

EMPLOYEE EXPENSE AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the Employee Expense Audit Report to Administration on June 12, 2018. The report includes Administration's response to four recommendations raised by the City Auditor's Office. Administration accepted all but one recommendation, which was partially agreed to, and has committed to the implementation of action plans no later than December 31, 2019. The City Auditor's Office will track the implementation of these commitments as part of our on-going follow-up process.

RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2018 JUNE 19:

That Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2017/2018 Annual Audit Plan was approved on November 10, 2016. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

City of Calgary (City) employees incur expenses in the course of conducting City business, such as, travel, meals, training and development, and professional fees and dues. City Administration has developed policies to define the business rules and restrictions for employee expenses and has also defined The City's shared values and the expected behaviours for City employees: Character, Competence, Commitment, and Collaboration (4Cs).

This audit was undertaken as part of the approved City Auditor's Office 2017/18 Annual Audit Plan. The objective of this audit was to assess employee expenses for compliance with City policies and alignment with The City's shared values and the 4Cs, and identify efficiency and cost saving opportunities.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Using data analytics, we obtained employee expense reimbursement and Corporate Credit Card (CCC) data from October 1, 2016 to September 30, 2017 and selected a sample of transactions using a non-statistical (judgemental) approach focused on high dollar transactions.

All employee reimbursements and CCC expenses tested in our sample of 64 high dollar transactions complied with applicable City policies and aligned with The City's shared values and the 4Cs. In addition, a year-over-year downward trend on total employee expenses from

EMPLOYEE EXPENSE AUDIT

January 1, 2015 to December 31, 2017 may be viewed as a positive result of Administration's intentional management of controllable costs.

We raised two recommendations to enhance policy and guidance related to the use of personal vehicles, and consistent course reimbursement. We also made two recommendations related to opportunities to improve efficiency by automating the employee expense reimbursement process, and reducing the 100% validation of expense claims to a sample approach.

Stakeholder Engagement, Research and Communication

This audit was conducted with Finance and Human Resources acting as the principal audit contacts within Administration.

Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget

N/A

Current and Future Capital Budget

N/A

Risk Assessment

In 2017, The City paid approximately \$4.5M for employee expenses for out of town travel, courses, memberships, parking, and car allowances. Non-compliance with policies and misalignment with the City's shared values and the 4Cs can result in payment for inappropriate expenses, unnecessary costs and reputational damage.

REASONS FOR RECOMMENDATIONS

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual audit report and forwards these to Council for information."

ATTACHMENT

AC2018-0756 EMPLOYEE EXPENSE AUDIT