

**ECONOMIC DEVELOPMENT EDMONTON**  
**FOLLOW-UP REVIEW 2002**

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**Prepared by the Office of the City Auditor**  
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## INTRODUCTION

In February 1999, the Office of the City Auditor (the name changed from Office of the Auditor General in 2000) presented its Program Effectiveness Evaluation audit report to the Board and management of Economic Development Edmonton (EDE). The report contained 70 recommendations addressing EDE's Governance, Organizational Issues, Program Objectives, and Financial Management. The EDE administration agreed with 64 of the 70 recommendations and provided an action plan with target implementation dates of no later than 2000. Eighteen of those recommendations were applicable to the Financial Management section.

The Office of the City Auditor (OCA) conducts follow-up audits to determine the implementation status of past audit recommendations. The EDE follow-up audit will be conducted in phases, with the Financial Management section of the 1999 report addressed first. Phase One reviewed the implementation status of recommendations made concerning the following areas:

- Management of travel claims, expense claims and travel allowances;
- Use of sport boxes and season tickets;
- Cash management;
- Outgoing business and trade missions;
- Use of cellular telephones;
- Authorization of contracts.

Areas not included in this phase of the follow-up audit will be considered for the OCA's work plan for 2003. Deferring these additional phases will allow the new Chief Executive Officer of EDE an opportunity to positively influence the governance, organizational and directional issues outlined in the 1999 report.

## BACKGROUND

The mandate of Economic Development Edmonton is to "promote and facilitate the development of a strong and diversified economic and tourism base in the Edmonton capital region." Accordingly, EDE's mandate is not to create jobs directly, but to act as a facilitator, catalyst and initiator of opportunities to enhance Edmonton's business climate and to create sustained growth and prosperity.

EDE is comprised of five divisions:

1. *Business and Technology* strives to ensure the long-term competitiveness of the region's economy through business attraction, retention and formation.
2. *Tourism, Events and Motion Pictures* helps establish an environment that encourages and fosters tourism partnerships and opportunities.
3. The *Shaw Conference Centre* division operates and maintains the Centre, focusing on generating revenue through convention and banquet rentals, as well as supporting general tourism initiatives.
4. *Corporate Communications* provides specialized professional communications services to all functional areas of EDE.
5. *Finance and Administration* handles the operational activities of EDE.

As a wholly owned subsidiary of the City of Edmonton, EDE receives an annual tax levy grant from the City (\$5.6 million in 2001 and \$6.9 million in 2002). The annual tax levy grant and revenues from the Shaw Conference Centre and multi-tenant facilities fund the programs of EDE. In 2001, EDE's operating expenditures and revenues were \$16.0 million and \$10.1 million respectively.

## **METHODOLOGY**

The OCA conducted the following steps as part of the follow-up audit:

1. Obtained a high-level understanding of Economic Development Edmonton through review of the 1999 audit, business plans, financial statements, and its organizational structure.
2. Interviewed the Controller, Finance and Administration, to determine EDE's progress implementing its action plans in response to the 18 Financial Management recommendations reported in the 1999 Audit.
3. Reviewed the following files for 2001:
  - Travel expense claims for six employees
  - Telephone files (Telus Communications, Telus Mobility, FIDO and Rogers AT&T Cantel)
  - Credit card file (American Express)
  - Personal expense reimbursements
  - Hosting services for the Oilers skybox, Trappers box seats and Edmonton Eskimos Green and Gold club
  - Cash Deposits
4. Held meetings and status updates with the CEO of Economic Development Edmonton and Controller of Finance and Administration.
5. Documented and flowcharted EDE's financial management framework after holding discussions regarding each process with EDE's financial management staff.

## **SUMMARY OF RESULTS**

The OCA's current analysis revealed that EDE made little or no progress on the 18 recommendations presented in section 6 of the 1999 Audit, most of which were related to the implementation of financial policies and procedures.

Further, the OCA's review of various EDE files revealed:

1. That EDE has not enforced its "Travel on Duty" policy and judiciously managed expense claims.
  - Monitoring of travel expenses needs to be strengthened, specifically for senior management and/or employees with a high volume of receipts. Instances of multiple reimbursements and economy issues specific to one file were noted by the OCA.
  - Claims are paid despite inadequate documentation, such as copied receipts. Employee recording errors led to over- and under-payments of expense claims.
  - Justification for hosting expenses was not evident e.g., date, names of persons hosted and EDE staff involved, reasons for hosting, etc.
  - Travel Expense claims/receipts were not always completed/submitted within a reasonable time upon completion of travel. Current EDE policy states that claims are

to be filed within 10 days of the trip/event. We noted receipts that were submitted as much as 3 months after a mission. In addition, a trip report, listing contacts, activities and potential results achieved was not attached to the expense report.

- Criteria for personal long distance use during business were not followed.
  - Accounting controls for the issuance of travel advances were incomplete.
2. That the Accounts Payable process needs to be more closely monitored.
    - On select accounts, EDE paid late-payment charges on a recurring basis.
    - GST was inconsistently captured on expense claims
    - One employee had a significant number of personal long distance phone calls, with records of only partial reimbursement to EDE.
    - No expenditure criteria existed for governing the use of the Trappers' and Oilers' suites, Edmonton Eskimos' season tickets, and Green & Gold Club membership.
  3. That Accounts Receivable payments from employees regarding personal expenditures lack adequate bookkeeping. Upon occasion, monies were accepted from employees without back-up documentation detailing reason for repayment.
  4. That Daily cash deposit reconciliation requires increased monitoring, analysis, and possibly training to avoid the observed high frequency of overages and shortages.

## CONCLUSION

Implementation of the 1999 Audit recommendations would have strengthened EDE's financial management framework and likely prevented the deficiencies outlined above. The existence of internal control weaknesses and insufficient financial policies and procedures undermines EDE's financial framework and reduces the public's confidence in and support for EDE.

A strong financial management framework is necessary in order to:

- Manage day to day operations effectively, efficiently, and economically;
- Monitor program performance;
- Execute the budget;
- Maintain accountability; and
- Prepare accurate financial statements.

Public confidence in the financial management of EDE is essential, given the size of the City of Edmonton's investment. The City of Edmonton must be able to demonstrate to the taxpayers of Edmonton that they are receiving value from this investment in order to justify continued support.

The OCA has presented a number of opportunities to EDE's management to improve policies and procedures and to ensure that its financial practices are consistent, accountable, and economically justified. EDE's management acknowledges these deficiencies and is giving high priority in rectifying the issues immediately. To date, proactive changes have been made and implemented by management and dedicated resources have been assigned to address and complete the recommendations arising from this and the 1999 audit.

The OCA would like to thank the CEO and staff at EDE for their cooperation during this review.