



## District Activity and District Capital Funds Compliance Review

April 2011

### Preamble

Halifax Regional Municipality had three Councillor-managed programs aimed at supporting community initiatives: the District Activity Fund, the District Capital Fund and the Building Communities Fund.

In May 2007, staff brought forward proposed changes to the three funds aimed “at providing greater flexibility in the allocation of funds between HRM-owned assets and community-owned assets”.<sup>1</sup> The result was a merger of the District Capital and Building Communities Funds into what is now the District Capital Fund. The District Activity Fund remains separate and continues to operate under previously approved policies; however, administration of the fund has moved from the HRM Grants Committee to the Accounting Division of Finance.

**District Activity Fund:** The Councillors’ District Activity Fund is managed by HRM Finance, administered by staff at the Councillors’ Support Office. The fund, at the discretion of a Councillor, provides modest cash grants to community groups, most of which would either be ineligible for the HRM Community Grants Program or too small to be well served by the program’s decision-making process and time frame. Policies and procedures for this program are intended to guide councillors and staff on appropriate types of eligible expenses, record keeping and reporting.

**District Capital Fund:** The HRM District Capital Fund is a centralized program, which provides partial or full funding of HRM capital projects to community groups at the discretion of a District Councillor. The HRM District Capital Fund has two primary goals: completing small-scale HRM projects not included in HRM departmental or capital budget processes, and providing a simple and responsive method of providing modest donations and grants in support of local neighborhood volunteer initiatives.

<sup>1</sup> District Capital Fund Policy, Council Report dated July 31, 2007, page 2

---

**Roles and Responsibilities**

---

**District Capital Fund****Applications by Non-Profit Organizations:**

According to the District Capital Fund Policy, all requests are to be made in writing and include the name of the registered non-profit organization or charity, the purpose of the requested donation or grant and, the amount requested. All requests are also to include contact information, which is to include civic mailing address, telephone number, and email or fax if applicable, and the applicant's relationship to the organization or group (i.e. member of the Board or staff member authorized to act on behalf of the group).

Requests for funding from a non-profit organization received by any staff member or Councillor must be referred to the applicable District Councillor.

**HRM Finance:**

The staff of HRM Finance manage or administer the program in collaboration with the Councillors' Support Office. The District Capital Fund Policy states, "All requests for project support or commitment of funds toward capital projects managed and funded under an HRM department, grant or donation are processed and payments issued in accordance with established financial policies". The financial records, including "all original receipts, invoices, cheque requisitions and application forms" are filed and maintained in the central records system located in Finance. Finance staff also compile an annual list of awards made to recipients and prepare a "statement of accounts" in the form of quarterly/annual reports which are presented to Council.

HRM Finance is also responsible for monitoring compliance with the policy and overseeing any internal or external audit of accounts as required.

**Councillors' Support Office:**

Staff of the Councillors' Support Office are responsible for the orientation of new members of Regional Council and HRM staff to the program. This office also provides direct assistance to the public (applicants) and members of Regional Council in completing the program application form and advising of applicable documentation required to be included in the application. Cheque requisitions are to be sent to HRM Finance to commit funds to a specific project or to have a payment issued, with applicable original supporting documentation attached.

The Councillors' Support Office is required under the policy to maintain duplicate records of each request. The financial records maintained by the Councillors' Support Office are copies and retained only for convenient access to information.

### **District Activity Fund**

#### **HRM Finance:**

The staff of HRM Finance are responsible for processing the payment of awards, monitoring appropriateness of expenses, maintaining financial records including all original receipts, invoices, and cheque requisitions, and overseeing the auditing of accounts as required.

#### **Councillors' Support Office:**

The staff of the Councillors' Support Office are responsible for the program orientation of new members of Council and HRM staff, providing direct assistance to members of Council in completing payment requisitions, and maintaining records of expenditures for councillors. The files maintained by the Councillors' Support Office are duplicates and only provide convenient access to information.

## **Objectives**

The objectives of this review were:

- 1) To provide assurance transactions approved by members of Council within the scope period are in keeping with the District Capital and District Activity Funds policies, and appear reasonable and adequately supported.
- 2) To provide assurance District Capital and District Activity Funds policies are applied in a fair and consistent manner, with complete and appropriate documentation being maintained.
- 3) To consider whether the District Capital and District Activity Funds Policy guidelines effective April 1<sup>st</sup>, 2003 and April 1<sup>st</sup>, 2008 respectively, are comprehensive, specific and clear, and whether accountability and responsibility for monitoring expenditures is clearly defined and communicated to all involved.

## Scope

The review performed on the District Capital and District Activity Funds was a compliance review, which evaluates the processes and controls around the funds against the requirements of the District Capital and District Activity Funds policies. This review did not measure for efficiency, effectiveness, equity or economies.

The review considered transactions approved by an individual Councillor's requests for payment submitted to HRM Finance, drawn from the District Activity Fund between April 1, 2005 and March 31, 2010 and from the District Capital Fund between April 1, 2007 and March 31, 2010.

## Methodology

The processes involved in undertaking this review included interviewing staff responsible for District Capital and District Activity accounts located in Finance and the Councillors' Support Offices; reviewing transactions posted to the general ledger and tracing these transactions back to source documents. Source documentation was reviewed to determine the level of compliance with both the stated requirements in the policies and standard accounting practices such as:

- supporting documentation sufficient to determine the nature of the purchase and authority to expend funds,
- whether amounts, dates and other relevant information match between requesting documentation and payment transactions, and
- whether the transactions were properly authorized within signing authorities and cost centres.

A random sample was generated for both District Capital and District Activity Funds from expenditure line items for the fiscal periods 2007 to 2009 and 2005 to 2009, respectively. The sample was generated by filtering the total line items for both funds first by year then by District to ensure the sample would include records from each District for each period under review. The sample contained a total of 249 line items for District Capital, of which 182 were capital and 67 represented miscellaneous clearing transactions, and yielded a total of 250 line items for District Activity, of which 217 were operating and 33 were miscellaneous clearing transactions. Source documentation for all transactions was requested, received and reviewed.

---

<b>Table of Contents</b>
--------------------------

1. Financial Summary.....	Page 6
2. Compliance Testing.....	Page 8
3. Reasonable Access.....	Page 16
4. General Observations.....	Page 17
5. Cost of Transactions.....	Page 21
6. Summary of Recommendations.....	Page 22

<b>Detailed Findings and Recommendations</b>
--

## 1. Financial Summary

### 1.1 District Capital

The District Capital Fund Policy allows funds to be carried forward from one fiscal year to the next if the funds have been committed to a specific project. Most councillors commit or spend their entire year's budget of \$65,000 on a yearly basis. In the 2007/08 fourth quarter financial information reported to Council, the District Capital Fund was shown to have an uncommitted balance at year-end. According to policy, this balance should have been removed from the fund. In the 2008/09 fourth quarter financial information reported to Council, it was shown the previous uncommitted balance had, in fact, been carried forward into 2008/09 even though the funds had not been previously committed.

**Table 1.1: District Capital Fund Summary Financial Information**

Totals	2007/08	2008/09	2009/10
Carry Forward	\$1,023,185	\$1,064,106 <sup>2</sup>	\$1,478,497 <sup>3</sup>
Current Budget	920,000 <sup>4</sup>	1,495,000 <sup>5</sup>	1,495,000
Funds Spent	(919,857)	(1,443,363)	(1,308,396)
Committed Funds	(925,530)	(1,115,743)	(1,665,101)
Uncommitted Balance	\$97,798 <sup>6</sup>	\$0	\$0

The District Capital Fund Policy requires a summary report be submitted to Council with the fourth quarter financial statements each year. Upon review of such reports by the OAG, several addition errors were observed in the 2007/08 and 2008/09 fiscal periods. The adjusted balances are reported in Table 1.1. Finance staff members have been working on clearing any errors being carried forward and have developed a new report to Council, which is much more

<sup>2</sup> 2007/08 Committed Funds \$925,530 + 2007/08 Uncommitted Funds \$97,798+ Adjustments \$40,778= \$1,064,106

<sup>3</sup> 2008/09 Committed Funds \$1,115,743 + 2007/08 Building Communities Balance \$362,754= \$1,478,497

<sup>4</sup> 2007/08 District Capital Fund \$40,000 x 23 (Districts)= \$920,000

<sup>5</sup> 2008/09 on District Capital Fund \$65,000 x 23 (Districts)= \$1,495,000

<sup>6</sup> Carry forward \$1,023,185 + Current Budget \$920,000 – Current Funds Spent \$919,857- Current Committed Funds \$925,530= \$97,798

organized. No errors were found in the 2009/10 report to Council with the improved process of reporting.

## 1.2 District Activity

The District Activity Fund Policy also prohibits overspending and unspent funds being carried forward from previous fiscal periods. All five years reviewed confirmed no funds were carried forward.

**Table 1.2: District Activity Fund Summary Financial Information**

<b>Totals</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
<b>Current Budget</b>	<b>\$69,000</b>	<b>\$69,000</b>	<b>\$69,000</b>	<b>\$69,000</b>	<b>\$69,000</b>
<b>Actual Funds Spent</b>	<b>(68,876)</b>	<b>(68,511)</b>	<b>(66,707)</b>	<b>(69,040)</b>	<b>(68,516)</b>
<b>Balance</b>	<b>\$124</b>	<b>\$489</b>	<b>\$2,293</b>	<b>-\$40</b>	<b>\$484</b>

Table 1.2 represents the District Activity Fund activities for the fiscal periods reviewed. Finance staff have been working to clear any errors in the District Activity Fund and, upon review, the fund was found to be overspent by a small balance in the 2008/09 fiscal period.

## 2. Compliance Testing

Source documentation was received for both District Activity and District Capital Funds generated from the aforementioned random sample and tested for Authorization, Documentation, and Appropriateness (purpose complies with policy) with a pass or fail assigned to each document reviewed.

**Table 2.1: Review of Source Documentation for District Activity and District Capital Funds Payments**

Test	District Activity Total Records Selected = 217			District Capital Total Records Selected = 182		
	Pass	Fail	Total Pass	Pass	Fail	Total Pass
<b>1. Authorization</b>	<b>217</b>	<b>0</b>	<b>100%</b>	<b>182</b>	<b>0</b>	<b>100%</b>
<b>2. Documentation</b>	<b>4</b>	<b>213</b>	<b>2%</b>	<b>72</b>	<b>110</b>	<b>39%</b>
<b>3. Appropriateness</b>	<b>209</b>	<b>8</b>	<b>96%</b>	<b>182</b>	<b>0</b>	<b>100%</b>

### 2.1 Authorization

The District Activity and District Capital Funds policies both set out specific authorization standards. Signing authority is given to each Councillor for their individual funds. According to Councillors' Support Office staff, a cheque request will not be processed and forwarded to Finance without the Councillor's signature affixed. For Finance to complete the transaction and authorize the expenditure of funds, there must have been either funds previously set aside by the Councillor for an HRM internal project, or current budget available. Such requests require signatures from both the individual Councillor and Councillors' Support Office Manager.

#### District Activity

We reviewed supporting documents for the 217 line items included in the sample. All 217 records were found to be 100% compliant with proper authorization requirements as set out in the District Activity Fund Policy.



## District Capital

We reviewed supporting documents for the 182 line items included in the sample. All 182 records were found to be in 100% compliance with proper authorization requirements as set out by the District Capital Fund Policy.

### 2.2 Documentation

The District Activity and District Capital Funds policies both state a “receipt” is required to support an expenditure. We believe this to mean either an original proof of payment leading to a reimbursement or a signed acknowledgement of the receipt of funds from the recipient. The District Capital Fund Policy states receipts are to be kept in the central filing system located in Finance, while the District Activity Fund does not clearly indicate where receipts should be held. However, the HRM business practice is to retain original receipts and documents as support to the payment in Finance. Both policies assign responsibility to Finance and the Councillors’ Support Office for maintaining these files.

*District Capital Record Keeping Requirements under Policy:*

**“10.2 Donations or grants require a receipt issued by the recipient organization in the name of Halifax Regional Municipality. Registered charities are required to provide an official tax receipt in the name of Halifax Regional Municipality. “**

*District Activity Fund Record Keeping Requirements under Policy:*

**“6.1 Receipts shall be required for all expenditures”**

## District Activity

We were able to review all 250 line items identified in the sample. Cheque numbers were obtained from SAP for the 217 operating expenditure line items and available back-up documentation was located. The remaining 33 line items were miscellaneous accounting entries for clearing items, which were reviewed for unusual or recurring errors and extraordinary items. None of the 33 items were deemed unusual or extraordinary and did not require further investigation as they pertained to corrections or end of period transfers.

Each of the 217 transactions were traced from the SAP line item to source documentation and tested to confirm sufficiency of documentation, with a pass or fail assigned for each test.

	District Activity Fund		
Test	Pass	Fail	Total % Compliance
2.Documentation	4	213	2%

### Findings:

Under the Record Keeping Requirements of the District Activity Fund Policy (Section 6), the policy states “Receipts shall be required for all expenditures”, but the policy does not specify the nature of an acceptable receipt. Only 4 of 217 transactions tested included documentation acknowledging the receipt of funds. Due to the low percent of total compliance to the documentation requirement, we looked at what documentation was available with each transaction, and found 122 of 217 transactions included some correspondence from the requesting group. The included correspondence varied from formal letters to casual emails requesting funds be advanced. This correspondence is relevant but it still leaves the file incomplete in terms of what it appears is contemplated in the policy.

The District Activity Fund Policy does not specify receipts need to be attached to source documents, although good accounting practices would suggest this. Accepted procedures assign responsibility for maintaining these documents and records to Finance as well as the Councillors’ Support Office. Finance and Councillors’ Support Office staff indicated they only receive three to five receipts annually, which are maintained by Finance staff administering the District Activity Fund, but are not held in the central records location.

## District Capital

We reviewed supporting documents for the 249 line items identified in the sample. Back up documentation, based on cheque numbers, was provided for the 182 capital expenditures. The remaining 67 line items were miscellaneous clearing items, which were reviewed for unusual/extraordinary or recurring errors. None of the 67 items were deemed extraordinary or unusual and did not require further investigation as they pertained to corrections and end of period transfers.

Each transaction was traced from the SAP line item to source documentation and tested for proper sufficient documentation, with a pass or fail assigned to each test.

	District Capital Fund		
Test	Pass	Fail	Total % Compliance
<b>2. Documentation</b>	<b>72</b>	<b>110</b>	<b>39%</b>

### Findings:

The District Capital Fund Policy states receipts are mandatory for all expenditures but does not specify the nature of an acceptable receipt. Of the 182 files reviewed, 110 records did not have receipts attached as source documents. The policy clearly states Finance and Councillors' Support Office are responsible for maintaining these files, and the original receipts and requesting documentation be kept in the central records system located in Finance. Any transactions without receipts are not in compliance with the policy and as such failed the test.

**Recommendations:**

- 2.2.1 Appropriate and sufficient source documentation to support payments from the District Activity and District Capital Funds should include an original receipt (if funds are for reimbursement) or an official request letter from, for example, a Treasurer or other Board member.
- 2.2.2 To assist groups in meeting the requirements noted in 2.2.1, we would recommend the development of a form - electronic or hard copy - to be used to officially request funding support. The form should include basic information (group name, address, etc.), outline the purpose for the requested funds, and an acknowledgement accepting responsibility any funding provided will be used for the stated purpose and within what timeline the project will be completed (if applicable). The form should be signed and dated by an authorized member of the group.
- To assist applicants in understanding the types of activities which are supported, the form should contain the actual policies governing the fund. The administration of the program may also be enhanced through the use of one form containing all relevant information with the one-time approval of the Councillor for the expenditure.
- 2.2.3 Original receipts for expenditures using the District Capital Fund should be maintained internally by receiving groups and made available for verification, if necessary by HRM Administration, for two years.
- 2.2.4 Requests for payments submitted without complete applicable source documentation should not be processed but returned to the initiator for follow up.
- 2.2.5 To improve clarity in the policy, the District Activity Fund Policy should require Finance to maintain all original source documentation in the central records system, including receipts or official requests.

**Management Response:**

- 2.2.1 *Agree.*
- 2.2.2 *Agree.*
- 2.2.3 *Agree.*
- 2.2.4 *Agree.*
- 2.2.5 *Agree.*

### 2.3 Appropriateness of Expenditure

Both District Activity and District Capital Funds policies outline specific purposes for which expenditures can be made from the funds. The District Capital Policy states, “grants or donations can be made to an organization such as, but not limited to, an educational institution, service club, sports club, daycare, church or social service agency, in circumstances where the benefit of public funding is not restricted to a specific membership or affiliation”. The aim of the District Capital Fund is to realize a benefit to the broader general public. A recipient under this program is restricted by policy from receiving additional funding from another HRM source for the same item, or purpose, in the same fiscal year; however, we are unsure of how this is enforced.

The District Activity Fund Policy outlines approved purposes for disbursements from the fund. The fund focuses on local activities related to recreation, social welfare, culture, charitable fundraising by a recognized institution or duly registered community group, community and civic events, an amateur sports club or event, environmental protection or a community beautification project, as well as community based educational initiatives. The District Activity Policy excludes awarding grants to commercial or private enterprises, and grants may not be awarded to individuals or families.

#### District Activity

Test	District Activity		
	Pass	Fail	Total % Compliance
<b>3. Appropriateness</b>	<b>209</b>	<b>8</b>	<b>96%</b>

The District Activity Fund Policy refers to the Municipal Government Act, Section (65) “The council may expend money required by the municipality for” and highlights grants given to individual persons or families are not recognized under Section (65) of the act. For example giving a donation to a not-for-profit or community group such as a local sports team towards a trip is permissible, provided the sports team administers the money.

**Findings:**

Of the 217 source documents reviewed, eight included correspondence suggesting the payments were made in direct support of an individual, although the cheque was made out to an approved group. For example, there were several instances of donations to specific individuals on sports teams who were personally responsible to generate a specific amount of money for their contribution towards trips. The donations were made “care of” the individual. Donations of this nature may not meet the spirit of the policy as the use of the funds can be specific to the individual rather than the group. The group may not have flexibility with regard to the use of the funds being donated.

**District Capital**

	District Capital		
Test	Pass	Fail	Total % Compliance
<b>3.Appropriateness</b>	<b>182</b>	<b>0</b>	<b>100%</b>

The District Capital Fund Policy outlines specific purposes for which expenditures can be made.

**Findings:**

Of the 182 source documents reviewed, 100% were found to be in compliance with the regulations set out in the policy.

**Recommendations:**

- 2.3.1 Funds issued under the District Activity Fund should be in keeping with the requirements of the policy. As outlined in the policy, no funds should be issued on behalf of an 'individual' or where the use of the funds by the receiving group is obviously restricted in support of an individual.
  
- 2.3.2 In addition to Recommendation 2.2.2 recommending an enhanced form be made available for use when requesting District Capital and District Activity Funds, we would recommend a disclaimer be added to the form for the person requesting support to confirm the funds are not being requested or to be used for individual support.

***Management Response:***

- 2.3.1 *Agree.*
  
- 2.3.2 *Agree.*

### **3. Reasonable Access**

The District Capital Fund under policy aims to provide a benefit to the general public and it is therefore expected for the public to have reasonable access at no cost or for a nominal fee to the facility, service or program being funded by the District Capital Fund. The results of our test for 'reasonable access' were 100% in compliance, based upon the limited definitions contained within the policy. The District Capital Fund Policy does not specify a range for an acceptable nominal fee or define 'reasonable access'. We did note one transaction in our sample where the issue of reasonable access was questionable, given the requirement of access to the facility was based on a competition or try out basis. However, given the lack of clear definition, we were unable to clearly determine the transaction was not in keeping with the policy.

#### **Recommendations:**

- 3.1.1 HRM Administration should develop a clear definition of 'reasonable access' and 'nominal fee'.
- 3.1.2 The District Capital Policy should require the recipient organization provide a description of reasonable access, including their nominal fee or no fee policies, to assist staff in validating the assertion.

#### **Management Response:**

- 3.1.1 *Agree.*
- 3.1.2 *Agree.*



#### **4. General Observations with respect to District Activity and District Capital Funds**

##### **4.1 Support for or Attendance at Community Events**

Within our sample, we identified four instances where District Activity funds appear to be used to purchase tickets for attendance to fundraising events. Two of the events provided raffles for prizes available to all attendees. The policy around the District Activity Fund does not speak to the ownership of these prizes should the attending Councillor or staff member receive one. It is important to avoid any real or perceived conflict of interest, and while the attendance is as valued as the donation, prizes should not go to the attendee for personal use as the funds were expended as a municipal expense.

It is important to note, the occurrence of this potential issue was very limited. Also, the instances noted were from early years of the sample selected. They are noted as this project was of a compliance nature and we are obligated to bring forward any matters of possible concern or where clarification may be needed. The recommendation related to this finding is included as a reminder or precaution only.

Source documents for several instances indicated the donation would be formally recognized by displaying the donor or company name. In these cases, it is our view it would be acceptable to display the HRM logo and the individual Councillor's name. However, source documentation was not provided to confirm what information, if any, was printed. Anecdotal information indicates only the Councillor's name and contact information is often acknowledged. The District Activity Policy also does not speak to this practice.

**Recommendations:**

- 4.1.1 The District Activity Fund Policy should include guidelines regarding the ownership or disposition of any items awarded to councillors or staff members at an event attended/supported using funds from the District Activity Fund.
- 4.1.2 The District Activity Fund Policy should require any donation made from the District Activity Fund which acknowledges the donor, indicate HRM as the donor. A copy of the advertisement recognizing the financial contribution made by HRM should be included in the source documentation to support the business purpose of the transaction.

**Management Response:**

- 4.1.1 *Agree. This policy should be included in either the District Activity Funds policy or in an overall HRM policy.*
- 4.1.2 *Agree. If an advertisement is made, HRM should be recognized as the contributor and the councillor's name could be included in the advertisement.*

## 4.2 “Double Dipping”

Community groups often receive funding from more than one Councillor, or from more than one HRM source. In its purpose statement, the District Capital Policy states funds are to be used “to provide partial or full funding to HRM or HRM associated projects that are not included in either operating or capital budget processes”. We noted the District Capital Policy has been interpreted to allow groups to receive funding from other HRM sources as well as the District Capital Fund as long as the funding is not for the same item in the same fiscal period. The Grants & Contributions Review undertaken by the Office of the Auditor General considers this matter further as currently there is no efficient way to determine how much a group is receiving from different HRM funding sources.

## 4.3 Internal Projects

External parties can access District Capital funds through two different streams. The first stream requires the group submit a request to a Councillor which, when approved, allows a cheque request to be created by the Councillors’ Support Office staff and sent to Finance for processing. The majority of the requests flow through this process. The second stream involves HRM internal projects where a Councillor can commit funds to be set aside for a particular use within the guidelines of the policy and a “reservation” set up. Finance then creates a purchase order and the internal project manager draws against the reservation sending all related invoices through Finance. Once a “reservation” has been set up, the Councillors’ Support Office receives regular updates on the project’s status and balance in the account. We were advised however, on occasion, communication issues have arisen between the parties.

Finance maintains an active spreadsheet (manually prepared) of all documentation received from internal project coordinators. For efficiency purposes, as opposed to copying all documentation and forwarding it on to the Councillors’ Support Office, this spreadsheet has been made available to the Councillors’ Support Office electronically. While this appears to have alleviated some of the communication issues, both Finance and the Councillors’ Support Office appear to continue to have some difficulty in confirming the on-going project status from the internal project managers.

Verifying the status of an internal project flowing through the District Capital Fund is a relevant issue. In order for funds to be carried forward to the next fiscal period, funds must be committed prior to the current year-end (reserved) and approved by Regional Council. Finance is currently working on clearing out any old reservations, as well as developing an improved approach to meeting the needs of stakeholders and addressing requirements to improve accuracy in financial forecasting.

**Recommendations:**

- 4.3.1 The project coordinators in charge of internal projects which flow through the District Capital Fund should send monthly or regular updates on completed projects to Finance so reservations can be cleared, the spreadsheet updated and funds committed.
- 4.3.2 HRM Administration should review and establish clear roles and responsibilities among Finance, Councillors' Support Office and HRM business units providing project management with respect to communication of the status of internal projects.
- 4.3.3 HRM Administration with Business Planning and Information Management - Information Technology - should explore and implement an enhanced use of SAP to provide more accurate and timely information.

**Management Response:**

- 4.3.1 *Agree. The internal projects coordinators should also notify the Councillors to ensure that they are aware of the situation.*
- 4.3.2 *Agree. See response to 4.3.1.*
- 4.3.3 *Agree.*

## 5. Cost of Transactions

The total annual amount available in the District Capital Fund is \$1,495,000, while the District Activity Fund has a total of only \$69,000. The majority of payments made from these two funds are through the issuance of cheques, rather than electronic funds transfers. For fiscal period 2009/10, in the order of 813 cheques were issued (545 District Activity and 268 District Capital Funds).

Clearly there are a variety of costs associated with the administration of the District Activity and District Capital Funds. These costs are incurred in a variety of ways, including the actual cost to produce and account for a cheque, bank charges, as well as time charges in administration in the form of councillor and support staff time for example.

Management have indicated they believe, while no current data on the cost to produce a cheque is available, some costs to administer these funds have been reduced due to changes made in Finance. Management does however acknowledge the costs are still significant on a per cheque basis.

### **Recommendation:**

5.1.1 HRM Administration should undertake an analysis to quantify the total cost to administer both the District Activity and the District Capital Funds and incorporate this data in the development of effectiveness and efficiency measures for expenditures and programs on the whole. This information should be provided to various stakeholder groups to guide future actions.

### ***Management Response:***

5.1.1 *Agree.*

## 6. Summary of Recommendations

### Documentation

- 2.2.1 Appropriate and sufficient source documentation to support payments from the District Activity and District Capital Funds should include an original receipt (if funds are for reimbursement) or an official request letter from, for example, a Treasurer or other Board member.
- 2.2.2 To assist groups in meeting the requirements noted in 2.2.1, we would recommend the development of a form - electronic or hard copy - to be used to officially request funding support. The form should include basic information (group name, address etc.), outline the purpose for the requested funds, and an acknowledgement accepting responsibility any funding provided will be used for the stated purpose and within what timeline the project will be completed (if applicable). The form should be signed and dated by an authorized member of the group.
- To assist applicants in understanding the types of activities which are supported, the form should contain the actual policies governing the fund. The administration of the program may also be enhanced through the use of one form containing all relevant information with the one-time approval of the Councillor for the expenditure.
- 2.2.3 Original receipts for expenditures using the District Capital Fund should be maintained internally by receiving groups and made available for verification, if necessary by HRM Administration, for two years.
- 2.2.4 Requests for payments submitted without complete applicable source documentation should not be processed but returned to the initiator for follow up.
- 2.2.5 To improve clarity in the policy, The District Activity Fund Policy should require Finance to maintain all original source documentation in the central records system, including receipts or official requests.

### **Appropriateness of Expenditure**

- 2.3.1 Funds issued under the District Activity Fund should be in keeping with the requirements of the policy. As outlined in the policy, no funds should be issued on behalf of an “individual” or where the use of the funds by the receiving group is obviously restricted in support of an individual.
- 2.3.2 In addition to Recommendation 2.2.2 recommending an enhanced form be made available for use when requesting District Capital and District Activity Funds, we would recommend a disclaimer be added to the form for the person requesting support to confirm the funds are not being requested or to be used for individual support.

### **Reasonable Access**

- 3.1.1 HRM Administration should develop a clear definition of “reasonable access” and “nominal fee”.
- 3.1.2 The District Capital Policy should require the recipient organization provide a description of reasonable access, including their nominal fee or no fee policies, to assist staff in validating the assertion.

### **Support for or Attendance at Community Events**

- 4.1.1 The District Activity Fund Policy should include guidelines regarding the ownership or disposition of any items awarded to councillors or staff members at an event attended/supported using funds from the District Activity Fund.
- 4.1.2 The District Activity Fund Policy should require any donation made from the District Activity Fund which acknowledges the donor, indicate HRM as the donor. A copy of the advertisement recognizing the financial contribution made by HRM should be included in the source documentation to support the business purpose of the transaction.

## Internal Projects

- 4.3.1 The project coordinators in charge of internal projects which flow through the District Capital Fund should send monthly or regular updates on completed projects to Finance so reservations can be cleared, the spreadsheet updated and funds committed.
- 4.3.2 HRM Administration should review and establish clear roles and responsibilities among Finance, Councillors' Support Office and HRM business units providing project management with respect to communication of the status of internal projects.
- 4.3.3 HRM Administration with Business Planning and Information Management - Information Technology - should explore and implement an enhanced use of SAP to provide more accurate and timely information.

## Cost of Transactions

- 5.1.1 HRM Administration should undertake an analysis to quantify the total cost to administer both the District Activity and the District Capital Funds and incorporate this data in the development of effectiveness and efficiency measures for expenditures and programs on the whole. This information should be provided to various stakeholder groups to guide future actions.