



MANAGING THE MONEY DIRECT FUNDING STANDARD

This guide explains the financial procedures for Agents who are managing Direct Funding of more than \$6,000 for an individual during a twelve month period.

Recipients of Direct Funding up to \$6,000 for an individual per twelve month period should refer to the guide entitled *Managing the Money-Direct Funding Simplified*.

Banking Arrangements

A separate account at a bank or credit union is required to administer the money. Separating Direct Funding receipts and payments from personal finances will help you to manage the money and will make it easier to meet CLBC's administrative and reporting requirements.

The bank account used to manage the money must be in the name of the person signing the *Direct Funding Standard Agreement*. To reinforce the trust relationship between the individual, the agent and CLBC, the account should be opened in the agent's name in trust for the individual. For example, "Paul Smith in trust for Jane Smith", where Jane is the individual and Paul is the person acting as the agent.

Most financial institutions can open trust accounts named in the form "*agent in trust for individual*". Some financial institutions may require specific documentation supporting the legal decision-making relationship between you and the individual.

In exceptional circumstances, where you are unable to open a trust account and:

- a you receive other support payments from the BC Government; contact your CLBC Quality Service analyst before opening your account, as this will affect your options on naming your account.
- b you do not receive other support payments from the BC Government open the Direct Funding account in the name of the agent.

If the individual is the contracting party to the Direct Funding Standard Agreement, the bank account should be opened in the name of the individual. This would occur when the individual has demonstrated the ability to act as his/her own agent.

Bank Statements and Paid Cheques

You need to have access to monthly bank statements from your financial institution as well as copies of paid cheques and other documents supporting the transactions on the statement.

The opening and closing dates on the bank statement should correspond with the first and last day of each calendar month. This will make it easier for you to complete the financial reports that CLBC requires. However, if your financial institution is unable to do this, CLBC's financial reporting system will still work for you.

To help reduce the costs of administration you should ask your financial institution about charges. Some financial institutions offer free services and may waive their typical fees for individuals with developmental disabilities. You may decide to use internet-based electronic statements and images of paid cheques. Internet banking options can help reduce the costs of banking and electronic statements may be available on a calendar month basis.

Receiving Funds from CLBC

For the first month CLBC will send the money to you by cheque. Subsequent payments will be transferred electronically, directly into the account. To ensure that you receive these funds on time, we need to know the new account information as quickly as possible.

CLBC will provide you with a *Direct Deposit Application* form (FIN 312) that must be completed so that money can be transferred electronically to the account. Complete the form with the name and address of the bank or credit union and the institution and transit and account numbers for your Direct Funding bank account. Either have your financial institution verify the details on the form and both stamp and sign it to this effect, or attach a copy of a personal cheque that is pre-printed with the account name and bank coding information. Be sure to mark the cheque as VOID.

Return the completed *Direct Deposit Application* form to the Quality Service analyst as soon as possible.

Payments will be made by CLBC to you once each month, typically on or about the 15th calendar day. Sometimes there may be a short delay in the first month while your agreement information is being processed.

Paying for Supports and Services

You may only spend the funds you receive from CLBC to hire support staff or to pay for other allowable expenses as outlined for each service listed on your schedule A – Supports and Services. You are expected to spend the money in the amounts allocated

for each type of service. If you think that there is a need to change how the money is allocated for the different types of services that you are funded for, you need to work with your facilitator to update your Individual Support Plan and to have your Schedule A and funding agreement modified.

You should pay by cheque for purchases of services wherever possible. Cash should only be used in circumstances where the cost is low and you are paying for something that would typically be paid for by cash, for example bus fares. If you make cash withdrawals, obtain and keep receipts showing how you spent the cash.

Occasionally, CLBC will audit your financial records, invoices and receipts. Funding may be suspended or CLBC may require repayment if inappropriate expenditures or unsupported cash payments or withdrawals have been made.

Paying Support Workers

When you use funds to pay support workers, the worker is either a contractor or an employee depending on the facts of the working relationship. Canada Revenue Agency, Employment Standards Branch (BC), and Worksafe BC all have rules that define when someone is an employee/worker or a contractor. It is important that you discuss your specific situation with each of these agencies as their definitions are not all the same.

If your support workers are employees, you may, as an employer, be responsible to:

- make deductions and adjustments from the payments you make to your employees for income tax, statutory holidays, vacation pay, workers compensation premiums, employment insurance (EI) and the Canada pension plan (CPP);
- remit deductions and employer contributions for taxes, EI and CPP to the government;
- comply with the Employment Standards Act and regulations governing employment in British Columbia; and,
- comply with the Workers Compensation Act and other regulations issued by WorkSafe BC.

You can use some of your funds, up to the amount agreed to with CLBC, to pay for accounting or bookkeeping services to help fulfill these responsibilities.

Keeping Financial Records

Keep invoices and receipts supporting the payments you make as well as bank statements and paid cheques. You will be required to submit copies of these financial records, invoices and receipts to CLBC if you are selected for audit.

You will also need to keep records so that government organizations like the Canada Revenue Agency and WorkSafe BC can verify that you have made the correct payments and deductions relating to employment.

It is easier to remember what you used the money for by updating the financial records on the same day that you spend the money. File invoices and receipts supporting each payment in an organized manner - filing by date is normally easiest.

Financial Reports

CLBC must confirm that you use the funds you receive as intended. To help us with this, you need to prepare and submit an electronic *Financial Report* each month to CLBC identifying how you have spent the money.

To ensure that your Direct Funding continues uninterrupted, you must submit *Financial Reports* on time. Reports are due no later than 30 days after the end of the reporting period. CLBC will provide reminders if you are late in reporting. After two written reminders followed by telephone contact, your Direct Funding will be suspended until you have submitted all outstanding reports.

It is easiest to complete the *Financial Report* if the reporting period covered by the report is the same as your monthly bank statement. Ideally, the account statement and the *Direct Funding Standard Agreement* are both based on calendar months. In this case, each reporting period will commence on the first day of the month and end on the last day. If the bank statement is not based on calendar months, you can still prepare your *Financial Report* using the bank statement dates for the reporting period.

Completing the Financial Report

The *Financial Report* is a web-based form that is completed electronically. It can be found at <https://extranet.communitylivingbc.ca/DFReporting> .

The web-based form consists of four screens on which you enter information about the money you received and how you spent it. Once you submit the form, a fifth screen provides you with a confirmation number and the details of all of the information that you submitted.

The steps for completing the Financial Report are as follows:

Screen One

Enter:

- the contract number – this is found on your Direct Funding Standard Agreement
- the name of the individual and their PARIS ID – this number can be found on the funding agreement

- the name and e-mail address of the person preparing the *Financial Report*. Typically this would be the agent for the *Direct Funding Standard Agreement*

Screen Two

Enter the opening and closing bank statement balances and dates. If this is not your first report, be sure to check that the opening bank balance that you enter is the same as the closing balance on the last report that you submitted.

Screen Three

Enter the date for each transaction on the bank statement and select whether it is a Credit (Deposit) or Debit (Expense) in the Transaction Type column. Then enter the dollar amount for the transaction. If the transaction was a Credit, choose the appropriate description from the Credit Description drop-down. The choices are:

- CLBC Deposit
- Bank Interest
- Bank Error Deposit (deposit made by the bank to correct a bank error)
- Corrective Deposit (deposit made by the agent at the request of CLBC)

All of the entered credits and debits will be totalled automatically. The screen will display a Calculated Closing Balance calculated as follows:

$$\text{Opening Balance} + \text{total Credits} - \text{total Debits} = \text{Calculated Closing Balance}$$

You will receive an error message if the Calculated Closing Balance is different than the closing balance from your bank statement that you entered on screen one.

Screen Four

On screen four you will be asked to provide the details for each debit you entered on screen three. The date and amount of each debit transaction will be brought forward from the previous screen.

If the debit transaction (cheque or cash withdrawal) was used to pay for more than one service category or type of purchase (e.g. respite, community based services, individual services), you will need to break down the payment to show how much was paid for each type of purchase. Each Debit Amount (transaction) can be split into five different types of expenses. For simplification, individual expenses less than \$25 that are part of a single larger payment need not be individually allocated and may be categorized in the same way as the majority of the expenses for that particular payment.

For each Debit Amount:

- select one or more *Type of Expense** to show everything that the debit amount paid for
- enter the *Detail Amount*** to show how much of the debit amount was paid for each Type of Expense
- Select the appropriate *Expense Category**** for each Type of Expense (Attendant Care or Other)
- Provide a description of what you paid for in "Description of Other" if required

***Type of Expense:**

This is selected from a drop-down list. From the list select the appropriate service category(ies) for each service listed on the Schedule A of your funding agreement. Many agreements only have one service (e.g. Service #1), but if there is more than one service on your agreement you must report how much you spent providing supports under each service.

From the list you can also select from the following to indicate if the detail amount was used to pay for:

- Bank Charges – charges from the bank for banking services
- Accounting fees – fees you paid to a third-party for book-keeping or accountant services
- Administration costs - costs you incur administering your agreement e.g. long distance charges, book-keeping/accounting supplies, etc.
- Repayment to CLBC - you have been asked to repay money to CLBC

Accounting and administration costs must fit within the allowable administrative costs agreed to with CLBC as indicated in the *Schedule B – Payments Summary* of your funding agreement and be supported by receipts or invoices.

The selection of “Other” is also available on the drop-down list but should only be used for expenses that do not relate to the deliverables listed under the services on the *Schedule A – Supports and Services* of your agreement or administration costs. For example, a bank error results in you having to pay back money to the bank. You must describe in “Description of Other” what the payment was for if “Other” is selected.

****Detail Amount:**

The total of the entered detail amounts must equal the associated Debit Amount. You will receive an error message if this is not the case.

*****Expense Category:**

Two choices are available from the drop-down list: Attendant Care or Other

Attendant Care:

Attendant care is the provision of a support worker or caregiver to assist an individual. Attendant care costs are directly related to paying the support worker for his/her time working with the individual but can also include any incidental costs related to the services of that support worker. For example, when a support worker accompanies an individual to a community activity, the transportation costs and entrance fee for the support worker, as well as the wages for the support worker’s time, are included as attendant care costs.

Other:

Select "Other" when the purchase made under the service category selected under Type of Expense was not for Attendant Care. You must describe the nature of the purchase in the "Description of Other" text box.

When you select Bank Charges, Accounting Fees, Administration Costs, Repayment to CLBC or "Other" as the Type of Expense the choice of Attendant Care is not available. A description of the nature of the purchase is required in "Description of Other" for Administration Costs, Repayment to CLBC and Other.

The *Financial Report* will automatically total all Detail Amounts to confirm that they add up to the corresponding Debit Amount. You will receive an error message if the Expense Detail Total does not match the Debit Amount. The error will need to be corrected before you can continue.

Making Changes as you complete the Financial Report

At any point prior to submitting the completed report, you can take the following actions:

Start Again – this will take you back to the first screen and pre-populate it with the name information that you already entered

Clear Fields – this will clear every field on the current screen

Quit – this will exit you from the application without storing any information

Submitting the Financial Report to CLBC

After you have completed all of the information on the first four screens, click the Submit button on screen four. A confirmation screen will appear showing the confirmation number for your submission and all of the information that you entered on screens one to four. It is important that you print and keep a copy of this page for your financial records. This page cannot be saved and stored on your computer.

Keep printed copies of your *Financial Reports* together with account statements, paid cheques, financial records, receipts and invoices.

Audit

Each year, CLBC will select a number of Direct Funding agreements for audit. If you are selected for audit, CLBC will ask you to submit copies of all financial records, invoices and receipts for a particular period. CLBC will review these financial records to ensure that your purchases comply with your *Direct Funding Standard Agreement*.

If an audit determines that you have not complied with your agreement or not kept adequate records, you may be considered ineligible to receive future Direct Funding. CLBC may also require you to repay money that you have already received if you are unable to satisfactorily demonstrate how you spent it.

Funding Shortfalls

It is your responsibility to manage the delivery of support services within the amount of money provided by your *Direct Funding Standard Agreement*. There is no provision for over-expenditures. If you spend more money than CLBC has agreed to fund, you will need to cover additional costs from your personal funds.

Occasionally, due to the timing of CLBC's payments, you may not have sufficient funds in your bank account at the time you need to pay for the supports you require. In these situations, you may use your own personal funds and reimburse yourself from the Direct Funding bank account when subsequent deposits are made by CLBC. If you do this, be particularly careful to ensure that you have all the financial records, receipts and invoices to show how the money was spent.

Do not deposit your personal funds in the Direct Funding bank account.

Repaying Funds to CLBC

When your agreement ends, CLBC may ask you to repay money that you did not use. You may also be asked to pay money back to CLBC if you spend money on supports or other purchases that were not agreed to in your funding agreement.

Managing Exceptional Needs

Some agreements may provide "Variable" funding for events or situations that are expected to occur over the term of the agreement but the extent, frequency and timing of their occurrence can not be accurately predicted. This Variable funding is used to pay for extra supports required by the individual during these times as outlined in the Schedule A – Supports and Services of the agreement.

Variable funding will be paid to you when an event occurs. You need to notify your analyst to let them know what expenses you have incurred and they will arrange to have the required funds deposited into your Direct Funding account. The receipt and expenditure of these funds will be included in your Financial Report to CLBC. Variable funds will only be paid up to the maximum variable amount indicated in your *Direct Funding Standard Agreement*.

Government Benefits and Tax

All individuals receiving more than \$6,000.00 per year through Direct Funding must provide confirmation that he/she is eligible to claim the Disability Tax Credit. To become eligible, the individual or his/her representative completes a Disability Tax Credit Certificate and has it certified by his/her doctor or other qualified practitioner. The completed form is sent by the individual or representative to the Canada Revenue Agency (CRA) for approval. The CRA sends the individual a letter indicating whether

or not the individual is eligible to claim the Disability Tax Credit, and the length of time the approval is valid for.

Once approved, the individual is eligible to claim the Disability Tax Credit which is a non-refundable tax credit that can be used to reduce the amount of income tax that the individual needs to pay. Being eligible for the Disability Tax Credit also reduces the possibility that receiving Direct Funding will affect the individual's taxation. The Disability Tax Credit Certificate can be applied for by completing the Canada Revenue Agency form T2201 E. This form can be found at the CRA web site at: www.cra-arc.gc.ca/E/pbg/tf/t2201/README.html

Taxation is a complex issue and you may wish to consult a taxation professional if you have concerns.

Questions

If you have questions about financial procedures that are not addressed by this information guide, contact the Quality Service analyst or CLBC Accounting Services at:

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