

Review of Staff, Councillors' and Mayor's Office Expenses

(City Council on April 13, 14 and 15, 1999, referred this Clause, together with the following motions, to the Budget Committee for further consideration, with a request that all Members of Council be advised when the Budget Committee will be dealing with this matter:

Moved by Councillor Duguid:

“That the Clause be amended by:

(1) adding to Recommendation No. (3) of the Audit Committee the words ‘and the City Clerk consider the procedures followed by Members of Parliament and Members of Provincial Parliament when considering this recommendation’, so that such recommendation shall now read as follows:

‘(3) the City Clerk, in the outline of the purpose of the global office budget requested in Recommendation No. 3(d) of the report (January 15, 1999) from the City Auditor, clarify in a detailed manner what is permitted and what is not, particularly, whether a Councillor paying for City pins and T-Shirts for community groups promoting the City, or a Councillor paying for the costs of advertising activities done by local groups, would be permitted, and the City Clerk consider the procedures followed by Members of Parliament and Members of Provincial Parliament when considering this recommendation;’; and

(2) adding to Recommendation No. (7) of the Audit Committee the words ‘provided that those Members of Council who require office space in the former Civic Centres due to the geographical location of their Wards are not unfairly discriminated against with regard to any cost allocations for that space’, so that such recommendation shall now read as follows:

‘(7) the Commissioner of Corporate Services, in her expected report on charge-back for all office space, base the report on a policy of full-cost accounting for such space for all Members of Council, provided that those Members of Council who require office space in the former Civic Centres due to the geographical location of their Wards are not unfairly discriminated against with regard to any cost allocations for that space.’ ”

Moved by Councillor Mahood:

“That Recommendations Nos. (5) and (7) of the Audit Committee be referred to

the appropriate Standing Committees for consideration.”)

(City Council on March 2, 3 and 4, 1999, deferred consideration of this Clause to the next regular meeting of City Council to be held on April 13, 1999.)

(Clause No. 2 of Report No. 2 of the Audit Committee)

The Audit Committee recommends that:

- (1) the following report (January 15, 1999) from the City Auditor be adopted;**
- (2) staff, Members of Council and the Mayor’s Office be requested to refund all monies which they have received for expense claims for which proper supporting documentation was not submitted, or for matters which do not comply with Council’s policy and accepted business practices;**
- (3) the City Clerk, in the outline of the purpose of the global office budget requested in Recommendation No. 3(d) of the report (January 15, 1999) from the City Auditor, clarify in a detailed manner what is permitted and what is not, particularly, whether a Councillor paying for City pins and T-Shirts for community groups promoting the City, or a Councillor paying for the costs of advertising activities done by local groups, would be permitted;**
- (4) the City Auditor, in consultation with the Chief Administrative Officer and the City Solicitor, report to the Audit Committee on a policy on the receipt of donations of cash, goods, services and other benefits by Members of Council; and**
- (5) a charge-back fee be established immediately for the City’s limousine service;**
- (6) Council request that the City of Toronto Act, 1997 be amended to delete the provision that Members of Toronto City Council receive a third of their salary tax-free;**
- (7) the Commissioner of Corporate Services, in her expected report on charge-back for all office space, base the report on a policy of full-cost accounting for such space for all Members of Council.**

The Audit Committee reports, for the information of Council, having:

- (1) requested the City Auditor to:
 - (a) report to the Audit Committee on whether the cost of design, lay-out and printing of Councillors’ newsletters being done by the City Clerk is on a full cost recovery charge-back basis;

- (b) report to the Audit Committee on the establishment of a charge-back policy for those Councillors who use civic space for second offices;
 - (c) clarify that senior staff cannot receive a car allowance and a full mileage allowance, and report thereon to the Audit Committee, at its meeting to be held on April 7, 1999;
- (2) directed that the Audit Committee receive:
- (a) a detailed breakdown of each individual Councillor’s office expenses, including the Mayor’s office and staff;
 - (b) a list of remuneration and expenses received by each individual Councillor for activities in their duties as a Member of a local Agency, Board or Commission; and
- (3) referred the following motion by Councillor Lindsay-Luby to the Budget Committee for consideration:

“That the global office budget for Councillors be \$40,000, such monies to include the charge-back of all office expenses.”

The Audit Committee submits the following report (January 15, 1999) from the City Auditor:

Background:

On March 17, 1998, the Chief Administrative Officer issued an expense claim policy for staff. This policy pertains to all City departments and covers the requirements with respect to attendance at conferences/seminars, business trips, meterage claims for use of personal auto, meal allowances, business meetings, etc.

A separate policy, entitled “Office Administration and Expenses for Members of Council”, adopted by City Council on June 3, 1998, established the requirements with respect to the office, travel and other expenses of Members of Council.

Comments:

As part of our on-going evaluation of internal controls across the Corporation, a review of staff expense claims, as well as expenditures relating to Members of Council and the Office of the Mayor was completed.

The objective of this review was to ensure awareness of and compliance with the expense policies, and to identify any areas where clarification or corrective action was required.

The review included an examination of records and documents for the period January to October

1998, interviews with applicable staff and the testing of transactions on a sample basis.

Recommendations:

It is recommended that:

- (1) To increase awareness of and ensure compliance with the expense claim policy, the Chief Administrative Officer:
 - (i) ensure all staff and Councillors are aware of the new City's expense claim and related policies;
 - (ii) in consultation with the Chief Financial Officer and Treasurer and the City Auditor, formalize policies and procedures governing expenditures in the Office of the Mayor, specifically the administrative and approval requirements with respect to the purchase of goods and services, business meetings, travel, etc., as well as appropriate expenditure control procedures;
 - (iii) advise all staff, Members of Council and the Mayor's Office that business meeting expense claims must be supported by original restaurant receipts, with the names of the attendees and the purpose of the meeting documented, and that payment will be withheld if the required supporting documentation is not provided;
 - (iv) advise all staff that business lunch and dinner meetings involving City staff should be kept to a minimum and should only occur when time schedules do not permit such a meeting during normal working hours;
 - (v) reiterate to department heads that all staff travel outside of Canada requires the Chief Administrative Officer's written pre-approval;
 - (vi) advise all staff, Councillors and the Mayor's Office that it is their responsibility to abide by all parking and traffic regulations, even when on City business, and that fines and penalties relating to violations of such regulations will not be reimbursed; and
 - (vii) advise staff that meal allowances should not be claimed when visiting another Civic Centre, and request the Executive Director of Human Resources to formulate a mileage reimbursement policy for staff who have been re-located to a new location. Costs related to travel to and from permanent work places is considered a taxable benefit by Revenue Canada;
- (2) To ensure that costs are encumbered against Councillors' global budgets and that management reports are accurate, complete and provide a proper audit trail:
 - (a) the City Clerk advise Councillors that all their expenses, including any requests

for services (ie. printing, postage, distribution) be processed directly through Council Services, Clerks Division, and all payments be made directly to suppliers;

- (b) Finance Department ensure that all Councillors' expenses, which have been processed through their former municipalities, are allocated to the proper accounts on a timely basis. In order to improve controls, Councillors' expenses should not be processed through their former municipalities;
 - (c) Clerks Division staff review with Finance Department staff, system deficiencies with respect to the timely reporting of Councillors' staff salary costs, for appropriate corrective action; and
 - (d) Finance staff advise all departments/divisions that all business meeting expenses, cellular phone charges and kilometres reimbursements be charged to specific accounts, established for these types of expenses;
- (3) With respect to the "Office Administration and Expenses for Members of Council" policy, the City Clerk:
 - (a) advise Councillors that any additional work performed by Councillors' staff be remunerated in the form of lieu time or paid overtime and not through the Accounts Payable system as payment for consulting services or an honorarium;
 - (b) reiterate to Councillors the policy requirements with respect to consulting services, and advise that payment will be withheld if proper supporting documentation (ie. nature of services provided, per diem or hourly rate) is not provided;
 - (c) prepare a policy with respect to expenditures incurred by Members of Council in their capacities as members of local boards, including whether such expenditures should be charged to the Councillors global office budget; and
 - (d) clearly outline to Councillors and their staff the purpose of the global office budget and that payments to community organizations, including sports teams, in the form of sponsorships, donations, etc. are not permitted;
- (4) To ensure the necessary supporting documentation is provided for expense approval and reimbursement and to promote consistency across the Corporation, the Chief Financial Officer and Treasurer:
 - (a) advise all staff, Councillors and the Mayor's office that travel expense reimbursements must be accompanied by a properly completed and approved Request for Travel form;

- (b) develop a standard kilometres claim form for the Corporation and advise all staff, Councillors and the Mayor's office that when submitting kilometres claims, appropriate supporting detail must be provided for each trip, specifically, the destination and purpose of the trip and the number of kilometres travelled; and
 - (c) advise all staff, Councillors and the Mayor's Office that reimbursement of expenses, whether processed through petty cash, payroll or accounts payable, must be supported by original receipts indicating what was purchased and be approved by the individual's immediate supervisor, in accordance with the department's delegation of financial signing authority;
- (5) Due to the delay in settling travel claims, and the fact that many expenses (ie. air fare, registration fees) relating to travel can be paid directly by the Corporation:
 - (a) the Chief Financial Officer and Treasurer consider eliminating travel advances; and
 - (b) Accounting staff follow up on all advances currently outstanding for more than 30 days, to either recover any unspent funds or to settle the advance, and that any travel advance still outstanding after follow up by Accounting, be escalated to the respective department head for appropriate action;
- (6) With respect to cellular telephones:
 - (a) the Telecommunications Division, Corporate Services, in consultation with Departments, Agencies and Commissions, develop a policy covering the criteria and authorization for purchase and issuance of cellular telephones, guidelines for business and personal use, and procedures for the reassignment and return of these telephones;
 - (b) a complete inventory of all cellular telephones be undertaken by each department, and a listing indicating the staff member assigned each telephone be forwarded to the Telecommunications Division, Corporate Services;
 - (c) all future purchases of cellular telephones be made through the Telecommunications Division, Corporate Services, which will also maintain an inventory of cellular telephones for the Corporation; and
 - (d) cellular telephone bills be reviewed and approved by the appropriate departmental staff and any personal calls reimbursed to the City;
- (7) To ensure that travel arrangements are made at the lowest possible cost, more than one quote be obtained and documented for all travel by Councillors and the Mayor's Office, including a quote from the corporate travel agent; and
- (8) In view of the fact the majority of Councillors' expenses will be well below the

\$70,000.00 allocated to each Councillor for office expenses in 1998, the Councillors' global office budget should be reviewed.

Conclusions:

The new City is comprised of staff and Councillors from former municipalities, each of whom had its own culture, policies and practices with respect to general expense claims. Consequently, what may have been an appropriate expenditure in one municipality may have not been permitted in another. The level of supporting documentation and approvals also differed, to a certain extent, from municipality to municipality. The policies approved by City Council in 1998, for both staff and Councillors, have helped to standardize the administrative requirements (approval and supporting documentation) for various types of expenditures as well as defining, to the extent possible, what are considered to be permitted expenditures. It is difficult, however, to have a policy that covers every situation and consequently, good judgement must be exercised in terms of the types of expenditures incurred. In this regard, all expenses incurred by staff and elected officials in the City must be able to withstand scrutiny by an outside third party.

Our review noted a general lack of awareness of the current policies, as well as instances of non-compliance on the part of some staff, Councillors and the Mayor's office with respect to proper approval and adequacy of supporting documentation for business meeting expenses, meal allowances, consultants, travel advances and other general expenses. The City's purchasing policy was also not followed by some Councillors with respect to general purchases made for their respective offices. These problems were especially prevalent prior to the introduction of the policies, although in some situations, they continued to persist even after the policies were established. While the dollar value of each individual transaction is not significant, many of these items are of a sensitive nature. It is therefore essential that all staff and elected officials comply with the policies.

Considering we are in the first year of the amalgamated City and the fact that standard policies were not developed until mid 1998, this report focuses on the corrective action required to remedy the problems identified during our review. My office will be performing a follow-up review in the third quarter of this year and will report any continuing or new problems to the Audit Committee and Council.

Finally, it should be noted that our review also included an analysis of the Councillors' \$70,000.00 global office budget. Preliminary year end expenditures indicate that approximately 65 percent of all Councillors will spend less than \$50,000.00 in 1998, with an average and median spending of approximately \$40,000.00. With the benefit of one years spending experience, a lower global office budget in the range of \$40,000.00 to \$50,000.00 would result in a savings of between \$1.1 and \$1.7 million for the Corporation.

Contact Name and Telephone Number:

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(The following Members of Council, at the meeting of City Council on April 13, 14 and 15, 1999, declared their interest in those portions of the foregoing Clause pertaining to staff of Members of Council, in that a member of their family is an employee in their office:

- Councillor Cho;*
- Councillor Fotinos;*
- Councillor Gardner;*
- Councillor Kelly;*
- Councillor Mahood; and*
- Councillor Shiner.)*