICES:	None	
REFERENCE DOCUMENTS:	Sherman, J. and Smith, S. <i>Finance & Accounting Policy Pro</i> , First Reference Inc., Concord, Ontario, 2004 Broader Public Sector Procurement Directives, Ministry of Finance (2011)	
REPEALED POLICIES:	RHSJHC Internal Control Policy Number V-4 <i>Approval of Invoices</i>	
APPROVAL PROCESS:	Senior Administration Team – March 22, 2011 Finance and Audit Committee – November 23, 2011 Board of Directors – December 1, 2011	
APPROVAL SIGNATURE:		Jeanette Despatie Chief Executive Officer

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