

Chapter 5
Accounting and Control of Expenditures

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5.1 INTRODUCTION

This chapter describes the policies, procedures, practices and guidelines within which departments receive authority to initiate and approve expenditure transactions for which they are responsible.

It also sets out some of the responsibilities of service departments for controlling expenditure transactions, including their responsibilities for cheque preparation, control and delivery.

There must be proper financial authority and control for all government expenditures. Authority granted by statutes generally may be amplified by regulations, directives and guidelines issued by the Executive Council, the Deputy Minister of Finance or other specified authorities. Departments and agencies, in initiating and approving expenditures, are obliged to meet the requirements prescribed.

Managers having operational responsibility and budgetary spending authority may initiate expenditures to carry out their responsibilities, as outlined in this manual and as prescribed by other government policies and procedures.

5.2 ACCOUNTING SYSTEMS

5.2.1 Policy

All accounting systems shall conform to the requirements prescribed by the Department of Finance. The government maintains a centrally-administered accounting system known as the Financial Management Information System. Specialty accounting systems which may operate within departments require prior approval of the Department of Finance to ensure the systems are compatible with the central system and meet government accounting requirements.

5.2.2 Accounting Practices

Departments must utilize the Government accounting and reporting services in processing their financial transactions.

The Financial Management Information System has a database recording all departmental accounting transactions. This database is the basis for Government of Yukon financial statements.

Departmental accounting transactions are recorded using standardized accounting codes. While the accounting code structure is standardized across the government, there is built-in flexibility that allows departments to meet their unique needs. Transactions are further identified by reference codes which may include:

- a) supplier reference codes,
- b) contract and transfer payment agreement numbers,
- c) batch numbers, and
- d) journal entry numbers.

The main cheque issuing centre is within the Department of Finance. Cheque issuance is computerized, although manual cheques are issued on an emergency basis. The use of manual cheques must be limited because they are costly to prepare.

Subsection 28(1) of the *Financial Administration Act* requires every public officer to keep records of commitments for the expenditures chargeable to each vote or fund for which the officer has been assigned responsibility. The objective of this requirement is to ensure departments do not exceed their budgetary appropriation or fund balances by anticipating future expenditures. The Financial Management Information System provides a commitment accounting system to assist departments in tracking and the record keeping of commitments.

5.3 ACCOUNTING POLICY

Section 33 of the *Yukon Act* states the Government of Yukon financial statements must be prepared in accordance with accounting principles recommended for the public sector by the Canadian Institute of Chartered Accountants or its successor. Consequently, the Government's accounting policy follows the standards issued by the Public Sector Accounting Board of the Chartered Public Accountants (CPA) of Canada. These standards are collectively called the CPA Public Sector Accounting Handbook.

The Financial Administration Manual contains various accounting policies that are based on CPA public sector accounting standards but tailored to the Government of Yukon and approved by Management Board.

5.4 ACCOUNTING CONTROLS

5.4.1 Overview

Accounting controls ensure the integrity of the accounting system. Accounting control involves ensuring that only authorized data is entered and accepted into the system and that this information is entered, processed and reported properly.

Accounting control must be established during system development. These controls must be instituted and maintained throughout the system. Control techniques include, but are not limited to:

- Proper system documentation
- Segregation of duties
- Adequate form design
- Job descriptions that accurately document responsibilities
- Documented procedures
- Pre-numbered forms
- Control totals
- Proper training

5.4.2 Accounting Control Procedures

The accounting system must have adequate controls to ensure the completeness, accuracy and authority for and of all information. The accounting control procedures used must satisfy both legislative and management needs in the control of public funds.

A most important element of financial control is that exercised on individual transactions as expenditures are contemplated, committed and authorized. Departmental management are primarily responsible for controlling individual expenditure transactions. The basic elements of expenditure control are as follows:

- Departments must ensure that before an expenditure is initiated there is a sufficient unencumbered balance available in the relevant appropriation, allotment, or item included in the estimates to discharge the commitment.
- Departments must certify with respect to each payment that the relevant services have been performed or goods received at prices that are either in accordance with contract terms or are reasonable.
- Departments must not requisition a payment that would be an unlawful charge against an appropriation; would result in an

5.4.2 (Continued)

expenditure in excess of the appropriation; or would reduce the balance in the appropriation so that it would not be sufficient to meet the commitments charged against it.

- Where a payment is to be made before completion of the work, delivery of the goods or rendering of the service, as the case may be, departments must ensure that the payment is in accordance with the contract.

Departments must utilize the centralized accounting and reporting services of the Department of Finance to obtain detailed accounting information.

After payment authority has been exercised, payment requisitions should be immediately forwarded to the Department of Finance to expedite the processing of transactions. This ensures that payment will be prompt and that financial reports are current. The accounting system must be designed to permit the periodic entry and reporting of information on undischarged commitments. This permits officers exercising signing authority or financial control to be aware of free balances for each appropriation and allotment on a periodic basis.

In addition, the accounting system must be designed to provide accurate, periodic cost information on the activity elements involved in carrying out departmental programs. This requirement provides for:

- Relating costs to benefits.
- Comparing efficiency over a period of time or among similar responsibility centres.
- Determining the amounts to be recovered when services for which a charge is appropriate are provided to the public or other governments.
- Comparing revenues recovered against related costs.

Accrual information must be entered into the accounting systems to facilitate the provision of cost information and to meet statutory requirements.

Accounting controls must be established over inventories of materials and equipment wherever there is a need:

- Because of the value or nature of the inventories.
- For independent control.
- For providing information on changes in inventory levels.
- For asset recording and evaluation purposes in connection with year-end financial statements and schedules.

In summary, the accounting and internal control system should be designed to include, as an integral part of the system, adequate accounting controls to ensure the completeness, accuracy, and authority of all information provided by the system.

5.4.3 Commitment Control

The commitment system is an important management tool for financial control. It assists in the decision-making process as it allows management to plan for the future. It assists in ensuring that adequate funds are available to pay for all goods and services received in a fiscal year, and to ensure that required administrative policies and procedures have been followed in advance of disbursement. The recording of a commitment in advance of the disbursement reduces the free balances of budgetary allocations and ensures funds are reserved for future expenditures.

The commitment accounting process involves the recording of obligations to make future payments at the time they are foreseen.

Under the Financial Administration Act, Deputy Ministers are responsible for ensuring that they have an effective system of commitment control.

Finance has provided, as a part of the Financial Management Information System, a mechanism to be utilized by all departments in recording commitments.

A commitment can be recognized at any of the following stages;

- i) When goods or services are formally requisitioned internally, but no actual contractual obligation is made,
- ii) when the actual contractual obligation is made, or
- iii) when there is a need to reserve funds to fulfill a future obligation eg. grant payments.

Commitments should be recorded as early in the process as possible.

Commitments, including adjustments to an amount previously committed must be authorized by a public officer with commitment authority. Commitment authority is the ability to initiate an expenditure sanctioned under Section 24 of the Financial Administration Act. This authority is required prior to entry into the commitment system.

Commitments recorded in the Financial Management Information System must only pertain to the current fiscal year. Commitments that are expected to result in expenditures in future years must not be recorded as encumbrances against current year's appropriations.

5.4.3 (Continued)

Commitment control in the Financial Management Information System requires that all Requisitions for Supplies, Purchase Orders and other proposed future expenditures not expected to be decommitted within thirty calendar days be committed on the system.

If the amount of a payment exceeds a commitment created by a purchase order, the transaction will be rejected unless the excess is within tolerated levels. The size of the tolerance for invoices that exceed purchase order amounts is ten percent or \$100, which ever is least. The tolerance is used to facilitate processing and is intended to accommodate slight changes in prices or quantity which are acceptable to the spending department.

5.5 SIGNING AUTHORITIES

5.5.0 Policy Statement

Authority

On March 13, 2002, the Management Board revoked MBD #6/84 "Signing Authorities" and replaced it with subsections 5.5.0 to 5.5.3 of this manual (MBM#2-08-04). The policy outlined in subsections 5.5.0 to 5.5.3 is issued pursuant to Sections 21, 23, 24, 29, 30 and 31 of the *Financial Administration Act*, and can be revised only with the approval of the Management Board.

This policy is referred to as the Signing Authorities Policy.

Effective Date

Original Policy - April 1, 2002

Revisions to 5.5.1 and 5.5.3.3 - March 7, 2012

Application

The Signing Authorities Policy applies to all departments except as exempted by Item #8 of subsection 5.5.2.

Objective

The *Financial Administration Act* requires certain certifications to be made by appropriate public officers prior to any payments being issued from the consolidated revenue fund. The objective of the Signing Authorities Policy is to set out the policy for assigning financial signing authorities to public officers of the government, and to provide instructions regarding the responsibilities and limits associated with those signing authorities.

5.5.1 Definitions

- a) "Section 23 (contracting) authority" means the signing authority pursuant to Section 23 of the *Financial Administration Act*, and is the authority to enter into a contract on behalf of the government.
- b) "Section 24 (certification prerequisite for contracts) authority" means the signing authority pursuant to Section 24 of the *Financial Administration Act*. It is the authority to certify that:
 - i) every payment out of the consolidated revenue fund contemplated by the contract is in accordance with the *Financial Administration Act* and any other Act; and
 - ii) there is sufficient money in the vote or fund from which the payments are made.

This authority is also referred to as "commitment authority".

5.5.1 Definitions (Continued)

- c) "Section 29 (certificate of performance) authority" means the signing authority pursuant to Section 29 of the *Financial Administration Act*. It is the authority to certify that:
 - i) the proposed payment is in accordance with the contract; and/or
 - ii) all conditions precedent to the making of the payment have been met.

- d) "Section 30 (requisition for payment) authority" means the signing authority pursuant to Section 30 of the *Financial Administration Act*. It is the authority to certify that:
 - i) the payment may be lawfully made from the vote or fund;
 - ii) the making of the payment does not contravene any directive or policy of the Management Board;
 - iii) there is sufficient money in the vote or fund to make the payment;
and
 - iv) the making of the payment will not reduce the balance of the vote or fund so that it would not be sufficient to meet commitments for other payments to be made from the vote or fund.

- e) "Assignment authority" means the authority to sign documents used to:
 - i) assign responsibility from a sponsoring department to a performing department for a specific project;
 - ii) certify pursuant to Section 24 of the *Financial Administration Act* maximum allowable expenditures in the fiscal year for the assigned project; and
 - iii) delegate from the sponsoring department to the performing department limited authority under Sections 23, 29 and 30 of the *Financial Administration Act* to carry out the project.

Those documents include the Project Authorization and inter-departmental service agreements.

- f) "Authorization for travel" means the authorization to undertake travel on government business in accordance with the policy and directives set by the Management Board.

- g) "Contract" means any agreement or undertaking providing for the expenditure of public money or the giving of any consideration in exchange for goods and services, and includes purchase orders, service contracts, construction contracts, employment contracts and contribution agreements.

5.5.1 Definitions (Continued)

- h) "Loans and guarantees" means the undertaking under the authority of an Act to provide a loan or to guarantee a debt or other obligation.
- i) "Payment authority" is the same authority as the "Section 30 (requisition for payment) authority" - see d).
- j) "Public officer" means a public officer as defined in section 1 of the *Financial Administration Act*, and does not include a person hired on a consulting or service contract.
- k) "Requisition for goods or services" is a document that is certified by a public officer of a department pursuant to Section 24 of the *Financial Administration Act*, which enables the purchasing or contracting officer of the government to enter into a contract on behalf of the department. Examples of those documents are the Request for Purchase and the Request for Transportation.
- l) "Spending authority" means the authority pursuant to Sections 24 (certification prerequisite for contracts), 23 (contracting) and 29 (certificate of performance) of the *Financial Administration Act*.
- m) "Transfer payments"-refer to the definition in subsection 5.9.1 of this manual.

5.5.2 Policy

1. No payment out of the consolidated revenue fund shall be made without the certification by appropriate public officers pursuant to Sections 24 (certification prerequisite for contracts), 23 (contracting), 29 (certificate of performance) and 30 (requisition for payment) of the *Financial Administration Act*.
2.
 - (a) A Minister and a Deputy Minister may sign pursuant to Sections 24 (certification prerequisite for contracts), 23 (contracting), 29 (certificate of performance) and 30 (requisition for payment) of the *Financial Administration Act* in an amount not exceeding the limits set out in subsection 5.5.3.3 "Signing Authorities Limitations Chart".
 - (b) A Minister and a Deputy Minister shall deliver a sample signature to the Deputy Minister of the Department of Finance and to the Deputy Minister of the Department of Highways and Public Works.
3. A Deputy Minister may delegate to a public officer of his/her department part of his/her signing authorities.* Such delegation shall be made to appropriate organizational positions in the department rather than to individuals.
4. Delegation of signing authorities by a Deputy Minister shall be in writing. A copy of such delegation and a sample signature of the public officer to whom the delegation has been made shall be delivered to the Deputy Minister of the Department of Finance and to the Deputy Minister of the Department of Highways and Public Works.
5. Signing authority delegated by a Deputy Minister shall not be re-delegated.
6. A public officer shall not sign under Section 29 (certificate of performance) and Section 30 (requisition for payment) for the same payment.
7. Pursuant to Section 31 of the *Financial Administration Act*, the Deputy Minister of the Department of Finance shall reject a requisition for payment where he/she is of the opinion that the requisition does not comply with the provisions of the Signing Authorities Policy.

Items # 2(b), 4 and 7 above do not apply to the Yukon Housing Corporation, the Yukon Liquor Corporation, the Yukon Workers' Compensation Health and Safety Board, the Yukon Development Corporation and the Yukon Lottery Commission.

* On April 3, 2013, Management Board authorized public officers of the Yukon Legislative Assembly departmental office to be deemed public officers of the Child and Youth Advocate Office and the Elections Office (MBM#13-08-03)

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5.5.3 Signing Authorities Limitations

5.5.3.1 Interpretations

1. The limitations represent the upper limit of authority that may be delegated by a Deputy Minister. Lower levels may be delegated.
2. The application of financial signing authority limits is based on the concept of a single transaction. Where a financial document, e.g. cheque requisition, contains more than one transaction (e.g. two or more unrelated invoices), the limits stated apply to each financial transaction, not to the total document amount.
3. The limits specified for Sections 23 and 24 authorities apply to the total value of a particular obligation, including the amounts of any increases or decreases of the obligation, except for construction contracts noted in Item # 2 of subsection 5.5.3.2 "Exceptions".
4. A public officer exercising contracting authority must follow Directive 2.6 of the General Administration Manual, "Contracting Directive", and any other policies or directives issued by the Cabinet or the Management Board with regard to entering into a contract with a third party.
5. Project planning and implementation shall comply with Directive 2.17 of the General Administration Manual, "Project Planning and Implementation".

5.5.3.2 Exceptions

1. A purchase contract, aircraft charter, contract for printing and publications, real property lease and third party equipment rental (e.g. heavy equipment rental including the provision of operators) must be entered into through the Department of Highways and Public Works except that the Deputy Minister of the Department of Highways and Public Works may delegate to a department the appropriate authority. Such delegation shall be in writing.
2. Where a construction contract amount exceeds the Deputy Minister's limit, the Minister may delegate authority to approve change orders for the specific construction contract. The Deputy Minister may re-delegate this authority to a public officer, only if expressly permitted to do so in the delegation from the Minister. These delegations must be in writing, and copies of such delegations must be sent to Contract Services of the Department of Highways and Public Works and to the Department of Finance.
3. A Deputy Minister may not delegate the signing authority for public officers to travel out of Territory except where specifically exempted in the travel policy or directive set by the Management Board.

5.5.3.3 Signing Authorities Limitations Chart (Effective April 3, 2013 – MBM #13-08-03)

DEPARTMENT		SPENDING AUTHORITY							PAYMENT AUTHORITY Section 30 (Requisition for Payment) Authority
		-----Section 24 (Certificate Prerequisite for Contracts) Authority ----->						Section 29 (Certificate of Performance) Authority	
		<-----Section 23 (Contracting) Authority ----->							
		CONTRACTS FOR GOODS OR SERVICES*	LOANS & GUARANTEES	TRANSFER PAYMENTS	AUTHORI- ZATION FOR TRAVEL	REQUEST FOR GOODS OR SERVICES	ASSIGNMENT AUTHORITY		
Legislative Assembly	MIN DM	No Limit 35,000	- -	No Limit 5,000	No Limit 5,000	No Limit 35,000	No Limit 35,000	No Limit No Limit	No Limit No Limit
Child And Youth Advocate Office	MIN DM	No Limit 35,000	- -	No Limit 5,000	No Limit 5,000	No Limit 35,000	No Limit 35,000	No Limit No Limit	No Limit No Limit
Elections Office	MIN DM	No Limit 35,000	- -	No Limit 5,000	No Limit 5,000	No Limit 35,000	No Limit 35,000	No Limit No Limit	No Limit No Limit
Office of the Ombudsman	MIN DM	No Limit 35,000	- -	No Limit 5,000	No Limit 5,000	No Limit 35,000	No Limit 35,000	No Limit No Limit	No Limit No Limit
Executive Council Office	MIN DM	No Limit 100,000	- -	No Limit 500,000	No Limit 10,000	No Limit 100,000	No Limit 100,000	No Limit No Limit	No Limit No Limit
Community Services	MIN DM	No Limit 1,000,000	No Limit 500,000	No Limit 1,000,000	No Limit 5,000	No Limit 500,000	No Limit 1,000,000	No Limit No Limit	No Limit No Limit
Economic Development	MIN DM	No Limit 100,000	No Limit 100,000	No Limit 500,000	No Limit 5,000	No Limit 100,000	No Limit 50,000	No Limit No Limit	No Limit No Limit
Education	MIN DM	No Limit 500,000	No Limit 6,000	No Limit 250,000	No Limit 5,000	No Limit 500,000	No Limit 1,000,000	No Limit No Limit	No Limit No Limit
Energy, Mines and Resources	MIN DM	No Limit 150,000	No Limit 500,000	No Limit 500,000	No Limit 10,000	No Limit 100,000	No Limit 50,000	No Limit No Limit	No Limit No Limit
Environment	MIN DM	No Limit 150,000	- -	No Limit 500,000	No Limit 5,000	No Limit 150,000	No Limit 150,000	No Limit No Limit	No Limit No Limit
Finance	MIN DM	No Limit 50,000	No Limit 100,000	No Limit 500,000	No Limit 5,000	No Limit 50,000	No Limit 50,000	No Limit No Limit	No Limit No Limit
Finance Votes 18, 19 and 22	MIN DM	- -	No Limit 10,000,000	No Limit 10,000,000	- -	- -	- -	No Limit No Limit	No Limit No Limit
Finance Vote 20	MIN DM	- -	No Limit 2,000,000	- -	- -	- -	- -	No Limit No Limit	No Limit No Limit
French Language Services Directorate	MIN DM	No Limit 50,000	- -	No Limit 50,000	No Limit 5,000	No Limit 50,000	No Limit 50,000	No Limit No Limit	No Limit No Limit
Health and Social Services	MIN DM	No Limit 750,000	No Limit 10,000	No Limit 750,000	No Limit 5,000	No Limit 200,000	No Limit 500,000	No Limit No Limit	No Limit No Limit
Highways and Public Works	MIN DM	No Limit 1,000,000	- -	No Limit 50,000	No Limit 5,000	No Limit 500,000	No Limit 1,000,000	No Limit No Limit	No Limit No Limit
Justice	MIN DM	No Limit 250,000	- -	No Limit 500,000	No Limit 5,000	No Limit 250,000	No Limit 100,000	No Limit No Limit	No Limit No Limit
Public Service Commission	MIN DM	No Limit 75,000	- -	No Limit 50,000	No Limit 5,000	No Limit 75,000	No Limit 50,000	No Limit No Limit	No Limit No Limit
Tourism and Culture	MIN DM	No Limit 100,000	- -	No Limit 500,000	No Limit 5,000	No Limit 100,000	No Limit 100,000	No Limit No Limit	No Limit No Limit
Women's Directorate	MIN DM	No Limit 50,000	- -	No Limit 50,000	No Limit 5,000	No Limit 50,000	No Limit 50,000	No Limit No Limit	No Limit No Limit

Yukon Housing Corporation, Yukon Liquor Corporation, Workers' Compensation Health and Safety Board, Yukon Development Corporation and Yukon Lottery Commission – as authorized by the Corporation/Board/Commission

* Except for as restricted by Exception 1 of 5.5.3.2

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5.5.4 Procedures

The procedures outlined in subsection 5.5.4 of this manual are issued by the Deputy Minister of the Department of Finance under the authority of the *Financial Administration Act* Section 7. The purpose of these procedures is to help departments interpret and comply with the Signing Authorities Policy (5.5.0 to 5.5.3 above).

Any changes to this subsection, therefore, require approval of the Deputy Minister of the Department of Finance.

5.5.4.1 General

Responsibility for the control and spending of public funds is placed on Ministers and Deputy Ministers by the Legislative Assembly through *Appropriation Acts*, and through the *Financial Administration Act* and regulations.

While Ministers and Deputy Ministers are responsible for the control of expenditures, in practice, this role is carried out by delegation. Deputy Ministers may delegate financial signing authority within their organizations in accordance with the Signing Authorities Policy. One of the objectives of delegating signing authority is to make individual managers primarily responsible for expenditures charged to their budgets.

Signing authorities for financial transactions may be divided into two main areas of responsibility, i.e. spending authority and payment authority.

Spending and payment authorities should not be exercised by the same person with respect to a particular payment. This policy recognizes the need for a division of duties to maintain internal control. Public officers should be granted either spending or payment authority, but not both. However, it is recognized that, in a small department, this may not be always possible. In such circumstances, it may be necessary to delegate to one particular officer both types of signing authority. When this is done, that officer must not exercise both types of authority on the same payment.

5.5.4.2 Spending Authority

Spending authority is created by Sections 23, 24 and 29 of the *Financial Administration Act*. These Sections make the Deputy Minister and his/her delegate accountable for all expenditures initiated against their vote or fund.

Spending authority should be granted in relation to a position's budgetary responsibility. Public officers with spending authority are required to indicate their approval of each requisition for goods or services and formulation of a contract, confirming that sufficient funds are available. Later in the process, these officers are required to confirm contract performance and/or receipt of goods, thereby indicating that payment should be made.

Spending authority is usually delegated to public officers with program responsibilities, i.e. program managers, and who are independent of those officers granted payment authority. Responsibility to implement the process of account verification (see 5.7 "Account Verification") and to enforce related financial controls rest with those officials who have delegated payment authority. However, primary responsibility for verification of individual accounts rests with those officials who are given spending authority.

5.5.4.2 Spending Authority (Continued)

Public officers with spending authority have the responsibility to prepare and obtain all supporting documentation necessary for the account verification process including service contracts, purchase orders, contribution agreements, lease agreements, receipt documentation and other back-up. These documents are essential to verify the extent of commitment involved, agreed prices for the goods or services, precise specifications or requirements, agreed contract conditions and complete expenditure coding.

Spending authority consists of three areas of authorities and associating responsibilities.

1. Section 24 (Certification Prerequisite for Contracts) Authority

This authority is also referred to as "commitment" authority, and is exercised when decisions are made to obtain goods or services that will result in the eventual expenditure of the government's funds. Examples of such decisions are:

- to hire staff
- to requisition supplies or services
- to authorize travel
- to enter into some other expenditure arrangements with other departments for program purposes.

When a public officer signs the certification prerequisite for contracts, he/she is certifying that:

- (a) every payment out of the consolidated revenue fund contemplated by the contract in the then current fiscal year is authorized by the *Financial Administration Act* or another Act; and
- (b) there is sufficient money in the vote or fund from which the payments are to be made.

2. Section 23 (Contracting) Authority

No government contract should be entered into, or enforceable against the government, unless it is entered into by a public officer with the appropriate contracting authority. Contracting authority should not be exercised unless a certification pursuant to Section 24 has been made.

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5.5.4.2 Spending Authority (Continued)

3. Section 29 (Certificate of Performance) Authority

This is the authority to confirm contract performance and price. By signing under this authority, a public officer is certifying that:

- (a) in the case of a payment for goods that have been supplied or services that have been performed under a contract, a statement to that effect, and a statement that the proposed payment is in accordance with the contract;
- (b) in the case of a payment for goods that have yet to be supplied or services that have yet to be performed under a contract, a statement to that effect, and a statement that the proposed payment is in accordance with the contract;
- (c) in the case of a payment not provided for in (a) or (b), a statement as to the purpose of the proposed payment, and a statement that all conditions precedent to the making of the payment have been met; and
- (d) in any case, such further statements as the Management Board, by directive or policy, may require.

A certification of performance should be made on a form authorized by the Deputy Minister of the Department of Finance.

5.5.4.3 Payment Authority

Payment authority is created by Section 30 of the *Financial Administration Act*. A public officer who has delegated payment authority certifies that:

- (a) the payment may be lawfully made from the vote or fund;
- (b) the making of the payment does not contravene any directive or policy of the Management Board;
- (c) there is sufficient money in the vote or fund to make the payment; and
- (d) the making of the payment will not reduce the balance of the vote or fund so that it would not be sufficient to meet other financial commitments.

These certifications entail verifying that the payment is for the purposes of the appropriation as recorded in the Main and Supplementary Estimates, as well as verifying compliance with the enabling legislation of the program concerned. It is also necessary to confirm that the payment is in accordance with any other statute, regulation or directive.

The review of documents by the public officer with payment authority constitutes the final departmental check on the appropriateness of the spending authority exercised, account verification and payment requisitioning.

For these reasons, payment authority should be delegated to financial officers, who are sufficiently senior to have the experience and judgment necessary for exercising payment authority.

Financial officers with payment authority also should understand principles of internal control. In addition to examining specific transactions, they should satisfy themselves that various administrative processes and approvals given to them provide sufficient segregation of duties and independence in order to preclude any likelihood of improper or

5.5.4.3 Payment Authority (Continued)

inaccurate payments taking place.

For example, in order to exercise an appropriate internal control (or segregation of duties), payment authority should not be delegated to positions where the primary duties require close involvement in the preparation of cheque requisitions, performance certification or data input into the accounts payable system.

A requisition for payment should be made on a form authorized by the Deputy Minister of the Department of Finance.

5.5.4.4 Rejection of Requisitions for Payment

Pursuant to subsection 31(1) of the *Financial Administration Act*, the Deputy Minister of the Department of Finance may reject a requisition for payment when he/she is of the opinion that the requirements of any Act have not been complied with. The Deputy Minister of the Department of Finance may reject a requisition for payment:

- (a) if a requisition for payment has not been signed by a public officer authorized to do so in accordance with the Signing Authorities Policy; or
- (b) if the Department of Finance has not received a sample of the signature of the public officer; or
- (c) if he/she is of the opinion that the requirements of any Act have not been complied with.

When the Deputy Minister of the Department of Finance rejects a requisition for payment under this authority, he/she must, at the request of the Deputy Minister responsible for the relevant vote or fund, state the reason in writing (subsection 31(2) of the *Financial Administration Act*).

Subsection 31(4) of the *Financial Administration Act* provides the Deputy Minister of the Department of Finance the authority to delegate any employee of any department the function of reviewing payment requisitions.

Based on this authority, the Deputy Minister of the Department of Finance has delegated the function described in subsection 31(1) of the *Financial Administration Act* to those public officers granted payment authority. The Deputy Minister then instructed the Department of Finance to perform post-audit of accounts payable transactions in order to ensure that this function is exercised properly.

5.5.4.5 Delegation Process

Through written delegation of financial signing authorities, Deputy Ministers delegate responsibilities bestowed upon them by legislation or regulations to appropriate public officers in the departments.

Delegation of signing authority by a Deputy Minister to officers of his/her department is primarily intended to facilitate the process of spending the funds that are made available for departmental programs. Such delegation, however, also accompanies the responsibility to ensure that all the related managerial and financial controls are

5.5.4.5 Delegation Process (Continued)

effectively enforced and that all the normal requirements of probity and prudence are observed. It is important, therefore, that the delegation of financial signing authorities be carried out and controlled by the Deputy Minister with the objective of achieving the most effective control over spending.

Pursuant to the Signing Authorities Policy, the following rules apply to the delegation of financial signing authorities:

1. The right to delegate signing authorities is limited to Deputy Ministers, and such delegation must be made in writing.
2. Signing authorities must be delegated to positions rather than to individuals.
3. The signing authorities of a position may be exercised by a public officer who is acting in the position, only if (a) a written notification of the acting appointment has been issued by his/her supervisor and such notification has been received in the Department of Finance; and (b) a specimen signature of the public officer has been received in the Department of Finance.
4. Public officers may not exercise signing authorities with respect to a payment from which they or their relative may benefit. This includes any payments made payable to themselves for the purpose of travel or courses.

For delegation of signing authorities, the following steps should be followed.

Step 1: Deputy Minister's Delegation

Deputy Minister's delegation should be in the format shown in 5.5.4.6. Form A - "Delegation of Financial Signing Authority Chart". Signing authorities must be delegated to appropriate organizational positions in the department rather than to individuals. Amendments to this delegation will only be required for changes in organizational structure and responsibility. Amendments will not be required for personnel changes.

When there is a change of delegating authority, i.e. a new Deputy Minister, a new delegation chart must be approved and signed by the new Deputy Minister.

Departments must then submit the signed delegation to the Department of Finance and the Department of Highways and Public Works by the method prescribed by the respective Department. The signed Delegation of Financial Signing Authority Chart should be accessible by all units and branches in the department where signing authorities must be verified.

Step 2: Filling Out a Specimen Signature Card

A Specimen Signature Card (5.5.4.6. Form B) must be used to provide a sample of the incumbent's signature. A Specimen Signature Card also serves to clearly indicate to the delegate the responsibilities and limitations associated with the delegated signing authorities.

5.5.4.5 Delegation Process (Continued)

A Specimen Signature Card should be filled out as soon as a new incumbent assumes the position with delegated signing authorities. Departments must then submit the Specimen Signature Card to the Department of Finance and the Department of Highways and Public Works by the method prescribed by the respective Department. The incumbent should also retain a copy to ensure that signing authorities are exercised appropriately.

When a public officer acts in a position with delegated signing authorities, the supervisor of the position must issue a written notification of the acting appointment, (Note: the Deputy Minister may issue a written notification of the acting appointment for his/her own position), and a copy of such notification must be submitted to the Department of Finance. The department must also ensure that a Specimen Signature Card for the acting position is in place for the public officer.

Departments must submit written notifications to the Department of Finance and the Department of Highways and Public Works, to revoke the card as soon as the incumbent ceases to be in the respective position.

Review and Maintenance of Signing Authorities Delegation Documents

Deputy Ministers must arrange for an annual review of delegated signing authorities to determine their continuing validity.

Departmental administrators should ensure that all signing authorities delegation documents are valid at all times. Departmental administrators must also ensure that branches and units have access to the most current signing authorities delegation documents.

In keeping with the Deputy Minister of Finance's role and responsibilities under the *Financial Administration Act*, the Department of Finance is responsible for retaining the official records of signing authority delegation for control and audit purposes.

5.5.4.6. Signing Authorities Forms

Form A - Delegation of Financial Signing Authority Chart

(If there are multiple pages, every page requires signatures.)

Form B - Specimen Signature Card

Delegation of Financial Signing Authority Chart



Specimen Signature Card

This form is effective upon approval of an acting appointment. Activation information is retained and available in the Signing Authorities App

ACTING
FORM B

All values are in \$000's

DELEGATE: PUBLIC OFFICER NAME: _____ DEPARTMENT: _____ PROGRAM (DIVISION): _____ ACTIVITY (BRANCH): _____ POSITION TITLE: _____			SPENDING AUTHORITY											PAYMENT AUTHORITY S.30	
			PROCUREMENT						TRANSFER PAYMENTS		OTHER: S.24 COMMITMENT & S.23 SIGNING CONTRACT				S.29
			S.24 COMMITMENT		S.23 SIGNING CONTRACT										
			OWN PROCUREMENT		REQUEST FOR GOODS OR SERVICES	ASSIGNMENT AUTHORITY	GOODS	SERVICES	S.24 COMMITMENT	S.23 SIGNING CONTRACT	S.24 TRAVEL AUTHORIZATION	OTHER CONTRACTS & EXPENDITURES **	LOANS & GUARANTEES		CERTIFICATE OF PERFORMANCE
GOODS	SERVICES														
AREA OF AUTHORITY	OPERATIONAL RESTRICTION	NOTES													
General Ledger Coding															

With this signature I certify that I am aware of and accept the responsibilities related to these delegated authorities

Date

Delegate's Signature

NL = No limit

** "Other Contracts & Expenditures" includes: reimbursements and other obligations.

Supervisor's Name: _____

With this signature I certify that the delegate's signature is that of the person appointed to the above position and they have been delegated the listed authorities

Supervisor's Title: _____

Date

Supervisor's Signature

Your personal information is being collected under the Financial Administration Act and S. 15(a) of the ATIPP Act for the purpose of verifying your authority to allocate government funds. For further information, contact Financial Accounting at 667-5850

Work Flow: upon signature original document is retained within the Department as per finance branch instructions. Scanned copy is uploaded into the Signing Authorities App

Effective 02/2023



Specimen Signature Card

This form is effective upon approval and as prescribed by the nature of the appointment. Activation information is retained and available in the Signing Authorities App

TEMPORARY
FORM B

All values are in \$000's

DELEGATE: PUBLIC OFFICER NAME: _____ DEPARTMENT: _____ PROGRAM (DIVISION): _____ ACTIVITY (BRANCH): _____ POSITION TITLE: _____			SPENDING AUTHORITY											PAYMENT AUTHORITY S.30	
			PROCUREMENT						TRANSFER PAYMENTS		OTHER: S.24 COMMITMENT & S.23 SIGNING CONTRACT				S.29
			S.24 COMMITMENT				S.23 SIGNING CONTRACT								
			OWN PROCUREMENT		REQUEST FOR GOODS OR SERVICES	ASSIGNMENT AUTHORITY	GOODS	SERVICES	S.24 COMMITMENT	S.23 SIGNING CONTRACT	S.24 TRAVEL AUTHORIZATION	OTHER CONTRACTS & EXPENDITURES **	LOANS & GUARANTEES		CERTIFICATE OF PERFORMANCE
GOODS	SERVICES														
AREA OF AUTHORITY	OPERATIONAL RESTRICTION	NOTES													
General Ledger Coding															

With this signature I certify that I am aware of and accept the responsibilities related to these delegated authorities

NL = No limit

** "Other Contracts & Expenditures" includes: reimbursements and other obligations.

Date

Delegate's Signature

Supervisor's Name: _____

With this signature I certify that the delegate's signature is that of the person appointed to the above position and they have been delegated the listed authorities

Supervisor's Title: _____

Date

Supervisor's Signature

Your personal information is being collected under the Financial Administration Act and S. 15(a) of the ATIPP Act for the purpose of verifying your authority to allocate government funds. For further information, contact Financial Accounting at 667-5850

Work Flow: upon signature original document is retained within the Department as per finance branch instructions. Scanned copy is uploaded into the Signing Authorities App

Effective 02/2023



Specimen Signature Card

This form is effective upon approval and until cancellation. Activation information is retained and available in the Signing Authorities App

**SUBSTANTIVE
FORM B**

All values are in \$000's

DELEGATE: PUBLIC OFFICER NAME: _____ DEPARTMENT: _____ PROGRAM (DIVISION): _____ ACTIVITY (BRANCH): _____ POSITION TITLE: _____			SPENDING AUTHORITY											PAYMENT AUTHORITY S.30	
			PROCUREMENT						TRANSFER PAYMENTS		OTHER: S.24 COMMITMENT & S.23 SIGNING CONTRACT				S.29
			S.24 COMMITMENT		S.23 SIGNING CONTRACT										
			OWN PROCUREMENT		REQUEST FOR GOODS OR SERVICES	ASSIGNMENT AUTHORITY	GOODS	SERVICES	S.24 COMMITMENT	S.23 SIGNING CONTRACT	S.24 TRAVEL AUTHORIZATION	OTHER CONTRACTS & EXPENDITURES **	LOANS & GUARANTEES		CERTIFICATE OF PERFORMANCE
GOODS	SERVICES														
AREA OF AUTHORITY	OPERATIONAL RESTRICTION	NOTES													
General Ledger Coding															

With this signature I certify that I am aware of and accept the responsibilities related to these delegated authorities

Date

Delegate's Signature

NL = No limit

** "Other Contracts & Expenditures" includes: reimbursements and other obligations.

Supervisor's Name: _____

With this signature I certify that the delegate's signature is that of the person appointed to the above position and they have been delegated the listed authorities

Supervisor's Title: _____

Date

Supervisor's Signature

Your personal information is being collected under the Financial Administration Act and S. 15(a) of the ATIPP Act for the purpose of verifying your authority to allocate government funds. For further information, contact Financial Accounting at 667-5850

Work Flow: upon signature original document is retained within the Department as per finance branch instructions. Scanned copy is uploaded into the Signing Authorities App

Effective 02/2023

5.5.5 Interpretation Guidelines

5.5.5.1. Equipment Lease Contracts

When a department has determined that leasing as opposed to owning a piece of equipment represents the best value, and therefore wishes to enter into an equipment lease contract, the department must, first of all, determine if the lease is considered to be an operating lease or a capital lease.

In accordance with generally accepted accounting principles, an equipment lease would be considered to be a capital lease if one or more of the following conditions are present:

- a) There is reasonable assurance that the government will obtain ownership of the leased equipment by the end of the lease term. Reasonable assurance would be present when the terms of the lease would result in ownership being transferred to the government by the end of the lease term or when the lease provides a bargain purchase option*.
- b) The lease term is of such duration that the government will receive substantially all of the economic benefits expected to be derived from the use of the leased equipment over its life span. The government, as a lessee, would normally be expected to receive substantially all of the economic benefits when the lease term is equal to a major portion (usually 75% or more) of the economic life of the leased equipment.
- c) The lessor would be assured of recovering the investment in the leased equipment and of earning a return on the investment as a result of the lease agreement. This condition would exist if the present value, at the beginning of the lease term, of the minimum lease payments, excluding any operating costs (e.g. insurance, maintenance costs, etc.), is equal to substantially all (usually 90% or more) of the fair value of the leased property, at the inception of the lease.

*Bargain purchase option is defined as a provision allowing the government, at its option, to purchase the leased equipment for a price that is sufficiently lower than the expected fair value of the equipment at the date the option becomes exercisable, that exercise of the option appears, at the inception of the lease, to be reasonably assured.

5.5.5.1 Equipment Lease Contracts (Continued)

If an equipment lease is determined to be an operating lease, this contractual agreement is considered to be a service contract. However, if an equipment lease is determined to be a capital lease, this lease agreement must be considered to be a purchase contract. In this instance, the department must forward a Request for Purchase with the proposed lease agreement to Supply Services. Supply Services will review the lease agreement and sign the lease as the contracting authority.

As for the application of the Contracting Directive, an operating lease is deemed to be a price-driven contract while a capital lease is deemed to be a goods procurement contract. The dollar value, in applying the sourcing thresholds under section 18 of the Contracting Directive, must be based on the total lease payments under the lease, not the present value.

Regardless of whether a lease is considered to be operating or capital, departments should forward all equipment lease agreements to Supply Services for their review before signing.

If (a) an equipment lease is considered to be a capital lease, and (b) the present value of minimum lease payments is over the threshold for capitalization, the equipment must be capitalized and reported in accordance with subsection 8.7.3.9 of the Tangible Capital Assets Accounting Policy, "Capital Lease".

5.6 EXPENDITURE INITIATION

Expenditure initiation refers to any action taken by a Minister, Deputy Minister or public officer which will result in an obligation to make a disbursement of government funds.

Expenditure initiation may involve:

- A requisition for goods.
- A memorandum directing the payment of a grant or contribution.
- An application or requisition for an accountable advance.
- Authority for travel or removal documentation.
- Hiring of an employee.
- Other procurement action.

Departments must acquire their goods and services in accordance with government policies and procedures. Purchases of goods and service must be in accordance with Cabinet and Management Board policies and directives.

Whatever method is used for initiating expenditures, such initiation must have the written approval of the responsible spending official who has authority for the budgetary allocation to be charged. The approval of the spending authority at this point indicates that the proposed expenditure is necessary for the conduct of government business and that funds are available in the budget for which he or she has signing authority.

If dollar or other limits are placed on the signing authority of the spending officer for initiating expenditure transactions, these limits must be adhered to.

At the beginning of each fiscal year, once the Appropriation Act is passed, the relevant budget amounts are entered into the Financial Management Information System and this defines the limits within which Program Managers must work.

Expenditures are controlled by comparison to the budget by program/activity and standard object of expenditures as recorded within the Financial Management Information System.

Expenditures shall not be initiated which exceed budgetary allocations or which lack specific approvals where such approvals are prescribed.

5.7 ACCOUNT VERIFICATION

5.7.1 General

The expenditure process within the government must be conducted with a high degree of probity at all times. This is especially important in the approval for payment process. Confirmation of contract performance and price by the program manager and payment authority by the finance officer are critical functions.

To achieve and maintain a high standard of probity in their payment functions, Deputy Ministers should establish a division of duties and responsibilities throughout the entire chain of procurement of goods and services - confirmation of contract performance, account verification, cheque requisition preparation and cheque requisition signatures. The division of duties is recognized as the principal and most effective means of preventing, or at least diminishing, the possibility of fraud or errors.

A second important principle in establishing and maintaining high standards of probity in the payment functions is to establish appropriate procedures that must be followed for the verification of accounts before payment.

5.7.2 Responsibility for Account Verification

Program Managers

Program Managers must confirm contract performance and price ensuring that all payments are:

1. In accordance with all relevant acts, regulations, directives, and policies and procedures.
2. In accordance with the terms, conditions and specifications as contained in contracts, agreements or other arrangements.
3. For work that has been performed, goods supplied or services rendered, as applicable.
4. Accurately requisitioned and complete in terms of having all necessary supporting documentation including contracts, leases, purchase orders, program arrangements and receipt documentation.
5. Identified correctly.
6. Authorized by appropriate levels or authority.
7. A proper charge against the appropriation, or if not an expense item, that the payment is for the purpose for which its money was made available.
8. Available within the dollar limits of an appropriation and that payment will not reduce the balance to a level less than the commitments charged against it.

5.7.2 Responsibility for Account Verification (Continued)

Financial Officers

Financial officer is responsible for ensuring that all account verification procedures have been carried out and that the information appearing on a cheque requisition is accurate.

The primary responsibility for the enforcement of the financial procedures and controls rests with the departmental financial officer.

Section 30 of the *Financial Administration Act* requires that no payment shall be requisitioned by a department that would not be a lawful charge against the appropriation. This entails verifying that the payment is for the purposes of the appropriation, as defined in the Main or Supplementary Estimates, and includes verifying compliance with the enabling legislation of the program concerned. It is also necessary to confirm that the payment is in accordance with any other statute, regulation or policy directive.

The review of documents by the financial officer exercising payment authority constitutes the final departmental check in the process of expenditure initiation, account verification and payment requisitioning.

Signing by the financial officer under Section 30 of the *Financial Administration Act* means that:

1. Sections 23, 24 and 29 of the *Financial Administration Act* have been properly exercised.
2. Account verification procedures (see 5.7.3) have been adequately carried out.
3. The charge is within the authority of the appropriation.
4. Adequate funds exist in the budget to pay the charge.
5. Contracts, purchase orders or other procurement arrangements were duly executed.
6. Generally accepted accounting principles for handling the financial data have been adhered to.
7. Accounting principles involved in processing the accounts have been applied on a basis consistent with that of the preceding year.
8. Authority has been exercised according to the delegated signing authority documents.
9. Where a debt has been assigned, the payment is requisitioned in favour of the assignee.
10. The appropriate coding is identified on the requisition.

Officers who exercise payment authority should carry out adequate test checks to assess the quality of the review at the primary level of responsibility. However, care should be taken to avoid introducing a duplicate verification process.

5.7.3 Account Verification Procedures

General

The process of account verification should begin at the earliest possible moment. The procurement process for goods and services may be relatively short and simple, eg. requisitioning a simple purchase through Supply Services, or it may be protracted and complex, eg. entering into a construction contract.

Receipt of Accounts

All invoices received by departments or agencies should be date-stamped by the mail clerk when received and immediately passed to the invoice clerk for processing.

Action by Invoice Clerk

Persons responsible for invoice processing should take the following action:

- Confirm that invoices have been date stamped.
- Compare invoices with procurement orders and receipt documents to confirm that the goods were received and that the description, quantity, and prices are in agreement with the relevant purchase orders, contracts or other procurement documents.
- Compare invoices being processed with previous payments to ensure that the supplier has not received settlement for any item shown on the invoice being processed for payment, and that the invoice is not a duplicate of an invoice previously passed for payment.
- When an invoice is for services, obtain certification of satisfactory performance from an appropriate signing authority.
- Check arithmetical correctness of invoices.
- Segregate “discount” invoices, process them promptly and ensure they are forwarded for payment without delay.
- When an invoice does not include a discount although the applicable contract or agreement provides for one, normal discount action should be taken and the invoice processed accordingly.
- When an invoice is adjusted for any reason, the original figures recorded on the invoice should not be altered. The adjusted amounts, with an appropriate explanation, should be written in “red” beside the original figures.
- Consolidate invoices for the same supplier under one cheque requisition.
- Complete Cheque Requisition form YG358 and staple it to the front of the invoice and related back-up.

5.7.3 Account Verification Procedures (Continued)

Credit Notes

When feasible, credit notes should be deducted from the total of the related invoice.

However, when the related invoice has been processed for payment before the credit note is received, the note may be deducted from another invoice of that supplier or submitted separately if the supplier receives payments regularly.

When a credit note cannot be applied against an invoice as outlined above, a government invoice must be raised and forwarded to the supplier.

Payment Requisition Procedures

When cheque requisitions are received from the invoice clerk, the supervisor should review all the documents to ensure that the actions outlined in Section 5.7.3 were followed. The appropriate signing authorities must then be obtained.

On completion of payment certification, the invoices and supporting documents should be returned to the invoice clerk for batching and accounts payable data processing.

5.7.4 Preparation and Verification of Journal Entries

In this section, the term “journals” is used to mean “journal entries” or “journal vouchers”. General ledger entries for payroll transactions through the payroll system and accounts receivable general ledger entries through the creation of government invoices in the accounts receivable module are excluded from this section.

5.7.4.1 Application of Signing Authorities

1. As noted in the Policy Statement of the Signing Authorities Policy (subsection 5.5.0 of this manual), the Signing Authorities Policy was issued pursuant to Sections 21, 23, 24, 29, 30 and 31 of the *Financial Administration Act*. These sections apply to payments out of the consolidated revenue fund; therefore, the Signing Authorities Policy does not apply to journals that do not result in issuance of payments.
2. Departments, however, must apply Sections 29 (certificate of performance) and 30 (requisition for payment) authorities on journals as a means of internal control. That is, the relevant components of control expressed in these Sections must be utilized for the certification of journals.

For the purpose of complying with the dollar limits associated with Sections 29 and 30 authorities, in a journal, each line is considered to be a transaction. Care should be taken in how a journal is prepared so that the intent of these Sections is appropriately applied.

5.7.4.2 Procedures

The objective of this set of procedures is to ensure that journals are properly managed, authorized and accounted for accurately and in an efficient manner.

Primarily, procedures should be established such that:

- all journals are created as soon as they are recognized as being required. They should not be left to accumulate, particularly if the amounts involved are material.
- if there are material effects to the budget, appropriate recording of the changes in commitments should be recorded and tracked.

Secondly, procedures should be established such that all staff who manage a budget:

- and who have appropriate signing authority either directly approve the journal that affects their budget, or
- are properly informed of such journals that will affect their budget in a timely manner.

5.7.4.2 Procedures (Continued)

Journals are to be properly coded and period-dated, ensuring that there is appropriate supporting documentation.

As noted under subsection 5.7.4.1, for internal control purposes, signatures certifying approval of a journal under Section 29 (certification of performance) and Section 30 (requisition for payment) of the *Financial Administration Act* must be appended prior to the journal being posted to the general ledger.

5.7.4.3 Inter-departmental Journals

For an inter-departmental journal, each department must approve its own general ledger codes, unless the journal transactions fall within a valid “Standing Assigned Journal Authority” (see below).

Standing Assigned Journal Authority

(i) Definitions

“Standing Assigned Journal Authority” means that, for specified types of system-generated chargeback journals, the Deputy Minister of the sponsoring department has made a standing assignment of Section 29 (performance certification) and Section 30 (requisition for payment) authorities under the *Financial Administration Act* for his/her department to the Deputy Minister of the performing department.

“Sponsoring department” means a department which has budget authority for a project or services to be rendered.

“Performing department” means the department which performs work on a project or renders services.

(ii) Objective

The objective of the Standing Assigned Journal Authority is to facilitate timely processing of low-risk chargeback journals generated from a sub-system.

(iii) Rules for Exercising Standing Assigned Journal Authority

1. The “Standing Assigned Journal Authority” only applies to journals. It must not be used for issuing of payments, i.e. cheque requisitions. The Signing Authorities Policy (subsection 5.5 of this manual) prohibits the Deputy Minister of a department to delegate his/her signing authorities for payments outside his/her department.

5.7.4.3 Inter-departmental Journals (Continued)

2. The sponsoring department must identify the standing assignment of Sections 29 (performance certification) and 30 (requisition for payment) signing authorities for electronic chargeback journals to the Deputy Minister of another department on its Delegation of Financial Signing Authority Chart (Form A).
3. A chargeback is considered to be low-risk when the dollar amount is relatively low and the performing department is anticipating the charge prior to its actual posting. That is, there are no surprises.
4. The “Standing Assigned Journal Authority” is only operative if a valid Section 24 (commitment authority) assignment has been executed for the transaction, e.g. Central Stores Requisition, Fleet Vehicle Request, Pool Vehicle Service Agreement, etc.

Section 24 (commitment authority) assignment will at a minimum indicate:

- the type of goods or services to be provided,
 - the expected cost or a maximum committed cost,
 - GL code of the sponsoring/requesting department; and
 - the indication of Section 24 sign-off by the appropriate public officer.
5. The Deputy Minister of the performing department may delegate the Standing Assigned Journal Authority to public officers of his/her department. This delegation must be done by utilizing the Delegation of Financial Signing Authority Chart (Form A).
 6. During the process of electronic chargebacks, there must be auditable evidence of Sections 29 (performance certification) and 30 (requisition for payment) signing authority executions by two separate public officers who have the appropriate Standing Assigned Journal Authority.
 7. The Deputy Minister of the sponsoring department may unilaterally withdraw all or part of the standing assignment journal authority at any time by issuing a memo that indicates what authorities have been withdrawn and noting the reason.

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(iv) A Sample Memo for Establishing Standing Assigned Journal Authority

From: << Name of DM >>
Deputy Minister
Name of the Sponsoring Department

To: << Name of DM >>
Deputy Minister
Name of the Performing Department

Re: Standing Assigned Journal Authority

This memo assigns limited authority for approving Sections 29 and 30 of the *Financial Administration Act* on our Department's entries on inter-Departmental journals. The limitations are that this assignment is valid only for (1) the Expenditure types listed below or attached and (2) when a Section 24 Assignment for the transaction(s) has been executed.

This form records (check box):

- Set-Up (new) ☒
 - Changes:
 - Addition ☐
 - Withdrawal ☐ (noting reason for change)
- (Reason: _____)

Date Effective: 02/Dec/2009

Date to Renew: None, as Indefinite (optional for date)

Type of Expenditures (Description) (or appended List)

Type of Expenditure
(Sample)
FVA - Pool Vehicle monthly/annual Rental
FVA - Pool Vehicle Kilometer Charges
FVA - Vehicle Fuel Costs
FVA - Vehicle daily/weekly Rentals
Central Stores Costs

Signed: _____ **Date:** _____
<< Name of DM >>
Deputy Minister of Sponsoring Department (Assigning)

CC: Department of Finance



Yukon

This form is effective upon approval and until cancelation. Activation information is retained and available in the Signing Authorities App

Every officer of the Department appointed to a position listed above, including any officer appointed officially on an acting basis, and upon completion of the Specimen Signature Card for this position, is hereby granted financial signing authority in respect to the area of the Department for the functions as indicated.

NL = No limit

Your personal information is being collected under the Financial Administration Act and S. 15(a) of the ATIPP Act for the purpose of verifying your authority to allocate government funds. For further information, contact Financial Accounting at 667-5850

Work Flow: upon signature original document is retained within the Department as per finance branch instructions. Scanned copy is uploaded into the Signing Authorities App
Effective 02/2003

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5.8 PAYMENT TIMING

General

No payment should be made prior to the date on which payment is due unless an early payment discount is available. Discounts taken must be credited to the program.

The Department of Finance can modify the payment terms on individual cheques for financial management purposes if necessary.

Invoices for Goods and Services

Invoices are due 30 days after receipt of the invoice or of the goods or services, whichever is later.

Construction Contracts

Payments are due 30 days after authorization of the engineer responsible for the project, except where different timing is specified in the contract.

Refunds

Refunds are due thirty days following receipt of claim or determination of overpayment by supplier.

Loans and Investments

Loans and Investments are due on the date specified by the loan agreement or contract.

Grants and Contributions, Accountable Advances, and Social Program Payments

These payments are due on the date determined by legislation, agreement or by an individual with appropriate spending authority.

Exceptions to these payment due dates must be specifically approved by the Deputy Minister of Finance.

5.9 GOVERNMENT TRANSFERS

5.9.0 Policy Statement

Authority

Subsections 5.9.0 to 5.9.4 of this manual were approved by Management Board on February 20, 2008 (MBM #08-04-03); therefore, these subsections can be revised only with the approval of Management Board.

Subsections 5.9.0 to 5.9.4 of this manual shall be referred to as the “Government Transfers Policy”.

Effective Date

April 1, 2008 with a transitional period of one year

Application

This policy applies to all “departments” as defined in subsection 1(1) of the *Financial Administration Act*.

This policy applies to all government transfers as defined in subsection 5.9.1.c).

Objective

The objective of this policy is to ensure that all government transfers are authorized, delivered, accounted for and evaluated in an accountable manner and in accordance with public sector generally accepted accounting principles, while serving recipient and stakeholder needs and effectively managing risks.

5.9.1 Definitions

- a) **Exchange transactions** are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.
- b) A **funding program** is a program, the goal of which is to enable departments to achieve their departmental and program objectives by providing funding to entities outside government. In a funding program, program guidelines such as eligibility criteria, application and approval processes, and the determination of funding amounts, are available to the public. (See subsection 5.9.5.3 of the Guidelines for examples of funding programs.)
- c) **Good standing** means that a transfer payment recipient has fulfilled any obligation it may have to register and complete annual or other filings required to maintain compliance with an act. The preferred method of confirming compliance is by obtaining a certificate of status from the Yukon Corporate Online Registry (YCOR). This can be

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done free of charge by employees of the Yukon government. Note that not all transfer payment recipients will be required to register under an act.

- d) **Government transfers** are transfers of money or non-monetary assets (such as inventories and tangible capital assets) from the government to an individual, an organization or another government for which the government does not receive goods or services directly in return, as would occur in a purchase/sale or other **exchange transactions**.

It is assumed, however, the government uses transfers as a means to carry out its mandate and achieve its goals and objectives; hence, the government would benefit from making those transfers. The government may, as a condition of a transfer, require receipt of a product such as a report or a sample of the developed product, as proof of performance. Government transfers do not include loans, loan guarantees, transfers made through a tax system, settlements of lawsuits or other types of legal compensation provided by the government or investments.

- e) A **legislated grant** is a type of **transfer payment** where the government must make the transfer payment if the applicant meets specified eligibility criteria. Such transfers are non-discretionary in the sense that both: (i) “who” is eligible to receive the transfer; and (ii) “how much” is transferred; are prescribed in legislation and/or regulations. Examples of legislated grants are social assistance payments and grants to secondary school students who meet the predetermined eligibility criteria. (See subsection 5.9.5.3 of the Guidelines for other examples of legislated grants.)
- f) **Municipality** means any part of the Yukon established as a city or town under the *Municipal Act*.
- g) **Not-for-profit (or non-profit) organizations** are entities, normally without transferable ownership interests, organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose.
- h) A **non-government organization (NGO)** is a not-for-profit organization that is not controlled by a government and pursues matters of interest of its members by lobbying or direct action. NGO is generally used for arts, social cultural, legal or environmental advocacy groups.
- i) **Operational funding** is funding directed to an organization’s operations as a whole rather than to particular projects (**project funding**). If an organization has separate programs, departments or divisions, support for a particular program is also considered to be operational funding. Operational funding generally runs on an annual basis.
- j) **Project funding** is support directed to a specific project which has a start date and an end date.

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- k) A **results-based management approach** is an approach that focuses on results, i.e. output and performance, as well as evaluation and reporting requirements to measure those results. (See also subsection 5.9.5.2 of the Guidelines.)
- l) A **risk-based (or risk management) approach** is a systematic approach to identifying the risks that could result in the program not meeting its goals, defining the level of risk that is acceptable, and providing the tools to manage risks. Risk factors can be either financial, non-financial or both. In a funding agreement, typically performance evaluation requirements and level of monitoring will be adjusted to mitigate estimated risks. (See also subsection 5.9.5.2 of the Guidelines.)
- m) A **transfer payment** is a monetary payment made by the government to a recipient for a specific purpose, namely to further a government program objective, which does not result in the procurement by the government of tangible capital assets, inventories, goods or services, as would occur in an **exchange transaction**. A transfer payment is commonly referred to as a “grant”, “contribution”, “funding”, or “assistance”.
- n) A **transfer payment agreement** is a written agreement that legally binds the government (as the transferor) and the recipient as to the amount, terms and conditions of the transfer payment. (See also subsection 5.9.5.4 of the Guidelines.)

5.9.2 Policy

1. Government transfers are one of the vehicles that are used to achieve government’s goals and objectives. Before making a decision to establish a funding program or entering into a transfer agreement (either part of or outside of a funding program), departments must ensure that it is an appropriate vehicle to achieve departmental goals and objectives.
2. All funding programs shall be approved by Management Board. Any significant subsequent changes to the program, e.g. changes to terms and conditions of the program, program parameters, eligibility criteria, etc., including termination of the program must be approved by Management Board. Departments shall review and evaluate funding programs in accordance with the results-based guidelines laid out in section 5.9.5.2. A report of such evaluation must be submitted to Management Board.
3. Any legislated grant program shall be established by an act. Budgets for legislated grants must be approved by the Legislative Assembly. Only the Legislative Assembly may approve an increase or decrease to the budget for a legislated grant program.
4. Departments must use a results-based and risk-based management approach in designing a funding program and drafting a transfer payment agreement, while adopting a citizen-focused approach to managing funding programs and individual transfer payment agreements. (Refer to subsection 5.9.5.2 of the Guidelines.)
5. Any transfer payment agreement with a term in excess of three years shall be approved by Management Board.

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6. Departments shall make transfer payments with due regard for the government's cash management practices as well as the recipient's cash flow requirements. Installment payments and advance payments, if required, shall be made in accordance with subsection 5.9.5.4 of the Guidelines. Any exception to this directive must be approved by Management Board.
7. Notwithstanding the above, no advance payment in excess of \$10,000 shall be made to a recipient in one fiscal year when the related expenditures of the recipient are not likely to be incurred until the following fiscal year. Advances required for the expenditures that are to be incurred in the following fiscal year must be issued as of April 1 and charged to an appropriation in the new fiscal year.
8. A transfer of a tangible capital asset shall be recognized as an expense at the net book value of the tangible capital asset and reported as a government transfer.
9. Any prospective recipient of a transfer payment, except for a legislated grant, must declare any amounts owing to the Yukon Government. In principle, an entity that owes a debt to the government should not receive funding from the government. This directive does not apply to social assistance payments or to an entity that has arranged a mutually agreed upon repayment schedule with the government and is in good standing.
10. In accordance with the General Administration Manual Policy 3.39 "Conflict of Interest", government employees must disclose and address their involvement in application organizations, either in their capacity as officers or representatives, and absent themselves from any discussion, decision making process, or any other capacity that could be perceived to be in a conflict of interest situation. A Yukon Government employee who holds an executive position in the recipient organization should refrain from signing the funding agreement as there may be perception of possible influence over the funding decision.
11. Departments shall enter all transfer payment agreements, except those classified as legislated grants, into a corporate system in the manner instructed by the Department of Finance.
12. All transfer payments shall be reported in the Public Accounts in a format determined by the Department of Finance.
13. If the recipient of the transfer payment is a society, a certificate of status shall be obtained from the Registrar of Societies certifying that the Society has filed the documents required to be filed under the *Societies Act*. If the recipient of the transfer payment is a company, a certificate of status shall be obtained from the Registrar of Companies certifying that the company has filed the documents required to be filed under the *Corporations Act*.

5.9.3 Corrective Actions

1. If the Deputy Minister of the Department of Finance assesses that a department failed to comply with requirements of this policy and guidelines, the Deputy Minister of the Department of Finance shall recommend that the Deputy Minister of the department:
 - a) conduct an audit or an evaluation. The cost of such an audit or evaluation shall be paid by the department; and/or
 - b) take corrective action based on the recommendations made by the Deputy Minister of the Department of Finance.
2. If the Deputy Minister of the Department of Finance assesses that a department has failed to conduct an audit or evaluation and/or to implement the corrective action pursuant to paragraph 1 of this subsection, the Deputy Minister of the Department of Finance may recommend to Management Board further corrective actions to be taken, which may include:
 - a) reducing the spending authority of the respective Deputy Minister; or
 - b) suspending the funding program pending further evaluation.

5.9.4 Responsibilities

1. Cabinet

Cabinet is responsible for:

- approving draft legislation to establish or amend all legislated grant programs for tabling in the Legislative Assembly.

2. Management Board

Management Board is responsible for:

- approving a government transfer policy and any changes to the policy;
- approving the creation, changes to and termination of all funding programs;
- approving a transfer payment agreement that has a term in excess of three years; and
- directing corrective actions to be taken as recommended by the Deputy Minister of the Department of Finance.

3. Minister of a Department

The Minister of a department is responsible for:

- ensuring funding programs and transfer payment agreements are designed, approved and delivered in accordance with this policy and guidelines;
- recommending approval to Management Board and, if it is a legislated grant program, to Cabinet, on the design, redesign or termination of funding programs and the corresponding financial control framework and the program terms and conditions based on a results and risk-based management as well as a citizen-focused approach;
- authorizing transfer payment agreements that are above the Deputy Minister's spending authority limit; and
- ensuring that appropriate and timely corrective actions are taken within the department when any provisions of this policy and guidelines have not been adequately applied.

4. Deputy Minister of the Department of Finance

The Deputy Minister of the Department of Finance is responsible for:

- issuing, repealing or amending, from time to time, guidelines in support of the Government Transfers Policy;
- monitoring, evaluating and advising on departments' compliance with this policy and guidelines;
- recommending to the Deputy Minister of a department that the department take corrective actions, which are within his/her authority, in relation to any transfer payment arrangement that has been determined to be in violation of this policy and guidelines; and
- recommending to Management Board corrective actions to be taken when departments have not responded to his/her recommendations in relation to this policy and guidelines.

5. Deputy Minister of a Department

The Deputy Minister of a department is responsible for:

- ensuring funding programs and transfer payment agreements are designed, approved and delivered in accordance with this policy and guidelines;
- advising the Minister on the requirements of this policy and guidelines;
- recommending to the Minister the design, redesign or termination of funding programs and the corresponding financial control framework, the system of internal controls, the program terms and conditions based on a results and risk-based management as well as a citizen-focused approach;
- authorizing transfer payment agreements in accordance with this policy and guidelines;
- ensuring that the departmental staff remain independent and at arm's length from recipients and that any departmental representative on a recipient's advisory committee or board be excused from any decision making process pertaining to the transfer;
- ensuring departmental capacity exists to effectively deliver and administer the funding program and/or transfer payment agreements including monitoring and training;
- providing a report on a timely basis to the Deputy Minister of the Department of Finance regarding significant events of contractual default or wrongdoings such as fraud or the inappropriate use of funds that comes to his or her attention; and
- ensuring that appropriate and timely corrective actions are taken within the department when any provisions of this policy and guidelines have not been adequately applied.

6. Director of Finance or Equivalent of a Department

The Director of Finance of a department is accountable to the Deputy Minister for:

- advising the Deputy Minister on the application of this policy and guidelines;
- advising program officers on the application of this policy and guidelines; and
- establishing a process of internal control and financial management.

7. Program Managers

Program managers are accountable to the Deputy Minister for:

- designing and redesigning funding programs and transfer payment agreements, as well as the corresponding financial control framework, the system of internal controls, the program terms and conditions based on a results-based, risk-based and citizen-focused approach.
- exercising approval authority delegated by the Deputy Minister in accordance with financial management policies and procedures of the government;
- administering funding programs and transfer payment agreements in accordance with this policy and guidelines;
- monitoring and reviewing funding programs and transfer payment agreements to ensure they are meeting program objectives.
- evaluating a funding program in accordance with the results based guidelines laid out in section 5.9.5.2 and submitting a report to the Deputy Minister.

5.9.5 Guidelines

5.9.5.0 Introduction

The guidelines outlined in subsection 5.9.5 of this manual are issued by the Deputy Minister of the Department of Finance under the authority of Section 7 of the *Financial Administration Act*.

These guidelines are issued to aid program officers who design and manage funding programs and/or transfer agreements as well as financial officers who seek budget approval and account for those government transfers. These guidelines are intended to assist those officers in the following areas but are not limited to:

- Correctly choosing between goods or service contracts and transfer payment agreements;
- Ensuring the prospective recipient is a legal entity and has the power to enter into a contractual agreement;
- Making decisions to fund a requested project;
- Effectively designing a transfer payment agreement;
- Effectively designing a funding program;
- Seeking appropriate approval;
- Accurately accounting for government transfers; and
- Evaluating funding programs and transfer payment agreements.

Some of the key aspects that both program and financial officers must observe in delivering a funding program and transfer payment agreements are as follows:

- i) A transfer payment agreement must establish clear performance expectations;
- ii) A funding program must contain precise eligibility and assessment criteria;
- iii) Program officers must undertake due diligence prior to approving a transfer;
- iv) Payments must be made in accordance with terms and conditions;
- v) Terms and conditions of a transfer payment agreement must be established following the risk-based approach, which is described further in these guidelines;
- vi) Project performance problems must be resolved quickly;
- vii) Program officers must ensure that each agreement is followed up to ensure all requirements are met; and
- viii) The departments must collect money promptly if the recipient has not met the terms and conditions of the transfer payment agreement.

Decision to use a government transfer

Paragraph 1, subsection 5.9.2 of the Government Transfers Policy states:

“Government transfers are one of the vehicles that are used to achieve government’s goals and objectives. Before making a decision to establish a funding program or entering into a transfer agreement, departments must ensure that it is an appropriate vehicle to achieve departmental goals and objectives.”

Why?

Before making a decision to create a funding program or enter into a transfer agreement, the department must consider, at a minimum, the following questions:

- Does the contemplated program or transfer of resources further the government’s priority and/or department’s program objectives?
- If operational funding, is it going to be perceived as precedent setting?
- Is the amount of funding requested reasonable? Request the most recent financial statements as well as disclosure of other sources of funding.

How (Is a transfer payment the right way to pay?)

Once it is determined that the contemplated payment or program satisfies the “Why” section above, departments must examine and establish if a planned action should be carried out through a transfer payment agreement or other vehicles such as a service contract. If the government is acquiring services, goods or an asset, the contractual agreement must be classified as a service or goods contract, regardless of the form used.

Goods/service contracts versus transfer payment agreements

The definition of a government transfer states that the Government does not receive any goods or services directly in return in exchange of resources transferred.

At times, however, the Government may acquire goods or services as a “by-product”. Departments should examine the substance of the intended outcome. Does the Government receive approximately equal value of goods or services in exchange for the money provided (see “exchange transaction” in subsection 5.9.1 Definitions)? If so, the agreement is likely to be a procurement contract even if the transaction may benefit the contracting party, e.g. economic development, job training opportunities, etc.

A government transfer is, as the word literally indicates, a transfer of resources from a government to another organization or an individual with an intended result of carrying out its mandate and achieving its objectives. In other words, benefits to the government are inherent in all government transfers, which makes the differentiation between a service contract and a transfer payment agreement difficult at times.

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The following is a decision tree that may assist in determining whether the contemplated agreement is a service/goods contract or a transfer payment agreement:

1. Does the government directly receive goods or services and is the value of the goods/services approximately the same as the payment made by the government?

If the answer is “Yes”, it is likely to be a goods/service contract.

Answer is “No” – go to the next question.

2. Could the invoicing by the contracting party be assumed to include profit margin for the entity? (The government can only “assume” if the contract amount is based on a quote or proposal without a disclosure of actual expenses to deliver those services/goods by the contracting party.)

If the answer is “Yes”, it is likely to be a goods/service contract.

Answer is “No” – it is likely to be a transfer payment agreement.

Whom (What party do we pay?)

1. Departments must ensure the recipient is a **legal entity in good standing** with the power to contract.

There are several types of entities. Departments will be required to classify transfer payment recipients into one of the following categories when they enter the information into a corporate system.

A. Individuals

A group of individuals that is not incorporated under any act is not a legal entity. The legal entity in this case would be each individual.

B. Business

Business refers to a commercial enterprise whose primary aim is to earn profits. Departments must identify which of the following types the business recipient is and draft an agreement with the correct legal entity and business name. If the contractual agreement is with a local business, departments should check the Corporate Affairs Registry in the Department of Community Services to ensure it is registered as business and is in good standing.

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B.1 Sole proprietor — A sole proprietor is an individual who carries on business by him/herself, with or without employees. This method of doing business allows the person to extend their rights as an individual to make contracts and buy or sell property, and requires only the registration of the "trade" or business name, and a business licence.

When a department is entering into any form of contract with a sole proprietor operating under a business name, e.g. "John Smith o/a Smith's Mechanical", the department must ensure that the payment is made to the payee including the business name.

B.2 Partnership — When two or more persons decide to combine their qualifications, skills, energy and resources to go into business together, they form a partnership. Each partner is the agent of the other, and may commit the partnership to contracts with or without the other partners' consent. The partners are "jointly and severally" liable for all debts of the partnership, which means that creditors may seize the business assets, or the personal assets of one or more partners to pay outstanding debts.

B.3 Limited Partnership — This type of partnership consists of one or more limited partners and at least one general partner. In this case the general partner (a limited company) has unlimited liability and the limited partner is liable only up to the amount of his investment. The limited partner must not have anything to do with the management of the business, and can only share in the profits of the business as determined by the partnership agreement.

B.4 Corporation — a corporation is a legal entity separate from the individual owners. It has all of the rights of a natural person: it may enter into contracts, own property, and may sue or be sued.

C. Not-for-profit organizations

Not-for-profit organizations are entities, normally without transferable ownership interests, organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose.

NGOs, community associations and industry associations are not-for-profit organizations.

In these Guidelines, colleges, universities and hospitals are classified as not-for-profit organizations.

The majority of not-for-profit organizations are established under the *Societies Act*. Before making a decision to fund, departments should check any local not-for-profit organization applicant with the Corporate Affairs Registry, verify its correct legal name and ensure the organization is in good standing.

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D. Municipalities and governments

See the definition in the Government Transfers Policy (5.9.1 of this manual) for the definition of “municipality”.

Local Advisory Councils are created by Orders In Council under the *Municipal Act* to act solely in an advisory capacity and do not have the power to enter into contracts in their own name. Section 44 of the *Municipal Act* empowers the government to provide them with operational funding. No other funding may be provided to Local Advisory Councils.

A School Board or School Council has the legal capacity to contract pursuant to the *Education Act*.

Government corporations such as the Yukon Housing Corporation, Yukon Liquor Corporation, Yukon Development Corporation and the Workers’ Compensation, Health and Safety Board are classified as government organizations.

E. First Nations

E.1 Self-governing First Nations - Self-governing Yukon First Nations (Kwanlin Dun First Nation, Kluane First Nation, Carcross/Tagish First Nation, Ta’an Kwach’an Council, Teslin Tlingit Council, First Nation of Nacho Nyak Dun, Little Salmon Carmacks First Nation, Tr’ondek Hwech’in, Selkirk First Nation, Champagne and Aishihik First Nations, and Vuntut Gwitchin First Nation) have the power to contract as if they were a person because of the territorial and federal *Self-Government Acts*.

E.2 Indian Act Bands – In the Yukon, there are three remaining Indian Act Bands. They are the Liard First Nation, White River First Nation and Ross River Dena Council. The Indian Act provides these bands with the legal capacity they have.

E.3 Council of Yukon First Nations

E.4 First Nations outside the Yukon – The government may at times enter into agreements with First Nations other than those identified in E.1 to E.3 such as the Taku River Tlingits, Tahltan Tribal Council, Kaska Dena Council, the Dene/Metis of the Northwest Territories, the Inuvialuit Regional Council and the Gwich’in Tribal Council.

E.5 First Nation (development) corporations are business corporations. As with any other businesses, departments should verify its status on the Corporate Affairs registry before entering into an agreement.

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Departments must research and ensure compliance with other Yukon government policies and guidelines depending on the applicant.

For example, follow GAM 1.12 “First Nations Relations” for agreements with First Nations including the Council of Yukon First Nations and any corporation owned or controlled by a First Nation. If it is an intergovernmental agreement, the department must comply with GAM 1.5 “Inter-governmental Relations Policy”.

2. Pursuant to paragraph 9, subsection 5.9.2 of the Government Transfers Policy:

“Any prospective recipient of a transfer payment, except for a legislated grant, must declare any amounts owing to the Yukon Government. In principle, an entity that owes debts to the government should not receive funding from the government. This directive does not apply to social assistance payments or to an entity that has arranged a mutually agreed upon repayment schedule with the government and is in good standing.”

3. As stated in paragraph 10, subsection 5.9.2 of the Government Transfers Policy, “in accordance with GAM Policy 3.39 Conflict of Interest:

government employees must disclose and address their involvement in applicant organizations, either in their capacity as officers or representatives, and absent themselves from any discussions, decision making process or any other capacity that could be perceived to be in a conflict of interest situation. A Yukon Government employee who holds an executive position in the recipient organization should refrain from signing the funding agreement as there may be perception of possible influence over the funding decision.”

Who can make a final decision?

Generally, authority to approve a transfer payment is tied to the public officer’s signing authorities under Section 24 (prerequisite for contracting) and Section 23 (contracting authority) of the *Financial Administration Act*.

If it is a transfer payment within a funding program, there is an established approval process in the program guidelines.

In addition, as directed in paragraph 5 subsection 5.9.2 of the Government Transfers Policy, any transfer payment agreement with a term in excess of three years must be approved by Management Board.

A transfer of a public property to an entity outside the government is considered to be disposal and is subject to MBD #11/93 “Management of Capital Assets and Disposal of Surplus Public Property”.

5.9.5.2 Results-based, risk-based and citizen focused approach

Paragraph 4, subsection 5.9.2 of the Government Transfers Policy directs departments that:

“Departments must use a results-based and risk-based management approach in designing a transfer payment program and drafting a transfer payment agreement, while adopting a citizen-focused approach to managing programs and individual funding agreements.”

A. Results-based management approach

A results-based management approach should help achieve a number of goals related to accountability and evaluation. It should:

- set clear roles and responsibilities for the main partners involved in delivering the program, project or initiative (a sound **governance structure**);
- ensure clear and logical design that ties resources (input) to expected results (output) that shows a logical sequence of resources, activities, outputs and key results (a **results-based logic model**);
- have a sound **performance measurement plan** that allows managers to track progress, measure results, support subsequent evaluation work, learn and make ongoing adjustments for improvements:

A sound performance measurement plan should cover:

- Main activities of the program or project (*what activities should occur?*)
- Clients or target population (*who are intended beneficiaries?*)
- Expected results (*what is to be achieved?*)
- Performance indicators (*how will we objectively know?*)
- Data source (*where will we get the information?*)
- Logistical considerations (*how will we measure and analyze, and at what cost?*);
- set out any **evaluation work** that is expected to be done over the life cycle of the program or a particular funding; and
- ensure adequate **reporting** on results.

B. Risk-based (or risk management) approach

Risk management is a systematic approach to identifying the risks that could result in the program or funding not meeting its goals, defining the level of risk that is acceptable, and providing the tools to manage risks. Risk factors to be considered include, but are not limited to:

- the amount of money involved;
- credibility and track record of the recipient;
- complexity of the project;
- the sensitivity of the project as perceived by the public;
- the events or circumstances that could significantly prevent the recipient from achieving the project's objectives; and
- size and capacities of the recipient organization.

The following table is an example of risk-based management model for transfer payments.

Transfer Payments Risk Management Model

Risk in relation to the project (Note A)	Assessed Risk		
	Low to Medium Risk	Medium to High Risk	High Risk
High	Low to Medium Risk	Medium to High Risk	High Risk
Medium	Low to Medium Risk	Medium Risk	Medium to High Risk
Low	Low Risk	Low to Medium Risk	Low to Medium Risk
	Low	Medium	High
	Risk in relation to the capacity of recipient (Note B)		

Note A – Risk in relation to the project should be determined based on a number of factors such as:

- the amount of money involved
- complexity of the project
- the sensitivity of the project as perceived by the public
- community support for the project

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Note B - Risk in relation to the capacity of the recipient should be determined based on a number of factors such as:

- credibility and track record of the recipient
- skills, experience, expertise, etc. of the recipient for achieving the goals of the transfer payment
- size and sophistication of the applicant organization
- project management skills of the recipient
- accounting and record management skills of the recipient
- whether the organization's accounting records are regularly audited

Action based on assessed risk

Low risk – Low risk funding agreements would entail standard terms and conditions that apply to all agreements with minimal reporting requirements.

Medium risk – At this level of risk, the outputs are measurable and the reporting requirements are aimed at providing evidence that funds were expended on the tasks. Certain interim terms and conditions may have to be met during the life of the project and before the final payment is made.

Medium to high risk – The concerns for this level of funding should be the identification of the performance measures, expected results and outcomes. The programming may be more complex and performance information requirements more extensive. In some cases, non-audited financial statements prepared by an independent accountant and/or audited financial statements of the project would be required after project completion.

High risk – The concerns at this level should be the execution of the project and its evaluation upon completion. A high risk project and high risk recipient should be monitored closely, e.g. frequent accounting and reporting requirements, monthly progress reports, on-site inspection by program officers, etc.

(Also refer to subsection 5.9.5.4 (xi) of the Guidelines.)

Departments should have two program officers assessing risks on the same project and documenting rationale for the assessed risk in order to maintain objectivity and verifiability.

C. Citizen-focused approach

While it is important to design programs and funding agreements based on results and performance measures, departments should also consider the size and capacities of the recipients. For example, if it is considered to be a low-risk project, reporting requirements could be simplified so that they will not be unnecessarily onerous to the recipient. If there is a performance measurement reporting requirement, the requirement should be realistic and measurable in practical terms.

Some other measures departments could take in order to incorporate a citizen-focused approach are:

- reduce the number of cost categories in funding agreements;
- identify the circumstances where operational funding is a cost-effective supplement to project-specific funding; or
- consider consolidated audit planning for recipients who have received funding from more than one funding program.

5.9.5.3 Creation and management of a funding program

The Government Transfers Policy defines a **funding program** as a program, the goal of which is to enable departments to achieve their departmental and program objectives by providing funding to entities outside government. In a funding program, program guidelines such as eligibility criteria, application and approval processes, and the determination of funding amounts, are available to the public.

Examples of funding programs are: assistance programs such as Social Assistance, Post-Secondary Student Grants, and Homeowners' Grants; and project funding programs such as the Community Development Fund, Film and Sound Incentive Program and Arts Fund.

As stated in paragraphs 2, subsection 5.9.2 of the Government Transfers Policy:

- 1) **All funding programs must be approved by Management Board. Any subsequent changes to the program, e.g. changes to terms and conditions of the program, program parameters, eligibility criteria, etc., including termination of the program must be approved by Management Board.**
- 2) **Departments shall review and evaluate transfer payment programs in accordance with the results based guidelines laid out in section 5.9.5.2. In any case, a report of such evaluation must be submitted to Management Board.**

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Furthermore, if the contemplated funding program is to provide transfer payments that are non-discretionary in the sense that both: (i) “who” is eligible to receive the transfer; and (ii) “how much” is transferred are prescribed, it is considered to be a legislated grant program. Pursuant to paragraph 3, subsection 5.9.2 of the Government Transfers Policy, any legislated grant program must be established by an act or a regulation pursuant to an act

Examples of legislated grants are social assistance payments, Yukon Grants to students, Home Owners’ Grants and Seniors’ Income Supplements.

A. Designing a funding program:

Creating and designing a new funding program is a very complex task. Consultation and communication with and between stakeholders is critical to develop a successful funding program. Consultation should include operational and functional staff and branches or departments with experience in delivering similar funding programs.

- i) Before deciding to set up a funding program, departments must ensure that it is an appropriate vehicle to achieve government objectives.
- ii) Define objectives of the new funding program. The objectives must be clearly tied to departmental objectives and priorities.
- iii) Identify and define the target group that will benefit from the funding program.
- iv) Define expected results and outcomes. Once expected results and outcomes are identified, the department may proceed with program design such as assessment criteria, selection processes, format of transfer payment agreements, monitoring and payment systems, and evaluation of outcome.
- v) Define the program’s terms and condition. Terms and conditions of a program should contain, at the minimum, the following items:
 - A short summary of the program

The terms and conditions will become a stand-alone document for use by departmental staff. It will be helpful to them in working with potential recipients and in drafting agreements to place the program in the proper context.
 - A clear statement of the funding program’s objectives and expected results and outcomes.

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- A clear identification of the recipient or definition of the class of eligible recipients.
 - The proposed limit of the total government assistance (e.g. XX% of eligible project costs).
 - To ensure that a department is only providing the necessary amount of funding to undertake the project successfully, consider the funding amount the recipient is receiving from:
 - other Yukon government departments;
 - other government sources (federal, municipal); and
 - the recipient's own contributions to the project.
 - The method used for determining repayments by the recipient for cases where such assistance exceeds the anticipated funding level.
 - A description of the supporting material required in an application from a prospective recipient, including a statement from Yukon government employees, elected officials and Cabinet and caucus employees on their board or otherwise involved in their project that they have appropriately addressed any perceived or real conflict of interest.
 - Identification of the type and nature of expenditures considered eligible costs under the transfer program for reimbursements.
- vi) Administration framework should reflect the conscious weighing of the costs of controls versus (a) administrative costs and (b) losses in program effectiveness.

B. A Management Board submission (and a Cabinet submission, if it is a legislated grant program) for a new funding program should include the following:

- i) a clear statement of the objectives of the funding program;
- ii) a clear statement of how the transfer payments further program objectives, including identification of expected results and outcomes;
- iii) a clear identification of the recipient or definition of the class of eligible recipients;
- iv) proposed stacking limits, i.e. specific limits to the total Government assistance, for example, a certain percentage of eligible project costs;
- v) a description of the supporting material required in an application from a prospective recipient, including but not limited to:
 - a requirement to disclose the involvement of public servants on the recipient's board or committee, which may be perceived as being in a conflict situation; and
 - a requirement to disclose any debts owed to the government;

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- vi) identification of the type and nature of eligible costs for funding purposes;
- vii) the maximum amount payable to each recipient;
- viii) description to demonstrate departmental systems, procedures and resources are in place for effective management and administration of the program;
- ix) if additional resources are required for viii), the identification of the total cost and FTE to run the program, how much can be absorbed internally, and how much additional budget resources and FTEs are requested;
- x) the parameters for authorization and approval process, e.g. committee review and approval of all applications, signatories for agreements (e.g. director up to a certain amount, Deputy Minister and Minister up to certain amounts), etc.
- xi) the basis and timing of payments, including such details as a schedule of advance and progress payments and applicable holdback provisions;
- xii) a results-based accountability framework including: performance indicators, expected results and outcomes, methods for the reporting on performance, and evaluation criteria to be used in the assessment of the effectiveness of the transfer payments;
- xiii) a risk-based framework for audit of recipients of transfer payments, a program evaluation plan of the program, including expected funds to be budgeted for costs related to these requirements; and
- xiv) the Management Board submission must include a communication strategy as predetermined assessment criteria for a funding program must be made public and applied in a consistent manner.

5.9.5.4 Drafting a Transfer Payment Agreement

A transfer payment agreement is commonly called a “Funding Agreement”, “Contribution Agreement”, “Grant Agreement”, or “Memorandum of Undertaking”.

A transfer payment agreement can be a negotiated agreement that is signed by the government and the recipient, or it can consist of various documents exchanged between the parties, including a signed application form and a letter signed by a public officer who has the appropriate authority approving the transfer payment.

A transfer payment agreement is a contractual agreement; therefore, it must contain all elements of a legally binding contract such as an offer and an acceptance as well as a clear description of terms, conditions and obligations of the contracting parties. If it is considered that high risk exists as determined in subsection 5.9.5.2 of these Guidelines, e.g. a high dollar amount, complexity of the funded project and its implications, sensitivity, etc., the department must request a review of the agreement by the Department of Justice prior to entering into an agreement.

Departments should consider, at a minimum, the following factors while drafting a transfer payment agreement:

- i) A transfer payment agreement must identify clear objectives and expected results.

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- ii) Transfer payment agreements should reflect the principle whereby transfer payment assistance is provided for projects only at the minimum level to further the attainment of the stated objectives and expected results.
- iii) For transfer payments involving lower risks and materiality, the use of application forms and exchange of correspondence, e.g. a letter informing the award to the recipient signed by a public officer who has the sufficient Section 24 and 23 signing authorities, is acceptable.
- iv) For project funding, because the objective of the funding is to achieve intended results as proposed and agreed upon by the recipient and the government, the recipient must be required to account for the use of the funds received from the government and report on the results actually achieved. The recipient must also declare for all funds received from all sources for a given project before the agreement commences, as well as upon completion of the project. The agreement for this type of transfer should include a clause that the department has the right to undertake an audit.
- vi) Project funding agreements should call for at least an interim and a final accounting of the use of funds and the results achieved, except for smaller amounts of funding (e.g. less than \$10,000) of short duration (e.g. less than four months) where the minimum requirements would be a final accounting, including reporting against performance objectives.
- vii) Departments should determine the required frequency of accounting by recipients that minimizes the administrative costs of the department and the recipient, taking into account appropriate risk factors, the likelihood of failure or diversion of funds by the recipient to other purposes, and the department's previous experience with the recipient.
- viii) To properly control advance payments, timely accounting must be obtained from recipients. When it is a high dollar project, an advance should be accounted for before any further advances are issued. Where an advance is issued, there must be at a minimum quarterly accounting of the advance until it is cleared.
- ix) Departments are responsible for determining whether recipients have complied with the terms and conditions applicable to the transfer payment. This responsibility includes the audit of recipients when deemed necessary.

Departments should develop a risk-based audit framework for the audit including:

- Determining which recipients are to be audited;
- Selecting appropriate auditors or indicating the acceptability of auditors when retained by the recipient;
- Determining whether the scope, frequency and scheduling of audits meet program requirements;

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- Coordinating audits with others involved in the audit of the same recipients; and
- Determining follow-up action required on audit findings.

x) Payment method

Paragraphs 6, subsection 5.9.2 of the Government Transfers Policy states:

“Departments shall make transfer payments with due regard for the government’s cash management practices as well as the recipient’s cash flow requirements. Installment payments and advance payments, if required, shall be made in accordance with subsection 5.9.5.4 of the Guidelines. Any exception to this directive must be approved by Management Board. “

Installment payments of operational funding

Operational funding must be paid in installments corresponding to the cash flow requirements of the recipient. The minimum number of installment payments is determined according to the total value of the operational funding as follows:

Total value of annual funding	Minimum number of installments
Up to \$75,000	one
\$75,001 - \$150,000	Two
Over \$150,000	Four

Advance payment of project funding

Project funding is normally paid on the basis of performance or as reimbursement of expenditures incurred. Where advance payments are necessary, they should be limited to the immediate cash flow requirements of the recipient and must not exceed the following percentage of the total value of the funding:

Total value of funding	Duration of Agreement		
	Less than 4 months	4 months or longer	
		Initial Advance	Subsequent Advances
Up to \$10,000	up to 100%	up to 90%	Balance payable upon completion of the project and submission of the final reporting.
\$10,001 - \$100,000	up to 75%	Estimated cash flow requirement for the first 4 months.	Every 4 months based on estimated cash flow requirement for the following 4 months
Over \$100,000	up to 50%	Estimated cash flow requirement for the first 4 months.	Every 4 months based on estimated cash flow requirement for the following 4 months

Departments must note, however, that paragraphs 7, subsection 5.9.2 of the Government Transfers Policy further directs:

“Notwithstanding the above, no advance payment in excess of \$10,000 shall be made to a recipient in one fiscal year when the related expenditures of the recipient are not likely to be incurred until the following fiscal year. Advances required for the expenditures that are to be incurred in the following fiscal year must be issued as of April 1 and charged to an appropriation in the new fiscal year.”

xi) The following provisions must be included in a transfer payment agreement:

Legislated grants and low-risk transfers

- The recipient name;
- The purpose of the funding and the expected results;
- The effective date, the date of signing and the duration of the agreement;
- The maximum amount payable;
- The conditions to be met before payment is made and the schedule or basis of payment; and
- Procedures to be followed to recover payments, should the recipient be in default of the provisions of the contribution agreement;

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Note: For an award or scholarship type of transfer to an individual where the payment is not conditional on submission of receipts proving actual expenses incurred, the department must obtain the individual's social insurance number and report the payment as part of the calendar year-end T4A listing and submit it to the Department of Finance. For further clarification, contact the Accounting Services Branch of the Department of Finance.

Medium to high-risk transfers

In addition, for medium to high risk transfers, the following provisions should be included in the agreement:

- Requirements for the department to receive periodic, e.g. quarterly and/or annually, and final financial and performance reports from the recipient, certified by an officer of the organization, including March 31 financial reporting if it is a multiple year agreement;
- A repayment requirement if the recipient fails to meet the terms and conditions of the agreement;
- A requirement to report all revenues relating to the project;
- Allowable costs or the types of expenditures eligible for reimbursement;
- A provision for the department to terminate the agreement and withdraw from the project if the original objectives are not being met;
- A clause to limit the liability of the government in the case where the recipient is entering into a loan, a capital lease or other long-term obligation in relation to the project for which the contribution is provided;
- The government's right to conduct an audit, even though an audit may not always be undertaken;
- Provisions for cancellation or reduction of future year contributions in the event that departmental funding is not appropriated by the Legislative Assembly;
- An indemnification clause for the benefit of the government;
- A clause that requires the recipient not to represent itself, including in any agreement with a third party, as an agent of the Yukon government;
- A consequence of or restriction on the disposition of any assets acquired through the contribution;
- A requirement for the recipient to repay overpayments, unexpended balances and disallowed expenses and a declaration that such amounts constitute debts due to the Government;
- A clause stating the recipient agrees that no current public officer holder or public servant who is or may be perceived to be in conflict of interest situations shall not derive any direct benefit from the agreement; furthermore, the recipient will provide written statements from government employees, elected officials and Cabinet and caucus employees on their board or otherwise involved in their operation/project that they have appropriately addressed any perceived or real conflict of interest; and

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- Name, title and address of the representatives of the department and the recipient who have the authority to sign and execute the agreement. The representative of the department must have sufficient Sections 24 (commitment authority) and 23 (contracting authority) signing authorities.

xii) Multiple-year agreements

Paragraph 5, subsection 5.9.2 of the Government Transfers Policy states that: “*any transfer payment agreement with a term in excess of three years shall be approved by Management Board.*”

A multiple-year agreement must have the following clause:

“The Government of Yukon will only issue payments under this agreement if the Department of _____ receives money (appropriation) from the Yukon Legislative Assembly for the fiscal year in which any payment is to be made.”

A multiple-year agreement must identify committed amounts for each fiscal year.

5.9.5.5 Budgeting and Accounting

A. Budgeting Government Transfers

Departments must follow Chapter 2 “Financial Planning and Budgetary Control” for budgeting government transfers.

An additional restriction is placed on legislated grants by paragraph 3, subsection 5.9.2 of the Government Transfers Policy, which states:

***“... Budgets for legislated grants must be approved by the Legislative Assembly. Only the Legislative Assembly may approve an increase or decrease to the budget for a legislated grant program.*”**

Departments must request approval to reallocate budget to/from a legislated grant program through variance reporting exercises or a separate submission to Management Board for inclusion in Supplementary Estimates.

B. Transfer of a Tangible Capital Asset

As stated in paragraph 8, subsection 5.9.2 of the Government Transfers Policy, a transfer of a tangible capital asset must be recognized as an expense at the net book value of the tangible capital asset and reported as a government transfer.

C. Accounting of Over-payment

The amount of money remaining from an advance payment at the end of a contribution agreement and the amount of any disallowed disbursements are debts due to the government and must be recorded as receivables and recovered. Where a recipient has failed to provide financial reporting in accordance with the terms and conditions of the agreement or has not used the fund for authorized purposes, a demand for repayment must be issued.

Refunds or recovery of overpayments must be credited to the vote to which the payment was originally charged when the refund is received in the same fiscal year. When a refund is received in a subsequent fiscal year, the refund must be credited to prior-year expenditure recovery.

5.9.5.6 Administration

A. Central database

As directed by paragraph 11, subsection 5.9.2 of the Government Transfers Policy, department must enter all transfer payment agreements, except for legislated grants, into a corporate system in the manner instructed by the Department of Finance.

B. Making payments

Departments should periodically verify the eligibility of a recipient especially in the case of legislated grants, normally prior to making any payment including a progress payment.

Progress payments in project funding should be made on the basis of performance; that is, as a reimbursement of eligible costs incurred or expenditures made by a recipient.

Project officers should ensure that recipients adhere to the stated terms and conditions of agreements before asserting performance and approving payments on projects. Project officers should ensure that all required reports including financial statements are meaningfully reviewed when they are received. Where appropriate, every attempt should be made to recover money that may be owed from a project.

C. Implication

Generally, when transfer payments are made in the public interest or for charitable purposes, the Canada Revenue Agency does not regard them as payment for a supply, and, as such, there is no GST on the payment.

However, the recipient of a government transfer may be subject to GST on their purchases of goods or services. The government may provide additional transfer payments to deal with the recipient's unrecoverable portion of GST (e.g. net of rebate) and include this as an eligible cost in the transfer payment agreement.

5.9.5.7 Reporting

A. Main Estimates

In the Main Estimates, the schedule of transfer payments shall report transfer payments in the following two categories: “Legislated Grants” and “Other” transfer payments.

A funding program approved by Management Board may be reported by total, rather than listing all planned recipients. In addition, departments may report transfer payments by initiative or a group of anticipated recipients. Departments should consult with the Management Board Secretariat if they are not clear on the reporting method of certain types of transfer payments. The department should also consult with the Management Board Secretariat if it contemplates to transfer a non-monetary asset such as a tangible capital asset to a party outside the government.

B. Public Accounts

In the Public Accounts, the schedule of government transfers shall report government transfers in the following three categories: “legislated grants”, “other transfer payments” and “transfers of non-monetary assets” (if any). Transfers of non-monetary assets include donations of tangible capital assets or inventories that have been recorded as assets as well as a transfer of a tangible capital asset to a third-party at a consideration that is significantly below the asset’s fair value.

A funding program approved by Management Board may be reported by total, rather than listing all recipients. A transfer payment that was made outside approved funding programs should be reported individually.

If there is uncertainty as to the reporting method of a certain government transfer, the department should consult with the Financial Accounting unit of the Department of Finance.

5.10 PURCHASING OF GOODS AND SERVICES

The purchase of goods and services is subject to the Contract Regulations and Contracting Directive. Section 39 of the *Environment Act* also states: "Ensure that standards for conservation of the environment and sustainable development are incorporated in the purchasing policies and practices of the Government of the Yukon." Specific guidelines are outlined in the Supply Services Manual. The Department of Highways and Public Works purchases all material required by the Government. However, the Deputy Minister of the Department of Highways and Public Works may assign direct purchasing authority to departments. This authority is delegated where there is an advantage to this method over the more costly requisitioning and purchase procedures.

5.11 TRAVEL

All government travel must be carried out in accordance with the Management Board Directive on Government Travel. Employees are required to complete the Travel Authorization and Claim form YG440 as outlined in the directive.

All Travel Advances must be accounted for within 10 working days of return from trip. All previous advances must be accounted for prior to issuance of any further advances. Only one advance can be issued for any particular employee.

Payroll deduction may be initiated for the full amount if any travel advance is outstanding more than thirty days from date of return from the trip. Departmental finance officers are responsible for initiating this payroll deduction. The employee must be warned in writing twenty days prior to a payroll deduction that failure to produce a travel claim will result in such a deduction.

5.12 OPERATIONS AND MAINTENANCE AND CAPITAL EXPENDITURES

Governments have typically used the classification of “Operations and Maintenance” expenditures and “Capital” expenditures for budgeting and reporting purposes. In general, if an item meets the definition of a tangible capital asset (see subsection 8.7 of this manual), it would be a capital item. Any other items would be Operations and Maintenance.

The Government may, however, choose to vote certain items as Operations and Maintenance, and certain items, which may not necessarily meet the definition of tangible capital assets, as Capital. As this is based on budget decisions of the Management Board, departments should seek direction from the Management Board Secretariat if it is not clear whether a certain item should be budgeted and reported as an Operations and Maintenance expenditure or a Capital expenditure.

In the Public Accounts of the Government, except for the expenditures that are considered to be balance sheet transactions, both Operations and Maintenance expenditures and Capital expenditures are reported as expenses.

The expenditures that are considered to be balance sheet transactions include:

- Acquisition and development costs of tangible capital assets;
- Development costs of land held for sale;
- Loan advances made pursuant to an Act; and
- Principal portion of loan or capital lease payments.

5.13 PAYMENTS

5.13.1 Payments Directive

5.13.1.0 General

Authority

On March 7, 2012 (MBM #12-05-01), Management Board revoked MBD #10/84 “Payments Directive” and replaced it with subsection 5.13.1 “Payments Directive” of the Financial Administration Manual. This Directive is issued pursuant to section 38(1) of the *Financial Administration Act*, and can be revised only with the approval of Management Board.

Application

This Directive applies to every payment made out of the Consolidated Revenue Fund.

Objective

The objective of this Directive is to provide direction with respect to the form in which payments from the Consolidated Revenue Fund are to be made and authenticated, as well as procedures to deal with issued payments.

5.13.1.1 Definitions

- (a) “bank” means:
 - (i) in respect of any matter in Canada, a bank to which the *Bank Act* (Canada) applies and any branch thereof; and
 - (ii) in respect of any matter outside Canada, an institution that carries on the business of banking.
- (b) “cheque” means a negotiable instrument in the paper form drawn on a bank account established in accordance with this Directive and the *Financial Administration Act*.
- (c) “Corporation” means the Yukon Liquor Corporation, the Yukon Housing Corporation or the Yukon Development Corporation.
- (d) “electronic funds transfer” means the electronic exchange or transfer of money from one account to another, either within a single financial institution or across multiple institutions, through computer-based systems. An electronic funds transfer may be sometimes referred to as a direct deposit or a wire transfer.

5.13.1.2 Directive

1. Pursuant to Order-In-Council 1990/123 made under section 12 of the *Financial Administration Act*, only the Deputy Minister of the Department of Finance may open or close a bank account for the Consolidated Revenue Fund.
2. Every payment out of the Consolidated Revenue Fund shall be made by the method authorized by the Deputy Minister of the Department of Finance, except a payment by a Corporation, and in respect of a payment of a Corporation, by the method authorized by the Chief Financial Officer of the Corporation.
3.
 - (1) Except in the case of a payment by a Corporation, the Deputy Minister of the Department of Finance shall be responsible for the procurement and safekeeping of cheques and equipment that issues and authenticates payments.
 - (2) The Chief Financial Officer of a Corporation shall be responsible for the procurement and safekeeping of cheques and equipment that issues and authenticates payments made by the Corporation.
4.
 - (1) Every cheque issued out of the Consolidated Revenue Fund, except for those issued by a Corporation, shall bear the signatures of the Minister and the Deputy Minister of the Department of Finance.
 - (2) A cheque issued by the Yukon Liquor Corporation shall bear the signatures of the Minister of the Department of Finance and the President of the Corporation.
 - (3) A cheque issued by the Yukon Housing Corporation shall bear the signatures of the Chairperson of the Board of Directors and the President of the Corporation.
 - (4) A cheque issued by the Yukon Development Corporation shall bear the signatures of the Chairperson of the Board of Directors and the Chief Executive Officer of the Corporation.
5.
 - (1) A cheque may be issued by means of equipment capable of reproducing facsimiles of the signatures of persons authorized to sign cheques under this Directive.
 - (2) If there is a change in the persons authorized to sign a cheque under this Directive, the facsimiles of the signatures then in use for a cheque issued by equipment shall remain valid for ninety days after the change.

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6. Every cheque shall:
 - (a) include the words “to the order of” and “Yukon Consolidated Revenue Fund”;
 - (b) bear the name of the payee;
 - (c) be for a specified amount of money set out in both words and figures;
 - (d) bear no alterations or erasures in the amount of money or in the name of the payee; and
 - (e) unless the Deputy Minister of the Department of Finance, or, in the case of a Corporation, the Chief Financial Officer of the Corporation, otherwise directs, bear the date of the day on which the cheque is issued.
7.
 - (1) If a cheque is reported by the payee not to have been received or delivered to the payee or it has been lost, destroyed or stolen, a replacement cheque may be issued in the name of the payee on completion by the payee of an affidavit or statutory declaration in a form approved by the Deputy Minister of the Department of Justice containing:
 - (a) a statement that the cheque has not been received or delivered to the payee; and
 - (b) an undertaking that, if the original cheque is received or is delivered to them, the payee will return it to the Deputy Minister of the Department of Finance.
 - (2) Despite subsection 7(1), the Deputy Minister of the Department of Finance may authorize the issue of a replacement cheque if a cheque payable to a bank for the credit of a third party is reported by the bank not to have been received or delivered.
 - (3) Subsections 7(1) and 7(2) do not apply to a Corporation. A Corporation shall establish procedures with respect to handling of lost, destroyed or stolen cheques, and issuing of a replacement cheque.
8.
 - (1) If it is necessary to cancel a cheque or electronic funds transfer for any reason, the cheque or a document that substantiates the transfer shall be marked “CANCELLED” across its face in bold letters.
 - (2) Every cancelled cheque and cancelled electronic funds transfer shall be accounted for.
9.
 - (1) If a cheque has not been cashed by a payee and has not been returned within twelve months of the date of issue, the amount of the cheque may be credited to the Consolidated Revenue Fund.
 - (2) If a cheque has not been cashed by a payee and has been returned as undeliverable, the cheque may be cancelled and the amount of the cheque may be credited to the Consolidated Revenue Fund.

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- (3) If a cheque has not been cashed by a payee or has been cancelled as undeliverable in accordance with this section, the right of the payee to collect the amount of the cheque is not extinguished.
- 10. (1) The Deputy Minister of the Department of Finance may open or close a bank account based upon a written request from the Deputy Minister of a department, demonstrating that the current banking arrangement does not meet the department's operational requirements.
- (2) Sections 3(1), 4(1), 5, 6(a) and 7 do not apply to a cheque issued for the payment of money from a bank account established in accordance with subsection 10(1). The Deputy Minister of the department that has requested a bank account shall be responsible for internal controls and management of the bank account.
- (3) A cheque issued from a bank account established in accordance with subsection 10(1) shall bear the signatures of two public officers. The department that maintains a bank account shall deliver to the Department of Finance the names and titles of public officers who are authorized to sign for the bank account. The department shall notify the Department of Finance in writing of any subsequent changes to the names or titles of public officers within ten working days from the date of the change.
- (4) The department that maintains a bank account shall deliver to the Department of Finance the bank reconciliation as at March 31 of every fiscal year and as required. The department shall also provide to the Department of Finance any information on the bank account as requested.
- (5) Subsections 10(1), (2), (3) and (4) do not apply to a Corporation.

5.13.2 INTEREST ON OVERDUE PAYMENTS

The payment or charging of interest on overdue account is subject to the Regulation entitled “Interest on Overdue Accounts and Payment of Interest.”

This regulation does not apply to a debt obligation or an account where the payment or receipt of interest is specified under another act, agreement or contract.

Interest shall not be paid or charged where the obligation results from invoices improperly prepared or addressed.

Interest shall not be paid to enterprises or governments which do not pay interest to the Government of the Yukon.

Definitions

“contract” means a contract as defined in the Financial Administration Act;

“debt obligation” means any invoice, statement, voucher or other document claiming payment that is lawfully due and payable by the government under a contract, but does not include interest on borrowed money;

“vote” means that part of an appropriation Act identified as a vote and authorizing the payment of a specified amount from the consolidated revenue fund for specified purposes

“government” means the Government of the Yukon.

“past-due” means that a period of thirty days or more has elapsed from the date of the satisfactory receipt of goods or services by the government under a contract or the date that the debt obligation was received by the government, whichever is later.

Payment of Interest

Interest shall be paid on a debt obligation that is past-due.

Interest shall be paid from the same vote as the debt obligation to which the interest applies.

Interest on a debt obligation that is past-due shall be calculated at the current Bank of Canada rate.

No interest shall be paid on a debt obligation that is past-due, to a municipality, a provincial government or the Government of Canada.

5.13.2 (Continued)

Calculation

$$I = A \times R \times (P-30)/365$$

I = Interest

A = Invoice amount

R = Bank of Canada rate in effect on the day the calculation is being made. This rate is provided by the Department of Finance.

P = Period outstanding. This is from the date of receipt of the invoice or receipt of the goods, whichever is later, to the date of release of the cheque.

5.14 CREDIT CARDS

5.14.1 General

The Government of Yukon currently utilizes fuel cards for purchases of fuel for government vehicles, the corporate travel system card for airline and hotel reservations, and acquisition cards for the purchasing of low-dollar value goods and services.

The Department of Highways and Public Works administers fuel cards, while the Department of Finance is responsible for any other type of corporate credit card programs.

5.14.2 Acquisition Card Policy

This policy was reviewed and approved by Management Board for general application in the Government (MBM#01-02-05). This policy can be revised only with the approval of Management Board, with an exception of the authority to amend the dollar amount associated with the "low-dollar value purchase" defined in subsection 1.6 of the policy, which has been delegated to the Deputy Minister of the Department of Finance (MBM#01-36-03).

1. Definitions

- 1.1 The "Card" is a credit card issued under a Yukon Government acquisition card program.
- 1.2 The "Card Program Coordinator" is the designate of the Department of Finance who oversees Yukon Government's acquisition card program.
- 1.3 A "Card Administrator" is the departmental designate who is responsible for the administration of a Yukon Government acquisition card program. Prior to the implementation of the Card program, the deputy minister of the department must designate a Card Administrator and send a copy of the designation to the Department of Finance and the Department of Highways and Public Works, Supply Services, Procurement Services Unit.
- 1.4 A "Cardholder" is an employee of the Government of Yukon who has been issued a Yukon Government acquisition card, and who has signed the cardholder's agreement.
- 1.5 The "Card Issuer" is the financial institution that issues Yukon Government acquisition cards.
- 1.6 "Low-dollar value purchase" is a purchase of goods or services within the Yukon Territory that is \$1,000 or less.

5.14.2 (Continued)

2. Scope and Limitation
- 2.1 The use of the Card is limited to low-dollar value purchases as defined in 1.6, except as provided for in 2.3 and 2.4.
- 2.2 The Card may be only used within the Cardholder's delegated authorities pursuant to Sections 23 (contracting authority) and 24 (certification prerequisites for contracts) of the *Financial Administration Act*.
- 2.3 The Card may be used for direct purchases outside the Yukon if it is in accordance with the existing Department of Highways and Public Works' purchasing policies and authorizations.
- 2.4 In exceptional cases, such as when an employee purchases goods frequently on standing purchase orders, the deputy minister of the department may raise the transaction limit to in excess of \$1,000. The Card Administrator shall maintain a list of those standing purchase orders and the names of the employees with the limit over \$1,000 for verification purposes.
- 2.5 The outstanding balance of the charges made to the Card at any time shall not exceed \$10,000, except as authorized by the deputy minister of the department.
- 2.6 The Card must not be used for the following types of expenses:
 - cash advances
 - travel related expenses, e.g. accommodation, meals, purchase of air tickets, car rental (see 2.11 regarding an exemption for forest fire crew)
 - expenses relating to the operation and maintenance of vehicles used for government business purposes, e.g. fuel and repair
 - entertainment expenses
 - payment of invoices – the Card is intended for making payment at the point of sale
 - payment of course fees that is a taxable benefit
 - personal use
- 2.7 Only the person whose name appears on the Card may use it.
- 2.8 A Cardholder may use the Card only for the expenses that are within the expenditure codes and merchant categories as authorized in the application form.
- 2.9 For authorized acquisition card purchases, if a potential vendor accepts the acquisition card, the Card shall be used.
- 2.10 The Card will have an imprint specifying that the Yukon Government is GST exempt. A Cardholder must provide a copy of the clause that certifies the Yukon Government is GST exempt when requested by the supplier.

5.14.2 (Continued)

2.11 In July 2005, Management Board authorized an exemption to the restriction of travel related expenses for Wildland Fire Management Unit, Protective Services Branch, Department of Community Services, as follows (MBM#05-18-15):

- This exemption applies only to expenses incurred by Wildland Fire Management Unit, Protective Services Branch, the Department of Community Services, arising from fire crews travelling to or from fires, base changes and repositioning and related fire fighting training. Cards will be issued to crew leaders who will be responsible for paying for all allowable expenses for their entire crew. Cards will not be issued to individual crew members for this purpose. A blanket travel authorization will be issued covering the crew. The travel authorization must identify all the names of the individuals working as part of the crew. Travel claims will not be submitted for meals and accommodation when using the Acquisition Card for fire crew travel.
- Allowable travel expenses include accommodation, meals, rental vehicles, laundry and taxis. Accommodation must be obtained at the government rate and the cost of meals per individual must not exceed the daily meal allowance as specified in the Travel Directive (MBD#13/84). Payment for laundry expenses must be reasonable and receipts must be provided. Phone calls home are not covered by this exemption. Employees claiming reimbursement for phone calls must submit a single claim for the fire season with receipts attached.
- GST/HST does not apply to these bulk purchases made by Wildland Fire Management Unit crew leaders. (Amended per MBM #12-11-03, May 23, 2012)
- The following documentation must be submitted with the Acquisition Card reconciliation:
 - Signed (acknowledging the receipt of goods/services) receipts;
 - Details of purchases, e.g. itemized restaurant bills; and
 - Names of individuals whose expenses are paid.

5.14.2 (Continued)

- Financial controls, performed by the Department of Community Services, must include:
 - Training all cardholders;
 - Ensuring appropriate signing authorities are delegated to cardholders;
 - Monitoring monthly transactions on the Card and paying the balance on time; and
 - Performing periodic reviews of these expenditures.
- The Department of Finance is directed to continue to monitor card use and has authority to rescind this exemption if Cards are not used in accordance with the directions contained herein.

3. Responsibilities of the Card Program Coordinator

- 3.1 The Card Program Coordinator coordinates and manages Yukon Government's acquisition card program at the corporate level and is the contact with the Card Issuer.
- 3.2 The Card Program Coordinator reviews new Card applications and requests for changes for completeness and reasonableness, and forwards them to the Card Issuer for processing.
- 3.3 The Card Program Coordinator forwards Card cancellation notices received from departments to the Card Issuer.

5.14.2 (Continued)

4. Responsibilities of the Card Administrator

- 4.1 The Card Administrator approves new Card applications, changes and cancellations for the department responsible. The Card Administrator then forwards those documents to the Card Program Coordinator in the Department of Finance.

In approving Card applications, the Card Administrator ensures that the following information is provided:

- name of the individual
- per transaction dollar limit and credit limit
- budgetary area that the applicant is authorized to charge to, i.e. name of the department, program and unit if applicable
- other case-by-case restrictions (such as merchant category)
- statement address
- applicant's signature
- authorizing signature of the applicant's supervisor

Upon termination or transfer of the Cardholder, the Card Administrator must cancel the Card immediately.

- 4.2 In approving the application, the Card Administrator must ensure that the applicant has the appropriate Section 23 (contracting) and 24 (commitment) signing authorities.
- 4.3 The Card Administrator must ensure that payments to the Card Issuer be processed in a timely manner to avoid paying interest and to maximize the rebates payable to the Yukon Government.
- 4.4 The Card Administrator must maintain a list of the Cardholders' names and signed Cardholder agreements, and monitor the appropriate use of the Card. The Card Administrator may issue internal policy and procedures to ensure economical, efficient and secure use of the Card. The Card Administrator may revoke the Card if a Cardholder misuses or willfully disregards the Card policy.

5.14.2 (Continued)

- 5. Responsibilities of the Cardholder
 - 5.1 The Cardholder must read and sign the Cardholder Agreement.
 - 5.2 The Cardholder must keep the issued Card safe and secure, along with any documents that indicate the Card number and/or the Cardholder's signature.
 - 5.3 The Cardholder must ensure that the Card is used in accordance with the policies and procedures outlined in Section 2.
 - 5.4 The Cardholder must maintain a log of Card purchases with the associating purchase records, such as sales slips and credit card copies, and is required to reconcile his/her monthly purchases with monthly statements. The Cardholder must forward the reconciled statement with appropriate expenditure codes along with the supporting purchase records for a requisition of payment in a timely manner to avoid paying interest.
 - 5.5 The Cardholder must resolve any billing disputes without delay.
 - 5.6 The Cardholder may not pass on the Card to any other employee. This also applies to a situation where another employee is acting in the Cardholder's position.
 - 5.7 The Cardholder must report a lost Card immediately to the Card Issuer and the Card Administrator.
 - 5.8 The Cardholder must notify the Card Administrator immediately of any changes in name, business address or telephone number.
 - 5.9 If the Cardholder is transferred or leaves the department, he/she must return his/her Card to the Card Administrator for immediate cancellation and action to pay the outstanding balance.
 - 5.10 The Cardholder is to ensure GST is not charged. The Cardholder must provide a copy of the clause that certifies the Yukon Government is GST exempt if requested by the supplier.

5.15 ASSIGNED DEBTS

5.15.1 General

This section outlines the procedures to be followed in order to make payments to assignees when authorized to do so. Assignment of debt is subject to the “Assignment of Debt” Regulations.

It is of paramount importance that, once the assignment of a debt has been acknowledged by the Deputy Minister of Finance, all future payments against that debt are made to the assignee until the debt has been discharged. Any payments made to anyone other than to the acknowledged assignee could place the Government of the Yukon in the position of being legally liable to the assignee for the payment and responsible for the recovery of the unauthorized payments.

5.15.2 Definitions

The following definitions are used with respect to the assigned debt procedures outlined in this section.

Assignment

The transfer of all rights, title and interest in a debt owed by the Government of the Yukon, made by the assignor to the assignee.

The assignment must be a transfer of the whole amount owing; a portion of a debt cannot be assigned.

Contract

Means a contract involving the payment of money by the Government of the Yukon.

Debt

Means any existing or future debt due or becoming due by the Government of the Yukon.

Garnishment and Third Party Demands

Garnishment and third party demands are legal processes whereby one person, pursuant to a court order, can attach money due to a second person which is in the hands of a third person.

Paying Officer

Means any person designated as such by regulation.

5.15.2 (Continued)

Prescribed

Means prescribed by regulation.

Notice of Assignment

Notice in the prescribed form of an assignment shall be given to the Government of the Yukon by serving it on or sending it by registered mail to the Deputy Minister of Finance, together with a copy of the assignment accompanied by such other documents completed in such manner as may be prescribed.

Notice of Acceptance

Service of the notice of acceptance is not effected until acknowledgement of the notice, in prescribed form, is sent by the Deputy Minister to the assignee by registered mail.

5.15.3 Debt Assignment

General

Except as provided in the Financial Administration Act or any other act of the Yukon:

- A Government of the Yukon debt is not assignable
- No transaction purporting to be an assignment of a Government of the Yukon debt confers on any person any rights or remedies in respect of such debt.

Generally speaking, the only Government of the Yukon debt that may be assigned is a debt that is an amount due or becoming due under a contract. This does not include a security deposit furnished under a contract.

As prescribed by regulations:

- The government is not bound by an assignment of salary or wages or any other debt unless the Deputy Minister of Finance gives his consent,
- When consent is given by the Deputy Minister of Finance for any assignment, it is the policy of the government to accept assignments to a chartered bank only.

Action by Departments

When a notice of assignment is received by a department from a bank or other assignee, it should be immediately forwarded to the Deputy Minister of Finance for acknowledgement and necessary action.

5.15.3 (Continued)

Action by Department of Finance

On receipt of a notice of assignment a Department of Finance official will take the following action:

- Obtain legal advice where necessary,
- Acknowledge receipt and, if desired, acceptance of the assignment in accordance with regulations,
- Ensure that all payments that would have otherwise been made to the creditor (assignor) are stopped.
- Ensure the assignment is in the proper format and signed as follows:
 - i) Sole Proprietor:

Signed by the sole proprietor with his/her normal signature in the presence of a witness who also must sign. If operating under a business name this name must be printed above the proprietor's signature.
 - ii) Partnership:

One or more of the partners must sign the contract in their normal signatures in the presence of a witness who also must sign. If operating under a business name, it too must be printed above the signature(s).
 - iii) Limited Company:

Signed by duly authorized signing officers of the company in their normal signatures designating against each signature the official capacity in which the signing officer acts. The corporate seal of the company must also be affixed to the contract. If the contract is signed by officials other than the president and secretary of the company or the president and secretary-treasurer of the company, a copy of a by-law or resolution of the board of Directors authorizing them to do so must be submitted with the contract documents.
- Ensure that the assignee forwards the original or a notarized certified copy of the actual assignment together with necessary supporting documentation.
- Ensure that all applicable future payments against the debt are made to the assignee. If a payment is made to someone other than the acknowledged assignee, the government may remain legally liable to the assignee for the payment.

When an assignment is received for a creditor who already has an assignment, garnishment or third party demand against them, the matter must be referred to the Department of Justice for legal direction.

All assignments and garnishments for the Government of the Yukon, are centrally controlled by the Department of Finance. Departments should refer any inquiries on these subjects to the Department of Finance.