

## Extraordinary Expenditures Policy

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**Approved by:** Council

**Review date:** January 31, 2007  
**Review responsibility:** Director-  
 Administrative Services & Treasurer

<b>Policy Statement</b>	PEO shall maximize effective usage of its financial resources by properly managing situations of uncertainty, un-expectancy, and un-preparedness within the approved budget (i.e., new priorities, emergencies, under-estimated costs, and cost fluctuations, etc.) and by seeking Council's direction for funding the un-budgeted items that cannot be funded from the approved budget.
<b>Policy Objectives</b>	<ol style="list-style-type: none"> <li>1. To address the application of the following internal control's principles:           <ul style="list-style-type: none"> <li>• Authorization</li> <li>• Safeguarding assets</li> <li>• reliability of accounting records</li> <li>• Monitoring consumptions of resources</li> <li>• Documentation</li> <li>• Communications</li> </ul> </li> <li>2. To establish a value-based planning culture by which expenditures create the best value for PEO</li> <li>3. To ensure PEO's financial resources are properly managed and resources are optimized</li> <li>4. To address unplanned activities such as emergency events, new programs and projects, and existing programs or projects' cost fluctuations</li> <li>5. To obtain Council's approval for unplanned expenditures that lead to increase in overall PEO's budget</li> <li>6. To protect PEO's cash position, minimize unnecessary erosion of the operating reserve, and effectively maintain the required operating reserve in compliance with the Operating Reserve policy</li> </ol>
<b>Rationale</b>	<p>The financial cash position of the association is a key component of the internal control system to provide financial flexibility in managing PEO's financial resources. Un-necessary erosion of the operating reserve must be avoided through properly planning and assessment of priorities for allocation of financial resources. However, the limit by which the operating reserve is built and maintained must allow PEO to meet its current and future regulatory and regulatory support mandate.</p> <p>Expenditure may not be accurately estimated at the planning stage. Furthermore, from time to time, priorities change and unplanned expenditures may occur. Financial capacity and flexibility is necessary to address cost changes in the marketplace. Financial flexibility must also include processes to fund activities that are of an emergency nature or are unplanned and of high priorities to PEO.</p> <p>Extraordinary expenditures are unplanned expenditures and include those for new projects or programs, and significant expansion of existing projects or programs, particularly where the expansion will impact future years.</p>

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<b>Scope</b>	This policy applies to all PEO departments and committees.
<b>Quarterly Budget Review</b>	<p>The CEO/Registrar and his/her senior management team shall assess business needs on a quarterly basis and plan for shifting priorities.</p> <p>Priorities of both unplanned and underestimated activities that cannot be funded within approved budget shall be assessed on a quarterly basis.</p> <p>Current budget shall be reviewed on a quarterly basis to accommodate the needs for higher priority matters and emerging issues.</p> <p>Changes to a line item of the approved budget due to new priorities, under-budgeted, or request for funding unbudgeted activities shall be funded within the approved budget by adjustment of appropriate line items.</p> <p>Director – Administrative Services &amp; Treasurer shall consult with the Finance Committee on his/her financial impact analysis including financial projection and inform them of any potential changes to the association’s cash position and reserve. The Finance Committee shall advise Council of the impacts of the proposed changes in the budget line items.</p> <p>CEO/Registrar shall consult with the volunteer members of the Executive Leadership team and inform them of the financial implications of emerging issues and their potential impacts on PEO’s objectives.</p> <p>Financial projection for approved program expenditures shall be provided to all departments and committees.</p>
<b>Limitations on Unbudgeted Expenditures</b>	<p>In the absence of Council’s specific prior approval or clearly established direction, the CEO/Registrar shall consult with Executive Leadership prior to:</p> <p>The engagement of lawyers for the purpose of obtaining legal opinions on matters not directly related to routine operational matters (i.e. employment, contracts, leases, etc.), regulatory matters (i.e. complaints, discipline, licensing, tribunals, regulations, etc.) or actions against PEO;</p> <p>The engagement of consultants for work to exceed \$20,000 in value on matters not directly related to discipline or enforcement;</p> <p>The entering into any contract over \$50,000 in value, the terms of which have not been approved by Council;</p> <p>Any expenditure over \$20,000 for which funds have not been budgeted; and</p> <p>Any expenditure that may erode PEO’s financial position or put PEO in a non-compliance position with the requirements of its Operating Reserve policy shall not be permitted.</p>
<b>Program Expenditures of an</b>	The CEO/Registrar and his/her senior management team shall ensure PEO systems and infrastructure facilities are functioning properly.

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<p><b>Emergency Nature</b></p>	<p>The CEO/Registrar and his/her senior management team shall take all necessary steps towards addressing urgent matters or emergency situations (“Urgent and Emergency Events”) related to PEO’s ongoing operation, e.g., telephone problems or computer failure that could be of catastrophic nature and would cause interruption to PEO’s daily operation.</p> <p>Members of the Executive Leadership team and members of Council shall be promptly notified by the CEO/Registrar of the nature of the problem related to the urgent and emergency events and be informed of the actions taken in addressing issues.</p>
<p><b>Assessment of Extraordinary Expenditures</b></p>	<p>The CEO/Registrar shall be the responsible authority to assess extraordinary expenditures, prioritize a new expenditure, and maximize usage of PEO’s financial resources.</p> <p>CEO/Registrar shall implement one or more of the following means in order to control the overall budget and render minimum impacts in PEO overall objectives by:</p> <ul style="list-style-type: none"> <li>• temporary deferral of the new unplanned but non-emergency resource category/resource type (“program expenditure”), either at a cost object or an activity level;</li> <li>• scaling down an existing program expenditure if the program or project was under-estimated at the planning phase, or its cost was changed after initial estimation;</li> <li>• eliminating or adjusting one or more of the planned resource category/resource type;</li> <li>• eliminating or adjusting one or more of the planned activities within the cost object(s); and</li> <li>• eliminating or adjusting one or more of the programs and projects within the cost object(s).</li> </ul> <p>The CEO/Registrar and Director – Administrative Services &amp; Treasurer shall assess the potential impacts of an extraordinary expenditure on PEO’s business operation and overall objectives, explore options to address issues, and consult with the Finance Committee.</p> <p>The CEO/Registrar shall assess the potential impacts of an extraordinary expense that may require reallocation of existing staff resources and/or financial funds, or changes in staffing and inform volunteer members of the Executive Leadership team.</p> <p>The CEO/Registrar shall report to Council regarding his/her assessment and the actions taken.</p>
<p><b>Financial Impact Analysis</b></p>	<p>The Director – Administrative Services &amp; Treasurer shall be the responsible authority to assess financial impact analysis of any expenditure, either un-budgeted or under-budgeted, for the purpose of financial planning and assessment of such impact on the PEO’s cash position and operating reserve, and provide recommendations on any changes related to the approved budget.</p>
<p><b>Deferral of Non-</b></p>	<p>The deputy registrar/director or committee chair shall consult the CEO/Registrar to determine if the program or project can be deferred to the</p>

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<p><b>emergency Program Expenditures</b></p>	<p>next quarterly review of budget when new priorities are assessed, or delayed to the next planning cycle when the budget is developed.</p>
<p><b>Scaled-down Program Expenditures</b></p>	<p>The deputy registrar/director or committee chair shall determine if the program or project can be reduced to comply with the approved expenditure or implemented on a staged basis.</p>
<p><b>Funding from an Existing Departmental Cost Object or from a Committee Activity</b></p>	<p>All efforts shall be made to explore funding of new priorities and un-budgeted expenditures from approved, budgeted cost objects and their resource categories and resource types with no change in PEO's overall budget and minimum impacts on annual planned objectives.</p> <p>If the extraordinary expenditure is related to a line cost object in the approved budget, scaling down of existing activities including their resource categories and resource types shall be considered.</p> <p>If the program expenditure cannot be scaled down from a line cost object, the responsible deputy registrar/director or committee chair shall determine if the program can be funded from another existing cost object within the department's or committee's approved budget.</p> <p>The funding shall be made either from the same cost object or another cost object by applying an appropriate adjustment or absorb to the intended expenditure so that the entire department or committee's budget is not changed with minimum impacts on planned objectives.</p> <p>The CEO/Registrar and management team shall explore all possible adjustments to other departments' budget with no change to PEO's budget and minimum impact on departments' objectives, if the intended expenditure is regarded as a high priority and no funding from the concerned department is available.</p>
<p><b>Funding and Adjusting Authorities and Limits</b></p>	<p>The CEO/Registrar shall have the authorities for adjustment of a non-labour budget item, on a non-recurring basis, either for an un-budgeted or an under-budgeted expenditure at a cost objective level with no change to overall PEO's budget.</p> <p><i>Adjustment of resources at the departmental level with no change to the overall PEO's budget and minimum impact on PEO's overall objectives:</i></p> <ul style="list-style-type: none"> <li>• CEO/Registrar: the lesser of \$ 20,000 or 5% of the department's approved budget on a one-time basis or the lesser of \$ 50,000 or 10% of the department's approved budget on an aggregate basis.</li> </ul> <p>CEO/Registrar shall seek Council's approval for expenditures that require additional funds beyond PEO's overall approved budget.</p> <p>Council may direct CEO/Registrar to adjust PEO's budget beyond the above limits to enable PEO to address new priorities and achieve effective allocation of financial resources.</p>

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	<p>During the year 2005 and beyond, the CEO/Registrar, deputy registrar/director, committee chair shall have the authorities for adjustment of a budget item, on a non-recurring basis, either for an un-budgeted or an under-budgeted expenditure, with no change in cost objective's budget, through adjustment in the activity and resource category's levels, except for the following resource categories:</p> <ul style="list-style-type: none"> <li>• Legal</li> <li>• Consultants</li> <li>• Contractors</li> </ul> <p>The following implementation timetables regarding funding and adjusting authorities and limits shall be in effect in this policy:</p> <p>During 2005: No funding and adjusting authorities and limits at the Cost Object's Budget with no change in overall cost object budget</p> <p>January 2006: No Change in Cost Object's Budget and following Limits:</p> <p><i>Adjustment of resources at the activity's level with no change to the cost object's budget and minimum impact on departmental objectives:</i></p> <ul style="list-style-type: none"> <li>• CEO/Registrar: the lesser of \$20,000 or 5% of the cost object's approved budget on a one-time basis or the lesser of \$50,000 or 10% of the cost object's approved budget on an aggregate basis.</li> <li>• deputy registrar/director/committee chair: the lesser of \$10,000 or 3% of the cost object's approved budget on a one-time basis or the lesser of \$20,000 or 5% of the cost object's approved budget on an aggregate basis.</li> </ul>
<p><b>Funding from Operating Reserve</b></p>	<p>Council shall be the responsible authority to authorize drawing from the operating reserve.</p> <p>If required, CEO/Registrar shall prepare a briefing note for Council and seek an approval for the extraordinary expenditures that must be funded from operating reserve.</p>
<p><b>Recording and Tracking of Budget Changes</b></p>	<p>The Director – Administrative Services &amp; Treasurer shall be the responsible authority to record all approved expenditure changes in a "Budget Changes Log", either un-budgeted or under-budgeted, to the current budget including planned and un-planned activities, and document information with all outlined rationale of such change where applicable.</p> <p>The Director – Administrative Services &amp; Treasurer shall be the responsible authority to make necessary adjustments to the financial information system, i.e., ABM and the Solomon tracking system, for the purpose of integrity of financial information, preparation of financial statement, conduct of cost analysis and cost tracking including budget/actual variance analysis.</p>

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<p><b>Reporting of Extraordinary Expenditures</b></p>	<p>The CEO/Registrar shall be the responsible authority to inform the following authorities of the decision in funding an extraordinary expenditure from an appropriate line item in the approved budget or from operating reserve, within funding authority set in this policy:</p> <ul style="list-style-type: none"><li>• Volunteer members of the Executive Leadership team</li><li>• Finance Committee</li><li>• Council</li></ul> <p>Director – Administrative Services &amp; Treasurer shall be informed of any request related to any expenditure category, either unbudgeted or under-budgeted expense, for the purpose of the financial impact of such an expenditure on the budget and the operating reserve.</p>
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