

MANUAL CHEQUE/EFT SIGNING THRESHOLD AND PROCESSING PROCEDURES

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Financial Services recommends:

- 1) That the dollar threshold for a manually signed cheque be raised to \$100,000;
- 2) That cheque signing by the second signatory (Council Member) can occur outside of the Finance department under the condition that a Finance staff person delivers the cheque package to the second signatory, remains until the second signature is obtained, and then returns the signed cheques to the Finance Department;
- 3) That cheques to the following organizations relating to statutory financial obligations such as levy transfers, development charges, payroll deductions, pension contributions, etc. be signed digitally:
 - The Regional Municipality of York
 - The York Region School Boards
 - Canada Revenue Agency
 - OMERS (Ontario Municipal Employees Retirement System); and
- 4) That electronic fund transfers (EFT) to the following organizations relating to statutory financial obligations such as levy transfers, development charges, payroll deductions, pension contributions, etc. be authorized by senior finance staff:
 - The Regional Municipality of York
 - The York Region School Boards
 - Canada Revenue Agency
 - OMERS (Ontario Municipal Employees Retirement System)

Contribution to Sustainability

Not Applicable

Economic Impact

There is no economic impact as a result of this report.

Communications Plan

The City's corporate bank will be notified so that the appropriate banking documentation can be updated.

Purpose

To provide Council with the background and recommendations relating to the threshold for a manually signed cheque, the procedure for the second signatory (Council member) to attend the Finance department when signing cheques and eliminating the need for a manual signature for statutory payments or transfers to other levels of government for payroll deductions, levy payments, development charges, etc.

Background - Analysis and Options

The current policies relating to signing City cheques/electronic funds transfers (EFT) documents and other cheque signing processes have not been updated for approximately 20 years.

The following areas will be reviewed:

- 1) The dollar threshold requirement for a manually signed cheque or EFT payment.
- 2) The requirement for a Council banking signatory to attend the Finance department when signing cheques.
- 3) The requirement that statutory payments to other levels of government or agencies be subject to the same manual signature threshold.

Following is a review with recommendations that would assist in streamlining the cheque issuance process.

Manual Cheque Signature Threshold

The current limit for a manually signed cheque is \$15,000; this threshold has not changed for approximately 20 years. In that timeframe the City has grown substantially with the annual capital and operating expenditures exceeding \$250 million per annum. This financial activity generates approximately 1400 cheques/EFT documents annually that are over \$15,000 that require two manual signatures.

All cheques require two signatures whether digital or manual, one from finance administration and one from Council. The purpose of manually signing a cheque is to provide an additional level of internal control for those larger payments. It should be noted that existing financial controls when expending taxpayer's funds are in place at many levels prior to a cheque being produced. These controls include the City's procurement policies, purchasing authorization limits, the accounts payable matching, verification and receipting process and as a final step a review process by finance staff for all supporting documentation prior to cheque mailing.

Other Municipal Cheque Signing Practices

To assist in determining an appropriate manual cheque signing limit City staff canvassed four municipalities with similar expenditure and population levels. The range of cheque signing requirements is as follows:

- Two municipalities have all cheques signed digitally.
- One municipality sets the manual cheque limit at \$50,000 but is manually signed by staff only.
- One municipality sets the manual cheque limit at \$25,000 with one digital signature and one manual staff signature.

Additional Cheque Review Process

It should be noted that all the canvassed municipalities have a final cheque control process where staff provide a further review of the cheque package prior to the cheque being mailed.

Likewise the City as previously mentioned has in place a further review process conducted by finance staff for all cheques packages whether digitally or manually signed prior to the cheque being issued. This process includes but is not limited to a review of the purchasing documentation, receiving documentation and appropriate authorization.

If the threshold for a manual cheque increased to \$100,000 the number of cheques requiring a manual signature would decrease significantly to approximately 400 cheques per annum. This updated dollar threshold does align the City more with other municipalities however the requirement for a Council signature will remain. This change in the threshold provides a good balance between increasing efficiencies and maintaining good internal control.

Therefore it is recommended that current threshold of \$15,000 for a manually signed cheque be increased to \$100,000.

Attending Finance Department

Currently the second signatory from Council (Mayor or Regional Councilor as per the banking signature requirements) is required to attend the Finance department to sign cheques.

In an effort to streamline the cheque production process it is recommended that, in addition to the above, an optional process be permitted. Once the cheques are signed by administration, upon receiving confirmation that the Council signatory is available, a Finance staff person will deliver the cheque package to the second signatory, remain until the second signature is obtained, and then return the signed cheques to the Finance Department.

Statutory Financial Obligations

Statutory financial obligations and fund transfers to other levels of government consist of payroll deductions, pension payments, development charges, tax levy transfers to the Region of York and York Region School Boards, etc. These financial obligations are remitted either by cheque or by an "Electronic Funds Transfer" process and both methods are currently subject to the cheque signing threshold. An EFT is a payment that is processed by the Finance Department electronically using banking software.

These types of financial obligations are mandatory in nature and are governed by statute and the City has no discretion as to whether payment should be made or not. They are paid on a regular basis with strict deadlines as dictated by statute and also come with possible significant penalties if the payment is late. The payment amounts are either determined by other levels of government i.e. levy transfers or internally from either the Payroll Department or the Finance Department.

Based on the above a manual signature does not add any significant control feature to these types of payments. Having the cheques signed digitally and the EFT documents authorized by finance staff would expedite the payment process thereby reducing the risk of a delayed payment and a possible significant penalty charge.

It is recommended that since these are statutory financial obligations relating to payroll deductions, fund transfers to other levels of government, etc. that the cheques be signed digitally or if remitted via an EFT document that senior finance staff authorize the payment to the following organizations:

- The Regional Municipality of York
- The York Region School Boards
- Canada Revenue Agency
- OMERS (Ontario Municipal Employees Retirement System)

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

There are no implications as a result of this report.

Conclusion

The City's manual cheque signing threshold has not been changed in twenty years as a result there are now approximately 1400 cheques annually that require two manual signatures. The review of other municipal cheque signing practices has shown that the City's current threshold is low therefore it would be prudent to move the City's manual cheque signing limit threshold to \$100,000. This would reduce significantly the number of cheques requiring a manual signature to approximately 400 thereby streamlining the issuance of the City's cheques.

In an effort to streamline the cheque production process it is recommended that, in addition to the current practice of the second signatory attending the Finance Department to sign cheques, a second option be approved. The second option would permit a Finance staff person to deliver the cheque package to the second signatory, remain until the second signature is obtained, and then return the signed cheques to the Finance Department.

Statutory obligations to other levels of government consisting of payroll deductions, pension payments, development charges, tax levy transfer payments, etc. are time sensitive and statutory in nature, therefore it would be appropriate to have the cheques signed digitally and for an EFT transmissions that staff authorize the payment.

The above changes will provide for a more efficient and timely payment process when meeting the City's financial obligations.

Attachments

Not applicable

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Respectfully submitted,

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