***[HOSPITAL NAME]***

**ADMINISTRATIVE POLICY**

CATEGORY: Finance **CODE: B-3**

SUBJECT: Expenditure of Funds **EFFECTIVE:**

**COORDINATOR: Business Manager**

1. **Authorization of expenditures and obligations:**
	1. Only those positions delineated in this policy shall be given authorization to incur obligations and authorize expenditures on behalf of *[Hospital Name]*.
	2. Such authorization shall extend only to the items cited and within limits specified.
	3. No provision of this policy shall be construed as authorizing any expenditure which is not within the scope of clearly delegated authority and regularly assigned responsibilities.
	4. The individual authorizing the expenditure or obligation shall be responsible for ensuring that appropriate operational, financial, board and legal review has been obtained.
	5. Failure to exercise the authority here vested responsibly may result in removal of the authority.
2. **Budgetary provisions**
	1. The provisions of this policy shall apply only to approved budgetary provisions.
	2. Any expenditure beyond budgetary provisions shall require Hospital Administrative Committee and/or Board approval..
3. **The Business Manager will monitor all expenditures so as to ensure compliance with the authorizations provisions of this policy.**
4. **Normal operating purchases**:
	1. All procurement in excess of one thousand dollars ($1,000) must be paid by check. Cash payments of less than three thousand dollars will be in accordance with policy B-14, Petty Cash.
	2. A payment voucher must be drawn up to support payments based on the purchase order and requisition system in Policy B-12.
		1. Payment vouchers will be sequentially numbered and filed. The numbers on the vouchers will be the same as the check notes.
			1. The details for the payment voucher will include:
				1. Date
				2. Check number
				3. Amount
				4. customer/supplier
				5. Explanation/description
				6. Prepared by—the individual preparing the check
				7. Authorized by—signatories
				8. Received by—recipient of check
				9. Account/department to be charged
		2. Supporting documentation for payments shall be certified ensuring that items appearing thereon have been received and taken on charge and should quote the relevant entry (stores, pharmacy etc.) and will include:
			1. Invoices
			2. Check request forms
			3. Receipts
			4. Memorandums
		3. All original supporting documents shall be attached to the original payment voucher and filed away. If the original documents have been lost or misplaced, a duplicate shall be obtained. This duplicate shall be certified by the head of the department, after ensuring that no payment has been made on the original documents and that payment will not be made on the original document if presented in the future.
		4. All payment vouchers shall be certified by the Business Manager, who is the authorized officer to incur the expenditure. The Business Manager will ensure the accuracy of the detail on the voucher and ensure:
			1. That the expenditure has been incurred. That the services specified have been duly performed
			2. The prices charged are either according to approved sales or are fairly reasonable according to current local rates.
	3. Charged invoices (invoices with credit terms) must be supported with a purchase order.
	4. Purchase requisitions must be authorized by the Business Manager and signed by the department head.
	5. The Business Manager will ensure that the computations and costing have been verified and are correct and that the payments are allocated to the correct account code/department.
5. **Contracts and Agreements:**
	1. Contracts and all agreements for routine budgeted, high volume, or pre-arranged delivery services shall require approval and signature of the Chief Executive Officer or the Business Manager after being reviewed by the Procurement Committee.
	2. No single officer of the hospital shall enter into such pre-arranged agreements.
	3. If purchases are made based on these contracts there is no requirement for acquiring three quotations as directed in Policy B-12
6. **Restricted Fund Expenditures**:
	1. Restricted gift funds shall be expended through the use of normal hospital forms.
	2. Before any expenditure occurs the Business Manager must review the request and ensure that the expenditure meets the restriction which has been placed upon the funds.
	3. The Business Manager must approve all restricted fund expenditures after ensuring that the expenditure is consistent with the purpose of the restricted fund, within the scope of the Hospital’s mission, and that adequate funds are available for the requested expenditure.
7. **Capital Expenditures**:
	1. Capital Expenditure consists of an item or project valued at more than $1,000 USD. A capitalized item should be depreciated with applicable depreciation expense listed on the income statement. All items purchased for less than $1,000 should be expensed.
	2. A capital budget shall be included in the annual financial budget of the Hospital. The budget shall indicate the funding source of capital expenditures, the income contribution to the Hospital, and the repayment schedule if it is funded by a loan.
	3. All budgeted capital expenditures will be approved by the Business Manager after ensuring that funds are available to support the purchase.
	4. Requests for quotations/bids from 2 or more vendors will be made for all capital expenditures. If bids cannot be obtained then sole source purchases must be approved by the Administrative Committee.
	5. For unbudgeted capital expenditures a cost benefit analysis will be accomplished by the Business Manager. The request will then be submitted to the Administrative Committee for approval and if required to the Board for approval. Once the request has been approved the Business Manager must sign the request.
8. **Bank Transfers**
	1. Bank transfers must be approved by the Chief Executive Officer (CEO) or the Business Manager.
9. **Internal and external borrowing of money:**
	1. Internal or external borrowing of money will not be done without the approval of the Board of Directors.
	2. Request to the Board for borrowing of funds will include the amount of money to be borrowed, what the funds will be used for, source of the funds, loan conditions and the repayment schedule.
	3. Once approved by the Board the Chief Executive Officer and the Business Manager are authorized to sign the loan documents.
10. **Expense Reports**: See Hospital policy B-4 for approval of expense reports.
11. **Advance Payments**: Payments made in advance must be authorized by the Chief Executive Officer and must be cleared within a specified period.
	1. If advance payments are made for contractual work the advance payment must be cleared by the end of the job with supporting receipts supplied.
	2. Advances for service, travel and purchases must be cleared within five (5) working days after return with all original receipts supplied. If receipts are not supplied the balance will be deducted from the employee’s salary in the current month.
12. **Salary Advance**: It is not the hospital’s policy to issue advances to employees. However, there may be situations where this is necessary. It will be at the discretion of the Chief Executive Officer to make this decision and the request must be made in writing. Salary advances must be cleared in full by the next payroll after the advance was issued.

APPROVED: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_