



Internal Audit Services

INTERNAL AUDIT OF EXECUTIVE EXPENSES – CALGARY HEALTH REGION

Final Report
(December 2012)

TABLE OF CONTENTS

1. EXECUTIVE OVERVIEW 3

2. DETAILED OBSERVATIONS 9

APPENDIX A: EMPLOYMENT CONTRACTS 23

APPENDIX B: CALGARY HEALTH REGION POLICIES 25

APPENDIX C: AUDIT CRITERIA 26

1. EXECUTIVE OVERVIEW

Background

Recently, there has been significant public interest in executive expenses for both Alberta Health Services (AHS) and its legacy entities. This interest has resulted in a number of FOIP requests and, at the request of the Minister of Health, an investigation of the expenses of the former Chief Financial Officer of the Capital Health Region.

As a result of this public interest, the Chief Executive Officer (CEO) and three executives currently serving at AHS who were employed in the former Calgary Health Region (the "Region") requested, and AHS' Board agreed to, an internal audit of their expenses from 2005-2008.

Audit Objective

The objective of the audit was to determine whether the expenses of the Executives were in compliance with the policies of the Region that were in effect at the time and, if applicable, with the Executives' employment contracts.

Audit Scope

Our audit included the expenses of the following Executives:

- Dr. Chris Eagle (current President and CEO of AHS)
- Dr. David Megran (current Executive Vice President and Chief Medical Officer of Clinical Operations of AHS)
- Bill Trafford (current Executive Vice President and Chief Development officer of AHS)
- Patti Grier (current Chief of Staff and Corporate Secretary of AHS)

We audited all expenses incurred by the above individuals and paid by the Region either as the result of the submission of an expense claim or payment requisition by the individual or through a credit card assigned to the individual. We did not include expenses paid directly by the Region on behalf of any of the Executives (for example, air fare paid directly to an airline or travel agent) or expenses incurred on behalf of the Executives' which were charged to the corporate credit card of another employee. We also did not examine the records of the Corporate Travel Office.

The audit period was January 1, 2005 through December 31, 2008 which is the same period as the related FOIP requests.

Restrictions and limitations on the scope of the audit:

The Region had a travel policy for travel and related expenses that addressed travel costs, courses and conferences. The provisions of that policy applied only to travel and related expenses. The travel policy applicable during the audit period included a 'Schedule A' that established limits for meal expenses and per diems. However, a copy of the schedule could not be located for the audit period. For these expenses, we focused on compliance with the provisions of the Executives' employment contracts.

The Region did not have policies specific to:

- Expense reimbursements other than for travel related expenses,
- Hosting and hospitality expenses, and
- Gifts.

For hosting and other employment expenses, we relied on the provisions of the Executives' employment contracts to determine whether these expenses were compliant.

Some meal expenses were supported only by credit card receipts/statements. Without itemized receipts, it was not possible to determine if alcohol was claimed.

Audit Criteria

We audited all Executive expenses to determine whether the expenses complied with the applicable policies, related administrative directives and employment contracts. Specifically we tested whether the individual expenses:

- complied with the provisions of specific policies (ie. Travel expenses complied with the provisions of the *Travel Policy*) and/or employment contracts,
- were appropriately approved (ie. Complied with the provisions of the *Delegation of Authority and Establishment of Limits for Financial Commitments, Expenditures and Disbursements Policy*),
- were supported by required documentation.

The relationship between the Executive employment contracts and the policies of the Region, and the resulting impact on the audit, are summarized as follows:

- The Executives' employment contracts had primacy over the provisions of the Region's policies. If there was a conflict between the provisions of the employment contract and the policy, then the provisions of the contract applied.
- Where there was no policy in effect or a policy was silent on a matter, then the provisions of the contract applied. Conversely, where there was no provision in the contract on a matter but there was a policy in effect, then the policy applied.

A summary of the relevant employment contracts is included in Appendix A and a detailed listing of the criteria used in the audit which summarizes the requirements of the Executives' employment contracts and the applicable policies of the Calgary Health Region is contained in Appendix C.

We did not assess the reasonableness of expenses but focused on compliance with policy provisions and/or the employment contracts.

Audit Approach

In support of the audit objective, the audit team:

- Obtained an understanding of the provisions of any relevant employment contracts of the Executives.
- Obtained an understanding of the policies and directives of the former Calgary Health Region that were in effect at the time including those related to:
 - Delegation of Authority
 - Travel Approval and Reimbursement
 - Catering

A summary of the applicable policies and directives is included in Appendix B.

- Examined all of the Executives' expense reports and credit card statements for the audit period to determine whether the expenses were in compliance with the applicable employment contracts and policies.
- Reconciled the expense reports and credit card statements to the general ledger.

Audit Results

For the audit period January 1, 2005 to December 31, 2008, out of Net Expenses Claimed/Paid of \$234,948 for the audit period all expenses were approved. We found \$223,522 or 95.1% were compliant with the policies and contracts that were in effect at that time. Of the remainder:

- \$5,100 or 2.2% of the expenses were not compliant. These included:
 - expenses for which the required level of detailed supporting documentation was not provided,
 - clerical errors resulting in an over or under payment,
 - expenses incurred as a result of a failure to cancel transportation and/or travel arrangements,
 - in-room movies, alcohol and laundry services claimed as part of travel expenses,
 - personal expenses, and
 - claims for travel (mileage or taxi) between home and the first or last work site of the day.

- For \$6,326 or 2.7% of the expenses it was not possible to determine whether the expenses were compliant with the policies of the Region. These included:
 - Interest on credit card balances
 - Alcohol claimed in hosting and hospitality claims
 - Gifts where the business purpose was not specified

Table A summarizes the total expenses for the Executives for the four year audit period January 1, 2005 to December 31, 2008 by major expense category:

Table A: Total Expenses by Category

Executive	Travel	Professional Development	Hosting and Hospitality	Other	Total Expenses
Dr. Chris Eagle	\$49,085	\$15,405	\$1,783	\$15,995	\$82,268
Dr. David Megran	\$17,583	\$0	\$1,453	\$4,850	\$23,886
Bill Trafford	\$55,663	\$0	\$15,432	\$22	\$71,117
Patti Grier	\$12,431	\$4,708	\$17,897	\$23,149	\$58,185
Total	\$134,762	\$20,113	\$36,565	\$44,016	\$235,456
	57.2%	8.5%	15.6%	18.7%	100%

Table B summarizes the amount of Net Expenses (Total expenses paid less amounts reimbursed) for the audit period and the breakdown of those expenses between Compliant, Compliance Not Determinable, and Non-Compliant. All expenses were approved by an expenditure officer.

Table B: Compliant, Non-Compliant and Compliance Not Determinable Net Expenses

Executive	Total Expenses	Amounts Reimbursed During the Audit Period	Net Expenses*	Compliant Expenses	Non-Compliant Expenses	Expenses Where Compliance Not Determinable
Dr. Chris Eagle	\$82,268	\$178	\$82,090	\$79,164	\$605	\$2,321
Dr. David Megran	\$23,885	\$14	\$23,871	\$21,302	\$2,386	\$183
Bill Trafford	\$71,117	\$0	\$71,117	\$68,307	\$1,302	\$1,508
Patti Grier	\$58,186	\$316	\$57,870	\$54,749	\$807	\$2,314
Total	\$235,456	\$508	\$234,948	\$223,522	\$5,100	\$6,326
			100%	95.1%	2.2%	2.7%

*Net Expenses were reconciled to the Region's accounting records.

Further details of Non-Compliant Expenses and where Compliance was Not Determinable are provided below. Details for each Executive are included in Section 2 of this report.

A. Non-Compliant Expenses:

Table C provides a further breakdown of the types of Non-Compliant Expenses identified during the audit. All expenses were approved by an expenditure officer.

Table C: Non-Compliant Expenses by Type

Description of Non-Compliant Expenses	Non-Compliant Expenses net of reimbursements
Taxi claims between home and the first or last work site for the day (2)	\$2,365
Expenses for which no detailed receipts were provided	\$1,149
Clerical errors resulting in an over or under payment	\$670
Expenses incurred as a result of a failure to cancel transportation or hotel arrangements	\$523
In-room movies claimed in travel expenses	\$191
Laundry services claimed in travel expenses	\$97
Personal expenses (1)	\$64
Alcohol claimed in meal/travel expenses	\$30
Mileage claims between home and the first or last work site for the day (2)	\$11
Total	\$5,100

1. Amounts Reimbursed by Executives

During the audit period, a few expenses on credit card statements were identified as personal with a notation that they were to be repaid by the Executive to the Region. No evidence was available in some cases to show that the repayments occurred. In these instances, we classified the expenses as Non-Compliant within this report. Where we were able to confirm that the expenses had been reimbursed in a timely manner, we classified the expenses as Compliant.

2. Taxi Claims and Mileage

The Travel policy has clear rules related to the use of personal vehicles for business use with limits on mileage (both rates and kilometres) that can be claimed for reimbursement.

The Travel policy also prohibits claiming mileage for travel between home and the first or last work site of the day. The Travel policy does not have the same level of guidance with respect to the use of taxis between home and work but does include a general statement that travel between home and the first or last work site of the day would not be paid. We identified instances where taxis were used for travel between home and the first or last work site of the day and have classified these expenses as non-compliant.

We contacted the previous CEO and he advised that the taxi expenses incurred by Dr. Megran were reasonable and that he approved the reimbursements.

B. Non-Compliant Process Matters:

In addition to the identification of Non-compliant Expenses as reported above, we also identified issues of non-compliance with respect to the administrative processes and procedures, as follows:

1. Evidence of Delegation of Authority for Approval of Expenses

- Under the applicable Delegation of Authority Policy, expenses were required to be approved by the designated expenditure officer who would have been the Executives' supervisor, i.e. the President and CEO of the Region. During our audit, we found that all expenses were approved by an expenditure officer but not the designated expenditure officer. The majority were approved by the Chief Financial Officer (CFO) and the rest by another member of Senior Management. We were advised by the President and CEO that he had delegated his authority for the approval of the expenses to the CFO as permitted under the delegation of authority policy however we were not able to locate a copy of a formal delegation of authority.
- Four out of three hundred and thirty two of the expense claims and credit card reconciliations had evidence of approval by an accounting officer as required by policy. During the audit we were advised that all accounts payable clerks were deemed to be accounting officers and it was their role to review the supporting documentation provided for all expenses to ensure that expenses and requests for reimbursement followed established policies and procedures. The accounts payable clerks did not evidence their review by means of a physical sign off of the documents. Instead, the entering of the expenses or claims for reimbursement through the accounts payable system was considered to be the evidence of verification and approval. For the purposes of this audit, we determined that we could not assume that the entering of the expense claims into the accounts payable system was in itself sufficient evidence of review and approval by an accounting officer and have deemed this to be a non-compliance with process matter.

2. Travel Claims

- Some claims for travel outside the region did not have evidence of pre-approval as required by policy. The previous CEO advised that he was aware of the travel and, in some cases, requested that the Executives attend the meetings/conferences.
- A number of the claims for conferences/courses did not have evidence of pre-approval as required by policy.
- Many of the expense claims were not made using the claim form required by policy.

C. Compliance Not Determinable:

We identified expenses where we could not determine whether the expenses were compliant due to the lack of a policy covering the nature of the expense and/or the lack of clarity within an existing policy. These expenses are included in this report for information purposes and are summarized below. All expenses were approved by an expenditure officer.

Table D: Compliance Not Determinable

Description of Expense	Expenses Where Compliance Not Determinable
Interest on credit card balances.	\$3,175
Alcohol included in hospitality and hosting claims	\$2,812
Gifts where business purpose is not specified	\$339
Total	\$6,326

1. Credit Card Interest

The Travel policy indicated that credit card interest would not be paid or reimbursed but this policy (and its prohibitions) applied only to travel and related expenses. Region credit cards assigned to the Executives were used for both travel and non-travel expenses. We were unable to determine the allocation of the credit card interest between the two categories of expenses in order to estimate what portion of the interest was prohibited. The responsibility for paying the outstanding credit card balances was with the Region's accounts payable department.

2. Alcohol included in hospitality and hosting claims

The Executives incurred expenses that included alcohol in the context of hospitality and hosting. The Region had no policies with respect to the reimbursement of alcohol where travel was not involved. We were therefore not able to determine if these expenses were compliant.

In addition, some meal expenses were supported only by credit card receipts/statements. Without itemized receipts it was not possible to determine if alcohol was claimed.

3. Gifts

There were two expenses that appear to be gifts where the documentation is unclear as to the recipient and/or business purpose. Since other similar expenses had been incurred which had documentation showing both the recipient and the business purpose, it was possible that these expenses also had a legitimate business purpose. Since we were not able to determine if they were for a legitimate business purpose, we have reported them as Compliance Not Determinable.

2. DETAILED OBSERVATIONS

A. DR. CHRIS EAGLE

Dr. Eagle held the position of Executive Vice President and Chief Clinical Officer for the Region throughout the audit period.

Total Expenses for the Executive for the audit period were:

Credit Card Statements	\$65,673
Expense Claims	3,229
Payment Requisitions	13,366
Total expenses	82,268
Less: Reimbursements during the audit period	(178)
Net expenses	\$82,090

Of the Net Expenses, \$9,481 was incurred on behalf of other employees of the Calgary Health Region for conferences and course registrations.

Table E: Audit Results for Dr. Eagle

Executive	Net Expenses	Compliant Expenses	Non-Compliant Expenses	Expenses Where Compliance Not Determinable
Dr. Chris Eagle	\$82,090	\$79,164	\$605	\$2,321
	100%	97%	0.1%	2.9%

1. Non-compliant Expenses

Table F: Non-compliant Expense Details

Date of Expense Claim or Credit Card Statement	Transaction Description	Exception Amount	Nature of Exception
14-Oct-05	Payment requisition – parking U of C	\$6	Amount was paid twice to the Executive: once on a credit card statement claim and once on a payment requisition. This was identified as repaid to the Region but we did not find evidence of repayment.
14-Feb-06	Credit Card Statement –	\$16	Claim included in-

Date of Expense Claim or Credit Card Statement	Transaction Description	Exception Amount	Nature of Exception
	Fairmont Hotel Vancouver		room movie.
14-Mar-06	Credit Card Statement – Westin Hotel Edmonton	\$15	Claim included in-room movie.
13-Apr-06	Credit Card Statement – Westin Hotel Edmonton	\$14	Claim included in-room movie.
12-May-06	Credit Card Statement – Patronato Alhambra GE Granada – Ticket for palace tour	\$16*	Claim included personal expense. The Executive repaid this amount to AHS in October 2012.
12-May-06	Credit Card Statement – Patronato Alhambra GE Granada – Tickets for palace tour	\$31*	Claim included personal expense. The Executive repaid this amount to AHS in October 2012.
14-Jul-06	Credit Card Statement – Hotel Meli Victoria palma de mall	\$30	Claim included alcohol.
13-Apr-07	Credit Card Statement – Westin Hotel Edmonton	\$15	Claim included in-room movie.
14-May-07	Credit Card Statement – Hotel MacDonald Edmonton	\$16*	Claim included in-room movie. The Executive repaid this amount to AHS in October 2012.
14-Mar-08	Credit Card Statement – Banff Centre Front. Exploring Health and Healing.	\$221	Claim included “no show” charges for failing to cancel hotel reservations. We were informed that the reservation was cancelled but not within the timelines set by the hotel’s cancellation policy which resulted in the charge being levied.
14-Nov-08	Credit Card Statement – Westin Hotels, Edmonton	\$13	Claim included in-room movie.
22-Dec-08	Credit Card Statement – Delta Edmonton Suites	\$30	Claim included in-room movie.
4-Mar-08	Payment requisition – Westin – accommodation re: meeting with Jack Davis, Paddy Meade	\$182	Amount was paid twice to the Executive: once on a credit card statement claim and once on the payment requisition. We were informed that this was a clerical error.
Total Non-compliant Expenses		\$605	

*Personal expenses amounting to \$63 were identified and reimbursed to AHS in October 2012.

2. Non-compliant Process matters:

We also identified the following compliance issues with respect to the administrative processes and procedures followed for this Executive's expenses:

- All of the expense reports, payment requisitions and credit card reconciliations were approved by an expenditure officer other than the designated expenditure officer.
- None of the expense claims, payment requisitions or credit card reconciliations had evidence of approval by an accounting officer.
- All of the claims for travel outside the Region did not have evidence of the required pre-approval.
- There were 8 claims for a course/conference where there was no evidence of the required pre-approval. Five of these claims were submitted on behalf of other employees of the Calgary Health Region.
- 70 out of 96 expense claims were not prepared using the required claim form.

3. Compliance Not Determinable:

We identified expenses where we could not determine whether the expenses were compliant due to the lack of a policy covering the expense and/or the lack of clarity within an existing policy. These expenses are included in this report for information purposes and are summarized in the following table:

Table G: Compliance Not Determinable

Date of Expense Claim or Credit Card Statement	Transaction Description	Amount	Nature of Exception
2005 - 2008	Credit Card Statement - interest	\$2,035	Claims included reimbursement for credit card interest.
2006-2008	Alcohol included in 5 hospitality claims for dinner meetings with a number of individuals during the audit period.	\$286	Alcohol included in hospitality claims
Total expenses where compliance could not be determined		\$2,321	

1. Credit Card Interest

The Travel policy indicated that credit card interest would not be paid or reimbursed but this policy (and its prohibitions) applied only to travel and related expenses. Region credit cards assigned to the Executives were used for both travel and non-travel expenses. We were unable to determine the allocation of the credit card interest between the two categories of expenses in order to estimate what portion of the interest was prohibited. The responsibility for paying the outstanding credit card balances was with the Region's accounts payable department.

2. Alcohol included in hospitality and hosting claims

The Executives incurred expenses that included alcohol in the context of hospitality and hosting. The Region had no policies with respect to the reimbursement of alcohol where travel was not involved. We were therefore not able to determine if these expenses were compliant.

In addition, some meal expenses were supported only by credit card receipts/statements. Without itemized receipts it was not possible to determine if alcohol was claimed.

B. DR. DAVID MEGRAN

Dr. Megran held the role of Senior Vice President and Chief Medical Officer for the Region throughout the audit period.

Total Expenses for the Executive for the audit period were:

Credit Card Statements	\$5,732
Expense Claims	13,521
Payment Requisitions	4,633
Total expenses	23,886
Less: Reimbursements during the audit period	(15)
Net expenses	\$23,871

Of the Net Expenses, \$713 was incurred on behalf of other employees of the Calgary Health Region for course registrations.

Table H: Audit Results for Dr. Megran

Executive	Net Expenses	Compliant Expenses	Non-Compliant Expenses	Expenses Where Compliance Not Determinable
Dr. David Megran	\$23,871	\$21,302	\$2,386	\$183
	100%	89.2%	10%	0.8%

1. Non-compliant expenses

Table I: Non-compliant Expense Details

Date of Expense Claim or Credit Card Statement	Transaction Description	Exception Amount	Nature of Exception
5-Jul-05	Travel Expense Claim – mileage – Safety Walkarounds – Residence to Peter Lougheed Center to Soutport	\$11	Mileage claimed between home and first/last work site of the day.
27-Dec-07	Travel Expense Claim – Taxi	\$10	No detailed receipt was included
2007-2008	Travel claims - Taxi	\$2,365 (1)	Taxi claimed between home and first/last work site of the day.
Total Non-compliant Expenses		\$2,386	

(1) We contacted the previous CEO and he advised that the taxi expenses incurred by Dr. Megran were reasonable and that he approved the reimbursements.

2. Non-compliant Process matters:

We also identified the following compliance issues with respect to the administrative processes and procedures followed for this Executive's expenses:

- All of the expense reports, payment requisitions and credit card reconciliations were approved by an expenditure officer other than the designated expenditure officer.
- 78 out of 82 of the expense claims, payment requisitions or credit card reconciliations did not have evidence of approval by an accounting officer.
- None of the claims for travel outside the Region had evidence of the required pre-approval.
- 1 out of 82 expense claims were not prepared using the required claim form.

3. Compliance Not Determinable:

We identified expenses where we could not determine whether the expenses were compliant due to the lack of a policy covering the expense and/or the lack of clarity within an existing policy. These expenses are included in this report for information purposes and are summarized in the following table:

Table J: Compliance Not Determinable

Date of Expense Claim or Credit Card Statement	Transaction Description	Amount	Nature of Exception
2006-2008	Credit Card Statement - interest	\$73	Claims included credit card interest.
2008	Alcohol included in one hospitality claim related to dinner with a prospective candidate for a position at a psychiatric hospital.	\$110	Alcohol included in Hospitality claim.
Total expenses where compliance could not be determined		\$183	

1. Credit Card Interest

The Travel policy indicated that credit card interest would not be paid or reimbursed but this policy (and its prohibitions) applied only to travel and related expenses. Region credit cards assigned to the Executives were used for both travel and non-travel expenses. We were unable to determine the allocation of the credit card interest between the two categories of expenses in order to estimate what portion of the interest was prohibited. The responsibility for paying the outstanding credit card balances was with the Region's accounts payable department.

2. Alcohol included in hospitality and hosting claims

The Executives incurred expenses that included alcohol in the context of hospitality and hosting. The Region had no policies with respect to the reimbursement of alcohol where travel was not involved. We were therefore not able to determine if these expenses were compliant.

In addition, some meal expenses were supported only by credit card receipts/statements. Without itemized receipts it was not possible to determine if alcohol was claimed.

C. BILL TRAFFORD

Bill Trafford held the role of Vice President, Advanced Technology for the Region until April 1, 2008 when he took on the role of Senior Vice President, Information, Transformation and Technology Services.

Total Expenses for the Executive for the audit period were:

Expense Claims	\$54,864
Payment Requisitions	16,253
Total Expenses	\$71,117

Of the Total Expenses, \$256 was incurred on behalf of other employees of the Calgary Health Region for accommodations.

Table K: Audit Results for Mr. Trafford

Executive	Total Expenses	Compliant Expenses	Non-Compliant Expenses	Expenses Where Compliance Not Determinable
Bill Trafford	\$71,117	\$68,307	\$1,302	\$1,508
	100%	96.1%	1.8%	2.1%

1. Non-compliant expenses

Table L: Non-compliant expenses

Date of Expense Claim or Credit Card Statement	Transaction Description	Exception Amount	Nature of Exception
Sept 2, 2005	Travel Expense Claim - Mileage	\$6	Mileage rate claimed in excess of Travel policy. The rate used was \$0.39/km instead of \$0.38/km.
Dec 30, 2005	Travel Expense Claim - Mileage	\$7	Mileage rate claimed in excess of Travel policy. The rate used was \$0.41/km instead of \$0.405/km.
Apr 03, 2005	Travel/Education Expense Claim – Difference between amount paid and expense report. Amount reimbursed was greater than the aggregate of the individual expenses.	\$40	No documentation was included to support the amount claimed.
Aug, 05, 2005	Payment requisition: Parking Refund	\$290	No documentation was included to support the amount claimed.

Date of Expense Claim or Credit Card Statement	Transaction Description	Exception Amount	Nature of Exception
Sep 06, 2005	Travel/Education Expense Claim Form – difference between amount paid and expense report. Amount reimbursed was less than the aggregate of the individual expenses.	(\$31)	Calculation error in exchange rate noted on claim form, but not carried through to total paid to Mr. Trafford.
April 11, 2006	Travel Expense Claim - Mileage	\$7	Mileage rate claimed in excess of Travel policy. The rate used was \$0.41/km instead of \$0.405/km.
Apr 13, 2006	Travel/Education Claim. The amount reimbursed was less than the aggregate of the individual expenses claimed.	(\$52)	Claim underpaid as a result of a transposition error on claim form. Receipts support full amount.
May 11, 2006	Travel/Education Expense Claim – Sheraton Ottawa Hotel	\$17	Claim included in-room movie.
May 18, 2006	Travel/Education Expense Claim – Malaga Hotel, Spain	\$97	Claim included laundry services.
May 18, 2006	Travel/Education Expense Claim.	\$479	The amount claimed for accommodation for the trip to Spain was greater than the aggregate of the individual expenses. This appeared to be a clerical error at least in part because of the need to adjust for foreign currency.
May 18, 2006	Travel/Education Expense Claim – Ticket for Palace Tour	\$17	Claim included personal expenses.
May 24, 2006	Travel Expense Claim - Mileage	\$4	Mileage rate claimed in excess of Travel policy. Rate used was \$0.41 instead of \$0.405.
Jul 19, 2006	Travel/Education Claim – Executive Royal Inn, Leduc.	\$31	Claim included in-room movies.
July 19, 2006	Travel Expense Claim - Mileage	\$1	Mileage rate claimed in excess of Travel policy. Rate used was \$0.41/km rather than \$0.405/km.
Aug 8, 2006	Travel/Education Claim – London-Denmark Conference	\$93	No documentation was included to support some transportation amounts claimed.
Aug 8, 2006	Travel/Education Claim	\$211	No documentation was included to support £100 in miscellaneous expenses. During the audit, we were advised

Date of Expense Claim or Credit Card Statement	Transaction Description	Exception Amount	Nature of Exception
			that these were emergency funds provided to a fellow employee who was robbed of purse and passport - London-Denmark Conference
Sep 12, 2006	Travel/Education Claim – London-Denmark Conference, Radisson Hotel, Copenhagen	\$24	Claim included in-room movie.
26-Jan-07	Travel Expense Claim – mileage – Southport to Alberta Children’s Hospital (ret) ED-UCC Meeting	\$8	Mileage amount claimed was in excess of amount permitted under the Travel policy.
31-Jan-07	Travel Expense Claim – mileage – Southport to Alberta Children’s Hospital (ret) ED-UCC Meeting	\$9	Mileage amount claimed was in excess of amount permitted under the Travel policy
5-Mar-07	Travel Expense Claim – mileage	\$3	Mileage amount claimed was in excess of amount permitted under the Travel policy
15-Jun-07	Travel Expense Claim – mileage – 2 trips, Southport to Alberta Children’s Hospital (ret) – AT Staff Meeting and Technical Tour.	\$18	Mileage amount claimed was in excess of amount permitted under the Travel policy
2-Oct-07	Travel Expense Claim – mileage – Southport to Alberta Children’s Hospital (ret) - AT Staff Meeting	\$9	Mileage amount claimed was in excess of amount permitted under the Travel policy
19-Sep-08	Travel Expense Claim – mileage – 4 trips – Southport to ACC Airport Corporate Centre (ret)	\$5	Mileage amount claimed was in excess of amount permitted under the Travel policy
9-Nov-08	Travel Expense Claim – mileage - 7 trips – Southport to ACC Airport Corporate Centre (ret)	\$9	Mileage amount claimed was in excess of amount permitted under the Travel policy
Total Non-compliant Expenses		\$1,302	

2. Non-compliant Process matters:

We also identified the following compliance issues with respect to the administrative processes and procedures followed for this Executive’s expenses:

- 96 out of 101 of the expense reports and payment requisitions were approved by an expenditure officer other than the designated expenditure officer.
- None of the expense claims or payment requisitions had evidence of approval by an accounting officer.
- 69 out of 72 of the claims for travel outside the Region did not have evidence of the required pre-approval.

- 31 out of 101 expense claims were not prepared using the required claim form.

3. Compliance Not Determinable:

We identified expenses where we could not determine whether the expenses were compliant due to the lack of a policy covering the expense and/or the lack of clarity within an existing policy. These expenses are included in this report for information purposes and are summarized in the following table:

Table M: Compliance Not Determinable

Date of Expense Claim or Credit Card Statement	Transaction Description	Amount	Nature of Exception
2005-2008	Alcohol included in hospitality claims. The majority (\$1,067) relates to a PCIS recognition dinner in 2006 with an additional \$256 related to an Executive Management Dinner. The remainder relates to 5 other hospitality claims during the period.	\$1,508	Alcohol included in hospitality claims.

1. Alcohol included in hospitality and hosting claims

The Executives incurred expenses that included alcohol in the context of hospitality and hosting. The Region had no policies with respect to the reimbursement of alcohol where travel was not involved. We were therefore not able to determine if these expenses were compliant.

In addition, some meal expenses were supported only by credit card receipts/statements. Without itemized receipts it was not possible to determine if alcohol was claimed.

D. PATTI GRIER

Prior to February 1, 2007 when she was promoted to the position of Vice President, Government Relations & Assistant Corporate Secretary, Ms. Grier held the position of Executive Director, Office of the President and CEO. In both of these roles, Ms. Grier supported the activities of the Senior Executive and the Board and played an active role in developing and maintaining relationships with key stakeholders both within and outside of the Region. A significant portion of Ms. Grier's expenses related to supporting the activities of the Board and Executive through the coordination of meetings and functions and stakeholder relations. As a result, Ms. Grier incurred expenses for hosting, gifts and related expenses to a much greater degree than some of the other Executives and this is reflected in the findings below.

With the formation of Alberta Health Services (AHS) in May 2008, there were no formal policies in place nor was there any method to pay for expenses of the new Board and Board office. As a result, from the formation of AHS to the end of the audit period (December 31, 2008), all expenses related to the AHS Board, the Board members and the Board office were charged to Ms. Grier's corporate credit card.

Total Expenses for the Executive for the year were:

Credit Card Statements	\$52,759
Expense Claims	1,078
Payment Requisitions	4,348
Total expenses	<u>58,185</u>
Less: Reimbursements during the audit period	<u>(315)</u>
Net expenses	<u>\$57,870</u>

Table N: Audit Results for Ms. Grier

Executive	Net Expenses	Compliant Expenses	Non-Compliant Expenses	Expenses Where Compliance Not Determinable
Patti Grier	\$57,870	\$54,749	\$807	\$2,314
	100%	94.6%	1.4%	4.0%

1. Non-compliant expenses

Table O: Non-Compliant Expenses

Date of Expense Claim or Credit Card Statement	Transaction Description	Exception Amount	Nature of Exception
5-Jan-05	Credit Card statement – Laurelwood Floral Design Calgary	\$68	No receipt was included.
4-Feb-05	Credit Card statement – Advance Parking	\$13	No receipt was included

Date of Expense Claim or Credit Card Statement	Transaction Description	Exception Amount	Nature of Exception
4-Feb-05	Credit Card statement – Laurelwood Floral Design	\$116	No receipt was included
4-Feb-05	Credit Card statement – Calgary Airport Authority - parking	\$11	No receipt was included
4-Feb-05	Credit Card statement – Herald/Post Subscript.	\$222	No receipt was included
4-Mar-05	Credit Card statement – Expert Parking	\$10	No receipt was included
5-Apr-05	Credit Card statement - Westin Hotel	\$156	Claim included “no show” charges for Board Chair failure to cancel hotel reservations.
5-Apr-07	Credit Card statement – Imperial Parking	\$10	No receipt was included
4-Apr-08	Credit Card statement – Impark/Verrus	\$6	No receipt was included
4-Jul-08	Credit Card statement – Impark/Verrus	\$20	No receipt was included
5-Aug-08	Credit Card statement – Impark	\$29	No receipt was included
3-Oct-08	Credit Card statement - Sutton Place Hotel, Edmonton	\$146	Claim included a “no show” charge for Board Chair’s failure to cancel a hotel reservation.
Total Non-compliant Expenses		\$807	

2. Non-compliant Process matters

We identified the following compliance issues with respect to the administrative processes and procedures followed for this Executive’s expenses:

- 4 out of 5 of the expense reports and payment requisitions and all of the credit card reconciliations were approved by an expenditure officer other than the designated expenditure officer.
- None of the expense claims or credit card reconciliations had evidence of approval by an accounting officer.
- None of the claims for travel outside the Region had evidence of the required pre-approval.
- There were 3 claims for courses/conferences where there was no evidence of preapproval; however, these claims were on behalf of Board members.
- 36 out of 53 expense claims were not prepared using the required claim form.

3. Expenses where compliance could not be determined

We identified expenses where we could not determine whether the expenses were compliant due to the lack of a policy covering the expense and/or the lack of clarity within an existing policy. These expenses are included in this report for information purposes and are summarized in the following table:

Table P: Compliance Not Determinable

Date of Expense Claim or Credit Card Statement	Transaction Description	Amount	Nature of Exception
2005-2008	Credit Card statement – interest	\$1,067	Claims included credit card interest.
2008	Alcohol included in hospitality claims with the majority (\$849) related to AHS Board meetings.	\$908	Alcohol included in hospitality claims.
2006	Gifts where business purpose is not specified	\$339	Business purpose of gifts not specified
Total expenses where compliance could not be determined		\$2,314	

1. Credit Card Interest

The Travel policy indicated that credit card interest would not be paid or reimbursed but this policy (and its prohibitions) applied only to travel and related expenses. Region credit cards assigned to the Executives were used for both travel and non-travel expenses. We were unable to determine the allocation of the credit card interest between the two categories of expenses in order to estimate what portion of the interest was prohibited. The responsibility for paying the outstanding credit card balances was with the Region's accounts payable department.

2. Alcohol included in hospitality and hosting claims

The Executives incurred expenses that included alcohol in the context of hospitality and hosting. The Region had no policies with respect to the reimbursement of alcohol where travel was not involved. We were therefore not able to determine if these expenses were compliant.

In addition, some meal expenses were supported only by credit card receipts/statements. Without itemized receipts it was not possible to determine if alcohol was claimed.

3. Gifts

There were two expenses that appear to be gifts where the documentation is unclear as to the recipient and/or business purpose. Since other similar expenses had been incurred which had documentation showing both the recipient and the business purpose, it was possible that these expenses also had a legitimate business purpose. Since we were not able to determine if they were for a legitimate business purpose, we have reported them as Compliance Not Determinable.

APPENDIX A: EMPLOYMENT CONTRACTS

The following Executives' Employment Agreements were applicable for the audit period January 1, 2005 through December 31, 2008 each Executive:

A. Dr. Chris Eagle:

- Employment Agreement between The Calgary Health Region and Christopher J. Eagle, Effective September 01, 2001.
- Amending Agreement to an Employment Agreement between The Calgary Health Region and Dr. Chris Eagle, Effective November 22, 2004.
- Amending Agreement between The Calgary Health Region and Christopher J. Eagle, Effective August 10, 2006.

B. Dr. David Megran:

- External Secondment Agreement between The Calgary Health Region and The Governors of the University of Calgary and Dr. David W. Megran, Effective January 1, 2005.
- Employment Agreement – Senior Vice President between The Calgary Health Region and David Megran, Effective January 1, 2005.

C. Bill Trafford:

- Employment Agreement between The Calgary Health Region and William Trafford, Effective December 16, 2004.
- Amending Agreement between The Calgary Health Region and William Trafford, Effective May 16, 2006.
- 2008-2009 Senior Management & Executive Total Compensation Program, sent to Bill Trafford, Effective June 27, 2008.

D. Patti Grier:

- Confirmation of Appointment as Executive Director – Office of the President and CEO, sent to Patti Grier, Effective February 09, 2004.
- Promotion to Vice President, Governmental Relations & Assistant Corporate Secretary, sent to Patti Grier, Effective February 01, 2007.

The relationship between the employment contracts and the policies of the Calgary Health Region, and the resulting impact on the audit, are summarized as follows:

1. The Calgary Health Region's policies applied to the Executive but any relevant sections of the Executives' employment contracts had primacy over the provisions of the Region's policies. If there was a conflict between the provisions of the employment contract and the policy, then the provisions of the contract applied.
2. Where there was no policy in effect or a policy was silent on a matter, then the provisions of the contract applied. Conversely, where there was no provision in the contract on a matter but there was a policy in effect, then the policy applied.
3. Where there was no policy in effect and the contract was also silent on a matter, then the expense was subject to the discretion of the approving supervisor as per the delegated authority policy in effect at the time.
4. Where there were differences between the policy and the employment contract, and the two did not conflict, especially if one was simply more informative on process or limits than the other, then the more specific of the two applied.
5. The prohibited expenses set out in the travel policy were prohibited to the Executives in the context of travel only since the scope of the policy was restricted to travel and related expenses.

Relevant provisions in the employment contracts:

- Dr. Chris Eagle, Dr. David Megran, Bill Trafford:
 - **Reimbursement:** From the Region for all reasonable travel, accommodation, meals and continuing education and other out-of-pocket expenses paid or incurred by performing professional duties. Reimbursement receipts, statements or vouchers are required. Written approval is required by the Supervisor (No amounts defined).
 - **Automobile Expenses:** All expenses regarding the ownership, operation and maintenance of any vehicle which is owned or leased by the Executive will be the Executive's responsibility.
 - **Subscriptions:** Up to \$400 per year for subscriptions to job related organizations whose main objectives include professional development, promotion the interest of the profession or discipline, education and communication. Such organizations shall not include licensing bodies (e.g. AARN) or regulating institutions where periodic payment is required to maintain a professional designation (e.g. CA, CMA).
 - The allowance for Bill Trafford was increased from \$400 to \$450 per year effective April 1, 2008.
 - **Policies:** The Executive shall adhere to all policies, directives, rules and bylaws now or hereafter established by the Region.
- Patti Grier
 - **Development and Business Relationships:** The Region encourages its employees to participate in activities that keep us current with developments relevant to our work and that build and contribute to positive business working relationships. The Region supports these activities as much as is reasonable and within our fiscal means.
 - **Subscriptions:** Up to \$400 per year for subscriptions to job related organizations whose main objectives include professional development, promotion the interest of the profession or discipline, education and communication. Such organizations shall not include licensing bodies (e.g. AARN) or regulating institutions where periodic payment is required to maintain a professional designation (e.g. CA, CMA).

APPENDIX B: CALGARY HEALTH REGION POLICIES

The following policies contained provisions or requirements that were relevant to the audit:

- A. **DELEGATION OF AUTHORITY AND ESTABLISHMENT OF LIMITS FOR FINANCIAL COMMITMENTS, EXPENDITURES AND DISBURSEMENTS POLICY NO. 1427**, Effective June 2000, revised July 2000, June 2005 and April 2007 and valid through December 31, 2008. References Included: Appendix 1 or A - Delegated Expenditure Approval Limits

- B. **TRAVEL APPROVAL AND REIMBURSEMENT POLICY NO. 1428**, Effective August 2000, revised August 2002, October 2004 and June 2005 and valid through December 31, 2008.
 - a. References Included:
 - i. Appendix I or A - Approval Criteria for Discretionary Out-Of-Province Travel
 - ii. Appendix II or B - Travel Procedures and Requirements
 - iii. Schedule A - Travel Reimbursement Limits (Note that a copy of this schedule that was in effect for the audit period could not be located)
 - iv. Schedule B - Approved Rates Reimbursement for Use of Personal Automobile
 - v. Schedule C - Distance Matrix - Calgary Health Region
 - vi. Schedule D - Distance Matrix – Care Centres & Community Health Centres
 - vii. Schedule E - Distance Matrix – Rural Areas

- C. **DIRECTIVE F-04-001 “CATERING”**, Effective November 2004, revised December 2004, and July 2006 and valid through December 31, 2008.

APPENDIX C: AUDIT CRITERIA

The following audit criteria were derived from the employment contracts of the Executives (Appendix A) and the applicable Calgary Health Region policies and directives (Appendix B).

1. Approvals:

- Expenditures must be approved by the (expenditure officer) supervisor in writing
- Expenditures must be approved by the accounting officer.
- An individual may not act as both the expenditure officer and accounting officer with respect to the same transaction.
- An individual will not approve or authorize expenditures of direct benefit to themselves (ie. Travel claims) or in which they have, or are perceived to have, a personal or financial interest.
- Travel outside the Region must be approved in advance.

2. Expenses

- Reasonable travel, accommodation, meals and continuing education and other out-of-pocket expenses incurred by performing professional duties will be paid by the region.
- All expenses regarding the ownership, operation and maintenance of any vehicle which is owned or leased by the Executives will be their responsibility

3. Travel expenses:

Must use required form

- **Travel/Education Expense Claim Form** for all out of region travel expense reimbursement claims, including travel advances, meals, telephone calls, hotel accommodations, parking, ground transportation or Conference Registration (In the event a staff member pays for their conference registration directly).
- **Travel Expense Claim Form** must be used for all travel reimbursement claims for local mileage and parking.
- **Payment requisition Form** must be used for Conference Registration. **Payment requisition Forms** may not be used for the reimbursement of travel expenses.

Maximum reimbursement limits:

- Reimbursement is limited to actual expenditures and to reasonable out of pocket expenses.
- **Schedule A to the Travel Policy** establishes maximum amounts for meals, private accommodations and travel advances. The only version of "**Schedule A**" that could be located for the purpose of this audit was dated in 2000. It was not possible to determine whether the schedule was valid during the audit period.

Prohibited travel expenses – expenses that will not be paid or reimbursed:

- Interest charges on outstanding credit card balances.
- Entertainment videos and movie channels.
- Traffic and parking fines.
- Travel between home and the first location, and the last location and home, are not covered (except trips required to and from the Airport).
- Expenses as a result of staff member's failure to cancel transportation or hotel arrangements. Financial penalties that apply to changes or cancellations will be reimbursed by the Region.
- Valet or laundry services.
- Liquor and bar bills.
- Loss of money or personal effects.
- Additional days beyond the business purpose of the trip (excluding excursion flights requiring a Saturday overnight stay).
- Flight cancellation insurance.

Other Travel Restrictions:

- All air travel, vehicle rentals and hotel and conference accommodations on Region related business must be booked through the Corporate Travel Assistant, or if after normal business hours in the case of emergencies through the Designated Travel Agency.
- All flights related to Region business will be billed directly to the Region via an airline billing account.
- The Region uses only electronic ticketing to avoid the additional cost and need to have tickets sent via additional charges for this service. Pre-paid tickets to be picked up at the airport are not permitted as there are additional charges for this service.
- Staff members must not book flights using their personal credit card.

Miscellaneous Travel Expenses:

- Telephone calls: Business calls are a reimbursable expense. Personal long distance calls may be reimbursed giving consideration to the length of travel, family situation, etc.
- Parking: Hotel, airport, and public parking expenses are reimbursable.
- Conference Registration: Conference Registration will be paid by the Region provided the conference is for the professional development of the staff member and registration has been approved in advance by the Supervisor.
 - In the event a staff member pays for their conference registration directly, an original receipt, credit card statement or cancelled cheque must be submitted with the **Travel/Education Expense Claim** form for reimbursement. These are only reimbursed after the event is held and subject to appropriate approvals.

4. Vehicle Rentals:

- The cost of insuring rented vehicles while on Region business is a reimbursable expense. Staff members must ensure that rented automobiles are properly insured.

5. Mileage: Names of individuals in the car must be included in the expense report.

- a. Approved Reimbursement Rates for Use of Personal Automobile:
 - From January 1, 2005 through May 31, 2005: \$0.380/Km
 - From June 1, 2005 through December 31, 2006: \$0.405/Km
 - From January 1, 2007 through December 31, 2008: \$0.430/Km
- i. Mileage Calculations in Kilometres: Mileage calculations between designated sites within the Region will be based on the relevant Calgary Health Region Distance Matrix which are included as Schedules to the Travel Policy:
 - Schedule C – Region Distance Matrix.
 - Schedule D – Distance Matrix – Care Centres & Community Health Centres (Effective from June 1, 2005).
 - Schedule E – Distance Matrix – Rural Areas (Effective from June 1, 2005).

6. Taxi, Bus or Coach Transit: may be used where this represents an economical means of transportation. Airport Shuttle Bus or Limousine Service to and from airports should be used where available.**7. Staff Recognition/Appreciation Events:**

- a. For All Employees of a Department - Catering to maximum amount of \$500 per event is permitted. An amount in excess of \$500 per event must receive prior written approval by the appropriate portfolio Vice-President.
- b. Catering for a Regional committee or team - Catering to a maximum of \$500 per event is permitted, so long as the Director of the committee/team sponsoring department approves the expenditure in advance from the department's budget. An amount in excess of \$500 per event must receive prior approval by the department Director and be countersigned by the appropriate portfolio Vice-President.

DOCUMENTATION TO SUPPORT EXPENSES AND REIMBURSEMENTS:

Three of the four executives (Dr. Eagle, Dr. Megran and Bill Trafford) had employment contracts in place that included a general provision related to the reimbursement of expenses (See Appendix A). The fourth executive (Patti Grier) had an employment agreement in place that did not contain such a provision. As a result, audit criteria applicable to Patti Grier differ from those applicable to the other three executives primarily with respect to the documentation required to support expenses and reimbursements. These differences are summarized as follows:

Dr. Chris Eagle Dr. David Megran Bill Trafford	Patti Grier
Documentation to support reimbursements and expenses - Reimbursement receipts, statements or vouchers are required.	Documentation to support reimbursements and expenses – original receipts are required.