



AUDITOR GENERAL

Halifax Regional Municipality

Review of Expenses: Mayors, Councillors and Senior Management 2012-2013©

December 2013



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Preamble

This heightened awareness and need for accountability and transparency has in turn led to a need to provide assurance the Mayor and Councillors of HRM are following prescribed policies and procedures.

During 2009, the Office of the Auditor General - Nova Scotia conducted a review of MLA expenses which subsequently led to criminal charges related to certain findings as well as policy changes within the Provincial Government. There have also been recent media reports discussing federal politicians' expense reports. This heightened awareness and need for accountability and transparency has in turn led to a need to provide assurance the Mayor and Councillors of HRM are following prescribed policies and procedures. Since this accountability is also relevant for senior management, a review at this level was also considered appropriate.

At HRM, expenses for the Mayor, Councillors and senior management can be processed in a number of ways. An expense can be incurred by the claimant (Mayor, Councillor or senior manager) and reimbursed directly to the person through the payment processing division. An expense can also be processed by staff on behalf - and under the direction - of the Mayor, Councillors or senior managers through a corporate purchasing card and the payment made to the purchasing card company. These cards are in the name of the individual responsible for making the purchases. There are policies in place for expense reimbursement as well as for the use of purchasing cards. These policies formed the basis for the review. Purchases made through the use of purchase orders are out of scope for this review.

Objectives

The main objective of this review was compliance in nature. The focus was to verify adherence to the Employment Expense Reimbursement Policy, Purchasing Card Policy or applicable policy in place at the time of the expenditure. According to the Employment Expense Reimbursement Policy, "Members of Council, CAO, DCAO, Directors, Staff are responsible to ensure they are informed of this policy and its contents and are to complete required forms as appropriate and to obtain approval of expenses by normal chain of authorization".¹ Based on the fieldwork completed by the OAG, conclusions were reached regarding compliance by the Mayors, Councillors and senior management, with the policies in place at the time.

¹ HRM Employment Expense Reimbursement Policy – Page 2

Scope

Since this was a compliance review, it was decided there was no need to expand the scope to other years unless a large number of non-compliant transactions were identified.

The review included both the former and current Mayor, Councillors and senior managers who had incurred expenses between April 1, 2012 and March 31, 2013. The review also included purchasing card transactions made by assistants to any of the Mayors, Councillors and senior managers who hold or held purchasing cards and made purchases during the period noted above. Since this was a compliance review, it was decided there was no need to expand the scope to other years unless a large number of non-compliant transactions were identified.

For purposes of this review, senior managers refers to the Chief Administrative Officer (CAO), Deputy Chief Administrative Officer (DCAO) and Directors of the following business units:

- Human Resources
- Legal & Risk Management
- Finance, Information, Communications & Technology
- Government Relations & External Affairs
- Metro Transit
- Planning & Infrastructure
- Transportation and Public Works
- Community & Recreation
- Fire and Emergency Services (HRFE) - Fire Chief

The senior managers of the largest HRM organizations overseen by agencies, boards and commissions (ABCs) were also included in the review – Halifax Regional Police (HRP) - Police Chief, Halifax Public Libraries (HPL) - CEO and Halifax Regional Water Commission (HRWC) - General Manager. The OAG did not include any additional members of these ABC boards since many members were already included in the sample selected (the Mayors and Councillors).

The project also included an analytical review of the general ledger expenses for the Mayor's Office and the Councillors' Support Office for the period noted above to determine if there were other notable or unusual expenses worthy of further review.

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The review did not examine purchases made through petty cash. It was expected those purchases would be captured through the analytical review process noted above.

Methodology

The methodology followed to conduct this review included:

- Obtaining the Employment Expense Reimbursement Policy, the Purchasing Card Policy and other policies (specific to ABCs) in place during the review period.
- Obtaining a listing of the Mayors, Councillors and senior managers in place during the review period.
- Obtaining a listing of all assistants to the Mayors, Councillors and senior managers who held purchasing cards during the review period.
- Extracting all payments/reimbursements made to the Mayors, Councillors and senior managers for the period under review.
- Extracting all purchasing card transactions for the Mayors, Councillors, senior managers and assistants who held purchasing cards during the review period.
- Sampling on a stratified basis to ensure each Mayor, Councillor and senior manager had at least one expense selected for detailed review if there were expenses paid personally and then reimbursed. All expenses were not reviewed. The statistical sample size used provided high confidence of the population therefore further sampling was not necessary.
- Electronically extracting a random sample of purchasing card transactions for detailed review.
- Identifying instances of non-compliance for reporting purposes.
- Identifying other issues to be raised.

Executive Summary

The issue of expense reimbursement and potential inappropriate claims continues to be an issue in the media. With both provincial and federal politicians coming under scrutiny as a result of significant concerns being raised regarding certain situations, the need for accountability and transparency at the municipal government level is highlighted. In undertaking this review, the intent of the OAG was to identify cases of non-compliance and identify areas where guidance could be strengthened to ensure appropriate controls are in place regarding expense reimbursement or use of purchasing cards.

The OAG is pleased to report there were no obvious abuses of the Employment Reimbursement Policy or the Purchasing Card Policy at HRM by the Mayors, Councillors and senior management, during the period of review.

There were some instances of policy non-compliance; however, these appear to be isolated instances and not a systemic pattern.

The OAG is pleased to report there were no obvious abuses of the Employment Expense Reimbursement Policy or the Purchasing Card Policy at HRM by the Mayors, Councillors and senior management, during the period of review. There were some instances of policy non-compliance; however, these appear to be isolated instances and not a systemic pattern. There does need to be a clarification of the reimbursement policies of both HRM and specific ABCs, in some regards, to ensure controls are in place to prevent further instances of non-compliance and to ensure claimants are clear as to when eligible expenses are incurred.

One area the OAG noted as concerning is the ABCs included in the review could have expense reimbursement policies specific to their own entities. In one case the organization followed HRM's policies, in another the policies generally aligned, however in the case of a third entity, the OAG found distinct policies which differed significantly from HRM's. The OAG questions why these entities are not required to adopt and follow HRM's policies.

In addition, given taxpayer concern with respect to public officials expenses at all levels of government and the likely need for stricter controls, the OAG would recommend Regional Council (likely through discussions at the Finance and Audit Committee) consider providing formal direction regarding the appropriate approvals for the Mayor's and Councillors expenses. The OAG noted the Mayor's and Councillors' expenses are currently approved by the CAO and Councillor Support Office Manager respectively. Given the organizational structure, neither have authority over the Mayor and Councillors. Leading practices for internal controls indicate there should be supervisory approval of expenses incurred. However, in

the case of the Mayor and Councillors there is no 'supervisor'. Business practices in this case would suggest the Chair or Vice-Chair of the Audit and Finance Committee provide approval or approval be granted via the Committee.

The need for this guidance becomes even more apparent when considering attendance at specific conferences or events, whether the attendance is in the best interest of HRM and who should be attending the conference or event. Business cases outlining the benefits to HRM are not being used as a means to support attendance at various events or conferences and there is also currently no policy guidance in place on these issues.

Summary of Recommendations

- 1.1.1 The OAG recommends HRM Administration implement a methodology for setting of reimbursement rates as well as a review of the expense policy on a regular basis. The review should ensure policy guidance is referenced (eg. travel grid, pre-approval form, etc.). The review should include comparisons across HRM entities and ABCs to ensure all ABCs adopt HRM's policies. (Page 13)
- 1.1.2 In the interim, until Recommendation 1.1.1 is implemented, the OAG recommends HRWC provide guidance to employees around eligibility for local meal reimbursements. (Page 13)
- 1.2.1 The OAG recommends HRM Administration review the various expense-related reimbursement forms to ensure they meet required needs. Forms and policies in use should be communicated to all employees and elected officials to ensure they are aware of the correct forms to use and the appropriate distance to be claiming. Form titles should be updated to indicate the full purpose, including non-travel related items, or a separate form should be implemented for these items with an area to indicate the reason for the expense. This review should also include an update of the HRM Travel Grid. (Page 15)
- 2.0.1 The OAG recommends Regional Council review the approvals required for Mayor, Councillor and senior management expenses with a focus on implementing the leading practice of a supervisory or 'one-up' approval mechanism to strengthen internal controls. The OAG suggests approvals by Committee, Audit and Finance Committee Chair or Vice-Chair or Mayor (in the case of the CAO) would be appropriate. (Page 18)
- 2.0.2 In the interim, until a review of the expense policy is completed (as suggested in Recommendation 1.1.1), the OAG recommends HPL document pre-approvals for out-of-town travel requests and implement approval of all CEO expenses by the Chair of the Board to ensure supervisory or 'one-up' approval. (page 18)

- 2.0.3 The OAG recommends HRWC ensure pre-approval for out-of-town travel is documented. (Page 18)
- 3.0.1 The OAG recommends, once changes are made to the expense reimbursement policy and applicable forms, HRM Administration ensure the policy and all applicable forms are communicated to all business units and ABCs for consistent application. Business units should be reminded to include all costs on the reimbursement form to ensure the full cost of the expense is identified. The OAG would also recommend requiring the inclusion of a budget (based on the 'Approval for Overnight and Out of Province Travel' form) comparison to actual costs for accountability purposes. (Page 21)
- 4.0.1 The OAG recommends HRM Administration and Regional Council formalize circumstances where Councillors can claim mileage reimbursement when travelling from their place of residence. (Page 23)
- 4.0.2 The OAG recommends HRM and its' ABCs set in policy what are reasonable/allowable charges for hotels, rental cars, and other travel related expenses not covered by the current policy. (Page 23)
- 4.0.3 The OAG recommends HRM Administration and ABCs add a requirement to the policies to include a business case to support out-of-province travel. Also, if some costs are to be paid personally or by another party, this should be noted on the reimbursement form. The reimbursement form should provide a complete audit trail of all costs and other required information. (Page 23)

Detailed Findings and Recommendations

1.0 Employment Expense Reimbursement Policy

The OAG began this review, by obtaining the following policies in place for expense reimbursement:

- Halifax Regional Municipality (HRM) –
 - a) Employment Expense Reimbursement Policy – applicable to local and out-of-town travel
 - b) Purchasing Card Policy – applicable for small dollar purchases and specified out-of-town travel expenses.
- Halifax Regional Police (HRP) – Included under HRM policy.
- Halifax Public Libraries (HPL) –
 - a) Employment Expense Reimbursement Policy – applicable to local and out-of-town travel and generally aligns with HRM policy
 - b) Purchasing Card Procedures – method of payment for small dollar purchases and specified travel expenses and generally aligns with HRM procedures.
- Halifax Regional Water Commission (HRWC) –
 - a) Travel Expense Reimbursement Policy – applicable to travel outside the metro area
 - b) Mileage Policy & Personal Vehicles – applicable to local travel expenses associated with the use of personal vehicles.

The OAG also obtained various forms which are used in conjunction with the policies. The forms include spaces to indicate the number of kilometres traveled, the bridge or ferry toll, meals, taxi/parking, other/miscellaneous expenses, accommodations and incidentals, etc.

1.1 Policy Review

Consistency of Policies among HRM and its ABCs

The current HRM and HPL Employment Expense Reimbursement Policies have been in place since August 1, 2007. Staff indicated, at the time the policy limits were established, they were matched to the Province of Nova Scotia and Union of Nova Scotia Municipalities (UNSM). The OAG understands, the Province reviews the mileage rate annually and adjustments have been made as of April 1 of each year. There appears, however, to be no indication HRM or HPL

reviews their reimbursement rates on an annual basis, as is done provincially, to determine if the current rates are still appropriate or comparable to other organizations.

The OAG noted earlier HPL follows the HRM policy, while HRWC has their own. Exhibit 1 (below) shows the various reimbursement rates for HRM, HPL and HRWC, as well as the rates of other entities.

EXHIBIT 1 - Comparison of Reimbursement Rates in Effect during the Review Period as provided to the OAG (Unaudited)

	HRM / HPL*		HRWC **		Province of NS *		Allowable under the Income Tax Act ***		UNSM*	
Breakfast	\$ 13.00		\$ 13.70		\$ 6.00		\$ 17.00		\$ 15.35	
Lunch	\$ 15.00		\$ 13.15		\$ 12.00		\$ 17.00		\$ 14.60	
Dinner	\$ 27.00		\$ 37.40		\$ 20.00		\$ 17.00		\$ 40.30	
Incidentals	\$ 55.00		\$ 64.25		\$ 38.00		\$ 51.00		\$ 70.25	
	\$ 10.00		\$ 17.30		\$ 5.00		N/A		\$ 17.30	
	\$ 65.00		\$ 81.55		\$ 43.00		\$ 51.00		\$ 87.55	
Mileage:	\$ 0.46	< 16k km	\$ 0.52	< 5k km	0.4287	< 16k km	\$ 0.505	Per km	\$ 0.46	Per km
	\$ 0.42	16k - 24k km	\$ 0.46	>5k km	0.3783	> 16k km	(Nova Scotia)			
	\$ 0.34	> 24k km								

* Meal reimbursements include taxes and gratuities.

** Meal reimbursements include taxes. Gratuities are included as part of incidental reimbursements.

*** Maximum allowable claims for taxpayers when claiming these expenses on their personal income tax returns.

- Applicable for 2012

- \$17/meal to a maximum of \$51/day

Based on this comparison, the OAG questions why HRWC's overall rate is significantly higher than HRM's and HPL's. The OAG also noted gratuities are handled differently between HRWC and HRM. Also included in Exhibit 1 are the 2012 allowable deduction rates as published on the CRA website for taxpayers when including these expense claims in relation to various deductions on their personal income tax returns.

In the case of HRWC, there is no reference to local meal reimbursements in the current policy since it is specifically a travel policy. Although there is no allowance in the policy for local meals, during our review, we noted a number of instances where meals were claimed.

In the case of HRWC, there is no reference to local meal reimbursements in the current policy since it is specifically a travel policy. Although there is no allowance in the policy for local meals, during our review, we noted a number of instances where meals were claimed. Since there are no guidelines established for local meal reimbursements, during the review the OAG followed the same limits established for out-of-town travel.

Clarification of the HRM Employment Expense Reimbursement Policy

The HRM policy does not reference claim forms or other policy guidance prepared to aid in controls and consistency of claims. For example, HRM has an 'Approval for Overnight and Out of Province Travel' form which is not referenced in the policy. HRM and HRWC have also prepared travel grids for specific distances from one HRM or HRWC location to another. This is also not referenced in the reimbursement policies or on the travel forms to ensure they are used consistently. We have seen at the Federal Government level, the seeming lack of understanding and possible mis-interpretation of various forms has led to many of the issues now being played out in the media and through the legal system.

The HRM policy does not indicate a MACPASS is required for frequent travellers. A receipt is not required to claim bridge tolls; therefore, some claimants are claiming the full rate while others are claiming the discounted rate. If the claimant is a frequent traveller, it may be expected they would have a MACPASS and claim the discounted rate.

Recommendations:

- 1.1.1 The OAG recommends HRM Administration implement a methodology for setting of reimbursement rates as well as a review of the expense policy on a regular basis. The review should ensure policy guidance is referenced (eg. travel grid, pre-approval form, etc.). The review should include comparisons across HRM entities and ABCs to ensure all ABCs adopt HRM's policies.
- 1.1.2 In the interim, until Recommendation 1.1.1 is implemented, the OAG recommends HRWC provide guidance to employees around eligibility for local meal reimbursements.

1.2 Forms for Expense Reimbursement

During the review, the OAG noted several forms which appear to be used to process expense reimbursements. In reviewing these forms, the OAG noted the following concerns:

- The form currently used at HRM for local travel does not indicate where the claimant is travelling from. The policy indicates 'mileage will be reimbursed from the regular place of work, or from the employees residence, whichever is **less**'². Since the form does not indicate where the claimant is travelling from, it is not possible to determine the reasonableness of claims.
- The current HRM forms titles indicate they are for local travel or out-of-town travel; however, there is a space to claim 'other expenses' or 'miscellaneous expenses' respectively. As a result, these forms are being used to claim items not related to travel. This also applies to HRWC and HPL.
- Cheque requests for direct reimbursement are also used by some claimants for reimbursement of expenses which are not travel related. Although these expenses were always supported by receipts, in these cases, the reason for the expense was sometimes not included on the form, so it was not always possible to determine if the expense was appropriate or reasonable.
- Also, the OAG questions whether HST input tax credits are always being claimed for items when cheque requests are used. Three cheque requests were reviewed in detail. One had HST input tax credits claimed and the other two did not. Payment processing is responsible for coding HST.
- The HRM Travel Grid is not up-to-date. It includes closed HRM locations (eg. Northcliffe Recreation) and does not include others (eg. Ragged Lake Transit Centre).

² HRM Employment Expense Reimbursement Policy – Appendix A Local Expenses – page 4

Recommendation:

- 1.2.1 The OAG recommends HRM Administration review the various expense-related reimbursement forms to ensure they meet required needs. Forms and policies in use should be communicated to all employees and elected officials to ensure they are aware of the correct forms to use and the appropriate distance to be claiming. Form titles should be updated to indicate the full purpose, including non-travel related items, or a separate form should be implemented for these items with an area to indicate the reason for the expense. This review should also include an update of the HRM Travel Grid.

2.0 Expense Approvals

Mayor and Councillors

The current HRM Employment Expense Reimbursement Policy specifies approval of expenses follow the “normal chain of authorization”³. The “normal chain of authorization” however, is not defined especially when it comes to the Mayor’s and Councillors’ expenses. To ensure appropriate internal controls are in place, normal business practice would suggest supervisory (‘one-up’) approval be required; however, the OAG questions:

- Who has the supervisory approval for the Mayor and Councillors?
- Who is responsible for pre-approving the Mayor and Councillors’ out-of-town travel prior to occurrence?
- Who makes the decision whether it is appropriate or not for these individuals to attend a specific conference or out-of-town event?

There is no formal documented signing authority for these expenses. The current Mayor has the CAO approve his expenses while the previous Mayor had the Mayor’s Office Manager approve his expenses. Councillors’ expenses are approved by the Councillor Support Office Manager. Unfortunately, these approvals do not constitute supervisory approval of the expenses, they are rather an administrative approval only. These managers are responsible for the budgets and the accounts being charged; however, they are not in an authorized position to disallow a conference or out-of-town travel. Leading practices indicate, it is typical to have the Chair or Vice-Chair of the Audit and Finance Committee approve these types of expenses.

There are some conferences - such as the Federation of Canadian Municipalities (FCM) - where multiple Councillors attend. Currently, there is no documented guidance to determine which Councillors will attend on behalf of HRM. For some municipalities, all Councillors attend the event; however, at HRM, this has not been the case and it appears the generally accepted practice has been to attend at least once in the Councillor’s term. A Councillor may show interest in attending an industry conference; however, there is no documented guidance or authorization as to whether the

Unfortunately, these approvals do not constitute supervisory approval of the expenses, they are rather an administrative approval only.

Leading practices indicate, it is typical to have the Chair or Vice-Chair of the Audit and Finance Committee approve these types of expenses.

³ HRM Employment Expense Reimbursement Policy – paragraph 3.1 – page 2

In the case of determining whether travel to a particular conference is appropriate and who should be attending, these decisions could be made by committee to enhance controls both now and in the future.

attendance is appropriate or not. Typically, if the Councillor is a member of the board or committee for the particular industry (eg. Metro Transit), it may be appropriate to attend. In the case of determining whether travel to a particular conference is appropriate and who should be attending, these decisions could be made by committee to enhance controls both now and in the future.

HRM

HRM has an 'Approval for Overnight and Out of Province Travel' form which is required to be completed prior to any overnight and/or out of province travel documenting the reason for the trip, the expected budget and approval by the employee's manager, director and CAO or DCAO (dependent on reporting relationship). This form does not indicate who should be signing the form if it is the CAO traveling.

HPL

For HPL, the Director of Corporate Services (previously Director of Finance) approves the local travel of the CEO; the Chair of the Board approves out-of-town travel. Since the Director of Corporate Services reports to the CEO, this local travel approval would not constitute supervisory approval. In the case of out-of-town travel, the Chair of the Board provides verbal pre-approval. There is no form in place to document the pre-approval of out-of-town travel for the CEO.

Since the Director of Corporate Services reports to the CEO, this local travel approval would not constitute supervisory approval.

HRWC

In the case of HRWC, expense reports for the General Manager reviewed by the OAG were approved by the Chair of the Board and expenses incurred by the General Manager using a purchasing card (also includes travel), were approved by the Director of Finance and Customer Care/CFO. Approval by the Director of Finance and Customer Care/CFO does not constitute supervisory approval. The Director of Finance and Customer Care/CFO has indicated in July 2013 she requested the Chair of the Board also approve the purchasing card expenses of the General Manager (effective from the June 2013 statement). The General Manager keeps an Executive Committee of the Board (including the Chair and Vice Chair) informed of his up-coming initiatives or trips. There is no formal

documented pre-approval process in place.

Recommendations:

- 2.0.1 The OAG recommends Regional Council review the approvals required for Mayor, Councillor and senior management expenses with a focus on implementing the leading practice of a supervisory or 'one-up' approval mechanism to strengthen internal controls. The OAG suggests approvals by Committee, Audit and Finance Committee Chair or Vice-Chair or Mayor (in the case of the CAO) would be appropriate.
- 2.0.2 In the interim, until a review of the expense policy is completed (as suggested in Recommendation 1.1.1), the OAG recommends HPL document pre-approvals for out-of-town travel requests and implement approval of all CEO expenses by the Chair of the Board to ensure supervisory or 'one-up' approval.
- 2.0.3 The OAG recommends HRWC ensure pre-approval for out-of-town travel is documented.

3.0 Instances of Non-compliance with Policy

Considering our sample consisted of 48 reimbursements to Mayors and Councillors, 50 reimbursements to senior managers and 53 procurement card transactions, the number of instances of non-compliance identified is small.

As this review focused on identifying whether or not policies were being followed, several instances of policy non-compliance were noted. Considering our sample consisted of 48 reimbursements to Mayors and Councillors, 50 reimbursements to senior managers and 53 procurement card transactions, the number of instances of non-compliance identified is small.

- A meal for staff for employee recognition during an out-of-town conference for HRWC employees included alcohol (disallowed by the policy) and the total per person was well above the regular maximum allowable dinner reimbursement for HRWC or for HRM. Also, the gratuity paid was 20% which is in excess of the 15% allowed by policy.
- HRWC General Manager was reimbursed for food expenses for a meal hosted by him at his residence to recognize an organizational accomplishment. The attendees at the meal were not initially identified; however, when asked, the attendees were indicated as senior management at HRWC and their spouses. Expenses for spouses are not eligible for reimbursement. This expense was approved by the Chair of the Board.
- The OAG noted four instances within the HRM and HPL samples where conference fees were not included on the form in the column 'Charged Direct'. The reimbursement report therefore does not identify the full cost of the travel to HRM or HPL. The HRM and HPL policies specify 'forms must be submitted ... and include all expenses related to the travel... as well as charges made direct to HRM/HRL accounts'. HRWC policy specifies receipts must be provided for all expenses and submitted on an expense report. However, it doesn't provide specifics about including the entire cost on the travel form. HRWC has recently created a new form which specifically lists conference fees as well as a comparison of budget to actual costs and variance.
- One instance was noted where alcohol was charged (as part of two meals) to a procurement card. The procurement card was used in error for the expenses as it should have been used for accommodation expenses only. The cost of alcohol is not an allowable expense and the OAG was advised it was not

recovered. It should be noted the amount is small.

- One senior manager has claimed local meals when travelling from their office to City Hall for Regional Council meetings or Committee meetings. Local meals are normally not reimbursed unless they meet specific criteria:
 - When employees are required to work through or two hours beyond normal meal hours on an unscheduled basis or are required to attend formal full-day conferences, seminars, meetings or hearings where meals are not provided, personal meal expenses may be claimed.
 - When intensive task force or committee meetings are enhanced by keeping participants together over a normal meal period, the employer will provide a reasonable meal.⁴

In the cases noted, the meetings appeared to be scheduled meetings and were not over a meal period or beyond normal meal hours. These expenses were approved by the DCAO.

- One instance was identified where a Senior Manager authorized their own local travel expense claim.
- One instance was identified where the claimant did not sign the expense claim form.
- Eight instances were noted where the claim was submitted more than two months after the expense was incurred. This is a specific requirement of the policy to ensure expenses are captured in the proper accounting period.
- The OAG identified several instances where the reason for the expense was not included on the form so it was not possible to determine if the expense was appropriate or reasonable. In some cases, the expense was claimed through a cheque request therefore, by design of the form, there was no reason given for the purchase.
- HRM has established a travel grid which identifies HRM properties and the distance between, to ensure consistency in

⁴ HRM – Employment Expense Reimbursement Policy – Page 5

the distance being claimed. Sometimes the distance being claimed was consistent with the grid, other times it was not. As a result, the OAG was not able to determine if the travel grid has been communicated to all employees. It appears that supervisors are not validating the distance claimed to the travel grid prior to approving the claim for payment.

- Two instances were noted where a claimant was reimbursed for fuel instead of mileage. In both cases, no reason was identified, therefore the OAG was not able to determine if the claim was appropriate and whether the vehicle filled was a fleet vehicle or personal vehicle. While the OAG views these transactions as isolated and has no reason to believe the expense claims are inappropriate, they are mentioned in the spirit of this project being one of compliance and is based on a sampling approach.
- In thirteen instances, itineraries were not included with the expense claim as required by the policy for out-of-town travel.

Recommendation:

- 3.0.1 The OAG recommends, once changes are made to the expense reimbursement policy and applicable forms, HRM Administration ensure the policy and all applicable forms are communicated to all business units and ABCs for consistent application. Business units should be reminded to include all costs on the reimbursement form to ensure the full cost of the expense is identified. The OAG would also recommend requiring the inclusion of a budget (based on the 'Approval for Overnight and Out of Province Travel' form) comparison to actual costs for accountability purposes.

4.0 Other Items

As noted previously, this review was specifically a compliance review, however during the process, the OAG noticed various items worthy of mention. These issues are not specifically related to expense reimbursement policies but may be instances of non-compliance to other policies or questions around reasonableness of expenses.

- During the course of this project, the OAG noted some Councillors claimed local travel costs while others did not. It appears the Councillors with the largest districts have the highest local travel expenses which appears reasonable. The OAG understands some Councillors claim their home office as their primary place of work and therefore claim mileage to travel to and from various meetings. During the review, the OAG did not find any policy documentation which addressed this. Again in the spirit of heightened transparency and controls, the OAG mentions this point as Finance and Audit Committee on behalf of Regional Council may see value in clarifying how mileage is to be calculated to ensure consistency and policy support for all claims.
- Election nomination deposits are reimbursed to candidates in accordance with the Municipal Elections Act. The OAG noticed multiple requests were submitted generally via email for payment processing rather than one request being submitted for all reimbursements. Multiple requests increase the risk of duplicate payments being made. The OAG did not note any duplicate payments and makes this point from a controls perspective.
- The purchasing card program is for low-dollar value purchases. For purchases greater than \$1,000, a request to increase the card limit is approved by a supervisor and then submitted to Procurement. Documentation for increasing the limit and then decreasing the limit after the purchase takes place is not maintained, so the OAG was not able to see documented evidence approval was received to increase the card limit to make a specific purchase. This is not to suggest the purchases made were inappropriate.
- There was some evidence of missing receipts identified when reviewing purchasing card transactions. The OAG did note Procurement identifies all cases of missing receipts for review

by the Director of Finance and Information, Communications & Technology/CFO. The number of instances of missing receipts is also tracked by responsible employee through Procurement Services and reported to the Director of Finance and Information, Communications & Technology/CFO.

- The former CEO of HPL travelled to Helsinki, Finland for the International Federation of Library Associations and Institutions (IFLA) conference but only some of the expenses were covered by HPL. The OAG understands the airfare from Toronto to Helsinki and return was covered by the CEO personally and the conference registration fees were waived because the CEO was a presenter at the conference. All other costs were covered by HPL including hotel charges of over \$300 (average) per night for seven nights. The OAG questions how the amount of the expenses to be paid by taxpayers are determined in this type of situation.
- The former CEO of HPL also travelled to Barcelona, Spain during the period reviewed for the Metropolitan Libraries conference. The OAG questions the reasonableness of two international trips in one year at some expense to HRM taxpayers. There was no documentation provided supporting the business case for why attendance was required.

Recommendations:

- 4.0.1 The OAG recommends HRM Administration and Regional Council formalize circumstances where Councillors can claim mileage reimbursement when travelling from their place of residence.
- 4.0.2 The OAG recommends HRM and its' ABCs set in policy what are reasonable/allowable charges for hotels, rental cars, and other travel related expenses not covered by the current policy.
- 4.0.3 The OAG recommends HRM Administration and ABCs add a requirement to the policies to include a business case to support out-of-province travel. Also, if some costs are to be paid personally or by another party, this should be noted on the reimbursement form. The reimbursement form should provide a complete audit trail of all costs and other required information.

APPENDIX A – Management Response

Management Response



December 11, 2013

Mr. Larry E. Munroe
Auditor General
Halifax Regional Municipality
Belmont House, Suite 620
33 Alderney Drive
Dartmouth, Nova Scotia B3J 3A5

RE: Review of Expenses: Mayors, Councillors and Senior Management 2012-2013

Dear Mr. Munroe:

I have reviewed the draft report *Review of Expenses: Mayors, Councillors and Senior Management 2012-2013*, submitted to me on December 2, 2013 by your office. I was very pleased to note in the report that "there were no obvious abuses of the Employment Reimbursement Policy or the Purchasing Card Policy at HRM by the Mayors, Councillors and senior management, during the period of review". It is encouraging to see this level of responsibility in HRM. In an effort to further strengthen this position, we will work to further refine policies and management practices related to the process of claiming expenses. The recommendations specific to the Halifax Regional Water Commission and Halifax Regional Libraries will be aligned where appropriate with the work plan developed in response to your previous report on Agencies, Boards, and Commissions.

I am in general agreement with its content and the direction proposed. In keeping with our standard practice, HRM Administration will take your recommendations under consideration and develop a plan to respond to the issues identified in the report.

Sincerely,

HALIFAX REGIONAL MUNICIPALITY

Original Signed

Richard Butts
Chief Administrative Officer

Chief Administrative Office

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