

KANATA CO-OPERATIVE HOMES INC.

INTERNAL CONTROL POLICY

November 13, 2013

1. Purpose

The purpose of the following policy is to set out guidelines for the normal operation of the Co-op and provides the Co-op with more detailed procedures to administer the co-op's Organizational Bylaw.

2. Variance from Policy

In emergencies, which may arise between regular meetings of the Board, these policies may be varied at the discretion of the Officers. However, each variation so enacted must be in accordance with sound fiscal practice and must be approved by resolution of the Board at its next regularly scheduled meeting.

3. Reconciliations

3.1 Reconciliations are reviewed by an alternate person to the person preparing the statements

3.2 Each month the Treasurer will review the Co-op's bank statement and bank reconciliation.

3.3 Quarterly the Treasurer will review the Co-op's investment statement and investment reconciliation.

3.4 Each month the Treasurer or other person as designated by the Board will complete the *Treasurer's checklist* attached as *Schedule A*.

4. Deposit Procedures

4.1 Cash payments will not be accepted.

4.2 Cheques are immediately endorsed for deposit by Co-op upon receipt and are stored securely in the Co-op office.

4.3 Storage of copies of all cheques deposited are stored with the deposit summary

4.4 Storage of copies of all interact transaction receipts are stored with the deposit summary

4.5 After 1st of the month deposit, the Co-op will make weekly deposits.

5. Expenditures

- 5.1 Cheques will be written by the Co-ordinator or such other person as designated by the Board.
- 5.2 Two signatures are required on all cheques.
- 5.3 Cheques and supporting documentation/invoices are reviewed by two Board of Director's officers. Signing officers should refer to the *Signing Officer Procedures* attached as *Schedule B* of this policy.
- 5.4 Cheques are not signed in advance
- 5.5 All cheques are pre-numbered
- 5.6 Voided cheques are maintained on file
- 5.7 Pre-authorized payments are supported by an invoice and reviewed by two Board of Director's officers
- 5.8 Prior Board approval is required for cash advances.
- 5.9 A cash disbursement detailing monthly cash disbursements will be provided to the board at their monthly meetings

6. Petty Cash

- 6.1 Receipts are required for all petty cash disbursements.
- 6.2 Petty cash will be accounted for on an impress system. That is, the fund will be replenished as required by an amount equivalent to the total of the receipts in the box.
- 6.3 Petty cash funds are stored in a secure place.
- 6.4 Petty cash is only provided for out of pocket expenses, not operational expenses.
- 6.5 Whenever possible expenditures over \$75 will be reimbursed by cheque rather than using petty cash.
- 6.6 Petty Cash float will be set by the Board of Directors.

7. Credit Card Use

- 7.1 All applications for credit card use by Kanata Co-operative Homes must be approved by the Board of Directors
- 7.2 Purchase order to be used for all purchases
- 7.3 Personal purchases are not permitted
- 7.4 The Board of Directors will approve:
 - type of purchases to be made
 - set maximum credit limits and individual purchase limits
 - person(s) eligible to sign credit cards and approve purchase order
- 7.5 Purchase orders, work orders and shipping documents to be attached to invoices\statements for payment
- 7.6 Designated signing officers will check supporting documentation to approving payment and initial invoice\statement and cheque requisition and credit card receipts as proof of approval
- 7.7 Credit cards to be kept in secure location in the Co-op Office when not in use
- 7.8. Credit card to be used only when no other form of payment is accepted

8. Laundry Machine Revenue

- 8.1 The Co-op may contract with a Co-op Cost Cutter's certified laundry coin collection company for the collection of laundry coin.
- 8.2 The Co-op may choose own their own laundry equipment. Collection of laundry revenue will be scheduled monthly and at least two volunteers are present in collection of laundry revenue monthly to ensure. Persons collecting laundry revenue shall alternate each month.
- 8.3 Persons collecting the laundry revenue and staff will be required to sign a collection receipt indicating the names of the volunteers, staff and the amount collected and date of deposit.

9. Retention of Bookkeeping Records

Generally, books and records (including business transactions or business information on a computerized system) should be kept for a minimum of six years from the date of the last taxation year to which they relate. The taxation year is the fiscal year for incorporated entities and the calendar year for the individual taxpayers. It is understood that federal or provincial statutes may extend this period for the same records.

10. Training and Education

The board will ensure that financial training and educational opportunities are made available to the treasurer and other directors.

11. Bad Debt, Collections, Write Off

Housing Charge arrears of moved out members is considered a bad debt and considered an expense with the current year income & expense statement.

If the auditor deems at fiscal year end that a current member residing at the co-op could leave the co-op in arrears, the arrears of the current member is expensed to bad debt prior to their move out.

Funds recovered from a prior bad debt will reduce the bad debt balance.

Arrears and applicable move out charges will be submitted with a Collection Agency within two years of the member's last payment date.

If the Co-op does not receive payment within two years after the member last payment date, the arrears will be written off and accounted as an allowance for doubtful collection.

The co-op will continue and attempt to collect the arrears after the account is "written off" until such time the Collection Agency advises the arrears are deemed "uncollectible"

For the month of

Treasurer's Checklist

Bank Reconciliations

- | | | | | | | | | |
|--------------------------|---|---|--------------------------|---|--------------------------|---|--------------------------|----|
| <input type="checkbox"/> | 1 | Does the reconciliation agree to the bank statement | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |
| <input type="checkbox"/> | 2 | Does the reconciliation agree to the balance on the Balance Sheet | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |
| <input type="checkbox"/> | 3 | Are there any stale-dated cheques (dated more than 6 mo) | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |
| <input type="checkbox"/> | 4 | Have any cheques that cleared the bank been altered | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |
| <input type="checkbox"/> | 5 | Pre-authorized payments are supported with an invoice | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |

Investment Reconciliations

- | | | | | | | | | |
|--------------------------|---|---|--------------------------|---|--------------------------|---|--------------------------|----|
| <input type="checkbox"/> | 6 | Does PHN Quarterly Investment Statements <i>Jan, Mar, Jun, Sep</i> agree to the Balance Sheet | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |
| <input type="checkbox"/> | 7 | If applicable, do other investment statements agree to the Balance Sheet | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |

Manager's Report

- | | | | | | | | | |
|--------------------------|----|---|--------------------------|----------------|--------------------------|---|--------------------------|----|
| <input type="checkbox"/> | 8 | The Board received a recent Manager's Board Report | | Date of Report | | | | |
| <input type="checkbox"/> | 9 | This report provides balances for capital reserves, capital investments, accumulated surplus, current year surplus | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |
| <input type="checkbox"/> | 10 | The Board received statements of Income & Expense; Cash Disbursements; Capital Expenditures; Financial Position | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |
| <input type="checkbox"/> | 11 | The Board received a recent Board Arrears Report | <input type="checkbox"/> | Date of Report | <input type="checkbox"/> | | | |
| <input type="checkbox"/> | 12 | The Board Arrears report provides comments of payment agreements in place; follow up conducted and other information as required to provide status of the arrears | <input type="checkbox"/> | Y | <input type="checkbox"/> | N | <input type="checkbox"/> | NA |

Other

- | | | | | | |
|--------------------------|----|---|--------------------------|----------|--------------------------|
| <input type="checkbox"/> | 13 | I understand the Annual Operating Budget & Capital Budget will/has been submitted to the Board | | Month | |
| <input type="checkbox"/> | 14 | The prior fiscal year draft audited financial statements to be provided to the board for approval | <input type="checkbox"/> | Proposed | <input type="checkbox"/> |

Name: _____

Signed

Signing Officers Checklist

(Schedule B of the Internal Controls Policy)

Before Signing Cheques:

1. Ensure cheque is attached to a requisition
2. Ensure proper supporting documentation is attached to the cheque requisition.
3. Review and initial the **supporting documentation** looking for the following:
 - a. Invoice clearly shows the goods or services purchased and the date purchased
 - b. If paying by a monthly statement, all invoices listed on the statement **must** be attached
 - c. Date paid and Co-op's cheque number is shown on supporting documentation
 - d. Initial all invoices attached to requisition
 - e. Initial all receipts supporting Visa or Home Depot statements
4. Review and sign the **cheque** looking for the following:
 - a. Cheque is made out to the same name as the invoice (never "cash")
 - b. Cheque amount is the same as the invoice(s)
 - c. Cheque amount numbers and written words are the same amount
5. Review and initial the **cheque requisition** looking for the following:
 - a. Payee same name as cheque
 - b. Adequate description of goods or service purchased
 - c. Amount same as the cheque
 - d. Cheque date & number are the same as the cheque

Do Not Sign Cheque if any of the above is missing