

Policy Type: Executive Limitations¹

Policy Title: Financial Management Practices

Financial Condition

The Executive Director will not undertake actions that will jeopardize the financial strength of the Association. In particular, the Executive Director will not, without Board approval:

- make unbudgeted expenditures of more than \$ ____.
- transfer budgeted funds from one major program or expenditure category to another
- fail to submit payroll and other taxes as required by law
- fail to settle payroll and other liabilities in a timely manner
- enter into new banking arrangements
- enter into new contractual arrangements with vendors that involve annual commitments of more than \$ _____ or, are longer than two years.
- enter into contractual relations in which the Association is the vendor that involve commitments for services of more than \$ _____ annually.²

Budgeting

The Executive Director will not jeopardize the fiscal integrity of major programs or the organization as a whole. In particular, the Executive Director will not, without Board approval:

- allow budgets to be developed which are based on insufficient information to make reasonably accurate projections of revenues and expenditures
- allow budgets to be presented that are inconsistent with previous presentations
- present budgets that anticipate an operational deficit

Financial Management

The Executive Director will not make decisions that do not reflect the prudent use of financial resources. In particular, The Executive Director will not, without Board approval:

- Engage in purchasing items costing \$ _____ or more where there has not been an assessment of the quality and price offered by different vendors.
- Allow any one individual complete authority over a financial transaction. (There must be two signatures on every cheque)
- Purchase or enter into a contract in situations where he/she has a conflict of interest.

Financial Management Practices
p.2

Protection of Assets

The Executive Director will not operate without protecting the physical, financial and intellectual assets of the organization. In particular, The Executive Director will not, without Board approval.

- Operate without adequate fire, theft and liability insurance in effect
- Operate without the safekeeping of key legal and contractual documents
- Operate without procedures for the backing up and safekeeping of computer records

Date Approved

Note: *A policy should reflect the level of detail that the Directors are comfortable specifying as instructions to the Executive Director or CEO in any area of management practice. This example of a policy on financial management will be adequate for most organizations with a full time Executive Director. Such a policy requires the Executive Director to ensure that procedures are in place which supports these instructions. This policy adds to the requirement, often stated in by-laws (and therefore a board rather than staff responsibility) to undertake an independent audit. This does not preclude a statement here that provides some direction to the Executive Director on his/her role in the audit process.*

The above is a sample policy. Adoption of these by a board without discussion and revision is not recommended.

¹ Executive Limitations is a policy type for boards using the “Policy Governance Model” as developed by John Carver. Under a hybrid or more traditional model, the policy *type* might be “Core Operations” and directions to the Executive Director would be stated in the positive. Such a policy would stand alongside other sets of operational policies regarding personnel or HR practices, client service practices and, perhaps, communication and advocacy practices.

² This item tries to take into account service delivery contracts with government. Such contracts may have their own documentation in the form of a service agreement, MOU or MOA (Memorandum of Agreement) that the Chair of the board, on behalf of the organization, ought to sign.