

Coordinating Coordinating Committee of the Councillors' Office  
Report to  
Priorities and Finance Committee  
2021 February 16

ISC: UNRESTRICTED

PFC2021-0260

## Expense Investigation Follow-up – Councillor Magliocca Ward 2 Hosting Expenses

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### RECOMMENDATION(S):

The Coordinating Committee of the Councillors' Office (CCCO) recommends that:

1. Priorities and Finance (PFC) confirms that of the \$5,830.63 in total hosting expenses claimed by Councillor Magliocca as identified in Attachment 2, that only \$2,464.33 has been determined to be eligible as appropriate and acceptable hosting expenses;
2. PFC confirm that of the \$5,830.63 in total hosting expenses claimed by Councillor Magliocca as identified in Attachment 2, that \$3,366.30 has been determined to be ineligible as appropriate and acceptable hosting expenses;
3. PFC confirm for the record that Councillor Magliocca previously repaid the City \$2,159.05, with a remaining ineligible amount of \$1,207.25;
4. PFC direct that Councillor Magliocca reimburse The City \$1,207.25 for ineligible hosting expenses as identified in Attachment 2 on or before 2021 March 31;
5. PFC request that the Mayor send a letter to Councillor Magliocca communicating the decisions made by PFC no later than 2021 February 26;
6. PFC direct that should reimbursement not be received by 2021 March 31 that the Council Expense Policy Working Group report back to PFC no later than 2021 April 30.
7. Following submission of this report to PFC, a copy be provided to Councillor Magliocca to allow him the opportunity to review and provide any additional information to PFC.

### HIGHLIGHT

- The Council Expense Policy Working Group presented a report to Members of Coordinating Committee of the Councillors' Office (CCCO) in January 2021 for their feedback. CCCO established that the governance and oversight of this matter rests with CCCO and as such CCCO will present this report at the 2021 February 16 PFC meeting.
- This report supports recommendation 1.a) contained in the PWC Forensic Investigation Report (PWC Report) for Ward 2 Expenses in relation to incorrect reporting of certain hosting attendees, which states:

#### 1. Recoveries

- a) Based on our assessment of the Claims as against the Policies and consideration of all voluntary reimbursements made by Councillor Magliocca, there is no current calculated amount owing with respect to deemed ineligible expenses. There is a calculated overpayment in the amount of \$563.66; however, this amount does not include the PFC's determination of the amount of air fare upgrades and eligibility of certain hosting expenses to be reimbursed, if any.

The City needs to attend to the calculation of the air fare upgrade reimbursement and eligibility of certain hosting expenses to assess the amount to be recovered, if any, from Councillor Magliocca.

- Council policies PAC006 (Councillors' Expenses Allowances Policy) and PAC007 (Councillors' Expenses - Out of Town Travel Policy) require a Councillor to provide the names of attendees at hosted events.
- What does this mean to Calgarians? This report supports Council's ongoing efforts to maintain effective accountability and transparency regarding the use of Councillor and Mayor operating budgets.
- Why does it matter? This report supports ongoing efforts to close governance gaps and improve transparency associated with the management of elected officials expense claims.
- Strategic Alignment to Council's Citizen Priorities: A well-run city

## DISCUSSION

### PWC Report Recommendations

In 2020 July, The City received the PWC Report for Ward 2 Expenses. Among other things, the PWC Report identified gaps and potential gaps related to the requirement for Councillors to provide names of hosting attendees. The PWC Report identified a number of attendees could not be contacted or located in order to substantiate hosting expenses claimed. The PWC Report recommended that PFC should attempt to locate these attendees and follow-up with them to determine the eligibility of certain hosting expenses.

There are two Council expense policies that specifically address requirements related to the disclosure of hosting attendees. They are PAC006 (Councillors' Expenses Allowances Policy) and PAC007 (Councillors' Expenses - Out of Town Travel Policy), which provide some direction to Councillors when travelling at the expense of the Office of the Councillors' Budget, and who incur hosting expenses. Both policies identify that Councillors are required to provide the name(s) of any party(ies) hosted, and either initial or sign the applicable receipts to confirm the veracity of the expenses submitted.

The PWC Report identified that current Council expense policies contain unclear and potentially confusing guidance that leaves room for personal interpretation of appropriate hosting practices and expenses. An excerpt from the PWC Report is included below for reference:

#### c) PAC006 & PAC007

##### i. Hosting

- The policies lack a definition as to what qualifies as hosting. For example, having drinks at a bar versus having a sit down meal. The City should provide clarity on what qualifies as hosting as it is left for personal interpretation.
- Councillors are required to provide the names of the attendees; however, there is no requirement in the policies to disclose the organization/company. The City should consider amending the policies to include this requirement as it will assist in the full disclosure of attendees and assist in identifying the nature of business.

### Audit Recommendations

In addition, an Audit Report (C2020-0658) prepared by the City Auditor's Office, and presented to Council in 2020 July, identified policy clarity as an issue that, if improved, would further support elected officials in making expense-related decisions. A recommendation was included to revise and update Council expense policy wording and supporting documentation

requirements and processes to provide enhanced clarity, including but not limited to, hosting, alcohol, travel, gifts and donations, and office equipment expenses.

### **Administrative Actions Taken**

Consistent with the recommendation provided in the PWC Report, Administration, on behalf of PFC, attempted to contact all attendees noted on the receipts or related documentation of the Ward 2 hosting events, and who were identified through the PWC Report for follow-up.

Attachment 2 provides a detailed summary of the findings of type and number of items related to the hosting anomalies identified.

A lack of clear policy direction, as briefly described above, required Administration to establish an alternate framework with which to assess the eligibility of hosting expenses. In attempting to determine the eligibility of Ward 2 hosting expenses for reimbursement, Administration used the criterion of confirmed attendance to support grouping expenses into one of two categories:

1. Eligible for reimbursement - if parties were identified as having been hosted by Councillor Magliocca, and their attendance was confirmed through Administration's follow-up work, the expense was deemed to be eligible for reimbursement. For those instances where there was vague (i.e. the attendees recall meeting but could not recall the specific date of the meeting) or conflicting confirmation (i.e. hosting with multiple attendees where some attendees confirmed attendance, and others did not confirm), the benefit of the doubt was provided to Councillor Magliocca, and the expense was deemed to be eligible for reimbursement.
2. Ineligible for reimbursement – if Administration was unable to contact attendees or attendance was not confirmed by the individual contacted, the expense was deemed to be ineligible for reimbursement.

Table 1 below summarizes the outcome of the determination of the eligibility of hosting expenses by Administration. It is recommended that Priorities and Finance Committee ultimately determine the final amount of eligible and ineligible expenses based on this report being scheduled to be presented at the 2020 February 19 PFC Meeting.

Table 1 – Summary of Expense Eligibility from Attendee Contact Tracing

Status	Number of Items	Total Expenses
Eligible expense	22	\$2,464.33
Ineligible expense	24	\$3,366.30

Based on these findings, Administration has determined \$3,366.30 in expenses have been identified as ineligible and require reimbursement from Councillor Magliocca, subject to direction from PFC. Councillor Magliocca has previously repaid some eligible and ineligible expenses totaling \$2,159.05, leaving a balance owing The City of \$1,207.25 in ineligible expenses. The reimbursement of this or any other amount for ineligible expenses is to be decided by PFC.

In addition to supporting the investigative work associated with Ward 2 expenses, Administration is also working with CCCO to rescind, harmonize and more closely align existing Council expense policies. CCCO is in the process of developing new Council expense policies that better align with the City Administration expense policies. This work will support enhanced

governance, accountability and transparency in the management of taxpayer dollars, and mitigate financial and reputational risk to The City.

### **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

This report was shared with members of the Council Expense Working Group consisting of City Solicitor, the City Manager's Chief of Staff, Chief Financial Officer, and Ethics Advisor for approval and/or input prior to distribution to PFC. The report was also shared with the City Auditor who provides advisory support to the Council Expense Working Group. The report was also shared with Councillor Magliocca following CCCO consideration and prior to PFC.

### **IMPLICATIONS**

#### **Social**

The analysis determined that no social implications were applicable.

#### **Environmental**

The analysis determined that no environmental implications were applicable.

#### **Economic**

The analysis determined that no economic implications were applicable.

#### **Service and Financial Implications**

Under the current policies, discretion is with the Office of the Councillors to follow Administrative policies. Inconsistency in the perceived application of policy guidance can contribute to potential financial implications.

#### **Tax-supported funding**

### **RISK**

Council Expense Audit C2020-0658 identified systemic issues specific to expense governance and related policy which if not promptly actioned could increase reputational and financial risk to Council and The City of Calgary.

### **ATTACHMENT(S)**

1. Attachment 1 – Previous Council Direction
2. Attachment 2 – Administration's Recommendations of Eligibility of Hosting Events

Department Circulation

General Manager	Department	Approve/Consult/Inform
Chief Financial Officer Carla Male	Chief Financial Officer's	Approve
City Manager David Duckworth	City Manager's Office	Approve
City Solicitor Jill Floen	Law	Approve
Emily Laidlaw	Ethics Advisor	Approve
Katharine Palmer/Liz Ormsby	The City Auditor/Deputy City Auditor	Consult