

Ministry of Education
Toronto Catholic District School Board
Trustee expense reconciliation

12 November 2008



Ernst & Young LLP
Chartered Accountants
222 Bay Street, P.O. Box 251
Toronto, Ontario M5K 1J7

Tel: 416 864 1234
Fax: 416 864 1174
ey.com/ca

Ms. Nancy Naylor
Assistant Deputy Minister, Ministry of Education
900 Bay St.
20th Floor, Mowat Block
Toronto, ON
M7A 1L2

12 November 2008

Toronto Catholic District School Board Trustee expense reconciliation

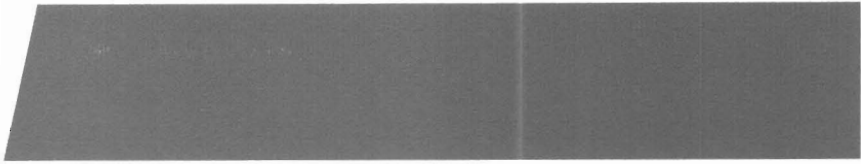
Dear Ms. Naylor:

Attached please find our report. This report to the Ministry of Education was prepared solely for the purposes of an investigation on your behalf as set out in this document. It is intended solely for the use of the Ministry, solely as permitted under our Master and Service Level agreements.

Very truly yours,

Bob M. Ferguson
Partner

Attachment



Contents

- Summary of findings.....1**
- Introduction.....3**
 - Background3
 - Approach.....3
- Scope.....5**
 - Purpose of report and restriction of use5
 - Documents relied upon and interviews conducted5
 - Restrictions in scope or other limitations6
 - Procedures do not constitute an audit6
- Detailed findings.....7**
 - Eligibility of expenses by category7
 - Eligibility of expenses by Trustee8
 - Repayment of expenses by Trustee.....8
- Review of expense claims..... 13**
 - Tickets to events13
 - Community events and donations14
 - Gifts14
 - Equipment and supplies14
 - Donations to schools and trust funds.....15
 - Meals15
 - Professional development and per diems16
 - Communications.....17
 - Promotional material18
 - Miscellaneous.....18
 - Mileage and other transportation expenses.....18
 - Office furniture19
 - Constituency assistants19
 - Advertising and newsletters19
 - Office lease.....20
- Review of policies 21**
 - Purchase cards22
- Schedules 24**

Summary of findings

The objective of our investigation was to examine expenses submitted for payment by the Trustees of the Toronto Catholic District School Board (the "TCDSB") during the period of December 1, 2003 to May 28, 2008 and reconcile them to supporting documentation and explanations for these expenses. We examined expenditures of the individuals who were Trustees of the TCDSB (the "Trustees") at the commencement of this review, May 6, 2008, and who incurred expenses during the period of December 1, 2003 to May 28, 2008.

Our engagement included:

- ▶ Identifying the relevant TCDSB expense policies and provisions of the Education Act of Ontario (the "Education Act").
- ▶ Identifying the expenses claimed by the Trustees and comparing them to the requirements of the policies and the Education Act.
- ▶ Identifying items that required further explanation or supporting documentation to evidence compliance with TCDSB policies and the Education Act.
- ▶ Discussions with Trustees to collect additional evidence to resolve the identified items.
- ▶ Reporting our findings on the items which complied with the policies of the TCDSB and the provisions of the Education Act (categorized as eligible), those which did not comply (categorized as ineligible) and those for which the documentation and explanation for the expense was insufficient to support a determination of the expense as either eligible or ineligible (categorized as potentially ineligible).
- ▶ Reporting on the extent to which Trustees repaid the TCDSB for items reported as ineligible, such as duplicate claims and claims not in compliance with TCDSB policies and the Education Act.

The results of our investigation are summarized below:

Eligibility of expenses examined

Expense category	Value	Proportion
Eligible expenses	\$914,013	96.8%
Potentially ineligible	19,434	2.1%
Ineligible expenses	10,337	1.1%
Total expenses	\$943,784	100.0%

As a result of our investigation, we concur with the broad findings on the policy weaknesses identified in Mr. Norbert Hartmann's report entitled *Enhancing Public Trust and Confidence* dated May 6, 2008 including:

- ▶ Policy provisions did not ensure that documentation submitted with expense claims was sufficient to demonstrate eligibility.
- ▶ Policies were silent on some common Trustee practices such as attending events and making donations to community organizations.
- ▶ No limits were in place on how much could be expended on any category of expenses, beyond the overall limit of the annual Trustee expense budget.
- ▶ Policies did not require the use of a vendor of record for major purchases.

Introduction

Mr. Norbert Hartmann, the financial advisor appointed by the Ministry of Education, issued a report entitled *Enhancing Public Trust and Confidence* on May 6, 2008. Mr. Hartmann's report identified issues in expenditure patterns of Trustees of the TCDSB from 2003 to the report date, and recommended that the Minister of Education appoint an external auditor to work with the Trustees.

Background

Ernst & Young LLP ("Ernst & Young") was retained by the Ministry of Finance (the "Ministry") to examine expense claims submitted for payment during the period from December 1, 2003 to May 28, 2008 by the Trustees of the TCDSB who were Trustees at the commencement of this review, and report the results to the Minister of Education (the "Engagement").

Approach

Ernst & Young obtained the most current TCDSB policies as of May 28, 2008 and the Education Act of Ontario from the respective websites and was provided with previous versions of the TCDSB policies by the TCDSB staff, as well as minutes of Trustee meetings relating to the issue of reimbursable expenses. Ernst & Young also obtained copies of Trustee expense reports and supporting documentation for the period under review from the Ministry, which had been submitted to the TCDSB for reimbursement by the Trustees.

We considered the eligibility of expenses submitted based on the policies regarding Trustee expenses set by the TCDSB and applicable at the time of the expenditure, and by the provisions of the Education Act of Ontario. We conducted interviews with Trustees to obtain information required to assist with our assessment when the information obtained from the Ministry was insufficient to allow an assessment. We have classified all expenses as eligible, potentially ineligible or ineligible.

Definitions

Eligible expenses

We considered eligible expenses to be those expenses that were allowed under policies applicable at the time of the expenditure and were consistent with the responsibilities of a Trustee. Examples of expenses assessed as eligible include internet connection expenses, supplies, office furniture, costs associated with sending newsletters to schools, educational conferences, charitable donations, and advertising expenses.

Potentially ineligible expenses

We considered potentially ineligible expenses to be those expenses for which eligibility could not be determined. Expenses were considered to be potentially ineligible when the supporting documentation was not available or insufficient.

Ineligible expenses

We considered ineligible expenses to be those expenses that were specifically prohibited by policy or were inconsistent with the responsibilities of a Trustee, such as the purchase of goods or services for personal use.

Ineligible expenses also include duplicate claims. During our investigation, we noted several instances in which Trustees were reimbursed for the same expense more than once. When two amounts were determined to be claims for the same expense, the lower amount was assessed as a duplicate claim. For example, when a detailed restaurant receipt without a tip was submitted, and a credit card slip for the same meal including a tip was also included, the pre-tip amount was considered to be the duplicate claim. Where the claims were for the same amount, the claim subsequent to the first expense claim was assessed as a duplicate claim.

Scope

Purpose of report and restriction of use

This report to the Ministry of Education was prepared solely for the purposes of an investigation on your behalf as set out in this document. It is intended solely for the use of the Ministry, solely as permitted under our Master and Service Level agreements.

Expenditures of the individuals who were Trustees of the TCDSB at the commencement of this review and who incurred expenses during the period of December 1, 2003 to May 28, 2008 are covered by the scope of this Engagement.

Documents relied upon and interviews conducted

In performing our investigation and arriving at our findings, we relied on the following documents:

- ▶ Policies regarding Trustee expenses posted on the TCDSB website and provided to us by TCDSB staff:
 - A.24 "Credit and Purchase Cards"
 - H.M.32 "Offering of Hospitality or Gifts"
 - H.M.33 "Accepting of Hospitality or Gifts"
 - T.05 "Trustee Honorarium"
 - T.12 "Expenses of the Office of the Chair of the Board"
 - T.17 "Trustee Services and Expenditures"
 - T.18 "Constituency Assistant"
- ▶ Versions of the above policies that have been superseded but were in effect for a period of time covered by the Engagement as supplied by the TCDSB.
- ▶ The Education Act of Ontario as amended from time to time, last amended 2008.
- ▶ Copies of Trustee expense reports and supporting documentation related to Trustee expenses for the period from December 1, 2003 to May 28, 2008. These documents were received from the Ministry, and included the supporting documents and records previously submitted by the individual Trustees. Trustee expenses comprise reimbursements to Trustees based on expense reports, payments to credit card issuers in respect of purchase cards, payments to third parties, and transfers to other TCDSB cost centres for internally generated expenses.
- ▶ Minutes of meetings of the Board of Trustees and Board committees.

In addition, we conducted interviews with TCDSB staff and each Trustee.

Restrictions in scope or other limitations

Our scope was limited to the expenses documented in the information provided to us. We have not agreed or reconciled the expense claims to the general ledger of the TCDSB. We reconciled the expense claims we examined to the Trustee Development Claim records utilized by the TCDSB to track Trustee discretionary and constituency assistant expenses, and to the total expenses in Table 2a "Trustee Expense Claims by Category and Year" in *Enhancing Public Trust and Confidence* by Mr. Norbert Hartmann issued on May 6, 2008. Reconciling items included transfers of funds to schools and constituency assistant payments made directly through payroll, which were not part of our review.

In conducting this investigation and preparing our report for the Ministry of Education, our procedures were limited to those required to fulfill the mandate from the Ministry. Our report may not have considered issues relevant to any third parties, and any use such third parties may choose to make of our report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use.

Procedures do not constitute an audit of the historical financial statements

Our procedures were based on the scope identified in the engagement letter dated May 6, 2008 and amended September 30, 2008, and do not constitute an audit of the historical financial statements of the TCDSB in accordance with Canadian generally accepted auditing standards. We performed no procedures to evaluate the reliability or completeness of the information obtained. Accordingly, we express no opinion or any other form of assurance on the historical or prospective financial statements, management representations or other data of the TCDSB included in, or underlying the accompanying information. While we believe the information obtained is substantially responsive to your request, we are not in a position to assess its sufficiency for your purposes. In addition, we have no responsibility to update this report for events or circumstances occurring after the date of this report. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with statements of Generally Accepted Auditing Standards, other matters might have come to our attention that would have been reported to you.

Detailed findings

Eligibility of expenses by category

In excess of 5,000 documents representing \$943,784 in Trustee expenses were reviewed. After our initial review of these documents, we determined that \$695,733 of the expenses had sufficient supporting documentation to demonstrate that they were allowed under policies applicable at the time of the expenditure and were consistent with the responsibilities of a Trustee. To assess the eligibility of the \$248,011 requiring further investigation, multiple meetings were held with each Trustee to obtain supporting documentation and explanations.

The eligibility of expenses is summarized by category in Schedule 1. We categorized expenses judgementally based on the information available to us. After investigating the expenses incurred by Trustees, \$914,013 of expenses were determined to be eligible expenses, based on the rules and policies in effect at the time.

Certain expenses were determined to be ineligible. These ineligible expenses were either duplicate claims, specifically prohibited by policy, or were unrelated to the responsibilities of a Trustee. Ineligible expenses totalled \$10,337, \$918 of which has not been repaid. The Trustee disagrees with our assessment of the expenses and has declined to repay these amounts.

Expenses totalling \$19,434 were considered potentially ineligible. We were unable to obtain information which was sufficient to assess the eligibility of these expenses.

Eligibility of expenses by Trustee

Eligible, potentially ineligible and ineligible items are summarized by Trustee in the table below:

Trustee	Eligible	% Eligible	Potentially ineligible	Ineligible	Total
Trustee A	\$ 75,934	94.7%	\$ 2,940	\$ 1,291	\$ 80,165
Trustee B	45,167	92.1%	2,113	1,783	49,063
Trustee C	142,789	90.5%	13,804	1,170	157,763
Trustee D	85,556	99.1%	37	753	86,346
Trustee E	74,721	97.2%		2,146	76,867
Trustee F	98,295	98.7%	540	796	99,631
Trustee G	79,708	98.7%		1,012	80,720
Trustee H	98,480	99.2%		775	99,255
Trustee I	71,951	99.5%		365	72,316
Trustee J	73,091	99.8%		136	73,227
Trustee K	68,321	99.8%		110	68,431
Total	\$ 914,013	96.8%	\$ 19,434	\$10,337	\$ 943,784

Repayment of expenses by Trustee

The repayment of expenses is summarized by Trustee in the table below:

Trustee	Eligible repaid	Potentially ineligible repaid	Ineligible repaid	Total repaid	Ineligible expenses not repaid
Trustee A			\$ 373	\$ 373	\$ 918
Trustee B			1,783	1,783	
Trustee C			1,170	1,170	
Trustee D			753	753	
Trustee E			2,146	2,146	
Trustee F		\$ 540	796	1,336	
Trustee G			1,012	1,012	
Trustee H			775	775	
Trustee I	\$ 65		365	430	
Trustee J			136	136	
Trustee K			110	110	
Total	\$ 65	\$ 540	\$ 9,419	\$ 10,024	\$ 918

Eligibility of expenses and repayments by Trustee are detailed below:

Trustee A

Trustee A had expenses totalling \$75,934 (94.7%) that were considered eligible.

Trustee A had \$918 in expenses that we considered ineligible which have not been repaid to the TCDSB. These expenses include a gold ring, a sun lamp and personalized vehicle license plates.

Trustee A repaid a total of \$373 of ineligible expenses. The expenses repaid by Trustee A include duplicate claims, internet gaming charges, luggage and a car wash.

We were unable to assess the eligibility of \$2,940 of the expenses of Trustee A. The potentially ineligible expenses include an expense where the supporting documentation is illegible, a meal receipt with a tip representing a gratuity amount higher than 40%, and unexplained meal and food charges. The potentially ineligible expenses also include purchase card transactions for which receipts or explanations could not be provided.

Trustee B

Trustee B had expenses totalling \$45,167 (92.1%) that were considered eligible.

Trustee B repaid ineligible expenses totalling \$1,783. The expenses repaid include duplicate claims, meals, a portable music device, a cell phone purchased as a gift for a family member, dry cleaning charges, shoe repair costs, tax preparation software, car washes and passport photos.

Expenses totalling \$2,113 were classified as potentially ineligible. These expenses include several meals outside Toronto for which we did not receive sufficient information to validate that they were reasonably incurred in connection with carrying out the responsibilities of a Trustee, road toll bills for which details were not provided, and expenses for which supporting documentation is illegible.

Trustee C

Trustee C had expenses totalling \$142,789 (90.5%) that were considered eligible.

Trustee C repaid ineligible expenses totalling \$1,170. The expenses repaid include duplicate claims, a game controller, alcohol included in a meal expense where the alcoholic beverages were 48% of the total receipt, and parking charges for which an explanation could not be provided.

Expenses totalling \$13,804 were classified as potentially ineligible, and include expenses for which supporting documentation is illegible and an explanation could not be provided. In addition to expenses with illegible documentation, expenses of \$13,486 have been classified as potentially ineligible related

to three purchases from a company (the "Supplier") of shirts, hats, bags and sporting equipment for soccer and basketball tournaments, purchased and distributed as and when tournaments took place. All three purchases were made from the same Supplier over a sixteen-month period.

In support of the eligibility of these items, we have collected and considered the following:

- ▶ Trustee C has provided us with:
 - Letters and news articles to substantiate that the tournaments took place.
 - Letters from two schools stating that the golf shirts, t-shirts, soccer balls, basketballs and sports bags were appreciated.
 - Pictures taken at the tournaments.
- ▶ We were able to independently confirm that the events took place through discussion with third parties and the invoiced items have limited and specialised use.
- ▶ The Supplier has confirmed the authenticity of the three invoices and ownership of the bank accounts to which the cheques were deposited.

In support of the ineligibility of these items, we considered the following:

- ▶ No record was made at the time to evidence receipt of the full invoiced quantity before payment, nor was any record made of when the quantities were distributed, or to which tournaments.
- ▶ Supplying clothing and sports equipment is not a service offered on the website of the Supplier.
- ▶ The supplier currently operates out of the same address as Trustee C's Constituency Assistant.
- ▶ The invoice documentation reflected anomalies, including that the Supplier name was consistently misspelled, the GST number was that of the Supplier's parent company and in one case, the GST was incorrectly calculated (for which the Supplier has undertaken to make repayment).

We have assessed the documentation as insufficient to affirmatively support eligibility of the full amount invoiced and treated the payments as potentially ineligible. Short of auditing the Supplier to confirm quantities of materials purchased and shipped, it is unlikely that the documentation deficiency can be remediated.

Trustee D

Trustee D had expenses totalling \$85,556 (99.1%) which were considered eligible.

Trustee D repaid \$753 in ineligible expenses, including duplicate claims, taxis, gas, and mini-bar charges while at a conference.

Expenses totalling \$37 were classified as potentially ineligible, representing a purchase card transaction for which a receipt or explanation has not been provided.

Trustee E

Trustee E had expenses totalling \$74,721 (97.2%) which were considered eligible.

Trustee E repaid ineligible expenses totalling \$2,146 including duplicate claims, a projector, spousal meals at conferences, hotel meals and movies at conferences, a taxi fare and newspaper article reprints.

Trustee F

Trustee F had expenses totalling \$98,295 (98.7%) which were considered eligible.

Trustee F repaid expenses totalling \$1,336. Expenses totalling \$796 were considered ineligible and included duplicate claims and a taxi charge. Trustee F also voluntarily repaid \$540 of expenses related to a gift, a meal and a miscellaneous item considered potentially ineligible as neither an explanation nor receipt could be provided.

Trustee G

Trustee G had expenses totalling \$79,708 (98.7%) which were considered eligible.

Trustee G repaid ineligible expenses totalling \$1,012, including duplicate claims, taxis and cable TV charges.

Trustee H

Trustee H had expenses totalling \$98,480 (99.2%) which were considered eligible.

Trustee H repaid ineligible expenses totalling \$775, including a duplicate claim, taxi charges and spousal meals and spousal programs at conferences.

Trustee I

Trustee I had expenses totalling \$71,951 (99.5%) which were considered eligible.

Trustee I repaid expenses totalling \$430. Expenses totalling \$365 were considered ineligible and included an overpayment of per diem amounts, an amount related to the personal use of the Trustee's cell phone and health benefits in conjunction with an education program. The overpayment of health

benefits was brought to our attention by the Trustee as health care benefits were not included in our scope of review. Trustee I voluntarily repaid an eligible expense related to the purchase of a ticket to an event for his spouse.

Trustee J

Trustee J had expenses totalling \$73,091 (99.8%) which were considered eligible.

Trustee J repaid ineligible expenses totalling \$136. The ineligible expenses included a duplicate claim and an accessory for a portable music player.

Trustee K

Trustee K had expenses totalling \$68,321 (99.8%) which were considered eligible.

Trustee K repaid ineligible expenses totalling \$110 for taxi fares.

Review of expense claims

Ernst & Young reviewed the various policies regarding Trustee expenses that were applicable during the period of time covered by the Engagement. We reviewed various documents to gain an understanding of the policies in place, including the policies themselves, and relevant minutes of meetings of the Board of Trustees and Board committees.

In addition we reviewed the Education Act for the policies applicable to Trustee expenses. Section 191.3 of the Education Act provides for the reimbursement of reasonable expenses incurred by Trustees:

A board may establish a policy under which a member of the board may be reimbursed for all or part of his or her out-of-pocket expenses reasonably incurred in connection with carrying out the responsibilities of a board member. 1997, c. 31, s. 97.

Where the policies established by the Board of Trustees did not provide specific guidance on the reimbursement of an expense, we assessed the expense based on the requirement in the Education Act that reimbursed expenses be reasonably incurred in connection with carrying out the responsibilities of a Trustee.

We noted a number of claims that, without further explanation or documentation, appeared ineligible. Further investigation into the claims, including discussion with Trustees and obtaining supporting documentation, revealed that the majority of these amounts represented expenses incurred reasonably for Trustee business. For example, Trustees sometimes donated iPods and CD players as prizes for school fundraising raffles. While the expenses were eligible for reimbursement, the documentation included with the expense claim was not sufficient to demonstrate this fact.

We categorized expenses based on information in the submitted expense claims or the attached receipts. Below are our observations by expense category, followed by a summary of the policy weaknesses.

Tickets to events

We investigated event tickets totalling \$40,414 including the purchase of individual tickets to events as well as tables (i.e. eight or ten tickets) at events. The Trustee expense policies were silent with respect to attendance by Trustees or their guests at concerts, dinners and other events. There was no direction provided by policy to clarify what types of events are eligible, who can attend, and how many tickets could be purchased. Further, no guidance was provided as to whether it was appropriate for a Trustee to claim the expense associated with guests accompanying them to a TCDSB or external function. As the reasons for attending the events or for purchasing tickets were related to the responsibilities of the Trustees, all tickets were considered eligible. One Trustee voluntarily reimbursed the amount associated with the purchase of a spousal ticket.

Community events and donations

We investigated \$35,032 in donations made by several Trustees to community organizations external to the TCDSB. Trustees also incurred expenses to sponsor or run events for Catholic schools and the broader community. No policy guidance was provided to identify in which circumstances, if any, community events and donations were eligible expenses.

Donations to community organizations related to the mandate of the TCDSB (local parishes, education associations) and to organizations with no direct tie to TCDSB objectives, such as the organizations supporting cancer research, symphony orchestras and others were investigated. As the policies did not prohibit these donations and there was a connection to the responsibilities of a Trustee, they were treated as eligible expenses. All community events and donations expenses were considered eligible except for three expenses totalling \$13,486 relating to the purchase of shirts, hats, bags and sporting equipment for which we were unable to assess eligibility.

Gifts

We investigated expenses for gifts totalling \$26,665 including gifts to teachers, principals, school staff, members of the Catholic School Advisory Councils and items not specifically identified as to their purpose. Policy H.M.32 "Offering of Hospitality or Gifts", instituted on March 28, 2007, provided examples of when hospitality and gifts can be extended on behalf of the Board, but did not restrict hospitality and gifts to those occasions detailed in the policy. The policy states that "elected officials and staff designated by the Director may offer hospitality or gifts on behalf of the Board where necessary and reasonable in the course of their duties."

Two gifts for which a receipt or an explanation could not be obtained were considered potentially ineligible. Reimbursement for one of these gifts was voluntarily made.

In addition to duplicate claims related to gifts, a ring purchased for personal use was also considered to be an ineligible expense.

Equipment and supplies

We investigated \$26,931 of equipment and supplies, including multiple purchases of the same type of equipment and the purchase of software not directly related to the responsibilities of a Trustee.

Policy T.17 "Trustee Services and Expenditures" (March 28, 2007) states that:

All equipment and supplies shall be considered the property of the Trustee concerned. Use and disposal of such equipment and supplies shall be at the sole discretion of the Trustee concerned.

This clause permitted goods purchased with public funds to be used and disposed of at the sole discretion of the Trustee, and retained by the individuals after they are no longer serving as Trustees. It does not clearly state that the use of the equipment should be primarily for TCDSB purposes.

In a special meeting of the Board of Trustees held on May 27, 2008 the Board voted to rescind the paragraph of Policy T.17, which indicates that all equipment and supplies purchased shall be considered the property of the Trustee. Policy T.17 section (1) was replaced with "All equipment provided to or purchased by Trustees with Board funds remains property of the TCDSB".

We found that policies did not prohibit multiple purchases of the same type of equipment or the purchase of software not directly related to the responsibilities of a Trustee. Items for which a TCDSB-related purpose could not be identified were considered ineligible and included items such as a personal cell phone, a personal portable music player, an accessory for a portable music player, a projector, a game controller and tax preparation software. Trustees have repaid the TCDSB for all ineligible equipment and supplies expenses.

Items we assessed as potentially ineligible included purchase card transactions for which a receipt or an explanation could not be provided.

Donations to schools and trust funds

We investigated expenses of \$24,217 related to donations to schools and trust funds. Trustees could direct unused funds from their discretionary or constituency assistant expense budgets to individual schools, or to trust funds approved by the Board of Trustees. Trustees were also permitted to make donations of goods to schools, purchased through their expense budgets.

There were no restrictions placed on these transfers or donations beyond the overall limit of the annual Trustee expense budget. In all cases where we identified a transfer to a trust fund, we obtained information indicating that the fund was Board-approved and therefore all donations to schools and trust funds were treated as eligible, with the exception of one duplicate claim which was reimbursed by the Trustee.

Meals

We investigated a total of \$22,257 in meal expenses including expenses related to a late-night and weekend meals, meals delivered to homes, meals purchased in drive-through restaurants, multiple meal claims in a single day, and meals outside of the Greater Toronto Area.

Policies provided some guidance on what was an acceptable meal expenditure for a Trustee to incur. Applicable guidelines were contained in Policy T.17 (March 28, 2007), which states that expenditures may include "reasonable board related meal and hospitality expenses. The expense report must indicate the number present and the reason for the expenditure."

Policy H.M.32 (March 28, 2007) also provided guidelines for meal expenses:

All expenses related to hospitality and gifts in this policy must be submitted on the Board's expense reports and must be accompanied by original detailed receipts or invoices with the number of individuals in attendance, their roles and the purpose of the expenditure.

Prior to the issuance of Policy H.M.32 (March 28, 2007) and the March 28, 2007 amendment to Policy T.17, there was no requirement to list individuals in attendance or the purpose of a meal expenditure. Without this information, it is difficult to assess the appropriateness of a meal claim.

Limited guidance was provided to distinguish between appropriate and inappropriate meals. The policies did not indicate when it is appropriate for a Trustee to expense a meal for himself or herself, and when it was appropriate to expense a meal in conjunction with the offering of hospitality to others. For example, policies did not provide guidance on whether it is acceptable to expense a meal for the Trustee before or after a meeting of the Board of Trustees or committees, a meal while the Trustee reads documents related to his or her role as Trustee, or meals with parents, teachers or other members of the community.

In some cases where we questioned meals, we were unable to confirm either the business case of the meals or who attended, because of the period of time that had passed since the expense was incurred, and the inadequacy of the documentation that was available. Where we obtained descriptions and purposes for the meals, the expenses were considered eligible expenses. Where we inquired of a Trustee regarding meals and did not obtain an explanation for these expenses, the expenses were considered potentially ineligible as we are not in a position to verify whether or not these meals were related to TCDSB business.

A Trustee voluntarily repaid the cost of a meal at the CN Tower considered potentially ineligible, as a receipt and explanation could not be provided.

Meals that were considered to be ineligible included meals in Parry Sound and along the Highway 400 and alcohol included in a meal expense where the alcoholic beverages were 48% of the total receipt. Trustees repaid all ineligible meals.

Professional development and per diems

Professional development and per diem expenses totalling \$14,873 were investigated. We investigated expenses for conferences and courses, per diems claimed for conferences where meals were already provided, per diems claimed in addition to submitting meal receipts for reimbursement, meal expenses for spouses during conferences, and other hotel expenses such as movies and mini-bar charges.

Limitations on acceptable conference, convention and professional development costs were provided in Policy T.17 (March 28, 2007). These limitations included some items specifically identified as not

eligible for reimbursement such as video rentals, mini-bar charges, movies and alcoholic drinks (except where included as part of registration).

The policy outlined specific conference, convention and professional development expenses to which the Trustees are limited, however the policy did not specify if other types of expenses could be incurred in connection with a conference or similar event. For example, the policy remained ambiguous as to whether the restriction on alcohol and mini-bar charges related only to personal consumption at the conference, or whether this restriction also applied to the extension of hospitality to others.

Where Trustees incurred expenses to attend conferences or courses related to education or their role as Trustee, we considered these expenses to be eligible.

The version of Policy T.17 approved on February 19, 2004 allowed Trustees to claim a per diem allowance of \$70 per day when attending educational conferences, conventions, workshops and certificate courses. While the policy indicated that any requests for reimbursement beyond \$70 must be substantiated by receipts, it did not specify what types of expenses, if any, were meant to be covered by the per diem allowance. As a result, Policy T.17 did not prevent Trustees from claiming a per diem allowance when meals were already covered by conference registration, or for claiming a per diem allowance while also submitting meal expenses for reimbursement. The version of the policy, approved on March 28, 2007, did not include a section on per diem allowances, but provided for expenses related to "meals at a reasonable cost during the scheduled event which are not included in registration".

Trustees repaid professional development and per diem expenses related to spousal meal programs, duplicate per diem charges, and mini-bar and movie charges incurred during conferences.

Communications

We investigated communications expenses of \$14,179 including long distance and international charges and cable TV charges. Communications expenses consisted mainly of telephone, internet and cell phone costs. These types of expenses were provided for in Policy T.17 (March 28, 2007), which indicated that they were to be funded through a block account within the Trustee Services budget. The policy specifically identified standard cellular telephone service, a home based telephone line, and a Blackberry or similar wireless device as allowable expenses.

Policy T.17 (March 28, 2007) indicated that Blackberry charges in excess of \$65 a month would be charged to the Trustee's discretionary budget, and there were no monthly limits placed on communications charges. The policies did not limit expenses related to communications for a Trustee who is out of the country, whether on TCDSB business or for personal reasons. Cable TV charges, internet gaming charges, charges related to cell phone personal use and duplicate claims were treated as ineligible expenses and have been repaid by the Trustees. All other communications charges were treated as eligible, as they were related to the responsibilities of the Trustees.

Promotional material

We investigated \$12,366 in promotional material expenses including the purchase of pens, sweatshirts and magnets. We found that some of these expenses included items purchased for community parades, and some expenditures on promotional items incurred during the period just prior to the election of Trustees. The policies contained no guidance in relation to these costs. All promotional expenses were therefore considered eligible.

Miscellaneous

We were unable to categorize all expenses due to poor descriptions, missing or illegible documentation, or due to the nature of the item not aligning with any other category. Expenses totalling \$8,915 investigated under the miscellaneous category included individual memberships to organizations, luggage, personalized vehicle licence plates, bank late payment charges, dry cleaning, shoe repair and expenses with poor descriptions and missing or illegible documentation.

Miscellaneous expenses for which we were able to obtain sufficient information relating the expense to the responsibilities of a Trustee were classified as eligible.

After investigating the expenses, there were some expenses for which explanations of the nature or purpose of the items could not be provided. These have been classified as potentially ineligible. The late payment charges were treated as potentially ineligible because the payment was made by TCDSB staff and we were unable to verify the reason for the delay. One Trustee voluntarily reimbursed the TCDSB for a miscellaneous expense classified as potentially ineligible.

Repayments were made for ineligible miscellaneous expenses including duplicate claims, health and dental benefits related to an education program, passport photos, dry cleaning and shoe repair. Miscellaneous expenses which we determined to be ineligible which have not been repaid to the TCDSB include a sun lamp and personalized vehicle licence plates.

Mileage and other transportation expenses

We investigated \$7,762 of transportation expenses including reimbursements for taxi and public transit expenses, car washes, road toll charges and various parking charges on weekends. During the period of review, Trustees were entitled to choose between receiving a monthly car allowance for the use of their personal vehicles, or to receive reimbursement for taxis and public transit. Although policy was clear on this point, several Trustees claimed and were reimbursed for taxis and public transit at the same time as they received a monthly car allowance.

In a special meeting of the Board of Trustees held on May 27, 2008, the Board of Trustees voted to rescind the monthly car allowance option effective June 30, 2008, and require that all trustees submit monthly mileage, TTC tickets and taxi chit reimbursement forms.

Taxi charges incurred during out of town travel for TCDSB related business were considered to be eligible expenses. One taxi charge and all road toll charges have been treated as potentially ineligible, as we were unable to obtain from the Trustee sufficient information to determine their eligibility. All other taxi charges incurred by the Trustees were determined to be ineligible and have been reimbursed to the TCDSB.

Office furniture

We investigated expenses relating to office furniture totalling \$7,142. No specific guidance on office furnishings was provided by the expense policies, though some related goods such as a fax machine, computer and filing cabinet were provided for in the TCDSB's policies on equipment (Policy T.17, March 28, 2007). The policies are sufficiently broad to allow for reimbursement of furniture such as chairs, desks and storage units, for use in Trustee offices located in their homes or elsewhere. While it is reasonable that Trustees maintain an office in which to conduct Trustee business, there were no restrictions on what type of furniture could be purchased or how much could be spent on furniture.

We found one instance where two desks and chairs had been purchased by the same Trustee within a two-year time frame. The purchase of the second desk and chair has been treated as eligible as there are no policies restricting multiple furniture purchases.

One purchase card transaction relating to office furniture was classified as potentially ineligible because a receipt or explanation has not been provided. Other office furniture purchased was considered eligible.

Constituency assistants

We investigated constituency assistant expenses totalling \$3,826. Guidelines regarding the use of a constituency assistant to perform administrative duties were provided by Policy T.18 "Constituency Assistant" (December 12, 2007). We investigated invoices from a constituency assistant where the invoices had descriptions of duties performed that were inconsistent with those outlined in Policy T.18 to confirm the nature of the services provided. As a result of our investigation, we determined that all constituency assistant amounts examined were eligible expenses.

Advertising and newsletters

We investigated \$3,432 of advertising and newsletter expenses. There were no specific TCDSB policy guidelines related to advertising and newsletters. Policies did not place any limits on the form of

advertising or methods of distribution. We investigated expenses incurred on advertising and newsletters during the fall of 2006 just prior to the election of Trustees and multiple instances of advertisements in various publications. With the exception of one duplicate claim related to an advertising expense, all advertising and newsletter expenses incurred have been treated as eligible.

Office lease

One Trustee claimed an expense for "leased office space" in the Trustee's home. As the policies in place during the review do not specifically disallow such charges, this expense was considered eligible. The Trustee has discontinued this practice.

Review of policies

We reviewed the various policies regarding Trustee expenses that were applicable during the period of time covered by the Engagement. We reviewed the policies and minutes of meetings of the Board of Trustees and Board committees to gain an understanding of the policies in place. We found the policies in place during the scope of our Engagement had some common weaknesses as follows:

1. A number of policies referred to “Board business” or “expenditures related to the responsibilities of Trustees”, but were not instructive on the difference between inappropriate and appropriate expenses. Policy T.17 “Trustee Services and Expenditures” approved on March 28, 2007 provides that:

The Toronto Catholic District School Board shall reimburse Trustees for expenditures incurred related to their responsibilities as Trustees and in accordance with the Education Act, regulations and directives from the Ministry.

The Education Act provides for the reimbursement of reasonable expenses incurred by Trustees:

A board may establish a policy under which a member of the board may be reimbursed for all or part of his or her out-of-pocket expenses reasonably incurred in connection with carrying out the responsibilities of a board member. 1997, c.31, s.97.

The TCDSB policies use language such as “includes, but is not limited to” regarding eligible expenditures and only specifically disallow a small number of items, including:

- ▶ Car washes
 - ▶ Parking and traffic tickets
 - ▶ Certain conference, convention and professional development costs:
 - Recreational costs (e.g. fitness facilities, video rentals, mini-bar charges, etc.)
 - Movies
 - Alcoholic drinks (except where included as part of registration)
 - Parking tickets
 - Other automobile expenses
2. Expense policies for Trustees either did not ensure that documentation submitted with expense claims was sufficient to demonstrate eligibility or there did not appear to be sufficient enforcement of the submission of receipts. More recent policies outlined some information requirements, such as individuals in attendance for meals, and receipts and purposes for purchase card transactions.

3. Policies were silent on a number of common Trustee practices, including attending events and making donations to community organizations. Only limited guidance was provided for other common activities, including meals and communications.
4. No restrictions were placed on how much can be expended on any expense item, beyond the overall limit of the annual Trustee expense budget. Trustees could incur expenses limited only by their annual budget for any expense, including advertising, promotion and donations to community organizations.

Purchase cards

At a private meeting held December 12, 2007, the Trustees voted to have all purchase cards being held by the Trustees cancelled as of December 31, 2007 and the provisions for purchase cards in the policies removed. Until then, the TCDSB had specific policies in place regarding the use of credit and purchase cards during the period under review. Policy A.24 "Credit and Purchase Cards" was approved on March 28, 2007, replacing an earlier Policy A.24 "Credit Cards". The policy outlined specific requirements for expenditures that were incurred on a credit or purchase card:

All expenditures must be detailed on a monthly expense report form indicating the date and purpose of the expenditure and must be supported by original itemized receipts and other appropriate documentation.

Although the applicable policy indicated the need for receipts to be submitted to support credit and purchase card charges, we found a large number of such transactions for which an expense report form with explanations and receipts were not submitted.

Prior to the March 28, 2007 policy, there was a requirement in place for Trustees to submit receipts for credit and purchase card transactions. The August 16, 2004 minutes of the Trustee Services Committee provided a revision to Policy T.17 "Trustee Services and Expenditures", including the following section related to credit cards:

At the discretion of the individual trustee, a TCDSB credit card in the name of the Trustee will be provided to the Trustee.

- (a) The credit card is to be used solely for expenses incurred related to the responsibilities as Trustee of TCDSB.
- (b) All expenses charged on the credit card are charged against the Trustee's annual discretionary budget as described in paragraph 2 above.
- (c) A Trustee is required to provide receipts for each item appearing on the credit card statement on a monthly basis to the Administrative Assistant - Trustee Services.

Despite this guidance, receipts were not consistently submitted. It was brought to our attention that there were occasions when TCDSB staff informed the Trustees that receipts did not need to be submitted for purchase card transactions. Purchase cards were required to be paid directly by the TCDSB, so payments of expenses incurred on purchase cards were made regardless of whether or not Trustees submitted any supporting documentation for the expenses.

Our investigation of purchase card transactions focussed on charges that appeared to be unreasonable based on the merchant and the amount.

Schedules

Schedule	Schedule Description
1	Eligibility of expenses by category

**MINISTRY OF EDUCATION
TORONTO CATHOLIC DISTRICT SCHOOL BOARD EXPENSE RECONCILIATION**

Eligibility of expenses by category

	Total expenses reviewed	Eligibility of expenses		Expenses which required further investigation [1]
		Eligible	Potentially ineligible	
Advertising and newsletters	141,450	141,402	-	48
Communications	40,628	39,556	-	1,072
Community events and donations	60,802	47,316	13,486	-
Constituency assistant	116,053	116,053	-	-
Equipment and supplies	110,980	107,154	794	3,032
Gifts	46,458	45,046	412	1,000
Meals	65,612	62,030	1,812	1,770
Mileage and other transportation	11,311	8,861	1,558	892
Miscellaneous	23,951	21,958	790	1,203
Office furniture	15,794	15,212	582	-
Office lease	13,000	13,000	-	-
Professional development and per diems	46,383	45,263	-	1,120
Promotional material	38,428	38,428	-	-
Tickets to events	41,783	41,783	-	-
Transfers and donations to schools	171,151	170,951	-	200
Total	943,784	914,013	19,434	10,337
				248,011

[1] These amounts represent the expenses which required further investigation with Trustees after our initial review of the documents submitted with expense claims provided to us by the TCDSB.