

AUDITOR GENERAL

Halifax Regional Municipality

Audit & Finance Standing Committee

Compliance Review of Expenses: Mayor, Councillors, Senior Management and Staff, 2013/14[©]

May 20, 2015

Objective

- The main objective of this project was compliance in nature. The focus was to verify adherence to the expense reimbursement policies and the purchasing card policies in place at the time of the expenditure for Halifax Regional Municipality (HRM), Halifax Public Libraries (HPL) and Halifax Regional Water Commission (HRWC)

- Follow-up compliance review of the 2013 Review of Mayor, Councillor and Senior Management Expenses
- Based on the perceived sensitivity of expenses and repeated media reports around expenses in the public sector, the OAG decided to include this project in the work plan on a continuous basis
- This was a compliance-based review performed on a sample basis
- As it was compliance in nature and done on a sampled basis, any deviations from policy were noted and reported

Background Cont.

- As was concluded in last years review, the OAG is pleased to note, there were no obvious abuses of the Employment Expense Reimbursement Policy or Purchasing Card Policy identified during this review. There were some instances of policy non-compliance; however these appeared to be isolated instances and not a systemic pattern

Examples of Non-Compliance

- On a sampled basis, the OAG tested expense reimbursement and procurement card purchases and noted the following deviations from policy in the review:
- Process Issues:
 - Instance where expenditures were reimbursed but were mathematically inaccurate despite multiple levels of review

➤ Policy Issues:

- Instances where reimbursements for local travel were both submitted and paid outside of the policy-specified reimbursement period without notes attached indicating reasons for the delay of the claim
- Instances where a purchasing card was used contrary to the purchasing card policy which states a purchasing card can not be used to make these type of transactions
- Claims reviewed contained expenses in excess of the maximum allowable per diem amount outlined in the Employee Expense Reimbursement Policy and were not supported by appropriate documentation

➤ Documentation Issues:

- Instances where receipts were required to be provided to support the claim but were missing
- Failure to identify specific to/from locations for both local and out-of-town mileage claims
- Failure to indicate the specific purpose or reason for the purchase
- Instances where all required information within the claims, such as names of individuals in attendance at meetings, were not provided

- HPL and HRWC have made appropriate changes to their policies to reflect necessary documentation requirements as suggested in previous recommendations made by the OAG
- It is concerning, however, while HPL and HRWC have taken the necessary steps to address the issues raised in the previous OAG review which relate directly to them, HRM has yet to initiate such actions to satisfy remaining recommendations provided in the 2013 Review of Expenses

Overarching Theme

- There is a continued need for stronger internal controls and clearer communication of policy guidelines to ensure the true objectives of the expense reimbursement program and the purchasing card program are satisfied in order to maximize the value for money and the overall quality of stewardship of HRM funds

Recommendations

- 1.0.1 The OAG recommends HRM Administration review the various expense-related reimbursement forms currently in use to ensure they meet organizational needs. Forms and policies in use should be communicated to all employees and elected officials to make certain they are aware of the correct forms to use and, for example, the appropriate distance to be claimed. Form titles should be updated to indicate the complete purpose of all expenditures (including non-travel related items). This review should also include an update of the HRM Travel Grid. **(REISSUANCE of Recommendation 1.2.1, December 2013)**
- 1.0.2 The OAG recommends HRM Administration and Regional Council formalize circumstances where Councillors can claim mileage reimbursement when travelling from their place of residence. **(REISSUANCE of Recommendation 4.0.1, December 2013)**

Recommendations

- 1.0.3 The OAG recommends HRM and its' ABCs set in policy what reasonable/allowable charges are for hotels, rental cars, and other travel related expenses not covered by the current policy.
**(REISSUANCE of Recommendation 4.0.2, December 2013
(HRWC has revised its policy to satisfy this recommendation))**
- 1.0.4 The OAG recommends Regional Council review the approval for Mayor, Councillor and CAO expenses with a focus on implementing the leading practice of a supervisory or 'one-up' approval mechanism to strengthen internal controls. **(REISSUANCE of Recommendation 2.0.1, December 2013)**
- 2.0.1 The OAG recommends HRM Administration review the Purchasing Card Policy to ensure the list of allowable items still meets the operational needs of HRM.

Recommendations

- 2.0.2 The OAG recommends HRM Administration review the current data being provided by Visa and ensure the data provides the most effective means of managing the purchasing card program. HRM may wish to consider requesting Visa provide the information which was captured under the previous program with MasterCard.
- 3.0.1 The OAG recommends HRM Administration provide improved guidance around the review of expense reimbursement to eliminate calculation errors before claims reach the accounts payable department. HRM Administration may wish to consider using an electronic reimbursement form rather than manual entry to assist in reducing these types of errors.

Management Response

May 11, 2015

Larry Munroe
HRM Municipal Auditor General
Belmont House, Suite 620
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Dartmouth, Nova Scotia B3J 3A5



RICHARD BUTTS
CHIEF ADMINISTRATIVE OFFICER



Re: Compliance Review of Expenses: Mayor, Councillors, Senior Management and Staff, 2013/14

Dear Mr. Munroe:

I have reviewed the draft report, *Compliance Review of Expenses: Mayor, Councillors, Senior Management and Staff, 2013/1*, submitted to me on April 29, 2015 by your office. As with our past practice, we will take your recommendations under consideration and develop a plan to follow-up on the issues identified in the report.

As with your previous report, *Review of Expenses: Mayors, Councillors and Senior Management 2012-2013*, I was pleased to note that "there were no obvious abuses of the expense reimbursement policies or purchasing card policies identified during this review". It is always encouraging to see this level of accountability among HRM staff and elected officials.

Regarding the four recommendations that were reissued in this report from your previous review of expenses, I wish to note the following actions/clarifications:

- Since the release of your previous report, staff has been working on a comprehensive review of policies, guidelines and forms related to employee expense claims. The revised material is expected to be introduced and implemented in the coming months.
- Mileage is claimed by elected officials in accordance with HRM's Employment Expense Reimbursement Policy. Allowable mileage relates to activities associated with the role as an elected official: Regional Council, Committee of the Whole, Board and Committee meetings, meetings with residents and other government officials, attendance at events where a Council presence is required, etc.
- Supervisory or 'one-up' approvals are used for all employee and senior management expenses. As noted during the discussion at the December 20, 2013 Audit and Finance meeting at which the previous report was presented, it is not practical to have elected officials approving travel for other elected officials. In regard to approval of travel expenditures, Councillors are subject to the same rules and procedures as staff.

In an effort to further strengthen these actions, we will work to further refine policies and management practices related to the process of claiming expenses.

As always, I will continue to ensure that Administration appropriately responds to issues raised in your reports, while responsibly implementing and monitoring results.

Sincerely,

HALIFAX REGIONAL MUNICIPALITY

Original Signed

Richard Butts
Chief Administrative Officer

Questions?