



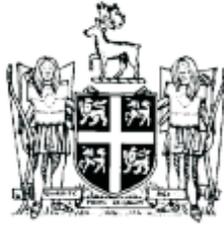
# REPORT OF THE AUDITOR GENERAL

To the House of Assembly



On a Review of  
Constituency Allowance Claims

1989-90 through to 2005-06



## Office of the Auditor General of Newfoundland and Labrador

**Head Office**

15 Dundee Ave., Mount Pearl  
Box 8700, St. John's, NL, A1B 4J6  
T: 709-729-2695, F: 709-729-5970  
Email: [adgopp@gov.nl.ca](mailto:adgopp@gov.nl.ca)

**Auditor General**

John L. Noseworthy, CA  
T: 709-729-2700  
Email: [jnoseworthy@gov.nl.ca](mailto:jnoseworthy@gov.nl.ca)

**Regional Office**

1 Union St., Corner Brook  
Box 2006, Corner Brook, NL, A2H 6J8  
T: 709-637-2295, F: 709-637-2595

---

14 September 2007

The Honourable Harvey Hodder, M.H.A.  
Speaker  
House of Assembly

Dear Sir:

In compliance with section 12 of the *Auditor General Act*, I have the honour to submit herewith, for transmission to the House of Assembly, my Report on a Review of Constituency Allowance Claims from 1989-90 through to 2005-06.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, CA**  
**Auditor General**

---

## TABLE OF CONTENTS

	<b>Page</b>
<b>Reflections of the Auditor General</b>	1
<b>Background</b>	5
<b>Scope</b>	8
<b>Detailed Findings</b>	8
1. How the Money was Spent	10
A. Constituency Allowance Payments Directly to Members	12
B. Constituency Allowance Payments Directly to Suppliers on Behalf of Members	16
2. Appropriateness of Claimed Expenditures	19
A. Double Billings	23
B. Donations	29
C. Alcohol	35
D. Claims for Leased Vehicles and Private Vehicle Mileage	40
E. Excess Discretionary Allowance	42
F. Personal Items	44
G. Other Observations	48
(i.) Partisan	48
(ii.) Conflicts between Travel and Other Documents	49
(iii.) \$2,875 Special Payment	49
(iv.) Unusual Items	51
3. Adequacy of Supporting Documentation	51
A. No Documentation Provided, Therefore Inadequate	55
B. Documentation Provided But Inadequate	57
(i.) Private Vehicle Mileage	58
(ii.) Per Diems	62
(iii.) Donations	63
(iv.) Entertainment	64
(v.) Other Documentation Issues	66
4. Other Matters	67
A. Office Rent by Member	67
B. Capital Assets	68
<b>Appendices:</b>	
A: Recommendations from the Report of the Commission on <i>Remuneration to Members of the House of Assembly,</i> <i>18 September 1989</i> [the Morgan Report]	71
B: Approved Constituency Allowance by District, 31 March 2006	75
C: Excerpt from Green Commission Report	77
D: Category of Claimed Expenditures	83

---

---

## Reflections of the Auditor General

---



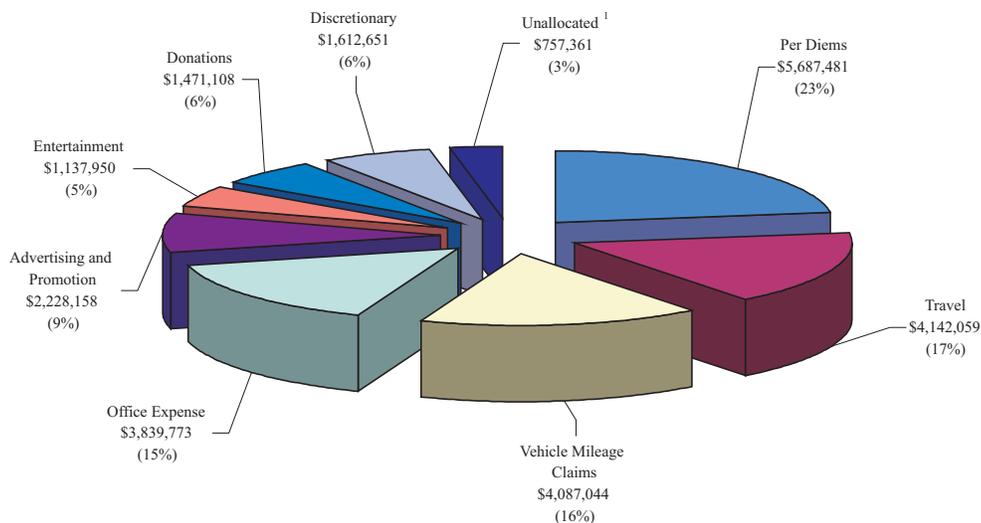
The following comments are made further to my review of constituency allowance claims for the fiscal years 1989-90 through to 2005-06. The review relates to the appropriateness of constituency allowance claims by Members of the House of Assembly and the adequacy of supporting documentation.

We all know now that there were inadequate controls and management practices at the House of Assembly establishment. This, along with the IEC decision which resulted in the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General, provided an environment ripe for abuse.

Most Members did not abuse the system. In many ways the system orchestrated by the IEC back in 2000 actually failed most Members. From reviewing constituency allowance claims and discussions with many Members, it is obvious that there were many inconsistencies in the advice and guidance they received regarding what they could or could not claim and what documentation would be required to support their claims.

Having said that, our elected officials occupy positions of trust and have a responsibility for the stewardship of public money including their own expenses and claims. Regardless of the financial controls or lack thereof at the House of Assembly establishment regarding constituency allowance claims, each Member is ultimately responsible to ensure that their expenditures are appropriate and adequately supported, as would be expected by any reasonable person. Furthermore, Members have always been informed of the limit of their constituency allowance entitlement.

The scope of this review focused on 115 Members (122 Members less 7 deceased Members). These Members submitted over 18,000 claims totalling approximately \$25 million during the period from fiscal year 1989-90 through to 2005-06. The following chart shows how the \$25 million in constituency allowances was spent.



<sup>1</sup> Represents instances where documentation was either not available or illegible.

## Inappropriate Expenditures (\$2.2 million)

In determining what expenditures would be appropriate we looked to the Morgan Commission Report and the IEC annual reports. Consistent with the Morgan Commission Report, the IEC annual reports say that *“Each Member [of the House of Assembly] is entitled to an accountable constituency allowance. This allowance is for the payment of expenditures incurred in the performance of constituency business and may cover such items as office rental, equipment, supplies, secretarial and other support services, information material such as newspapers, advertising, purchase of flags, pins, etc..”*

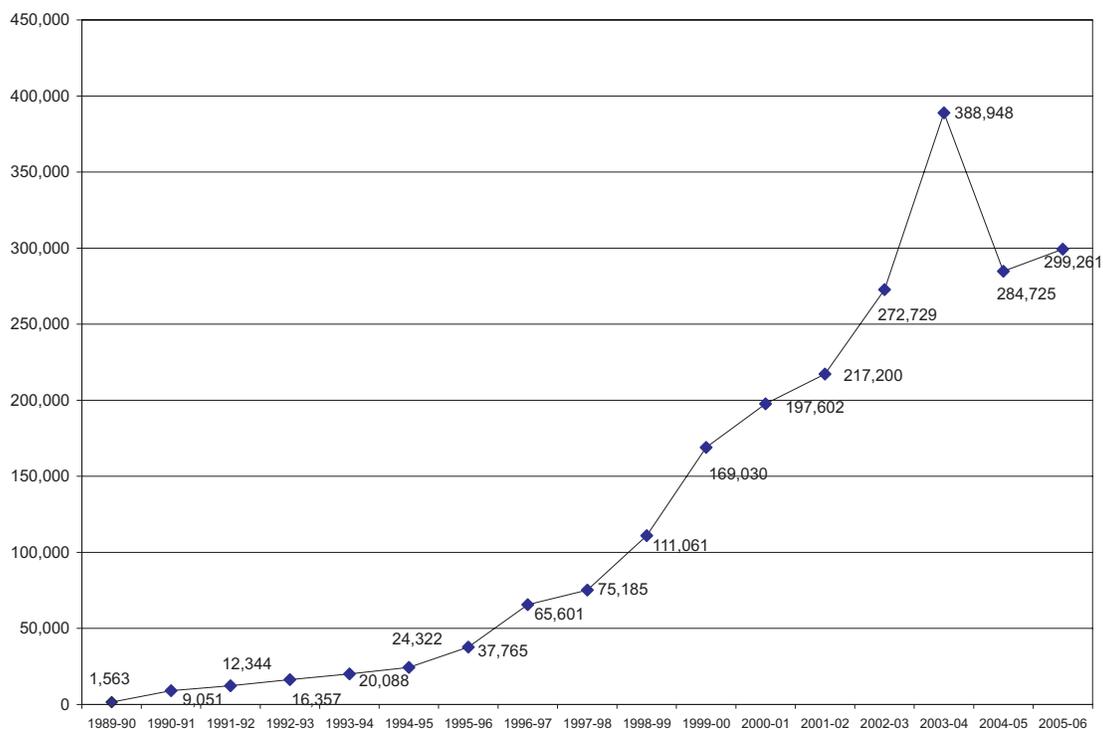
There were two categories of expenditures that, although clearly did not fit either within the definition or the spirit of the purpose of the allowance, were common among many Members (i.e. donations and alcohol-only). We concluded that general acceptance did not make the expenditure appropriate.

We also identified instances of other types of inappropriate claims by some Members that were not common among other Members.

Overall, we identified inappropriate expenditures totalling \$2.2 million as follows:



The following chart shows the trend of inappropriate constituency allowance claims by Members for the fiscal years 1989-90 through to 2005-06.



---

Of the \$2.2 million in inappropriate claims, \$1,245,509 (56%) was claimed in the five years 1999-00 through to 2003-04, the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

**Inadequate Documentation (\$5.4 million)**

In assessing the adequacy of documentation submitted by Members we determined the general parameters of what could be considered as adequate versus inadequate supporting documentation for a payment to Members. In determining these general parameters, we also considered what a “reasonable person” would consider as adequate supporting documentation.

There is no doubt that there were issues with regards to what documents a Member could provide in support of a claim. In accepting multiple types of documentation such as cancelled cheques, receipts, invoices, and supplier statements, the likelihood of claiming an item more than once (i.e. double billings) increased significantly. Furthermore, the lack of detail regarding purpose, dates and/or location for expenses such as private vehicle mileage and per diems for meals and accommodations allows inappropriate items or errors to go undetected.

We identified instances totalling \$5.4 million where documentation was considered to be inadequate. In these cases it was not always possible to conclude whether the money was spent appropriately. Inadequate documentation is comprised of the following two categories:

**\$883,360 - No Documentation on File**

Of this amount, \$534,136 or 60.5% of the total related to 5 Members. Furthermore, \$588,193 or 67% of the total related to the five years 1999-00 through to 2003-04 and coincided with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. There was a huge decrease in 2004-05.

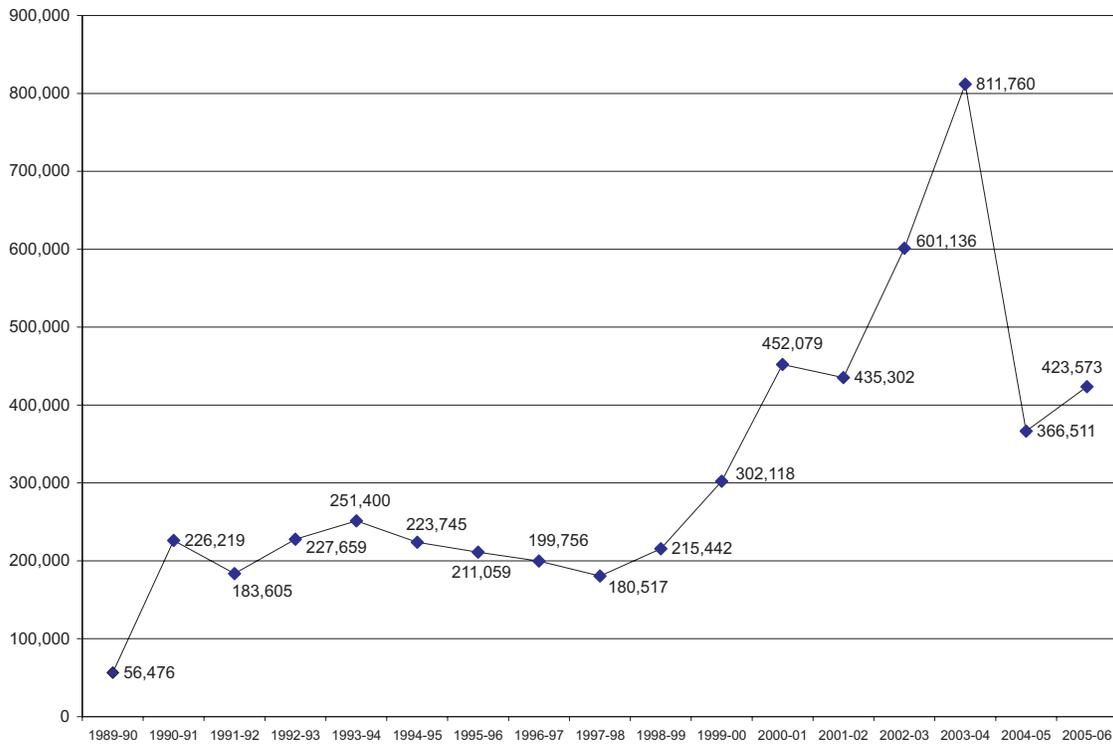
**\$4,484,997 - Inadequate Documentation on File**

The inadequate documentation can be categorized as:

- Private Vehicle Mileage \$1,870,390
- Per diems \$820,997
- Donations \$321,484
- Entertainment \$592,085
- Other Documentation Issues \$880,041

Of the \$4.5 million in inadequate documentation, \$2,014,202 (45%) was claimed in the five years 1999-00 through to 2003-04, the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

The following chart shows the combined \$5.4 million of inadequate supporting documentation by fiscal year.



In concluding on the appropriateness of expenditures and the adequacy of documentation, two key observations emerge as depicted in the graphs:

**First:**

Instances of inappropriate expenditures and inadequate documentation escalated significantly coinciding with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. In 1998-99 inappropriate claims totalled \$111,061 - by 2003-04 they totalled \$388,948, an increase of 250%. Inadequate documentation in 1998-99 totalled \$215,442 and by 2003-04 they totalled \$811,760, an increase of 277%.

**Second:**

Instances of inappropriate expenditures and inadequate documentation decreased significantly since 2003-04.

With the adoption of the recommendations in the Green Commission Report, the restoration of independent scrutiny by the Auditor General and the Comptroller General, and the hiring of professional accountants, I am confident that the financial controls and management practices for the House of Assembly establishment have significantly improved.

**JOHN L. NOSEWORTHY, CA**  
**Auditor General**

---

## Background

---

The financial and administrative affairs of the House of Assembly are overseen by the Commission of Internal Economy (IEC - now the House of Assembly Management Commission). The Commission is a standing committee of Members of the House of Assembly chaired by the Speaker.

In 1988, the *Internal Economy Commission Act* was amended to provide for an independent Commission to review total remuneration of the Members of the House of Assembly (Members) and report to the Speaker with recommendations that would be final and binding. In September 1989, a *Report of the Commission on Remuneration to Members of the House of Assembly* (known as the “Morgan Report”) was presented to the then Speaker of the House of Assembly. The Report contained a series of recommendations on remuneration (Appendix A) which were adopted by the IEC. Under authority of the *Internal Economy Commission Act*, these initial recommendations have been varied periodically by decisions of the IEC.

One type of remuneration is the constituency allowance. Consistent with the Morgan Report, the IEC's Annual Reports to the House of Assembly defined the constituency allowance as follows:

*“Each Member [of the House of Assembly] is entitled to an accountable constituency allowance. This allowance is for the payment of expenditures incurred in the performance of constituency business and may cover such items as office rental, equipment, supplies, secretarial and other support services, information material such as newspapers, advertising, purchase of flags, pins, etc..”*

Amounts charged to a Member's constituency allowance account must include appropriate supporting documentation. This includes either:

- amounts claimed by Members on an expense claim form outlining those items for which Members are seeking reimbursement; or
- direct payments to suppliers on behalf of Members.

---

Each electoral District has a prescribed maximum constituency allowance set by the IEC. As of 31 March 2006, constituency allowances (Appendix B) ranged from a low of \$14,400 for Members in St. John's and Mount Pearl Districts to a high of \$84,800 for the District of Torngat Mountains in Labrador. The allowance for each District varies based on such factors as the distance to and from the District and the House of Assembly, and the size of the District.

---

**Reaction to audit findings in 2000 - amendment of the *IEC Act***

In 2000, our Office brought to the attention of the IEC that a Member, who was also a Cabinet Minister, had what we considered claims for inappropriate expense items - artwork and alcohol. The IEC's reaction to our audit findings was to ask our Office to leave the House of Assembly establishment and cease audit work on Members' constituency allowances. At the same time, the IEC arranged for amendments to the *Internal Economy Commission Act* as follows:

- Section 8 was amended which resulted in the House of Assembly establishment not having to provide documentation to the Office of the Comptroller General in support of expenditures. As a result, supporting documentation was no longer subject to the same scrutiny as Government expenditures.
- Section 9 was amended so that the IEC could engage a private sector accounting firm to conduct the annual audit of the House of Assembly establishment. As a result, the Office of the Auditor General no longer had access without invitation and the House of Assembly establishment was, therefore, not subject to the same audit process as Government.

It was apparent that the IEC did not want the House of Assembly establishment to be subjected to the same audits and controls as Government expenditures. This was also highlighted in the Green Commission Report released in June 2007 which stated that “*The House effectively exempted itself from the key control frameworks of government, and instituted no replacement policies or controls.*”

---

**New administration asks Auditor General to perform audits**

In 2004, Government under the new administration asked our Office to start performing audit work at the House of Assembly establishment. Initially, we performed audits on:

- the Office of the Child and Youth Advocate;
- the Office of the Citizens' Representative; and
- the Office of the Chief Electoral Officer.

---

These audits identified significant issues at each office and also identified significant accounting issues at the House of Assembly establishment.

In January 2006, we started audit work at the House of Assembly establishment which was focused on constituency allowance claims. This work resulted in a series of reports which were issued in June and July of 2006. The reports identified excess constituency allowance claims and questionable payments to suppliers.

In July 2006, the Lieutenant-Governor in Council requested that we expand our review of constituency allowance claims for Members of the House of Assembly back to the 1989-90 fiscal year. This review consisted of two phases:

#### **Phase I**

This was the expanded review to identify any further excess constituency allowance claims by Members of the House of Assembly back to fiscal year 1989-90. This phase was completed and a report was issued in January 2007 identifying additional incidents of excess constituency allowance claims.

In total, 12 reports have been issued as follows:

- 9 identified excess constituency allowance claims totalling approximately \$1.6 million for five Members of the House of Assembly;
- 2 identified double billings; and
- 1 identified questionable payments to certain suppliers.

#### **Phase II**

This phase is the subject of this Report and relates to a review of the appropriateness of constituency allowance claims by Members of the House of Assembly and the adequacy of supporting documentation.

---

### **Chief Justice reviews weaknesses in financial controls and management practices**

Subsequent to our initial findings on excess constituency allowance claims, there was a significant amount of discussion about weaknesses in financial controls and management practices at the House of Assembly establishment.

On 20 July 2006, Government authorized a Terms of Reference for a review to be undertaken by the Chief Justice of the Supreme Court of Newfoundland and Labrador (Trial Division). The Terms of Reference included a review and evaluation of the policies and procedures regarding compensation and constituency allowances for Members of the House of Assembly.

---

On 4 June 2007, the Green Commission Report was provided to Government. The Report provided 80 recommendations to strengthen controls and practices at the House of Assembly establishment. It also contained a summary of the evolution of administrative policies and practices at the House of Assembly from 1989 through to 2006, broken down into four distinct periods:

- The Morgan Era 1989-1996;
- The Policy Shift Era 1996-2001;
- The Hold-the-Line Era 2001-2003; and
- The Refocusing Era 2004-2006.

Comments contained in the Report on the evolution of administrative policies and practices are included in Appendix C.

---

## Scope

---

### Period under review

This review of constituency allowance payments for Members covered the fiscal years 1989-1990 through to 2005-06. During this period, there were 122 Members, 7 of whom were identified as being deceased. The remaining 115 Members had over 18,000 constituency allowance claims totalling \$25 million. In addition, there was \$3.8 million in direct payments to suppliers on behalf of Members.

Claims of Ministers, Parliamentary Secretaries and Parliamentary Assistants from the fiscal years 1999-00 to 2005-06 were also included as part of this review. During this period there were approximately 2,800 claims totalling \$4.7 million. These claims were compared against the claims for constituency allowances to determine whether duplicate items were submitted for reimbursement.

---

## Detailed Findings

---

### Controls in the House of Assembly Establishment

---

### Phase I Report - Elimination of financial controls

Our report on Phase I of the work requested by the Lieutenant-Governor in Council, and completed in January 2007, concluded that actions taken in 2000 by the IEC resulted in the effective elimination of established financial controls and management safeguards at the House of Assembly establishment. This resulted in expenditures at the House of Assembly establishment not being subject to the same controls as Government expenditures. Significant deficiencies included:

- 
- the lack of segregation of duties for incompatible functions (ordering, verifying receipt of goods/services, verifying accuracy of supporting documentation, approving payment of claims, and in some cases preparing claims on behalf of a Member);
  - the practice of not always reviewing supporting documentation prior to electronic sign-off of a claim;
  - inadequate monitoring of payments to Members; and
  - the lack of clearly defined policies/rules to define eligible expenditures and to define specific documentation requirements to support expenditures (e.g. original invoice and proof of payment).

As a result of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General, the environment was ripe for errors and inappropriate transactions to occur and remain undetected.

Our elected officials occupy positions of trust and have a responsibility for the stewardship of public money including their own expenses and claims. Regardless of the financial controls or lack thereof at the House of Assembly establishment regarding constituency allowance claims, each Member is ultimately responsible to ensure that their expenditures are appropriate and adequately supported, as would be expected by any reasonable person. Furthermore, Members have always been informed of the limit of their entitlement for constituency allowance.

---

**Phase II -  
Review of  
expenditures**

The focus of this Report is a review of the appropriateness of constituency allowance claims by Members of the House of Assembly and the adequacy of supporting documentation.

The detailed findings of our review are contained in the following sections:

1. How the Money Was Spent
  - A. Constituency Allowance Payments Directly to Members
  - B. Constituency Allowance Payments Directly to Suppliers on Behalf of Members
2. Appropriateness of Claimed Expenditures
  - A. Double Billings
  - B. Donations
  - C. Alcohol
  - D. Claims for Leased Vehicles and Private Vehicle Mileage
  - E. Excess Discretionary Allowance
  - F. Personal Items

- 
- G. Other Observations
    - (i.) Partisan
    - (ii.) Conflicts between Travel and Other Documents
    - (iii.) \$2,875 Special Payment
    - (iv.) Unusual Items
  
  - 3. Adequacy of Supporting Documentation
    - A. No Documentation Provided, Therefore Inadequate
    - B. Documentation Provided But Inadequate
      - (i.) Private Vehicle Mileage
      - (ii.) Per Diems
      - (iii.) Donations
      - (iv.) Entertainment
      - (v.) Other Documentation Issues
  
  - 4. Other Matters
    - A. Office Rent by Member
    - B. Capital Assets

In addition, the following Appendices are attached to this Report:

- A. Recommendations from the *Report of the Commission on Remuneration to Members of the House of Assembly, 18 September 1989* [the Morgan Report]
- B. Approved Constituency Allowance by District, 31 March 2006
- C. Excerpt from Green Commission Report
- D. Category of Claimed Expenditures

---

## 1. How the Money was Spent

---

For the 17 year period covering fiscal years 1989-90 through to 2005-06, the total allowances and assistance paid directly to Members or paid on behalf of Members, excluding HST, was \$80.2 million. Figure 1 provides a summary of the total allowances and assistance by fiscal year.

**Figure 1****House of Assembly: Allowances and Assistance  
Fiscal years 1989-90 through to 2005-06**

<b>Year</b>	<b>Members Salaries (Sessional Indemnity and Non-Taxable Allowance)</b>	<b>Constituency Allowance Payments to Members</b>	<b>Direct Payments on Behalf of Members</b>	<b>Total Allowances and Assistance</b>
2005-06	\$ 3,438,659	\$ 1,558,145	\$ 651,315	\$ 5,648,119
2004-05	3,654,719	1,488,617	426,876	5,570,212
2003-04	2,658,968	2,277,860	541,914	5,478,742
2002-03	3,136,595	1,795,041	395,274	5,326,910
2001-02	3,108,554	1,773,969	252,436	5,134,959
2000-01	3,038,621	1,647,977	206,861	4,893,459
1999-00	3,019,963	1,588,357	282,137	4,890,457
1998-99	2,816,234	1,365,419	172,122	4,353,775
1997-98	2,789,324	1,257,942	2,830	4,050,096
1996-97	2,869,375	1,247,123	10,904	4,127,402
1995-96	2,976,460	1,329,760	303,702	4,609,922
1994-95	3,027,496	1,303,077	12,253	4,342,826
1993-94	2,905,697	1,260,503	168,750	4,334,950
1992-93	3,036,621	1,495,545	99,716	4,631,882
1991-92	2,376,807	1,320,551	83,813	3,781,171
1990-91	2,387,620	1,164,905	23,092	3,575,617
1989-90	4,764,030	560,534	164,201	5,488,765
<b>Total</b>	<b>\$ 52,005,743</b>	<b>\$ 24,435,325</b>	<b>\$ 3,798,196</b>	<b>\$ 80,239,264</b>
<b>%</b>	<b>65%</b>	<b>30%</b>	<b>5%</b>	<b>100%</b>

Source: Public Accounts of the Province of Newfoundland and Labrador

As Figure 1 shows, of the total \$80.2 million, \$52.0 million was paid directly to Members as salary (sessional indemnity and non-taxable allowance), \$24.4 million was reimbursed directly to Members for constituency related expenditures, and \$3.8 million was paid directly to suppliers on behalf of Members.

## 1A. Constituency Allowance Payments Directly to Members

To assess the appropriateness of constituency allowance expenditures claimed by the 115 Members and the adequacy of supporting documentation, we reviewed in excess of 18,000 claims submitted by these Members for reimbursement.

Figure 2 shows the constituency allowance payments made directly to the 115 Members for fiscal years 1989-90 through to 2005-06.

**Figure 2**

### Constituency Allowance Payments Directly to Members Fiscal Years 1989-90 through to 2005-06

Year	Number of Claims	Constituency Allowance Payments to Members (excluding HST)	HST	Deceased Members/ Miscellaneous Adjustments	Total Constituency Allowance Payments to Members
2005-06	763	\$1,558,145	\$183,371	-	\$1,741,516
2004-05	756	1,488,617	177,183	-	1,665,800
2003-04	871	2,277,860	315,833	\$(19,541)	2,574,152
2002-03	835	1,795,041	222,936	(37,275)	1,980,702
2001-02	905	1,773,969	190,195	(58,207)	1,905,957
2000-01	844	1,647,977	179,511	(64,458)	1,763,030
1999-00	980	1,588,357	175,471	(55,545)	1,708,283
1998-99	964	1,365,419	145,152	(58,698)	1,451,873
1997-98	1,005	1,257,942	85,296	(56,994)	1,286,244
1996-97	1,089	1,247,123	-	(56,071)	1,191,052
1995-96	1,189	1,329,760	-	(111,956)	1,217,804
1994-95	1,310	1,303,077	-	(99,289)	1,203,788
1993-94	1,453	1,260,503	-	(105,209)	1,155,294
1992-93	1,751	1,495,545	-	(137,742)	1,357,803
1991-92	1,640	1,320,551	-	(111,357)	1,209,194
1990-91	1,508	1,164,905	-	(121,357)	1,043,548
1989-90	541	560,534	-	(52,989)	507,545
<b>Total</b>	<b>18,404</b>	<b>\$ 24,435,325</b>	<b>\$ 1,674,948</b>	<b>\$ (1,146,688)</b>	<b>\$ 24,963,585</b>

Source: Financial Management System, Government of Newfoundland and Labrador

As Figure 2 shows, claims totalled \$25 million (\$24.4 million plus \$1.7 million HST less \$1.1 million in claims for deceased Members).

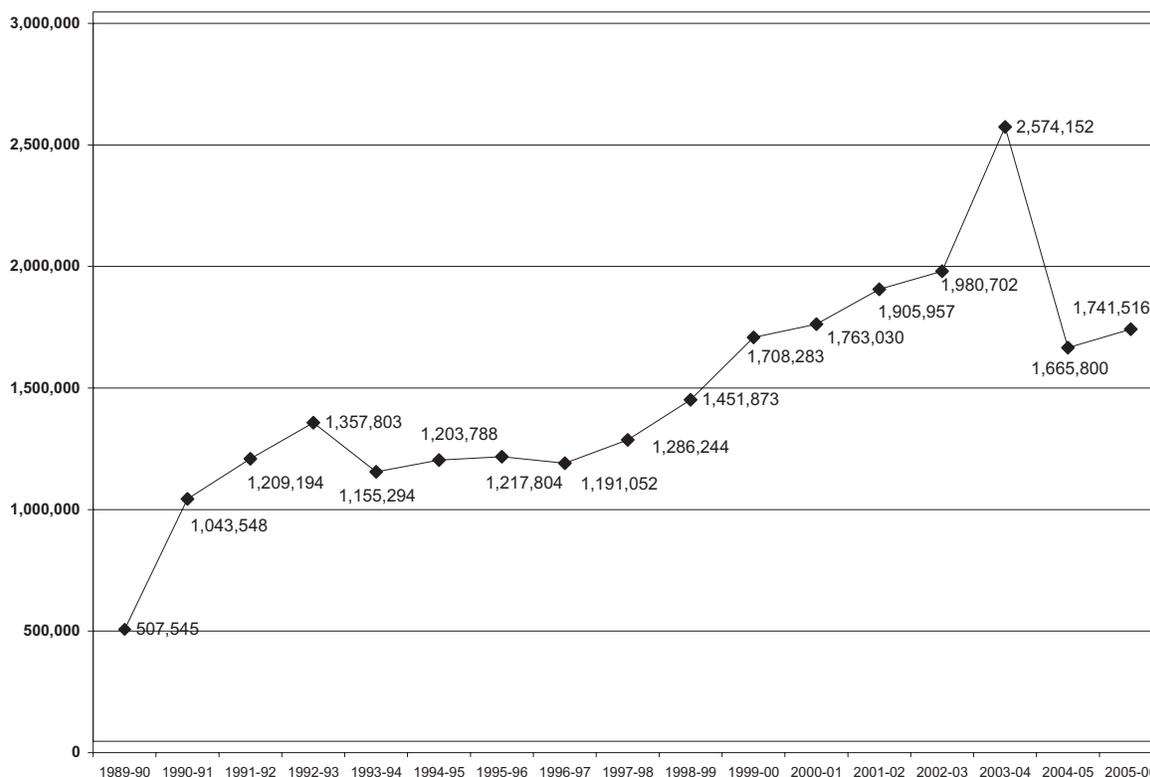
With regards to the HST component, the House of Assembly establishment took the position that Members could claim their publicly disclosed constituency allowance limit plus HST. Effectively, each Member of the House of Assembly would be entitled to an amount greater than what was approved and publicly disclosed by the IEC.

Our Office did not agree with the IEC interpretation. I do note that the Green Commission Report included a determination similar to that of our Office. Although officials at the House of Assembly establishment indicated that the additional HST portion will be eliminated, this new practice will not be implemented until subsequent to the October 2007 General Election.

Figure 3 shows the constituency allowance claims for each fiscal year.

**Figure 3**

**Constituency Allowance Payments  
Fiscal years 1989-90 through to 2005-06**



As Figure 3 shows, the increase in constituency allowance claims from \$1.7 million in 1999-00 to \$2.6 million in 2003-04, an increase of 53%, coincides with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. Furthermore, the Figure clearly shows a marked decrease in claims after 2003-04.

Figure 4 shows how the \$25 million in direct expenditures claimed by Members was spent over this 17 year period. Appendix D provides additional information on the types of claimed expenditures included in each category.

**Figure 4**

**Categorization of Constituency Allowance  
Payments to Members by Expenditure Type  
Fiscal years 1989-90 through to 2005-06**

Year	Per diems	Vehicle mileage claims	Discretionary	Sub-total	Travel	Office expense	Advertising and promotion	Entertainment	Donations	Unallocated <sup>1</sup>	Total
2005-06	\$384,087	\$304,840	\$ 0	\$ 688,927	\$220,156	\$213,431	\$ 204,463	\$117,023	\$265,217	\$ 32,299	\$ 1,741,516
2004-05	400,947	310,826	5,971	717,744	216,691	208,952	167,898	107,540	240,462	6,513	1,665,800
2003-04	306,959	330,905	462,817	1,100,681	251,924	366,300	196,168	146,203	239,978	272,898	2,574,152
2002-03	344,265	267,419	272,093	883,777	245,944	235,482	195,126	118,084	143,089	159,200	1,980,702
2001-02	348,070	249,788	244,366	842,224	286,462	319,437	190,424	118,684	124,007	24,719	1,905,957
2000-01	318,269	253,356	229,421	801,046	251,856	289,992	161,870	110,458	114,217	33,591	1,763,030
1999-00	325,751	238,665	205,284	769,700	237,914	304,325	199,728	90,120	104,388	2,108	1,708,283
1998-99	322,282	213,472	86,434	622,188	278,364	277,909	141,269	63,210	66,626	2,307	1,451,873
1997-98	301,213	196,186	75,033	572,432	233,861	243,791	134,577	54,113	48,121	-651	1,286,244
1996-97	296,796	195,063	31,232	523,091	232,897	226,062	108,413	49,341	41,169	10,079	1,191,052
1995-96	351,350	257,280	0	608,630	235,076	188,504	114,988	44,265	24,285	2,056	1,217,804
1994-95	338,253	245,390	0	583,643	250,220	188,847	104,364	46,569	15,197	14,948	1,203,788
1993-94	286,989	199,596	0	486,585	261,771	196,785	80,460	22,373	13,052	94,268	1,155,294
1992-93	444,172	275,773	0	719,945	314,416	180,444	92,224	24,744	12,336	13,694	1,357,803
1991-92	379,273	245,548	0	624,821	289,134	201,365	65,285	14,285	10,501	3,803	1,209,194
1990-91	290,735	181,607	0	472,342	249,057	168,306	54,326	8,040	7,183	84,294	1,043,548
1989-90	248,070	121,330	0	369,400	86,316	29,841	16,575	2,898	1,280	1,235	507,545
<b>Total \$</b>	<b>5,687,481</b>	<b>4,087,044</b>	<b>1,612,651</b>	<b>11,387,176</b>	<b>4,142,059</b>	<b>3,839,773</b>	<b>2,228,158</b>	<b>1,137,950</b>	<b>1,471,108</b>	<b>757,361</b>	<b>24,963,585</b>
<b>% of Total</b>	<b>22.78%</b>	<b>16.37%</b>	<b>6.46%</b>	<b>45.61%</b>	<b>16.60%</b>	<b>15.38%</b>	<b>8.93%</b>	<b>4.56%</b>	<b>5.89%</b>	<b>3.03%</b>	<b>100%</b>

Source: Financial Management System, Government of Newfoundland and Labrador

Source: Constituency Allowance Claims

Note 1: Represents instances where documentation was either not available or illegible.

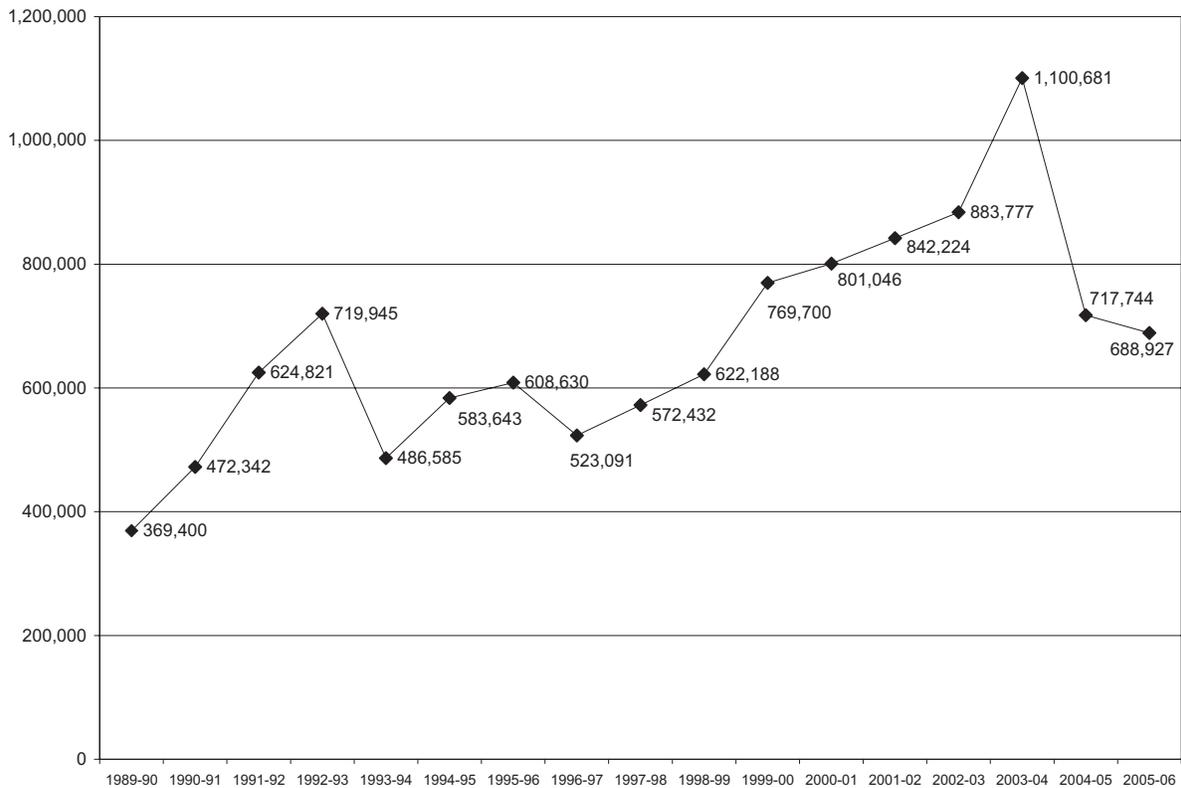
As Figure 4 shows, over the 17 year period, there were substantial increases in claims by Members for all expenditure types.

As Figure 4 also shows, approximately \$11.4 million or 46% of total direct payments to Members were for per diems for meals and accommodations, vehicle mileage claims and discretionary payments. Claims for per diems and vehicle mileage are not required to be supported by receipts or invoices from a third party even though the Member would incur expenses while travelling. With regards to discretionary payments, before they were eliminated commencing in 2004-05, a Member could claim \$4,800 plus HST per year without any receipts. As a result of not requiring receipts or invoices for any of these claims, these items could be considered as “cash-in-pocket.”

Figure 5 shows the amounts claimed for these “cash-in-pocket” type claims by Members from 1989-90 through to 2005-06.

**Figure 5**

**Constituency Allowance Payments to Members  
“Cash-in-Pocket” Claims  
Fiscal years 1989-90 through to 2005-06**



---

As Figure 5 shows, there were generally increases in claims by Members for per diems, vehicle mileage claims and discretionary payments, none of which were required to be supported by receipts or invoices from a third party.

The most significant increases coincide with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

A portion of the increase in 2003-04 related to the General Election in October 2003 when many Members, who either did not run or were defeated in the election, took \$425,000 (or 94%) of their annual constituency allowance of \$452,500 over only half the year. Therefore, new Members to the Assembly required new funds. Of the \$425,000, \$199,000 related to claims for “cash-in-pocket” items.

A portion of the decrease in 2004-05 can be attributed to the elimination of discretionary allowances.

---

### **1B. Constituency Allowance Payments Directly to Suppliers on Behalf of Members**

---

As outlined in Figure 1, for the 17 year period covering fiscal years 1989-90 through to 2005-06, \$3.8 million was paid directly to suppliers on behalf of certain Members. A summary of these payments and other miscellaneous expenditures and adjustments is shown in Figure 6.

**Figure 6**

**Summary of Direct Payments to Suppliers on Behalf of Members  
and Other Miscellaneous Expenditures and Adjustments  
Fiscal years 1989-90 through to 2005-06**

<b>Description</b>	<b>Direct Payments on Behalf of Members</b>
Zodiac Agencies, JAS Enterprises Limited, Cedar Scents International	\$ 1,329,906
Unique Keepsakes	44,515
Sub-total	1,374,421
Payments to Individuals (mainly Executive Assistants)	523,309
Leasing of Office Equipment	619,300
Promotions	205,966
Travel	57,267
Office Supplies	51,445
Other Suppliers	210,884
Journal Vouchers (Note 1)	755,604
<b>Total</b>	<b>\$ 3,798,196</b>

Source: Financial Management System, Government of Newfoundland and Labrador

Note 1: Journal voucher transfers without sufficient information to determine allocation

As Figure 6 shows, \$1.4 million or 36% of all direct payments to suppliers charged to the constituency allowance account were made to 4 companies - Zodiac Agencies, JAS Enterprises Limited, Cedar Scents International and Unique Keepsakes. In addition to these payments, which were made directly to suppliers on their behalf, Members claimed \$159,764 for expenditures they paid directly to these suppliers. This is part of the \$25 million in Figure 2.

In June 2006, our Office issued a separate report on payments made by the House of Assembly establishment to these 4 companies. The Report indicated that 3 companies which appeared to be related - Zodiac Agencies, JAS Enterprises Limited and Cedar Scents International - received a total of \$2.6 million from various accounts (including the constituency allowance account) within the House of Assembly establishment. The Report questioned the legitimacy of at least a portion of the payments to these companies.

The Report also concluded that the 4<sup>th</sup> company, Unique Keepsakes, received \$170,401 and was a company owned by Mr. Bill Murray, the former Director of Financial Operations of the House of Assembly and/or his spouse and thus transactions with this company were conflict of interest situations.

---

During the review, it was noted that lease payments for office equipment to the current leasing company appeared to be significant compared to amounts paid to previous companies. We found that for the period from 1989-90 to 2000-01, payments for the leasing of office equipment charged to constituency allowances totalled \$191,250. However, for the subsequent period up to 2005-06 leasing of office equipment from a new supplier, and charged to constituency allowances, totalled \$428,050.

We held initial meetings with officials of the House of Assembly to discuss this issue. As a result, these officials requested that the Office of the Comptroller General perform an internal audit of current and past leasing arrangements for office equipment (photocopiers, facsimiles and shredders). This review identified serious concerns including the following:

- All transactions were processed by the House of Assembly financial operations yet no files, records or other documentation were discovered concerning these transactions other than invoices.
- It appeared that the acquisition process for office equipment for the House of Assembly was the sole responsibility of the former Director of Financial Operations and that all contracts were awarded to the same supplier. The transactions appeared to have been completed outside the normal purchasing process.
- The cost of the current lease agreements may be higher than the fair market value of similar equipment.
- In several instances, new equipment was ordered and delivered without the divisional offices of the House of Assembly requesting the equipment or without their prior knowledge.
- Of the equipment listed on the current contracts for which the House of Assembly is still paying lease payments, 16 copiers, as well as other miscellaneous equipment, could not be located.
- It would be more cost effective to replace the ageing equipment than to pay for a maintenance contract.

Officials at the House of Assembly indicated that the Royal Newfoundland Constabulary is aware of this matter.

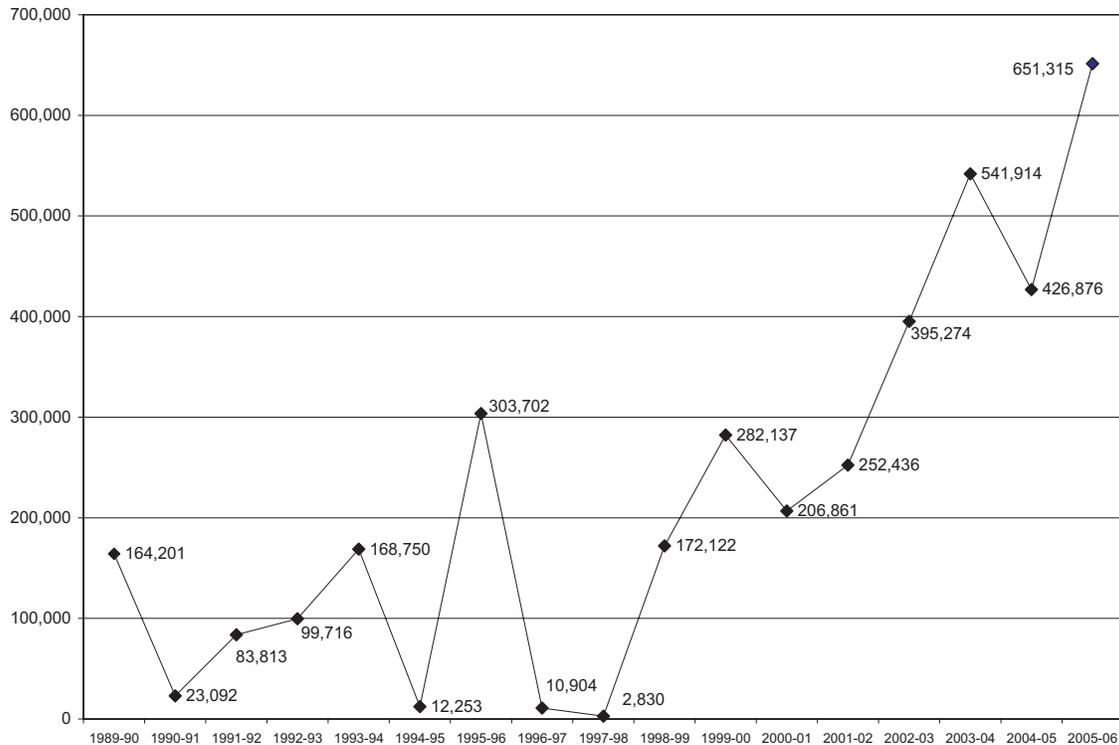
---

Figure 7 provides information on direct payments to suppliers by fiscal year.

---

**Figure 7**

**Direct Payments to Suppliers  
Fiscal years 1989-90 through to 2005-06**



As Figure 7 shows, there was a significant increase in direct payments to suppliers during the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

---

## **2. Appropriateness of Claimed Expenditures**

---

In assessing the appropriateness of the expenditures claimed by Members, we considered the existing rules governing constituency allowances (i.e. the Morgan Report recommendations and subsequent amendments approved by the IEC). We also considered what a “reasonable person” would consider inappropriate.

---

Consistent with the Morgan Report, the IEC's Annual Reports to the House of Assembly defined the constituency allowance as an allowance “...for the payment of expenditures incurred in the performance of constituency business and may cover such items as office rental, equipment, supplies, secretarial and other support services, information material such as newspapers, advertising, purchase of flags, pins, etc..”

Although there was a definition of what could be included in a constituency allowance, it is obvious that the interpretation of the purpose of the allowance by the Members and the lack of monitoring of expenditures at the House of Assembly establishment resulted in significant amounts of claims for items that did not fit the definition of items that were for constituency business. As a result, there were many examples of inappropriate expenditures claimed by Members.

For our purposes, the following categories of expenditures would not be considered appropriate for reimbursement from a constituency allowance.

- Double Billings
- Donations
- Purchase of Alcohol-Only i.e. not including alcohol with meals
- Claims for Leased Vehicles and Private Vehicle Mileage
- Excess Discretionary Allowance
- Personal Items

I note that the Green Commission Report also made a determination as to what should be considered as inappropriate expenditures for purposes of constituency allowances. The Report indicated that:

*“The rules should clearly stipulate that there shall be no reimbursement to MHAs for such expenditures as charitable donations, sponsorships of individuals or groups, raffle tickets, alcoholic beverages, artwork, gifts, travel costs for constituents, travel costs for spouses or dependents, financial assistance to constituents, or expenses related to politically partisan activities.”*

---

Our review indicated that over the fiscal years 1989-90 through to 2005-06, there were inappropriate claims totalling \$2.2 million (8.8% of total constituency allowance claims). Figure 8 provides a summary of these claims by fiscal year.

**Figure 8****Inappropriate Constituency Allowance Claims  
Fiscal years 1989-90 through to 2005-06**

Year	Number of Members	Total Inappropriate Claims	Inappropriate Claims by year as a % of Total Inappropriate	Total Constituency Allowance Claims	Inappropriate Claims as a % of Total Claims
2006-07 <sup>1</sup>	4	\$ 3,359	0.15%		
2005-06	49	299,261	13.57%	\$ 1,741,516	17.18%
2004-05	48	284,725	12.91%	1,665,800	17.09%
2003-04	62	388,948	17.63%	2,574,152	15.11%
2002-03	48	272,729	12.36%	1,980,702	13.77%
2001-02	48	217,200	9.85%	1,905,957	11.40%
2000-01	47	197,602	8.96%	1,763,030	11.21%
1999-00	46	169,030	7.66%	1,708,283	9.89%
1998-99	49	111,061	5.03%	1,451,873	7.65%
1997-98	45	75,185	3.41%	1,286,244	5.85%
1996-97	44	65,601	2.97%	1,191,052	5.51%
1995-96	43	37,765	1.71%	1,217,804	3.10%
1994-95	44	24,322	1.10%	1,203,788	2.02%
1993-94	42	20,088	0.91%	1,155,294	1.74%
1992-93	42	16,357	0.74%	1,357,803	1.20%
1991-92	34	12,344	0.56%	1,209,194	1.02%
1990-91	26	9,051	0.41%	1,043,548	0.87%
1989-90	11	1,563	0.07%	507,545	0.31%
<b>Total</b>	<b>110</b>	<b>\$ 2,206,191</b>	<b>100.00%</b>	<b>\$ 24,963,585</b>	<b>8.84%</b>

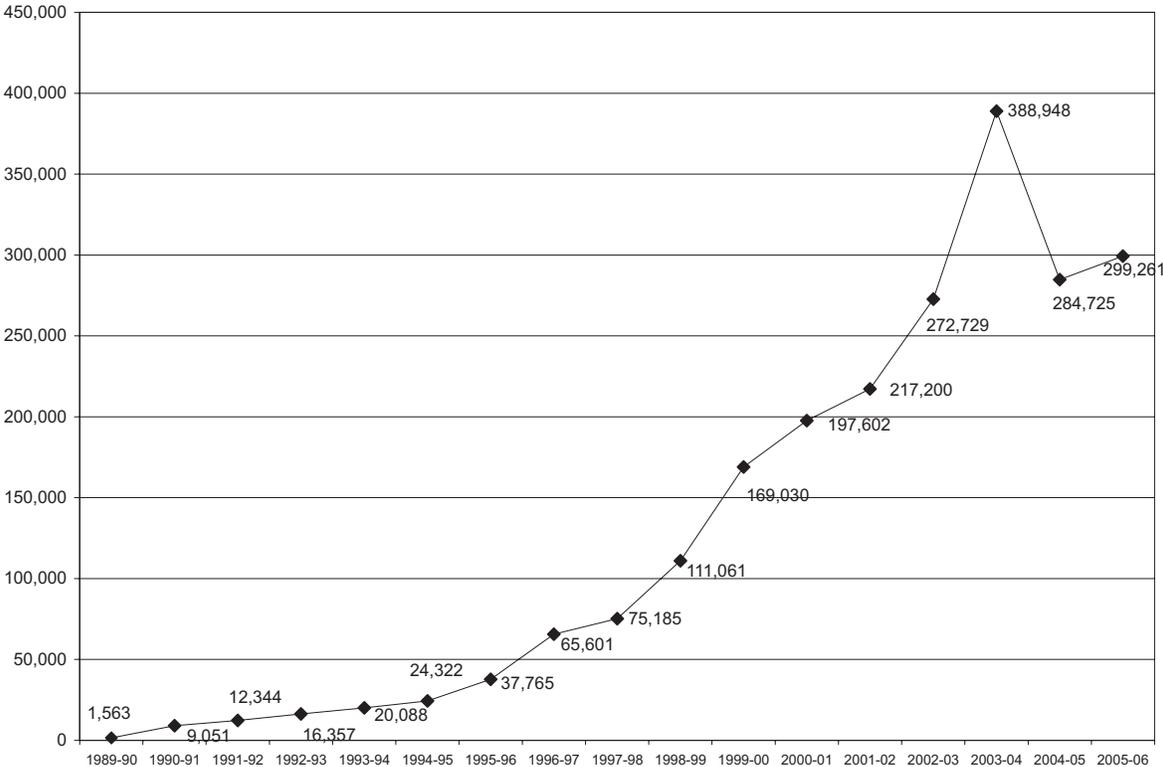
Note 1: Relates to extended sample on double billings

As Figure 8 shows, of the \$2,206,191 in inappropriate claims, \$1,245,509 (56%) was claimed from fiscal years 1999-00 through to 2003-04, the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

Figure 9 shows the trend of inappropriate constituency allowance claims by Members for the fiscal years 1989-90 through to 2005-06.

Figure 9

**Inappropriate Constituency Allowance Claims  
Fiscal years 1989-90 through to 2005-06**



As Figure 9 shows, there was a marked increase in inappropriate claims by Members from 1999-00, coinciding with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. Furthermore, the Figure shows a substantial decrease after 2003-04.

Figure 10 provides details of the inappropriate constituency allowance claims by Members among the previously identified categories.

**Figure 10**

**Inappropriate Constituency Allowance Claims  
By Category  
Fiscal years 1989-90 through to 2005-06**

Category	Number of Members	Amount of Inappropriate Expenditures	Category as a % of Total Inappropriate
2A. Double Billings (constituency only)	87	\$ 195,239	8.85%
2B. Donations	108	1,471,108	66.68%
2C. Alcohol-Only	57	118,806	5.39%
2D. Claims for Leased Vehicles and Private Vehicle Mileage	4	57,872	2.62%
2E. Excess Discretionary Allowance	33	201,219	9.12%
2F. Personal Items	57	161,947	7.34%
<b>Total</b>		<b>\$2,206,191</b>	<b>100%</b>

The following sections outline our observations with respect to each category of inappropriate expenditure:

---

## **2A. Double Billings**

---

A double billing occurs when a Member receives reimbursement for an expenditure which had previously been claimed, or claimed more than once on the same claim form.

In assessing double billings, in addition to reviewing the constituency allowance expenditures claimed by Members for the 17 year period 1989-90 through to 2005-06, we also reviewed the expenditure claims of Ministers, Parliamentary Secretaries and Parliamentary Assistants for the fiscal years 1999-00 through to 2005-06 to determine if there were additional double billings. Our conclusions were based upon the documentation available to support Members' claims.

We sent a letter (through the House of Assembly) to each Member who had double billings outlining the details of the double billings and suggested that they resolve the matter with the Clerk of the House of Assembly.

Overall, we identified 1,224 instances totalling \$212,108 where 88 Members submitted a claim and received reimbursement for an expenditure which appeared to have been previously claimed or claimed more than once on the same claim. The double billings are comprised of the following:

- \$195,239 were double billings within the constituency allowance, of which;
  - \$183,596 were double billings where both claims were charged to constituency allowances; and
  - \$11,643 were double billings where a claim was charged to constituency allowances even though it was also claimed within the departmental accounts for Ministers, Parliamentary Secretaries and Parliamentary Assistants.
- \$16,869 were double billings within departmental accounts for Ministers, Parliamentary Secretaries and Parliamentary Assistants.

The details of the double billings totalling \$212,108 by Members are outlined in Figure 11.

**Figure 11**

**Double Billings by Members  
Fiscal years 1989-90 through to 2005-06**

	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Double Billings</b>	<b>Average Double Billings per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Double Billings as a % of Total Constituency Allowance</b>
1	Andersen, Wally	11	\$17,484	\$1,589	\$1,166,209	1.50%
2	Aylward, Joan Marie	8	898	112	102,218	0.88%
3	Aylward, Kevin	15	16,727	1,115	475,889	3.51%
4	Aylward, Robert	4	51	13	20,586	0.25%
5	Baker, Winston	7	0	0	110,576	0.00%
6	Barrett, Percy	17	4,175	246	686,884	0.61%
7	Bettney, Julie	9	326	36	98,627	0.33%
8	Brett, Charles	1	0	0	5,390	0.00%
9	Burke, Joan	3	241	80	118,647	0.20%
10	Butler, Roland	5	1,515	303	164,242	0.92%
11	Byrne, Ed	13	19,461	1,497	643,609	3.02%
12	Byrne, Jack	13	810	62	217,773	0.37%
13	Canning, Perry	4	4	1	163,308	0.00%
14	Careen, Nick	3	0	0	70,039	0.00%
15	Collins, Felix	1	0	0	1,351	0.00%

**Figure 11 (cont.)**

	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Double Billings</b>	<b>Average Double Billings per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Double Billings as a % of Total Constituency Allowance</b>
16	Collins, Randy	8	27,656	3,457	771,105	3.59%
17	Crane, John	7	0	0	143,528	0.00%
18	Decker, Chris	10	140	14	350,003	0.04%
19	Denine, David	3	0	0	42,080	0.00%
20	Dicks, Paul	13	2,659	205	370,202	0.72%
21	Doyle, Norman	5	0	0	64,305	0.00%
22	Duff, Shannie	2	0	0	3,362	0.00%
23	Dumaresque, Danny	7	160	23	279,866	0.06%
24	Dunderdale, Kathy	3	113	38	26,011	0.43%
25	Efford, John	13	469	36	270,221	0.17%
26	Fitzgerald, Roger	13	1,335	103	533,349	0.25%
27	Flight, Graham	10	59	6	253,705	0.02%
28	Foote, Judy	11	1,473	134	329,265	0.45%
29	Forsey, Clayton	1	11	11	29,434	0.04%
30	French, Terry	4	1,990	498	78,060	2.55%
31	Furey, Chuck	12	760	63	201,178	0.38%
32	Gibbons, Rex	9	0	0	39,948	0.00%
33	Gilbert, Dave	7	53	8	239,643	0.02%
34	Goudie, Kathy	3	3,818	1,273	115,860	3.30%
35	Gover, Aubrey	5	250	50	83,174	0.30%
36	Greening, Glenn	5	0	0	88,258	0.00%
37	Grimes, Roger	17	393	23	347,069	0.11%
38	Harding, Harry	4	2,717	679	159,625	1.70%
39	Harris, Jack	16	2,179	136	196,871	1.11%
40	Hearn, Loyola	5	0	0	84,269	0.00%
41	Hedderson, Tom	8	801	100	211,271	0.38%
42	Hewlett, Alvin	7	0	0	200,550	0.00%
43	Hickey, John	3	3,770	1,257	120,702	3.12%
44	Hodder, Harvey	13	129	10	185,460	0.07%
45	Hodder, James	8	882	110	262,359	0.34%
46	Hodder, Mary	9	2,738	304	315,374	0.87%
47	Hogan, William	4	348	87	87,580	0.40%
48	Hulan, Bud	3	0	0	85,583	0.00%
49	Hunter, Ray	8	3,664	458	346,709	1.06%
50	Hynes, Barry	2	0	0	25,921	0.00%

**Figure 11 (cont.)**

	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Double Billings</b>	<b>Average Double Billings per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Double Billings as a % of Total Constituency Allowance</b>
51	Jackman, Clyde	3	439	146	98,897	0.44%
52	Johnson, Charlene	3	20	7	92,695	0.02%
53	Jones, Yvonne	11	12,167	1,106	758,955	1.60%
54	Joyce, Ed	8	368	46	348,448	0.11%
55	Kelland, Jim	4	0	0	85,619	0.00%
56	Kelly, Sandra	9	3,428	381	244,461	1.40%
57	Kitchen, Hubert	6	0	0	43,206	0.00%
58	Langdon, Oliver	17	2,050	121	712,814	0.29%
59	Lush, Tom	15	4,087	272	403,999	1.01%
60	Mackey, Mike	1	67	67	21,227	0.32%
61	Manning, Fabian	11	305	28	314,939	0.10%
62	Marshall, Elizabeth	3	375	125	38,877	0.96%
63	Marshall, Tom	3	583	194	86,172	0.68%
64	Matthews, Lloyd	11	5,383	489	133,445	4.03%
65	Matthews, William	7	176	25	207,872	0.08%
66	McLean, Ernest	9	5,372	597	259,104	2.07%
67	Mercer, Robert	9	2,422	269	330,270	0.73%
68	Murphy, Thomas	7	154	22	100,736	0.15%
69	Noel, Walter	15	965	64	193,109	0.50%
70	O'Brien, Kevin	3	974	325	87,342	1.12%
71	Oldford, Douglas	9	1,186	132	303,090	0.39%
72	Oram, Paul	3	406	135	76,792	0.53%
73	Osborne, Sheila	9	1,073	119	136,965	0.78%
74	Osborne, Tom	11	1,947	177	148,454	1.31%
75	Ottenheimer, John	11	0	0	144,651	0.00%
76	Parsons, Kelvin	8	2,073	259	436,197	0.48%
77	Parsons, Kevin	4	48	12	29,748	0.16%
78	Penney, Melvin	10	868	87	348,021	0.25%
79	Power, Charles	4	0	0	59,073	0.00%
80	Ramsay, William	10	5,658	566	440,073	1.29%
81	Reid, Art	10	136	14	212,863	0.06%
82	Reid, Gerry	11	1,531	139	406,467	0.38%
83	Rideout, Thomas	11	1,249	114	336,838	0.37%
84	Ridgley, Bob	3	921	307	40,939	2.25%
85	Roberts, Edward	4	0	0	61,073	0.00%

**Figure 11 (cont.)**

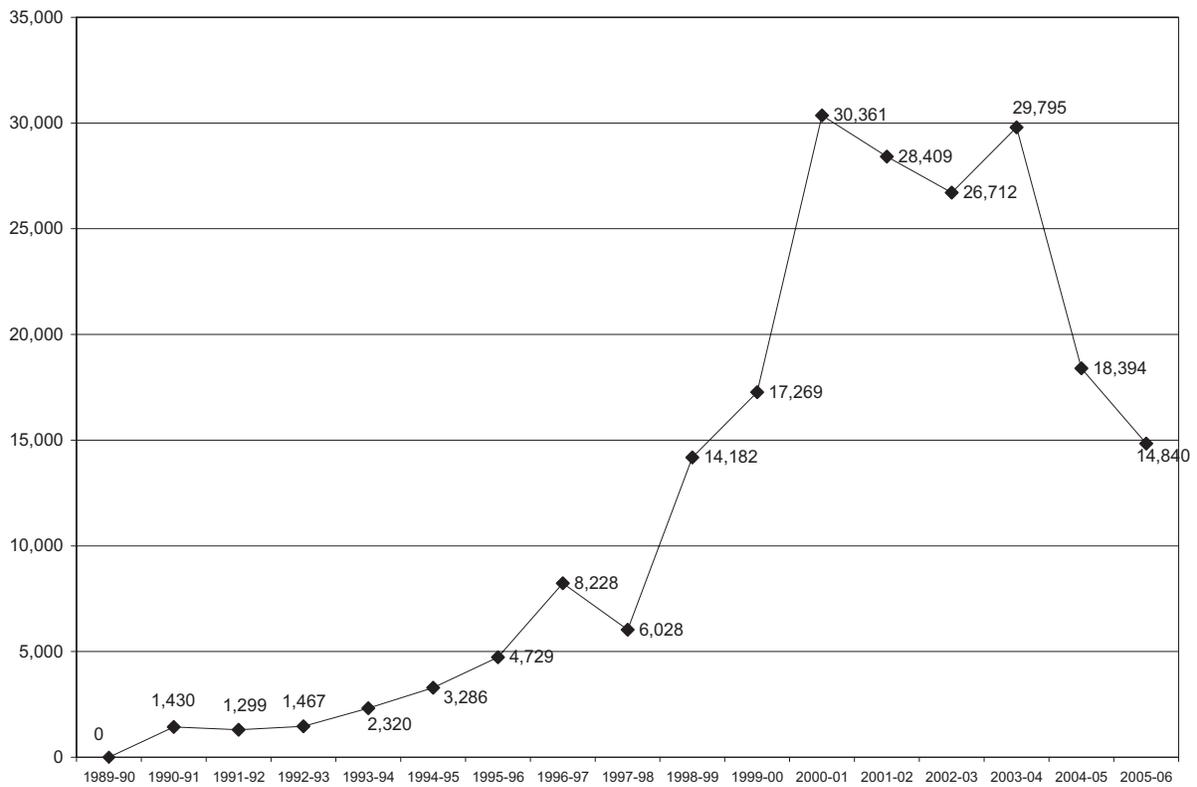
	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Double Billings</b>	<b>Average Double Billings per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Double Billings as a % of Total Constituency Allowance</b>
86	Shelley, Paul	13	9,109	701	580,584	1.57%
87	Short, Larry	5	0	0	130,096	0.00%
88	Simms, Leonard	7	0	0	141,343	0.00%
89	Skinner, Shawn	3	275	92	39,647	0.69%
90	Small, Harold	3	127	42	77,813	0.16%
91	Smith, Gerald	11	1,508	137	421,713	0.36%
92	Snow, Alec	7	0	0	333,964	0.00%
93	Snow, Lloyd	15	513	34	469,336	0.11%
94	Sparrow, Anthony	4	852	213	86,682	0.98%
95	Sullivan, Loyola	14	162	12	446,586	0.04%
96	Sweeney, George	8	1,998	250	266,608	0.75%
97	Taylor, Trevor	6	2,467	411	227,896	1.08%
98	Thistle, Anna	11	698	63	381,282	0.18%
99	Tobin, Brian	5	0	0	107,908	0.00%
100	Tobin, Glen	7	14	2	187,683	0.01%
101	Tulk, Beaton	10	7,237	724	248,922	2.91%
102	Verge, Lynn	7	0	0	211,426	0.00%
103	Vey, Gary	1	931	931	17,676	5.27%
104	Walsh, Jim	15	3,685	246	507,941	0.73%
105	Warren, Philip	4	0	0	20,685	0.00%
106	Wells, Clyde	7	0	0	17,091	0.00%
107	Whalen, Dianne	3	291	97	44,807	0.65%
108	Whelan, Don	6	931	155	148,743	0.63%
109	Williams, Danny	5	651	130	146,893	0.44%
110	Windsor, Neil	7	40	6	131,528	0.03%
111	Winsor, Sam	5	0	0	121,358	0.00%
112	Wiseman, Ralph	9	187	21	118,330	0.16%
113	Wiseman, Ross	6	2,534	422	253,446	1.00%
114	Young, Kay	3	407	136	81,992	0.50%
115	Young, Wallace	6	801	134	262,927	0.30%
	<b>Total</b>		<b>\$212,108</b>		<b>\$24,963,585</b>	<b>0.85%</b>

As Figure 11 shows, a significant number of Members had instances of double billings. In fact, 88 (or 77%) of the 115 Members reviewed had double billings.

Figure 12 shows the extent of double billings by fiscal year.

**Figure 12**

**Double Billing by Members  
Fiscal years 1989-90 through to 2005-06**



As Figure 12 shows, there was an increase in double billings by Members from 1997-98, with a substantial decrease after 2003-04. The Figure also shows that double billings increased substantially during the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

---

## 2B. Donations

---

Although it was common practice for Members to make donations, the constituency allowance was clearly never intended for such a purpose. This is evidenced by the IEC definition which indicates that the constituency allowance is for the payment of expenditures incurred in the performance of constituency business.

For the 17 year period 1989-90 through to 2005-06, Members claimed donations totalling \$1.5 million. Of this amount, \$56,150 was provided to registered charities and was also supported with a copy of an official income tax receipt. A concern with this practice is that there is no way to determine whether Members claimed these donations on their personal tax returns and thus, received a personal benefit from public funds.

In addition to donations to various registered charities, donations were also provided for many other purposes such as:

- sports and school activities;
- festivals and other community events;
- donations to local fire departments and other community organizations; Airfare and other transportation for individuals (including transport of human remains);
- accommodations for individuals;
- clothing (including high-end brand names);
- eyeglasses and medical devices;
- small appliances and other household goods;
- various fees including ambulance, birth/baptism/marriage certificates, replacement of Social Insurance Number card and passports;
- other goods and services such as legal fees, excavating services, and furnace repairs;
- educational support; and
- raffle tickets claimed after the draw date.

Figure 13 provides details of donations by Member.

**Figure 13**

**Donations Claimed by Members  
Fiscal years 1989-90 through to 2005-06**

	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Donations Claimed</b>	<b>Average Donations Claimed per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Donations Claimed as a % of Total Constituency Allowance</b>
1	Andersen, Wally	11	\$88,954	\$8,087	\$1,166,209	7.63%
2	Aylward, Joan Marie	8	8,072	1,009	102,218	7.90%
3	Aylward, Kevin	15	7,923	528	475,889	1.66%
4	Aylward, Robert	4	200	50	20,586	0.97%
5	Baker, Winston	7	825	118	110,576	0.75%
6	Barrett, Percy	17	43,444	2,556	686,884	6.32%
7	Bettney, Julie	9	17,521	1,947	98,627	17.76%
8	Brett, Charles	1	0	0	5,390	0.00%
9	Burke, Joan	3	7,259	2,420	118,647	6.12%
10	Butler, Roland	5	29,234	5,847	164,242	17.80%
11	Byrne, Ed	13	63,284	4,868	643,609	9.83%
12	Byrne, Jack	13	31,780	2,445	217,773	14.59%
13	Canning, Perry	4	2,258	565	163,308	1.38%
14	Careen, Nick	3	1,200	400	70,039	1.71%
15	Collins, Felix	1	0	0	1,351	0.00%
16	Collins, Randy	8	6,137	767	771,105	0.80%
17	Crane, John	7	2,413	345	143,528	1.68%
18	Decker, Chris	10	210	21	350,003	0.06%
19	Denine, David	3	10,925	3,642	42,080	25.96%
20	Dicks, Paul	13	275	21	370,202	0.07%
21	Doyle, Norman	5	861	172	64,305	1.34%
22	Duff, Shannie	2	0	0	3,362	0.00%
23	Dumaresque, Danny	7	765	109	279,866	0.27%
24	Dunderdale, Kathy	3	12,200	4,067	26,011	46.90%
25	Efford, John	13	7,018	540	270,221	2.60%
26	Fitzgerald, Roger	13	17,942	1,380	533,349	3.36%
27	Flight, Graham	10	2,415	242	253,705	0.95%
28	Foote, Judy M	11	69,131	6,285	329,265	21.00%
29	Forsey, Clayton	1	3,011	3,011	29,434	10.23%
30	French, Terry	4	7,593	1,898	78,060	9.73%

**Figure 13 (cont.)**

	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Donations Claimed</b>	<b>Average Donations Claimed per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Donations Claimed as a % of Total Constituency Allowance</b>
31	Furey, Chuck	12	12,247	1,021	201,178	6.09%
32	Gibbons, Rex	9	0	0	39,948	0.00%
33	Gilbert, Dave	7	1,278	183	239,643	0.53%
34	Goudie, Kathy	3	7,979	2,660	115,860	6.89%
35	Gover, Aubrey	5	90	18	83,174	0.11%
36	Greening, Glenn	5	575	115	88,258	0.65%
37	Grimes, Roger	17	37,290	2,194	347,069	10.74%
38	Harding, Harry	4	10,985	2,746	159,625	6.88%
39	Harris, Jack	16	27,066	1,692	196,871	13.75%
40	Hearn, Loyola	5	1,630	326	84,269	1.93%
41	Hedderson, Tom	8	20,268	2,534	211,271	9.59%
42	Hewlett, Alvin	7	849	121	200,550	0.42%
43	Hickey, John	3	24,832	8,277	120,702	20.57%
44	Hodder, Harvey	13	30,704	2,362	185,460	16.56%
45	Hodder, James	8	4,305	538	262,359	1.64%
46	Hodder, Mary	9	12,030	1,337	315,374	3.81%
47	Hogan, William	4	1,315	329	87,580	1.50%
48	Hulan, Bud	3	535	178	85,583	0.63%
49	Hunter, Ray	8	17,554	2,194	346,709	5.06%
50	Hynes, Barry	2	0	0	25,921	0.00%
51	Jackman, Clyde	3	12,489	4,163	98,897	12.63%
52	Johnson, Charlene	3	12,038	4,013	92,695	12.99%
53	Jones, Yvonne	11	11,168	1,015	758,955	1.47%
54	Joyce, Ed	8	30,749	3,844	348,448	8.82%
55	Kelland, Jim	4	82	21	85,619	0.10%
56	Kelly, Sandra	9	42,398	4,711	244,461	17.34%
57	Kitchen, Hubert	6	13,007	2,168	43,206	30.10%
58	Langdon, Oliver	17	22,012	1,295	712,814	3.09%
59	Lush, Tom	15	21,535	1,436	403,999	5.33%
60	Mackey, Mike	1	56	56	21,227	0.26%
61	Manning, Fabian	11	9,455	860	314,939	3.00%
62	Marshall, Elizabeth	3	13,307	4,436	38,877	34.23%
63	Marshall, Tom	3	17,493	5,831	86,172	20.30%
64	Matthews, Lloyd	11	9,834	894	133,445	7.37%
65	Matthews, William	7	1,415	202	207,872	0.68%
66	McLean, Ernest	9	15,699	1,744	259,104	6.06%

**Figure 13 (cont.)**

	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Donations Claimed</b>	<b>Average Donations Claimed per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Donations Claimed as a % of Total Constituency Allowance</b>
67	Mercer, Robert	9	21,242	2,360	330,270	6.43%
68	Murphy, Thomas	7	1,236	177	100,736	1.23%
69	Noel, Walter	15	11,240	749	193,109	5.82%
70	O'Brien, Kevin	3	8,969	2,990	87,342	10.27%
71	Oldford, Douglas	9	2,136	237	303,090	0.70%
72	Oram, Paul	3	11,413	3,804	76,792	14.86%
73	Osborne, Sheila	9	36,023	4,003	136,965	26.30%
74	Osborne, Tom	11	44,770	4,070	148,454	30.16%
75	Ottenheimer, John	11	36,868	3,352	144,651	25.49%
76	Parsons, Kelvin	8	8,650	1,081	436,197	1.98%
77	Parsons, Kevin	4	100	25	29,748	0.34%
78	Penney, Melvin	10	3,644	364	348,021	1.05%
79	Power, Charles	4	295	74	59,073	0.50%
80	Ramsay, William	10	50	5	440,073	0.01%
81	Reid, Art	10	10,044	1,004	212,863	4.72%
82	Reid, Gerry	11	22,778	2,071	406,467	5.60%
83	Rideout, Thomas	11	7,435	676	336,838	2.21%
84	Ridgley, Bob	3	15,641	5,214	40,939	38.21%
85	Roberts, Edward	4	0	0	61,073	0.00%
86	Shelley, Paul	13	37,331	2,872	580,584	6.43%
87	Short, Larry	5	0	0	130,096	0.00%
88	Simms, Leonard	7	187	27	141,343	0.13%
89	Skinner, Shawn	3	18,620	6,207	39,647	46.96%
90	Small, Harold	3	222	74	77,813	0.29%
91	Smith, Gerald	11	8,490	772	421,713	2.01%
92	Snow, Alec	7	120	17	333,964	0.04%
93	Snow, Lloyd	15	8,399	560	469,336	1.79%
94	Sparrow, Anthony	4	2,610	653	86,682	3.01%
95	Sullivan, Loyola	14	44,848	3,203	446,586	10.04%
96	Sweeney, George	8	35,339	4,417	266,608	13.26%
97	Taylor, Trevor	6	23,648	3,941	227,896	10.38%
98	Thistle, Anna	11	43,445	3,950	381,282	11.39%
99	Tobin, Brian	5	4,385	877	107,908	4.06%
100	Tobin, Glen	7	465	66	187,683	0.25%
101	Tulk, Beaton	10	9,505	951	248,922	3.82%

**Figure 13 (cont.)**

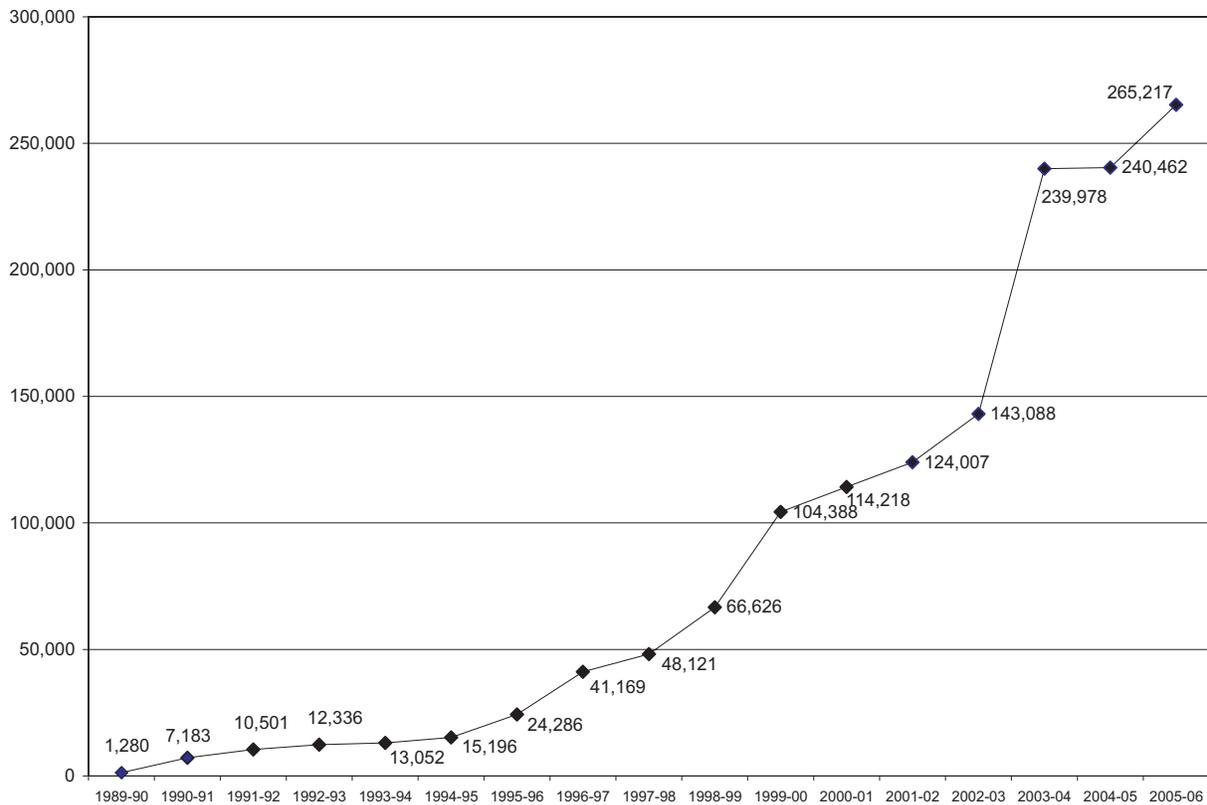
	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Donations Claimed</b>	<b>Average Donations Claimed per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Donations Claimed as a % of Total Constituency Allowance</b>
102	Verge, Lynn E.	7	800	114	211,426	0.38%
103	Vey, Gary	1	660	660	17,676	3.73%
104	Walsh, Jim	15	13,665	911	507,941	2.69%
105	Warren, Philip	4	503	126	20,685	2.43%
106	Wells, Clyde	7	85	12	17,091	0.50%
107	Whalen, Dianne	3	21,976	7,325	44,807	49.05%
108	Whelan, Don	6	1,229	205	148,743	0.83%
109	Williams, Danny	5	35,630	7,126	146,893	24.26%
110	Windsor, Neil	7	717	102	131,528	0.55%
111	Winsor, Sam	5	665	133	121,358	0.55%
112	Wiseman, Ralph	9	12,276	1,364	118,330	10.37%
113	Wiseman, Ross	6	4,490	748	253,446	1.77%
114	Young, Kay	3	1,375	458	81,992	1.68%
115	Young, Wallace	6	9,770	1,628	262,927	3.72%
	<b>Total</b>		<b>\$1,471,108</b>		<b>\$24,963,585</b>	<b>5.89%</b>

As Figure 13 shows, 108 (94%) of the 115 Members claimed donations.

Figure 14 provides details of donations claimed by Members over the period 1989-90 through to 2005-06.

**Figure 14**

**Donations claimed by Members  
Fiscal years 1989-90 through to 2005-06**



As Figure 14 shows, the extent of donations claimed by Members increased significantly during the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

Figure 14 also shows that donations have been increasing every year since 1989-90.

## 2C. Alcohol

Many Members claimed alcohol-only purchases. These purchases would have been made at liquor stores or convenience stores, i.e. would not include alcohol with meals.

However, even though it was common practice to make alcohol-only purchases, the constituency allowance was clearly never intended for such a purpose. This is evidenced by the IEC definition which indicates that the constituency allowance is for the payment of expenditures incurred in the performance of constituency business. Furthermore, 58 (50%) of the 115 Members reviewed had no alcohol-only purchases.

Our review indicated that 57 Members claimed alcohol-only purchases totalling \$118,806 over the period 1989-90 through to 2005-06. Details of these claims are outlined in Figure 15.

**Figure 15**

### Alcohol-Only Claimed by Members Fiscal years 1989-90 through to 2005-06

	Member	Number of Fiscal Years as Member	Total Alcohol-Only Claimed	Average Alcohol-Only Claimed per Year	Total Constituency Allowance	Total Alcohol-Only Claimed as a % of Total Constituency Allowance
1	Andersen, Wally	11	\$15,480	\$1,407	\$1,166,209	1.33%
2	Aylward, Joan Marie	8	1,193	149	102,218	1.17%
3	Aylward, Kevin	15	42	3	475,889	0.01%
4	Aylward, Robert	4	0	0	20,586	0.00%
5	Baker, Winston	7	833	119	110,576	0.75%
6	Barrett, Percy	17	806	47	686,884	0.12%
7	Bettney, Julie	9	530	59	98,627	0.54%
8	Brett, Charles	1	0	0	5,390	0.00%
9	Burke, Joan	3	330	110	118,647	0.28%
10	Butler, Roland	5	99	20	164,242	0.06%
11	Byrne, Ed	13	386	30	643,609	0.06%
12	Byrne, Jack	13	197	15	217,773	0.09%
13	Canning, Perry	4	267	67	163,308	0.16%
14	Careen, Nick	3	0	0	70,039	0.00%
15	Collins, Felix	1	0	0	1,351	0.00%
16	Collins, Randy	8	565	71	771,105	0.07%

**Figure 15 (cont.)**

	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Alcohol-Only Claimed</b>	<b>Average Alcohol-Only Claimed per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Alcohol-Only Claimed as a % of Total Constituency Allowance</b>
17	Crane, John	7	21	3	143,528	0.01%
18	Decker, Chris	10	0	0	350,003	0.00%
19	Denine, David	3	0	0	42,080	0.00%
20	Dicks, Paul	13	34,145	2,627	370,202	9.22%
21	Doyle, Norman	5	0	0	64,305	0.00%
22	Duff, Shannie	2	0	0	3,362	0.00%
23	Dumaresque, Danny	7	0	0	279,866	0.00%
24	Dunderdale, Kathy	3	0	0	26,011	0.00%
25	Efford, John	13	32	2	270,221	0.01%
26	Fitzgerald, Roger	13	33	3	533,349	0.01%
27	Flight, Graham	10	0	0	253,705	0.00%
28	Foote, Judy M	11	53	5	329,265	0.02%
29	Forsey, Clayton	1	166	166	29,434	0.56%
30	French, Terry	4	0	0	78,060	0.00%
31	Furey, Chuck	12	330	28	201,178	0.16%
32	Gibbons, Rex	9	0	0	39,948	0.00%
33	Gilbert, Dave	7	1,431	204	239,643	0.60%
34	Goudie, Kathy	3	908	303	115,860	0.78%
35	Gover, Aubrey	5	0	0	83,174	0.00%
36	Greening, Glenn	5	0	0	88,258	0.00%
37	Grimes, Roger	17	679	40	347,069	0.20%
38	Harding, Harry	4	255	64	159,625	0.16%
39	Harris, Jack	16	0	0	196,871	0.00%
40	Hearn, Loyola	5	0	0	84,269	0.00%
41	Hedderson, Tom	8	0	0	211,271	0.00%
42	Hewlett, Alvin	7	0	0	200,550	0.00%
43	Hickey, John	3	0	0	120,702	0.00%
44	Hodder, Harvey	13	1,123	86	185,460	0.61%
45	Hodder, James	8	1,349	169	262,359	0.51%
46	Hodder, Mary	9	6,566	730	315,374	2.08%
47	Hogan, William	4	0	0	87,580	0.00%
48	Hulan, Bud	3	0	0	85,583	0.00%
49	Hunter, Ray	8	23	3	346,709	0.01%
50	Hynes, Barry	2	0	0	25,921	0.00%
51	Jackman, Clyde	3	175	58	98,897	0.18%
52	Johnson, Charlene	3	150	50	92,695	0.16%

**Figure 15 (cont.)**

	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Alcohol-Only Claimed</b>	<b>Average Alcohol-Only Claimed per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Alcohol-Only Claimed as a % of Total Constituency Allowance</b>
53	Jones, Yvonne	11	0	0	758,955	0.00%
54	Joyce, Ed	8	3,726	466	348,448	1.07%
55	Kelland, Jim	4	0	0	85,619	0.00%
56	Kelly, Sandra	9	1,235	137	244,461	0.51%
57	Kitchen, Hubert	6	0	0	43,206	0.00%
58	Langdon, Oliver	17	200	12	712,814	0.03%
59	Lush, Tom	15	2,573	172	403,999	0.64%
60	Mackey, Mike	1	0	0	21,227	0.00%
61	Manning, Fabian	11	0	0	314,939	0.00%
62	Marshall, Elizabeth	3	681	227	38,877	1.75%
63	Marshall, Tom	3	0	0	86,172	0.00%
64	Matthews, Lloyd	11	454	41	133,445	0.34%
65	Matthews, William	7	1,264	181	207,872	0.61%
66	McLean, Ernest	9	776	86	259,104	0.30%
67	Mercer, Robert	9	533	59	330,270	0.16%
68	Murphy, Thomas	7	24	3	100,736	0.02%
69	Noel, Walter	15	8,938	596	193,109	4.63%
70	O'Brien, Kevin	3	211	70	87,342	0.24%
71	Oldford, Douglas	9	284	32	303,090	0.09%
72	Oram, Paul	3	0	0	76,792	0.00%
73	Osborne, Sheila	9	128	14	136,965	0.09%
74	Osborne, Tom	11	619	56	148,454	0.42%
75	Ottenheimer, John	11	0	0	144,651	0.00%
76	Parsons, Kelvin	8	8,758	1,095	436,197	2.01%
77	Parsons, Kevin	4	0	0	29,748	0.00%
78	Penney, Melvin	10	202	20	348,021	0.06%
79	Power, Charles	4	0	0	59,073	0.00%
80	Ramsay, William	10	0	0	440,073	0.00%
81	Reid, Art	10	1,188	119	212,863	0.56%
82	Reid, Gerry	11	367	33	406,467	0.09%
83	Rideout, Thomas	11	624	57	336,838	0.19%
84	Ridgley, Bob	3	0	0	40,939	0.00%
85	Roberts, Edward	4	0	0	61,073	0.00%
86	Shelley, Paul	13	2,921	225	580,584	0.50%
87	Short, Larry	5	92	18	130,096	0.07%

**Figure 15 (cont.)**

	<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Alcohol-Only Claimed</b>	<b>Average Alcohol-Only Claimed per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Alcohol-Only Claimed as a % of Total Constituency Allowance</b>
88	Simms, Leonard	7	0	0	141,343	0.00%
89	Skinner, Shawn	3	21	7	39,647	0.05%
90	Small, Harold	3	0	0	77,813	0.00%
91	Smith, Gerald	11	389	35	421,713	0.09%
92	Snow, Alec	7	0	0	333,964	0.00%
93	Snow, Lloyd	15	914	61	469,336	0.19%
94	Sparrow, Anthony	4	0	0	86,682	0.00%
95	Sullivan, Loyola	14	0	0	446,586	0.00%
96	Sweeney, George	8	10,325	1,291	266,608	3.87%
97	Taylor, Trevor	6	0	0	227,896	0.00%
98	Thistle, Anna	11	0	0	381,282	0.00%
99	Tobin, Brian	5	0	0	107,908	0.00%
100	Tobin, Glen	7	0	0	187,683	0.00%
101	Tulk, Beaton	10	2,642	264	248,922	1.06%
102	Verge, Lynn	7	0	0	211,426	0.00%
103	Vey, Gary	1	0	0	17,676	0.00%
104	Walsh, Jim	15	0	0	507,941	0.00%
105	Warren, Philip	4	0	0	20,685	0.00%
106	Wells, Clyde	7	0	0	17,091	0.00%
107	Whalen, Dianne	3	0	0	44,807	0.00%
108	Whelan, Don	6	0	0	148,743	0.00%
109	Williams, Danny	5	0	0	146,893	0.00%
110	Windsor, Neil	7	550	79	131,528	0.42%
111	Winsor, Sam	5	0	0	121,358	0.00%
112	Wiseman, Ralph	9	0	0	118,330	0.00%
113	Wiseman, Ross	6	0	0	253,446	0.00%
114	Young, Kay	3	0	0	81,992	0.00%
115	Young, Wallace	6	0	0	262,927	0.00%
	<b>Total</b>		<b>\$118,806</b>		<b>\$24,963,585</b>	<b>0.48%</b>

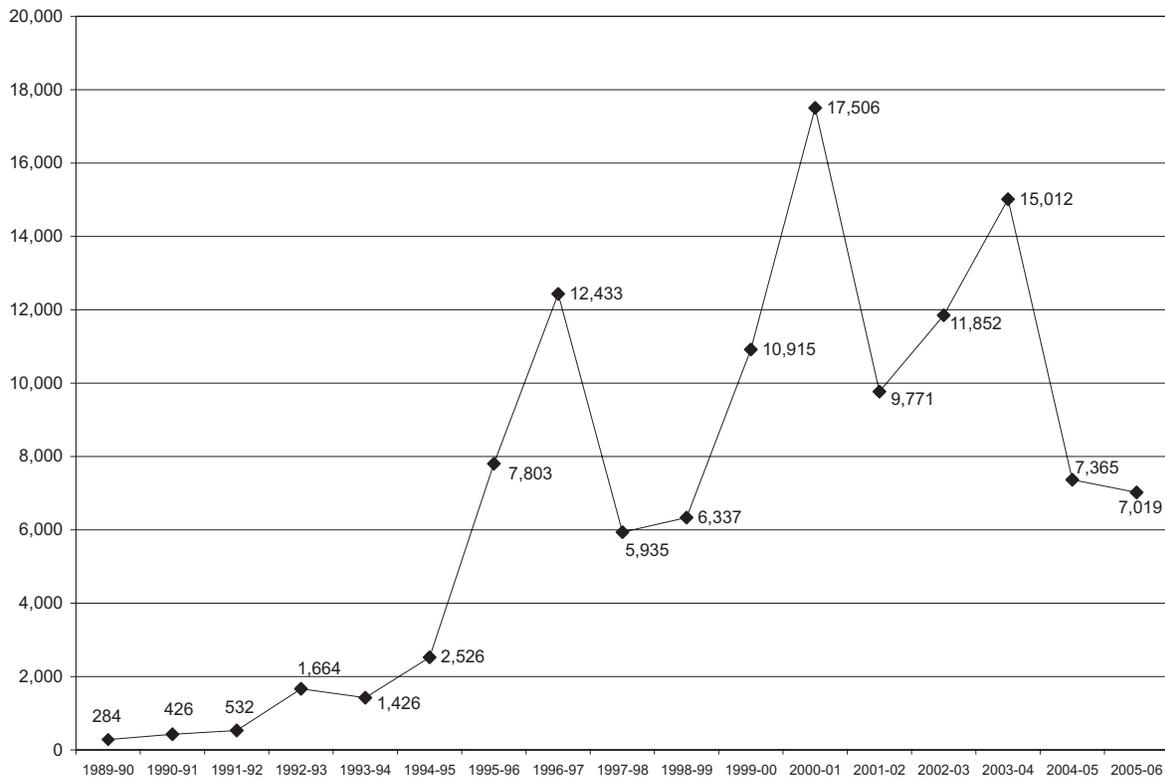
As Figure 15 shows, only half of the 115 Members reviewed claimed alcohol-only purchases.

As the Figure also shows, Paul Dicks had alcohol-only claims totalling \$34,145 which represented 29% of the total alcohol-only claims by all Members. His claim total was 121% higher than the claim total of the Member with the next highest alcohol-only claims. Mr. Dicks' claims indicated that the alcohol was purchased from both within the Province (\$24,191) and outside the Province (\$9,954). We also found that many of Mr. Dicks' out-of-Province purchases had the details "blacked out" on the supporting documentation. Most purchases within the Province were supported only by a credit card slip. As a result, it was not possible to determine quantities and prices on a per bottle basis.

Figure 16 provides information on alcohol-only claims by Members over the period 1989-90 through 2005-06.

**Figure 16**

**Alcohol-only Claims by Members  
Fiscal years 1989-90 through to 2005-06**



---

As Figure 16 shows, the alcohol-only claims by Members increased markedly after the mid-1990s and never returned to levels of the early 1990s. In 1994-95, alcohol-only claims totalled \$2,526 and peaked at \$17,506 in 2000-01.

---

## **2D. Claims for Leased Vehicles and Private Vehicle Mileage**

---

Leasing vehicles was not a common practice at the House of Assembly establishment. In fact, of the 115 Members reviewed, only 6 claimed monthly lease payments related to leased vehicles.

Discussions with officials at the House of Assembly establishment indicated that there was no policy on leasing vehicles and that only a select few Members had leases. Furthermore, it was suggested that these arrangements were not widely known by other Members.

If a Member claimed vehicle lease payments, then they would not be eligible for mileage reimbursement when using that vehicle. It would be expected that a Member claiming vehicle lease payments would use that vehicle. Mileage reimbursement is only available to a Member who uses their own private vehicle as a way to cover the additional operating costs associated with using the vehicle for constituency purposes. Therefore, we considered it to be inappropriate where a Member claimed for mileage reimbursement on a leased vehicle for which the monthly lease payment and other lease costs were being claimed by the Member and paid by the House of Assembly establishment.

Figure 17 outlines details relating to leased vehicles by the 6 Members.

**Figure 17**

**Leased Vehicle Expenditures  
Fiscal years 1996-97 through to 2005-06**

<b>Member</b>	<b>Inappropriate Vehicle Mileage Claims</b>	<b>Lease Costs</b>	<b>Operating Costs</b>	<b>Description of Operating Costs</b>
Wally Andersen	-	\$25,625	-	
Randy Collins	-	20,184	\$20,776	Insurance (\$12,517); registration (\$560); Gas (\$5,451) and Repairs and Maintenance including two sets of tires, car wash and insurance deductible for accident in leased vehicle (\$2,248)
Kathy Goudie	\$19,325	10,238	4,406	Insurance (\$4,021 ); Insurance Refund (\$245); Vehicle Registration (\$140)
Paul Shelley	15,302	15,290	469	Studded Winter Tires
Trevor Taylor	6,854	9,990	3,693	Insurance (\$3,553); Vehicle Registration (\$140)
Wallace Young	16,391	14,304	2,215	Insurance (\$2,075); Vehicle Registration (\$140)
<b>Total</b>	<b>\$57,872</b>	<b>\$95,631</b>	<b>\$31,559</b>	

As Figure 17 shows, 4 of the 6 Members claiming leased vehicle expenses inappropriately claimed vehicle mileage totalling \$57,872.

During our review of leases, we also found the following:

- in the case of Randy Collins, an amount of \$9,353 was claimed for reimbursement of 24 monthly lease payments before the payments were actually due to the leasing company;
- in the case of Kathy Goudie, an amount of \$1,553 was claimed relating to insurance costs for a period that extended beyond her resignation as a Member; and
- in the case of Paul Shelley, the House of Assembly establishment made payments to the leasing company totalling \$11,433 on behalf of Mr. Shelley. The majority of these payments were generally 3 to 6 months in advance.

I note that there were no new vehicle lease arrangements approved by the House of Assembly establishment after June 2006.

---

## 2E. Excess Discretionary Allowance

---

A discretionary allowance is a non-taxable amount that is provided to a Member without an accounting of whether and/or how the allowance was spent.

The IEC approved an annual discretionary allowance commencing with the 1996-97 fiscal year. Each Member was entitled to claim \$2,000 (\$2,300 including HST commencing 1997-98), without receipts, to cover miscellaneous expenses, not to exceed \$75 a day. This annual allowance was increased to \$4,800 (\$5,520 including HST) for the 1999-00 fiscal year and remained at \$4,800 until it was revoked commencing in the 2004-05 fiscal year.

An excess discretionary allowance claim occurs when a Member receives reimbursement for an amount which exceeds the annual maximum allowance approved by the IEC. Our review indicated that 33 Members claimed excess discretionary allowances totalling \$201,219. Four Members accounted for \$176,657 of the total \$201,219 excess discretionary allowances claimed. Figure 18 provides details on these four Members.

**Figure 18**

### **Excess Discretionary Allowance Claims by Members Fiscal years 1996-97 through to 2003-04**

<b>Member</b>	<b>Total Excess Discretionary Allowance Claimed</b>	<b>Members Excess Discretionary Allowance Claimed as a % of Total Excess Discretionary</b>
Walsh, Jim	\$ 77,650	38.59%
Collins, Randy	52,567	26.12%
Andersen, Wally	35,460	17.62%
Snow, Lloyd	10,980	5.46%
Sub total	176,657	87.79%
Other	24,562	12.21%
<b>Total</b>	<b>\$ 201,219</b>	<b>100.00%</b>

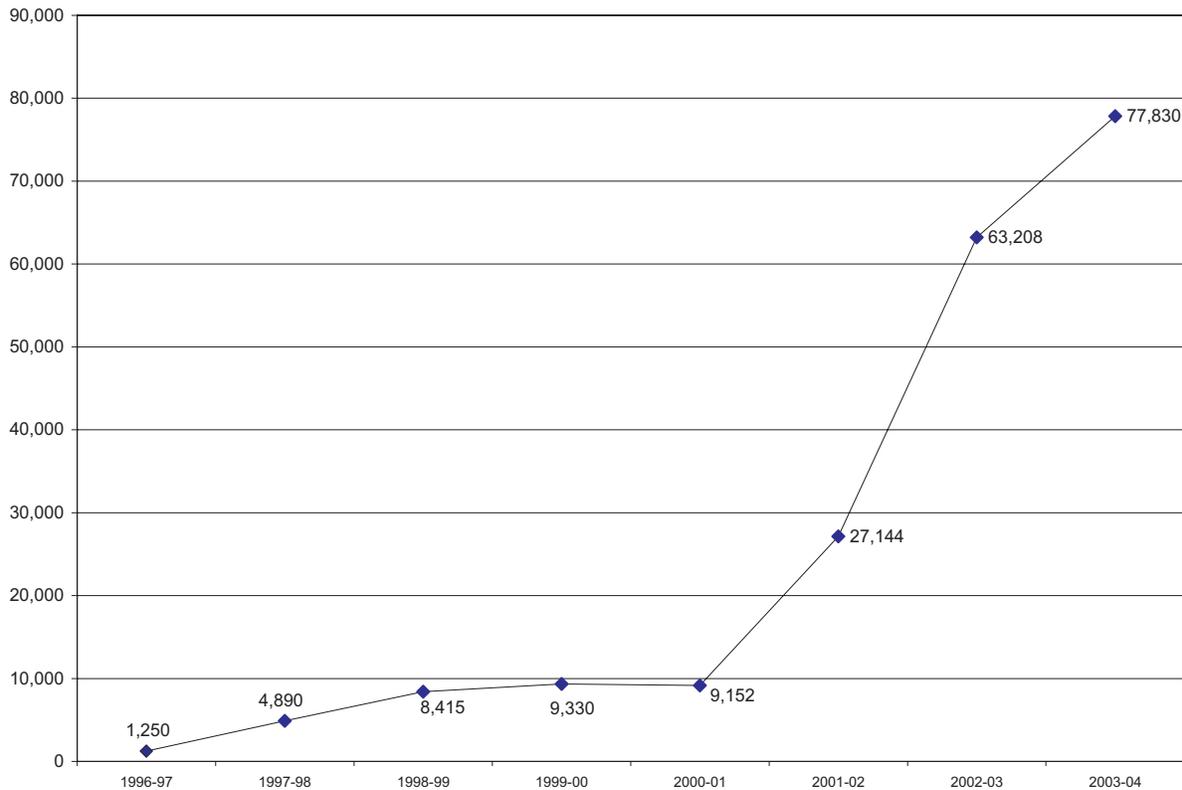
As Figure 18 shows, four Members accounted for approximately 88% of all excess discretionary allowances claimed.

---

Figure 19 provides information on excess discretionary allowance claims by Members over the period 1996-97 through to 2003-04.

**Figure 19**

**Excess Discretionary Allowance Claims by Members  
Fiscal years 1996-97 through to 2003-04**



As Figure 19 shows, the increase in the excess discretionary allowance claims coincided with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. These discretionary allowances were revoked commencing in 2004-05.

---

Although the discretionary allowance was to cover miscellaneous expenses, presumably over the fiscal year, our review indicated that the way Members claimed the allowance changed over time.

Details of the number of Members taking the full discretionary allowance in either the first month of the fiscal year or in the first quarter of the fiscal year are outlined in Figure 20.

---

**Figure 20**

**Discretionary Expense Limit Claimed Early in Fiscal Year  
Fiscal years 1996-97 through to 2003-04**

<b>Year</b>	<b>Number of Members Claiming Limit in First Month</b>	<b>% of 48 Members in the House</b>	<b>Number of Members Claiming Limit in 1<sup>st</sup> Quarter</b>	<b>% of 48 Members in the House</b>
2003-04	19	40%	27	56%
2002-03	10	21%	18	38%
2001-02	9	19%	13	27%
2000-01	10	21%	12	25%
1999-00	-	-	-	-
1998-99	-	-	-	-
1997-98	-	-	-	-
1996-97	-	-	-	-

Figure 20 shows that prior to 2000-01, no Member claimed the full allowance early in the fiscal year. However, during the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General, Members started to access the full amount of their non-taxable and non-accountable allowance very early in the fiscal year. The Figure also shows that by 2003-04, 19 Members (40%) claimed their full allowance in the first month of the fiscal year while 27 Members (56%) claimed their full allowance in the first quarter of the fiscal year.

---

**2F. Personal Items**

---

Claims for personal expenditures include items which, in our opinion, were for the personal use and/or consumption of a Member without significance to their constituency responsibilities.

A Member may argue that items of a personal nature could have been purchased for a constituent and not for themselves. However, we would not have any way to determine whether this was in fact the case. Furthermore, it would not matter because in these instances, the Member would only be suggesting that the claim should have been a donation rather than a personal item - neither of which is appropriate. Based on the documentation available, which did not indicate the purchase was made for a third party, these items have been categorized as personal items.

Over the period 1989-90 through to 2005-06, Members claimed personal items totalling \$161,947. Many of the personal items were of low dollar value. Of the 115 Members reviewed, 58 (50%) did not claim any personal items, 48 (42%) claimed less than \$3,000 each, over in many instances a number of terms as a Member, while the remaining 9 (8%) claimed in excess of \$3,000 each.

Figure 21 shows the nine Members who claimed in excess of \$3,000 each.

**Figure 21**

**Personal Items Claimed  
Fiscal years 1989-90 through to 2005-06**

<b>Member</b>	<b>Number of Fiscal Years as Member</b>	<b>Total Personal Items Claimed</b>	<b>Average Personal Items Claimed per Year</b>	<b>Total Constituency Allowance</b>	<b>Total Personal Items Claimed as a % of Total Constituency Allowance</b>
Dicks, Paul	13	\$62,712	\$4,824	\$370,202	16.94%
Byrne, Ed	13	19,294	1,484	643,609	3.00%
Andersen, Wally	11	16,962	1,542	1,166,209	1.45%
Landgon, Oliver	17	6,760	398	712,814	0.95%
Collins, Randy	8	6,255	782	771,105	0.81%
Aylward, Kevin	15	5,888	393	475,889	1.24%
Sullivan, Loyola	14	5,800	414	446,586	1.30%
Foote, Judy M	11	4,316	392	329,265	1.31%
Noel, Walter	15	3,323	222	193,109	1.72%
Sub-total		131,310	81%	5,108,788	2.57%
Other		30,637	19%	19,854,797	
<b>Total</b>		<b>\$161,947</b>	<b>100%</b>	<b>\$24,963,585</b>	

As Figure 21 shows, these nine Members accounted for \$131,310 or 81% of all personal items claimed.

Figure 22 provides details on the nature of the personal items claimed by the nine Members.

**Figure 22**

**Personal Items Claimed by Members  
Fiscal years 1989-90 through to 2005-06**

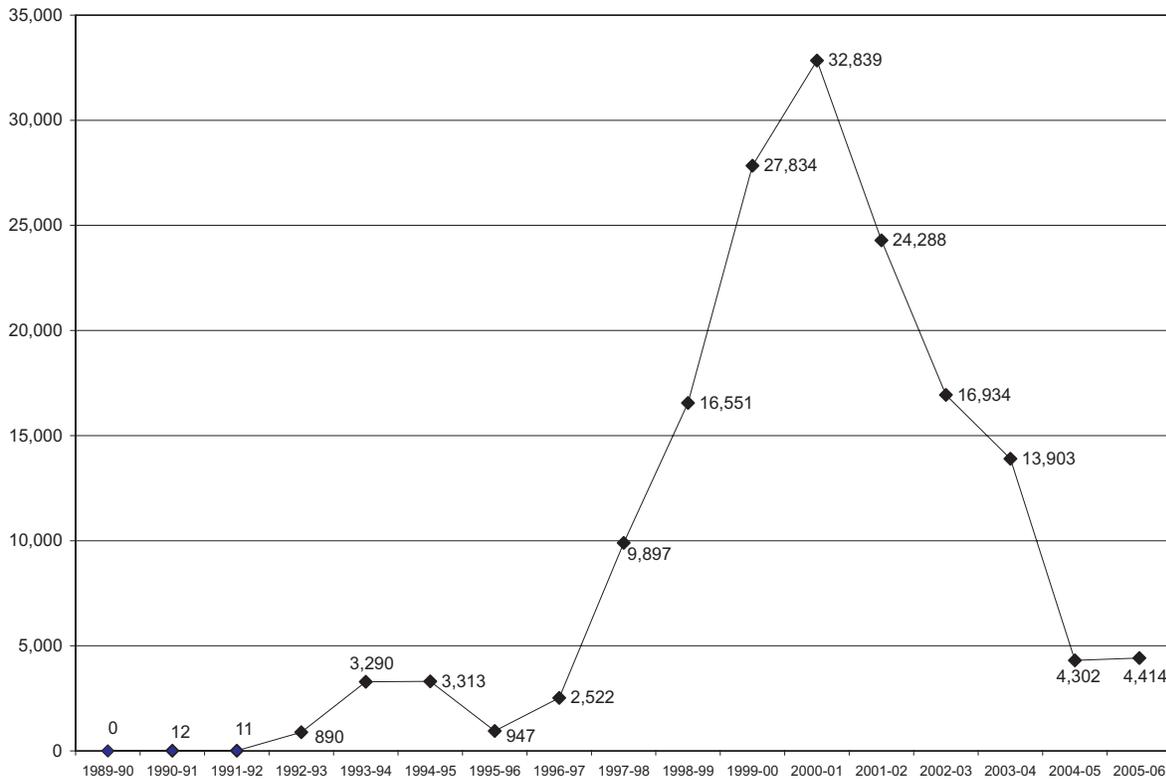
<b>Member</b>	<b>Amount</b>	<b>Description</b>
Paul Dicks	\$ 62,712	Artwork (\$59,753 most purchased between 1998-99 to 2000-01, \$11,789 purchased from out of Province suppliers); books (\$581); Cartier pen (\$319); undisclosed item purchased out of Province from jewellery store (\$1,537); other (\$522).
Edward Byrne	19,294	Building Supply Store (\$6,403); Costco (\$2,623); artwork (\$2,300); Ashford Sales (\$1,895); vehicle rental (\$1,492); other personal (\$621), season tickets for St. Johns Maple Leafs - 4 seats at \$740 each plus 4 personal seat licenses at \$250 each (\$3,960).
Wally Andersen	16,962	Airfare for spouse and children (\$13,255); artwork (\$3,195) sunglasses and case (\$247); other (\$265).
Oliver Langdon	6,760	Season tickets for St. Johns Maple Leafs (\$6,260 - 4 seasons between 2001-01 and 2003-04); personal travel for his child (\$500).
Randy Collins	6,255	Airfare for his child (\$3,201); snow clearing of personal residence (\$2,741); and other (\$313).
Kevin Aylward	5,888	Airfare for his children (\$4,419); artwork (\$720); Juno tickets (\$618); tuxedo rental (\$131).
Loyola Sullivan	5,800	Season tickets for St. Johns Maple Leafs (\$4,800 from 1998-99 to 2003-04) plus \$1,000 payment to Mile One Stadium, September 2005.
Judy Foote	4,316	Artwork (\$1,800); flowers and a gift to relatives and other Members (\$2,516).
Walter Noel	3,323	Ladies clothes (\$158), luggage (\$ 508), clock radio (\$288), high end perfumes (\$ 739), pinwheel crys tal bowl (\$98), miscellaneous tools ( \$144), alarm clock (\$56), camera (purchased in Ontario) (\$300), compact disc recordings (\$123), hotel in England (\$347), CD player (\$245), Walkman (\$92), cookware (\$30), Other (\$198).
Sub-total	131,310	81%
Other	30,637	19%
<b>Total</b>	<b>\$161,947</b>	<b>100%</b>

Figure 22 also shows that Paul Dicks accounted for \$62,712 (39%) of the \$161,947 in total personal items claimed. The vast majority of Mr. Dicks' claims for personal items related to artwork totalling \$59,753, with individual pieces costing as much as \$4,887.

Figure 23 provides information on the total personal items claimed by Members over the period 1989-90 through to 2005-06.

**Figure 23**

**Personal Items Claimed by Members  
Fiscal years 1989-90 through to 2005-06**



As Figure 23 shows, there was a considerable increase in claims for personal items from \$2,522 in 1996-97 to \$32,839 in 2000-01. Personal item claims started to decrease in 2001-02.

In addition to these significant personal claims by certain Members, we found that Members claimed for many items that the typical person would have to pay from their after tax dollars. It is also likely that a typical person would not see any connection between a constituency expense and some of the examples of personal items that we identified such as:

- 
- recreational items (payments of golf fees, purchases at sports stores, trail pass, and tune-up/cleaning of bike);
  - clothing including underwear, alterations, dry-cleaning and accessories (including hats, cuff links, and tie pins);
  - entertainment expenditures (lotto tickets, movies at hotels);
  - flowers for Member's spouse and flowers sent to Florida for wife of well known local businessman;
  - travel and vehicle related expenditures (passport, vehicle registration fee, back support for vehicle, car wash and luggage); and
  - other personal items (cigarettes, home heating fuel, tax preparation software, Costco membership fee, gold key chain with personal logo, gift certificates, and political cartoons from local newspaper depicting the Member).
- 

## **2G. Other Observations**

---

### **2G(i.) Partisan**

---

Partisan expenditures relate to supporting a Member's political party and would be considered an inappropriate constituency allowance expenditure. I note that the Green Commission Report indicated that expenses related to politically partisan activities should not be a reimbursable constituency allowance expense.

During the review, we identified only \$11,093 during the period 1989-90 through to 2005-06 in claims that could be considered partisan in nature. However, there was no Member who had significant claims relating to partisan expenditures.

Some of the items we did identify as partisan included:

- advertisement to thank voters;
- refreshments and facility rental for party meeting;
- flowers to other Member for election congratulations;
- dinner tickets for various party associations;
- expense claim to attend party convention;
- players fees for political golf tournament (this same fee was denied on another Member's claim form); and
- Federal party fundraising events.

---

## 2G(ii.) Conflicts Between Travel and Other Documents

---

During our review, we identified issues with two Members regarding inconsistencies between travel claims and other expenses, as follows:

- Kelvin Parsons (\$3,166) - During discussions with Mr. Parsons, he indicated that based on a review of his records, three trips totalling \$1,848 never took place and mileage claims had been submitted in error.

For three other trips totalling \$1,318, he indicated that he travelled by air from St. John's to his District and instead of claiming the airline ticket, he claimed the equivalent of driving from St. John's to his District. In these instances, the documentation gave no indication that an airline ticket had been purchased and there was no documentation to support the appropriateness of the private vehicle mileage claimed.

- William Matthews (\$3,640) - we identified 19 instances totalling \$3,640, from February 1994 through January 1996, where the Member claimed receipts from restaurants in one location (18 of the 19 in St. John's) which were dated during a period where private vehicle mileage claims submitted by the Member indicated he was on travel status in another location (18 of 19 in his Grand Bank District).

---

## 2G(iii.) \$2,875 Special Payment

---

In my January 2007 Report to the House of Assembly on Constituency Allowance Claims, I reported that in May of 2004, the IEC made a decision to pay each Member \$2,875 (\$2,500 plus \$375 HST). I noted that 46 of the 48 Members of the House of Assembly received the \$2,875. The Members for Humber West and Topsail did not claim the \$2,875.

As I reported, the Minutes of the IEC meetings were so vague on this matter that it was not possible for the public to know that each Member was to receive this additional allowance of \$2,875. Subsequent to my Report, all party leaders publicly indicated that they would encourage Members to repay the amount.

On 16 July 2007 I wrote the Speaker of the House of Assembly and the Department of Finance requesting information on which of the 46 Members of the House of Assembly had repaid or had made arrangements to repay the \$2,875.

On 16 August 2007, I received a reply from the Department of Finance which provided the status on the Members who had not fully repaid the \$2,875. Details are outlined in Figure 24.

**Figure 24**

**Status of Repayment of \$2,875  
As of 16 August 2007**

<b>Member</b>	<b>Amount Re-Paid</b>	<b>Balance Unpaid</b>	<b>Re-ayment Arrangements in Place</b>
Wally Andersen	\$ -	\$2,875	No
Percy Barrett	-	2,875	No
Edward Byrne	-	2,875	No
Randy Collins	-	2,875	No
Kathy Goudie	-	2,875	No
Roger Grimes	-	2,875	No
Jim Hodder	-	2,875	No
Fabian Manning	-	2,875	No
Loyola Sullivan	-	2,875	No
Jack Byrne	-	2,875	Yes
Tom Osborne	-	2,875	Yes
Tom Rideout	-	2,875	Yes
Trevor Taylor	300	2,575	Yes
Roger Fitzgerald	550	2,325	Yes
Terry French	1,200	1,675	Yes
Ray Hunter	1,437	1,438	Yes
John Ottenheimer	2,000	875	Yes
Wallace Young	2,614	261	Yes
<b>Total</b>	<b>\$8,101</b>	<b>\$43,649</b>	

As Figure 24 shows, as of 16 August 2007, 18 Members had still not fully repaid the \$2,875. Of the 18, 9 Members had neither repaid any of the \$2,875 nor made arrangements for repayment.

---

## **2G(iv.) Unusual Items**

---

While the nature of expenditures claimed by Members were generally similar, the following are some examples of expenditures claimed that were not common:

- Airline/helicopter charters;
  - Large quantities of seafood;
  - High end car rentals;
  - Costs of Annual BBQ for constituents with fee charged to attend;
  - Religious medals and cards; and
  - Expensive pens and mechanical pencils.
- 

## **3. Adequacy of Supporting Documentation**

---

An effective financial control system requires that all expenditures be adequately supported by appropriate documentation. This helps to ensure that goods or services were provided and expenses were incurred in accordance with established rules and procedures.

In assessing the adequacy of documentation submitted by Members to support constituency allowance claims, we determined the general parameters of what could be considered as adequate versus inadequate supporting documentation for a payment to Members. In determining these general parameters, we also considered what a “reasonable person” would consider as adequate supporting documentation. Figure 25 outlines general parameters for adequate documentation by expenditure type.

**Figure 25**

**General Parameters for Documentation**

Type of expenditure	Adequate	Inadequate
Donation	<ul style="list-style-type: none"> <li>- receipt signed by recipient, or</li> <li>- cancelled cheque</li> </ul> <p>Documents must identify recipient, date, amount of donation and purpose</p>	<ul style="list-style-type: none"> <li>- photocopy of pre-issued cheque only</li> <li>- only a sales receipt/ invoice attached for purchase of goods where proof of donation of goods is not evident</li> <li>- request for donation only</li> </ul>
Per diem	Signed Constituency Allowance Claim form identifying the date for which the per diem reimbursement was claimed	Constituency Allowance Claim form which does not show specific date, such as per diems for the month of April
Private vehicle mileage	Signed Private Vehicle Usage Claim form identifying travel details	Private Vehicle Usage Claim form which does not show the date and location of travel, such as intra - District travel for July
All other expenses	Sales receipt/ invoice identifying goods/ services, date and amount	<ul style="list-style-type: none"> <li>- cancelled cheque only without explanation</li> <li>- photocopy of pre-issued cheque only</li> <li>- direct payment or credit card transaction record only</li> </ul>

During our review, we identified instances totalling \$5.4 million where items on Members' constituency allowance claims were not adequately supported by appropriate documentation. Figure 26 provides a summary of these instances by fiscal year.

**Figure 26**

**Inadequate Supporting Documentation  
Fiscal years 1989-90 through to 2005-06**

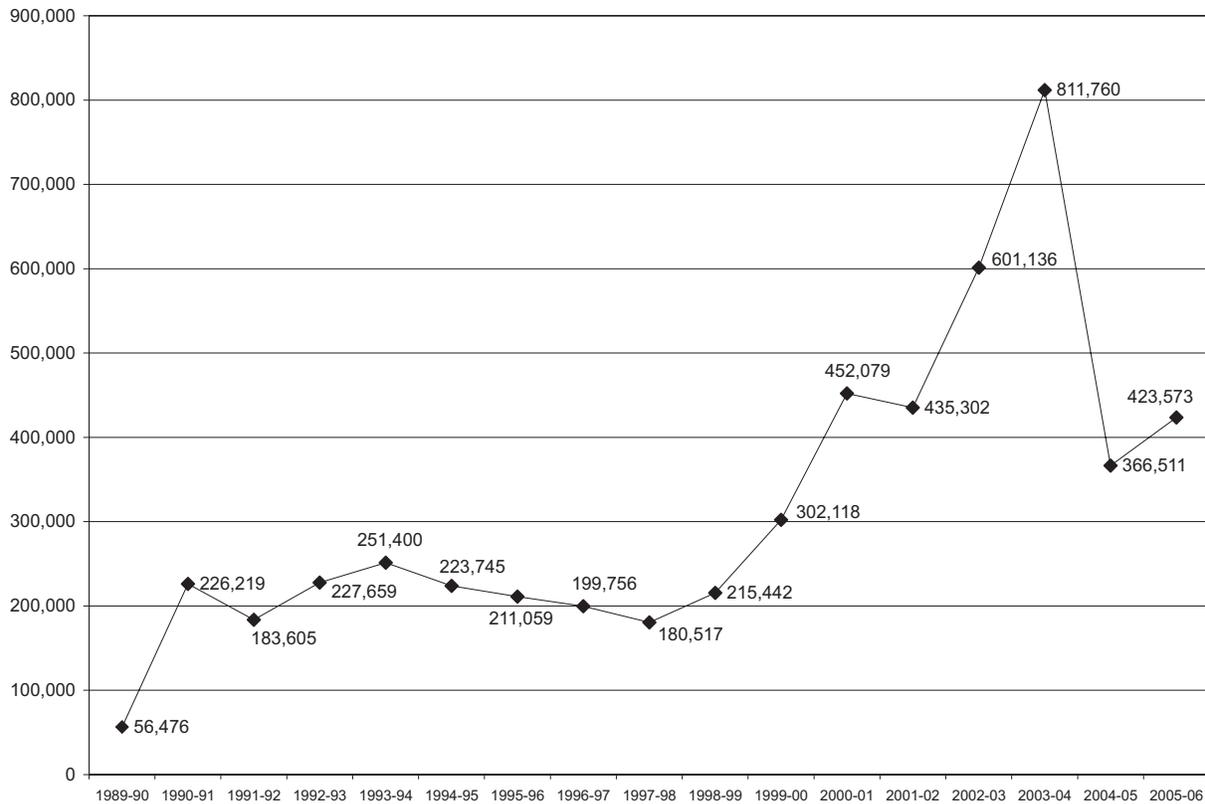
<b>Documentation</b>						
<b>Year</b>	<b>Members</b>	<b>None Submitted Therefore Inadequate</b>	<b>Submitted but Inadequate</b>	<b>Total Inadequate</b>	<b>Total Constituency Allowance Claims</b>	<b>Total Inadequate as a % of Total Claims</b>
2005-06	49	\$34,396	\$389,177	\$423,573	\$1,741,516	24.32%
2004-05	48	15,128	351,383	366,511	1,665,800	22.00%
2003-04	60	311,764	499,996	811,760	2,574,152	31.54%
2002-03	48	171,965	429,171	601,136	1,980,702	30.35%
2001-02	48	37,720	397,582	435,302	1,905,957	22.84%
2000-01	47	57,965	394,114	452,079	1,763,030	25.64%
1999-00	46	8,779	293,339	302,118	1,708,283	17.69%
1998-99	53	3,402	212,040	215,442	1,451,873	14.84%
1997-98	46	1,649	178,868	180,517	1,286,244	14.03%
1996-97	45	11,687	188,069	199,756	1,191,052	16.77%
1995-96	59	3,550	207,509	211,059	1,217,804	17.33%
1994-95	45	17,081	206,664	223,745	1,203,788	18.59%
1993-94	51	93,826	157,574	251,400	1,155,294	21.76%
1992-93	46	17,747	209,912	227,659	1,357,803	16.77%
1991-92	46	9,380	174,225	183,605	1,209,194	15.18%
1990-91	47	84,680	141,539	226,219	1,043,548	21.68%
1989-90	32	2,641	53,835	56,476	507,545	11.13%
<b>Total</b>	<b>110</b>	<b>\$883,360</b>	<b>\$4,484,997</b>	<b>\$5,368,357</b>	<b>\$24,963,585</b>	<b>21.50%</b>

As Figure 26 shows, the highest total of inadequate documentation occurred in 2003-04 at \$811,760, while in 1989-90 total inadequate documentation was only \$56,476, an increase of over 1,300%.

Figure 27 outlines information by year on the total inadequate documentation identified during our review.

**Figure 27**

**Total Inadequate Supporting Documentation  
Fiscal years 1989-90 through to 2005-06**



As Figure 27 shows, of the \$5,368,357 in claims with inadequate documentation, \$2,602,395 (48%) was claimed from fiscal years 1999-00 through to 2003-04, the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. The Figure also shows a significant decrease in the extent of inadequate supporting documentation after 2003-04.

Our findings related to inadequate documentation are categorized in the following two areas:

- A. No Documentation Provided, Therefore Inadequate (\$883,360)
- B. Documentation Provided But Inadequate (\$4,484,997)

---

### 3A. No Documentation Provided, Therefore Inadequate

---

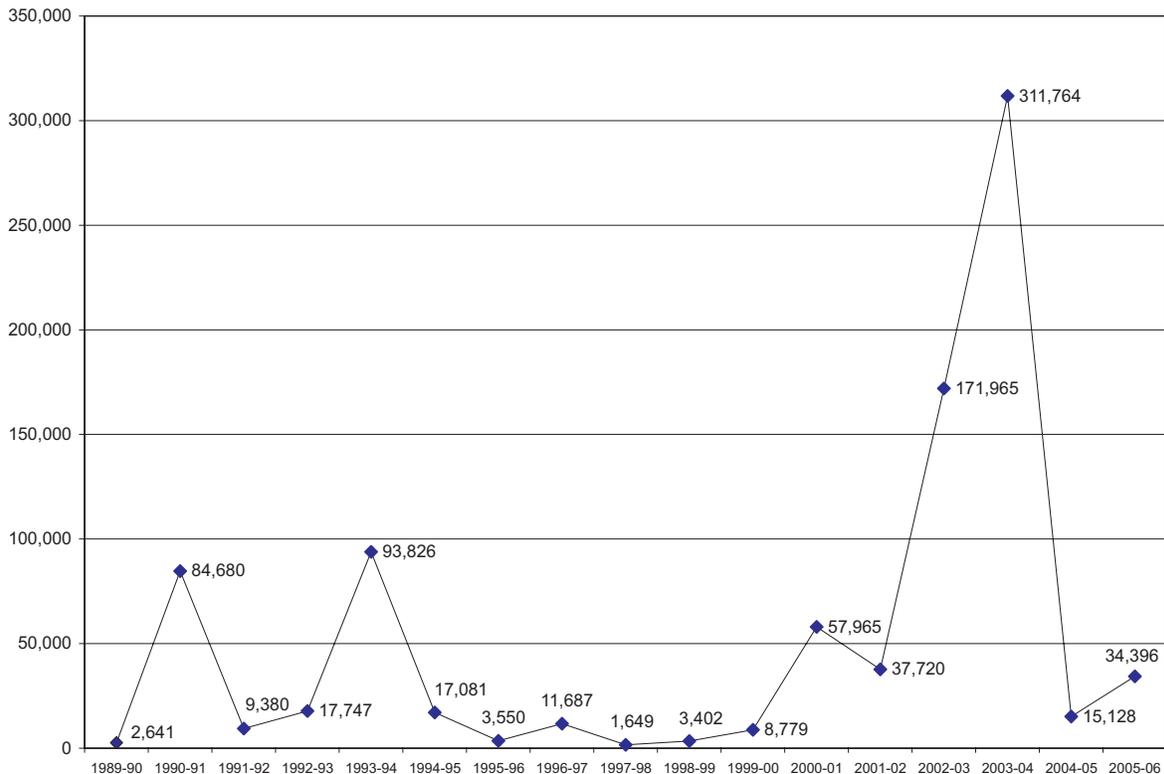
It is standard policy that all supporting documentation for a claim should be attached to the expense voucher when submitted by a Member. The voucher summarizes such information as the expenditure amounts, accounts to which the expenditure is being charged, date of payment, and who processed and approved the payment.

For the 17 year period covering fiscal years 1989-90 through to 2005-06, constituency allowances for Members totalled \$25 million. Of this amount, there was no supporting documentation on file for approximately \$883,360 or 3.54% of total claimed expenditure. As a result of not having documentation, it was not possible to determine how the money was spent and thus, whether the money was spent appropriately. In instances where there was no supporting documentation on file, we could not make a determination as to whether the Member submitted the documentation or whether the documentation was intentionally or unintentionally misplaced.

Figure 28 provides information on the total amount of no documentation by fiscal year.

**Figure 28**

**Total Amount by Year of No Documentation  
Fiscal years 1989-90 through to 2005-06**



As Figure 28 shows, there was a substantial spike in the total amount of no documentation to support claims, which coincided with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. The Figure also shows a marked decrease in 2004-05.

Many of the instances of no supporting documentation were of low dollar value. However, of the 115 Members reviewed, we identified that 5 Members (4%) accounted for 60.5% of the total constituency allowance claims for which there was no supporting documentation. Figure 29 outlines the details on these 5 Members.

**Figure 29**

**Summary of No Supporting  
Documentation by Member  
Fiscal Years 1989-90 through to 2005-06**

<b>Member</b>	<b>Total of No Supporting Documentation</b>	<b>Percent of Total</b>	<b>Total Constituency Allowance Claims</b>	<b>Total of No Supporting Documentation as a % of Total Claims</b>
Edward Byrne	\$ 274,685	31.10%	\$ 643,609	42.68%
Randy Collins	141,100	15.97%	771,105	18.30%
Jim Walsh	54,496	6.17%	507,941	10.73%
Wally Andersen	43,872	4.97%	1,166,209	3.76%
Percy Barrett	19,983	2.26%	686,884	2.91%
Sub-total	534,136	60.47%	3,775,748	14.15%
Other	349,224	39.53%	21,187,837	1.65%
<b>Total</b>	<b>\$ 883,360</b>	<b>100.0%</b>	<b>\$ 24,963,585</b>	<b>3.54%</b>

As Figure 29 shows, 5 Members (or 4%) accounted for \$534,136 (60.5%) of claims with no supporting documentation.

---

### 3B. Documentation Provided But Inadequate

---

It is standard policy that all supporting documentation for a claim should be attached to the expense voucher. The voucher summarizes such information as the expenditure amounts, accounts to which the expenditure is being charged, date of payment, and who processed and approved the payment.

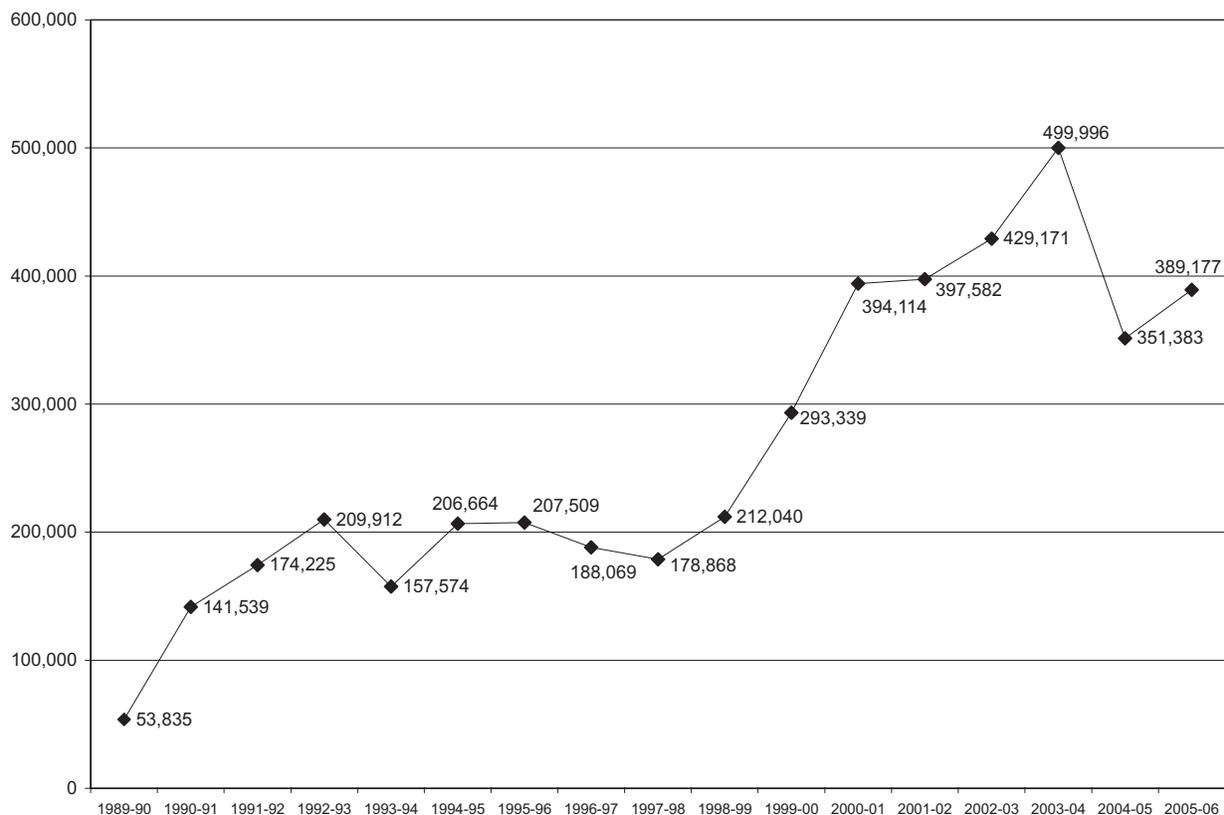
For the 17 year period covering fiscal years 1989-90 through to 2005-06, constituency allowances for Members totalled \$25 million. Of this amount, we identified inadequate documentation totalling approximately \$4.5 million.

As a result of not having adequate documentation, it was not always possible to conclude whether the expenditure claimed was appropriate.

Figure 30 provides information on the total amount of inadequate documentation by year.

**Figure 30**

**Total Amount by Year  
of Documentation Provided Which was Inadequate  
Fiscal years 1989-90 through to 2005-06**



As Figure 30 shows, there was a significant increase in the inadequacy of documentation provided in support of claims which coincides with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. The Figure also shows that, in 2004-05, there was a significant decrease in inadequate documentation.

We categorized the instances where inadequate documentation was submitted by Members in support of claims. Information on the extent of inadequate documentation by category is outlined in Figure 31.

**Figure 31**

**Inadequate Supporting Documentation  
By Category  
Fiscal years 1989-90 through to 2005-06**

<b>Category</b>	<b>Members</b>	<b>Amount</b>	<b>% of Total</b>
(i.) Private Vehicle Mileage			
- intra-District	92	\$ 1,530,295	34.12%
- to/from District	38	340,095	7.58%
Sub-total	94	1,870,390	41.70%
(ii.) Per Diems	61	820,997	18.31%
(iii.) Donations	83	321,484	7.17%
(iv.) Entertainment	105	592,085	13.20%
(v.) Other Documentation Issues	109	880,041	19.62%
<b>Total</b>	<b>110</b>	<b>\$ 4,484,997</b>	<b>100%</b>

As Figure 31 shows, \$1.9 million (42%) of the total inadequate documentation related to private vehicle mileage claims by Members.

The following sections outline our observations with respect to each of the five categories of inadequate documentation:

**3B(i.) Private Vehicle Mileage**

A Member is reimbursed a set rate per kilometre for the use of their private vehicle while traveling to and from St. John's and the District or travelling around the District in performing constituency work. To receive reimbursement for private vehicle usage, a Member is required to submit a private vehicle usage form. This same form is used by Government

officials wherein the officials specify the date of travel, start and end destinations, and the number of kilometres driven.

During the review, the following concerns were identified with respect to Members' claims for private vehicle usage:

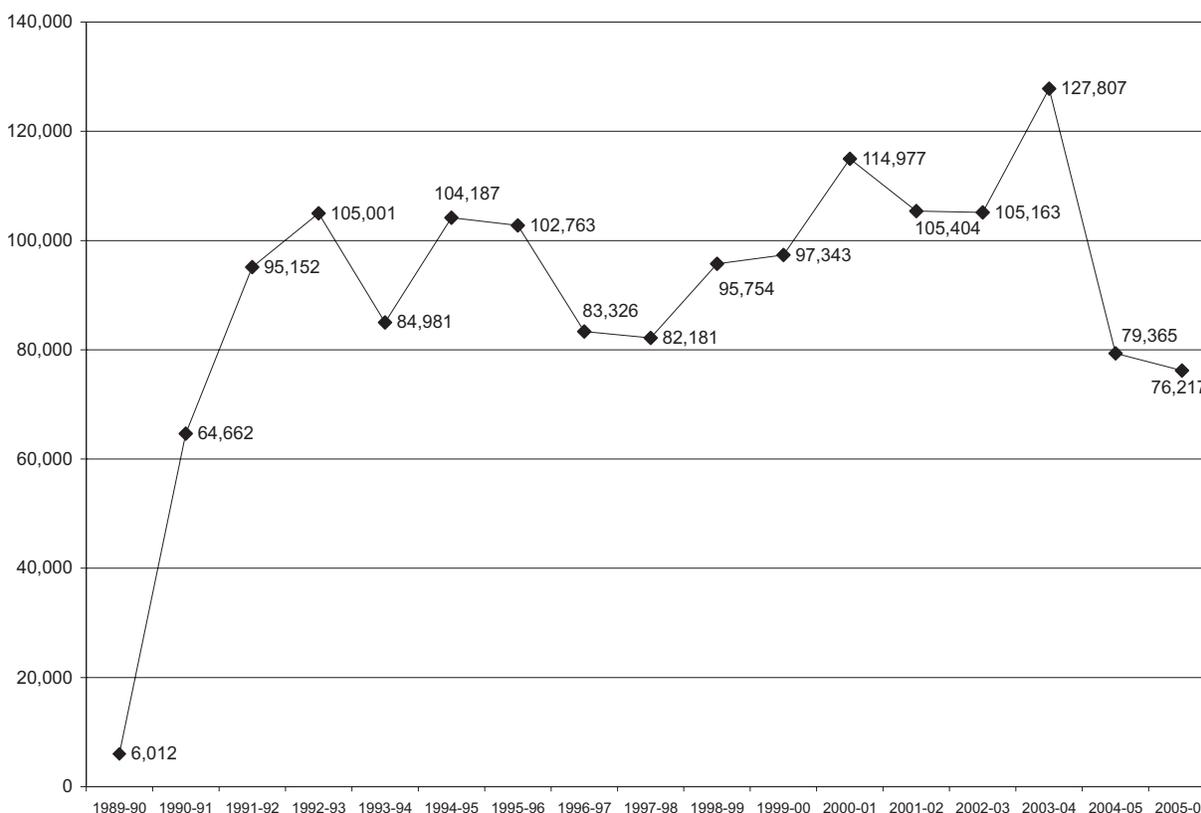
### *Intra-District mileage claims*

In claiming reimbursement for travel around the District (intra-District), it was common practice for Members to indicate only the number of kilometres being claimed without providing any details on dates of travel or destinations (e.g. 3,000 km for month of April). In these instances, due to the lack of adequate information, we could not determine the reasonableness of travel expenditures claimed.

Over the 17 year period from 1989-90 to 2005-06, Members were reimbursed for intra-District travel expenditures totalling \$1.7 million, of which \$1.5 million (88%) was not supported by adequate documentation. Figure 32 outlines, by year, the extent of inadequate documentation relating to intra-District mileage claims by Members.

**Figure 32**

### **Inadequate Documentation Relating to Intra-District Mileage Claims Fiscal years 1989-90 through to 2005-06**



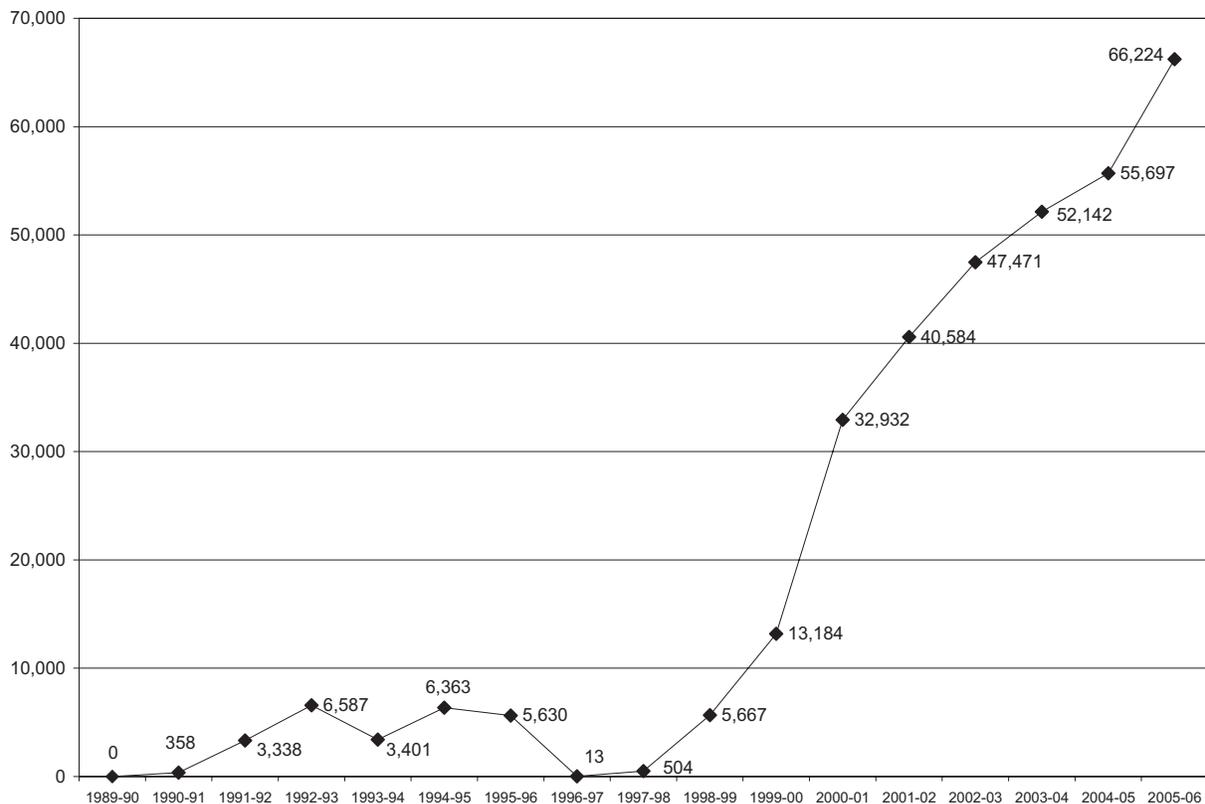
As Figure 32 shows, there was a general increase coinciding with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. Furthermore, there was a substantial decrease in 2004-05.

***To and from District mileage claims***

In claiming reimbursement for travel to and from St. John's and a Member's District, Members did not always provide sufficient details on dates of travel or location in the District in order to allow an assessment of the reasonableness of the expenditure.

Over the 17 year period from 1989-90 to 2005-06, Members were reimbursed for travel expenditures to and from their District totalling \$2.4 million, of which \$340,095 (14%) was not supported by adequate documentation. Figure 33 outlines, by year, the extent of inadequate documentation relating to mileage claims to and from a Member's District.

**Figure 33**  
**Inadequate Documentation Relating**  
**to Mileage Claims to and from a Member's District**  
**Fiscal years 1989-90 through to 2005-06**



---

As Figure 33 shows, there was an increase in inadequate documentation relating to vehicle mileage claims for travel to and from a Member's District which coincided with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

Another contributing factor to the increase in inadequate documentation resulted from a change in travel rules in 1996-97 which eliminated restrictions on the number of trips to a Member's District. As a result, Members were allowed to travel to their District restricted only by the limits of their constituency allowance funding. Subsequent to the change in travel rules, Members started to submit more private vehicle mileage claims which were, in many instances, inadequate as a result of no travel details. Furthermore, unlike most other categories of expenditures, there was no decrease in 2004-05 - in fact, it increased again in that year and in 2005-06.

When claiming mileage to and from St. John's and a District, a Member could claim to the mid-point in the District or, if farther, to the point of the Member's residence.

A review of Member's private vehicle usage claims identified numerous instances where it appeared that the Member claimed either:

- more mileage than the actual mileage between the starting and ending destinations listed on the travel form; or
- more mileage than the distance between St. John's and the mid-point in the Member's district or, if farther, to the point of the Member's residence.

Instances were also noted where a Member continued to increase the distance being claimed between St. John's and the District without providing any documented explanation. For example:

- One Member initially claimed mileage from St. John's to their District as 700 km, then, in 2004-05 increased this to 800 km and claimed 54 trips, and in 2005-06 increased this to 900 km and claimed 43 trips. The Member continued to claim monthly mileage amounts for intra-district travel.

- 
- Another Member initially claimed mileage from St. John's to their District as 650 km, then, in 1996-97 increased this to 900 km and claimed 262 trips. The Member continued to claim monthly mileage amounts for intra-district travel. The Member indicated that the change resulted from the definition of the mid-point of his District. The Member explained that he was advised by officials of the House of Assembly establishment that he could claim the mid-point of his District which was in the ocean and therefore could only be reached by boat. As a result, he claimed an amount equivalent to the cost of a boat charter to that point in the ocean.

Overall, in many cases it was difficult to determine whether Members were claiming the appropriate reimbursement for travel to and from their District, as there were many complicating factors to consider including:

- no or insufficient documentation to determine the location, if any, of a Member's residence in their District;
- changes to road networks over the period under review;
- alternative routes available to travel to a Member's District; and
- inadequate documentation to explain how a Member was determining the mid-point of the district. Some Members claimed travel from St. John's to the "District" with no notation on how the number of kilometres was determined.

---

### **3B(ii.) Per Diems**

---

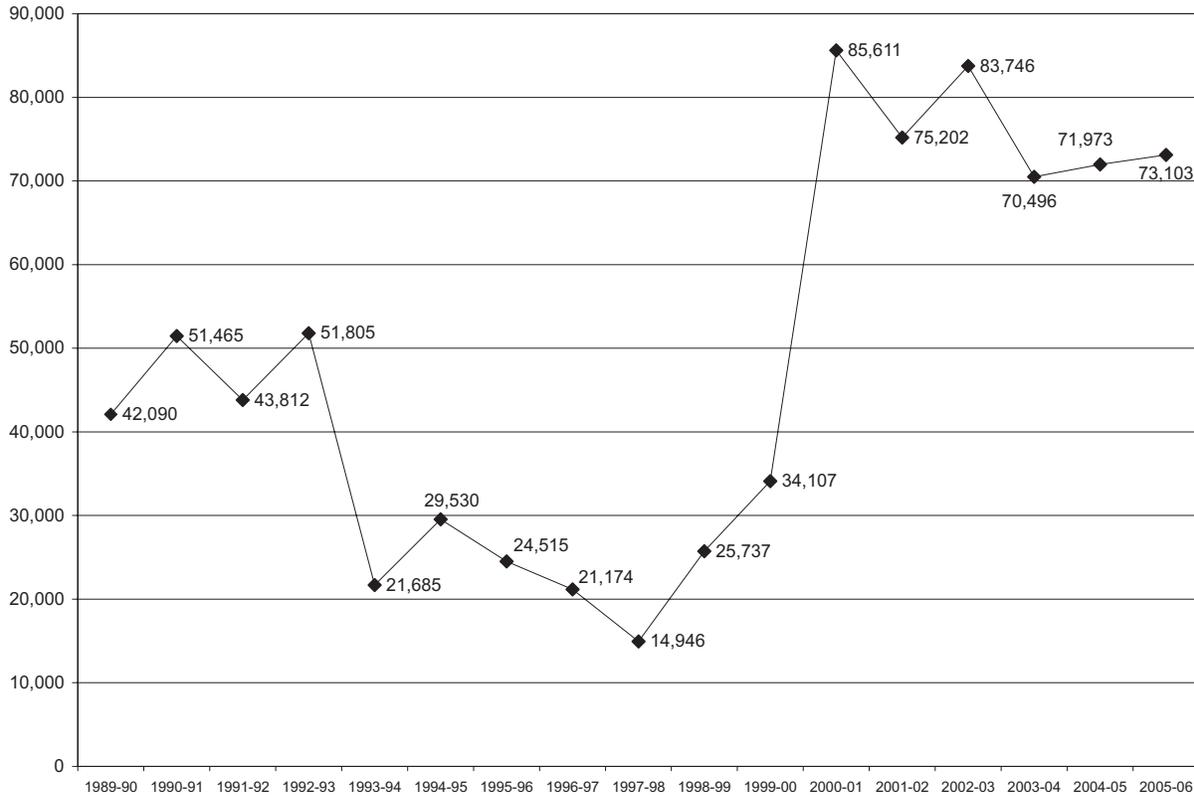
Members are entitled to claim meal and accommodation per diems when the House of Assembly is in session or when the Member is travelling away from home on constituency business. In claiming per diems, Members did not always provide sufficient information on the claim form to allow a determination of whether or not the Member was entitled to the per diem.

For example, the form did not always record the date the per diem was being claimed or did not provide any travel details to demonstrate that the Member was travelling away from home on constituency business. Over the 17 year period from 1989-90 to 2005-06, Members were reimbursed for per diems totalling \$5.7 million, of which \$820,997 (14%) was not supported by adequate documentation.

Figure 34 provides a graphical presentation of the total amount of per diems claimed with inadequate documentation.

**Figure 34**

**Inadequate Documentation Relating  
to Per Diems  
Fiscal years 1989-90 through to 2005-06**



As Figure 34 shows, there was a marked increase in per diems claimed with inadequate documentation, coinciding with inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

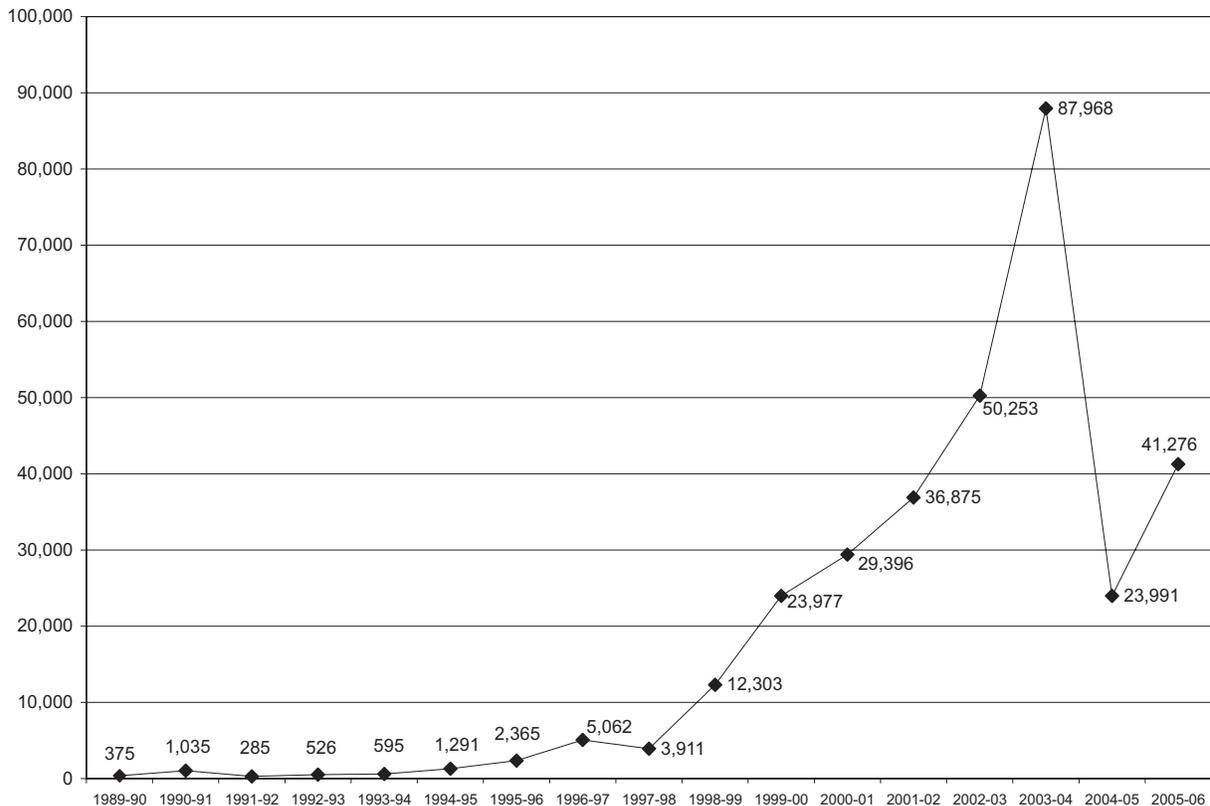
**3B(iii.) Donations**

Over the 17 year period from 1989-90 through to 2005-06, Members were reimbursed for donations totalling \$1.5 million, of which \$321,484 (21%) was not supported by adequate documentation.

Figure 35 provides information on the total amount of donations claimed with inadequate documentation by fiscal year.

**Figure 35**

**Inadequate Documentation Relating  
to Donations  
Fiscal years 1989-90 through to 2005-06**



As Figure 35 shows, there was a substantial increase in instances of inadequate documentation which correlates with the period of inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General.

---

**3B(iv.) Entertainment**

---

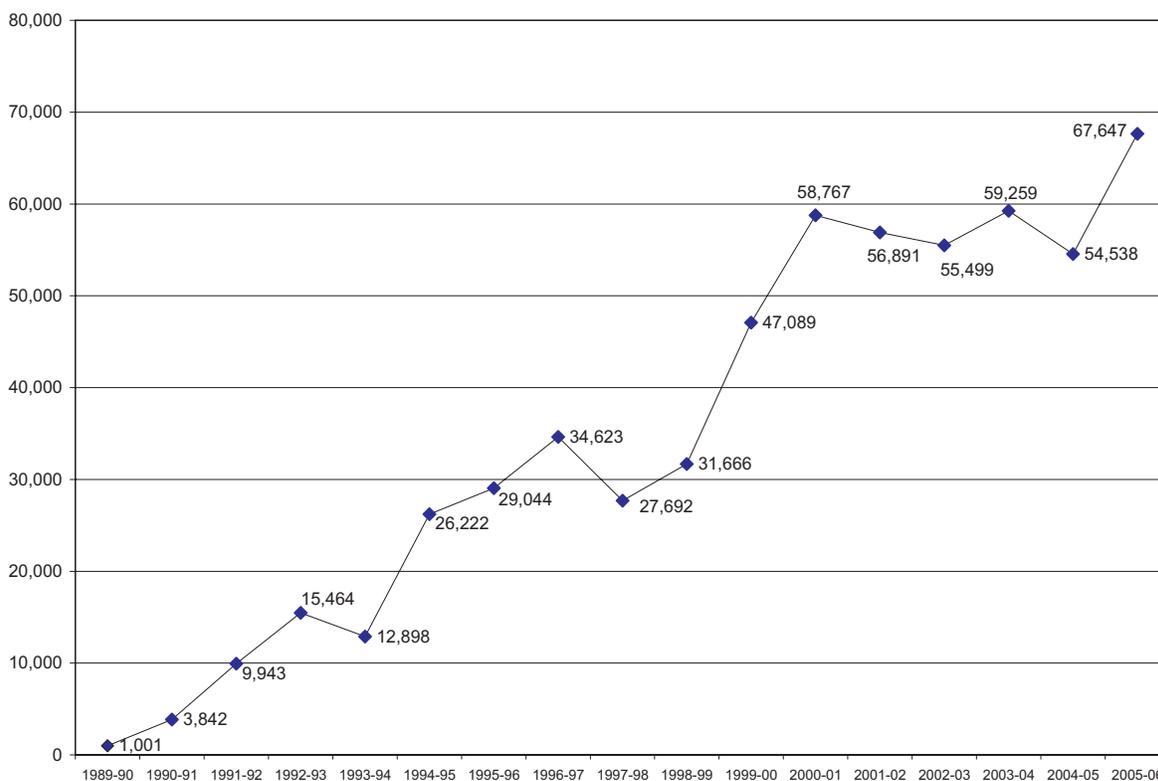
Over the 17 year period from 1989-90 through to 2005-06, Members were reimbursed for entertainment expenses totalling \$1.1 million, of which \$592,085 (54%) was not supported by adequate documentation.

In instances where documentation was inadequate, claims by Members were generally only supported by a direct payment or credit card transaction record instead of a detailed restaurant receipt indicating how many people were entertained. Furthermore, claims did not always indicate the purpose of the entertainment.

In addition, in those cases where entertainment claims were supported by a gas/restaurant facility or convenience store receipt, it could not be determined if expenses related to food, gas, liquor or other personal items. Some of the convenience store purchases were significant. We identified one purchase for \$758 and another for \$798, neither supported by a detailed bill to show what was purchased and claimed.

Figure 36 provides information on the total amount of entertainment claimed with inadequate documentation.

**Figure 36**  
**Inadequate Documentation Relating**  
**to Entertainment**  
**Fiscal years 1989-90 through to 2005-06**



---

As Figure 36 shows, there was a substantial increase in instances of inadequate documentation which correlates with inadequate financial controls and management practices and the lack of independent scrutiny of expenditures by the Auditor General and the Comptroller General. In 1997-98, entertainment claims with inadequate documentation totalled only \$27,692 and increased to \$67,647 in 2005-06.

---

### **3B(v.) Other Documentation Issues**

---

During the audit, numerous instances were noted where the lack of supporting documentation was a significant issue. Following are some examples:

- Invoices and/or receipts for office rental for a Member were hand written, signed by various individuals, unsigned, or signed by a Member and/or the Member's Executive Assistant and contained no details on what was being rented.
- Use of what appeared to be the same invoice form for differing vendors on or around the same date.
- The same generic receipts were used for donations to various groups which were not numbered, contained no signature and appeared to be written by the same individual.
- Payments for phone bills were supported with only the payment stub so the previous and current balances were not shown. As a result, it could not be determined whether the amount being claimed had previously been reimbursed to the Member. Other instances were noted where the amount claimed differed from the amount due with no explanation provided. One member was claiming the entire phone bill located in an apartment in St. John's but on occasion claimed hotel expenses while in St. John's.
- Purchase of a computer was supported by a refund/return slip for a computer and in another case a quotation was used as support for the reimbursement for a computer, printer and cartridges.
- Purchase of airline tickets in bulk. Based on information submitted with the claim for reimbursement, it could not be determined whether all tickets were used by the Member and thus, whether all tickets were used in conducting constituency business.
- Credit card statements without any detail were used as support for claims.

- 
- Purchases at hardware stores with no detail other than credit card, debit slip or payment on account statement.
  - Documentation for airfare consisted only of a receipt which did not provide any information to identify the party travelling, destination, travel date or fare.
- 

## 4. Other Matters

---

The scope of this review included an examination of all claims submitted by Members to determine the appropriateness of their claims. During this review, we identified the following other matters:

- A. Office Rent by Member
  - B. Capital Assets
- 

### 4A. Office Rent by Member

---

The *House of Assembly Act* prohibits a Member from making or participating in making a decision in his or her capacity as a Member where the Member knows or ought reasonably to know that in the making of the decision there is the opportunity to further, directly or indirectly, a private interest of the Member or the member's family.

In 2004, the IEC agreed that the staff of Members and the Members themselves be knowledgeable with respect to the *Conflict of Interest Act* and where appropriate or where in doubt on the expenditure of public funds from the constituency allowance, they would seek the advice of the Clerk or the Speaker of the House of Assembly.

During our review, we identified three instances totalling \$49,379 where Members claimed rent and/or expenses in property which they either owned personally or owned as part of a company or partnership.

While Members may indicate that arrangements in these cases could result in reduced rental costs, without a transparent process of identifying other rental alternatives, there would be a perception of conflict of interest. We note that the Green Commission Report indicated that, with regards to renting of constituency office space owned by Members or by companies owned or controlled by Members, “*There is an obvious potential conflict of interest in such arrangement, especially where the MHA concerned is responsible for negotiating the terms of any such lease.*”

Figure 37 provides details relating to these instances.

**Figure 37**

**Claims for Property Rent and/or Expenses  
Fiscal years 1989-90 through to 2005-06**

<b>Member</b>	<b>Amount</b>	<b>Description</b>
Paul Dicks	\$23,562	For the period 1994-95 to 2001-02, paid office rent to a company in which the Member had an ownership interest.
Kelvin Parsons	17,254	For the period March 2001 to April 2005, claimed rent expenses for District office at law firm (\$7,340 - March 2001 to August 2002); renovation costs for District office in home (\$2,739 - January 2003 to November 2003); and claimed expenses for District office in home (\$7,175 - October 2003 to April 2005).
Edward Joyce	8,563	For the period 1 November 2003 to 31 March 2006, claimed payments to personal company for rent (\$6,819) and portion of insurance (\$1,744).  In a letter dated 19 November 2003, the Member advised the Clerk that <i>As per our conversation, please be advised that I have established a constituency office at 70 West Street, Corner Brook, as of November 1st, 2003.</i> The letter also indicated that the Member <i>“...will not be paying rent for the two offices but I will be contributing \$250.00 per month from my constituency allowance for expenses.</i>
<b>Total</b>	<b>\$ 49,379</b>	

---

**4B. Capital Assets**

---

Capital assets are long-term assets that are used in the normal course of business. Between the fiscal years 1989-90 to 1998-99, the IEC's policy was to define capital assets as equipment and furniture purchases valued at \$500 or more. For fiscal years 1999-00 to 2002-03, this purchase value increased to \$1,000 and decreased again to \$500 for fiscal years 2003-04 to 2005-06. Equipment and furniture purchases valued lower than these defined thresholds were categorized as office expenses versus capital assets.

Capital assets claimed by Members for the 17 year period between fiscal years 1989-90 and 2005-06 totalled \$987,674. Figure 38 shows the capital asset expenditures from 1989-90 through to 2005-06.

**Figure 38**

**Capital Asset Expenditure  
Fiscal years 1989-90 through to 2005-06**

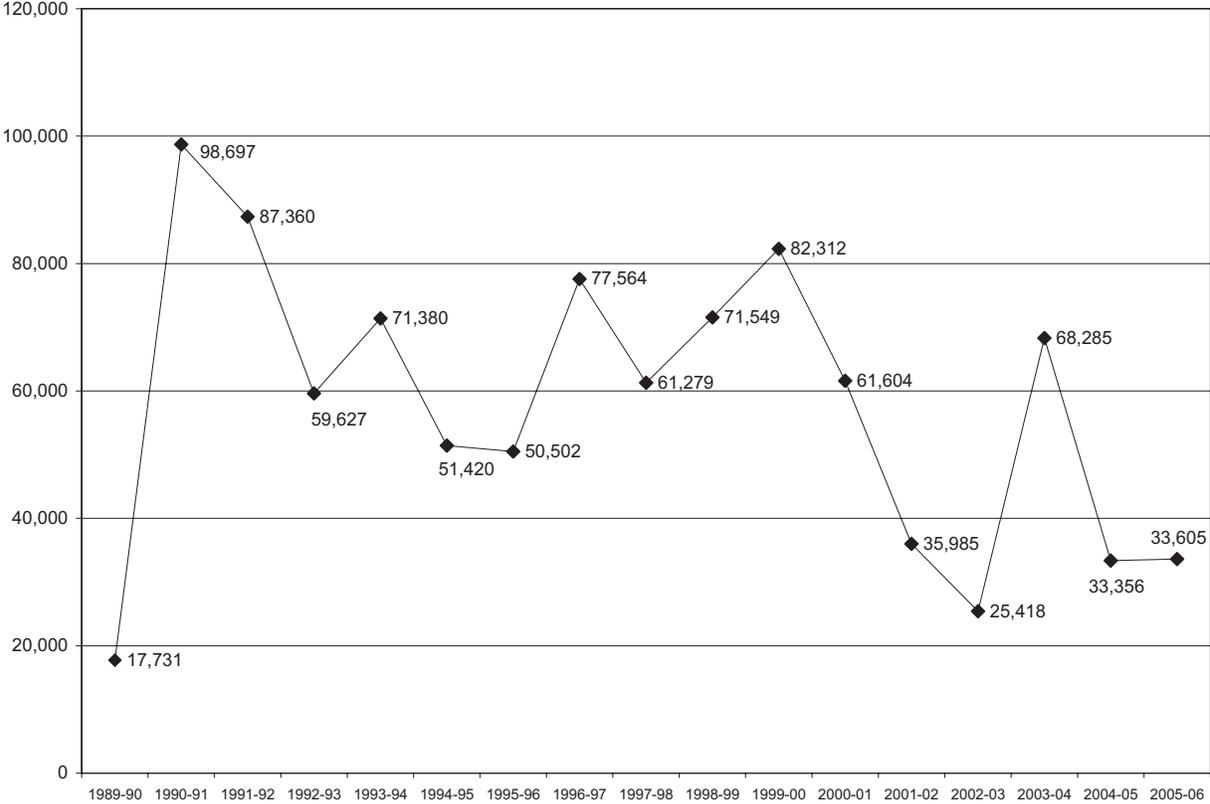


Figure 39 provides a summary of the main types of capital asset purchases over this 17 year period.

---

**Figure 39**

**Capital Assets  
Fiscal years 1989-90 through to 2005-06**

<b>Category of Capital Asset</b>	<b>Amount</b>
Computers	\$ 643,333
Furniture and Equipment	107,451
Printer / Fax / Copiers	86,248
Artwork	70,326
Cellular Phones	44,012
Cameras	21,178
Other	10,004
Personal Digital Devices	5,122
<b>Total</b>	<b>\$ 987,674</b>

---

In accordance with IEC policy, capital assets were the property of the House of Assembly for the first three years. After three years, these assets are considered fully depreciated (regardless of their actual fair market value) and **become the property of the Member**.

This depreciation policy assumes all assets have no value after three years. While this may be true for some assets like computers which tend to depreciate rather quickly, it may not be true for others such as office furniture. In addition, some items, including artwork, may in fact appreciate in value over time. In the case where capital assets have a residual value after three years, this benefit is transferred to the Member.

---

Although the policy required that upon departure of a Member, any capital assets purchased within the most recent three year period would remain the property of the House of Assembly, prior to 2006-07 there was no effective system or process in place to track and account for assets purchased and/or returned by Members. As a result, it was not possible to assess whether Members returned capital assets or reimbursed Government for the residual value of the capital assets purchased within the three years prior to their departure.

---

## **Appendix A: Recommendations from the Report of the Commission on Remuneration to Members of the House of Assembly (18 September 1989) [The Morgan Report]**

---

### **Recommendation 1**

That

- (a) all Recommendations other than Recommendations 2, 3, 4 and 18 come into effect on January 1, 1990 and that,
- (b) Recommendations 2 and 3 be retro-active to May 25, 1989 and that,
- (c) Recommendation 4 come into effect January 1, 1991 to enable the new mode of paying the indemnity and the non-taxable allowance to be phased in and that,
- (d) Recommendation 18 come into effect at the same time as the revised salaries of Cabinet Ministers.

### **Recommendations**

- 2. That each Member of the House of Assembly receive an indemnity of \$35,000 per annum.
- 3. That each Member of the House of Assembly receive a non-taxable allowance of \$17,500 per annum.
- 4. That both this indemnity and this non-taxable allowance be paid on an annual basis in twenty-six installments.
- 5. That the indemnity and the non-taxable allowance be increased on January 1<sup>st</sup> of each year by the amount of the increase in the preceding year in the Executive Pay Plan.
- 6. That where a member for any reason cannot devote himself or herself full time to parliamentary and constituency duties, the indemnity and non-taxable allowance of that member be pro rated by the Internal Economy Commission according to the proportion of time that can be devoted.

### **Recommendation 7**

That the current District allowance based upon the category of each constituency be abolished effective January 1, 1990.

### **Recommendation 8**

That while the House is in session and with the permission of the Speaker, the Members of the House of Assembly whose home and normal place of residence is beyond commuting distance from St. John's be reimbursed for travelling expenses actually incurred and documented for one return home journey each week during the session.

---

## Recommendation 9

That

- (a) while the House is in session a member normally residing in or near St. John's and representing a constituency outside the St. John's area be, with the prior approval of the Speaker, reimbursed for the travelling costs actually incurred and documented while attending functions within his constituency and that,
- (b) the Internal Economy Commission develop guidelines for this purpose.

## Recommendation 10

That, when the House is not in session, Members be reimbursed for travelling costs actually incurred and documented for up to 25 return trips between the constituency and St. John's or between St. John's and their constituency.

## Recommendation 11

That Members making visits within their constituencies be reimbursed for travelling costs actually incurred and documented for travelling within the constituency up to an annual maximum as determined by the Internal Economy Commission.

## Recommendation 12

That while the House is in session:

- (a) Members whose normal place of residence is beyond commuting distance from St. John's be reimbursed for reasonable expenses actually incurred for accommodations with receipts and for meals without receipts and that,
- (b) Members whose normal place of residence lies between twenty-five miles from St. John's and commuting distance from St. John's be reimbursed for meals without receipts and that,
- (c) Some consideration be given to the reimbursement of some meals for Members in or near St. John's, and that,
- (d) The maximum amount of the per diem allowable for accommodation and separately for meals be established by the Internal Economy Commission and that consideration be given to those sharing apartments and those clearly maintaining two regular houses, exclusive of a summer house, and that,
- (e) There be no maximum set per session of the House, and that,
- (f) The Internal Economy Commission established the amount of the per diem allowances for those authorized to travel under Recommendation 9, and that,

- 
- (g) The per diem allowance of those authorized to travel under Recommendation 8 be pro rated according to their days of absence from St. John's.

### **Recommendation 13**

That while the House is not in session:

- (a) Members be reimbursed for reasonable expenses incurred for accommodations with receipts and for meals without receipts while in St. John's attending to committee and constituency duties be reimbursed and that,
- (b) Where an overnight stay becomes necessary while travelling in a constituency under Recommendation 11, reasonable expenses incurred for accommodation in a commercial establishment be reimbursed and that,
- (c) The per diem rate for accommodations and separately for meals and the annual maximum for these purposes be established by the Internal Economy Commission.

### **Recommendation 14**

That (a) the following annual allowances be paid to Members of the Public Accounts Committee:

Chairman \$8000  
Vice-Chairman \$6000  
Member \$4000

and that,

- (b) the Internal Economy Commission keep these allowances under periodic review after the new Auditor General's Act is passed and new guidelines developed and that,
- (c) no office holder of the Legislature nor Member of any other committee receive an additional allowance by reason of membership of the Public Accounts Committee and that,
- (d) no Parliamentary Assistants, if by any strange chance one were to be appointed to the Public Accounts Committee, receive an additional allowance.

### **Recommendation 15**

That (a) when the House is not in session the members of Standing Committees other than the Public Accounts Committee and members of Select Committees receive allowances as follows:

Chairman \$100.00 per sitting day  
Vice-Chairman \$75.00  
Member no allowance

and that,

- 
- (b) Internal Economy Commission keep the matter of these daily allowances under constant review and adjust accordingly and that,
  - (c) Internal Economy Commission set the annual maximum in each case.

### **Recommendation 16**

- (a) That when the term of a Member of the Legislature is terminated after at least 7 years of service, he or she receive a separation allowance of 5% per year of the indemnity and non-taxable allowance for each year of service up to a maximum of 50% and that,
- (b) No portion of any salary or committee allowance of a Member of the House be included in the calculation of the separation allowance.

### **Recommendation 17**

That each Member be entitled to an accountable constituency allowance to provide assistance in the constituency when the House is not in session, in meeting obligations to constituents and that the Internal Economy Commission determine the amount of that allowance.

### **Recommendation 18**

That (a) the salary of each office holder in the House of Assembly be:

- Leader of the Opposition - same as the salary of a Cabinet Minister when it has been established for 1990.
- Opposition House Leader - half of the salary of the Leader of the Opposition.
- Leader of a Recognized Third Party - half of the salary of the Leader of the Opposition.
- Speaker - same as the salary of a Cabinet Minister when it has been established for 1990.
- Deputy Speaker and Chairman of Committees - half the salary of the Speaker.
- Deputy Chairman of Committees - half of the salary of the Chairman.
- Party Whips - \$6,000.

and that,

- (b) Except in the case of the Party Whips, these salaries be increased each year thereafter by the amount of the increase received by the Cabinet Ministers and that,
- (c) In the case of Party Whips, there be no change until the next Commission, appointed under the revised Act, submits its report.

---

**Appendix B: Approved Constituency Allowance by District  
(31 March 2006)**

---

District	Approved Limit
Baie Verte	\$46,000
Bay of Islands	43,400
Bellevue	37,900
Bonavista North	38,200
Bonavista South	38,200
Burgeo and La Poile	54,900
Burin - Placentia West	37,700
Cape St. Francis	18,500
Carbonear - Harbour Grace	33,000
Cartwright-L'Anse au Clair	69,300
Conception Bay East and Bell Island	18,000
Conception Bay South	19,500
Exploits	38,200
Ferryland	33,000
Fortune Bay - Cape La Hune	54,900
Gander	33,100
Grand Bank	38,200
Grand Falls - Buchans	38,200
Harbour Main - Whitbourne	28,900
Humber East	40,300
Humber Valley	46,000
Humber West	29,500
Kilbride	14,900
Labrador West	55,900
Lake Melville	52,800
Lewisporte	38,200
Mount Pearl	14,400
Placentia and St. Marys	31,000

<b>District</b>	<b>Approved Limit</b>
Port au Port	46,000
Port de Grave	31,000
Signal Hill - Quidi Vidi	14,400
St. Barbe	46,000
St. Georges - Stephenville East	46,000
St. John's Centre	14,400
St. John's East	14,400
St. John's North	14,400
St. John's South	14,400
St. John's West	14,400
Terra Nova	38,100
The Straights and White Bay North	46,000
Topsail	16,000
Torngat Mountains	84,800
Trinity - Bay de Verde	34,200
Trinity North	37,200
Twillingate and Fogo	38,800
Virginia Waters	14,400
Waterford Valley	14,400
Windsor - Springdale	42,900
<b>Total:</b>	<b>\$1,664,300</b>

---

## Appendix C: Excerpt from the Green Commission Report<sup>1</sup>

---

*Evolution of Administrative Policies and Practices - The Internal Economy Commission Act* had been amended in 1988 to require the appointment of an independent commission, following each general election, to review and make binding recommendations regarding MHA compensation and expense reimbursement. In 1989, the first (and as it turned out, the only) such independent commission, chaired by Dr. M.O. Morgan, recommended a revised and comprehensive framework to govern MHA compensation and expenses. In view of the significance of the Morgan recommendations, this Review Commission chose 1989 as the logical starting point for its analysis. It then determined that the review of the evolution of administrative policies and practices should be broken down into four distinct periods denominated for ease of reference as follows: the Morgan Era, the Policy Shift Era, the Hold-the-line Era, and the Refocusing Era.

***The Morgan Era: 1989-1996*** - The Morgan Era introduced significant changes to MHA compensation and expense arrangements. Compensation was increased, expenses were subdivided into categories, and limits were prescribed for each. Rules stipulated the maximum number of travel trips allowed, and all expense claims were to be supported by receipts. Practices subsequently evolved and, by 1993-94, the IEC had ordered that various individual expense components recommended by Morgan be combined into one allowance, but all allowances still remained “accountable.”

In 1993, the *IEC Act* was changed to remove the obligation to appoint an independent commission after each election; the timing of the appointment of such commissions was left to the discretion of the IEC. Yet the legislated requirement for an independent commission remained, as did the requirement that the recommendations of any such commission be binding.

The Morgan recommendations were said to have added considerable complexity to the administration of the House, but the very small administrative staff was not increased. While the Clerk was the administrative overseer of the House, financial management and administrative functions were essentially delegated to the Director of Administration (later redesignated the Director of Financial Operations). It appears there was deference to the principle of legislative independence, with the IEC periodically reminding the Treasury Board that the executive branch had no authority to encroach on the affairs of the House. However, the Comptroller General had access to all financial documentation related to expenditures of the House, and had the authority to undertake internal audit and compliance testing functions. Accordingly, in many respects, the financial control framework of the government was deemed to apply to the House of Assembly.

---

<sup>1</sup> Green, Hon. J. Derek Green. *Rebuilding Confidence: Report of the Review Commission on Constituency Allowances and Related Matters*, Executive Summary, (St. John's: Government of Newfoundland and Labrador, 2007), pp. 5-12.

---

During this era, and historically, the legislature was subject to audit by the Auditor General. While the scope of annual audits was relatively limited, the Auditor General had full access to the financial records of the House, including MHA expense claims. Periodically, the Auditor General expressed concerns arising from the audits, including the lack of segregation of duties in respect of the House administration. The Clerk's response to these concerns emphasized constraints related to staffing limitations. Financial restraint was prevalent throughout this period, and no additional administrative resources were provided. Also, the compliance testing and internal audit resources of the Comptroller General were substantially reduced as a restraint measure.

***The Policy Shift Era: 1996-2001*** - The Policy Shift Era was characterized by material changes in the policy framework governing MHA allowances and key aspects of House administration. A “block funding” arrangement for MHA constituency allowances, ostensibly targeted to achieve budgetary savings, was introduced to replace the more prescriptive framework recommended in the Morgan Report. There were successive increases in the level of constituency allowances. In the two - year period ending March 31, 2000, MHA allowances were increased by an average of 33%. In 1999-2000 alone, constituency allowances were increased three times. Also, in 1997-98, the IEC ordered that \$1,500 be added to Members' allowances on a one-time basis.

In a notable policy shift from the principles of the Morgan Report, in 1996 the IEC changed the rules to allow MHAs to claim up to \$2,000 in discretionary expenses annually, *without receipts*; by March of 2000, this had been increased to \$4,800 plus HST. This was in addition to the non-taxable allowance (equal to 50% of an MHA's indemnity) that Members were already receiving, as allowed by the *Income Tax Act*. The IEC also relaxed the rules governing expenditures on furniture and equipment. Severance pay benefits for MHAs were increased; salaries and benefits for parliamentary positions were increased. All of this was done without the appointment of an independent commission as previously required by the *IEC Act*. Furthermore the substance of some of these IEC decisions on MHA allowances and compensation were not reported in the minutes tabled in the House and there are notable discrepancies between the minutes of the IEC tabled in the House and the official minutes maintained by the Clerk.

Whenever it presented an obstacle to the measures contemplated by the IEC, the *IEC Act* was changed. Such legislative changes were processed expeditiously by the House of Assembly, usually in the last days of a session and with minimal discussion or debate. In 1996, the *Act* was amended to enable the IEC to make rules varying the salaries and allowances recommended by the Morgan Report. Subsequently, in 1999, the *Act* was further amended to remove all references to the Morgan Report and to remove the stipulation that recommendations of such independent commissions be binding. A section was also added that provided the IEC with unlimited scope to make rules to adjust indemnities, allowances and salaries of Members. The requirement for review by an independent commission was also removed; no such commission has been appointed for 18 years. In addition, the *Act* was changed to extend the time for the tabling of the IEC annual report in the House - effectively negating any prospect of timely disclosure of the IEC's deliberations.

In 2000, in response to the Auditor General's plans to conduct a compliance or program audit of the House (including MHA allowances and expenses), the *IEC Act* was again amended. These amendments enabled the IEC to disrupt the audit process; to bar the Auditor General from auditing the accounts of the legislature and, in particular, MHA allowances; and to deny the Comptroller General access to expenditure documentation of the House, effectively terminating the potential for pre-audit and compliance testing of MHA expense claims. The amendments included a mandatory

---

requirement that the accounts of the House be audited annually by an auditor appointed by the IEC. However, the IEC procrastinated for three years on this appointment. When, after the three - year hiatus, it contracted for audits, it left an audit void in relation to 2000-01 and possibly 1999-2000.

The House effectively exempted itself from the key control frameworks of government, and instituted no replacement policies or controls. In this era of relaxed rules and increased allowances, reliance on the parliamentary doctrine of legislative independence, removal of the Comptroller General's access to records, expulsion of the Auditor General, and procrastination over the audit process, all meant that, for an extended period, the only eyes to scrutinize the financial affairs of the House were those of the IEC and the administration that reported to it.

During this period, certain administrative duties were realigned but no additional staff was provided to bolster the financial management capability of the House. It was said that an effort was made to segregate duties and responsibilities, but the small staff complement made it difficult. There are signs that inappropriate claims processing practices, improper payment authorization processes and financial control deficiencies were commonplace.

***The Hold-the-line Era: 2001-2003*** - Following the fundamental policy shift of the previous era, the policy framework was not further materially altered for roughly three years. Nevertheless certain IEC decisions and practices of the House in this time frame are cause for concern.

In 2001-02 and 2002-03, the IEC minutes indicate that Members' allowances were adjusted near the fiscal year-end, based on proposals “on file with the clerk”; the specifics of the adjustments (amounts, timing and application) were not reported. This Commission was told that it had become a relatively common practice for the IEC to authorize incremental allowance allocations at year-end “if there was money left in the budget.” Memories were far less clear on the timing and the amounts of these payments, and documentation could not be produced. Furthermore, in each case, there was no money remaining from the original budget for Allowances and Assistance by yearend; incremental payments could only be funded by transfers from savings in other elements of the legislature's budget.

Despite the legislative requirement that IEC decisions be reported to the House, the substance of these year-end allowance decisions was never reported in the minutes of the IEC, and the related records cannot be located in the House. In addition, the IEC's annual reports, which purport to report the respective allowance limits and the actual amounts claimed by each MHA, make no mention of these adjustments. Accordingly, the accuracy of the IEC reports to the House is suspect. The external auditors were told that the year-end payments in 2001-02 and 2002-03 were \$2,500 and “an extra 10%” respectively, for each MHA, but this Commission was unable to verify that to be the case. Therefore, in many respects, the mystery remains.

During this era, the concept of parliamentary autonomy reached a new level: MHA compensation was adjusted by the IEC without any form of external input or review. Scrutiny by the Auditor General and the Comptroller General was terminated. Audit accountability was effectively ignored, and the central control agencies of government were virtually ineffective in relation to the financial affairs of the House.

---

The scope of House administration had grown with the addition of various statutory offices, but requests for additional staff were denied. The Clerk concentrated on parliamentary matters and delegated the weight of financial management responsibility to the Director of Financial Operations. Segregation of duties continued to be a challenge. Inappropriate payment practices were followed: payments were processed with inadequate documentation; payments were processed with inadequate review of the available documentation; and payments were authorized electronically “sight unseen” - by an individual with no access to supporting data. Regular financial management reports were not prepared for review by the Clerk, the IEC or the Budget Division of Treasury Board. Separate constituency allowance accounts were not maintained for MHAs to control their expenditures individually against their respective prescribed annual maximums. MHAs indicated that they did not receive any regular reports on the status of their accounts. This Commission was told, however, that some Members did not want written reports due to concerns that others might gain access to their expense records. Individual MHA expenditures were tracked “off-system” on a personal computer spreadsheet maintained by the Director of Financial Operations who retained *sole access* to the data.

Despite the legislated requirement for annual audits, and the Auditor General's explicit concerns, the IEC failed to initiate the audit process through 2000 and 2001. In February 2002, the Speaker publicly committed to seek proposals for an external audit for the 2000-01 fiscal year. But it was not until November 8, 2002 that the IEC actually agreed to call for audit proposals and then to encompass a *three - year* period commencing with fiscal year 2000-01.

The request for audit proposals was not advertised until February 2003, and it called for audits of *five fiscal years* from 2000-01 to 2004-05. An audit contract was not awarded until June of 2003 and then, on the direction of the IEC, it covered a revised time frame of *three years* - excluding 2000-01 and 2004-05. Neither the staff of the House of Assembly nor the external auditors were able to provide a copy of the signed contract or audit engagement letter. Furthermore, there are troublesome discrepancies between the official IEC minutes concerning this matter and the version tabled in the House. Also, this Commission was unable to ascertain a plausible explanation for the IEC's decision not to have 2000-01 audited. More than three years passed from May of 2000, when the IEC disrupted the Auditor General's legislative audit, to June 2003 when audits were contracted. Finally, it is noted that an audit void still remains. Not only was 2000-01 excluded from the audit process, it also appears that the 1999-2000 may not have been properly audited.

***The Refocusing Era: 2004-06*** - In March of 2004, following the general election in the fall of 2003, the Speaker tabled a paper that articulated a new policy direction focused on the importance of the principles of accountability, public disclosure and transparency. In some respects, it represented a refocusing on certain of the policies and principles of the Morgan Report.

Consistent with this renewed focus and in recognition of the government's fiscal challenges at the time, the IEC approved a range of measures in early 2004: MHAs allowances were to be reduced by 5% effective April 1, 2004; certain guidelines governing MHA expenses were tightened; the ability of MHAs to claim a portion of their expenses as “discretionary” without receipts was discontinued; the Comptroller General and the Auditor General were again provided access to financial documentation; and the Auditor General was reaffirmed as auditor, as of April 1, 2004. The IEC also began to strengthen the administrative framework within the House. The Clerk requested an internal audit review by the Office of the Comptroller General, and the IEC requested that Members and staff of the House become knowledgeable with respect to the *Conflict of Interest Act*. In addition, the IEC

---

directed that Members be provided written monthly statements on the status of their expense allowances, and that a Members' manual be prepared.

Then, in May of 2004, the IEC approved a one-time allowance of \$2,875 for all MHAs, in respect of the 2003-04 fiscal year. Such a payment, so late after the end of the fiscal year, was only made possible as a result of a public service strike through April 2004 that had effectively delayed the closing of the government's books for 2003-04. It appears this payment was recognized as being over and above the regular constituency allowance limits, and was authorized by the IEC without the requirement for receipts. Related documentation is vague and does not indicate who initiated the proposal.

The circumstances surrounding this special payment were completely inconsistent with the policy thrust embraced by the IEC in the preceding weeks: the payment was totally unrelated to the allowed maximums and IEC rules; the payment was authorized by IEC order, without amending the Members' Constituency Allowance Rules. It appears that 46 of the 48 MHAs submitted claims for the \$2,875 in mid-May 2004, effectively back-dated to March 31, 2004, without receipts—contrary to the mandatory receipts policy approved by the IEC on March 31, 2004. The claims were expeditiously processed and paid. The substance of the IEC's decision in relation to this payment (the amount, the rationale, the application, the lack of requirement for receipts) was not reported in the IEC minutes tabled in the House, nor was it otherwise publicly disclosed until the Auditor General's annual report in January 2007. The manner in which this special payment was approved, contrary to established rules and without disclosure, at a highly sensitive time during which the legislature had used its powers to freeze the compensation of all public servants, raises serious questions as to the judgment and prudence exercised by IEC members. A number of MHAs provided a range of explanations to this Commission in an effort to justify this action, all of which were found to be seriously inadequate.

The Commission notes that progress was slow on the administrative initiatives launched by the IEC in 2004. No progress was made on the development of the MHA manual or the implementation of monthly reporting on MHA allowances through to mid-2006. The internal audit review, requested by the Clerk in 2004, identified areas to be addressed, but there seems to have been no follow-up. The IEC had decided to strengthen the financial management of the House through the addition of a Chief Financial Officer, but the position was not filled until May of 2006. Nonetheless, this Commission acknowledges that there has been significant progress in a number of areas since that time.

While the IEC began to adopt a more structured approach to its operations, it fell short of meeting the standards of transparency and accountability it set for itself in 2004: disclosure of IEC decisions was not timely; the reports on MHA allowances tabled in the House were incomplete and, in some cases, inaccurate; and the substance of at least one important decision taken by the IEC was not reported at all.

In June 2005, the external audits for the 2001-02 and 2002-03 fiscal years were received - five years after the expulsion of the Auditor General in May 2000. Audits that were expected to take three months had taken two years. The auditor's reports were unqualified. The Commission noted that these were financial statement audits as opposed to more detailed legislative audits or compliance audits.

---

The auditors indicated to the Commission that, in the course of these audits, they initially noted discrepancies in the total expenditures on MHA allowances for both years the total of actual expenditures reflected in the government's accounts exceeded the total derived from adding the approved maximums for each constituency. However, staff of the House explained to the auditors that in both years the differences related to year-end payments, approved by the IEC, because "there was extra money left in the budget." The auditors were shown documentation approving these payments but were not provided with a copy. Since they believed that they had received adequate explanations, the auditors did not report on the matter.

Given the nature of their audit mandate, the auditors did not test to confirm that allowance payments to individual MHAs were in compliance with the respective maximums. The auditors noted the segregation of duties challenge, but assessed the issue as a practical constraint given the limited staff complement; they felt that compensating controls were in place. A member of the audit team was aware of a generally acknowledged relationship between a staff member and a supplier, but the auditor did not feel it merited comment. The auditors did not issue a management letter to express any concerns regarding the control environment in the House. There was no post-audit meeting with the staff of the House, the Clerk or the IEC to express any form of concern or to provide any recommendations.

In January 2006, the Auditor General commenced an audit focused directly on the financial operations of the House of Assembly. This audit led to the issuance of a series of reports from June 2006 to January 2007 that highlighted:

- i) excess constituency allowance claims by four MHAs and one former MHA over varying periods dating back to 1997-98;
- ii) questionable payments totalling in excess of \$2.5 million to three companies from 1998 to 2005, and allegedly inappropriate payments totalling approximately \$170,000 to a company owned by the former Director of Financial Operations;
- iii) a range of financial control deficiencies;
- iv) a potential conflict of interest situation;
- v) alleged double billing and double payments in relation to MHA allowances; and
- vi) an additional allowance, paid to MHAs in May 2004, which had not been reported by the IEC.

The Auditor General's findings, coupled with concerns identified through this Commission's research on the House of Assembly administration, reveal a perplexing array of difficulties, including payments to certain MHAs in multiples of the allowed amounts; payments to certain MHAs beyond levels reported to the House; overpayments not detected by the Clerk, the IEC or the Comptroller General; payments made with inadequate (or non-existent) documentation; double billings and double payments; and additional allowance payments to MHAs, approved by the IEC but not disclosed. As well, there was no reconciliation of IEC reports to the government's financial management records; inadequate internal control over purchases; no tenders or quotes for many purchases; few purchase orders; no commitment control process; no control over data security; and no back-up or data access controls. Finally, there were clear incidents of inadequate segregation of duties; the authorization of payments without the review of documentation; the destruction of audit trails; a failure of the audit process to detect irregularities; the lack of attention to potential conflicts of interest; and an ongoing conflict of interest through processes possibly intended to avoid detection.

---

## Appendix D: Category of Expenditures

---

Category	Included
Advertising and promotion	Media advertising, promotional items, greeting/holiday cards, newsletters, related photography fees.
Discretionary	A flat sum or daily allowance available to Members, with no receipts, to cover miscellaneous expenses.
Donations	Donations and sponsorship to: <ul style="list-style-type: none"> <li>- individuals</li> <li>- national or provincial registered charities</li> <li>- District not-for-profit entities such as schools, churches and sports groups.</li> </ul>
Entertainment	All restaurant charges, alcohol purchases, rental and food services for holiday parties, golf and other entertainment.
Office expense	Rental of office space, purchases of equipment and supplies including computers and cameras, utilities and telecommunication charges, casual labour and contractual services, gifts and other miscellaneous items.
Per diems	A daily travel allowance for meals and entertainment, either to or from the House of Assembly or elsewhere on constituency business. A claim for a per diem replaces the requirement to provide a receipt for accommodations and/or meals while on travel status.
Travel	Airfare to and from District, vehicle rental, gasoline purchases, hotels and similar accommodations.
Vehicle mileage	Reimbursement, at a set rate per kilometre driven, for use of Members private vehicle while on constituency business.