

Delegation of Financial Management Authority Policy

POLICY #FRA-03-04

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PURPOSE

The purpose of this policy is to formalize the delegation and exercise of authority between OLG's Board of Directors and President and Chief Executive Officer (CEO) and to describe the delegation of financial management authority for employees acting on behalf of the Ontario Lottery and Gaming Corporation (OLG).

It establishes the framework of responsibility and accountability for financial transaction approvals.

APPLICATION AND SCOPE

This policy applies to OLG's Board of Directors, CEO and to all employees who are delegated the responsibility to commit OLG and the Ontario Gaming Assets Corporation (OGAC) to financial expenditures.

All financial transaction approvals must comply with the Ontario Lottery and Gaming Corporation Act, 1999, the Memorandum of Understanding (MOU) and any other applicable regulations, by-laws, and directives. Please see the related Policy Instruments & Forms section below.

This policy does not apply to Caesars Windsor.

OVERVIEW

OLG operates on the principle of delegated authority.

OLG's Board delegates to the CEO all operational and transactional authorities necessary to execute the approved business plan and budget, subject to the stipulations specified in the MOU, Board By-Laws, and this policy.

The authorities and responsibilities necessary for the day-to-day management and operation of the Corporation are delegated to the CEO by the Board of Directors. The CEO may then delegate this authority to other positions as the CEO deems necessary. This policy provides details on the roles and responsibilities delegated by the CEO.

Financial authority levels are in place for management to meet the business needs of the Corporation while ensuring the risks related to compliance and ethics are managed. Financial approvers are responsible for ensuring that funds are spent effectively and used towards the provided purpose. Value for money is expected in the expenditure of government funds. Financial authority is not given to external parties or non-employees without a supporting business case approved by the CEO.

DEFINITIONS

Authority is the power and right to make decisions or take actions. Authority, excluding authority granted by legislation, can be delegated.

Cheque Signing Authority is the authority to sign cheques manually or electronically in accordance with OLG's banking resolutions. Formal amendments to banking resolutions are required to change signing authorities.

Payment Authority is the authority to print and release cheques, release electronic funds transfers, or release wire payments for items where Expenditure Authority or Lottery Prize Authority has been granted.

Lottery Prize Authority is the authority to approve a lottery winner as the rightful owner of a winning ticket presented.

Financial Management Authority is the collective term used to encompass all the financial authorities outlined below.

Expenditure Authority is the authority to commit to cash or non-cash expenditures. Expenditure Authority is exercised at the time a decision is undertaken to commit OLG to the expenditure of government funds. It applies to invoice approvals, purchase requisition approvals, expense reimbursement approvals and contract approvals.¹

Legislative Authority is the ministry-specific authority designated through legislation.

GUIDING PRINCIPLES

1. Accountability cannot be delegated or changed.
2. Responsibilities and authorities can be delegated.
3. Authority is delegated to a position title/level, not an individual.
4. Individuals can exercise only those responsibilities and authorities that have been delegated to them. No money can be committed or paid without proper authority.
5. No responsibility or authority granted by legislation may be delegated unless permitted by legislation or regulation.
6. Delegations must be based on business needs to achieve business objectives.
7. Delegations of authority should be established as close as possible to the point of service, taking into consideration efficiencies and potential risks.
8. When delegating, risk should be managed by ensuring that there are adequate internal controls such as segregation of duties, compensating controls and audit trails in place.
9. Individuals delegating are accountable for monitoring effectiveness and taking appropriate action to correct or improve practices as they are still accountable.
10. No person shall exercise approval authority in circumstances where conflicts of interest exist or could be seen to exist.
11. No person shall exercise approval authority with respect to a payment from which they can personally benefit directly or indirectly.
12. This policy shall be subject to periodic review by the Executive Leadership Team and/or the OLG Board of Directors.

REQUIREMENTS

1. OLG's Board shall retain all of the authorities related to corporate direction, strategy, organization structure, policy and planning not delegated to management.
2. OLG's Board delegates to the CEO all operational and transactional authorities necessary to execute the approved business plan and budget, subject to the stipulations specified in the MOU with the Minister of Finance, Board By-Laws, and this policy.
3. OLG shall ensure that any further delegation of authority by the CEO is commensurate with underlying risk, controls within OLG's other policies and the management system, and recognizes corporate, legal and third-party requirements.
4. OLG shall ensure that adequate documentation is maintained of the named authorities and delegations.
5. OLG shall ensure that authority is exercised by employees² only within their area of responsibility, within the scope of applicable approved contracts, the Code of Business Conduct, approved corporate strategies and policies, and the management system.
6. OLG shall ensure that delegated authorities are monitored and modified as required to adapt to changing business needs.

¹ Contract is defined as any written or oral binding agreement between OLG and a third party, intended to be enforceable by law. An RFX is not considered a financial commitment of cash or non-cash and approvals follow the RFX Risk Assessment Matrix.

² Employees: Includes indirect hires through a third-party vendor who are contracted to execute project work for OLG at an executive level embedded in the OLG organization for a finite period of time, with access similar to OLG augmented staff.

PAYMENT AUTHORITY

1.1. Payment Approval Authority Levels

- 1.1.1. The standard payment approval authority limits are established and approved by the Chief Financial Officer (CFO).
- 1.1.2. An approver cannot authorize a payment for an expenditure they authorized.
- 1.1.3. The payment authorizer before approving must ensure the expenditure has been approved in accordance with expenditure authority and have supporting evidence that the goods or services have been received

EXPENDITURE AUTHORITY

2.1. Expenditure Authority Approval Levels

- 2.1.1. The standard approval authority limits have been set as per the OLG Expenditure Authority Approval Chart provided in Appendix A.
- 2.1.2. Only a higher level of authority may approve a change in approval limits up to the maximum level of the approver's authority.

2.2. Financial Approval Delegations (Category B)

- 2.2.1 The CEO can establish and approve position specific Financial Approval Delegations (Category B) where the responsibility and accountability for approving payments exceed the normal dollar thresholds associated with the approval authority limits outlined in Category A.
- 2.2.2. These delegations are normally based on three main criteria:
 - 1. Type of payment
 - 2. Knowledge or expertise held by the designated approver (subject matter expert)
 - 3. Documented controls are in place to mitigate risk

2.3. See Appendix A, Category B for a summary of the current Financial Approval Delegations, approved by the CEO.

2.4. Temporary Expenditure Authority Delegation

- 2.4.1 Delegations can be established for short-term absences from the office where expenditure authority is delegated on a temporary basis. Notification of such delegations are to be submitted through Finance Inquiries & Request Support (FIRS). The delegator and the temporary delegate are notified when the delegation has been actioned.
- 2.4.2. Expenditure Authority Delegations can be temporarily delegated under the following conditions:
 - Financial delegation does not override the approval limits outlined in the Expenditure Authority Approval Chart.
 - Expenditure Authority delegations cannot be further delegated to others as part of the delegates' own delegation.
 - Delegates cannot authorize disbursements to which they are the recipient (i.e.: travel expense reports).
 - Expenditure Authority can only be delegated to employees with the appropriate skill and expertise to perform the task.
 - Expenditure Authority can be delegated across lines of business when a business rationale approved by the appropriate Executive Leadership Team member is provided along with the delegation request.

POST DELEGATION MONITORING

- 3.1. Over time there may be changes in the organization that have an impact on existing delegation of authority. These changes may include items such as customer expectations, business demands, business objectives and operational requirements. Delegators need to periodically review the delegations of authority and make changes as required to ensure that delegations of authority continue to assist in the achievement of business objectives and remain current.
- 3.2. Based upon the above, additions and approval amount increases to the Appendix A, Category B expenses must be approved by the CEO.

LOTTERY PRIZE AUTHORITY

- 4.1. Lottery Prize Authority is granted as a result of confirming the rightful owner of a winning ticket presented. It is only authorized after a series of investigation steps are completed. Lottery prize payments are approved by the various individuals at the Prize Centre as per the Payment Authority Listing even if the amounts involved exceed those individuals' designated signing authorities.

LEGISLATIVE AUTHORITY

- 5.1. All legislative requirements pertaining to financial transactions is documented in the following legislation:

5.1.1. Financial Administration Act

- OLG is required to obtain all necessary approvals under section 28(1) of the *Financial Administration Act* before it enters any financial arrangements that would increase directly or indirectly the indebtedness or contingent liabilities of the Ontario Government.

5.1.2. Public Service of Ontario Act

- OLG's employees and Board members are subject to the provisions of *The Public Service of Ontario Act, 2006* (the "PSOA"), including Ontario Regulation 381/07 under the PSOA.
- In accordance with the PSOA, all OLG employees and Board members must be, and must be seen to be performing their responsibilities in a manner that is non-partisan, professional, and ethical in accordance with Ontario Regulation 381/07.

5.1.3. Management Board of Cabinet Act

- Allows OLG to establish policies and procedures, management practices and systems for the efficient and effective operation of the public service.

5.1.4. Executive Council Act

- *The Executive Council Act* defines who can bind the Crown via a contract or deed. The Act states that the Minister, the Deputy Minister, an authorized delegate of the Deputy Minister or the Lieutenant Governor can bind the Crown via a contract or deed.

5.1.5. Ontario Lottery and Gaming Corporation Act

- In accordance with *The Ontario Lottery and Gaming Corporation Act, 1999*:
 - section 13(1) outlines that OLG is required to seek Minister of Finance approval to borrow the necessary funds to develop new gaming sites and/or expenditures in respect to a capital project in excess of \$10 million.
 - section 4(2) OLG is not authorized to acquire, hold or dispose of any interest in real property except with the approval of the Chair of Management Board and the Minister of Finance and on the terms set by them.
 - section 4(3) OLG may not borrow money or give security against property except with the approval of the Minister and the Minister of Finance.

AUTHORITIES PRESCRIBED BY DIRECTIVES

- 6.1. There are authorities and approvals required by specific directives. For example, the Travel Meal and Hospitality Expenses Directive requires international travel to be approved by the Minister of Finance. These approvals are primarily described in the related directives and are in addition to Expenditure Authority.
- 6.2. For the expenditure approval related to these activities, the Expenditure Authority levels apply.

ROLES AND RESPONSIBILITIES

ROLE	RESPONSIBILITIES
President & CEO	<ul style="list-style-type: none">Accountable for the effective execution of this policy
Chief Financial & Risk Officer	<ul style="list-style-type: none">Accountable for ensuring that appropriate controls are in place and that the delegation of authorities within OLG is adequately documented and maintained
Authorized Approvers	<ul style="list-style-type: none">Using sound fiscal responsibility and ensuring control of public funds when making decisionsEnsuring OLG is receiving value for money; funds are used prudently and responsibly to maximize value receivedEnsuring there is sufficient budget available, and the goods or services have been received prior to payment processingRetaining proper evidence according to record retention schedulesEnsuring transactions are transparent to stakeholders and when using managerial discretion, that it is judiciously applied

RELATED POLICY INSTRUMENTS & FORMS

- Corporate Procurement Policy
- Records Classification Scheme and Retention Schedule Policy
- Form of OLG Contract to Procure Goods and Services
- Payment Authority Listing
- Ontario Lottery and Gaming Corporation Act, 1999
- Memorandum of Understanding
- OLG Code of Business Conduct
- Financial Administration Act
- OLG Financial Approval Authority Request Form
- By-Law #1 Ontario Lottery and Gaming Corporation
- Agencies and Appointments Directive
- Delegation of Authority Key Directive, March 2000
- Public Service of Ontario Act, 2006
- Ontario Regulation 381/07 – Conflict of Interest Rules
- OPS Delegation of Financial Management Authority Framework
- TBS Delegation of Financial Management Authority Policy

POLICY OWNER

Vice President, Controller

POLICY APPROVAL

Approver	Date
Diana Caputo, VP Controller	July 7, 2023
Pinder Basi, Chief Financial Officer	June 4, 2021
Board of Directors	March 4, 2021

REVISION / REVIEW HISTORY

Revision / Review Date	Updated By	Summary of Revision / Review
July 7, 2023	Controllershship	<ul style="list-style-type: none"> ▪ Minor administrative changes; <ul style="list-style-type: none"> ○ added a reference to compliance and ethics management in the Overview section ○ replaced periodic review by the Fiscal Management Committee with periodic review by Executive Leadership Team or OLG Board of Directors ○ updated contract end note to include RFX approval process ○ updated Appendix A - Expenditure Authority Approval Chart (General notes) providing ELT with the authority to impose additional approvals on an interim basis when deemed appropriate ○ added Records Classification Scheme and Retention Schedule Policy to Related Policy Instruments section ○ other minor rewording and formatting to increase clarity
February 23, 2023	Policy Services	<ul style="list-style-type: none"> ▪ Updated template ▪ Supersedes Delegation of Financial Management Authority Policy #CP-02-02-609

APPENDIX A – Expenditure Authority Approval Charts

CATEGORY A

Applies to all Expenditure Authority items except for those outlined in Category B.

Position	Level	Approval Authority Limit
Board of Directors	-	> \$10,000,000 non-budgeted expenditures
President and Chief Executive Officer	CEO	Unlimited budgeted expenditures \$10,000,000 non-budgeted expenditures
Chief Officer & Senior Vice-President	EVP & SVP	\$5,000,000
Vice-President & Senior Leadership	VP & 27	\$1,000,000
Senior Director & Director	26 & 25	\$250,000
Senior Manager & Manager	24 & 23	\$25,000

General Notes:

- Taxes should be excluded when determining financial approval authority.
- Approval authority limits only apply to budgeted operating and capital expenditures unless otherwise stated.
- Line-item operating budget overruns in any given year may be offset by surpluses in other line items for the same time period (i.e.: cannot result in multi-year commitments).
- Substitutions of previously approved operating and capital expenditures can be made subject to the limits prescribed above.
- Commitment values are total costs over the life of the contract, including any applicable extensions to contracts etc.
- The authorities in the above table represent the minimum approval requirements. Additional approvals may be required on an interim basis when determined appropriate by an Executive Leadership Team member, CEO or the Board of Directors.

Contract Amendments & Change Orders:

Contract amendments and change orders will follow the approval authority limits, with the following restrictions:

- If the intent of the contract has changed, the contract needs to be authorized by a signing authority of the same level as the original approver.
- If the amendment is less than 10% of the value of the contract, and the intent has not changed, then the authorization level is based upon the amendment value.
- If combined amendments during the term of the contract exceed 10%, then the appropriate signing level must authorize.
- Non-financial amendments may be authorized by the applicable Vice President.

CATEGORY B

The following routine remittances and payments may be approved by the applicable individual responsible as designated by the CEO, even if the amounts involved exceed their applicable designated approval authority:

- Stakeholder payments to OFNLP, MSIFN, payments under the Long-term Horse-racing partnership program, payments to Municipalities (Property taxes, Municipal commissions etc.), Charitable Gaming commission and charity payments and the AGCO.
- Gaming Service Provider Fees
- Payments to the OFA in respect of OLG Excess Cash & Loan Repayment
- Remittance of tax (HST & withholding tax)
- Lottery prize payments
- Caesars Windsor cash funding
- Payment of prize funding to ILC and ILC Federal government payment
- Payroll remittances in respect of benefit payments, pension plan and payroll deductions
- Facility & vehicle leases, utilities and various telecommunication payments
- Court order payments through the Office of the Accountant of Ontario
- Payments to various insurers for Cash for Life annuities
- Return of funds sent in error to OLG