Winnipeg | Audit

Investigation into the City's Use of Required User Car Allowance

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Investigation Services

The Audit Department provides investigation services based on information identified in reports submitted through the Fraud and Waste Hotline, projects, Council, Public Service or resident's requests.

The Fraud and Waste Hotline is a confidential and anonymous service accessible to everyone to make reports 24/7/365. We review every report that is received and will investigate when appropriate supporting information is provided.

A strong anonymous fraud and waste reporting system is one of the best mechanisms available for uncovering wrongdoing. There are many benefits to the City in having an effective reporting system, most importantly being the early detection and/or prevention of harmful misconduct. Other non-quantifiable benefits are strengthened internal controls, improved policies and procedures and increased operational efficiencies.

The City Auditor takes all fraud and waste reports seriously. Comprehensive investigations help to maintain public confidence; the public needs to feel confident that the City is committed to taking appropriate steps to address the fraud and waste allegations.

This is not an audit as defined by Generally Accepted Government Auditing Standards (GAGAS), but does conform to Audit Department standards for independence, objectivity and quality. The Audit Department performed the engagement following the Department's internal Audit Manual and Hotline Report Handling Procedures.

Investigation Background

The intent of the investigation was to:

- Investigate areas identified as high-priority through preliminary examinations of previous year's Fraud and Waste Hotline reports.
- Review the required user category of car allowance under the Administrative Standard No. FM-008 Local City Business Travel ("FM-008") and applicable collective agreements.

Investigation Objective

- To determine whether employees with mileage below the 4,000-kilometre annual threshold are eligible to receive car allowance based on the criteria in FM-008 and relevant, applicable collective agreements.

Conclusions

- We were not provided with proper documentation needed to demonstrate the fulfillment of the required user criteria for 23 out of 40 employees.
- Reviews of required user status were performed in several departments; however, the frequency of the reviews were not consistent across all departments.

Independence

The Audit Department team members selected for the investigation did not have any conflict of interest related to the project's subject matter.

Acknowledgement

The Audit Department wants to extend its appreciation to all stakeholders who participated in this investigation.



Jason Egert,

Acting City Auditor

Date: February 2023

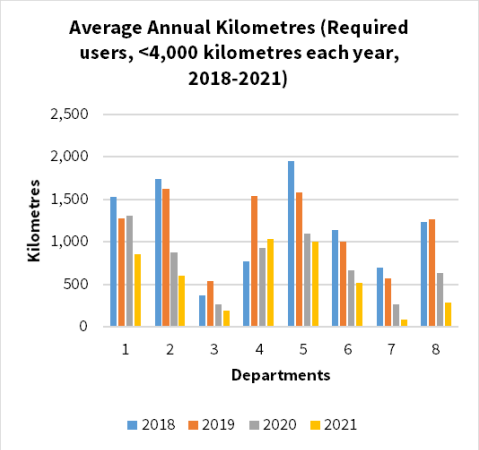
1.1 Administrative Standard No. FM-008 Local City Business Travel and Applicable Collective Agreements

- The Administrative Standard No. FM-008 ("FM-008") and the applicable collective agreements provide two primary categories of car allowance reimbursements when employees use their personal vehicle for local city business travel: required user and occasional user. FM-008 applies to "all Public Service employees of all bargaining groups and is intended to supplement provisions made in collective agreements". The collective agreement takes precedence over the standard, if inconsistencies exist between the two documents.
- We reviewed the Canadian Union of Public Employees, Local 500 ("CUPE Collective Agreement") and Winnipeg Association of Public Service Officers ("WAPSO Collective Agreement") collective agreements relevant to the selected 40 employees, considered as required users.
- The required user category receives reimbursements[1] for:
  (1) Kilometres driven for City business purposes, except daily commute to and from work;
  (2) Out-of-pocket expenses or casual parking (non-monthly parking) at locations other than the regular place of employment; and
  (3) Monthly parking at the employee's permanent station or regular place of employment
- An employee must meet at least one[2] of the following to be in the required user category:
  (1) Employee's vehicle is driven at least 4,000 kilometres each year for City business purposes.
  (2) Employee job description specifies the employee's requirement to provide a vehicle.
  (3) Employee may be assigned as required user with the approval of the department director[3].

[1] Source: FM-008 and applicable collective agreements.
[2] Source: FM-008.
[3] We obtained proof of department's director approval where possible. There is no provision for the approval to be delegated within FM-008.

1.2 Financial and Non-Financial Overview

- We reviewed the employee car allowance reports from PeopleSoft and summarized the data. We found that 215 employees[4], considered required users, claimed kilometres below the 4,000-kilometre annual threshold from 2018 to 2021. The total cost[5] for these required users was $1,407,228.
- We also found that the average annual kilometres[6] for the 215 employees decreased between 2018 and 2021, as shown in the graph below.
- The departmental data in the graph may also be impacted by internal transfers and restructuring[7]. It is important to note that 2020 and 2021 were COVID pandemic years, and the reduced kilometres were likely due, in part, to restrictions during the pandemic.
- The graph provides a high-level overview and should not be used to draw conclusions.



1.3 Sampling

- The investigation focused on the 215 required users who claimed kilometres below the 4,000-kilometre threshold for each year from 2018 to 2021. We recognize that some employees may not have accurately claimed the kilometres driven for City business purposes, and as a result, the list of employees reviewed may not be complete.
- Based on professional judgment, a sample size of 40 required users was selected. The 40 employees were selected from eight departments.
- The total cost[8] related to the selected required users was $293,960 from 2018 to 2021.

[4] The 215 employees do not include employees who were already senior management team members before 2021. Senior management team members are eligible for the contract user category of car allowance, which FM-008 defines as "beyond required users and occasional users". The contract user category is out-of-scope for this investigation.
[5] The total cost includes per kilometre, out-of-pocket parking expenses or casual parking, and monthly parking reimbursements.
[6] Average annual kilometres by department = total kilometres of the required users, who were below the 4,000-kilometre threshold, divided by the count of these required users. These required users may have moved from one department to another, but they were still under the annual threshold of 4,000 kilometers each year from 2018 to 2021.
[7] For example, a division was moved from one department to another during the period reviewed. For ease, we considered the division to be under the new department for majority of the time in the period reviewed. The required users may also have moved from one department to another between 2018 and 2021.
[8] This total cost includes per kilometre, out-of-pocket parking expenses or casual parking, and monthly parking reimbursements.

2.1 Eligibility under the Administrative Standard No. FM-008 Local City Business Travel and Applicable Collective Agreements

Observations

- Seventeen out of 40 employees, or approximately 43 percent, met the eligibility criteria for required users under FM-008 and the applicable collective agreements, while 23 employees did not.
- For the 23 employees, the job descriptions did not specify the employees' requirement to provide a vehicle and/or there was no documented director approval assigning the employees to the required user category.

Analysis

- The eligibility of the required user category was analyzed for the sample of 40 employees using the criteria in FM-008 and the WAPSO and the CUPE Collective Agreements.
- This table summarizes our analyses' results:

Met	Not Met[9]	Total
17	23	40

- We found that 17 out of 40 employees either met the job description criterion, the department director's approval criterion, or both.
- Of the 23 selected employees who did not meet the job description criterion:
  - Twenty-two employees' job descriptions did not have the requirement to use a personal vehicle.
  - One of the departments was not able to provide us with the job description for one required user.
- We also asked the departments for proof of director approval related to these 23 employees' designation as required users.
  - We found that a non-director position approved the designation of nine out of 23 employees based on the documents received. No documentation of director approval was provided by the departments for the remaining 14 employees.
  - The departments explained that a manager or the employee's supervisor is knowledgeable about the employee's appropriate car allowance category. The departments believed the employee's supervisor is in the best position to determine the proper car allowance category because they are aware if a personal vehicle is required to do the job, or not.

[9] The departments informed us that the paperwork could not be located for some instances and that the person responsible for the records is no longer employed at the City.

- Through discussions with departments and review of the documents received, we noted that several departments had created their own car allowance form or letter. The form or letter showed that the department's director approved the employee's assignment into the required user category.
    - We found that one department's car allowance application form was comprehensive. The following information was noted on the form:
        - Effective date
        - Employee's name and position or job title
        - Supervisor's name and recommendation: placement in the required user or occasional user category
        - Lists the required user criteria
        - Divisional Manager's approval
        - Human Resource Manager's approval
        - Department Head or the Director's approval
        - Date when the form was last updated
    - Their application form indicated that the supervisor and other Management reviewed the employee's car allowance category before the department's director approval.
- The sample set of 40 included some WAPSO-exempt employees that may be bound by new employment contracts in 2023. We have not reviewed the individual contracts. The department is responsible in ensuring the employees have the necessary documentation according to their contract to be eligible for the required user category of car allowance.

RECOMMENDATION 1			
We recommend that Corporate Human Resource Services update the language used in job descriptions to ensure alignment with the required user's eligibility criterion under the Administrative Standard No. FM-008 Local City Business Travel and the collective agreements. The language should be consistent for job postings and job description forms for all employees who are required to use a personal vehicle for City business purposes.			
RISK AREA	Human Resources	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Several employees who were required to use a personal vehicle for City business purposes did not have the requirement included in their job postings and/or job descriptions. This could lead to employees not receiving benefits that they are entitled to.		
MANAGEMENT RESPONSE			
HR Services agrees with this recommendation. HR Services will support that job descriptions and job postings be updated with consistent language provided by HR Services. The job descriptions and job postings will be reviewed and updated as jobs are vacated, as they come due for a review, and if it is determined that the position requires vehicle usage. The process to complete the update may last a number of years depending on the department and when positions become available or as job descriptions are updated.			
IMPLEMENTATION DATE	Effective immediately and ongoing		

RECOMMENDATION 2			
We recommend that Corporate Finance, in consultation with Corporate Human Resource Services Department, create a template to document the department's director approval of assigning employees to the required user category. The template, where required for use by all City departments, should at least include the following: 1. Effective date 2. Employee's name and position 3. User category – required user or occasional user 4. Criteria – reference to the FM-008 and the applicable collective agreement 5. Department Head or the Director's approval 6. Date when the template was last updated			
RISK AREA	Business Process	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	The department's director approval had not been documented for several employees when they were assigned to the required user category of car allowance which could result in unauthorized expenditures.		
MANAGEMENT RESPONSE			
Corporate Finance agrees with the recommendation. A form will be designed, in consultation with HR Services, for Director approval and will be included as an appendix to the updated Administrative Standard No. FM-008 Local City Business Travel. HR Services agrees with this recommendation and that the use of a consistent template across the City capturing the Director's approval would be valuable in ensuring the process is followed as outlined in Corporate Finance's updated Administrative Standard. HR Services will also work with Corporate Finance and city departments as needed to implement the updated Administrative Standard.			
IMPLEMENTATION DATE	2023 Q3		

RECOMMENDATION 3			
We recommend that the Chief Financial Officer establish a process to hold the departments accountable for adherence to the Administrative Standard No. FM-008 Local City Business Travel. The established process should be documented in the Administrative Standard.			
RISK AREA	Business Process	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Several employees considered to be required users in the car allowance system were not eligible as required users. This could result in employees receiving benefits they are not eligible for and the City incurring unnecessary expenses.		
MANAGEMENT RESPONSE			
The Corporate Controller's department agrees with the recommendation. The Corporate Controller's department will develop an annual review to hold departments accountable to the requirements of the Administrative Standard No. FM-008 Local City Business Travel. FM-008 will also be updated to reflect the new review process.			
IMPLEMENTATION DATE	2023 Q3		

2.2 Regular Review of Required User Status

Observations

- Four out of eight departments from the sample set had a regular review process in place, while the remaining four did not.
- FM-008 does not specify the frequency of a regular review by the departments for the required user status.

Analysis

- FM-008 states that, "Departments should conduct reviews on a regular basis in order to ensure employees in receipt of car allowance are assigned to the correct category." FM-008 does not specify the frequency of the review.
- Through discussions with the departments and review of supporting documentation, we noted that departments' frequencies of review vary.
- Four departments had regular reviews, for example annually, biennially, and triennially.
- The other four departments had no regular review in place.
    - Two of these departments have reviewed sporadically or case-by-case basis, for example in cases of hiring, promotions and lateral transfers.
- Some departments had also delayed their regular review due to organizational restructuring and the operational disruptions resulting from the pandemic.
- Reviewing and designating an employee in the correct user category can help ensure that they receive the appropriate reimbursements.

RECOMMENDATION 4			
We recommend that the Chief Financial Officer determine and update the Administrative Standard No. FM-008 Local City Business Travel with the appropriate frequency of regular reviews by the departments.			
RISK AREA	Business Process	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Some of the departments did not conduct reviews on a regular basis to ensure employees were assigned to the correct user category. This could result in employees receiving benefits they were not entitled to and the City incurring unnecessary expenses.		
MANAGEMENT RESPONSE			
Corporate Finance agrees with this recommendation. Given the low financial risk associated with this process, the review will be conducted on an annual basis and be updated in FM-008.			
IMPLEMENTATION DATE	2023 Q3		

Appendix 1 –Investigation Methodology

The City Auditor is a statutory officer appointed by City Council under *The City of Winnipeg Charter*. The City Auditor is independent of the Public Service and reports directly to Executive Policy Committee, which serves as the City's Audit Committee.

The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.

Once a report has been communicated to Council, it becomes a public document.

Scope

The scope of work relates to the required user category of car allowance as defined by the Administrative standard No. FM-008 Local City Business Travel and applicable collective agreements. PeopleSoft data applicable to this investigation was obtained from 2018 to 2021.

Approach and Criteria

The work performed in relation to this report does not constitute an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). The work performed does conform to Audit Department standards for independence, objectivity and quality. We believe we have performed sufficient work to satisfy that the evidence obtained provides a reasonable basis for our findings and conclusions.

The car allowance reports and supporting documentation have been prepared by management with information available through the City of Winnipeg's PeopleSoft system and records maintained by the City. We have relied on the information supplied by management and have not verified the completeness and accuracy of the information.

Procedures for this investigation consisted of:

- Obtaining an understanding of FM-008 and the applicable collective agreements, specifically the required user category. The relevant, applicable collective agreements to the sample of 40 employees are:
  - The City of Winnipeg and the Canadian Union of Public Employees, Local 500 Collective Agreement, December 25, 2016 to February 28, 2021 ("CUPE Collective Agreement"); and
  - The City of Winnipeg and the Winnipeg Association of Public Service Officers Collective Agreement, October 18, 2015 to December 31, 2019 and January 1, 2020 to December 31, 2023 ("WAPSO Collective Agreement").
- Interviewing various departments.

- Gaining a high-level understanding of the supporting process. The work focused on the employees logging less than the annual threshold of 4,000 kilometers from 2018 to 2021. A non-statistical sample was selected using professional judgment for testing purposes.