



Public Disclosure of Board Member and Employee Expenses

Item 9
June 27, 2014
Corporate Affairs and Audit Committee

To: Corporate Affairs and Audit Committee **Report:** CAAC:2014-26
From: Chief Internal Auditor
Date: June 4, 2014 Page 1 of 9
Strategic Plan Priority: **Service Excellence:**
• Demonstrate Value for Money and Public Accountability

PURPOSE:

To provide the Corporate Affairs and Audit Committee (“the Committee”) information with respect to the revised public disclosure practices of Board Member and employee expenses that has been approved by the Executive Leadership Team (“ELT”)¹.

RECOMMENDATIONS:

It is recommended that the Committee receive this report for information.

REASONS FOR RECOMMENDATION:

EXECUTIVE SUMMARY

The public disclosure of expenses incurred by TCHC Board Members and employees whose salaries are in excess of \$100,000 per annum (“disclosure” or “disclose”) has been ongoing since March 2011.

In light of

- a) an informal request to expand the disclosure to include ALL TCHC employees effective March 1, 2014 and
- b) the Internal Audit Department becoming responsible for the reviewing and disclosing of all employee expenses,

I undertook a brief review of TCHC’s current expense disclosure practices.

¹At the time this matter was considered the ELT was comprised of the Interim President and CEO, the General Counsel and Corporate Secretary, the Chief Financial Officer, and the Vice President of Resident and Community Services.

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The results of my review and my recommendations have been reviewed and approved by the ELT. Though a more detailed look at these matters is set out later in this Report, they are summarized, as follows:

- a) Disclosure of employee expenses will NOT be extended to include all TCHC employees;
- b) Disclosure of employee expenses will continue to be applicable to those employees whose salaries exceed \$100,000;
- c) TCHC will not disclose employee professional membership fees that are paid for by TCHC;
- d) TCHC's classification of disclosed expenses will mirror that of the City of Toronto ("the City"), as follows (*with a brief description of what expense goes into what category*):
 - 1) Business Travel – *mileage, parking, taxi, other travel costs when not travelling to a conference or seminar,*
 - 2) Conferences and Training – *ALL costs associated with attending a conference or seminar (registration fee, travel costs, meal costs etc.;*
 - 3) Hospitality and Protocol – *any policy-approved business meal when not attending a conference or seminar, and*
 - 4) Other – *anything else that does not fall into one of the categories listed above.*
- e) TCHC will discontinue the practice of disclosing the supporting documents of an expense or mileage claim (which is currently done so on a redacted basis);
- f) TCHC will continue to publicly disclose Board and employee expenses on a monthly basis; and
- g) TCHC will continue to disclose expenses of those Board members or eligible employees that have left the TCHC Board or TCHC's employ, respectively.

Where a change in disclosure practice has been noted, it will be effective March 1, 2014 on a prospective basis (i.e. not retroactively).

It should be noted that with these changes in disclosure practices, TCHC's disclosure of Board and employee expenses will continue to exceed that of the City and its Agencies, Boards, Commissions and Corporations ("ABCCs").

I EXPENSES SHOULD BE REPORTED FOR WHICH EMPLOYEES?

Current TCHC Practice

The current practice of TCHC is to publicly disclose certain types of expenses incurred by TCHC Board members and TCHC employees that have salaries greater than \$100,000. The typical types of expenses that would be disclosed include attendance at conferences or seminars, business travel (including airfare, mileage, taxis, etc.), business meals, professional membership fees (see section II (A) below for further discussion on disclosure of professional membership fees), etc. (collectively “Expenses”).

This practice originated from a City of Toronto March 9, 2011 Council Decision which states, in part:

5. City Council request the Toronto Community Housing Corporation (TCHC) to immediately post on the TCHC website, all expense records of all TCHC board members and all TCHC staff members whose salaries exceed \$100,000.²

Proposed TCHC Practice

It has been proposed that there be disclosure of the Expenses of ALL TCHC employees. It is believed that this change originated from discussions between the TCHC Board Chair and the TCHC Chief Financial Officer, though it was never specifically mandated by the Board.

The notion behind the expansion of the disclosure to include all employees is that it will:

- Increase transparency of TCHC’s operations; and
- Mitigate the risk of an employee expensing an inappropriate item (the proverbial ‘box of chocolates’, if you will).

Staff have been informed that this will take effect for Expenses incurred on and after March 1, 2014.

City of Toronto Practice

The City currently follows the practice as set out in a November 29, 2011 City Council Decision:

- 1. City Council approve the publication on the City’s public website on a semi-annual basis, commencing with the 2011 calendar year, expenses related to business travel, conferences and training, hospitality and protocol **for senior staff positions at the Division Head level and above.**³ (**emphasis added**)*

² Agenda Item CC6.1

³ Agenda Item GM9.4

Practices of City ABCCs and Other Toronto Municipal Organizations

Part 2 of the November 29, 2011 Council Decision stated:

2. *City Council provide a copy of this Item to the City's major agencies and corporations requesting that they adopt a similar policy for their organization if they have not already done so.*

I have conducted an informal survey of the disclosure practices of various City divisions and ABCCs. The results of the survey indicate that they generally follow the City's practice.

It will be noted that TCHC's current practice of disclosing the Expenses of employees who earn more than \$100,000 per year exceeds the practice of the City because it results in TCHC disclosing the Expenses of some employees that are below the Director level.

Analysis of the Costs and Benefits of Expanded Disclosure

Extending Disclosure to all TCHC Employees

As set out above, it has been proposed that disclosure of Expenses be extended to include all TCHC employees. It is my thought that such disclosure would (i) be problematic and (ii) provide little or no value to the public.

Mileage Claims

Disclosure includes mileage claims submitted by employees. In addition, when we do disclose mileage claims we currently post a copy of the mileage claim form on the TCHC website (see section II(C) below for discussion on what documents we disclose).

In 2013, 563 employees made at least one mileage claim.

In the four months ended April 30, 2014, 380 employees made mileage claims.

It is suggested that the sheer volume of employees requiring disclosure would be unmanageable. For example:

- We could potentially have a list of 500+ employees on the website;
- Suppose we maintain our current practice of disclosing the actual mileage claim forms. Employees generally will submit more than one mileage claim over the course of the year. I do not have available the number of actual mileage claims submitted in 2013, but I would not be surprised if it exceeded 5,000 actual claims;
- It is current practice that when we prepare to disclose the mileage claims on the website, we obtain a copy of the mileage claim and compare it to the WTES records⁴ to ensure the amounts agree. For the January and February 2014 disclosure an insignificant number of small variances were found between what was entered on WTES and what was set out on the claim form, thereby requiring corrections. This can be a time consuming exercise. Because there were differences, we cannot simply export the mileage claims amounts from WTES and

⁴ Mileage claims are paid through the TCHC payroll system which is called WTES.

publish those amounts. It would be extremely time consuming if we had to review every employee's mileage claims; and

- It is current practice for the Employee Expense Control Clerk, when assembling documents for disclosure, to request the relevant disclosable mileage claim from the staff member (they are not automatically sent to the Internal Audit Department). We have found that there are always a few stragglers that take quite a few requests from us to get them to send their mileage claim to our department. Again, I cannot imagine how time consuming it would be to obtain every employee's mileage claim.

Expense Claims

With the introduction of the Employee Expense Control Clerk position in the Internal Audit Department, **every** employee expense claim is now subject to a rigorous review prior to payment being made in order to ensure compliance with TCHC policies. Essentially, Internal Audit is now auditing every employee expense claim prior to payment.

This substantially mitigates the risk of that 'box of chocolates' being purchased.

Cost – Benefit of Expanded Disclosure

As set out above, the benefits of expanded Disclosure:

- Increases the transparency of TCHC's operations; and
- Mitigates the risk of inappropriate purchases being made.

The cost of expanded disclosure is simply the additional resources required to gather, review, and publish this information. If disclosure were to be expanded to all TCHC employees, they may be a significant increase in resources required to review and post the information and documents.

In addition, the increased volume of disclosable transactions may not permit us to post the amounts online in a timely fashion.

It is my suggestion that the value added to TCHC's 'transparency' would be minimal, at best. I am not convinced that 500 lines of employee expense claims on the TCHC website would provide meaningful information to the reader.

In addition, all employee expense claims and mileage claims are potentially subject to Freedom of Information requests. As such, any member of the public can request to obtain a copy of any TCHC expense claim.

Should TCHC Further Reduce Disclosure to Director Level Staff and Higher?

As noted above, our current policy of disclosing employee expenses for all staff whose salary is greater than \$100,000 regardless of the level of the employee's position exceeds the current City policy. An argument could be made that TCHC would still be onside with respect to the City policy if it disclosed the expenses of Director level staff and higher.

However, we remain bound by the March 9, 2011 Council Decision to disclose expenses for employees earning more than \$100,000 annually. It is my understanding that a new Council Decision would be required to eliminate the '\$100,000' requirement. That may be time consuming to complete and it probably would not be placed before Council until after

the 2014 municipal election. In addition, it may very be that Council would not accept our request.

Recommended Level of Disclosure

It has been decided that the disclosure of Expenses of TCHC employees will remain at that for all employees whose salary is greater than \$100,000 per annum.

The Executive Leadership Team has reviewed the above analysis and concurs with this decision.

II OTHER MATTERS RELATED TO THE DISCLOSURE OF EXPENSES

I have completed a review of a number of other matters related to disclosure of Expenses. These items have recently been (i) presented to, (ii) reviewed by, and concurred with by the ELT. Where a change in disclosure practice is noted, it will be effective March 1, 2014 on a prospective basis (i.e. not retroactively). The items are as follows:

(A) PROFESSIONAL MEMBERSHIP FEES

Current TCHC Practice

It is the current practice of TCHC to disclose employee professional membership fees that have been paid for by TCHC. It is my understanding that when disclosure of Expenses commenced in 2011 it was assumed that these expenses should be disclosed, and so they were.

City and ABCCs Practice

In an informal survey of the disclosure practices of the City and its ABCCs it was determined that disclosure is *not* made for professional membership fees.

Analysis

It is the policy of TCHC to pay "*Fees for when a claimant is required to join or maintain a professional designation for the performance of job duties ...*"

Because a professional membership is a requirement for the position, it is not an employee's business expense per se. As such, it does not need to be disclosed.

Revised Practice

Effective March 1, 2014, TCHC's payment of a TCHC employee's professional membership fees will not be disclosed.

(B) TYPES OF EXPENSES TO BE DISCLOSED

Current TCHC Practice

For staff Expenses, we disclose (i) seminars, (ii) hospitality, (iii) travel, (iv) memberships, (v) others, and (vi) mileage/parking.

For Board member Expenses, we disclose (i) conferences/seminars, (ii) meals, (iii) travel, (iv) professional training and development, and (v) others.

I do not know why the Board categories are different from the employee categories.

Current City and ABCCs Practice

The City and its ABCCs currently disclose (i) business travel (which includes mileage and parking), (ii) conferences and training (which can include airfare), and (iii) hospitality and protocol expenses.

Discussion

As a result of TCHC no longer disclosing professional membership fees, for all intents and purposes TCHC discloses the same expenses as the City and ABCCs, except that TCHC labels them differently.

Revised Practice

TCHC's classification of disclosed Expenses will mirror that of the City, as follows (*with a brief description of what expense goes into what category*):

- Business Travel – *mileage, parking, taxi, other travel costs when not travelling to a conference or seminar;*
- Conferences and Training – *ALL costs associated with attending a conference or seminar (registration fee, travel costs, meal costs etc.);*
- Hospitality and Protocol – *any policy-approved business meal when not attending a conference or seminar, and*
- Other – *anything else that does not fall into one of the categories listed above.*

(C) EXPENSE DOCUMENTS DISCLOSED

Current TCHC Practice

For both Board member and employee Expenses, TCHC currently sets out the Expenses in summary form, using a table.

When one clicks on an employee's name, the actual expense claim form (or mileage claim form) and accompanying receipts appear on screen, on a redacted basis.

Current City and ABCCs Practice

The City and other agencies and corporations generally disclose the same as TCHC, however they do *not* show the actual expense claim forms and accompanying receipts. Rather, they disclose a summary sheet that sets out the items claimed in a more general form (e.g. 'attendance at ONPHA conference in Ottawa' or 'mileage for February 2014').

TCHC does not do this (however when one views the supporting documents TCHC posts online it is apparent what the nature and substance of the expense was).

Discussion

The Executive Leadership team discussed the privacy and personal security issues with respect to disclosing the supporting documents. In particular, concern was raised that there may be too much personal information about the employee on the documents thereby potentially placing the employee's personal financial and other information at risk.

It was noted to the ELT that at present the receipts and documents are so extensively redacted that there is very little personal or other information disclosed.

The ELT then countered that if the documents are so redacted, what meaningful information was being provided in the first place.

In addition, any person may make a Freedom of Information request with respect to any employee expense or mileage claim if they wanted to see more documents.

Revised Practice

TCHC will no longer disclose the supporting documents of an expense or mileage claim. Rather, an employee's expenses will be presented in summary form using a template that was based on the City's template – see **Attachment 1** of this report for a sample summary.

(D) FREQUENCY OF DISCLOSURE

Current TCHC Practice

For both Board member and employee Expenses, TCHC currently discloses the Expenses on a monthly basis.

Current City and ABCCs Practice

The City and ABCCs disclose Expenses anywhere from quarterly (e.g. the AG's office) to semi-annually (the City's divisions, Toronto Police Services) to annually (Toronto and Region Conservation Authority).

Discussion

Again, it could be argued that TCHC's disclosure of Expenses on a monthly basis exceeds that of the City and the ABCCs (as an FYI, as at June 3, 2014 the City still had not disclosed Expenses for the second half of 2013).

There would be nominal efficiencies in resources if TCHC were to disclose Expenses quarterly.

Revised Practice

TCHC will continue to disclose Board and employee Expenses on a monthly basis.

(E) DISCLOSURE OF EXPENSES INCURRED BY FORMER BOARD MEMBERS AND EMPLOYEES

Current TCHC Practice

If a Board member or employee has had Expenses disclosed on the TCHC website, and that Board member leaves the Board or the employee leaves the employ of TCHC, the previous Expense disclosure has not been deleted from the TCHC website.

Current City Practice

The current practice of the City for the continuing disclosure of former employees' Expenses is the same as TCHC's.

Discussion

TCHC's and the City's current practice is not dissimilar to the Province of Ontario's practice of disclosing salaries of employees who earn more than \$100,000 per year – previously made disclosure of employees who have left the Province's employ are not 'undisclosed'.

Revised Practice

TCHC will continue to disclose expenses of those eligible Board members or employees that have left the TCHC Board or TCHC's employ, respectively.

IMPLICATIONS AND RISKS:

The changes to the disclosure of Expenses provide for an improved value added transparency of TCHC's operations. In most respects, TCHC's disclosure will continue to be more transparent than the City and its ABCCs. Though there may be a risk that it will be perceived that TCHC is not being transparent enough with respect to these types of expenses, members of the public may make Freedom of Information requests to acquire more information if desired.

I am confident that the work of the Employee Expense Control Clerk will greatly reduce TCHC's exposure to inappropriate business expenses being incurred and/or reimbursed.

"Michael Vear"

Michael Vear, CPA, CA, CPA (Illinois)
Chief Internal Auditor

Attachment: 1: Sample Expense Disclosure Summary Sheet

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Chief Internal Auditor Michael.Vear@torontohousing.ca

Toronto Community Housing
Expenses of Employees with a Salary Greater Than \$100,000
Month of March 2014

Report: CAAC:2014-26

Name: Michael Vear

Attachment

Position: Chief Internal Auditor**Business Travel***(Mileage, Parking, Taxi, and other travel costs when not travelling to a conference)*

Dates	Purpose, Description and Location	Total Expense (Net of HST)
Mar 1 - 31/14	Mileage and parking for business meetings.	71.45
Total		71.45

Conferences and Training*(Costs associated with attending a conference or seminar or training (registration fees, travel costs, meals, etc.))*

Dates	Purpose, Description and Location	Total Expense (Net of HST)
Mar 27 - 29/14	Attend Spring Workshop of the Municipal Internal Auditors Association of Ontario in Toronto.	60.00
Total		60.00

Hospitality and Protocol*(Any policy-approved business meal when not attending a conference or seminar)*

Dates	Purpose, Description and Location	Total Expense (Net of HST)
Total		0.00

Other Expenses*(Any expense not included in the other categories)*

Dates	Purpose, Description and Location	Total Expense (Net of HST)
Total		0.00