

AUDIT AND OPERATIONAL REVIEW COMMITTEE – DECEMBER 10, 2009

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

Recommendation

The City Auditor recommends:

That the attached report on the Resolution of Outstanding Issues on the Mayor's Expenses 2007 be received and approved.

Economic Impact

There is no economic impact.

Communications Plan

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

Purpose

The purpose is to report on the meeting of the City Auditor and the Chair of the Audit and Operational Review Committee with the Mayor to review and resolve the outstanding issues regarding the Mayor's city-related expenses for 2007.

Background - Analysis and Options

At the Audit and Operational Review Committee meeting dated November 16, 2009, the Audit and Operational Review Committee recommended that the Chair of the Audit and Operational Review Committee and appropriate staff be requested to review and resolve the outstanding issues with the Mayor.

At the December 3, 2009 meeting, the Mayor provided to the City Auditor:-

- (1) the supporting documentation for the cellular phone expenses.
- (2) a copy of the supporting documentation of York Region expenses totaling \$1,058.44 which has been sent to York Region for reimbursement.

All other issues are addressed in the report which is attached.

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 attached statement by the City Auditor reveals no further recommendations and that all outstanding issues with the Mayor's 2007 City-related expenses are now addressed and closed.

Attachments

1. Report on the Resolution of Outstanding Issues on the Mayor's Expenses 2007.

Report prepared by:

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

Respectfully submitted,

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

Attachment 1

Resolution of Outstanding Issues

Ernst & Young forensic audit on the Mayor's Expenses 2007

\$13,995.69 Corporate American Express charges for meals and non-meal expenses.

<u>1. Business Meal: \$2,139.18</u>	<u>no receipt \$1,001.30</u>	<u>Transaction slips only \$1,137.88</u>
<u>2. Non-Meal: \$11,856.51</u>	<u>no receipt \$6,305.70</u>	<u>Transaction slips only \$5,550.81</u>
<u>\$13,995.69</u>	<u>\$7307.00</u>	<u>\$6,688.69</u>

1. Business Meal: \$2,139.18

1a. No receipt \$1,001.30:

588.81: Xmas dinner staff 06
105.49: York region Police
307.00: AMO
\$1001.30

1b. Transaction slips only \$1,137.88

\$57.78: 3rd party
113.49: Powerstream
160.58: staff
286.23: staff recruitment
63.87: staff
245.86: 3rd party
210.07: staff Xmas dinner 07
\$1137.88

Resolution:

There were 3 missing transaction receipts for meals. The details of (1) *date of transaction*, (2) *vendor name* and (3) *amount* are shown on the corporate card statements.

Ernst & Young had numerous meetings with the Mayor. They obtained information as to the purpose of the meetings and names of participants. They reviewed the Mayor's calendar. They also met with some of the participants to verify the information provided by the Mayor. Ernst & Young are satisfied that business meal charges were for business purposes.

Current policy requires "supporting documentation and receipts." Transaction slips are accepted as supporting documentation for the expenses, the details of which are also on the corporate card statements as indicated above. The Mayor also provided additional information on the purpose of the meetings, names of participants to Ernst & Young from their interviews with her. Information was also verified with the Mayor's calendar.

Ernst & Young as independent forensic auditors, have provided their findings.: "Through alternative procedures we are satisfied that the business meal charges were for business purposes."

Recommendation: Although not in technical compliance, Ernst & Young have satisfied themselves that the expenses are appropriately City expenses. Therefore no further action is required.

2. Non-Meal Expenses \$11,856.51

2a. No receipts \$6,305.70

Ernst & Young has confirmed that the Mayor **repaid \$3,280.76 to the City.** (\$1,543.87 FCM (York Region); \$254.19 (FCM (York Region)); \$1,469.70 (clothes); \$13.00 (Parking)

The balance of **\$3,024.94** (no receipts) is made up of:-

Gasoline \$535.21; Car repair \$17.33; Israel trip (food and hotel) \$224.89; Airfare Edmonton \$381.38, Hotel Atlanta (arranged through Economic and Development department) \$720.88; Lumco meeting Windsor \$378.99, Camera and memory card \$467.37; briefcase \$164.12, Admin fee conference \$26.50; Late charge hotel bill 4.00; toy gift donation York Region Xmas \$36.43, York Region(Air Cda Flight selection) \$25.44 and \$42.40. Total \$3024.94
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2b. Transaction slips only \$5,550.81

Couch:\$800
Vase:\$140(repaid by the Mayor)
Meal:Mayor and Members Of Council \$1625.65
Meal FCM:\$72.87
Italy Food/hotel: \$1891.18
Meal AMO:\$132.22(repaid by the Mayor)
Meal Mayor and Members Of Council:\$ 861.39
AMO hotel charge:\$27.50
Total \$5550.81

Resolution:

For the current policy, transaction slips have been accepted as receipts for meals and non meals.

As the Mayor repaid \$3,280.76 of the expenses with no receipts, the balance without receipts was \$3,024.94. Ernst & Young has established the details of these expenses from discussions with the Mayor and reviewing the details on the corporate card statements and the Mayor's calendar.

The details for these expenses are also on the corporate statements which show (1) date of transaction, (2) vendor name and (3) amount.

Ernst & Young are satisfied that the nature of these expenses relate to the City.

“For non-meal expenses that have no receipts or have transaction slips only, current Policy 01.14 is silent as to the need to provide receipts”, unlike for meals which require “supporting documentation and receipts”.

Therefore, the Mayor did not contravene the policy for non-meals with no receipts.

Recommendation: No further action required.

- **\$3,163.98 Cellphone charges**

Jan/07 \$490.03; Feb/07 \$554.16; Mar/07 \$317.53 ; Jul/07 \$798.43; Aug/07 \$427.93; Oct/07 \$411.98; Jan/08 \$163.92

Resolution:

The Mayor has provided bills supporting most of these expenses to the City Auditor who has verified them and has provided a personal cheque of \$29.31 to make up the difference. There is therefore no breach of Par 4.1.13 Policy 01.14

Recommendation: No further action required.

- **\$1,058.44 York Region Expenses** paid with the City's corporate card.

FCM Milestone's restaurant meal \$72.87; Air Cda Flight change \$25.44; A Cda Flight change \$42.40; Westin Calgary Hotel \$877.73; AMO Ottawa Airport parking \$6; Taxi \$34
TOTAL: \$1058.44

Resolution:

The Mayor's office has submitted the bills to York Region and is waiting for the refund. The City Auditor was given a copy of the bills which was submitted to York Region. The bills have been reviewed and totaled \$1,058.44.

The City will receive the refund in due course.

Recommendation: No further action is required.

- **Fuel: \$3,701.72 gasoline charges**

"May not necessarily be in compliance with City policies. Par 4.1.6 Policy 01.14 which does not include the word "fuel".

Resolution:

"If the current policy allows for lease, repairs, insurance, licence, maintenance, it is expected that fuel should also be included to operate the vehicle." as per Ernst and Young.

The previous two Mayors' expenses for fuel were paid by the City. Past practice allows for the payment of fuel for the Mayors' vehicles.

The omission of the word "fuel" in the current policy was believed to be an oversight..

It was recommended that the word "fuel" be added to par 4.1.6 of the Policy.

This was approved by Audit and Operational Review Committee meeting dated November 16, 2009

Recommendation: No further action required.

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- **\$5,816.37 use of corporate American Express card for personal charges.**

Corporate card was used to pay for personal expenses.
Breach of Par 2.1 Policy 01.14

Resolution:

Ernst and Young has verified that the charges have been paid back to the City as indicated in their Supplemental report Sch S1.

Recommendation: No further action required.

- **\$481.60 flight charge for Mayor's spouse**

Flight charge for spouse for trip to Calgary. Breach of Par 2.1 Policy 01.14. Use of corporate card for personal use.

Resolution:

City was reimbursed on January 21,2009. Receipt Number 188106

Recommendation: No further action required.

- **\$346.94 in American Express charges**

Mayor was also reimbursed this amount. This was duplication

Resolution:

EY verified that the Mayor has reimbursed the City in their Supplemental report. Repaid Apr 30/08. See Original report Sch 7 pg 2/3.

Recommendation: No further action required.

All issues with the Mayor's Expenses 2007 have been addressed. There are no more outstanding matters arising from the Ernst & Young forensic audit of the Mayor's 2007 Expenses.

Michael Tupchong CA, CIA, CPA, CFE
City Auditor