

AUDIT AND OPERATIONAL REVIEW COMMITTEE – NOVEMBER 16, 2009

**REPORT BY THE CITY AUDITOR WITH RESPECT TO THE SUPPLEMENTAL
REPORT REGARDING THE MAYOR'S CITY-RELATED EXPENSES FOR 2007**

Recommendation

The City Auditor recommends:

That Attachment 1 of this report, being the City Auditor's response for Clauses 3 and 4 of Item 1, Report No. 1 Audit and Operational Review Committee, adopted at the Council Meeting of June 15, 2009, be approved.

Economic Impact

There is no economic impact.

Communications Plan

Staff in consultation with Corporate Communications will develop appropriate communication materials.

Purpose

The purpose of this report is to provide the City Auditor's report on recommendations by Ernst and Young LLP in their report on the Mayor's City-related Expenses for 2007,

Background - Analysis and Options

At the Audit and Operational Review Committee meeting dated June 1, 2009, and as ratified by Council June 15, 2009, the City Auditor was directed to provide a further report addressing Clauses 3 and 4 of the City Auditor's report on the Supplemental Report regarding the Mayor's City-Related Expenses for 2007 by Ernst and Young LLP. Clauses 3 and 4 provide as follows:

3. That in response to recommendations 1, 2, 4, 8 in the E&Y Supplemental Report, "Policy 01.14" Council Budget Expenditure Policy:
 - i. Recommendation 1 – paragraph 4.1.6 be amended to include "fuel"
 - ii. Recommendation 2 – the summary page of the cellular phone bill indicating the cellular phone number and total charges relating to that phone number be submitted in support of the approved claim
 - iii. Recommendation 4 – the wording be clarified with respect to business meals to require both the original detailed restaurant invoice and the transaction slip submitted and that supporting documentation be expanded to include who attended and the business purpose
 - iv. Recommendation 8 – guiding principles be amended as follows: "2.10 – All Corporate and Council expenditures must be supported by appropriate documentation and original receipts."

4. That the Audit and Operational Review Committee provide direction on the following Recommendations from page 2 of the Supplemental Report regarding the Mayor's City-related expenses for 2007:
 - i. Recommendation 5 Entertaining Staff Members and Spouses
 - ii. Recommendation 6 York Region expenses

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| iii. Recommendation 7 | Mayor and Repayment of Cellular Telephone Amounts |
| iv. Recommendation 9 | Appropriate Action to be taken for non-compliance |
| v. Recommendation 10 | Consumption of Alcohol at City funded business meals |
| vi. Recommendation 11 | Attendance of Spouses at City-funded events. |

The attached Table 1 provides the recommendations of Ernst and Young LLP and the recommendations of the City Auditor relating to the direction of Council on June 15, 2009 to address Clauses 3 and 4.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

The City Auditor was directed to bring forward a further report on the recommendations made by Ernst and Young LLP in their Supplemental Report regarding the Mayor's City-related expenses for 2007 regarding:

(a) Changes to Policy 01.14 Council Budget/Expenditure Policy

(b) Specific issues in their findings for which direction is sought from the Audit and Operational Review Committee on how to deal with them.

In this report, the City Auditor proposes to revise paragraphs of Policy 01.14 Council Budget Expenditure Policy with the changes for the Audit and Operational Review Committee to approve.

On the specific issues of point 4 above, the City Auditor has provided more information and recommendations for the Audit and Operational Review Committee to consider before they make a decision on the direction the City should take.

Attachments

1. Table 1 of the City Auditor addressing Clauses 3 and 4
2. Current Policy 01.14 Council Budget/Expenditure Policy

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

Respectfully submitted,

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

ATTACHMENT 1

City Auditor's response to Clauses 3 and 4 (as recommended by Audit and Operational Review Committee Meeting of June 1, 2009 and adopted by Council on June 15, 2009).

Clause 3 of the City Auditor's Report to Audit and Operational Review Committee of June 1, 2009. Based on Ernst and Young Recommendations in the Report on the Audit of the Mayor's expenses 2007	City Auditor Recommendation
Recommendation 1: -paragraph 4.1.6 be amended to include "fuel"	Paragraph 4.1.6 to read: "Mayor's Vehicle-lease, repairs, insurance, license, maintenance <u>and fuel.</u> " This is addressed in the proposed Council Member expense Policy.
Recommendation 2: -the summary page of the cellular phone bill indicating the cellular phone number and total charges relating to that phone number be submitted in support of the approved claim	Paragraph 4.1.13 to read: "Reimbursement of expenditures for cellular telephone charges, 407 charges and mileage. It shall be the responsibility of each Member of Council retain supporting invoices and documentation <u>and to provide the summary page of the cellular phone bill indicating the cellular phone number and total charges relating to that phone number be submitted in support of the approved claim. Similarly for 407 charges, the summary page should be presented to support the claim.</u> Please note that under Canada Customs and Revenue Agency guidelines, mileage from home to and from the place of work is considered personal mileage and therefore is not an allowable expense". This is addressed in the proposed Council Member expense Policy.
Recommendation 4: -the wording be clarified with respect to business meals to require both the original detailed restaurant invoice and the transaction slip submitted and that supporting documentation be expanded to include who attended and the business purpose	Paragraph 4.1.14 to read: "Reimbursement of expenditures for business meals with staff and /or external persons with supporting documentation and receipts. <u>The required documentation should be both the original detailed restaurant receipt and the transaction slip, and information should be provided as to the names of who attended and the business purpose of the meeting.</u> " This is addressed in the proposed Council Member expense Policy.

<p>Recommendation 8: -guiding principles be amended as follows: "2.10 – All Corporate and Council expenditures must be supported by appropriate documentation and original receipts."</p>	<p>Paragraph 2.1 to read: "Public funds may not be <u>committed or</u> expended for personal use, non-City business use, campaign or election related purposes." New Paragraph 2.10 to read: "<u>All Corporate and Council expenditures must be supported by appropriate documentation and original receipts.</u>" This is addressed in the proposed Council Member expense Policy.</p>
<p>Clause 4 of the City Auditor's Report to Audit and Operational Review Committee of June 1, 2009. Based on Ernst and Young Recommendations in the Report on the Audit of the Mayor's expenses 2007</p>	<p style="text-align: center;">City Auditor Recommendation</p>
<p>Recommendation 5: Entertaining Staff Members and Spouses Whether a policy is required with respect to the Mayor's practice of entertaining staff members and their spouses at an annual holiday party in December paid for with funds from the Mayor's budget.</p>	<p><u>Entertaining Staff Members and Spouses</u> A policy is required and has been incorporated into the Council Member Policy.</p>
<p>Recommendation 6: York Region expenses The Mayor should incur York Region expenses personally and seek reimbursement from York Region. If the Mayor is going to continue to use the City Amex Card for York Region expenses, she needs to implement a system that will result in timely submissions to York Region, timely reimbursement to the City, and copies of all invoices and supporting documents being retained by her office for reference purposes.</p>	<p><u>York Region expenses</u> The York Region expense be incurred personally by the Mayor and other Members of Regional Council and will then seek reimbursement from York Region. This process will not involve the City. This is addressed in the proposed Council Member expense Policy.</p>
<p>Recommendation 7: Mayor and Repayment of Cellular Telephone Amounts Council should require repayment of the cellular telephone amounts claimed by the Mayor if the Mayor fails to provide supporting documentation within a reasonable period of time.</p>	<p><u>Mayor and Repayment of Cellular Telephone Amounts</u> Policy 4.1.13 states that "It shall be the responsibility of each Member of Council to retain supporting invoices and documentation." The Mayor has not provided these to the external auditors to support her claims for which she was reimbursed with City funds. Any expense claim should have supporting invoices and documentation to prove its validity. The policy should be adhered to before</p>

	<p>reimbursement is given. If the Mayor retained supporting invoices and documentation then she should produce them. As no documentation has been produced during the audit and many months after, the validity of the expenses cannot be verified. Therefore the policy has not been followed. As a result, the reimbursement should not have taken place. The City should therefore be put in the same financial position as before the reimbursement was made.</p>
<p>Recommendation 9: Appropriate Action to be taken for non-compliance</p> <p>Regarding Policy 01.14, "Council Budget/Expenditure Policy-Whether the policy needs to be amended to mandate the appropriate action to be taken in the event of non-compliance. Council needs to direct the City as to the corrective action to be taken.</p>	<p><u>Appropriate Action to be taken for non-compliance</u></p> <p>In the event of <i>non-compliance</i> of Policy 01.14, City funds should not be used to pay/reimburse for the expenses; and if City funds were used, then City funds should be refunded by (1) deduction from future reimbursement or (2) a request should be made for direct payment by cash or cheque.</p>
<p>Recommendation 10: Consumption of Alcohol at City funded business meals</p> <p>While consumption of alcohol when meeting with external parties is reasonable, Council should decide when it is appropriate for alcohol to be consumed at City funded business meals and amend the wording of the policy to reflect its decision</p>	<p><u>Consumption of Alcohol at City funded business meals</u></p> <p>Alcohol consumption between staff and/or Members of Council may be considered appropriate in business hospitality circumstances such as when meeting with external parties (business contacts, representatives of other levels of government, international delegations or business visitors from out of Province and other countries etc). In the opinion of the external forensic auditors, Ernst and Young LLP, "consumption of alcohol when meeting with external parties is reasonable". In other situations, alcohol consumed with meals in non-hospitality situations is considered a personal expense. This is addressed in the proposed Council member expense Policy.</p>
<p>Recommendation 11: Attendance of Spouses at City-funded events</p> <p>The City should consider a policy and/or guidance regarding the attendance of spouses at City-funded events</p>	<p><u>Attendance of Spouses at City-funded events</u></p> <p>Paragraph 3.1.13 states as follows:</p> <p>"Purchase of a City table for the Mayor and Members of Council and their spouses for Council supported fundraising events i.e., (Humber Regional Hospital Gala, York Central Hospital Gala, York Region Police Chief's Dinner and Vaughan Health Care Foundation Gala)."</p> <p>Council Members may wish to amend this to include/exclude other specific events.</p>

	<p>It may be protocol, based on the nature of the event, to have a spouse/companion attend a function due to business hospitality with business contacts, representatives of other levels of government, international delegations or business visitors from out of Province and other countries.</p> <p>This is addressed in the proposed Council Member expense Policy.</p>
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**CITY OF VAUGHAN
POLICY MANUAL**

SECTION: COUNCIL	POLICY NO.: 01.14
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CNL: 95.04.10(7)
 AMENDED CNL: 95.11.27(22)
 AMENDED CNL: 02.06.10 (46/31)
 AMENDED CNL: 07/10/09 (44/5)
 AMENDED CNL 09.21.09 (38/27)

DEPARTMENT: MAYOR & MEMBERS OF COUNCIL	SUBJECT: COUNCIL BUDGET / EXPENDITURE POLICY
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1. PURPOSE

- 1.1 To ensure that appropriate financial resources are provided to Council Members to enable them to execute their legislative responsibilities.
- 1.2 To assign responsibility for budget preparation and expenditure control.
- 1.3 To clarify appropriate expenditure allocation between the Council Corporate and the Council Individual Budgets.

2. GUIDING PRINCIPLES

- 2.1 Public funds may not be expended for person use, non-City business use, campaign or election related purposes.
- 2.2 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 Budget and that Members of Council are provided with a consistent level of corporate support.
- 2.3 The Council Corporate Budget allocations must be approved by Council.
- 2.4 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 policies and procedures of the City as well as other statutory requirements.
- 2.5 The Council Corporate Budget and the Individual Councillors Budgets are subject to the City Budget review process and are subject to the current year's budget guidelines.
- 2.6 The Council Corporate Budget and the Individual Councillors Budgets must be administered in accordance with policies and procedures of the City as well as other statutory requirements.
- 2.7 Members of Council and their Staff will be provided with all furniture and office/computer equipment (including Blackberries, palm pilots, home internet access) required to carry out their duties to a standard compatible with the rest of the Corporation.
- 2.8 Members of Council offices will be redecorated at the commencement of each term of office, upon request, to a maximum of \$3,500 .

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- 2.9 Interpretation disputes with respect to this policy will be referred to the City Manager for resolution.
- 2.10 All Corporate and Council expenditures are required to have detailed supporting documentation and original receipts from Members of Council. *(Amended at the Council meeting of September 21, 2009)*
- 2.11 Where there has been a finding of non-compliance, consider appropriate action to be taken. *(Amended at the Council meeting of September 21, 2009)*

3. CORPORATE BUDGET/EXPENDITURES

- 3.1 Council as a body shares certain resources and receives a consistent level of corporate support related to the basic functions of the office. These items are allocated to the Corporate Budget and are specifically itemized below:
 - 3.1.1 Lease, rental, purchase, maintenance and repair costs of all shared equipment and furniture costs; i.e. photocopier, fax machine, reception area, kitchen appliances, furnishings, accessories, etc. (Requests to be submitted annually prior to the preparation of the Council Corporate Budget.)
 - 3.1.2 Lease, rental, purchase, maintenance and repair costs of furniture, equipment and computer hardware/software for Members of Council and their staff to Corporate standard. (Requests to be submitted annually prior to the preparation of the Council Corporate Budget)
 - 3.1.3 Catered meals for Council meetings when required, and kitchen supplies. Catered meals (lunches and dinners) to be the responsibility of the Assistant of the Chair of the Committee and are to be purchased at the discretion of the Chair of the Committee. Kitchen supplies are to be purchased by the Secretary to the Mayor.
 - 3.1.4 Holiday greetings and advertising on behalf of all Members of Council. Advertising is limited to Christmas and Rosh Hashanah in the appropriate local newspapers. Season's Greeting cards are distributed by the Mayor's office on behalf of all Members of Council.
 - 3.1.5 Sponsorship of the Christmas Staff Children's party and the Christmas Staff Open House or as authorized by Council.
 - 3.1.6 Grants, donations or sponsorship, on behalf of the Corporation, as authorized by Council.

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- 3.1.7 Long distance telephone charges.
- 3.1.8 Grade 12 Proficiency Awards
- 3.1.9 Council support staff, as approved by Council, including group training and seminars, and vacation coverage and six days sick leave coverage.
- 3.1.10 Gifts (flags, promotional items) provided by the Mayor or designate to Official Guests and Dignitaries. (See Schedule A)
- 3.1.11 Corporate memberships and fees for AMO and FCM or as authorized by Council.
- 3.1.12 Flowers for special occasions on behalf of the Corporation (births, deaths, illnesses) for community leaders and for senior city officials and their immediate family (mother, father, spouse, child, sibling) on behalf of the City, to a maximum of \$150.
- 3.1.13 Purchase of a City table for the Mayor and Members of Council and their spouses for Council supported fundraising events, (~~Woodchoppers Ball, York Central Hospital Gala, York Finch Hospital Gala, Police Chief's Dinner~~) (*Humber Regional Hospital Gala, York Central Hospital Gala, York Region Police Chief's Dinner and Vaughan Health Care Foundation Gala*) (*Amended by Item 5, Committee of the Whole Report No. 44, October 9, 2007*)
- 3.1.14 Special catering required for visiting dignitaries.
- 3.2 The Council Corporate Budget is prepared and monitored by the Clerk's Department, in accordance with this policy.
- 3.3 The Clerk's Department will have purchasing responsibility for the Council Corporate budget expenditures.
- 4. INDIVIDUAL MEMBERS OF COUNCIL/OFFICE BUDGET EXPENDITURES**
 - 4.1 Expenditures that can be directly attributed to individual Members of Council will be charged to the individual Office Budget of each Member of Council. These items are itemized below:
 - 4.1.1 *Remuneration for Members of Council as established by by-law.*
 - 4.1.2 *Photocopy charges and postage costs.*
 - 4.1.3 *Monthly expense allowance, as established by by-law, for Regional and Local Councillors to reimburse them for incidental expenses incurred without receipt or the requirement of Council*

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approval.

- 4.1.4 *Other expenses: ie. framing of pictures, promotional items (pins, ties, pens, etc.), conferences and seminars, business cards, stationery, day-timers, parking etc.*
- 4.1.5 *One hundred per cent of the cost of purchase of cellular telephones.*
- 4.1.6 *Mayor's Vehicle – lease, repairs, insurance, license, maintenance.*
- 4.1.7 *Lease, rental, purchase, maintenance and repair costs of office equipment and furniture, computer hardware and software not consistent with corporate standards.*
- 4.1.8 *Subscriptions and publications.*
- 4.1.9 *Expenses (airline, accommodations, meals, etc.), authorized by Council, relating to attendance at a City function or special event.*
- 4.1.10 *Office supplies*
- 4.1.11 *Salaries and Benefits for part-time assistance exceeding vacation coverage provided, if required.*
- 4.1.12 *Specialized individual training and seminars for support staff.*
- 4.1.13 *Reimbursement of expenditures for cellular telephone phone charges, 407 charges and mileage. It shall be the responsibility of each Member of Council to retain supporting invoices and documentation. Please note, under Canada Customs and Revenue Agency guidelines, mileage from home to and from the place of work is considered personal mileage and therefore is not an allowable expense.*
- 4.1.14 *Reimbursement of expenditures for business meals with staff and/or external persons with supporting documentation and receipts.*
- 4.1.15 *Holiday greetings on behalf of an individual Member of Council.*
- 4.2 *Individual Members of Council are responsible for preparation and allocation of expenditures within their individual budgets within the council approved budget levels, with the exception of any item established by by-law.*
- 4.3 *Individual Members of Council are responsible for monitoring their individual budgets. Members of Council will be provided with monthly budget reports relating to their individual budgets.*

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4.4 Each Councillor's Staff will have purchasing responsibility for individual Councillor's expenditures.