

**Councillors Office Expenses –
Councillor Ford and Councillor Holyday**

Date:	November 8, 2007
To:	Executive Committee
From:	Jeff Griffiths, Auditor General, and David Mullan, Integrity Commissioner
Wards:	All
Reference Number:	

SUMMARY

City Council requested the Auditor General and the Integrity Commissioner to *“investigate the lack of expenses charged to the Councillors Office Budget of Councillors Holyday and Ford as it relates to the Code of Conduct and the acceptance of gifts benefits as well as goods and services paid through personal funds.”*

This review is now complete. The results of the review are as follows:

In the case of Councillor Ford, all expenses relating to the operation of his Council office are paid by him personally. City policy requires that certain specific expenses “must be paid for through the Councillors global budget and not through personal funds.” Consequently, Councillor Ford is not in compliance with Council policy. In addition, Councillor Ford does not report to the City Clerk the extent of the personal funds expended in relation to the operation of his Council office. The non-disclosure is not in compliance with policy. We are not aware of the extent of personal funds expended as no City records exist to verify this amount.

Further, we have been advised by Councillor Ford that no third-party funds have been provided to the Councillor to finance his Council office expenses.

Councillor Holyday charges all Council related expenses to his office budget. We have been advised by Councillor Holyday that no third-party funds have been provided to the Councillor to finance his Council office expenses. Mileage expenses which are paid for personally by Councillor Holyday are not reported to the City Clerk as required by Council policy. We have been advised by Councillor Holyday that these expenses are minimal.

RECOMMENDATION

The Auditor General and the Integrity Commissioner recommend that:

1. All Members of Council be required to comply with the current Council policy entitled: “Use of Corporate Logo, Donations and Sponsorships and Personal Funds by Members of Council”. The policy requires that:

“the following expenses for Members of Council must be paid for through the Councillor’s global office budgets and not through personal funds:

- (i) postage and distribution costs;*
- (ii) printing services (newsletter, flyers, business cards);*
- (iii) advertising and promotion and related office expenses; and*
- (iv) photocopying.”*

2. All Members of Council be required to comply with the current Council policy which requires that *“if office expenditures are paid by Members of Council through the use of personal funds, such expenditures be reported to the City Clerk”*.

FINANCIAL IMPACT

There are no financial impacts beyond what has already been approved in the current year’s budget.

DECISION HISTORY

At its meeting of May 23, 24 and 25, 2007, Council, in considering a report entitled “Remuneration and Expenses of Members of Council and of Council Appointees to Local Boards and Other Special Purpose Bodies for the year ended December 31, 2006”, adopted the following motion:

“The Auditor General and the Integrity Commissioner be requested to investigate the lack of expenses charged to the Councillor’s Office Budget of Councillors Holyday and Ford as it relates to the Code of Conduct and the acceptance of gifts, benefits as well as goods and services paid through personal funds.”

Why Conduct This Review?

This matter has been the subject of much Council debate extending as far back as October 1, 2 and 3, 2002 when Council approved the following recommendations contained in a report entitled: “Use of Corporate Logo, Donations, and Sponsorships and Personal Funds by Members of Council”:

“Members of Council continue to be permitted to pay office and related expenses from their personal funds when dealing with over-expenditures of global office budgets and the matter of paying office and related expenditures out of personal funds be referred to the Ethics Steering Committee for further review;”

“funds given to Councillors outside of their allocated operating budgets be prohibited;”

Further, City Council at the same meeting approved the following policy:

- “(a) the following expenses for Members of Council must be paid for through the Councillors’ global office budgets and not through personal funds:
 - (i) postage and distribution costs;*
 - (ii) printing services (newsletters, flyers, business cards);*
 - (iii) advertising and promotion and related office expenses; and*
 - (iv) photocopying;**
- (b) if office expenditures are paid by Members of Council through the use of personal funds, such expenditures be reported to the City Clerk;*
- (c) Members of Council who have received outside funds, in-kind payments or donations within the last four years, report same to the City Auditor, prior to the end of 2002; and*
- (d) the City Clerk be requested to:
 - (i) consult with Revenue Canada and the Canadian Institute of Chartered Accountants with respect to the tax implications of outside corporate donations;*
 - (ii) determine the audit or other functions which would be required to track these donations; and*
 - (iii) submit a report to the Ethics Steering Committee in this regard.”**

In accordance with Council's request, this matter was tabled with the Ethics Steering Committee at its meeting of October 30, 2002. The minutes of that meeting indicate that: *"With Councillor Milczyn in the Chair and on motion by Councillor Mihevc, the Ethics Steering Committee received the communication from the City Clerk."*

As a result of the Ethics Committee only receiving this communication, this matter was not addressed at that time. In view of the fact that this review appeared to be relatively straight forward and would not involve any significant resources, it was determined by both the Auditor General and the Integrity Commissioner that the issue of the office expenses of Councillors Ford and Holyday should be addressed. It is anticipated that such a review would clarify concerns expressed by Council.

BACKGROUND

Council, in setting its policies on Councillors office expenses particularly the policy restricting the use of personal funds to pay for such expenses, was mindful of the following:

- a desire to ensure that details of all expenses incurred by Members of Council are transparent and available as a matter of public record; and
- a desire to ensure that all Members of Council have access to the same amount of public funds in order to ensure that those Members of Council who could afford to do so were not funding their office over and above the approved budget allocation.

How Did We Conduct This Review?

The review was restricted to Councillors office expenses for 2006. Expenses incurred by candidates related to the 2006 Municipal election were not a part of this review. The review was conducted in accordance with generally accepted government auditing standards.

Our review included the following:

- interviews with Councillor Ford and Councillor Holyday;
- review of Council tapes for the meeting of May 23, 24 and 25, 2007;
- discussions with Mr. Doug Ford, the President of Deco Labels and Tags, a company in which Councillor Ford has advised us that he is a shareholder;
- review of various Council reports including the report entitled "Remuneration and Expenses of Members of Council and of Council Appointees to Local Boards and Other Special Purpose Bodies for the year ended December 31, 2006";

- review of Council policy on the use of Corporate Logo, Donations and Sponsorships and Personal Funds by Members of Council;
- review of Council policy on Expense Claims – Members of Council;
- review of Council’s Code of Conduct;
- review of *Municipal Conflict of Interest Act*; and
- review of the minutes of the Ethics Steering Committee.

We have not reviewed personal financial information of either Councillor Ford or Councillor Holyday.

COMMENTS

What Did We Find?

Councillor Ford

Both the Auditor General and the Integrity Commissioner met with Councillor Ford to discuss the issue of his office expenses.

In 2006, Councillor Ford did not charge any expenses to his Council office budget.

Councillor Ford stated that all expenses in running his Council office are paid for out of his own personal funds. Ongoing office related expenses paid by the Councillor personally include cell phone bills, photocopying, printing and mileage expenses. We are not aware of the extent of personal funds expended as no City records exist to verify this amount.

We were assured by Councillor Ford that under no circumstances were any expenses in connection with the running of his office paid for by a third party. There have been allegations suggesting that certain expenditures in running the office of the Councillor may have been paid for by a printing company Deco Labels and Tags Inc. in which Councillor Ford is a shareholder. Both the Auditor General and the Integrity Commissioner have also met with and have had discussions with Mr. Doug Ford, President of Deco Labels and Tags Inc. Mr. Doug Ford indicated that any services or goods provided to Councillor Ford by Deco Labels and Tags Inc. are paid for by the Councillor at fair market value.

Business cards and letterhead currently used by Councillor Ford were purchased personally at fair market value by the Councillor from Deco Labels and Tags Inc. at the time of his first election to City Council in 2001. We were advised that at that time approximately 20,000 business cards, 10,000 envelopes and 10,000 letterheads were acquired. Councillor Ford has a significant inventory of these items which he continues to use.

Council policy requires that “if office expenditures are paid by members of Council through the use of personal funds, such expenditures be reported to the City Clerk.” Councillor Ford has not complied with this policy.

Councillor Holyday

Both the Auditor General and the Integrity Commissioner met with Councillor Holyday to discuss the issue of office expenses.

In 2006, Councillor Holyday charged the following expenses to his office budget:

Office equipment and supplies	\$ 423
Transportation, kilometrage and parking	139
Printing, postage and courier	336
Wireless communication services	383
Advertising and promotion	65
Other	<u>125</u>
	<u>\$1,471</u>

Councillor Holyday indicated that the above expenses are the only amounts he requires to operate his office and as such the above is an accurate accounting of all such expenses. Councillor Holyday, for instance, does not produce a newsletter for the benefit of his constituents, nor did he in 2006 pay for rental space for a constituency office.

Expenses relating to vehicle mileage, while not specifically itemized in the Council policy as an allowable office expense have nonetheless been viewed by the City Clerk as reimbursable.

Councillor Holyday has not requested reimbursement of these expenses from the City. In addition, these expenses have not been reported to the City Clerk as required by Council policy. However, Councillor Holyday has indicated that mileage expenses incurred to date are minimal. If at some point in the future they become significant, Councillor Holyday has indicated that he will seek reimbursement of these expenses from the City.

Councillor Holyday indicated that under no circumstances are any expenditures paid for by a third party.

Rental of Office Space

Both Councillor Ford and Councillor Holyday have been asked by Council to reimburse \$1,123.20 each for the use of office space at Etobicoke Civic Centre in 2006. These 2006 expenses will be reflected in their 2007 office expenses.

OTHER COMMENTS

One of the concerns related to the payment of office expenditures from personal funds along with the non disclosure of these amounts is the potential that certain members of Council who have the financial means to do so are in a position to incur expenses in excess of amounts available to other Councillors. In order to address this particular issue Council may wish to consider amending the policy on Council office budgets such that Members of Council wishing to pay for office expenses personally be permitted to do so as long as:

- the total amounts expended not be in excess of the approved office budget amount; and
- all such expenditures be reported to the City Clerk on an annual basis.

An obvious extension to this suggestion would be the public disclosure of expenses incurred by all Councillors on the City's internet site. This is also an issue Council may wish to consider.

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SIGNATURE

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