



# GOVERNMENT FINANCE OFFICERS ASSOCIATION Of The United States and Canada

## *Alberta Chapter - Policies*

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### CASH MANAGEMENT / INVESTMENT

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**NUMBER: 009**

**EFFECTIVE DATE: January 14, 2005**

**AMENDED DATE: September 18, 2009**

**REVIEWED DATE: September 18, 2009**

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#### **GENERAL POLICY**

The Alberta GFOA will manage cash and invest surplus funds in a prudent manner that will provide optimum investment returns with the maximum security while meeting the Association's cash flow requirements.

#### **Objectives**

This cash management and investment policy has the following objectives listed in priority order:

1. **Capital preservation** – the Association recognizes its fiduciary responsibility for the stewardship of financial funds with which it has been entrusted. Therefore, the prime objective of this policy is to ensure that cash on hand (including cash held in financial institution current accounts) and the principal amount of each investment are safe from losses due to market conditions and issuer default. To accomplish this objective the Alberta GFOA will ensure that sufficient diversification, as appropriate, exists within its investment portfolio.
2. **Maintenance of liquidity** – the Association's investment portfolio will be sufficiently liquid in order to enable the Association to meet its operating cash flow requirements that might be reasonably anticipated in the short and longer term. For the purposes of this policy liquidity is defined as the ability to convert an investment into cash with minimum risk associated with loss of principal or accrued interest.
3. **Rate of return** – the Association's investment portfolio will be effectively managed to ensure that an optimum rate of return is realized on all investments within the parameters of the objectives established within this policy.

#### **Guidelines / Procedures**

The Alberta GFOA will adopt the following guidelines / procedures in respect to this policy:

1. **Authority**

The Board of Directors are ultimately responsible and accountable for the control, management and administration of the Alberta GFOA's cash and investments in accordance with the policy approved by the Association. The Board of Directors may delegate this responsibility.

The Board of Directors delegates this responsibility to the Treasurer and the President.

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2. **Responsibilities of the Treasurer**

The Treasurer shall establish appropriate guidelines, procedures, and internal controls;

- a) to ensure the achievement of the objectives which are identified within this policy.
- b) for authorizing persons to engage in cash management and investment activities.
- c) for purchasing and selling investments.
- d) for custody and safekeeping of investments.
- e) for the accounting and reporting of cash management and investment activities.
- f) for the regular preparation and reporting of bank account reconciliations; a bank reconciliation is to be prepared for each bank account in the name of Alberta GFOA on a monthly basis.

The guidelines, procedures, and internal controls shall be approved and reviewed on a regular basis (minimum annually) by the Board of Directors.

The Treasurer shall provide a copy of this policy to each financial institution that Alberta GFOA transacts business with.

3. **Responsibilities of the President**

The President shall monitor the guidelines, procedures and internal controls established by the Treasurer to ensure their compliance with this policy.

4. **Cheque Authorization and Signature**

The President, Treasurer and Executive Administrator shall be authorized to sign cheques.

All cheques greater than \$2,500, whether for the purchase of goods and services, the reimbursements of approved expenditures, or the purchase of investments, shall have two (2) signatures authorizing the disbursement. These cheques must be signed by two (2) of the three (3) authorized signatories. Cheques equal to or less than \$1,000 must be signed by one of the three authorized signatories. No signatory may sign a cheque issued in the name of the signatory.

Cheques made out to cash are prohibited.

5. **Authorized Investments**

The Schedule of Approved Investments (attached) identifies the securities that the Treasurer can purchase on behalf of and in the name of the Alberta GFOA.

6. **Procurement and Custody of Investments**

The Treasurer shall ensure;

- a) that the method of procurement achieves and maximizes the objectives of this policy.
- b) that each individual investment transaction (purchase or sale) is jointly authorized by the Treasurer and the President (or another member of the Board of Directors) prior to the transaction occurring.
- c) that all investment certificates issued to the Alberta GFOA are in the name of or held in the name of the

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Alberta GFOA.

- d) that negotiable securities are held in one of two ways;
  - 1) in a safekeeping compartment with the Alberta GFOA's banker.
  - 2) held by a third party custodian in the name of the Alberta GFOA and evidenced by safekeeping receipts and monthly statements.
- e) that non negotiable investment certificates are maintained in an appropriate investment file in the custody of the Treasurer.
- f) that the financial institution provides the Treasurer with confirmation of the investment certificate.

7. **Prudence**

All reasonable steps shall be taken to ensure that the management of the Alberta GFOA cash on hand and investment portfolio is in accordance with this policy. Persons involved in cash management and investment activities shall exercise the degree of care, diligence, skill, and prudence that a reasonable person would exercise in the administration of his/her own affairs and, in the case of investing activities, in doing so shall attempt to maximize the investment earnings of the portfolio within the parameters of the objectives established within this policy. Investments shall be made with judgement and care under circumstances then prevailing.

8. **Ethics & Conflict of Interest**

Persons involved in the cash management and investment process shall refrain from personal business activity that could conflict with the proper execution of their responsibilities, or which could impair their ability to make impartial cash management and investment decisions. The Treasurer and the President shall annually disclose to the Board of Directors any material interests in financial institutions that conduct business with the Alberta GFOA, and they shall subordinate their personal investment transactions to those of the Alberta GFOA particularly with regard to the timing of purchases and sales.

9. **Reporting**

The Treasurer will report on the cash management and investment activities undertaken by the Alberta GFOA. The following information will be provided to the Board of Directors on a regular basis (generally at scheduled Board of Directors meetings):

- a) total assets within the investment portfolio.
- b) specific holdings within the investment portfolio.
- c) effective rate of return on the investment portfolio.
- d) evaluation of portfolio performance.
- e) bank reconciliations and cheques listing

10. **Review and Amendment Procedures**

The Alberta GFOA's Cash Management / Investment Policy shall be reviewed annually by the Board of Directors and approve any changes as required.

**Alberta GFOA**  
**Cash Management / Investments Policy**

**Schedule of Approved Investments**

<b>Investment Description</b>	<b>Approved Institution Limit</b>	<b>Total Portfolio Limit</b>	<b>D Mi R</b>
<b>Chartered Banks:</b>			
Securities issued or guaranteed by:		100,000	
Schedule "1" Major Chartered Banks			
Bank of Montreal	100,000		R
Bank of Nova Scotia	100,000		R
Canadian Imperial Bank of Commerce	100,000		R
Royal Bank of Canada	100,000		R
Toronto Dominion Bank	100,000		R
<b>Other Financial Institutions:</b>			
Securities issued or guaranteed by:			
Province of Alberta Treasury Branch	200,000	200,000	R
Credit Unions	200,000	200,000	R
Trust Corporations	200,000	200,000	F

Investments are protected by the CIDC (Canada Deposit Insurance Corporation).

Investments with a government, bank or other financial institution that result in the Approved Institution Limit being exceeded require approval by the Board of Directors.

Investments with a maturity date that is greater than the maximum term stated from the date of purchase require approval by the Board of Directors.