

## **AUDIT AND OPERATIONAL REVIEW COMMITTEE - JUNE 29, 2009**

### **INTERNAL AUDIT REPORT ON SENIOR MANAGEMENT TEAM EXPENSES (WITH COMMENTS ON THE MAYOR'S SUGGESTIONS WITH RESPECT TO EXPENSE POLICIES)**

#### **Recommendation**

The City Auditor recommends:

1. That the Internal Audit Report on Senior Management Team Expenses (with comments on the Mayor's proposal with respect to Expense Policies) be received.

#### **Economic Impact**

The recommendations suggested by the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and will be measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit is committed to add value to all areas of City activity which are audited.

#### **Communications Plan**

This will be posted on the internet by the Corporate Communications department.

#### **Purpose**

1. To present to the Audit and Operational Review Committee, the Internal Audit Report on Senior Management Team Expenses (with comments on the Mayor's proposal with respect to Expense Policies).
2. To fulfill the requirement to produce a report on point 4 (Communication from Mayor Linda Jackson-Proposal for amendments to current city of Vaughan Expense Policies for Council and Staff) in the minutes of the Audit and Operational Review Committee meeting which was held on June 1, 2009.

#### **Background - Analysis and Options**

The audit was a special request by the City Manager and was not included in the 3 year risk-based Internal Audit Work Plan which was approved by the Audit and Operational Review Committee.

For transparency, independence and objectivity, the Chair of the Audit and Operational Review Committee was consulted during the audit.

The City Auditor was also asked to comment on the Mayor's proposal to Expense Policies.

As a result of the special request, the Terms of Reference were developed for this audit.

1. The Terms of Reference of this audit were as follows:
  - 1.1. To review Senior Management Team expenses of American Express Credit Cards, Petro Canada Fuel Cards, 407 ETR, City fuel pumps, leased vehicles, cellular phones, wireless communications, membership fees, professional development and sundry expenses for 2008.
  - 1.2. To determine (1) if current procedures conform with City's current "policies/procedures" (where available) and (2) the adequacy of expenditure controls.

- 1.3. To determine if current policies/procedures can be more clearly defined and if so, to make recommendations.
- 1.4. Where no policies exist, to make recommendations where considered appropriate.
- 1.5. To comment on the Mayor's proposal to Expense Policies.

The internal audit report is provided as an attachment.

The report includes, for all deficient items, (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations.

#### **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**

Overall, although there were opportunities for improvement as noted in the audit report, other areas were found to be operating effectively in terms of internal controls, corporate governance and risk management.

The audit did not reveal any significant issues. There were no missing receipts for 2008 credit card payments and the auditor did not observe any abuse of taxpayers' funds.

In a number of instances there were no/inadequate written policies for City staff to follow, although there were undocumented procedures in place. The procedures and practices changed over time according to the needs of the rapidly growing City. The auditor has made recommendations in areas where policies could be developed/improved and where it was considered appropriate, and has provided additional information from policies of other municipalities and regions within the Greater Toronto Area. The development of recommended policies for the City will further (1) improve internal controls (2) improve the quality of performance in carrying out assigned responsibilities (3) result in the department/operation operating more effectively and efficiently.

#### **Attachments**

Report on Internal Audit Report of Senior Management Team Expenses (with comments on the Mayor's proposal with respect to Expense Policies.).

#### **Report prepared by:**

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

Respectfully submitted,

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

June 24, 2009

Michael DeAngelis  
City Manager  
City Of Vaughan  
2141 Major Mackenzie Drive  
Vaughan, Ontario  
Canada L6A 1T1

Dear Michael DeAngelis,

**Re: Internal Audit of Senior Management Team Expenses (with comments on the Mayor's proposal with respect to Expense Policies).**

I have completed the internal audit of Senior Management Team Expenses. This was a special request by you and is not included in the 3 year audit work plan which was approved by the Audit and Operational Review Committee. The City Auditor was also asked to comment on the Mayor's proposal with respect to Expense Policies.

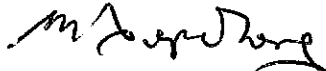
A Terms of Reference for the audit has been included.

I would like to thank all City of Vaughan staff in numerous departments who have accommodated me and provided me with unrestricted access to all staff and information during the audit.

I have exercised independence, objectivity and due professional care in accordance with the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The Internal Audit Department is committed to the organization to (1) add value (2) provide positive, constructive improvement recommendations and (3) provide professional service with integrity and credibility.

Sincerely,



Michael Tupchong CA, CIA, CPA, CFE  
City Auditor

cc: Chair of Audit and Operational Review Committee, Members of Council, Senior Management Team

**INTERNAL AUDIT REPORT**  
**SENIOR MANAGEMENT TEAM EXPENSES**  
**(with comments on the Mayor's proposal with respect to Expense Policies)**

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**INTERNAL AUDIT REPORT**  
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**(with comments on the Mayor's proposal with respect to Expense Policies)**

**Executive Summary**

The Executive Summary includes the general highlights of the report. The report lists observations where improvements can be made in the opinion of the auditor. It is not common practice to report on matters evaluated as acceptable. Therefore it can be generally inferred that internal controls, corporate governance and risk management are operating satisfactorily in the areas reviewed within the scope of the audit, except what is in the report.

- A review was done of Senior Management Team expenses which included American Express Credit Cards, Petro Canada Fuel Cards, 407 ETR, City fuel pumps, leased vehicles, cellular phones, wireless communications, membership fees, professional development and sundry expenses for 2008.
- The City of Vaughan has had rapid growth over the past 20 years. The practices followed by staff to process and account for the expenses of the City, have improved over time to current procedures. Some policies were developed as written guidelines to assist staff. Other policies have not been developed and hence there was no written guidance for staff.
- As there are undocumented procedures but currently no/inadequate written policies for Staff Meals, Alcohol consumption, Use of Corporate Card, 407 ETR, Leased Vehicles, Cellular Charges, Membership Fees, recommendations have been made to develop/improve these policies.
- In a number of instances, it has been the inadvertent practice of the City Manager to not sign (as physical evidence of his approval) certain expenses, because it has been past practise not to do so and there are no written guidelines to the contrary. It has been recommended that the signature (and date) of the City Manager will provide assurance that expenses specific to the Commissioners for 407 ETR, City Fuel , Cellular Charges, Membership Fees, Professional Development Fees and individual Sundry Expenses have been reviewed and approved.
- Any employee's expenses (whether it is paid directly by the corporation or is paid by the employee and reimbursed by the corporation), should be signed and approved by the supervisor as good internal control practice.
- Because of growth, change in staff and constant changes in a dynamic environment, there is a need to have set standards. It is recommended that more written policies should be developed and they should be regularly updated. Policies will provide guidance on how things are to be done, what documentation is required, what authority levels are needed and what is and is not allowed. Policies will improve corporate governance, internal controls, reduce risk and improve efficiency and effectiveness.
- Overall, there are some areas where there are opportunities for improvement; however the audit did not reveal any significant issues.
- The auditor was asked and has commented on the Mayor's Proposal with respect to Expense Policies.

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**DEFINITION, OBJECTIVE AND SCOPE**

1. **Definition:** Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. The **objective** of Internal Auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, Internal Auditing furnishes them with analyses, recommendations, counsel, and information concerning the activities reviewed. The internal audit objective includes promoting effective control at reasonable cost. In the end, Internal Audit is focussed on continuous improvement of the organization.
3. The **scope** of Internal Auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of control and the quality of performance in carrying out assigned responsibilities. The Internal Auditors have authority to review any phase of City activity. The scope of internal auditing may include one or more of the following:-
  - Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
  - Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
  - Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
  - Appraising the economy and efficiency with which resources are employed.
  - Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
  - Reviewing the identification of risk exposures and use of effective strategies to control them.
  - Reviewing specific operations at the request of the Audit Committee or City Manager, as appropriate.

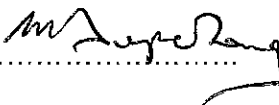
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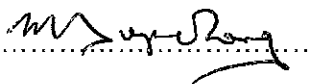
**FOLLOW-UP ON CORRECTIVE ACTIONS**

1. It is extremely important that all Corrective Actions as stated in this Internal Audit Report are implemented as soon as possible.
2. The Internal Audit Department will perform regular follow-ups, the first being 30 days after the issue date of the Internal Audit Report, followed by subsequent 30 days until all Corrective Actions have been satisfactorily implemented. Follow-up audits may be done to verify the reported implementation.
3. The Corrective Actions will ensure that the deficiencies as raised by the Auditor will be addressed. After all Corrective Actions have been implemented, there will be improvement in the effectiveness of risk management, control, and governance processes. The department will operate more efficiently and effectively. Members of the organization will also have discharged their responsibilities.
4. At the discretion of the Commissioner/Director, this report may be distributed to the appropriate staff members under their jurisdiction. Deficient items which could be common across the organization should be globally addressed. Further consideration should be given to revise/update current policies and procedures, as deemed necessary.

**INTENDED PURPOSE OF THE REPORT**

This report is presented purely to add value and to improve the operation in terms of the scope of the audit for effectiveness, efficiency and continuous improvement. Areas reviewed were considered to be operating effectively, except where specifically noted as observations, for which the auditor has made recommendations for improvement. The report is not intended to criticize/discredit any individual, or the management of the operation. The recommendations are suggestions of the auditor to achieve the objective of the audit.

**Auditor(s)**: Michael Tupchong.....**Signature**:.....

**Approved**: .....

**INTERNAL AUDIT REPORT**  
**SENIOR MANAGEMENT TEAM EXPENSES**  
**(with comments on the Mayor's proposal with respect to Expense Policies)**

**TERMS OF REFERENCE (1)**

**To review Senior Management Team expenses of American Express Credit Cards, Petro Canada Fuel Cards, 407 ETR, City fuel pumps, leased vehicles, cellular phones, wireless communications, membership fees, professional development and sundry expenses for 2008.**

The auditor's detailed observations are under each heading below.

**Process Improvement for the American Express Corporate Card**

There has been a noticeable improvement in the number of missing receipts over the last 4 years (See below). This has been due to the diligent work of the administration staff of the City Manager's Office. The staff has made a number of changes to improve controls and efficiency of the process, by making the departments more accountable. The changes made were:

1. From manually preparing the "Cheque Requisition/Accts. Payable Voucher" to having each department complete a template for the monthly expenses showing the General Ledger No., Amount, Description of Expenses and Details. The completed template is then submitted to the City Manager's Office with the credit card receipts. The templates are then cut and pasted onto the "Cheque Requisition/Accts. Payable Voucher" to form one consolidated listing.
2. This template also has a statement which states "If there is a personal expense; please attach a personal cheque reimbursing the City". The cardholder signs each template monthly. There is a recommendation in the report to improve on this.
3. The City Manager now signs the completed "Cheque Requisition/Accts. Payable Voucher" monthly. This is the City Manager's approval of the Mayor's and Commissioners' expenses. The City Manager's template is signed by the Mayor to approve the City Manager's expenses. The "Cheque Requisition/Accts. Payable Voucher" with the templates and receipts are sent to the Finance Department to issue a cheque to American Express.

<b><u>Year</u></b>	<b><u>Missing Credit Card Receipts (Senior Management Team only)</u></b>
2008	0
2007	1
2006	13
2005	28



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**Petro-Canada Fuel Credit Card**

Similarly, the same process (above) was implemented for the Petro-Canada Fuel Credit Card. This also improved control and accountability.

**Meal Receipts with the Corporate Card**

**Observations**

1. On reviewing meal expenses, almost all the meal receipts were the signed credit card type with the total dollar amount shown (including the gratuity). There were few detailed receipts showing full details of what was purchased. The current practice has been accepted for many years as being appropriate.
2. For some meal receipts, there is insufficient or no information about the business purpose/nature of the lunch/dinner meeting, although names of the parties (provided most of the time) and a credit card receipt are provided.
3. As there is no City policy for meal expenses for staff and the required documentation, the current practice has not contravened any policy.
4. The Director of Audit at the Region of York informed the City Auditor that the "original receipt" at the Region is the combination of the original detailed receipt and credit card receipt. The Town of Markham currently accepts credit card receipts but the new Auditor-General has stated she is in favour of detailed receipts.
5. The City of Toronto, Region of Peel, City of Brampton, and Town of Richmond Hill all specify in their policies the need for "original detailed (itemized) receipts".
6. The City auditor was informed by a Senior Auditor at the City of Mississauga that original detailed receipts are required at the City and that credit card slips by itself is not considered appropriate.
7. The City of Toronto, City of Mississauga, City of Brampton, Town of Markham, Town of Richmond Hill, Region of Peel and Region of York also require (1) business purpose of the meeting and (2) names of the participants in their policies.

**Implications:**

The City of Vaughan has no policy with regard to business meals for staff and what supporting documentation and information are required.

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**Recommendations**

It is recommended that the City should develop a policy for staff regarding business meals. It should require an original detailed receipt showing the items purchased and should be attached together with the credit card slip which shows the total dollar amount (including the gratuity). The original detailed receipt should be signed by the employee and should also show (1) the names of the parties and (2) the business purpose of the meeting.

**Management Response**

It should be noted that there are only 7 corporate AMEX cards and they are assigned to the most senior staff in the organization. Although there is not a formal written policy there are established procedures in place that were significantly revamped prior to the audit and continue to be improved. The Commissioners expenses are signed off by the City Manager and the City Manager's expenses are signed off by the Mayor. As noted in the audit report there were no missing receipts. In some instances detailed receipts were not included.

In 2008 staff conducted a review of expenditure policies in other organizations and initiated the formalization of the City's procedures into a policy. This policy will be brought forward to Council for approval in the fall.

**Alcohol**

**Observation**

1. The City of Vaughan currently has no policy which addresses whether alcohol is permitted with business meals between City staff, Members of Council, the Mayor and third parties. This being the case, the practice at the City has been to allow discretionary alcohol during business meals between City staff, Members of Council, the Mayor and third parties.
2. City of Toronto, Region of Peel, City of Brampton, Region of York, and the Town of Richmond Hill state in their policies that alcohol is not reimbursable with business meals.
3. A Senior Auditor from the City of Mississauga has informed the City Auditor that alcohol is generally not reimbursed as it is considered a personal expense except in business hospitality situations.
4. The Town of Markham is silent with respect to alcohol.
5. For **business hospitality** (business contacts, representatives of other levels of government, international delegations or visitors), the City of Toronto and the Town of Richmond Hill make allowance for alcohol consumption with meals.

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6. The City of Mississauga, Region of Peel, City of Brampton, Region of York, and Town of Markham are silent with respect to alcohol during business hospitality.
7. All Cities and Regions agree that hospitality expenses may be reimbursed providing they are reasonable and incurred for the advancement of the interest of the City/Region.

**Implication:**

The City of Vaughan currently has no policy guideline for alcohol consumption (1) with business meals between City staff, Members of Council, the Mayor and third parties (2) incurred during business hospitality situations.

**Recommendations**

It is recommended that consideration should be given to have a City policy developed to address the consumption of alcohol with meals.

As per Ernst and Young LLP, "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".

Functions involving business hospitality ( business contacts, representatives of other levels of government, international delegations or visitors) would be under the umbrella of "external parties".

Council should decide if and when alcohol is considered a justifiable expense in the interest of the City.

**Management Response**

Although other GTA municipalities are silent with respect to charging alcohol management agrees with the need to develop a policy guideline.

**Most Senior Staff**

**Observation:**

1. It was observed that on occasion, the City Manager would have a meeting with a Commissioner over a business meal. On occasion, the Commissioner would pay for the meal using his/her corporate credit card. The City Manager approves all corporate credit card charges of all Commissioners monthly.

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2. The policies of the Town of Markham, the City of Brampton and the Region of Peel, require that the most senior staff pays the bill for the business meal between a supervisor and his/her subordinates.
3. The City of Mississauga, City of Toronto, Town of Richmond Hill and Region of York are silent in this regard in their policies.
4. The City of Vaughan has no policy on this.

**Implications**

1. When the supervisor's meal is paid for by the subordinate and the supervisor approves the subordinate's expense, the supervisor may be perceived as approving his/her own expense.
2. Control over meal authorization can be improved.

**Recommendation:**

It is recommended that a City policy on Staff meals should be developed to include the following:

1. Where supervisor "A" has a business meeting with a subordinate, supervisor "A" should always pay for the meal and not the subordinate. Supervisor "A"'s expense should then be approved by his/her supervisor. This will ensure that supervisor "A" is not perceived as approving his/her own meal expense. In this case, the City Manager should pay the bill for a business meal with a Commissioner and the Mayor should approve his expense.
2. Where the staff is only from one department, the most senior staff member from that department should pay the bill for the business meal.
3. Where there is staff from more than one department, the most senior staff member of the hosting group shall pay the bill for the business meal. The cost will then be allocated to each department through the Accounting department.

**Management Response**

As noted in the audit report, there are varying practices across the GTA. It is the practice in Vaughan for the department that requires the meeting to pay for the expense. Periodically it happens that this is not the most senior person.

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**Paying for "others"**

**Observation:**

On a review of the usage of corporate cards, it was observed that:

1. The City Manager's corporate credit card was used
  - i. to pay for air tickets for a Councillor and his spouse to fly to Quebec and return on January 21, 2008 to attend the FCM conference. The Councillor reimbursed the City by cheque for his spouse's airfare totalling \$579.31. The reimbursement was made on February 13, 2008 before the statement due date of 22<sup>nd</sup> February, 2008.
  - ii. to pay for FCM conference registration fees \$196.65 for another Councillor. The expense would be journalized back to the Councillor. The Budgeting department provided the account number to charge this expense to.
  - iii. to pay \$373.68 hosting fee for Vaughanftp.ca for the Corporate Communications department as they do not have a corporate card and the charge was only available through on-line payment with a credit card.
  - iv. to pay for expenses of the Corporate Communications department totalling \$181.59 for Web address registrations and stock copyright-free photography for print web communications
2. One Commissioner used the credit card to pay \$661.50 for computer training for a staff member.
3. Another Commissioner used the corporate card and paid \$341.25 for Professional development for a staff member.
4. The City has no policy on the use of corporate credit cards.

**Implication:**

1. Personal Corporate cards are used to pay for expenses of others who do not have a corporate credit card. Although this may be convenient at times, it could involve much administration work to collect the reimbursement of the funds and to reallocate the charges to the proper General Ledger accounts.

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2. Some General ledger accounts could be inflated if the timely reimbursement to the City of personal expenses, has not been received to reduce the expenses already paid and which have been posted to one or more accounts.
3. The corporate card holder is responsible for the expenses of others.

**Recommendation:**

It is recommended that:

1. The corporate credit cardholder should use the corporate credit card only for his/her own business use. The card should not be used to pay for any other staff's or Councillor's expenses. They should pay for their own expenses using their personal credit cards and should claim for reimbursement in the normal way on an Expense Claim Form. This will eliminate the collection of funds, the deposit of the funds received, the reconciling of accounts and the proper allocation of credits to the appropriate accounts. This will simplify the process and the corporate credit card holder will not be responsible for the expenses of others.
2. A City policy should be developed to provide guidelines for the use of the corporate credit card.

**Management Response**

As noted previously, there are 7 AMEX corporate cards held by the most senior staff in the City. Occasionally the City Manager or Commissioner will authorize their card to be used to make a payment when timing is an issue or a City cheque is not practical (i.e. registrations or professional development over the internet). These expenses are properly the expense of the City and when the AMEX statement is received the cost is allocated to the appropriate department.

The auditor cites avoiding administrative work as a reason for changing, although the alternatives also involve administration. Management believes that the implications of this practice are not significant; it provides a practical alternative and should not be implemented.

**City's Gas Pump:**

**Observation:**

1. It was observed that the City Manager and two Commissioners use the City's gas pumps. The City Manager and one of the two Commissioners also use their Petro-Canada cards to fill gas. The other Commissioner does not use a Petro-Canada card.

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2. There are monthly Vehicle Activity Reports (records the fuel usage) which the Fleet department Co-ordinator extracts from the gas pump database. She forwards these reports to the Finance department to prepare the journal entries to charge the appropriate accounts of each user department. The report shows all the details of the fuel fill up (who, time, date, amount in dollars and litres, account number and vehicle number).
3. This report is not signed by the City Manager to evidence his review and approval of the two Commissioners' fuel expenses (as he would do if they claimed on an Expense Claim Form).
4. The City Manager's fuel usage is also not given to the Mayor for her signature as evidence of her review and approval of the City Manager's expenses, (as she would do for his credit card expenses).

**Implication:**

1. Controls can be improved in the approval of staff's fuel usage.
2. There may not be supervisory review and approval of staff's fuel usage.

**Recommendation:**

1. The Vehicle Activity Reports should be reviewed and signed by the users (City Manager and Commissioners) to verify their accuracy on a monthly basis.
2. The reports should then be signed and dated (1) by the City Manager to approve the two Commissioners' fuel usage and (2) by the Mayor to approve the City Manager's fuel usage. This process is the same as a supervisor approving a subordinate's expenses on an Expense Claim Form.

**Management Response**

It should be noted that the 3 staff referred to are provided vehicles and related expenses by the City for business and personal use as a taxable benefit. This includes using the City's fuel pumps. Management supports the further review of the Vehicle Activity Reports.

**407 ETR Approvals**

**Observation:**

1. It was observed that 407 ETR statements for the Commissioners are sent directly to the City.

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2. The assistant of a Commissioner prepares a Cheque Requisition and signs the authorization.
3. The assistant of another Commissioner signs and authorizes the processing of the 407 ETR invoice for payment.
4. The City Manager or his designate does not review and sign the 407ETR statements of the Commissioners. His monthly 407 ETR statements are also not reviewed and signed by the Mayor.
5. Some 407 invoices have interest charges because the invoices were paid late due to process issues.
6. The City has no policy on 407 ETR expenses.

**Implications**

1. 407ETR costs are specific to the individual and as an expense would normally be verified by the employee and approved by a supervisor if claimed on an Expense Claim form.
2. Where 407 ETR statements are sent directly to the City, there is no supervisory review and signature of approval. Employees may be perceived as approving their own expenses.
3. Interest charges, due to late payment of the monthly balances, are additional costs to the City.

**Recommendations**

It is recommended that

1. Each Commissioner (who has knowledge of his/her travels) and not the assistant, should sign and date his/her own 407ETR statement to verify the charges. Then the City Manager or his designate should review, sign and date each 407ETR statement as evidence of the approval to pay. This will eliminate the perception that the employees are approving their own expenses without supervisory approval.
2. Likewise, the City Manager should sign his own 407ETR statement to verify its accuracy then forward it to the Mayor to have it signed and dated for her approval to pay.



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3. 407 invoices should be paid on a timely basis to avoid interest charges to the City.
4. The City should develop a policy covering the 407 ETR.

**Management Response**

Invoices for the use of the 407 are received directly by the City from a third party, the 407 ETR. Staff are not being reimbursed and payments are made directly to 407 ETR. In those instances where an administrative staff reviews and approves an invoice for payment, the staff person has been assigned approval authority by their Commissioner. The staff person has the vehicle license plate and the transponder number when they review the 407 ETR invoice. Staff advises that when an invoice is paid late it is often as a result of the length of time it takes for the 407 ETR to respond questions and inquiries and provide the necessary back-up.

Although the auditor has not advised that any issues have been identified management will implement the recommendation to have supervisory sign-off.

**Leased Vehicles:**

**Observations:**

1. It was observed that monthly leased vehicle payments for 2008 ranged from \$704.61 (\$623.55 plus taxes) to \$859.79 (\$760.88 plus taxes) for the Senior Management Team staff.
2. There is currently no City policy on the maximum amount that the City would pay for a leased vehicle with options.
3. The City Manager, Deputy City Manager and the Commissioners have individual employment contracts with the City and are provided with leased vehicles which are permitted to be used for business and personal purposes.
4. The Management By-law under the heading "Transportation" states that "The Corporation will provide the City Manager, Deputy City Manager and the Commissioners with a City vehicle as a taxable benefit including licence, fuel, insurance, maintenance and repairs. The type of vehicle provided will be in accordance with the City's procurement policy". The procurement policy obtains

3 quotes from leasing companies for a requested vehicle in order to obtain the lowest lease cost.

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5. The City Manager approves the lease costs of a Commissioner before the lease agreement is finalized through the Purchasing department. If in the opinion of the City Manager, the lease cost is too high, he would send the lease request back for revision before he would approve the lease. Regarding the City Manager's lease agreement, it was inadvertently not sent to the Mayor for her signed approval.
6. Out of three leases reviewed, 2 were for a term of 36 months and one was for 48 months. The kilometres selected per year for each contract were 33,333, 40,000 and 40,000.
7. A Commissioner exceeded the previous lease term by 21,078 kilometres. The contract allows for excess mileage at a cost. The additional charge was .10 per kilometre. A Field Purchase order was made out for \$2,107.80 plus GST. He signed the authorization section of the Field Purchase Order.
8. There is currently no City of Vaughan policy on leased vehicles as each employee's lease is part of his/her record of employment with the City.
9. On a comparison review of policies of surrounding cities and regions, the City of Toronto, the Region of Peel, the City of Brampton( except Mayor has an option of leased vehicle or allowance), the Town of Markham, the Region of York and the Town of Richmond Hill do not provide leased vehicles for staff or Councillors.
10. The City of Mississauga does provide leased vehicles for the Mayor and Commissioners. The City of Mississauga does have a policy on leased vehicles. The Mayor and City Manager are provided with a fully equipped full-size vehicle for a 24 month term with unlimited vehicle mileage. Commissioners receive a fully equipped mid-size vehicle for a 36 month term with unlimited mileage. The manufacturer of the vehicles and the list of options which will be provided are determined by the Senior Management Team. The monthly lease allowance is established each September 1, for all leases entered into in the following 12 month period. Once established, the monthly lease allowance remains fixed over the term of the lease. Upgrading the model and/or selecting additional options is permitted at the expense of the employee. Councillors receive a car allowance.
11. The City of Brampton and the Town of Markham provide car allowances for staff and Councillors.
12. The City of Toronto, Region of Peel, Town of Richmond Hill and Region of York do not provide car allowances but reimburse for mileage claimed on business travel.

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**Implication:**

Without a policy, there are no guidelines or limitations on leased vehicles except at the discretion of the City Manager who approves each lease.

**Recommendation**

The current practice of not having a lease policy may be acceptable for current Senior Management Team Staff due to their individual employee contracts with the City. However moving forward, consideration should be given to develop a policy for future incoming Senior Management Team Staff. The auditor recommends that the individual employee contracts of current Senior Management Team Staff should be honoured and grand-fathered in and not be part of new policies to be developed and that only new incoming future Senior Management Team staff should abide with the new policy.

The auditor presents 2 options for consideration:-

**Option 1: Continue lease of vehicles:**

1. The City should consider developing a policy for leased vehicles to provide guidelines for new incoming future Senior Management Team Staff. The policy should include at a minimum, guidelines for (1) the maximum amount of monthly premium the City would be prepared to pay (2) the types of vehicles and the options which the City considers appropriate for business use (3) the length term of the lease (4) the type of lease "open" or "closed" (5) the selection of the residual value (6) the mileage selection (7) the deductible amount for comprehensive and collision insurance (8) amount of liability insurance (9) the vehicle being driven by persons other than the staff member.
2. The City Manager's future lease should be signed by the Mayor to be consistent with the practice of her signing his other expenses.
3. Any excess kilometre charge by the leasing company at the end of a lease term for an employee, should be approved by the employee's supervisor and should not be approved by the employee as the latter may be perceived as approving his/her own expense.

**Option 2: Provide Allowance**

1. The City should consider providing fixed monthly allowances instead of leased vehicles for new incoming future Senior Management Team Staff. The monthly allowance should cover all the lease and operating costs ( licence, fuel, insurance, maintenance and repairs). The monthly allowance should increase on January 1 each year based on the prior year's Consumer Price Index for Toronto as published by Statistics Canada. All eligible employees should get the same monthly allowance. The benefits to the City are that there will be less administration work to deal with lease costs, gasoline costs, maintenance and

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repairs, insurance, etc. The City will no longer be responsible for the associated lease costs and operating costs. This will be simpler and more efficient for the City. If this is adopted, then a policy should be developed to incorporate the above.

2. As a comparison, the City of Brampton presently pays an allowance of approximately \$1117 per month to eligible staff commencing January 1, 2009. Councillors get an allowance but the amount is unknown. Allowances are tied in to the Consumer Price Index each year.

**Management Response**

There are 7 senior staff positions in the City that are provided a vehicle for business and personal use. Vehicles are part of a compensation package and are treated as a taxable benefit for income tax purposes.

The auditor states that there is no policy on leased vehicles, yet the auditor has noted that there is specific provision for leased vehicles in the City's management by-law and that vehicles are to be leased through the City's Purchasing Services department. In addition Purchasing has a policy with respect to the lease term for vehicles. Further the provision of a leased vehicle is typically addressed within employment contracts.

The auditor recommends that a policy be put in place for leased vehicles that addresses the following points:

- i) the maximum amount the City should be prepared to pay.
- ii) the types of vehicles and the options and the options which the City considers appropriate for business use
- iii) the length of the lease
- iv) the type of the lease, open or closed
- v) selection of the residual value
- vi) mileage selection
- vii) deductible amount for insurance
- viii) the amount of liability insurance
- ix) the vehicle being driven by other than the staff member

In response to the above management believes that there are 3 important aspects of the vehicle leases that must be kept in mind

- 1) These vehicles are one aspect of a larger comprehensive compensation package and changes should only be considered in the overall compensation context, not in a piecemeal approach. For example the City provides a leased vehicle and the City determined that it would pay salaries at the 50<sup>th</sup> percentile. Other municipalities pay well beyond the 50<sup>th</sup> percentile. Benefits including vehicles are important factors when attracting and retaining staff.

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- 2) The vehicle is part of compensation package, it is for personal and business use and the staff person who receives the benefit pays income tax on the value of that benefit. The current arrangement is that the staff person has flexibility with respect to the vehicle and options that will meet their particular requirements. These requirements change over time. The mileage selection is another factor that varies between individuals depending on their specific business and personal needs. Management is not aware of any concerns or issues that have arisen as a result of the current process and believe that it has been administered appropriately. For example a point that is not mentioned in the audit report is that staff on more than one occasion has voluntarily contributed personally towards the lease cost to reduce the net cost to the City.
- 3) The third point is that the City has professional staff with expertise in both procurement and insurance matters. The type of lease (open or closed, residual values, etc. are managed by purchasing staff who have the expertise to protect the municipality's interest. Insurance coverage is managed through the Clerk's department with expertise and access to information to determine the appropriate coverage which may change from time to time.

With respect, the auditor's concern that the charge for any excess mileage is not approved by the "supervisor" is not entirely accurate. The lease agreement initially approved by the "supervisor" states the per km rate for excess mileage and the odometer indicates the mileage. The charge is simply a calculation of the approved rate times the odometer reading. This invoice goes to purchasing who administer the lease to verify and confirm the charges. It is forwarded to the Commissioner to authorize the charge to their budget.

Management does agree that the City Manager's lease should be signed by the Mayor or their alternate.

**Cellular Charges**

**Observations:**

1. It was observed that the City Manager's monthly cellular charges were approved by his assistant or himself but was not forwarded to the Mayor for her signed approval.
2. One Commissioner's cell phone charges included long distance personal calls of approximately \$27.10 which were not reimbursed to the City. Another invoice had long distance personal calls of \$11.90 which were not reimbursed to the City. The invoices were signed by the Commissioner's assistant.
3. Cellular phone monthly invoices of Commissioners are not forwarded to the City Manager or his designate for his review and signed approval.

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4. Another Commissioner's invoice was approved and signed by his assistant.
5. Some long distance charges may be personal and may not be reimbursed back to the City. Some Commissioners do reimburse the City for personal long distance calls.
6. There is currently no policy for cellular phone usage by staff.
7. There is a policy (01.07) for the Mayor and Members of Council but none for staff.

**Implications**

1. Cellular phone charges are specific to the individual (similar to other expenses claimed on an Expense Claim Form). They are not reviewed and signed (approved) by a supervisor. As such, they may be perceived as approving their own cellular charges.
2. Long distance charges which may be personal may not be reimbursed back to the City.

**Recommendations:**

1. It is recommended that cellular phone charges are specific to the employee as other expenses such as memberships, training, meals, etc. are. As such, (1) they should be signed by the employee ( not assistant) to verify its accuracy and (2)
2. should be signed by the employee's supervisor for approval. This will eliminate the perception that an employee is approving his/her own expenses.
3. The City Manager or his designate should review and sign (approve) the cellular invoices of the Commissioners and the Mayor should also review and sign the City Manager's cellular invoices.
4. Long distance charges of a personal nature should be identified on the invoice and the cost should be reimbursed back to the City.
5. A City policy should be developed for cellular phones for staff to include the above recommendations as well as acceptable (A) standardized plans for staff (B) hardware type and terms of replacement (C) Service Provider.
6. The policy (01.07) for the Mayor and Members of Council should be reviewed and revised as it merely states the reimbursement of "basic monthly charges for their cellular phones" and the cost of business calls with no further guidelines.

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**Management Response**

Staff acknowledges that from time to time personal long distance calls may be made using the cell phone provided by the City. Staff advises that they have also occasionally incurred personally long distance call charges to the City that we're not claimed for reimbursement. Senior staff is on the City's Emergency Management Team and on call virtually 24 hours a day. Therefore the City's cell phone is often the most readily available. Management will reimburse for personal calls and obtain supervisory approval.

With respect to recommendation 4, ITM advises that the City does have standard plans for usage, hardware, replacement and service providers. The requirements will vary depending on the particular application and the area where the equipment will be used.

With respect to recommendation 5, the issue raised is not a subject of the terms of reference of this audit and its inclusion is inappropriate.

**Self-Approved Expense**

**Observation**

It was observed that a Commissioner purchased a pair of safety steel toe shoes and approved the Field Purchase Order himself. The City Manager apparently did give his verbal approval but did not sign the Field Purchase Order.

**Implication:**

As the expense is specific to the employee, the staff member may be perceived as approving his own expense if the signature of his supervisor is not visible.

**Recommendations:**

All expenses which are specific to the employee should be signed by his supervisor as evidence of his approval. This is the same approval requirement as specific expenses for meals, mileage, cellular phones, training etc. This would be consistent application of good internal control.

**Management Response**

Internal controls should be balanced with risk and practical considerations. In this instance the work boots were required on an emergency basis for a tour of the new Civic Centre. Aside from the sudden nature of the purchase management believes that some level of practicality should be applied so that the City doesn't become overwhelmed with bureaucracy. Applying the auditor's recommendation to its fullest would require the City Manager to approve the purchase of a calculator, stapler or other standard office equipment for their office.

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**Membership Fees**

**Observation:**

1. Staff may be members of professional associations (e.g., Law Society, Accounting Body, Engineering Society etc). To be in good standing with the associations, annual dues/member's fees have to be paid. The expenses are reimbursable by the City as they are business related.
2. The City has no policy on membership fees.
3. It was observed that membership fees are processed for payment with approvals by assistants. The staff member does not sign the invoice to verify the charges and the supervisor does not sign the invoice as his approval to pay.
4. The Town of Markham and the Town of Richmond Hill both have policies on Memberships.

**Implication:**

Membership fees are specific to the individual and as an expense would normally be verified by the staff member and be approved with a signature by a supervisor if claimed on an Expense Claim form or if a Cheque Requisition is done.

**Recommendation:**

1. As the membership fees are specific to the staff member, it is recommended that the staff member should sign the invoice to verify that the charges are correct and the staff's supervisor should sign the invoice as his authorization to pay.
2. A City policy should be developed regarding membership fees/annual dues and the process of approval.

**Management Response**

Management has no issue with documenting the City's current practice in the form of a policy and requires supervisory approval.

**Signing the Registration Form**

**Observation:**

1. The Municipal Management Masters Certificate Registration Form requires the approval of the Commissioner for the employee to be registered in the course.



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2. It was observed that :

- i) 3 Councillors had the forms signed (approved) by the City Manager.
- ii) 1 Councillor signed the form without the City Manager's signature.
- iii) 2 Commissioners signed their own forms without the City Manager's signature.

3. The Mayor signed her own form without the City Manager's signature.

**Implication:**

When the Mayor, Councillor or Commissioner sign their own forms to register themselves without the signature of the City Manager, they may be perceived as approving their own expenses. For effective internal control, the signature of the City Manager ( independent senior official) is considered good practice.

**Recommendation:**

The Auditor understands that the form was originally prepared mainly for directors, managers and supervisors and that the approval of the Commissioner was appropriate. However, when the form is also used for the Mayor, Councillors and Commissioners, it should be signed and approved by the City Manager as an independent senior official. This will provide the consistent practice of good control whereby one is not perceived as approving one's own expense but rather one's expense is approved by an independent third party official/supervisor.

**Management Response**

Where a Commissioner has a Council approved budget for expenditure, the staff person is not seeking reimbursement personally and the payment in this case is to a supplier directed by Council the need for City Manager approval is unclear. Management recommends this be subject to further review.

**Seminars and Workshops**

**Observation:**

It was observed that:

- 1. The City does have a policy (Policy No: 03.03) on conferences and seminars for Members of Council and Staff. Approval is required by one's supervisor.

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2. A commissioner apparently received verbal approval from his supervisor to attend a symposium. There was no signature of his supervisor. An incorrect amount of \$315 was charged to the account instead of \$300. GST was \$15 and should have been posted to the GST account.
3. Another Commissioner registered for a conference and a colloquium on 2 separate occasions. Verbal approval was apparently received but there was no signature of his supervisor.
4. One Commissioner paid for an employee to attend a summit. Her account was incorrectly charged \$341.25 and should have been \$325. GST was \$16.25 and should have been posted to the GST account.

**Implication:**

1. Employees might be perceived as approving their own expense without the signed approval of their supervisor.
2. GST is incorrectly charged to the expense account and should have been charged to the GST Recoverable account.

**Recommendation:**

1. It is recommended that if seminars and workshops are specific to an employee, the supervisor should sign the appropriate form as evidence of his approval for the employee to attend the seminars and workshops. This will provide effective control over any perception that the employee approved his/her own expense.
2. GST on seminar/workshop charges should be charged to the GST Recoverable account and not the expense account.
3. The current City policy should be reviewed and revised as it was last updated in 1992. The current form should be revised and used.

**Management Response**

The issue regarding the requirement for the City Manager to approve Commissioner's attendance at seminars and workshops should be further reviewed as noted above. Management supports the other recommendations.

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**TERMS OF REFERENCE (2)**

**Determine (1) if current procedures conform with City's current "policies/procedures" (where available) and (2) the adequacy of expenditure controls.**

(1) Written Policies do not exist for Staff Meals, Alcohol consumption, use of Corporate Credit Cards, Petro Canada Fuel Cards, 407 ETR, City Fuel Pumps, Leased Vehicles, Cellular Charges for staff, Membership Fees.

(2) In a number of instances, the City Manager's signature was not evident on the supporting documentation of Commissioners' expenses for 407 ETR, City Fuel (JOC), Cellular Charges, Membership Fees, Professional Development Fees and Sundry Expenses of a personal nature. It was recommended that for good internal control, the City Manager should sign (and date) the supporting documentation to provide assurance that the expenses of the Commissioners have been reviewed and approved.

**TERMS OF REFERENCE (3)**

**To determine if current policies/procedures can be more clearly defined and if so, to make recommendations.**

Recommendations have been made where considered appropriate to provide guidelines and improve procedures for Staff Meals, consumption of Alcohol, use of Corporate Credit Cards, Petro Canada Fuel Cards, 407 ETR, City Fuel Pumps, Leased Vehicles, Cellular Charges for Staff, Membership Fees, Professional Development Fees and Sundry Expenses. Please see individual headings in the report for more information.

**TERMS OF REFERENCE (4)**

**Where no policies exist, to make recommendations where considered appropriate.**

Recommendations have been made to develop policies for: Staff Meals, Alcohol consumption, Use of Corporate Card, 407 ETR, Leased Vehicles, Cellular Charges, Membership Fees. Please see individual headings in the report for more information.

**TERMS OF REFERENCE (5)**

**To comment on the Mayor's proposal with respect to Expense Policies**

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**Mayor's Suggestions**

**Observations:**

It was observed that the Mayor made the following recommendations to the press on January 11, 2009.

1. Requiring 3 signatures to verify expense claims.
2. Mandating specific standards for the use of cell phones and Blackberries.
3. Mandating specific standards for the Mayor's and Senior Management Fleet Vehicles.
4. Restricting expense claims to business meals only; no alcohol.
5. Mandating specific standards for personal expenses, the use of corporate credit cards and companion expenses.
6. Mandating specific rules for Campaign-related city expenses.
7. Mandating specific rules on Mileage, 407 ETR Charges, Travel and Conference, Field Purchase Orders and Conflict of Interest, Advertising, Floral Gifts, Policy 01.14 Par 4.1.11, Expense Reporting Forms.

**Auditor's comments for each of the Mayor's suggestions are addressed below.**

**(1) Requiring three signatures to verify expense claims**

1. Presently the City practice is to accept two signatures: the first signature is the signing of the monthly Template ( by Commissioners, City Manager and Mayor for monthly corporate card charges) or Expense Claim Form by staff, and the second signature is the approval signature of the supervisor on the Cheque Requisition/Accts. Payable Voucher or Expense Claim Form. The auditor does not recommend that there should be a third signature of a third party, as this could be over-controlling with the cost exceeding the benefit and could lead to inefficiencies. This would require more administration work and it would take longer to process the payment. The current requirement of supervisory approval evidenced by the signature ( and date) is satisfactory if it is consistently and effectively applied.
2. To improve controls over business meals, the auditor recommends that there should be an original detailed receipt which should be signed by the employee. The original detailed receipt (which itemizes the purchase and provides more

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transparency) should accompany the credit card receipt which shows the final amount charged to the credit card. For meals, the original detailed receipt should also show 1) Business purpose of the meeting and 2) Names of the Attendees.

3. On a comparison review of business meal policies of surrounding cities and regions, six of the seven require "original detailed (itemized) receipts" and one requires "original receipts". For meals, all seven cities and regions, require the 1) Business purpose of meeting 2) Names of Attendees. The original receipts are attached to an Expense Claim form which is signed by the employee and signed (approved) by the supervisor before reimbursement is processed.
4. For more information on meals, please see "Meal Receipts with the Corporate Card" section in this report Page 6.

**(2) Mandating specific standards for the use of cell phones and Blackberries.**

1. It is recommended that cellular phone charges are specific to the employee as other expenses such as memberships, training, meals, etc. are. As such, (1) they should be signed by the employee to verify its accuracy and (2) should be signed by the employee's supervisor for approval to pay.
2. The City Manager or his designate should review and sign (approve) the cellular invoices of the Commissioners and the Mayor should also review and sign the City Manager's cellular invoices.
3. Long distance charges of a personal nature should be identified on the invoice and the total cost should be reimbursed back to the City.
4. A City policy should be developed for cellular phones for staff to include the above recommendations as well as acceptable (A) standardized plans for staff (B) hardware type and terms of replacement and (C) Service Provider.
5. For the Mayor and Councillors, the front page of the cell phone invoice, showing the cell phone number and the summary of charges, should be signed and attached, to support the amount claimed for reimbursement. This will provide verification of the amount claimed. The auditor understands that the details of numbers called or incoming calls are confidential and sensitive information due to their functional positions and therefore need not be made available.
6. There is a Cellular Policy (Policy 01.07) for the Mayor and Members of Council which should be reviewed and updated as it was approved by Council in 1992. It mentions reimbursement of "basic monthly charge for their cellular phones" and the cost of business calls. This should be for one cellular phone.
7. Policy 01.14 Par 4.1.5 states "'One hundred per cent of the cost of purchase of cellular telephones". This should be for one cellular telephone.

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1. For more information, please see "Cellular Charges" section in this report Page 18.

**(3) Mandating specific standards for the Mayor's and Senior Management Fleet Vehicles.**

The current practice of not having a lease policy may be acceptable for current Senior Management Team Staff due to their individual employee contracts with the City. However moving forward consideration should be given to develop a policy for future incoming Senior Management Team Staff. The auditor recommends that the individual employee contracts of current Senior Management Team Staff should be honoured and grand-fathered in and not be part of new policies to be developed and that only new incoming future Senior Management Team staff should abide with the new policy. The auditor presents 2 options for consideration:-

**Option 1: Continue lease of vehicles:**

1. The City should consider developing a policy for leased vehicle to provide guidelines for new incoming future Senior Management Team Staff. The policy should include at a minimum, guidelines for (1) the maximum amount of monthly premium the City would be prepared to pay (2) the types of vehicles and the options which the City considers appropriate for business use (3) the length term of the lease (4) the type of lease "open" or "closed" (5) the selection of the residual value (6) the mileage selection (7) the deductible amount for comprehensive and collision insurance (8) amount of liability insurance (9) the vehicle being driven by persons other than the staff member.
2. The City Manager's future lease should be signed by the Mayor to be consistent with the practice of her signing his other expenses.

**Option 2: Provide Allowance:**

1. The City should consider providing fixed monthly allowances instead of leased vehicles for new incoming future Senior Management Team Staff. The monthly allowance should cover all the lease and operating costs ( licence, fuel, insurance, maintenance and repairs). The monthly allowance should increase on January 1 each year based on the prior year's Consumer Price Index for Toronto as published by Statistics Canada. All eligible employees should get the same monthly allowance. The benefits to the City are that there will be less administration work to deal with lease costs, gasoline costs, maintenance and repairs, insurance, etc. The City will no longer be responsible for the associated lease costs and operating costs. This will be simpler and more efficient for the City. If this is adopted, then a policy should be developed to incorporate the above.

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2. As a comparison, the City of Brampton presently pays an allowance of approximately \$1117 per month to eligible staff commencing January 1, 2009. Councillors get an allowance but the amount is unknown. Allowances are tied in to the Consumer Price Index each year.

For more information, please see "Leased Vehicles" section in this report Page 14.

**(4) Restricting expense claims to business meals only; no alcohol**

Business meals are covered in point (1) Requiring three signatures to verify expense claims

It is recommended that consideration should be given to have a City policy developed to address the consumption of alcohol with meals.

As per Ernst and Young, "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".

Functions involving business hospitality ( business contacts, representatives of other levels of government, international delegations or visitors) would be under the umbrella of "external parties".

Council should decide if and when alcohol is considered a justifiable expense for the interest of the City.

For more information, please see "Alcohol" section in this report Page 7.

**(5) Mandating specific standards for (1) personal expenses, (2) the use of corporate credit cards and (3) companion expenses**

*Personal Expenses*

A City policy should be developed taking into consideration the following:

1. City funds should not be used to pay for any personal expenses. Any expenses of a personal nature should not be paid for/reimbursed by the City. The City should only pay for business expenses in furthering the interest of the City.
2. Travelling from home to work ( normal place of work) and return is considered a personal expense as per the Canada Revenue Agency.

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3. Some Extracts from other Cities/Regions:
  - Personal expenditures are ineligible for reimbursement (Town of Markham).
  - Department celebrations of staff birthdays and retirements are considered personal expenses (Town of Markham).
  - Expenses for goods and services of a personal nature are the responsibility of the individual elected official and will not be paid by the City ( City of Mississauga).
  - Registration Costs excludes the extra costs of personal entertainment, golfing, tours or meals associated with ancillary events such as sightseeing excursions or evening outings.( Region of Peel).
  - Expenses claimed in excess of what is considered reasonable or non-allowable expenses will be considered to be a personal expense and the responsibility of the claimant.(Town of Richmond Hill).
  - Alcohol expenses involving Town staff only will not be reimbursed (Town of Richmond Hill).
  - The Town will not be responsible for claims relating to:
    - Medical and hospital treatment beyond Town benefit guidelines.
    - For purchase of trunks, luggage, clothing and souvenirs.
    - For lost luggage, cameras and other misplaced belongings.
    - Alcoholic beverages (as outlined in the policy).
    - For in-suite services relating to movies and bars (Town of Richmond Hill).
4. The policy sets out the maximum the Town will pay for travel allowances and related costs. Individuals may choose to upgrade at their own expense. (Town of Richmond Hill).
5. Any additional fees incurred as a result of a spouse( or significant other) attending a conference ( e.g., registration, accommodation, meals, travel, etc.) shall be paid for by the employee/elected official (Town of Richmond Hill).
6. Alcohol will not be reimbursed. (Region of York).
7. Personal expenses incurred by a spouse or companion such as additional accommodation expense, golf tournaments, dinner dances etc. will not be paid by the Region. (Region of York).
8. The Corporate Purchasing Card shall not be used for personal use including personal vehicle expenses. (Region of York).



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9. Councillors and their staff cannot claim expenses of a personal nature. Where an invoice contains expenses of a personal nature, Councillors or their staff must reimburse the City for these personal expenses when they submit the request for reimbursement or payment of the expense to the Director, Council and Support Services. ( City of Toronto).

**Use of Corporate Cards**

A City policy should be developed for the use of corporate credit cards and should include the following:

1. The corporate card should not be used to pay for personal expenses. The corporate card should be used only for business purposes.
2. The cardholder should not use the card to pay for business or personal expenses of any other (staff member, Councillor, another department or companion) other than for his/her own business use.
3. Any expense for personal use will not be paid for or reimbursed by the City.
4. An original detailed receipt together with the signed credit card receipt should be presented to support the expense on the monthly corporate credit card statement. The original detailed receipt should be signed. For meals, additional information on the (1) Names of the attendees and (2) Business Purpose of the meeting should be disclosed.

**Companion Expenses**

A City of Vaughan policy should be developed taking into consideration the following:

1. Companion expenses are considered a personal expense and should not be paid for by the City. It is understood that at certain conferences ( AMO, FCM), the City Manager may pick up the tab for the table. However the spousal portions should be reimbursed back to the City as soon as possible. Spousal fees for airline tickets, conference registrations, and other fees should be paid for personally.
2. The only exception should be if it is protocol to have a spouse or companion attend a City function due to business hospitality with business contacts, representatives of other levels of government, international delegations or visitors from out of Province/other countries.
3. On a comparison review of policies of surrounding cities and regions, the following extracts were noted:

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- i) Personal expenses and expenses incurred by a spouse or companion are ineligible for reimbursement ( Town of Markham).*
- ii) A spouse or companion may be included as a guest when claiming business entertainment expenses, at the discretion of the elected official. The expenses of a spouse or companion will not be reimbursed unless the expense is associated with business entertainment as described in the "Business Entertainment " section of this policy.( City of Mississauga).*
- iii) Municipal business funds (hospitality purposes) may be extended to a spouse or accompanying person for reasons of protocol. (Town of Richmond Hill).*
- iv) Personal expenses incurred by a spouse or companion such as additional accommodation expense, golf tournaments, dinner dances, etc will not be paid by the Region. (Region of York)*

**(6) Mandating specific rules for Campaign-related city expenses**

The auditor recommends that the following policy rules extracted but not necessarily in verbatim from the Town of Markham, City of Mississauga, Region of York and the City of Toronto should be considered in adopting a policy to be developed for the City of Vaughan:-

1. No Council member shall use the facilities, equipment, supplies, services, staff or other resources of the municipality ( including Councillor budgets) for any election campaign or campaign related activities.
2. No Council member shall undertake campaign-related activities on municipal property during regular working hours.
3. No Council member shall use the services of persons during hours in which those persons receive any compensation from the municipality.
4. Councillors staff may not canvass or actively work in support of a municipal, provincial or federal candidate or party during normal working hours unless they are on a leave of absence without pay, lieu time, float day or vacation leave.
5. No photographic or video materials may be created by City staff for use in any campaign materials.
6. The Municipal Elections Act 1996 should be adhered to especially:
  - Non-use of City's voicemail system to record election-related messages.

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- Websites or domain names that are funded by the municipality may not include any election-related campaign material.
  - Cell phones and PDA's that are funded by the City may not be used for any election-related campaign purpose, unless the City is reimbursed by the Councillor who determines the amount from the calls made.
7. Expenses incurred to produce or distribute campaign literature or materials will not be paid for by the City. Newsletters may not be distributed after April 30 of an election year.
  8. The City will not fund communication service expenses incurred for election campaigning purposes. Published telephone, pager or fax numbers, or a published Internet or e-mail address in conjunction with campaign information and communications are considered use of the services for campaigning purposes. Elected officials are responsible for declaring any communications services expenses which have been paid by the City, but used for campaigning purposes, and the City must be reimbursed. Campaign materials cannot be charged to the City.
  9. Employees wishing to run for Municipal Council within the City must request and obtain a leave of absence without pay no later than nomination day and ending on voting day and resign if elected to office.
  10. Employees wishing to run for Federal, Provincial or Regional Council within York Region, or Municipal Council external to the City, may be requested to take a leave of absence without pay starting no later than nomination day and ending on voting day and resign if elected to office. See Municipal Elections Act s.30 and other applicable election statuses for further information.

**(7) Mandating specific rules on Mileage, 407 ETR Charges, Travel and Conference, Field Purchase Orders and Conflict of Interest Advertising, Floral Gifts, Policy 01.14 Par 4.1.11, Expense Reporting Forms**

**Mileage**

1. The City has developed a revised policy (Policy No: 05.5.18) on Mileage claims in 2007 with specific guidelines. This was as a result of a previous audit.
2. Travel from home to one's normal place of work is a personal expense.
3. Mileage will be reimbursed if it is for business purposes only.
4. Usually, mileage is reimbursed from one's normal place of work to the business destination and return.
5. For more details, the Policy should be read.

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407 ETR Charges

1. There is currently no written policy on 407ETR Charges and it is recommended that one is developed.
2. It is agreed that travel from home to work(normal place of business) and back, is a personal expense, therefore ETR expenses in such travel is considered personal and will not be paid for by the City.
3. The exception is where there is an agreed employment contract to pay for the 407 ETR travel from home to work and back. 407 ETR monthly statements should be presented to support the expense, should be signed by the employee and the employee's supervisor. In this case there will also be a taxable benefit to the employees.

For more information, please see "407 ETR Approvals" section in this report Page 12.

Travel and Conference

There is an existing policy ( Policy 03.03) on Conferences and Seminars for Members of Council and Staff. This policy should be reviewed and updated where necessary as it was updated on 16 November 1992.

Field Purchase Orders (FPO)

1. The Purchasing Policy has information on Field Purchase Orders and their use. However, there needs to be more information on the method, timing and limits of their use. FPOs should be made out as to quantity, description and price and authorized before the goods/services are ordered. It is an agreed commitment between the City and the contractor/vendor for the goods/services at the agreed price. The Purchasing department should update their instructions on the use of FPOs and Purchase Orders and provide training to all departments.
2. It is recommended that a system be put in place throughout the City so that monthly or quarterly, department management are made aware of accumulative FPO totals which reach sizeable amounts of \$25,000, \$50,000, \$75,000, \$100,000. This process will guide them when to issue bids to obtain the most competitive prices and develop Vendors of Record.

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*Conflict of Interest*

There is a policy on "Code of Conduct for municipal employees" ( Policy 05.5.13) which includes "Conflicts of Interest" section. The Human Resources department should include this in their training sessions for staff. Also, staff should be required to sign off on a "Code of Conduct for municipal employees" annually. This would remind staff of their fiduciary duties and responsibilities annually.

*Advertising, Floral Gifts, Policy 01.14 Par 4.1.11, Expense Reporting Forms*

The Mayor's proposal for the above are self explanatory.

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**CONCLUSION**

1. Based on the scope of audit work and terms of reference mentioned in the beginning of the audit report, areas reviewed were considered to be operating effectively, except for the noted observations for which the auditor made recommendations for improvement.
2. When all corrective actions are implemented, (1) internal controls will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the City will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.