



The Corporation of the City of Vaughan

Report on the Mayor's City- Related Expenses for 2007

03 December 2008



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The Corporation of the City of Vaughan
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03 December 2008

Report on the Mayor's City-Related Expenses for 2007

Dear Committee Members:

Attached please find our report for your attention. We reserve the right, but are under no obligation, to supplement or amend our report upon the receipt of additional information. This Report was prepared solely for the purposes of an investigation on your behalf and the restrictions on its use are set out within the document.

During the course of our investigation we received the full co-operation of City officials and employees.

Very truly yours,

Bob Ferguson
Partner

Attachment



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1.0 Summary of findings

Our investigation determined that:

(a) Mayor's 2007 Expenses

The amount previously reported to Council as being the Mayor's under-budget spend for 2007 should be adjusted from \$18,985.63 to \$19,765.22.

The Mayor's expenses complied with the City's policies, except as follows:

- a) \$13,995.69 of charges to the corporate American Express card and a \$56.15 expense report item were not supported by sufficient documentation (i.e. receipts) or explanation;
- b) The Mayor has not produced the cell phone bills to support her cellular expense report claims of \$3,163.98;
- c) The Mayor incurred \$1,058.44 in expenses that were reimbursable from York Region, however an expense reimbursement claim has not yet been made to York Region.

There were no personal expenditures of the Mayor that were claimed as business expenses.

Charges on the Mayor's December 22, 2007 corporate American Express card totalling \$1,159.22 were not recorded in 2007. Rather, they were recorded in 2008.

The Mayor incurred \$3,701.72 in gasoline charges, which may not necessarily be in compliance with City Policies.

(b) Use of a Corporate American Express Card For Personal Purposes

The Mayor used the City's corporate American Express card to make \$5,816.37 in personal charges. These charges have all been paid back to the City. The time it took the Mayor to reimburse the City for these charges ranged from 12 to 322 days.

The Mayor incurred a \$481.60 flight charge for her spouse to attend with her at a Federation of Canadian Municipalities ("FCM") conference in Calgary. The Mayor's spouse did not attend the conference. The cost of the flight was non-refundable, however a credit valid for one year was issued in the name of the Mayor's spouse. Neither the Mayor nor the Mayor's spouse has reimbursed the City for this charge.

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(c) Conflict of Interest

The Mayor's office purchased printing services totalling \$1,896.77 from a company owned and operated by a relative of a member of the Mayor's office staff. The Mayor was not made aware of the relationship at the time of the purchase.

(d) Use of City Funds For York Region Purposes

The Mayor used the Corporate American Express card to pay for conference expenses that are reimbursable from York Region. The Mayor does not seek reimbursement from York Region at the time the expense has been incurred, which may be several months before the conference occurs. Instead, she seeks reimbursement from York Region after the conference has been held. Accordingly, the City is financing some of the Mayor's York Region expenses in advance of receiving the reimbursement.

(e) Duplicate Reimbursement of Expenses

The Mayor received personal reimbursement for \$346.94 in American Express charges that had previously been paid direct to American Express. The Mayor has reimbursed the City for this amount.

(f) 'Campaign' Expenses

Transactions entered into the City's accounting system as payments received from "Linda Jackson campaign" were actually received from "Linda Jackson Campese". The word 'campaign' was erroneously entered into the accounting system.

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2.0 Introduction

The mayor of the Corporation of the City of Vaughan ("Vaughan" or "the City") is Linda Jackson ("the Mayor"). In a letter dated April 4, 2008, a resident of the City (the "Resident") sent a letter to the City Manager of Vaughan, Michael DeAngelis ("City Manager"), setting out concerns related to the Mayor's 2007 expenditures (**Exhibit A**) based on information obtained by the Resident in a Freedom of Information request to the City. The Resident sent the City Manager another letter, dated May 2, 2008 (**Exhibit B**). The members of the City's Audit and Operational Review Committee ("the Audit Committee") were also copied on the two letters.

The letters were discussed at the May 6, 2008 meeting of the Audit Committee. At that meeting the Audit Committee recommended that:

... All documentation related to this matter be referred to an external forensic auditor to bring back a comprehensive report before the summer hiatus if possible, and that this be coordinated by the City's Internal Auditor.

At its May 12, 2008 meeting, the City's Council voted to adopt the Audit Committee's aforementioned recommendation.

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3.0 Scope

3.1 Engagement mandate

Ernst & Young LLP ("Ernst & Young") was engaged by the Audit Committee to conduct an investigation of the Mayor's 2007 expenses. The scope of our engagement (**Exhibit C**) included:

- *A full and comprehensive forensic audit on all of the Mayor's expenses for 2007, with full and detailed explanations;*
- *Whether the City's policies were violated (if any);*
- *Whether personal expenditures were claimed as business expenses;*
- *Whether the Mayor's expenses have been properly disclosed to the public;*
- *Whether the Mayor's use of public funds were appropriately used to perform her duties in the interest of the City;*
- *To answer the issues raised in the two letters of the resident (will be provided to auditor);*
- *To issue a full and comprehensive report with the results which may be available to the public.*

We performed our procedures in accordance with the applicable standards established by the Canadian Institute of Chartered Accountants ("CICA").

3.2 Time period reviewed

Our review covered the transactions recorded in the accounting records of the City in respect of the period of January 1, 2007 to December 31, 2007. Items identified outside of this period that should have been included in this time period have been identified in the Report.

3.3 Outstanding document and information request

The following documents and information have been requested from the Mayor, and not yet received by us:

- a) Copies of the Mayor's cell phone bills that support the Mayor's expense reports - refer to **Section 8.2** of the Report; and
- b) The identity of the person with whom the Mayor attended lunch on April 21, 2007 - refer to **Section 8.4** of the Report.

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3.4 Documents relied upon and interviews conducted

We obtained the following information from City officials:

- Accounting records (ledgers, journals, vendor invoices, and other supporting documentation);
- City Policies and By-Laws; and
- Minutes of Council and Committee(s).

We have not examined the general ledger entries of the other City Councillors and Departments to confirm that there were no expenses of the Mayor recorded in those accounts.

Relevant documents are included as Exhibits to this Report. Copies of Council and Committee meeting minutes are available on the City's website and, accordingly, have not been reproduced in this Report.

We interviewed and/or obtained information from the following groups of individuals:

- City staff (listed alphabetically):
 - Janice Atwood-Petkovski, Commissioner of Legal & Administrative Services;
 - Ray Barber, Records Management and Municipal Freedom of Information and Protection of Privacy Co-ordinator;
 - Ann Coletta, Administrative Assistant to the Mayor - Research;
 - Mirella Compagno, Executive Assistant to the Mayor;
 - Michael DeAngelis, City Manager;
 - Sybil Fernandes, Deputy City Clerk;
 - Clayton Harris, Deputy City Manager and Commissioner of Finance & Corporate Services;
 - John Henry, Director of Budgeting & Financial Planning;
 - Carol Hovey, Accounting Supervisor;
 - Barry Jackson, Director of Finance;
 - Shirley Kam, Manager of Economic Development;
 - Lorena Marcucci, Executive Assistant to the City Manager;
 - David Maxwell, Manager of Accounting;
 - Alan Meneses, Manager of Operating Budget & Activity Costing;
 - Fran Protomanni, Accounts Payable Supervisor;
 - Kathy Thorne, Administrative Assistant to the Mayor;
 - Michael Tupchong, Operational and Compliance Auditor; and
 - George Wilson, Director of Purchasing Services.

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- City Councillors (listed alphabetically):
 - Councillor DiVona;
 - Regional Councillor Ferri;
 - Mayor Linda Jackson;
 - Regional Councillor Rosati; and
 - Councillor Yeung Racco.

We also interviewed individual third parties.

Throughout this report and where relevant, we identify by name individuals who are either Councillors or employees of the City or York Region. Where we refer to an individual who is neither a Councillor nor an employee of the City or York Region, due to privacy issues, we do not refer to the person by name.

3.5 Restriction of use

The Audit Committee may, at its sole discretion, disclose this Report to any third party provided that the City provides Ernst & Young with prior notification of the proposed disclosure and discloses the Report in its entirety including all disclaimers and restrictive legends attached thereto by us intact. Notwithstanding anything herein, Ernst & Young does not assume any duties or obligations to third parties who may obtain access to the Report. Any use such third parties may choose to make of the Report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use.

3.6 Procedures do not constitute an audit

While many of the procedures we performed were the same as or similar to those performed in a financial statement audit, we were not engaged to, and did not, perform an audit for the purpose of expressing an opinion on historical financial statements in accordance with standards established by the CICA. Accordingly, we do not express such an opinion or any form of assurance on the historical financial statements of the City.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Generally Accepted Auditing Standards, other matters might have come to our attention that would have been reported to you.

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4.0 Mayor's budget

City Policy 01.14, *Council Budget/Expenditure Policy (Exhibit D)* sets out policies, guidelines and procedures with respect to expenditure control and clarification of expenditure allocation between Council Corporate and the individual Councillor budgets.

As set out in Policy 01.14,

- *"The Council budget shall be broken down into Corporate and Individual Council Budgets on the principles that items that are shared are charged to the Council Corporate Budget and items that can be attributed to an individual Councillor are charged to the Individual Council (sic) Budget ..."* (section 2.2); and
- *"The Individual Councillors' Budget totals must be approved by Council, with each Member of Council having discretion over allocations and spending within their own budgets in accordance with the policies and procedures of the City as well as other statutory requirements."* (section 2.4).

For purposes of this report, the terms "Mayor's Budget" and "Mayor's Expenses" will refer to the expenses of the Mayor charged to the Mayor's "Individual Council Budget" as contemplated above.

Allocations within the Mayor's Budget are set by the City's Department of Budgeting and Financial Planning, in consultation with the Mayor.

The Mayor's Budget for 2007 approved by Council is set out in **Exhibit E**.

We understand section 2.4 to mean that the Mayor had discretion on spending provided that the expenditures did not exceed the Mayor's Budget in total.

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5.0 Council expenditure summary / ledger sheets

The Ontario *Municipal Act*, section 284 (1), requires that the City Treasurer provide Council with an itemized statement of remuneration and expenses paid in the previous year.

In a memorandum dated March 6, 2008, John Henry, the City’s Director of Budgeting & Financial Planning, submitted to Council his report on each member of Council’s expenditures for 2007. Included in the Exhibits are excerpts of the memorandum, as follows:

- a) The covering memorandum (**Exhibit F**);
- b) Council Expenditure Summary (“Council Expenditure Summary”) for the Mayor (**Exhibit G**); and
- c) The detailed accounting ledger sheets (“the Ledger Sheets”) that support the amounts set out in the Council Expenditure Summary (**Exhibit H**).

The Council Expenditure Summary sets out the Mayor’s 2007 expenses, by category, for 2007. This document serves as the basis for the reporting of the Mayor’s 2007 expenses and the comparison to the total amount of the Mayor’s Budget that was approved by Council. In that regard, the Council Expenditure Summary indicates the Mayor under spent her 2007 budget by \$18,985.63, as follows:

Approved Budget Amount	\$234,445.00
Less Remuneration and Benefits	(130,514.41)
Less Other Expenditures	<u>(84,944.96)</u>
Budget Under Spend	<u>\$18,985.63</u>

5.1 Reconciliation - council expenditure summary to ledger sheets

The items in the Ledger Sheets have been produced from the City’s accounting system. The Ledger Sheet items, in summary form, reconciled to the reported Council Expenditure Summary.

5.2 Reconciliation - approved budgets

The total of the Mayor’s Budget for 2007 approved by Council was \$230,460 (**Exhibit E**). The 2007 remuneration levels of the Mayor and the other members of Council were approved by Council in November 2007 (per By-Law 316-2007). At that time the Mayor’s 2007 remuneration was increased from \$105,945 per annum to \$109,117 per annum, an increase of \$3,172. The Mayor’s Benefits

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expenses increased proportionately, leading to a total increase of the Mayor's Budget by \$3,985 to \$234,445, as reported in the Council Expenditure Summary (**Exhibit G**).

5.3 Reconciliation - budget to public disclosure

The City's Committee of the Whole, at its March 25, 2008 meeting, was presented a report prepared by Clayton Harris, John Henry, and Al Meneses, "*Statement of Remuneration and Expenses for Members of Council and Council Appointments to Boards and Other Bodies for the Year 2007*" (**Exhibit I**). This report represents the public disclosure of the remuneration and expenses of the Members of Council in a one line summary.

The publicly disclosed remuneration and expenses reconciled to the Council Expenditure Summary (**Exhibit G**). We understand that for statutory reporting purposes to the Committee of the Whole, the shared cost of the individual Council member's photocopier lease is not included because it is a shared expense and it is not considered to be part of the reporting requirements. The reconciling item was the Mayor's portion of the shared photocopier charge of \$810.76.

5.4 Analysis of ledger sheets

The Ledger Sheets are the detailed accounting records that support the amounts set out in the Council Expenditure Summary. It is these ledger sheets on which we have based our investigation.

We identified six distinct types of entries in the Ledger Sheets and categorized each Ledger entry accordingly in **Schedule 1** to this report. The six types were dealt within the following sections of this Report:

- a) 6.0 - Remuneration and Payroll Expenses;
- b) 7.0 - Credit Card Charges;
- c) 8.0 - Expense Reports;
- d) 9.0 - Other Expenses;
- e) 10.0 - General Ledger Journal Entries; and
- f) 11.0 - Reimbursements to the City.

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6.0 Remuneration and payroll expenses

The Mayor's remuneration and payroll expenses are set out in **Schedule 2**. They include:

- Council Remuneration - the Mayor's salary;
- Benefits - employee benefits paid on behalf of the Mayor: and
- Part Time Salary - the Mayor employs the services of a part time Administrative Assistant. The cost of the part time Administrative Assistant is charged to the Mayor's budget.¹

The Mayor's remuneration is set by by-law. By-law 316-2007 set the Mayor's 2007 salary at \$109,117.00.

We selected and reviewed significant non-standard entries, as follows:

- Council Remuneration, November 15, 2007, \$7,194.87: The Mayor's normal bi-monthly salary payment was increased by the retroactive payment for the Mayor's 2007 salary increase (see **section 5.2**);
- Benefits, December 29, 2007, (\$6,038.72): The cost of Council and City staff employee benefits are estimated each year by the City's Budget Department based on a percentage of budgeted salary costs. At the end of the year, the Budget Department adjusted the budgeted cost to the benefit cost actually incurred. In 2007, the effect was to decrease the amounts previously expensed to the Mayor's Benefits account by \$6,038.72. We reviewed documents that supported this adjustment; and
- Part Time Salaries, May 31, 2007, \$3,541.65, and November 30, 2007, \$3,123.00: The Part Time Salaries account included labour costs of the Mayor's part time Administrative Assistant for time the assistant spent either (a) as the secretary/receptionist for the Mayor and other members of Council or (b) filling in for other Councillor's assistants during vacation periods or sick time taken. These amounts were properly reallocated to the City Clerk's Department. We reviewed documents that supported these adjustments.

¹ The Office of the Mayor also employs two Administrative Assistants and an Executive Assistant. Consistent with the practice for all members of Council, the salaries and benefits for these employees are charged to the City Clerk's Budget and not the Councillors' Individual Budget.

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7.0 Credit card charges

The City's Senior Management Team and the Mayor each have a corporate American Express Card (the "Amex Card") to use when City related expenses are incurred. **Schedule 3** to this report sets out the Amex Card charges incurred by the Mayor.

We reconciled the Ledger Sheet entries to the monthly card statements.

7.1 Review for completeness of recording

We reconciled the Amex Card expenses set out in the Ledger Sheets to the actual Amex Card statements². We also reviewed charges on the Amex Card statements not recorded on the Ledger Sheets to test for under-disclosure of the Mayor's expenses. Major reconciling items were as follows:

(a) December 22, 2007 Statement Items

The City's year end is December 31, 2007. As part of the year end accounting closing procedures the City's Finance staff accumulated supplier invoices for expenses incurred on or before December 31, 2007 that had not yet been paid. This allowed the unpaid expenses to be recorded as accruals in the 2007 budget year.

We were informed that at the end of January 2008, the materiality limit for late arriving supplier invoices that were accrued and included in the 2007 financial statements was set by the Finance Department at \$50,000. That is, invoices greater than \$50,000 would be recorded in 2007 and invoices less than \$50,000 would be recorded in 2008.

The December 22, 2007 Amex Card statement was processed by the City Manager's office in late January 2008 and it was not received by the Finance Department until the last week of January 2008. The amount owing on the statement in respect of the Mayor's Amex Card was \$1,159.22. The total amount on the statement for all of the City Amex Cards was \$8,549.93. This did not meet the materiality threshold for being recorded in 2007. The charges on that statement were recorded in 2008.

The above noted charges totalling \$1,159.22 should have been recorded against the Mayor's 2007 Budget. Because they were not, the amount reported in **Exhibit I** as being the Mayor's Expenses for 2007, \$214,648.61, was understated by \$1,159.22 (0.54%).

² These are expenses noted as "American Express Canada Inc." in the "Explanation" column of the Ledger Sheets.

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(b) Italy Trade Mission

The Trade Mission to Italy was organized by the Italian Chamber of Commerce of Toronto, in association with the City's Department of Economic Development. The cost to the Mayor's Budget to attend the Trade Mission to Italy was to be \$4,000.00. Prior to attending the Trade Mission, it was known the actual cost for the Mayor and the other City elected representatives who also attended the Trade Mission to attend the Trade Mission would be in excess of this amount. Those extra costs were to be charged to the budget of the City's Department of Economic Development, offset by any sponsorship fees raised by either the Department of Economic Development or the Italian Chamber of Commerce of Toronto.

The following charges to the Mayor's Amex Card were incurred in excess of the budgeted \$4,000.00 while the Mayor was on the Trade Mission to Italy:

Date	Item	Amount
July 2, 2007	GTA Limo Taxi Travel	\$ 65.00
July 6, 2007	Park Hotel Stendhal, Parma	56.22
July 8, 2007	Hotel Flori, Como	217.52
July 8, 2007	Ristorante Il Corian, Milano	868.87
July 9, 2007	Jolly President, Milano	36.02
July 16, 2007	Hotel Ashley, Lamezia Terme	712.55
July 16, 2007	Taxi & Limo Payment	50.00
		<u>\$2,006.18</u>

Because the charges were in excess of the agreed upon amount that would be charged to the Mayor's budget, they were recorded against the budget of the Department of Economic Development. We reviewed the documents in support of these expenses and determined that they were consistent with the nature of the Trade Mission.

(c) Christmas Gifts to City Staff

The Mayor's Expenses includes \$1,502.52 relating to Christmas gifts for the City's Senior Management and Director level staff. The gifts were from the Mayor and the other Councillors. Because this was an expense shared between all of the Councillors, the charge was allocated to the City's Corporate budget in accordance with section 2.2 of City Policy 01.14 section (Exhibit D).

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7.2 Review of charges for city purposes

The City's Policy with respect to what Council members, including the Mayor, may spend their budgets on is set out in Policy 01.14 (**Exhibit D**). Section 2.4 of this policy states that:

"... each Member of Council (has) discretion over allocations and spending within their own budgets in accordance with the policies and procedures of the City as well as other statutory requirements."

In particular, section 4 of 01.14 sets out those expenses which should be attributed to an individual Council member's budget. Where this policy is silent, we referred to 'other statutory requirements.' In this case, that would be the *Municipal Act*. In particular, section 283 of the *Municipal Act* states:

"(1) A municipality may pay any part of the remuneration and expenses of the members of any local board of the municipality and of the officers and employees of the local board

(2) Despite any act, a municipality may only pay the expenses of the members of its council ... and of the officers and employees of the municipality ... if the expenses are of those persons in their capacity as member, officers or employees and if,

(a) the expenses are actually incurred; or

(b) the expenses are, in lieu of the expenses actually incurred, a reasonable estimate ... of the actual expenses that would be incurred."

As noted in the *Municipal Act*, any expense of a Councillor is acceptable provided the expense is incurred in their capacity as a Councillor.

Based on our review, the business purpose of the Mayor's Amex Card purchases comply with the City's policies, except:

- a) Not all of the Mayor's charges were supported by adequate documentation (refer to **section 7.3**); and
- b) Some of the Mayor's Amex Card purchases were for personal purposes (refer to **Section 11.2**).

We note the following matters with respect to the Mayor's Amex Card purchases as compared to City Policies:

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(a) Gasoline Purchases

In 2007 the Mayor incurred \$3,701.72 in gasoline charges:

City Policy 01.14, section 4.1.6 states that the costs of the "*Mayor's Vehicle - lease, repairs, insurance, license, maintenance.*" will be charged to the Mayor's Budget. City Policy 01.14 is silent with respect to gasoline charges.

It is possible to interpret the policy as either allowing for vehicle expenses, some examples of which were listed, or to interpret the policy as only allowing for itemised expenses and not gasoline. Absent a legal opinion:

- The City allowed all gasoline charges claimed in 2007;
- There was a precedent in that some gasoline purchases were reimbursed to the previous Mayor in prior years; and
- The wording of the *Municipal Act* would appear to allow such.

(b) Spousal Involvement in Events

The Mayor's spouse attended some City funded business meals and events with the Mayor. City Policy 01.14 is silent with respect to whether or not the spousal portion of a City related event (meal or otherwise) should be paid for by the City.

(c) Business Meals - Alcohol

We noted on the receipts of some of the business meals incurred by the Mayor that alcohol was consumed at the meal and included in the expense paid with City funds. City Policy 01.14 is silent with respect to whether or not City funds should pay for alcoholic beverages consumed at a business related meal.

(d) Expenses Reimbursed by York Region

Expenses incurred by the Mayor related to attendance at conferences for the FCM and the Association of Municipalities of Ontario ("AMO") are reimbursed to the City subsequent to the Mayor receiving a reimbursement from York Region. These transactions are discussed in **Section 11.1** of this report.

(e) Personal Charges Incurred

As set out in **Schedule 3**, the Mayor incurred and reimbursed the City for \$5,816.37 in personal charges on her Amex Card. These charges and reimbursements are more fully detailed in **Section 11.2** of this Report.

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7.3 Amex card supporting documentation

(a) Supporting Documentation

We reviewed the supporting documentation for the Mayor's charges on the Amex Card. With respect to completeness of documentation, we identified the following three categories:

- a) Adequate supporting documentation, including a receipt, for the charge was found;
- b) A receipt for the charge was not found, and the Mayor is unable to find a copy of the receipt; and
- c) The actual receipt could not be found, however a transaction slip which set out the total amount of the charge, but not the details of what was actually purchased, was found.

Our findings are summarised as follows:

Documentation	No. of Charges		Cost of Charges	
	#	%	\$	%
Receipt	100	66	22,209.18	61
No receipt	33	22	7,307.00	20
Transaction slip only	<u>18</u>	<u>12</u>	<u>6,688.69</u>	<u>19</u>
Total	<u>151</u>	<u>100</u>	<u>36,204.87</u>	<u>100</u>

The table above indicates that of the items the Mayor charged to the Amex Card, the Mayor provided detailed receipts for 66% of the charges, or 61% of the dollar value of said charges.

The Mayor acknowledged that during the first year of her term as Mayor she was not as diligent in keeping her receipts as she should have been. The Mayor has now instituted procedures in her office that will ensure that receipts are accumulated and filed in the appropriate manner.

(b) Follow up by City Manager

The City Manager's office is responsible for processing the Amex Card statements. Amex Card holders are requested to submit receipts and general ledger account allocations to the City Manager's office prior to the processing of the statement.

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If there are missing receipts at the time payment is due, the statement is processed in order to avoid incurring late payment penalties on the account. City Manager staff keep a list of those charges that are missing receipts and continue to follow up on them subsequent to the payment being made. In light of the number and value of missing receipts, a different approach to enforcement of policy should be considered.

(c) City Policies

We analysed the charges without adequate supporting documentation, as follows:

	Business Meals	Non Meal Expenses	Total
No receipt	\$ 1,001.30	\$ 6,305.70	\$7,307.00
Transaction slip only	<u>1,137.88</u>	<u>5,550.81</u>	<u>6,688.69</u>
Total	<u>\$ 2,139.18</u>	<u>\$ 11,856.51</u>	<u>\$13,995.69</u>

Section 4.1.14 of City Policy 01.14 states that Council members will receive *“Reimbursement of expenditures for business meals with staff and/or external persons with supporting documentation and receipts.”*

Through alternative procedures we are satisfied that the business meal charges were for business purposes. However, the lack of supporting documentation and receipts for these expenses could mean that the expenses were reimbursed in violation of 01.14. Council may wish to consider requiring reimbursement to the City the costs of these charges in the absence of *“supporting documentation and receipts”*, as specified in the policy.

For the non-meal expenses that have been noted as either having no receipts or simply a transaction slip, both City Policy 01.14 and section 283 of the *Municipal Act* are silent as to the need to provide receipts. Council may wish to consider amending this potential policy wording deficiency by requiring receipts be submitted for all business related expenses.

7.4 Amex Card procedures

(a) Mayor’s Office

Within the Mayor’s office, the procedures that are followed in the processing of the Amex Card statements are as follows:

- The Mayor’s portion of the statement is given to the Mayor’s Administrative Assistant;
- The Administrative Assistant reviews the charges and matches receipts with the charges;
- The Administrative Assistant asks the Mayor for any missing receipts;
- The Administrative Assistant prepares the general ledger account allocation for the individual charges;

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- When the Mayor cannot find a receipt, the Administrative Assistant obtains an explanation of the charge from the Mayor and includes the explanation on the statement; and
- The statement, with receipts, account allocations and explanations is then sent back to the City Manager's office for processing.

We were informed by the Mayor that she does not review her portion of the Amex Card statement in detail.

(b) City Policy 03.19

City Policy 03.19, *Expense Reports*, (**Exhibit J**) indicates that

"...credit card expenses for the Mayor be approved by the Chief Administrative Officer."

The City Manager, through his review and approval of the monthly Amex Card statements, did approve the Mayor's credit card expenses.

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8.0 Expense Reports

During 2007 the Mayor submitted six expense reports for reimbursement of business related expenses. The expenses claimed in the expense reports are set out in **Schedule 4** to this report.

8.1 Expense report policies

(a) Review and Approval of Councillor Expense Reports

There is no City Policy that requires the expense report of a City Councillor, of which the Mayor is one, to be reviewed and approved by any other person. Councillors are required to sign the following declaration on each expense report:

"I, the undersigned, hereby state, that I have incurred the expenses noted above while in the conduct of business related to Council and the Corporation of the City of Vaughan and that these expenses are not recoverable from any other source."

(b) Submission of Expense Report Receipts

City Policy 01.14 does not specifically state that when Councillors are submitting expense reports for cellular telephone expenses the cellular telephone bills must accompany the expense report. Section 4.1.13 does state, however, that

"Reimbursement of expenditures for cellular telephone charges ... it shall be the responsibility of each Member of Council to retain supporting invoices and documentation."

8.2 Cell phone charges

The Mayor has two cellular phones that she uses for City purposes. The invoice for one cellular phone is paid direct to the service provider by the City's Finance Department. A second cellular phone is paid by the Mayor using personal funds. During 2007, the Mayor submitted expense reports totalling \$3,163.98 for cellular telephone invoices she paid using personal funds.

To obtain reimbursement of the cell phone charges paid by the Mayor personally, the Mayor advises her assistant the amount of the bill. The assistant prepares an expense report, setting out separately the amount of the cell phone charge, the Provincial Sales Tax, and the federal Goods and Services Tax. The Mayor does not show or provide the assistant a copy of the bill. The assistant presents the expense report to the Mayor for signature. Once the Mayor has signed the expense report, it is sent to the City's Finance Department for processing.

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We requested from the Mayor a copy of the cellular telephone invoices in order to confirm the nature and quantum of the expense. The Mayor indicated to us that these invoices were lost or discarded but that she is currently in the process of obtaining a copy of the invoices from her service provider. Accordingly, we are not in a position to comment on the cell phone charges other than that no adequate supporting documentation was retained and produced to us.

The fact that the Mayor has been reimbursed for cellular phone charges and she has not retained supporting invoices and documentation is non-compliant with City Policy 01.14 section 4.1.13. Council may wish to consider requiring reimbursement to the City the costs of these cellular phone charges in the absence of the requested invoices.

8.3 Duplicate expenses claimed

In an expense report signed on July 25, 2007, the Mayor submitted a claim for three business meals, as follows:

Item Date	Business Establishment	Amount
May 18, 2007	Dinner at Basilico Ristorante, Woodbridge	\$ 113.49
May 22, 2007	Dinner at Bistro 96, Toronto	160.58
May 31, 2007	Dinner at Milestone's, Calgary AB	<u>72.87</u>
		<u>\$ 346.94</u>

The expenses claimed were supported by transaction slips only. None of the transaction slips were accompanied by detailed restaurant receipts. Two of the three transaction slips indicated that they were paid using an American Express card with the last four digits the same as those for the Mayor's Amex Card. The Basilico transaction slip sets out the Mayor's Amex Card number in its entirety.

These transactions had previously been paid direct to American Express through the standard process for paying Amex Card bills. The Basilico Ristorante and Bistro 96 charges were listed on the May 23, 2007 Amex Card statement and the Milestone's charge was listed on the June 22, 2007 Amex Card statement.

The Mayor explained that the fact she submitted an expense report claim for charges that had previously been paid direct to American Express was an administrative error. The Mayor's Executive Assistant generally prepares the Mayor's expense reports. The July 25, 2007 expense report, however, was prepared by the Mayor's Administrative Assistant. The Administrative Assistant came across these three transaction slips and included them in the expense report. She did not notice that these receipts had been paid using the Mayor's Amex Card nor did the Mayor when she signed the expense report.

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The City Manager approved the expense report. As noted above, the City Manager does not usually sign the Mayor's expense report. This was the only expense report out the six 2007 expense reports submitted by the Mayor that bear the City Manager's signature. Though the City Manager acknowledges that it is his signature on the expense report, he has no recollection of signing the expense report.

On April 29, 2008 the duplicate payment was brought to the Mayor's attention. The Mayor reimbursed the City the next day.

8.4 Business meal

In an expense report signed on January 23, 2008, the Mayor submitted a claim of \$56.15 for a business meal on April 21, 2007. The Mayor has indicated to us that the lunch meal was with one other person and she has told us about the nature of the business that was discussed. The Mayor has not provided us with the name of that person. The Mayor has undertaken to contact the person who she went to lunch with on that day and seek that person's permission to disclose their name to us.

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9.0 Other expenses

The Mayor's Budget includes expenses paid direct by the City. These expenses are set out in **Schedule 5**.

We selected and reviewed items on a test basis for validity. Based on our review, the transactions set out in **Schedule 5** indicate that the expenses comply with the City's policies, including the *Municipal Act*, except as noted below.

9.1 Supplier related to a member of the mayor's office staff

(a) Print Services Provided

During our investigation we noted that the Mayor's office purchased external printing from N.A.I.P.I. Print Management:

Invoice Date	Item Purchased	Amount
Nov 14, 2007	Custom note cards and envelopes	\$1,487.70
Nov 29, 2007	Business cards for Ann Coletta	203.87
Dec 1, 2007	Graphic design charges for October and November 2007	<u>205.20</u>
		<u>\$ 1,896.77</u>

(b) N.A.I.P.I. Officers and Directors

N.A.I.P.I. Print Management is an operating division of North American Institute of Private Investigation Inc. A corporate search for North American Institute of Private Investigation Inc. determined that a person ("Person A") is a Director, the President and the Administrator of the company.

Person A is a relative of a member of the Mayor's office staff.

(c) Knowledge of Services Provided

We were informed that the assistants in the Mayor's office were not satisfied with the company they previously used for printing. Person A was used as a person to direct the assistants to various printing companies.

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The Mayor's Executive Assistant was aware that Person A was assisting their office in obtaining printing services. She was aware that they also subsequently purchased printing services from N.A.I.P.I. Print Management. She was never informed by the staff member that N.A.I.P.I. was a company directed by the staff member's relative. The Mayor's Executive Assistant only became aware of the relationship with N.A.I.P.I. in mid-November 2008.

The Mayor told us that at the time the printing orders were placed and delivered, she neither knew what printing company was being used nor that her staff member's relative's company provided the printing services. The Mayor was informed of these facts in mid-November 2008.

We were informed that N.A.I.P.I. Print Management has not been used as a print supplier since February 2008.

(d) City Conflict of Interest Policy

The City's Conflict of Interest Policy is set out in City Policy 05.5.13 *Code of Conduct for Municipal Employees*, (Exhibit K). By placing the printing orders with her relative's company, the Mayor's office staff member may have acted in contravention of the Conflict of Interest Policy which covers:

- *"preferential treatment to relatives, friends, organizations or groups in which (she or her relatives) have a pecuniary interest";*
- *"personal benefit, directly or **indirectly** from any agreement or contract with the City about which they can influence decisions or affect the outcome." (emphasis added); and*
- *Informing her supervisor, in writing, about the "business interests of a commercial or financial nature where such interests might be construed to provide an advantage or be in conflict with their civic duties."*

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10.0 General ledger journal entries

Within the transactions in the Ledger Sheets were a number of journal entries. Journal entry transactions are not uncommon in any entity. Their purpose, generally, is to:

- Accrue for transactions that have not yet been recorded;
- Record transactions that are not entered into the accounting system through the normal course of business;
- Reallocate previously recorded transactions to different general ledger accounts; and
- Correct clerical errors in previously recorded transactions.

The journal entries in the Ledger Sheets are set out in **Schedule 6**.

Items to be noted about the journal entries in **Schedule 6**:

- The vast majority of the journal entries were recorded to reallocate expenses within the Mayor's Budget; and
- The journal entries were generally initiated by the City's Budget Department or the City Clerk's Department and not the Mayor's office.

10.1 Correction of clerical errors

There were two clerical errors corrected through journal entries:

(a) Double Recording of an Amex Card Statement

The June 22, 2007 Amex Card statement was expensed through the accounts payable system a second time, in error, on July 24, 2007. When the cheque was produced the City's internal control system discovered the mistake and the cheque was cancelled. Journal entries to reverse the erroneous, duplicative expense were processed with the narration "Correction of Amex double entry". It is for this reason that there are several journal entries in the Ledger Sheets pertaining to the Amex Card "double entry".

(b) Car Lease Payments

On April 2, 2007 the regularly scheduled lease payment for the Mayor's car was incorrectly entered into the City's accounts payable system to pay the lease's payments to 2010. The error was detected before payment. Because the expenses had been recorded, a correcting journal entry was made. The erroneous cheques were never produced by the accounts payable system and there were no 'extra'

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cheques sent to the leasing company. We received independent confirmation from the leasing company to that effect.

10.2 Reallocation of Expenses Out of the Mayor's Budget

The following journal entries were made that allocated expenses out of the Mayor's budget to another City Department's budget:

J/E Date	Expense Item	Department Transferred To	Amount
Jul 31/07	Toner cartridge	Council Corporate	\$ 791.77
Oct 31/07	Lunch with winner of Strategic Plan survey	Senior Manager Strategic Planning	415.50
Nov 30/07	Mayor's office furniture	Council Corporate	567.00
Nov 30/07	Mayor's office furniture	Council Corporate	2,326.10
Nov 30/07	Mayor's office furniture	Council Corporate	584.25
Dec 29/07	Mayor's dinner with Councillors	Council Corporate	1,625.65
Dec 29/07	Mayor's dinner with Councillors	Council Corporate	861.39
Dec 29/07	Add employee to City security system	Council Corporate	90.00
Dec 29/07	GST on furniture purchase	Balance sheet account	<u>72.88</u>
			<u>\$7,334.54</u>

The explanations for the reallocations are set out in **Schedule 6**. We reviewed the documentation supporting these journal entries and determined that the journal entries were made in accordance with the City's policies.

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11.0 Reimbursements to the city

The Mayor reimbursed the City for charges on the Amex Card that were either:

- Reimbursable from York Region; or
- Of a personal nature.

The reimbursements are set out on **Schedule 7** to this Report.

11.1 York Region expense reimbursement

The process for reimbursement of the City is inadequate to ensure timely and effective reimbursement of the City

(a) Process

The Mayor is a member of the York Region Council. As such, York Region pays her expenses to attend the FCM and AMO conferences.

The Mayor will pay for these expenses using the Amex Card. The City pays these charges during their normal processing of the Amex Card statements. The Mayor's York Region expense reports are prepared by the Mayor's Administrative Assistant. The expense reports are generally prepared on a timely basis subsequent to the Mayor attending the conference.

The Mayor submits the expense report to York Region seeking reimbursement of the charges. Upon receipt of the funds from York Region, the Mayor writes a cheque for deposit into the City's bank account.

The Mayor does not seek reimbursement from York Region for FCM and AMO conference expenses until subsequent to the conference. The Mayor generally pays all of these expenses with her Amex Card. There are expenses incurred prior to the conference being held (e.g. air fare, registration fees). By not submitting a York Region expense report at the time the expense was incurred, the City effectively funds the purchase on behalf of the Mayor until such time as the City receives reimbursement from York Region.

(b) Timeliness of Expense Reports and Cheque Reimbursement

An expense report for the flight to the AMO conference in Ottawa was submitted two and a half months after the conference. It was explained to us that the delay in preparing that expense report was a clerical error.

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For two York region expense reports submitted by the Mayor, totalling \$3,852.52, there was a time period of over two and a half months between the time the Mayor's office received the cheque and when the funds were deposited into the City's bank account. The explanation given by the Mayor for the time lapse is that in September 2007, when her office received the cheque, she was at home recovering from her knee surgery.

(c) Expenses Not Yet Submitted to York Region

The following expenses incurred at either the FCM conference in Calgary or the AMO conference in Ottawa, and which have been paid by the City, have not yet been submitted to York Region for reimbursement:

Item Date	Conference	Business Establishment	Amount
May 31, 2007	FCM Calgary	Milestone's Restaurant	\$ 72.87
June 3, 2007	FCM Calgary	Air Canada - flight change	25.44
June 3, 2007	FCM Calgary	Air Canada - flight change	42.40
June 4, 2007	FCM Calgary	Westin Calgary	877.73
August 22, 2007	AMO Ottawa	Pearson Airport parking	6.00
September 6, 2007	AMO Ottawa	Taxichit Inc, Ottawa	<u>34.00</u>
			<u>\$1,058.44</u>

The Mayor's office was not aware that these expenses had not yet been submitted to York Region for reimbursement.

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11.2 Reimbursements for personal expenses

(a) Charges Incurred

As set out in **Schedule 7**, the Mayor incurred \$5,816.37 in personal charges on the Amex Card:

Item Date	Business Establishment	Amount
April 3, 2007	Vase purchased at a fundraising event	\$ 140.00
June 13, 2007	Mayor's spouse charge to attend Italy Trade Mission	4,062.10
August 25, 2007	Personal gasoline purchase	61.00
September 4, 2007	Taxi fare	10.00
September 18, 2007	Personal meal while attending doctor appointments	10.57
September 19, 2007	Parking fee while attending doctor appointments	3.00
September 20, 2007	Parking fee while attending doctor appointments	10.00
October 2, 2007	Clothing purchase re: CityLine television show	1,469.70
October 30, 2007	Meal purchase	50.00
		<u>\$5,816.37</u>

All of these amounts have been paid back to the City.

(b) Mayor's Spouse's Flight to Calgary

A flight had been booked for the Mayor's spouse to attend the FCM conference. When the Mayor's flight was booked for the conference, a flight was also booked for the Mayor's spouse. The cost of that flight was \$481.60. This air fare charge was charged to the Mayor's Amex Card and then paid by the City.

Just prior to the conference the Mayor's spouse was required to cancel his trip to Calgary. The cost of the flight was non-refundable. However, Air Canada gave the Mayor's spouse a personal credit for the cost of the flight valid only for future travel on Air Canada by the Mayor's spouse. The City should be reimbursed for the amount of the credit, \$481.60.

(c) City Policies

There is no specific City policy that sets out what can or cannot be charged to the City's Amex Card.

Section 2.1 of City Policy 01.14, however, does state that "*Public funds may not be expended for person (sic) use, non-City business use, campaign or election related purposes.*" This wording would infer that if a personal expense is charged to the Amex Card, and the cardholder incurring that expense reimburses the City for the charge prior to the City paying American Express, then such personal

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charges to the Amex Card may be permitted. Otherwise, personal charges to the Amex Card do not appear to be permitted.

(d) Timing of Reimbursement

Schedule 7 also indicates the number of days that elapsed between when the personal charges were incurred on the Mayor's Amex Card and the reimbursement funds were deposited into the City's bank account. The range was from 12 days to 322. The Mayor's explanations for the timing of the reimbursements are noted in **Schedule 7**.

11.3 Items Identified as Linda Jackson 'campaign'

A number of reimbursements made by the Mayor were identified in the Ledger Sheets as being from "linda jackson campaign".

We reviewed the receipts issued by the City for the reimbursements made and noted that the receipts indicated that they were issued to "Linda Jackson Campese". The Mayor's husband's last name is Campese.

The input of the word 'campaign' into the accounting system was a clerical error, "campaign" should have been entered as "Campese".

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12.0 Amendments to 2007 expenses reported

As noted in Section 5.0 of this report, the March 6, 2008 Council Expenditure Summary (**Exhibit G**) indicated that the Mayor under spent her 2007 budget by \$18,985.63. Our investigation determined that there should be amendments to this amount.

The net effect of the amendments to the reporting of the Mayor’s 2007 Budget is:

Amount under budget, originally reported	\$18,985.63
Items to be added to the Mayor’s expenditures (a)	(1,159.22)
Items to be deducted from the Mayor’s Expenditures (b)	<u>1,938.81</u>
Amount under Budget, revised	<u>\$19,765.22</u>

(a) Items To Be Added to the Mayor’s Expenditures

As set out in **Section 7.2 (c)** of this Report, the Mayor incurred \$1,159.22 in charges on the December 22, 2007 American Express Card statement that were recorded in 2008. They were actually 2007 expenses and should have been included in the Council Expenditure Summary.

(b) Items To Be Deducted From the Mayor’s Expenditures

We noted that the following expenses had either been charged to the Mayor’s Budget when they should not have been, or, with the benefit of hindsight, they remained in the Mayor’s Budget when they should have been allocated elsewhere:

Item	Report Reference	Amount
FCM/AMO unclaimed expenses ³	Section 11.1 (c)	\$1,058.44
Reimbursement of duplicate charges ⁴	Section 8.3	346.94
Meal shared with all Councillors	Schedule 3	93.22
Meal shared with all Councillors	Schedule 3	170.21
Flower deliveries	Schedule 6, Note 30	<u>270.00</u>
		<u>\$1,938.81</u>

³ The unclaimed expenses from York Region should have been accrued at year end as an accounts receivable from York Region, thereby reducing the expenses recorded in the Mayor’s Budget.

⁴ The Mayor’s Budget is over stated by the amount of the reimbursement to the Mayor of the three expenses that had been paid from the Amex Card statement. The Mayor reimbursed the City in 2008 for this over payment, and accordingly an off setting entry should be recorded in 2007.

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Other amounts that may have an effect on the Mayor's reported expenditures for 2007 include the following:

- a) Business meals not supported by adequate supporting documentation - \$2,139.18;
- b) Cellular telephone bills not supported by documentation - \$3,163.98;
- c) The unreimbursed cost of the Mayor's spouse's cancelled flight to Calgary - \$481.60; and
- d) The Mayor's gasoline expenses - \$3,701.72.

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13.0 Matters raised by city resident

The Resident's letters set out a number of items.

The specific transactions raised and some of the policy questions raised in the letters have been reviewed by us and addressed throughout this Report.

There were other matters raised by the Resident's letters that will be addressed below.

(a) Car lease payments

As noted in **Section 10.1(b)**, there have not been any advance payments made on the Mayor's car lease. Accordingly, questions (2) to (8) are no longer applicable.

(b) The mayor's driver

Question 9 on page 2 of Appendix 1 asks why the cost of the driver for the Mayor that was approved by Council on October 9, 2007 was not reported on the Mayor's Expenditure Summary.

At the time the approval was given, the Mayor was no longer in need for the services of a driver. The expenditures did not occur.

(c) Council approval for trips

Question 1 on page 3 of Appendix 1 asks if trips have to be approved by Council or business cases submitted to justify the use of taxpayer money for travel.

Attendances at conferences and seminars are governed by City Policy 03.03 *Attendance at Conferences and Seminars Members of Council and Staff*. That policy indicates, in summary, that:

- Members of Council are limited to attend one conference or seminar (as defined by the Policy) per year when the event is held outside the Province of Ontario but within Canada or the United States;
- Members of Council are limited to attend one conference or seminar (as defined by the Policy) per year when the event is held outside the Greater Toronto Area;
- Any member of Council who wishes to attend in excess of the above noted conferences or seminars must receive approval by special resolution of Council; and
- An estimated amount of \$2,000 per member of Council may be placed in the budget submissions to cover attendance at conferences and seminars in the Greater Toronto area;

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However, if a Council member attends a conference or seminar and the costs of such attendance are funded by another source (e.g. York Region), then Policy 03.03 may not be applicable.

We are not aware of any other City policy that requires Council approval for trips.

(d) Council approval for trips

Question 2 on page 3 of Appendix 1 asks if there is a policy about taxpayer funds being used to pay for spousal travel.

We are not aware of any policy with respect to spousal travel.

(e) Ottawa trip

The first two full paragraphs on page 3 of Appendix 1 asks questions about the Mayor's trip to the AMO conference in Ottawa.

The variance in the transaction dates of the expenses incurred while in Ottawa are a result of varying processing times by suppliers. The expenses incurred during the Ottawa trip were incurred within the dates the Mayor was in Ottawa.

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Schedules

Schedule	Schedule Description
Schedule 1	Mayor Expenses - General Ledger
Schedule 2	Remuneration and Payroll
Schedule 3	Amex Card Charges
Schedule 4	Expense Reports
Schedule 5	Other Expenses
Schedule 6	General Ledger Journal Entries
Schedule 7	Reimbursements to the City

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Exhibits

Exhibit	Exhibit Description
Exhibit A	April 4, 2008 letter from the Resident to Michael DeAngelis, City Manager
Exhibit B	May 2, 2008 letter from the Resident to Michael DeAngelis, City Manager
Exhibit C	Vaughan Bid document, Bid No. Q08-150, Audit of Mayor's City-Related Expenses for 2007, Terms of Reference
Exhibit D	Vaughan City Policy 01.14, <i>Council Budget / Expenditure Policy</i>
Exhibit E	Mayor's Budget, 2007
Exhibit F	March 6, 2008 Memorandum "2007 Council Remuneration & Expenses - FINAL", prepared by John Henry, Director of Budgeting & Financial Control.
Exhibit G	Council Expenditure Summary for Mayor Jackson for the year ended December 31, 2007
Exhibit H	Council Expenditure Report for Mayor Jackson for the year ended December 31, 2007
Exhibit I	"Statement of Remuneration and Expenses for Members of Council and Council Appointments to Boards and Other Bodies for the Year 2007"
Exhibit J	Vaughan City Policy 03.19, <i>Expense Reports</i>
Exhibit K	Vaughan City Policy 05.5.13, <i>Code of Conduct for Municipal Employees</i>