

POLICY TITLE: WORKING CAPITAL ADVANCE	POLICY CATEGORY #	FIN 1.3
BRANCH/DIVISION: ADMINISTRATION AND FINANCE	DATE APPROVED	15-April-2018
RESPONSIBLE AUTHORITY ASSISTANT DEPUTY MINISTER, ADMINISTRATION AND FINANCE	APPLICABLE TO	Department of Families
	NEXT REVIEW DATE	01-May-2019
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1.0 POLICY STATEMENT

Effective April 1, 2012, Working Capital Advances within the Department of Families will be issued as pre-payments to Agencies who deliver services on behalf of the Department. Working Capital Advances are subject to approval, review and will be issued in accordance with the terms of this policy.

2.0 BACKGROUND

In 2008/09 the Office of the Auditor General (OAG) noted concerns around the classification of the Working Capital Advance (Advance) issued by Department of Families (DoF). Concerns are the lack of clarity on the purpose of the Advance and lack of concessionary terms (i.e. interest and repayment dates). The audit of the Public Accounts for the year ending March 31, 2010 resulted in OAG recommendations to strengthen internal procedures and communications with agencies in support of the department’s position that an Advance represents a pre-payment to an Agency for services rendered and there are expectations on Agencies to pay back the Advance.

3.0 PURPOSE

- 3.1 To provide a consistent comptrollership framework around the Working Capital Advance.
- 3.2 To formalize the review and approval process for issuing an Advance.
- 3.3 To define communications between the DoF and Agencies on the terms and conditions and nature of the Working Capital Advance.
- 3.4 To define the annual reconciliation and confirmation process for the Working Capital Advance.
- 3.5 To define the ongoing review and re-application process.
- 3.6 To define procedures for the return of the Advance should an Agency cease to provide services on behalf of DoF.

4.0 DEFINITIONS

- 4.1 Agency** – an external not-for-profit service provider who receives ongoing funding from the DoF. Other terms used in practice within DoF are, but not limited to, Service Providers, Facilities, Centres and Homes.
- 4.2 Agreement** – a Service Purchase Agreement (SPA) or Contribution Agreement between an Agency/Authority and the Province of Manitoba.
- 4.3 Consolidated Fund** – a distinct fund into which all government receipts are deposited and from which all funds in payment of commitments are disbursed.
- 4.4 Continuing Working Capital Advance** – an Advance that is carried forward from fiscal year to fiscal year.
- 4.5 Line of Credit** – type of revolving loan issued by a financial institution with a pre-approved credit limit for a specified period of time. A line of credit gives the borrower flexible access to funds.
- 4.6 Working Capital Advance (Advance)** – a pre-payment from the Consolidated Fund to an Agency providing services for the Department. Agencies who receive per diem funding for delivering services on behalf of DoF invoice the Province and therefore receive funding after the services have been provided. The Advance is intended to help the Agency meet cash flow requirements during the period of time between the provision of services and receipt of payment of their invoice. An Advance is not meant to fund long-term assets (e.g. building improvements and equipment).

5.0 POLICY & PROCEDURE

5.1 Application:

The allowable amount of an Advance will be determined through the following process:

- (a) The Agency completes the Working Capital Advance Application (Appendix A) and submits the application to the Agency Accountability and Support Unit (AASU), attention: the agency assigned Financial Analyst, outlining the reasons for the request. The Financial Analyst will send the WCA application to the agency program area for their review and comment. The following documents must be included with the application:
- Current audited financial statements, unless already on file with DoF;
 - Current monthly year to date balance sheet and operating statements; and
 - Sustainability plan related to the WCA application

If information is incomplete or needs clarification, the program area will work with the Agency to ensure the application is completed correctly.

- (b) A Financial Analyst calculates the allowable advance using the applicable formula.

DIVISION - BRANCH	FORMULA
Child & Family Services Child Protection – Residential Care	$(\text{Annual Per diems} / 12\text{months}) \times 85\%$
Child and Family Services Child Protection - Child Maintenance	$(\text{Annual expenditure} / 12\text{months}) \times 2\text{months}$
CPCS Early Learning and Child Care Program – Centre	Average subsidy payment per 4 week reporting period
CPCS Early Learning and Child Care Program – Family Child Care	Average subsidy payment per 4 week reporting period
Community Service Delivery Community Living Disability Services	$(\text{Annual Per diems} / 12\text{months}) \times 85\%$

- (b) If the Agency has an existing Advance, the new allowable Advance is reduced by the amount of the Agency’s existing cumulative Advances.

5.2 Analysis and Recommendation:

- (a) If the Agency has an Agreement with the Province, the AASU will review the application and analyze the Agency’s audited financial statements. The AASU will make a recommendation and record it on the application form. The AASU may consult with the program area and/or request more information from the Agency.
- (b) If the application is from a regulated child care Agency, it is forwarded to the Administration and Finance Manager within the program area who will review the application and analyze the Agency’s financial statements. The Administration and Finance Manager will make a recommendation and record it on the application form. More information may be requested from the Agency.

5.3 ADM Decision (Approved/Denied):

The Assistant Deputy Minister, Administration and Finance (ADM) will provide final approval or denial on each Advance issued by DoF with consideration for the recommendations made in 5.2. The ADM will consult with the program area, the AASU and/or the Deputy Minister as required.

- (a) The AASU or the program area's Administration and Finance Manager will forward the application and their recommendation to the ADM, Administration and Finance who will approve or deny the recommendation.
 - i. For Agencies with Agreements, the decision will be communicated from the ADM, through the AASU back to the agency and program area via email.
 - ii. For regulated child care Agencies, the decision will be communicated from the ADM back to the program's Administration and Finance Manager via email.

5.4 Denied Advances:

The ADM's Office within the Administration and Finance division, will prepare and send the Working Capital Advance Denial Letter to the Agency (Appendix B). As the financial situation of the Agency changes or more information becomes available, the Agency can re-apply starting at procedure 5.1(a) of this policy. A copy of the denial letter will be sent to the AASU and the program area.

5.5 Issuing an Approved Advance:

Once the Advance is approved, the Agency must accept the terms of the Working Capital Advance Agreement before payment is issued. Once the terms are accepted by the Agency, the Administration and Finance Division will issue the payment.

- (a) The Office of the ADM, Administration and Finance will mail the Working Capital Advance Cover Letter (Appendix C) and the Working Capital Advance Agreement to the Agency.
- (b) As instructed in the cover letter, the Agency will;
 - i. sign 2 copies of the Working Capital Advance Agreement
 - ii. return both original signed agreements to the address in the cover letter.
- (c) The ADM, Administration and Finance, will sign both copies.
- (d) The Office of the ADM, Administration and Finance will;
 - i. scan and save the signed agreement on the shared drive
 - ii. route both copies of the original signed agreement to the Administration and Finance Division, Financial and Administrative Services Branch, Manager of Accounting Services.
- (e) The Financial and Administrative Services Branch records, processes the payment and sends one original signed agreement to the Agency address on file and keeps one original on file. The Financial and Administrative Services Branch will notify the AASU and the program area by email when the cheque is released.
 - i. If the Agency is not set up to receive funds through an electronic funds transfer, the agreement and cheque will be mailed together.

5.6 Ongoing Review:

In compliance with SPA requirements and Child Care Regulations, an annual review of audited financial statements of all Agencies who are in receipt of government funds will be completed. For Agencies with Agreements, the review will be completed by the AASU. For regulated child care Agencies, the review will be completed within the program area. The review will consider if continuing the Advance is justified.

If the review of the Agency's financial statements indicates the Advance is no longer justified, the Agency must pay back the Advance. If the Agency does not agree with the decision, the Agency may appeal by providing new information to the AASU or the program area. If the appeal is denied or results in a reduced allowable amount, the Agency must pay back the Advance either partially or in-full.

- (a) In compliance with SPA requirements and Child Care Regulations, Agencies in receipt of government funds will submit their audited financial statements to DoF according to the Financial Reporting Requirements (FRR) Schedule.
- (b) For Agencies with Agreements, a review of the Agency's audited financial statements including a review of the Advance will be completed by the AASU. For regulated child care Agencies, the review will be completed by the program area.
- (c) The review may result in the determination that continuing the Advance is not required and the Agency must pay back the Advance either partially or in-full.
- (d) If the review of the Agency's audited financial statements results in the requirement to pay back the Advance, the AASU will send a Working Capital Advance Re-payment Request Letter (Appendix D(i) or D(ii)) to the Agency. The letter includes instructions to submit payment.

5.7 Annual Reconciliation and Confirmation:

In compliance with the Financial Administration Manual (FAM), an annual review of the Advance will be completed in February and March to gain confirmation of the Advance from the Agencies for year-end reconciliation and accountability purposes.

In February of each year, Agencies in receipt of government funds will be sent the Advance Confirmation Letter (Appendix E(i) or E(ii)) with instructions to complete and return by March 23rd of that year. For Agencies with Agreements, the confirmation letters will be sent by the Financial and Administrative Services branch of the Administration and Finance division. For regulated child care Agencies, the letter will be sent by the program area.

5.8 Agency Ceases to Provide Services

When an Agency in receipt of an Advance ceases to provide services on behalf of the DoF, the Agency is obligated to pay back the outstanding amount to the DoF.

- (a) Agency informs the program area that their organization will cease to provide services on behalf of the Department due to a closure, amalgamation or change of service offering. The

DoF may also terminate the SPA agreement with an Agency in which case the Department will provide notice in writing to the Agency.

- (b) The Agency must provide the DoF with the termination date and forward in writing contact information of an Officer or Director responsible for final invoicing and payments.
- (c) The AASU will send the Agency the Working Capital Advance Re-Payment Letter (Appendix D(i) or D(ii)).
- (d) The Agency completes final WCA repayment to DoF via a cheque payable to the Minister of Finance.
- (e) Where the Agency fails to send in the WCA repayment cheques, the DoF will subtract the amount of the Advance from the final payment due to the Agency or arrange for an agreed upon pay-back schedule with the Agency.

Advances which are considered uncollectible are to be written off in accordance with the government's current policy on write-off of receivables ([Financial Administration Manual, Section 7E-3.5](#)).

6.0 CORE SUPPORTING DOCUMENTS

6.1 Standards

Agency Accountability and Support Unit - Service Purchase Agreement
Financial Reporting Requirements <http://www.gov.mb.ca/fs/about/frr.html>
The Community Child Care Standards Act
<http://web2.gov.mb.ca/laws/statutes/ccsm/c158e.php?ccsm=c158>

6.2 PROCEDURES

6.2.1 AUTHORITIES & MANDATED AGENCIES:

- Appendix A – Working Capital Advance Application – (Authorities & Mandated Agencies)
- Appendix B – Working Capital Advance Denial Letter
- Appendix C – Working Capital Advance Approval Cover Letter
- Working Capital Advance Agreement – (Authorities & Mandated Agencies)
- Appendix D(i) – Working Capital Advance Re-payment Letter
- Appendix E(i) – Working Capital Advance Confirmation Letter
- Procedure Flow Charts

6.2.2 OTHER AGENCIES – SPA:

- Appendix A(i) – Working Capital Advance Application – (Other Agencies (SPA))
- Appendix B – Working Capital Advance Denial Letter
- Appendix C – Working Capital Advance Approval Cover Letter
- Working Capital Advance Agreement – (Other Agencies (SPA))
- Appendix D(i) – Working Capital Advance Re-payment Letter
- Appendix D(ii) – Working Capital Advance Re-payment Letter – Child Care
- Appendix E(i) – Working Capital Advance Confirmation Letter

- Appendix E(ii) – Working Capital Advance Confirmation Letter – Child Care
- Appendix F - Working Capital Advance Request for Repayment Letter
- Procedure Flow Charts

6.3 GUIDELINES

Nil

7.0 Policy Documents

- Financial Administration Manual <http://gww.internal/finance/compdiv/fam-final.pdf>
- General Manual of Administration <http://gww.internal/finance/tbs/pdf/gma.pdf>

8.0 Resource Documents

- Financial Administration Act <http://web2.gov.mb.ca/laws/statutes/ccsm/f055e.php>

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