

Expense Investigation Follow-Up Ward 2 Hosting Expenses

RECOMMENDATION(S):

The Coordinating Committee of the Councillors' Office, recommends that the Priorities and Finance Committee:

1. Confirm that of the \$1,380.99 in total hosting expenses for Councillor Magliocca identified on Attachment 2, that \$348.70 has been determined to be eligible as appropriate hosting expenses;
2. Confirm that of the \$1,380.99 in total hosting expenses for Councillor Magliocca identified on Attachment 2, that \$1,032.29 has been determined to be ineligible as appropriate hosting expenses; and
3. Recognize the receipt of \$3,762.88 in voluntary reimbursements for the \$1,032.29 ineligible hosting and \$2,730.59 for airfare upgrades. This amount concludes the financial obligations of Councillor Magliocca related to this investigation.

HIGHLIGHTS

- 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:

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.
- Reconciled final details are as follows:

Details	Amount
PWC calculated an overpayment before considering PFC's determination of the amount of air fare upgrades and eligibility of certain hosting expenses to be reimbursed, if any.	(\$563.66)
Council Expense Working Group recommends hosting expenses be determined ineligible and subject to reimbursement per Attachment 2.	\$1,032.29
PFC2020-1143 determined airfare upgrades be recovered, and the Council Expense Working Group's recommendation for recoverable airfare 2020 October.	\$ 3,294.25
Total owing	\$3,762.88
The City received a cheque 2020 March 11 resolving all outstanding financial issues related to the investigation.	\$3,762.88
Balance	\$0

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PFC2021-0592
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- Councillor Magliocca was provided a copy of CCC2021-0452 on 2021 April 15, which went to the Coordinating Committee of the Councillors' meeting.
- What does this mean to Calgarians? This report supports The City's ongoing efforts to maintain effective accountability and transparency regarding use of Councillor and Mayor budgets.
- Why does it matter? This report supports ongoing efforts to close governance gaps and improve transparency associated with the management of expenses.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

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. The relevant portion of the PWC Report is as follows:

We have summarized our assessment of the Claims in accordance with the three categories set out in the table below:

Expense Details	Net Amount Per Claims (as of December 31, 2019)	Voluntary Reimbursements		PwC Findings		
		For the period of January 2020 – June 2020	Following Review of the Draft	Determined To Be In Accordance with the Policies	Determined Not To Be In Accordance with the Policies	To Be Determined by the Priorities and Finance Committee (the "PFC")
Air Fares	\$9,538.73	\$0.00	\$0.00	\$672.00	\$0.00	\$8,866.73
Taxi Fares	\$1,553.76	\$0.00	\$0.00	\$1,553.76	\$0.00	\$0.00
Car Rental	\$388.05	\$0.00	\$0.00	388.05	\$0.00	\$0.00
Room Accommodation	\$8,024.24	\$0.00	\$1,496.90	\$6,527.34	\$1,496.90	\$0.00
Personal Meals	\$936.79	\$196.65	\$0.00	\$678.06	\$258.73	\$0.00
Hosting	\$8,884.14	\$4,280.73	\$246.38	\$3,601.78	\$3,901.37	\$1,380.99 ⁵
Miscellaneous	\$7,361.39 ⁶	\$0.00	\$0.00	\$7,361.39	\$0.00	\$0.00
Total	\$36,687.10	\$4,477.38	\$1,743.28	\$20,782.38	\$5,657.00	\$10,247.72

⁴ As of December 31, 2019.

⁵ Hosting expenses to be determined: No response from attendee(s) \$853.49 + Unable to locate attendee(s) \$527.50.

⁶ Miscellaneous expenses reflects: Tickets to official functions - \$183.55; Promotion items - \$6,821.61; Office supplies and equipment \$356.23.

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

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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.

Administration 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 hosting - 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 hosting - seek reimbursement – if Administration was unable to contact

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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 the Council Expense Working Group. 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 2021 April 27 PFC Meeting.

Table 1 – Summary of Expense Eligibility from Attendee Contact Tracing

Status	Number of Items	Total Expenses
Eligible expense	3	\$348.70
Ineligible expense	8	\$1,032.29

Based on these findings, the Council Expense Working Group has determined \$1,032.29 in expenses have been identified as ineligible and require reimbursement from Councillor Magliocca, subject to direction from PFC. The combined status information regarding final recoveries from the PWC report can be found in attachment 3.

On 2021 March 11, The City received a cheque for \$3,762.88, resolving all outstanding financial issues related to the investigation.

In addition to supporting the investigative work associated with Ward 2 expenses, Administration is also working with Coordinating Committee of the Councillors' Office to rescind existing Council expense policies and develop new Council expense policies that better align with Administration expense policies. Once complete, the Chief Financial Officer will determine and execute the best way to make centrally disclosed expenses for Members of Council and Administration publically accessible going back to the beginning of the present Council's term in office. 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. The report was also shared with the City Auditor who provides advisory support to the Council Expense Working Group. Councillor Magliocca was provided a copy of CCC2021-0452 on 2021 April 15 which went to the Coordinating Committee of the Councillors' meeting.

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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)

Attachment 1 – Background & Previous Council Direction

Attachment 2 – Administration's Recommendations of Eligibility of Hosting Events

Attachment 3 – Final Summary of PWC Recommendation 1

Department Circulation

General Manager/Director	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
Liz Ormsby	The Acting City Auditor	Consult