

# Best Practices in Management Of Reimbursable Expenses, Perquisites, Procurement

## An Overview

**Presentation to Developmental Services  
Sector Finance Group**

**March 7, 2014**

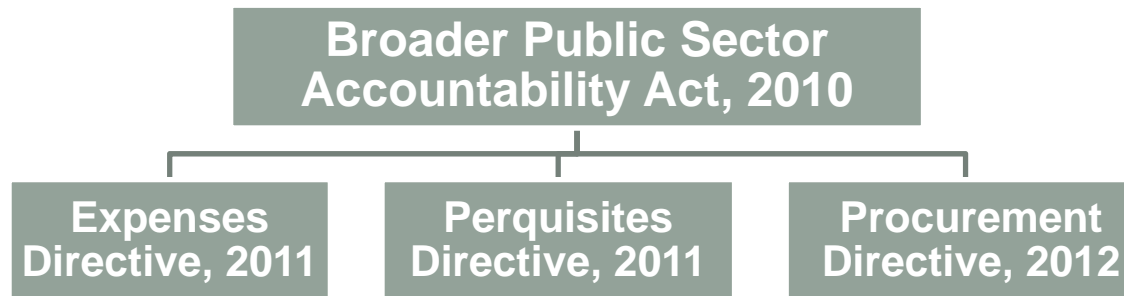
# Purpose

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- To provide an overview of requirements, policies and best practices in order to improve management of reimbursable expenses, perquisites and procurements, as per the *Broader Public Sector Accountability Act, 2010* (BPSAA)
- To highlight and identify available supports, including:
  - **Vendors of Record Arrangements (VOR)**
    - can reduce time and costs of purchasing commonly used goods and services
  - **Online Directives, guidelines and other supports**
    - including contacts for questions and requests for information

# Three Directives Provide Best Practice for TP Recipients

- The BPSAA contains rules and accountability standards for designated broader public sector organizations on expenses, perquisites, and the procurement of goods and services:



- The Broader Public Sector Accountability Act, 2010, (BPSAA) requires, among others, all transfer payment recipients that receive \$10M or more from the Ontario government, to comply with the legislation and the three associated policy directives.
  - Applicable agencies are required to attest to the compliance of the BPSAA through an annually submitted attestation
- Transfer payment recipients (TPR) funded less than \$10M are encouraged to adopt the Directives' best practices

## Compliance with the three directives is mandatory for organizations designated in the BPSAA

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- The BPSAA applies to a wide range of BPS organizations designated in the Act, including:
  - Every publicly funded organization that received public funds of \$10M or more in the previous fiscal year from the Government of Ontario
- The Act **requires** all designated BPS organizations create and implement policies that comply with the mandatory requirements set out in the legislation and three directives
- Designated BPS organizations are required to attest to compliance with the BPSAA and the three directives annually, including:
  - Attestation that the organization has policies for expenses management, perquisites and procurement
  - Attestation that the policies are being implemented

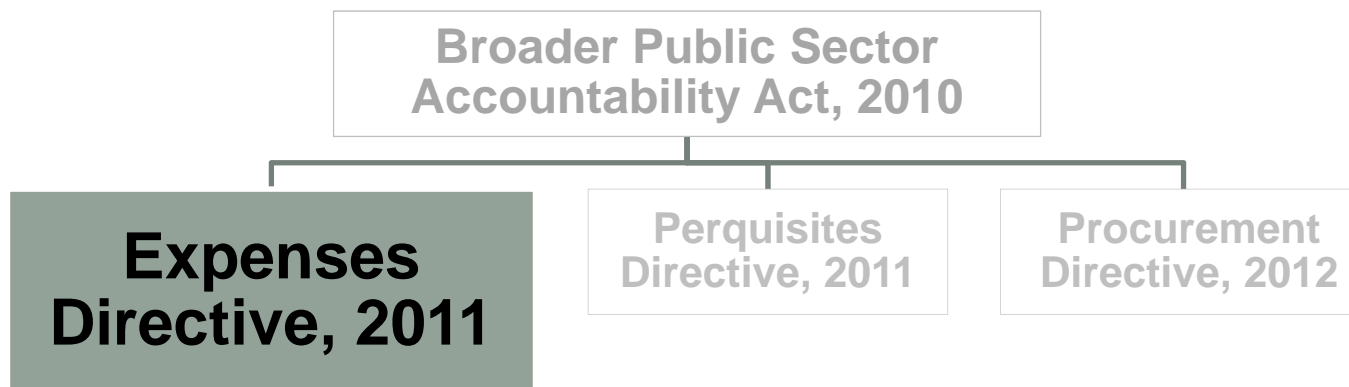
## TPR funded less than \$10M are encouraged to adopt Best Practices set out in the Directives

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- TPR funded less than \$10M are **encouraged** to adopt the best practices expressed in the Directives as agency policies
- Best practices make available to all agencies the latest legal, financial and operational research on organizational management
- Best practices contribute to efficiency, effectiveness and economy in agency operations
- Adoption of best practices builds public confidence in the agency's operations and financial management processes
- Best practices ensures appropriate public access to information for Board review, auditing and reporting

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# Best Practices for Reimbursement of Expenses



## Broader Public Sector Expenses Directive

# Broader Public Sector Expenses Directive

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- The **Broader Public Sector (BPS) Expenses Directive** summarizes best practices for reimbursement of expenses incurred during the performance of a transfer payment recipient's (TPR) business:
  - Requires each TPR establish formal expense rules for the reimbursement of travel, meal and accommodation expenses for all individuals
  - Sets out requirements for the content of each organization's expense policies
  - Sets out specific requirements for reimbursement of business meals, hospitality and social functions
- All TPR should consider these best practices in any review or development of their reimbursable expenses policies and procedures
- Reimbursable expenses are only a part of the expenses incurred by a TPR. Other expense management policies will address other categories of expenses

# Broader Public Sector Expenses Directive: Applicable Staff/Organization

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- Best practice in the BPS Expense Directive is to make the expenses policy applicable to any person in an organization making an expense claim, including:
  - Appointees
  - Board members
  - Elected officials (e.g. school trustees)
  - Employees, and
  - Consultants and contractors engaged by the organization providing consulting or other services



# Expenses Policy – Requirements/Best Practices

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- Designated BPS organizations are required to establish an **expense policy** to ensure compliance with the BPS Expenses Directive
- Expenses policy should **define reimbursable expenses** for staff, board members and volunteers, such as:
  - Meals reimbursed based on actual receipts for costs at or below standard meal rates established in policy
  - Overnight accommodation in a standard room
  - First/economy class travel (by the most practical and economical means)
  - Use of TPR-owned vehicles, personal vehicles or rental vehicles
  - Insurance coverage, mileage rates, parking charges, taxi and public transportation
  - Incidental expenses (gratuities, laundry or dry cleaning, dependant care, etc.)
- Expenses policy should define **what is not reimbursable**, such as:
  - Parking/speeding tickets
  - Alcohol
- Note that reimbursable expenses for **consultants and contractors** have more restricted requirements

# Expenses Policy: Required Components

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- The following requirements must be included in the expense rules:
  1. **Accountability Framework**
  2. **Record Keeping Practices**
  3. **Individuals Making Claims**
  4. **Individuals Approving Claims**
  5. **Hospitality Events**
  6. **Meetings, Business Meals and Social Events**
  7. **Provision of Alcohol**
  8. **Consultant/Contractor Meals and Hospitality**
  9. **Posting of Expense Policies**

# 1. Accountability Framework

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- An Accountability Framework is a **key component** of an Expenses Policy
  - Assigning responsibilities and establishing an **approval authority schedule** are essential internal controls that promote the integrity of the organization's operations
  - Clearly defined approval levels ensure appropriate governance, financial management and a common organizational understanding of approval requirements
- Internal controls help reduce exposure to inappropriate, unauthorized or unlawful expenditures, ensure that purchases have been authorized, that goods or services have actually been received, and that funds are available to appropriately address expenditures
  - Internal controls may be influenced by the size and complexity of the organization
- The TPR has broad discretion to set out the authority framework; however, best practice is to set approval levels at a senior level for:
  - Expenses policy and procedures
  - International travel
  - Hospitality and staff social events
  - Serving of alcohol

# 1. Accountability Framework (cont'd)

- **Approval Accountability Schedule**

- Some examples of different dollar thresholds and purchasing authority levels for small, medium and large organizations. Each organization should determine its own dollar thresholds that balance the need for controls with the need to operate effectively on a day to day basis

Example 1: Small		Example 2: Medium		Example 3: Large	
Up to \$100	Supervisor	Up to \$1,000	Supervisor	Up to \$5,000	Supervisor
Up to \$300	Program Director	Up to \$3,500	Program Director	Up to \$10,000	Program Director
Up to \$5,000	Executive Director/CEO	Up to \$10,000	Executive Director/CEO	Up to \$50,000	Executive Director/CEO
Over \$5,000	Executive Director/CEO	Over \$10,000	Board of Directors	Over \$50,000	Board of Directors

## 2. Record Keeping Practices

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- Best practice is to have a **policy on retention of records of expenses reimbursement** for reporting and auditing purposes
  - The suggested retention period is seven years
  - The policy should include direction on handling, storing and maintaining vendors' confidential and commercially sensitive information
- Some examples of records that should be retained include:
  - Approvals obtained prior to incurring the expenses
  - Forms requesting reimbursement completed by claimants
  - Original receipts for expenses
  - Records of reimbursement payments made
  - Other relevant notes and explanations submitted by claimants to support claims made

### 3. Individuals Making Claims

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- Policies for individuals making claims must be supported with **clear business processes** for recording and submitting claims
- Claimants must be required to:
  - Obtain approval before incurring the expenses
  - Submit original itemized receipts to support all claims using a standard Expense Claim Form
  - Submit expense claims within a timeframe set out in policy
  - Follow standard meal rates or provide an explanation for more costly meals
  - Provide additional information as required to explain any anomalies ( e.g. lost receipts)
  - Repay any overpayments
- Policies must be clear that expenses are reimbursable **only** if they are business related
- Policies can recognize that:
  - Travel, accommodation and meals can be part of regular duties
  - Volunteer expenses need to be part of reimbursement policies

## 4. Individuals Approving Claims

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- Policies for approvers of expense claims must:
  - Limit approval only for expenses incurred in the performance of TPR business
  - Provide approval only for claims supported with original receipts and other documents
  - Prohibit approvers from approving their own expenses
  - Note that the most senior person must pay for expenses incurred by a group
    - An individual cannot claim an expense incurred by a more senior person
- Policies need to recognize that managers have discretion in decision-making concerning expense reimbursement
- When a situation arises and discretion needs to be exercised (e.g., original receipts are missing) approvers should consider whether the request is:
  - Able to stand up to scrutiny by the auditors and members of the public
  - Properly explained and documented
  - Fair and equitable
  - Reasonable and appropriate
- The approver and the claimant need to agree on appropriate arrangements that are fair and equitable

## 5. Hospitality Events

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- Hospitality is the provision of food, beverage, accommodation, transportation and other amenities paid out of public funds to people who are not engaged to work for:
  - Designated BPS organizations (Children's Aid Societies, TPR funded \$10M or more), or
  - Ontario government ministries, agencies and public entities covered by the OPS Travel, Meal and Hospitality Expenses Directive
- Policies for hospitality events should set out the **process for obtaining approval** (e.g. will prior written approval be required, will there be a form for consistency, what type of business case is required, etc.)
- Regarding the provision of alcohol at hospitality events, best practice is to require a **high level of approval** (Board of Directors)
  - Alcohol should always be provided in a responsible manner, e.g., food should always be served when alcohol is available
  - Preference should also be given to wine, beer and spirits produced in Ontario



## 6. Meetings, Business Meals and Social Events

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- **Refreshment at In-House Meetings**

- Providing coffee or other refreshment at in-house education sessions is not considered "hospitality" under the BPS Expenses Directive. TPR can reimburse expenses for such internal events

- **Business Meals**

- Rules for business meals would be included in the expense policies. The TPR has the discretion to set meal rates if appropriate

- **Social Gatherings/Events**

- Expenses incurred for internal staff events, such as retirement gatherings and holiday lunches, are not considered "hospitality" and cannot be reimbursed
  - In the Ontario Public Service, social events are paid for by staff: they are not paid with public funds

## 7. Provision of Alcohol

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- The rules regarding alcohol should be specific with regard to:
  - circumstances in which alcohol expenses can be claimed and reimbursed,
  - who can claim alcohol expenses and be reimbursed,
  - the process for obtaining approval for an alcohol expense, and
  - the process for approving a claim for reimbursement
- Best practice prohibits claiming and being reimbursed for alcohol expenses as part of a travel or meal expense claim
  - This means that a person travelling on business cannot claim alcohol expenses when they have a business meal
- Reimbursement for the service of alcohol as part of a hospitality event is allowed; however, there should be a rigorous approval process set out to ensure that there is a strong business case

## 8. Consultant / Contractor Meals and Hospitality

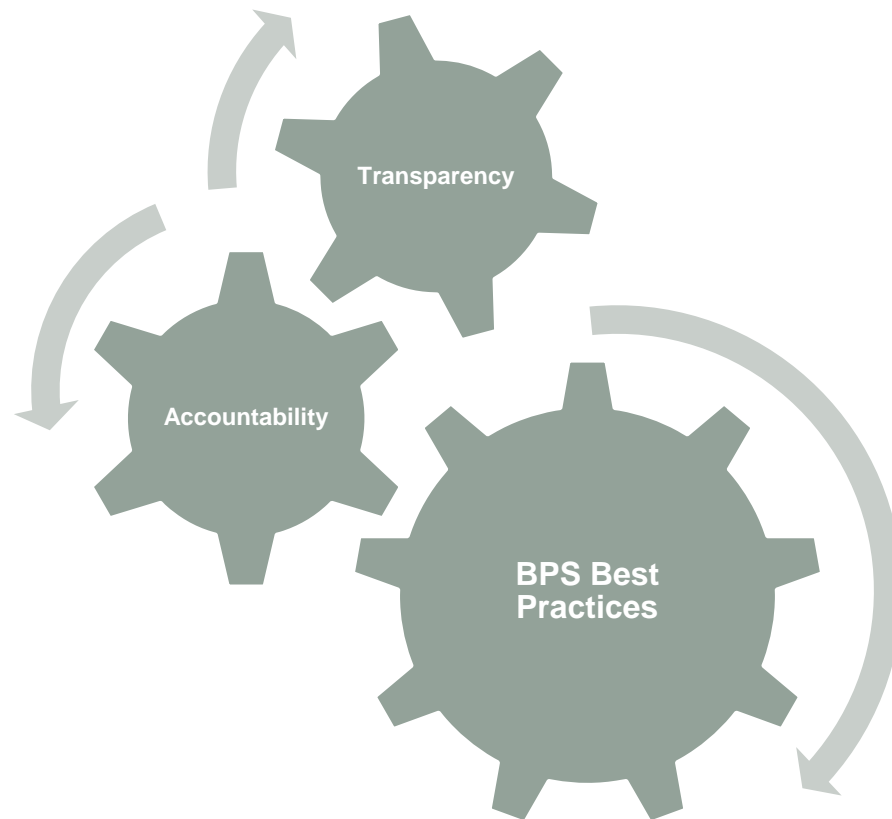
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- The expense rules must provide direction on the circumstances in which a consultant or contractor can claim and be reimbursed for expenses. The rules should set out what is an allowable expense
- In no circumstances can **hospitality, incidental or food expenses** be considered reimbursable expenses for consultants and contractors under the rules or in any contract between an organization and a consultant or contractor
- Reimbursement for allowable expenses can be claimed and reimbursed only when the contract specifically provides for it

## 9. Posting of Expense Policies

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- Best Practice is to post reimbursable expenses policies on the **TPR's public website** to ensure accountability and transparency



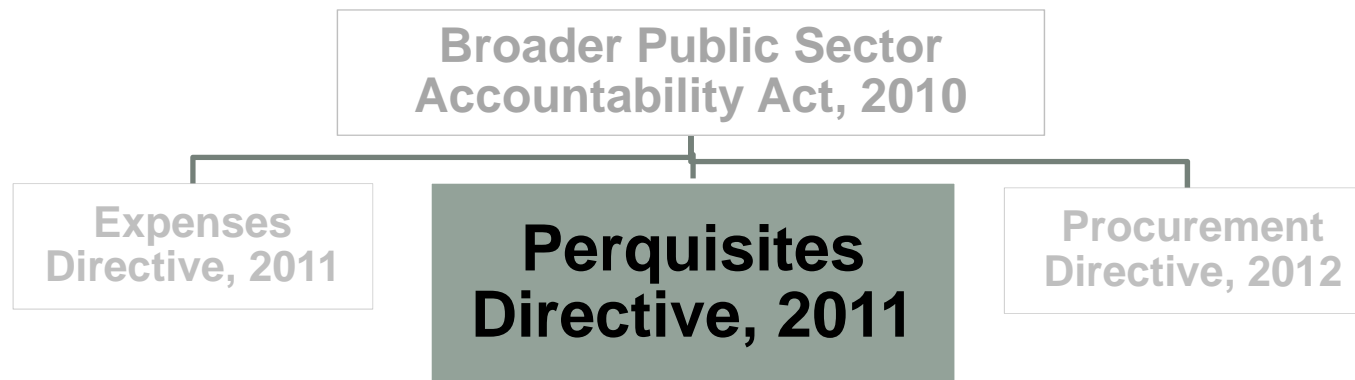
# BPS Expenses Best Practices

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- BPS organizations must make their own determinations on how to spend money they have received
- Any decisions about expenses should be made with due consideration for accountability and transparency, and for the potential for public and media attention
- Taxpayers might not appreciate that their dollars are being used to fund events such as retirement and holiday parties
- It is recommended that every BPS organization have policies in place for *all types* of expenses in order to be able to demonstrate accountability and provide a sound business case for expenses management decisions
- BPS organizations with questions can forward questions to [corpob@ontario.ca](mailto:corpob@ontario.ca)
- The Ministry of Government Services also updates FAQs regularly to address common themes arising from questions at: [http://www.mgs.gov.on.ca/en/Spotlight2/STDPROD\\_098054.html](http://www.mgs.gov.on.ca/en/Spotlight2/STDPROD_098054.html)

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# Best Practices in Management of Perquisites



## Broader Public Sector Perquisites Directive

# BPS Perquisites Directive

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- The term perquisites, or “perks”, refers to a privilege that is provided to an individual or to a group of individuals, provides a personal benefit, and is not generally available to others
- The **BPS Perquisites Directive** sets out best practices that will guide TPR organizations to manage perquisites, where these are provided through public funds
- The Directive increases accountability in the TPR by:
  - Defining perquisites
  - Setting out provisions for perquisites that are allowable and those that are not
  - Establishing rules are clear and easily understood
  - Improving transparency by posting perquisites policy on the organization’s public website

See **Appendix A** for links and further information

# BPS Perquisites Directive – Requirements

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A best practice perquisite management policy addresses the following topics:

## 1. Accountability Framework

- Ensures that there is appropriate governance, and that everyone understands who in the organization has the authority for approvals

## 2. Record Keeping Practices

- Good record-keeping practices for verification and audit purposes

## 3. Rules on Allowable Perquisites

- Indicate a perquisite is allowable only in **limited** and **exceptional** circumstances (business-related requirement)

## 4. Prohibitions

- On certain types of perquisites

## 5. Reporting and Public Posting

- How summary information about allowable perquisites will be made publicly available
- Personal information **should not** be provided



# 1. Accountability Framework and Application

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- Best practice is for perquisites policies to apply to every person in a TPR, including:
  - Appointees
  - Board members
  - Elected officials (e.g. school trustees)
  - Employees
- A formal perquisites policy should be established by the Board
- The approval authority for an allowable perquisite should be at a high level within the organization, i.e., the Board

# 1. Accountability Framework and Application (cont'd)

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- Benefits/entitlements widely available are not perquisites
- For the purposes of the perquisites policy, the following items are not considered perquisites:
  - Provisions of collective agreements
  - Insured benefits
  - Items generally available on a non-discriminatory basis for all or most employees (e.g. an employee assistance program, pension plans)
  - Health and safety requirements (e.g. provision of work boots)
  - Employment accommodations made for human rights and/or accessibility considerations (e.g. special workstations, work hours, religious holidays)
  - Expenses covered under an organization's rules on travel, meals and hospitality

## 2. Good Record Keeping

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- Best practice perquisites policy is to address retention of records of decision making for reporting and auditing purposes
  - The suggested retention period is **seven** years
- Some examples of records that should be retained include:
  - Approvals obtained for business-related perquisites
  - Business cases and explanations to support decisions made

### 3. Clear Definition of Allowable Perquisites

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- To be allowable, a perquisite must be:
  - A **business-related requirement** for the effective performance of an individual's job
  - Approved at a **senior level** (Board of Directors)
  - Supported by a compelling business case that is retained for audit and reporting

## 4. Prohibitions

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- A best practice policy prohibits the following perquisites under any circumstance:
  - Club memberships for personal recreation or socializing purposes, such as fitness clubs, golf clubs or social clubs
  - Seasons tickets to cultural or sporting events
  - Clothing allowances not related to health and safety or special job requirements
  - Access to private health clinics – medical services outside those provided by the provincial health care system or by the employer's group insured benefit plans
  - Professional advisory services for personal matters, such as tax or estate planning
  - An offer of employment letter, as a promise of a benefit
  - An employment contract
  - A reimbursement of an expense

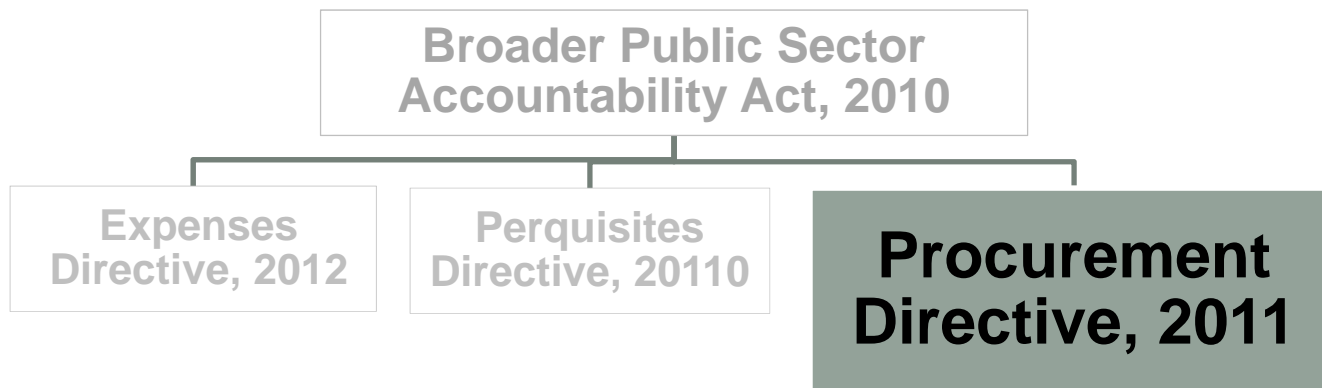
## 5. Annual Reporting on Perquisites

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- Best practice is to **provide the public with an annual summary** of perquisites provided
  - This summary should cover both public sector funding and other funding
  - This ensures transparency for the local community and donors on how their donations and funding is being utilized
  - Personal information should not be part of this report

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# Best Practices in Management of Procurement



## Broader Public Sector Procurement Directive

# BPS Procurement Directive – Best Practices

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- Best practices embody shared principles:
  - **Accountability** - Organizations are accountable for the results of their procurement decisions and the appropriateness of the processes
  - **Transparency** - Organizations must be transparent to all stakeholders. Wherever possible, stakeholders must have equal access to information on procurement opportunities, processes and results
  - **Value for Money** - Organizations must maximize the value they receive from the use of public funds. A value-for-money approach aims to deliver goods and services at the optimum total lifecycle cost
  - **Quality Service Delivery** - Organizations, providing front-line services must receive the right product, at the right time, in the right place
  - **Process Standardization** - Standardized processes remove inefficiencies and create a level playing field

See **Appendix B and C** for links and further information.



# Supply Chain Code of Ethics guides best procurement practices

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- **Goal:** To ensure an ethical, professional and accountable BPS supply chain.

## I. Personal Integrity and Professionalism

Individuals involved with Supply Chain Activities must act, and be seen to act, with integrity and professionalism. Honesty, care and due diligence must be integral to all Supply Chain Activities within and between BPS organizations, suppliers and other stakeholders. Respect must be demonstrated for each other and for the environment. Confidential information must be safeguarded. Participants must not engage in any activity that may create, or appear to create, a conflict of interest, such as accepting gifts or favours, providing preferential treatment, or publicly endorsing suppliers or products.

## II. Accountability and Transparency

Supply Chain Activities must be open and accountable. In particular, contracting and purchasing activities must be fair, transparent and conducted with a view to obtaining the best value for public money. All participants must ensure that public sector resources are used in a responsible, efficient and effective manner.

# Supply Chain Code of Ethics guides best procurement practices (Continued)

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## III. Compliance and Continuous Improvement

Individuals involved with purchasing or other Supply Chain Activities must comply with this Code of Ethics and the laws of Canada and Ontario. Individuals should continuously work to improve supply chain policies and procedures, to improve their supply chain knowledge and skill levels, and to share leading practices.

# Procurement Best Practices address 25 Specific Requirements for Policies and Procedures

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## **Approval Authority Levels**

1. Segregation of Duties
2. Approval Authority

## **Procurement Thresholds**

3. Competitive Procurement Thresholds

## **Competitive Procurement**

4. Information Gathering
5. Supplier Pre-Qualification

## **Purchasing**

6. Posting Competitive Procurement Documents
7. Timeline for Posting Competitive Procurements

## **Evaluation**

8. Bid Receipt
9. Evaluation Criteria
10. Evaluation Process Disclosure
11. Evaluation Team
12. Evaluation Matrix
13. Winning Bid
14. Non Discrimination

## **Contract Award**

15. Executing the Contract
16. Establishing the Contract
17. Termination Clauses
18. Term of Agreement Modifications
19. Contract Award Notification
20. Vendor Debriefing

## **Non-Competitive Procurement**

21. Non-Competitive Procurement

## **Procurement Documents and Records Retention**

22. Contract Management
23. Procurement Records Retention

## **Conflict of Interest**

24. Conflict of Interest

## **Dispute Resolution Process**

25. Bid Dispute Resolution

# Procurement Policies – Benefits

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- Procurement Policies contribute to agency **operations** and **community support**
- Procurement Policies provide a **framework** that:
  - Establishes the legal authority of the procurement function within the agency
  - Fulfills agency legal obligations by embodying the laws governing procurement
  - Enables uniform procurement practices throughout the organization which saves time and money
  - Requires fair and equitable treatment of everyone who deals with the procurement system
  - Provides for increased efficiency, economy, and flexibility that maximizes the agency's purchasing power
  - Safeguards the integrity of the procurement system and protect against corruption, waste, fraud, and abuse
  - Builds public confidence in the agency's operations and financial management processes
  - Ensures appropriate public access to contracting information for Board review, auditing and reporting

# Procurement Policies – Vendor of Record

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- A **Vendor of Record (VOR)** is a list of **pre-qualified suppliers** who have been contracted to provide specific goods and/or services at agreed-to rates and conditions
- Vendor of Record arrangements can **reduce agency time and costs** of acquiring many commonly used goods and services
- Use of VOR is **not mandatory** for agencies. Agencies have the choice of using a VOR or making the purchase another way
- There are over 60 VOR arrangements for many commonly used goods and services, including:
  - computer software and hardware, cell phones, office supplies, overnight courier, management consulting services and temporary help services
- Use of VOR saves time and expense of undertaking separate competitive procurements

See **Appendix D** for links and further information.

# Non-competitive procurements

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- Certain kinds of procurements **do not** require a competitive process
  - A competitive process is not required for procurements which are **not covered** by the Agreement on Internal Trade
  - **Single sourcing** is a non-competitive procurement of goods or services from a supplier where there is or may be other suppliers capable of providing the goods or services being acquired but there are extenuating circumstances that justify a non-competitive procurement process
  - **Sole sourcing** is a non-competitive procurement process where there is only one supplier able to meet the requirements of a procurement
- For any non-competitive procurement, documentation should be prepared to justify the procurement, citing the reason for the non-competitive process, and approvals must be obtained before procurement is undertaken
  - A complete list of reasons that can explain or justify a non-competitive process can be viewed;
  - Go to [www.doingbusiness.mgs.gov.on.ca](http://www.doingbusiness.mgs.gov.on.ca)
  - Select 'BPS Supply Chain Secretariat' from the menu on the left hand side of the screen
  - Select 'BPS Procurement Directive' from the menu on the left hand side of the screen
  - Select 'BPS Procurement Directive Implementation Guidebook'
  - In the Guidebook,
    - Section 10.3.4.1 lists procurements not covered by the Agreement on Internal Trade
    - Section 10.3.4.2.1 lists allowable justifications for single sourcing
    - Section 10.3.4.2.2 lists allowable justifications sole sourcing

## APPENDIX A : Perquisites – Links and Further Information

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- To access the BPS Perquisites Directive:
  - Go to [www.doingbusiness.mgs.gov.on.ca](http://www.doingbusiness.mgs.gov.on.ca)
  - Select 'BPS Supply Chain Secretariat' from the menu on the left hand side of the screen
  - Select 'Other Directives under the BPS Accountability Act, 2010' from the menu of the left hand side of the screen for both the:
    - BPS Perquisites Directive
    - BPS Expenses Directive
- BPS organizations can forward questions to [corpolb@ontario.ca](mailto:corpolb@ontario.ca)
- The Ministry of Government Services also updates FAQs regularly to address common themes arising from questions at:  
[http://www.mgs.gov.on.ca/en/Spotlight2/STDPROD\\_098054.html](http://www.mgs.gov.on.ca/en/Spotlight2/STDPROD_098054.html)

## APPENDIX B : Procurement – Links and Further Information

- To view the BPS Procurement Directive or the BPS Procurement Directive Implementation Guidebook
  - Go to [www.doingbusiness.mgs.gov.on.ca](http://www.doingbusiness.mgs.gov.on.ca)
  - Select 'BPS Supply Chain Secretariat' from the menu on the left hand side of the screen
  - Select 'BPS Procurement Directive' from the menu on the left hand side of the screen for the following documents:
    - BPS Procurement Directive (PDF) 
    - Questions and Answers on the BPS Procurement Directive
    - To whom does the BPS Procurement Directive apply?
    - What's different between BPS Procurement Directive 2011 and Supply Chain Guideline 2009?
    - BPS Procurement Directive Implementation Guidebook (PDF) 
    - BPS Procurement Directive Toolkit (PDF)
- To view the BPS Expenses or Perquisites Directives
  - Go to [www.doingbusiness.mgs.gov.on.ca](http://www.doingbusiness.mgs.gov.on.ca)
  - Select 'BPS Supply Chain Secretariat' from the menu on the left hand side of the screen
  - Select 'Other Directives under the BPS Accountability Act, 2010' from the menu of the left hand side of the screen for the two directives
- To view the 'Procurement Guideline for Publicly Funded Organizations in Ontario'
  - Go to [www.doingbusiness.mgs.gov.on.ca](http://www.doingbusiness.mgs.gov.on.ca)
  - Select 'Broader Public Sector Supply Chain Secretariat' from the menu in the centre of the screen
  - Scroll down to 'Publications' on the right hand side of the screen
  - Select 'Procurement Guideline for Publicly Funded Organizations in Ontario' (PDF)



## APPENDIX C: Practical Steps for Agencies to Access Vendors of Record Arrangements

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- The full list of VOR, each with a user guide, request forms and contract documents is available at [www.doingbusiness.mgs.gov.on.ca](http://www.doingbusiness.mgs.gov.on.ca)
- To use VOR the agency must register at least one staff as a 'purchaser' on the website.
  - The senior IT manager should register as a purchaser to take advantage of the savings available through IT VOR
  - Staff who do daily purchases of office supplies and other goods should also register as purchasers
- To learn more about VOR, go to [www.doingbusiness.mgs.gov.on.ca](http://www.doingbusiness.mgs.gov.on.ca) and select 'Information for Buyers' and then 'FAQ for Provincially Funded Organizations'
- To register as a purchaser, go to [www.doingbusiness.mgs.gov.on.ca](http://www.doingbusiness.mgs.gov.on.ca) and select 'Register as Buyer'
- Agencies can also email any questions about use of VORs to:  
@MCSS-G-AskFPBM