

Town of Richmond Hill
Councillor Event Compliance Audit
August 2018

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1.0 Management Summary

As requested by The Council of the Town of Richmond Hill we have completed an audit of the 2017 Councillors' Events in compliance with the Councillor Event Guidelines 2017.

The focus of our audit was to provide Council with a determination of whether Councillor events for 2017 were in compliance with the guidelines, as well as to identify opportunities for improvement.

The scope of the audit included the Councillors' and Mayor's events hosted in 2017. Our review included fourteen events: ten Councillor events, three Mayor's events and Taste of the Hill.

Based on the work performed, we conclude that overall the use of surplus funds is not in compliance with the guidelines. We did determine that the guidelines were set out by the Community Liaison Coordinator to establish a structure for working with the Councillors on their events and that the guidelines have no authority. We have recommended that a policy governing Councillor Events be implemented and we have made recommendations in section 4.1.1 to be considered in drafting a policy.

We have also noted other opportunities for improvements and have provided our observations and recommendations in section 4.1 of the report.

Audit Services would like to thank the staff and management of the Finance department and the Mayor & Council Office for their cooperation and assistance.

2.0 Introduction

Brook Laker and Associates was engaged to perform a third party compliance audit of the Councillors' events for 2017.

The focus of the review was to:

1. Provide Council with a determination of whether Councillor events for 2017 were in compliance with the guidelines;
2. Identify opportunities for improvement.

The scope of the review relied upon information provided by the Finance department and by the Mayor & Council Office.

3.0 Objectives and Scope

The objectives of this engagement were twofold:

Provide Council with a determination of whether Councillor Events for 2017 were in compliance with the Councillor Event Guidelines 2017;

Identify opportunities for improvement.

The scope of the review included the examination of financial records and event documentation as well as conducting interviews.

Specifically, we performed:

1. Interviews with appropriate personnel including: Town staff from Finance and the Mayor & Council Office; two Councillors; and two Councillor's assistants;
2. A review of the Council Event Guidelines for 2017 and 2018;
3. A review of the files maintained by the Community Liaison Coordinator for the fourteen events that were held in 2017. The review included ten Councillor events (with events from all six wards), three Mayor's Events (the Mayor's Charity Golf Tournament, the Prayer Breakfast and the Holocaust Event) and Taste of the Hill; and
4. For the fourteen events reviewed, a reconciliation was performed using the year-end accounting reports produced by Finance and the budget vs. actual reports produced by the Community Liaison Coordinator.

4.0 Background

Each year Councillors solicit sponsorship funding which enables them to host events designed to allow them to interact with their constituents.

Councillors for the Town of Richmond Hill (the Town) are allowed to hold two events each year which are supported and managed by the Community Liaison Coordinator (CLC) and her staff, who report to the Mayor & Council Office.

To help bring some structure to the process, the CLC created a document termed Council Event Guidelines. These guidelines were meant to give the Councillors an understanding of what is required to plan and execute their events. They have no official authority within the Town's policies. The Town has no formal policy that governs the Councillors' Events.

The CLC meets with the Councillors annually at the beginning of the year to discuss what events they would like to host, and reviews the guidelines with them at that time. The CLC prepares a budget for each event which is approved by the Councillor. The Councillor's Assistant acts as a liaison between the Councillor and the CLC throughout the planning and execution stages of the event. The guidelines define the responsibilities of the Assistant including overseeing deposits, attending meetings, taking minutes and other administrative duties. Assistants are also required to play a supportive role on event day.

After each event the CLC prepares a report which includes the actual revenues and costs, indicating if there was a surplus or a deficit. These reports are the only reports that the Councillor sees for their events account. There is also a report produced by Finance for each Councillor's event account but these reports are not shared with the Councillors. The CLC receives copies of Finance's reports but the timing of these reports is usually several months after the event has been completed.

The total revenues brought in from sponsorship for 2017 was \$361,200. The total cost for the events was \$197,351 and the total amount donated to charity was \$149,293. The total of the event account balances carried forward to 2018 was \$74,912. Included in this carried forward balance is \$59,695 for Taste of the Hill.

4.1 Observations and Recommendations:

4.1.1 Council Event Guidelines

Observation

Our audit reviewed fourteen Councillor Events for compliance with the Councillor Event Guidelines 2017. The guidelines were created by the CLC to give the Councillors a structure to follow for their participation in planning and hosting the events.

The main points within the guidelines are:

- The Councillors will have support from the Community Liaison Coordinator and her staff to host two events per year;
- Any surplus funds at the end of the event shall not be carried forward but may be referred back to the sponsors or donated to a charity of choice;
- The events are run on a zero based budget so there must be enough sponsorship funding to cover all of the costs for the event;
- Councillors may host an event out of their constituency accounts, but they must be documented and run according to the Council Expense Policy;
- The Councillor will organize and manage a volunteer committee to take charge of a portion of the event;
- The selection of a charity or beneficiary is recommended so that the sponsors know where any surplus funds will be directed; and
- The Councillor's Administrative Assistant will play a supportive role in the planning and execution of the event and will be on-site on the day of the event.

For 2018 the guidelines were modified to specify that a surplus balance in the event account could be carried forward if it was required for an event taking place in the first part of the following year.

These guidelines are a document that outlines how the Councillors should work with the CLC to plan and manage the events. They have no authority. There is no Town Policy governing the Councillors' events.

Recommendation

The Town should implement a policy to govern Councillor Events. The policy should consider the following points:

- A definition of the purpose of the Councillor Events;
- What types of events are permissible;
- Roles and responsibilities;
- Fund raising for events;
- Allowable expenses;
- The treatment of surplus funds;
- The use of Town event management staff and accounting services for events;
- Conducting a periodic compliance audit of a random sample of events; and
- A reference to a code of conduct.

4.1.2 COMPLIANCE

Observation

- a) Our review included ten events within the events accounts for the six Wards, three events for the Mayor and the Taste of the Hill event.

The three events that were reviewed for the Mayor were the Charity Golf Tournament, the Prayer Breakfast and the Holocaust Event. Two of the Mayor's events had a small balance carried forward from 2016 to 2017 and all three events had a small balance carried forward into 2018. In all other respects the events were in compliance with the guidelines.

Our review of the records for the ten Councillor events showed that all of the event accounts had a balance carried forward from 2016 to 2017 and also a balance carried forward into 2018.

The Councillor Event Guidelines were modified for 2018 to specify that surplus funds would be discussed at the end of each year and “may be referred back to the sponsors or to an identified Charity of choice or carried forward to events taking place in the first part of the next year”. Of the event accounts for the six Wards, only two Wards had events taking place at the beginning of the following year for which surplus funds would be required.

Recommendation

As recommended in point 4.1.1 above, a policy should be implemented governing the Councillor Events. The policy should consider how surplus funds are treated and whether or not they can be carried forward to be used in the following year.

- b) During our review of the accounting reports for the event accounts for the six Wards, we noted that for four of the Wards there were costs charged to the accounts and funds received through Access Richmond Hill that did not pertain to the two events managed by the Mayor & Council Office. These additional events were mostly small events such as volunteer appreciation, New Year Levee and information sessions. All costs that are charged to the event accounts are forwarded to the CLC for approval whether or not they relate to an event that the CLC has managed. For the costs that are outside of the two events, managed by the Mayor & Council Office, the CLC is not involved in the purchases, has no ability to pre-approve them and is being asked to authorize their payment. These costs are outside of the guidelines and also outside of any other policy. Also, we noted that, if there are sponsorship funds that are received for these small events the Councillor has no other means to deposit them. The only other way to finance these costs would be through their Constituency Accounts.

Recommendation

The Town account that is used for the two main events that are supported by the Mayor & Council Office should not be used for the smaller events. If the Councillors require a means for hosting small events that they manage themselves, then this should be considered by Finance and a proper process set up for it. These smaller events should also be included in the implementation of a new policy.

4.1.3 REPORTING

Observation

The CLC prepares a report after each event which includes the actual funds received and costs paid out for the event. The report is compiled from the invoices and charges that the CLC has approved for the event and totals to a surplus or deficit. The CLC presents the report to each Councillor once she is sure that all of the costs have been received. If there is a deficit the CLC informs the Councillor that the shortfall must be

made up and that further sponsorship funds will be required. The Councillor does not receive any other report detailing their event account and relies on the report produced by the CLC to know what the balance is in their account.

Each Councillor has an event account within the Town accounting system in which sponsorship funds and event costs are recorded. There is only one account used for each individual event that a Councillor hosts. The sponsorship funds and event costs are recorded in the accounting system according to the account code recorded on them. The Accounting Analyst periodically and at year end takes the data from the event accounts and prepares a spreadsheet showing revenues, expenses and a closing balance for each of the event accounts.

The CLC receives a copy of these reports and compares them to the reports for the actual costs that she has prepared. This is a difficult process since the methods that accounting uses for charging costs are different from those used by the CLC. The CLC has no visibility to the accounting records other than the reports that the Accounting Analyst prepares.

Our reconciliation of the CLC's event reports to the accounting reports produced by the Accounting Analyst for the six Ward event accounts showed that for all of the accounts there were discrepancies between the two reports. The discrepancies noted were:

- The CLC deducts the total 13% of HST from the costs for the reporting. Accounting only deducts 11.5% of HST;
- There were internal and other costs charged to the event accounts that the CLC was not aware of or had not been given a copy of the related invoice or charge;
- Some of the receipts for sponsorship funds had not been forwarded to the CLC and so were missing from the files; and
- There were sponsorship funds that were coded to the wrong event account.

The Councillors are relying on the CLC's reports to ascertain what the balance is in their event account. Since the reports generated by the CLC are not based on the actual accounting data they may show that there are surplus funds in the account when there is actually a deficit. This would not be known until the accounting report has been reviewed by the CLC.

Recommendation

For the reports that are given to the Councillors showing the revenues, expenses and surplus/deficit for their events, the data used for the reports should come from the accounting system.

The Town is currently implementing a new accounting system and consideration should be given to including the event reporting for the Councillors. The CLC should have visibility to the accounting information in the events accounts and use the accounting numbers to generate accurate reports for the Councillors.

4.1.4 CONTROLS

Observation

- a) There is no policy governing Councillor Events and there are no procedures in place to ensure that there are controls over the expenditures for the events. The CLC manages the event and the Councillor and the Councillor's Assistant participate in the event planning and execution. The CLC has responsibility for but does not have authority over the whole process. The CLC has set up the guidelines but has no authority over the Councillor's and their Assistant's activity during the planning and execution of an event.

It is the responsibility of the CLC and her staff to arrange for all of the suppliers and make all of the food and other purchases for the events, with the exception of some small items that may be purchased by the Councillor on their PCard. Any of these purchases must be approved by the CLC before payment can be made.

In our review of the 2017 event files, we noted that one Ward had, without the CLC's knowledge, made purchases for the event on the Councillor's personal credit card. These purchases should have been responsibility of the CLC's office. The CLC had no idea as to what had been purchased or that a personal credit card had been used until she was presented with the cheque requisition for reimbursement.

- b) There were purchases of gift cards in the amount of \$1,525 to be used as prizes for the event referenced in point a) above, as well as the purchase of gifts cards in the amount of \$1,790 for an event in one other Ward. There is no policy around the use of gift cards for prizes at the events and there is no formal control in place to ensure that they are used as intended.

Since there is no policy and no control framework in place over the expenses for events this does not come under our review of compliance to the guidelines that we noted in point 4.1.2 a) and b) above.

Recommendation

In conjunction with the recommendation made in point 4.1.1 to implement a policy governing the Councillor Events, points a) and b) above should be noted and considered when drafting the policy.