



Auditor General

MANITOBA

Report to the Legislative Assembly

Main Street Project Investigation

Independent Audit Report

Website Version



June 2021

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June 2021

Honourable Myrna Driedger
Speaker of the Legislative Assembly
Room 244, Legislative Building
450 Broadway
Winnipeg, Manitoba R3C 0V8

Dear Madam Speaker:

It is an honour to submit my report, titled *Main Street Project Investigation*, to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 28 of *The Auditor General Act*.

Respectfully submitted,

Original Signed by:
Tyson Shtykalo

Tyson Shtykalo, CPA, CA
Auditor General

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Table of contents

Special audit request	1
Auditor General's comments	3
Report highlights	5
Response from officials	7
Background	9
Scope and approach	13
Findings	15
1 Allegations	15
1.1 Credit card use not in compliance with policy	16
1.2 Inappropriate travel expenses	16
1.3 Reimbursement of air fare was business related	16
1.4 Claims filed with 2 funding agencies for same costs	16
1.5 Suppliers requested to change invoice dates to fall within the period covered by funding agreement	17
1.6 Use of funding for naloxone program in accordance with agreement	18
1.7 Use of Van Patrol Outreach Program funding in accordance with funding agreement	18
1.8 Employee education assistance available to all staff	19
1.9 Equipment included in building lease is not missing	20
2 Other matters that came to our attention	21
2.1 Board oversight over Executive Director's expenses requires improvement	21
2.1.1 No Board approved policy for Executive Director's expenses	21
2.1.2 Insufficient support for Executive Director's expenses	21
2.1.3 Board not reviewing and approving Executive Director's expenses	24
2.2 Board hiring and monitoring of Executive Director requires improvement	25
2.3 Other Board related findings	27
2.3.1 Annual Board evaluation not completed	27
2.3.2 Board conflict of interest forms not completed annually	28
2.4 Other findings	28
2.4.1 Purchasing policies require improvement	28
2.4.2 Credit card practices need strengthening	29
2.4.3 No Executive Director approval of bank reconciliations	30
2.4.4 Accounting records management require improvement	31
Summary of recommendations	33

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Special audit request

On October 22, 2019 we received a special audit request under Section 16(1) of *The Auditor General Act* (the Act). The Minister of Finance requested that we conduct a forensic examination of alleged irregularities related to Main Street Project.

Section 16(2) of the Act states that the Auditor General must report the findings of an audit performed under 16(1) to the person or body that requested the audit and to the minister responsible for any government organization concerned. We received allegations, conducted a forensic investigation, and report on these findings in **SECTION 1**.

During the course of our investigation, other matters came to our attention. We discuss our findings of these matters in **SECTION 2**. This report is made public under section 16(3) of the Act, which allows us to share findings when it is in the public interest to do so.

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Auditor General's comments

This special audit report on Main Street Project is the result of a request under Section 16 of *The Auditor General Act*. The Minister of Finance requested that we conduct a forensic examination of alleged irregularities related to the not-for-profit organization. We determined some of the allegations were substantiated and made several recommendations on improving oversight at Main Street Project.

Through the course of our investigation, we determined there was poor accountability over credit card use and compliance with policies. This happened because the Main Street Project Board had weak oversight over the former Executive Director's expense claims.

Other matters came to our attention during our investigation. We found that the board of directors did not perform sufficient due diligence prior to filling the Executive Director position, and it did not perform required performance evaluations on the Executive Director.

Main Street Project serves an important role in our community by providing shelter and access to services for those experiencing mental and physical health issues, homelessness, or substance use disorders. There is a duty-of-care when entrusted with public funds. It is my hope that the 12 recommendations in this report will help improve the organization's performance, so it can continue to focus on helping those in need.

I believe many recommendations in this report will also be beneficial to other not-for-profit organizations in the government reporting entity. The recommendations related to oversight over Executive Director's expenses, board practices, and other policies are important considerations for improved oversight and entity performance.

My staff and I extend our thanks and appreciation to Main Street Project staff and board members for their cooperation and assistance during this audit. I would also like to thank my audit team members for their diligence and hard work.

**Original Signed by:
Tyson Shtykalo**

Tyson Shtykalo, CPA, CA
Auditor General



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Main Street Project Investigation

We conducted a forensic examination of alleged financial irregularities at the Main Street Project

- Information on alleged financial irregularities brought forward by the Minister of Finance
- Investigation conducted under Section 16 of *The Auditor General Act*
- Other matters also came to our attention during our investigation

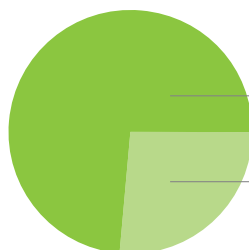


Main Street Project:

Works with individuals who are displaced, experiencing mental and physical health issues, substance use disorders, and homelessness

Annual funding

\$6.5 million
Total funding in 2019



\$4.8 million provincial funding

\$1.7 million other funding

What we found:

Some allegations of financial irregularities substantiated

Other matters noted:

- Board oversight over Executive Director's expenses requires improvement
- Board did not perform sufficient due diligence prior to filling the Executive Director position
- Administrative policies and practices need strengthening



Report includes **12** recommendations

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Response from officials

We requested a response from the Department of Health and Seniors Care. They provided a summary response on behalf of the Main Street Project Board, the Winnipeg Regional Health Authority (WRHA), and the Department of Health and Seniors Care, which is included below. Specific responses to each recommendation are included in the **SUMMARY OF RECOMMENDATIONS** section of this report.

Main Street Project Board appreciated the opportunity to provide comments on the Auditor's draft report prior to its release. We assure you that all the recommendations will be taken very seriously and we are pleased to let you know that all of the recommendations are being implemented, or are in the process of being implemented. In addition, we are aware that Main Street Project has undertaken a comprehensive risk review to ensure that it is complying with best practices in every aspect of its operations.

WRHA has reviewed the report, supports the recommendations and Main Street Project's plan and response to date.

As part of the Department's usual role in oversight, we will continue to monitor the progress and status of implementation and ensure that these recommendations are being addressed.

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Background

Main Street Project (MSP) was founded in 1972 to serve the needs of Winnipeg's most vulnerable residents. MSP works with individuals who are experiencing mental and physical health issues, substance use disorders, and homelessness. MSP's vision is that every individual has a safe place to be and the right to self-determination.

MSP's total expenditures were \$6.6 million in the 2019 fiscal year. MSP is part of the Province of Manitoba's Government Reporting Entity, which means that its operating results are consolidated into the Public Accounts for the Province of Manitoba.

In the 2019 fiscal year, MSP received \$6.47 million in funding: \$4.82 million from the Province of Manitoba and \$1.65 million other funders (see **TABLE 1.**)

The following, summarized from MSP's website, provides information on programs and services offered by MSP.

DROP-IN AND EMERGENCY SHELTER

Individuals in distress may access emergency shelter and crisis services without an appointment. Staff provide services that address the basic daily needs of clients. For example, individuals can get a bowl soup, a cup of coffee, clean clothing, take a shower, and access telephones and mail delivery. Access to case workers and resource and housing referrals are also provided. These services are available to community members on a walk-in basis, or by agency referral.

The shelter program is predominantly funded by Manitoba Housing Renewal Corporation (MHRC) and the Winnipeg Regional Health Authority (WRHA).

WITHDRAWAL MANAGEMENT SERVICES

MSP operates two, 24-hour facilities to help support clients seeking assistance with withdrawal from substances. Staff work with clients to create attainable, individualized care plans—whether the goal is reducing harm from drug use, abstinence, or accessing treatment programs. There is no cost to clients.

The women's facility at River Point Health Centre is funded by Manitoba Health and Seniors Care. The men's facility at 75 Martha Street is funded by the WRHA.

PROTECTIVE CARE – INTOXICATED PERSONS DETENTION AREA (IPDA)

Protective Care supports intoxicated individuals into sobriety using a harm reduction approach, close monitoring, and a supported release. Individuals are initially transferred to IPDA by the Winnipeg Police Service. MSP sees approximately 12,000 intakes annually.

This program is funded by the Winnipeg Police Service.

MAINSTAY RESIDENCE TRANSITIONAL SERVICES

Mainstay Residence is a transitional living environment, staffed 24 hours a day, 7 days a week. It provides residents a safe place to live while they work to make positive changes in their lives. MSP staff members actively engage with each individual's transition plans and goals throughout the duration of their stay. Transition workers often accompany clients into the community to support them through achieving daily living needs. Residents move on to safe accommodations, long-term supported housing, and substance use treatment programs or other appropriate accommodations. Mainstay Residence can house up to 34 community members in 28 rooms.

This program is funded by the WRHA, the Department of Families - Employment and Income Assistance, MHRC and the City of Winnipeg.

THE BELL HOTEL PROGRAM

The Bell Hotel, owned by CentreVenture Development Corporation, has 42 renovated hotel units used by MSP as a housing first project to deliver its program with the goal to supply supportive housing for people who were previously experiencing chronic homelessness. MSP staff work with clients to support eviction prevention, harm reduction, life skills, counselling, goal-setting, and advocacy services.

This program is primarily funded by the WRHA.

CASE MANAGEMENT

MSP has a team of caseworkers that work with individuals experiencing varying degrees of acuity, through a number of different programs.

MSP's **Project Breakaway** provides intensive case management for chronically homeless individuals. MSP's Homeless Outreach Mentor (HOM) team works to develop relationships with anyone who identifies as experiencing homelessness. Each case worker provides intensive case management care for up to 25 chronically homeless individuals with multiple barriers to obtaining stable housing.

Case work is funded by United Way Winnipeg, Manitoba Health and Seniors Care and MHRC.

HOMELESS OUTREACH MENTOR PROGRAM

Outreach mentors develop relationships with chronically homeless individuals and work with all service lines of MSP and community-based support. The program seeks to build individual capacity and support individuals in their transition to permanent housing.

Funding for this program is provided by MHRC and the Downtown Winnipeg BIZ.

VAN PATROL OUTREACH PROGRAM

This program offers support to vulnerable and at-risk community members, using a harm reduction approach. The Van Patrol Outreach Program primarily operates at night. Staff seek out those in need and offer assistance, such as a ride to the shelter, warm clothing, coffee, and harm reduction supplies.

This program is funded by the Government of Canada's program Reaching Home through End Homelessness Winnipeg.

FOOD BANK AND ESSENTIALS MARKET

The Food Bank and Essentials Market is open one day per week and serves over 100 families. Community members registered with Manitoba Harvest can shop at the market free of charge.

Private donors and Manitoba Harvest provide the food for the food bank.

FUNDING BY PROGRAM

The following table includes information on MSP funding for the year ended March 31, 2019 for the programs described above, including provincial funding totals. MSP receives approximately 74% of its funding from the Province of Manitoba and the remaining 26% from other sources.

Table 1: MSP provincial funding by program

Program	Provincial funding source	March 31, 2019 Provincial funding per audited financial statements
Drop-In & Emergency Shelter	• MHRC • WRHA	\$356,800 \$439,698
Withdrawal Management Services	• WRHA • Manitoba Health and Seniors Care	\$1,188,957 \$919,000
Mainstay Residence Transitional Services	• WRHA • Employment and Income Assistance • MHRC	\$318,186 \$325,756 \$94,100
Bell Hotel Program	• WRHA	\$894,922
Case Management-Project Breakaway	• MHRC	\$176,000
Homeless Outreach Mentor Program	• MHRC	\$102,000
Total provincial funding		\$4,815,419
Other funding		\$1,650,673
Total funding March 31, 2019		\$6,466,092

ORGANIZATIONAL STRUCTURE

MSP has a governance board which provides leadership to the organization by developing a vision, plan, and overarching policies and principles. MSP by-laws require a minimum of 7 and a maximum of 13 board members. There are currently 12 voting Board members.

The Executive Director is hired by, and reports to, the Board of Directors. The Executive Director is responsible for overseeing the day to day operations of MSP in accordance with the board's vision and policies.

Reporting to the Executive Director are 4 Directors who are responsible for day-to-day operations of their divisions.

Scope and approach

The objective of our audit was to determine the validity of the allegations related to the Main Street Project (MSP).

We conducted a forensic review of records obtained and interviewed board members and MSP staff. We completed our investigation on March 3, 2021.

We did not assess the efficiency or effectiveness of MSP or its programs.

Our audit covered the period from January 1, 2015 to March 31, 2019.

Our audit was performed in accordance with Investigative and Forensic Accounting (IFA) standards as established by the Chartered Professional Accountants of Canada. IFA standards are designed for engagements that "involve disputed or anticipated disputes, or where there are risks, concerns, or allegations of fraud or other illegal or unethical conduct."

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Findings

SECTION 1 reports the findings of our investigation into the initial allegations. **SECTION 2** includes other findings that came to our attention during the course of our investigation.

1 Allegations

The allegations we investigated and our conclusions are summarized in **FIGURE 1**. Details for each of the allegations and the related conclusions follow.

Figure 1: Allegations and conclusions

Allegation	Conclusion
1.1 Credit card use not in compliance with policy	Confirmed
1.2 Inappropriate travel expenses	Confirmed
1.3 Inappropriate reimbursement of air fare	Unsubstantiated
1.4 Former Executive Director filed claims from 2 funding agencies for same costs	Confirmed
1.5 Former Executive Director requested suppliers to change invoice dates to fall within the period covered by funding agreements	Partially substantiated
1.6 \$90,000 naloxone program funding not used as intended	Unsubstantiated
1.7 Van Patrol Outreach Program did not run for entire period funded	Unsubstantiated
1.8 Main Street Project paid for one employee's tuition, but opportunity not offered to other staff	Unsubstantiated
1.9 Equipment included in building lease is missing	Unsubstantiated

1.1 Credit card use not in compliance with policy

ALLEGATION: The former Executive Director did not comply with MSP's credit card policy.

For detailed findings related to this allegation see **SECTION 2.1**.

CONCLUSION: Confirmed

1.2 Inappropriate travel expenses

ALLEGATION: The former Executive Director charged inappropriate travel expenses.

For detailed findings related to travel by the former Executive Director see **SECTION 2.1.2**.

CONCLUSION: Confirmed

1.3 Reimbursement of air fare was business related

ALLEGATION: The former Executive Director reimbursed his partner's airfare of \$470 with Main Street Project (MSP) funds.

We found an electronic funds transfer from MSP to the former Executive Director's partner, who was at times also an employee of MSP. There was no proof of the airfare purchase; however, email and accounting records state the payment was for airfare to Winnipeg to resume working after spending the summer in the Toronto area. We asked the former Executive Director about this payment. He said that the individual was asked to assist with video production for an event being hosted by MSP. The individual has a background in this type of work. Although it would be inappropriate for MSP to pay airfare for an employee to return to work, we confirmed with MSP's human resources specialist that this individual was not an employee at the time of this event. Therefore, the airfare would be considered as part of the cost of hosting the event.

CONCLUSION: Unsubstantiated

1.4 Claims filed with 2 funding agencies for same costs

ALLEGATION: The former Executive Director requested an invoice be submitted to 2 funders for reimbursement, resulting in MSP being reimbursed twice for the same expense.

We found an Emergency Shelter renovation paid for by Government of Canada—Homelessness Partnering Strategy, which included payment for a flooring invoice of \$15,048. The same invoice was also submitted to the WRHA, which paid MSP \$10,000—the maximum allowed under the agreement with the WRHA.

We discussed this matter with the former Executive Director and were told that funding for this project was solicited from many different sources and therefore many different funders received all of the invoices for this renovation. We found that only this particular invoice for flooring was sent to WRHA along with a WRHA claim form that was signed by the former Executive Director.

As a result, MSP received \$25,000 from funders for \$15,000 in flooring expenses.

CONCLUSION: Confirmed

1.5 Suppliers requested to change invoice dates to fall within the period covered by funding agreement

ALLEGATION: The former Executive Director requested suppliers change invoice dates so that the work done by the supplier would be within the time period allowed for reimbursement in the contract with the funder.

The funding agreement for shelter renovations indicates that the project started February 27, 2017 and ended April 30, 2017. We found 2 instances where suppliers were asked by an MSP staff member to change invoice dates so that they would fall within the period allowed for reimbursement under this contract. Further investigation found that the funder requested MSP contact the suppliers and ask them to change invoice dates so that they would fall within the program funding period. The former Executive Director then requested MSP staff to ensure the changes were requested from the suppliers.

Invoice 1 \$17,024.36

Original date May 23, 2017

Revised date April 23, 2017

There is an email from MSP to the supplier asking for a date change.

Invoice 2 \$24,976.61

Original date May 26, 2017

Revised date April 30, 2017

In both instances it is possible that MSP would not have received reimbursement for these invoices because the work was performed outside the dates allowed for by the funder.

CONCLUSION: Partially unsubstantiated

1.6 Use of funding for naloxone program in accordance with agreement

ALLEGATION: That MSP received \$90,000 to purchase and distribute Naloxone kits, but instead of purchasing Naloxone kits, the funds were used for the Van Patrol Outreach Program. Naloxone is a drug administered to help people survive an opioid overdose.

End Homelessness Winnipeg signed an agreement with MSP to provide \$90,000 for funding Van Patrol Outreach Program and Opiate – Naloxone Programs. We reviewed the agreement and there is no requirement for MSP to use funds provided to purchase Naloxone. In fact, MSP obtains Naloxone at no cost from the WRHA.

CONCLUSION: Unsubstantiated

1.7 Use of Van Patrol Outreach Program funding in accordance with funding agreement

ALLEGATION: Although the Van Patrol Outreach Program is funded to run daily, it was rarely used in 2018.

MSP has a funding agreement to help pay for the Van Patrol Outreach Program staff wages. The agreement indicates that the van will operate between 11:30 p.m. and 8 a.m. daily. MSP is required to provide monthly statistics to the funder detailing the work done by the program. For the 2019 fiscal year, which is from April 1, 2018 to March 31, 2019 and covers most of the year related to the allegation, the total funding received was \$127,381. Our review of the statistics provided to the funder shows that total wages for the Van Patrol was in excess of funding provided.

We were able to determine the van's usage from fuel receipts. Mileage was noted on fuel receipts at the time of refueling. There were also a few receipts for oil changes and one for a windshield repair. The mileage indicated on these receipts was consistent with the mileage on the fuel receipts. Mileage noted on receipts indicate that the van drove approximately 28,000 km in 2018.

CONCLUSION: Unsubstantiated

1.8 Employee education assistance available to all staff

ALLEGATION: A \$20,000 scholarship was offered to one staff person without other employees being provided the same opportunity until several employees complained, resulting in the opportunity being provided to others.

In July 2017, MSP agreed to pay tuition of an employee up to \$20,000 for the Social Work program at the University of Manitoba. There is a tuition reimbursement agreement between the employee that provides that tuition will repaid by the employee should they not remain employed by MSP for a prescribed period of time. At the time of this agreement, there was no related policy at MSP.

The employee terminated her employment in 2020 and entered into an agreement with MSP to repay the tuition in accordance with the original agreement.

Subsequent to the agreement with the employee, in August 2018, MSP created an Employee Educational Assistance Policy which "encourages employees to take courses of instruction, particularly those for undergraduate and graduate degree, diploma or certificate credit." The payment of tuition fees is to be approved by the Executive Director. The policy requires that a Return of Service Agreement be signed. This typically requires one year of service per \$5,000 in tuition support. The policy has not been approved by the board and is considered draft, but MSP is applying it when making decisions.

While we are not able to confirm that a policy was created because of several staff complaining, we found that 4 other employees have been provided the same opportunity subsequent to the creation of the policy.

CONCLUSION: Unsubstantiated

1.9 Equipment included in building lease is not missing

ALLEGATION: The equipment included in the lease for the market operated at 661 Main St. was removed from the premises and its whereabouts is unknown.

The lease for this property includes the following \$100,000 worth of equipment:

Figure 2: Equipment included in building lease	
Equipment	Value per lease
Walk-in cooler	\$30,000
Walk-in freezer	\$30,000
Deli counter display cooler	\$25,000
Dairy cooler	\$5,000
Front cash counter	\$4,000
Shelving	\$2,500
Meat saw	\$1,500
Meat grinder	\$1,500
Freezer and cooler shelving	\$500
Total equipment provided per lease agreement	\$100,000

We attended the 661 Main St. site to view the equipment noted above. We were able to view the walk-in cooler, walk-in freezer, deli counter, dairy cooler, and front cash counter. They are large items that would not easily be removed from the premises. This represents 95% of the items on the listing above.

CONCLUSION: Unsubstantiated

2 Other matters that came to our attention

During the course of our investigation into the allegations provided to us, as discussed in **SECTION 1**, other matters came to our attention. In **SECTION 2** we discuss our findings related to these other matters and provide recommendations to address these matters.

2.1 Board oversight over Executive Director's expenses requires improvement

An Executive Director in a non-profit organization is in a position of trust. They are responsible for implementing the Board's strategic plans to fulfill the objectives of the organization with due regard for funds entrusted to them. As leader of the organization, the Executive Director sets the corporate culture. It is important for the Executive Director to demonstrate accountability and compliance with the organization's policies and ethical standards. We examined approximately \$71,000 in expenses charged to the former Executive Director's credit card during the audit period. As outlined below, we found weak oversight over the Executive Director's expense claims.

2.1.1 NO BOARD APPROVED POLICY FOR EXECUTIVE DIRECTOR'S EXPENSES

MSP has a credit card policy (see **2.4.2** for further discussion), but it does not have a Board-approved policy over the Executive Director's expenses and credit card use. The Executive Director role may involve certain business and hospitality expenses due to job-related responsibilities, such as meeting with external stakeholders and attending functions related to funding opportunities. As such, it is important to have an expense policy that reflects these unique responsibilities and clarifies expectations and requirements around use of the card and filing expense claims.

In the period under audit, approximately \$71,000 was charged to the former Executive Director's credit card, including almost \$50,000 in the 12-month period from March 2018 to February 2019. In reviewing expenses charged, we found that the former Executive Director's credit card was used to pay MSP operating expenses. One regular supplier's total, consisting of multiple low dollar purchases, was nearly \$13,000 for the period we audited. Accounts should be set up with suppliers where possible and all purchases should be made through the usual accounts payable process.

The Board should be approving the Executive Director's credit card expenses. To keep Board approval efforts manageable, it is important that charges only include expenses incurred directly by the Executive Director, and do not include general MSP expenses.

2.1.2 INSUFFICIENT SUPPORT FOR EXECUTIVE DIRECTOR'S EXPENSES

We examined the former Executive Director's credit card expenses from June 2016 (the time of his appointment) to March 31, 2019. These expenses totaled approximately \$71,000, with no indication of approval by the Board. As detailed in Table 2, approximately 11.4% of these expenses were not properly supported.

We considered an amount to be properly supported when:

- Original receipts or invoices, not copies, were attached to monthly credit card claims.
- A full description of the expense was provided, with detailed restaurant receipts and supplier receipts or invoices showing what was purchased. Credit card slips without itemized receipts were not adequate.
- The purpose of business meals and the people attending were documented.

Unsupported transactions include:

- Charges not supported by a receipt or invoice.
- Restaurant charges without an itemized receipt, or with a receipt but with no details provided about the purpose of the meal or who attended.

Table 2: Detailed findings – Executive Director credit card expenses

Properly supported expenses	\$63,092	88.59%
Unsupported expenses	\$8,128	11.41%
Total credit card expenses analyzed	\$71,220	100%

Executive Director travel-related expenses require stronger oversight

For the period under audit, the former Executive Director charged just over \$4,800 in airline tickets. In reviewing these airline ticket purchases we found the following:

- Several tickets totaling \$3,125 to Toronto, Hamilton, and Sudbury without accommodation related to this travel. The former Executive Director has property in the Sudbury and Toronto areas. Included in these tickets are:
 - Two tickets totaling \$407, where the former Executive Director travelled from Toronto to Winnipeg, and returned to Sudbury the following day. The explanation on the expense claim indicated the flights were for a meeting in Winnipeg.
 - One \$1,070 ticket to fly from Winnipeg to Sudbury, including a \$198 charge for the Toronto to Sudbury portion of the trip. This ticket was \$600 more than the price of the other tickets directly to Toronto. In reviewing the ticket, we found it was purchased 2 days prior to departure. The expense claim indicated the purpose of the trip was to meet with a Federal Minister in Ottawa.

In reviewing documentation to support travel expenses we found inadequate support for the purposes of the trips. The former Executive Director should have prepared a formal travel request documenting the purpose for business travel and how it relates to MSP, and obtained written Board approval before travel arrangements were made.

We asked the former Executive Director about these flights and whether any personal amounts or incremental costs because of personal travel should have been repaid to MSP. He agreed that any personal amounts should be repaid. We could not find any evidence that any repayment was made.

At the time of expense claim filing, MSP should ensure that all personal amounts are recovered from the individual.

Hospitality expenses require greater clarity

We found that MSP did not have a policy on when it would be appropriate for the Executive Director to incur local meal and entertainment expenses, or under what circumstances alcohol would be allowed, if ever (see **SECTION 2.1.1**).

During the period we reviewed, there were \$332 in charges to the former Executive Director's credit card for lunch meetings with staff. In addition, there were approximately \$600 in meal expenses charged to the same card that were not properly supported. A policy regarding meal expenses should include clarification that lunch meetings should not be a substitute for meetings that can ordinarily be conducted in the workplace.

We found an invoice for 68 bottles of wine totaling approximately \$700 charged to the former Executive Director's credit card. The expense claim does not indicate what event the wine was purchased for, but the cost was charged to capital fund raising. In reviewing emails, we found evidence indicating that a pop-up dinner fund-raising event was held around the time the wine was purchased. Documentation related to this purchase should have indicated the date, venue, and purpose of the dinner.

Cash advance on credit card not supported by receipts for use

In January 2017, there was a \$500 cash advance on the former Executive Director's credit card expense claim. According to the November 2016 Credit Card Policy, cash advances were not allowed. The explanation on the claim indicated it was for a MSP fund-raising fashion show. No receipts were provided to indicate what the cash advance was used for. There was a sticky note attached to the credit card statement which indicated that 15 tickets were purchased. This included 5 tickets for the former Executive Director, 7 for Board members, and 3 for staff. These tickets totaled \$375. The remaining details on the note were illegible. It is unclear why MSP would purchase tickets to their own fund-raising event. We asked the former Executive Director about this cash advance. He indicated that it was not used for tickets, but rather to pay MSP clients that participated in the show.

Former Executive Director did not demonstrate accountability over credit card use

There is also evidence that the former Executive Director lent his credit card to MSP staff to cover operational expenses. In an email we reviewed, an administrative staff member asked the former Executive Director for verification of certain expenses. He responded that most of the items weren't his, and that others were using his card. Despite this, he approved the expenses.

It is the Executive Director's responsibility to set an example for the organization and demonstrate accountability over use of funds. Lack of doing so demonstrates to staff that receipts to support expenses are not important, credit card use is not strictly monitored, and that the approval process is just a formality rather than an internal control procedure that should be followed correctly to ensure accountability.



Recommendation 1

We recommend that MSP's Board implement a policy over Executive Director's expenses. At minimum, this policy should address:

- Authorization limits.
- Types of expenses allowed.
- Requirements for pre-approval from the Board for travel related expenses, including supporting documents to provide business rationale for expenses.
- Requirements for submitting original receipts with details of what was purchased to be attached to all claims.
- Required documentation on the purposes of restaurant meals and who attended, and documentation on the nature and purpose of entertainment events.
- If and when alcohol charges are allowed.
- A requirement that group expenses can only be claimed by the most senior person present.
- Prohibiting cash advances on MSP credit cards.
- Requirements to payback overpayment of expense claims promptly.

2.1.3 BOARD NOT REVIEWING AND APPROVING EXECUTIVE DIRECTOR'S EXPENSES

The Executive Director is responsible for daily operations of MSP. Therefore, appropriate accountability over the Executive Director's expenses cannot be achieved if the expenses are reviewed, questioned, and approved by someone reporting to the Executive Director. As the Executive Director reports to the Board, good control processes require the Board to review and approve the Executive Director's expense claims on a timely basis.

This review and approval function is often delegated to the Board Chair, Vice-Chair, or the Finance Committee Chair. To ensure the expectations regarding this function are understood, it is important for the Board Chair or other delegated approver to be provided specific training for requirements and

expectations related to approving the Executive Director's expense claims. Currently, Board orientation does not include this training.

It is beneficial to have the Director of Finance review expense claims before they are submitted to the Board, and to highlight any areas of non-compliance with policy. This will assist Board review because it will ensure that all expense claims are properly completed with required supporting documentation attached.

In reviewing the former Executive Director's credit card expenses claimed from June 2016 to March 31, 2019, none of the claims indicated that they were approved by the Board. We asked the former Executive Director about having his credit card expenses approved. He told us that he believed it was the Director of Finance's responsibility to forward his reports to the Board after he signed them.



Recommendation 2

We recommend that MSP's Board Chair, or other delegated approver, be provided training from the Director of Finance on requirements and expectations with respect to oversight of the Executive Director's expenses.



Recommendation 3

We recommend that MSP's Board develop a policy for the review and approval for all expenses of the Executive Director. This policy should include at a minimum requirements for:

- Board member(s) designated to review and approve Executive Director's expenses.
- Review of expense claims by Director of Finance prior to submission to Board.
- Timing of expense approvals.

2.2 Board hiring and monitoring of Executive Director requires improvement

The Board of Directors hires the Executive Director to oversee the operations of MSP and carry out the strategy of the Board. As such, it is important for the Board to perform sufficient due diligence prior to filling the role of Executive Director. The Board should also perform periodic evaluations of the Executive Director to ensure that the agreed upon performance objectives for the position are being met.

The former Executive Director was working as the Director of Development when he was made Acting Executive Director. The responsibilities of a Program Director are significantly different than those of an Executive Director who is responsible, on behalf of the Board, for the operation and finances of the entire organization. There is evidence in emails that the Board did not perform sufficient due diligence prior to promoting the former Executive Director to the acting role. A review of emails shows that the Board asked the former Executive Director questions about his previous employment while he was already employed as Executive Director. If proper due diligence was performed the Board would have already had this information. We asked the former Executive Director about the vetting process performed by the Board prior to appointing him Executive Director. He said he was required to provide a substantial listing of documents to the Board. We requested the personnel file for the former Executive Director and were told that both the Human Resources Director and the Board Chair looked for the file and it could not be found.

We found that both the employment agreement with the former Executive Director and the Board Manual had requirements for annual performance evaluations.

We requested the performance evaluations for the former Executive Director for the period under audit. We were told that one evaluation was done by the Board in 2017, after one year of employment, and was provided to the Executive Director for review and signature but had not been returned. A second evaluation was prepared but had not been shared with the former Executive Director before his departure from MSP.



Recommendation 4

We recommend a personnel file be maintained for the Executive Director. This file should be kept by the Director of Human Resources and include evidence of appropriate recruitment and hiring practices such as:

- Verification of education.
- Reference checks.
- Criminal record check.



Recommendation 5

We recommend that MSP's Board ensure annual performance evaluations of the Executive Director are completed and that a copy, signed by both the Executive Director and at the Board level, is maintained in the personnel file.

2.3 Other Board related findings

In 2013, the Winnipeg Regional Health Authority's Internal Audit Services conducted an audit at MSP focused on various programs. The audit provided recommendations, including governance recommendations. While we did not perform an in-depth audit of governance, we found that some of the recommendations made by the WRHA had still not been implemented. These findings are discussed throughout the **SECTIONS 2.3** and **2.4**.

2.3.1 ANNUAL BOARD EVALUATION NOT COMPLETED

A 2013 WRHA audit recommended that the MSP Board conduct a self-evaluation. Boards should periodically monitor and evaluate their own performance in fulfilling governance functions and achieving governance objectives. Done correctly, this can lead to improvements in board functioning, in that the board can identify and implement better governance practices and procedures.

Leading practices suggest that several levels of evaluation should occur over time, including evaluating:

- Performance of the board as a whole.
- Performance of board committees.
- Performance of the Board Chair and committee chairs.
- Contribution and performance of individual board members.

In the February 2017 MSP Board Governance Manual (governance manual), there is a requirement for the Board to annually evaluate its performance related to Board processes set out in the policy manual. There were no evaluations completed during the scope of our audit.

Leading practices also include the establishment of a Governance Committee to assess and periodically update governance policies and practices, and to provide recommendations for enhancing overall governance effectiveness. The governance manual indicates the requirement for a Governance and Nominating Committee. The purpose of the committee is to provide recommendations related to existing governance documents, board development needs and opportunities, and nomination of candidates for the Board. There is no requirement for the Governance Committee to carry out the Board evaluation and report back to the Board. In the April 2018 board minutes, we found reference to a desire to meet with funders to evaluate their work as a board, as well as to schedule a meeting to discuss the importance of board governance. We did not find evidence that these meetings took place.

Although not completed during the scope of our audit, early in 2020, the Board completed a skills matrix related to existing members, which will be used to identify gaps in Board skillsets and to recruit new members. In addition, we were told that the Board is currently reviewing the terms of reference for all Board committees. One of the changes being made is for the responsibilities of the Governance and Nominating Committee to more formally "provide the mechanisms and tools necessary so that directors and committees of the Corporation may perform annual evaluations of their performance and the performance of the Board".



Recommendation 6

We recommend that MSP's Board periodically conduct board evaluations.

2.3.2 BOARD CONFLICT OF INTEREST FORMS NOT COMPLETED ANNUALLY

The 2013 WRHA audit recommended that the Executive Director and all Board members make a written declaration of conflict of interest to the Board of Directors. We did not find any signed conflict of interest declaration forms during the audit period, but we were provided with signed forms from September 2019.



Recommendation 7

We recommend that MSP ensure that conflict of interest declaration forms are completed annually by all Board members and the Executive Director.

2.4 Other findings

2.4.1 PURCHASING POLICIES REQUIRE IMPROVEMENT

In reviewing the credit card expense claims in **SECTION 2.1**, we found weaknesses related to purchasing practices. The 2013 WRHA audit recommended that MSP create a purchasing policy that includes purchase authorization levels, as well as requirements for seeking competitive bids. MSP's Board delegated responsibility for the development of processes, and administration and review of this policy, to the Executive Director. In reviewing the policy implemented in 2016, we found that some improvements could be made.

The purchasing policy outlines principles for purchasing, but provides little in the way of specific guidance. One principle indicates "purchases shall be made with integrity through a process which is fair and open, in fact and in appearance and in compliance with ethical purchasing principles and good purchasing practices, and all relevant legislation." Specifications on how to meet these principles, including documentation requirements, are not provided. For example, there is no requirement for seeking competitive bids, which could include comparing quoted supplier prices for smaller purchases, obtaining a minimum of 3 quotes for purchases over a specific dollar value, and public tenders for large dollar value items. The policy does not include dollar value thresholds for purchase authorization by staff position (for example, managers, directors, executive director). The only specific authorization limit included in the policy is that the Board shall approve all non-employment expenditures, with a singular cost over \$25,000 in a fiscal year.



Recommendation 8

We recommend that MSP review and revise its purchasing policy to provide more guidance, including at a minimum:

- Procurement methods available for use.
- Dollar value thresholds to guide the procurement method to be used.
- Guidance for evaluating suppliers.
- Purchasing authority levels.
- Requirement for goods/services received to be verified by someone other than the person making the purchase.

2.4.2 CREDIT CARD PRACTICES NEED STRENGTHENING

Credit card policy requires improvement

The MSP credit card policy provides the following examples of prohibited uses of the corporate credit card:

- Personal expenses.
- Membership fees and subscriptions.
- Withdrawal of cash/cash advances.
- Furniture, equipment, computer hardware/software and other capital items.

Following this, the policy indicates that this list is only a guide and that all variations from policy must be approved by the Executive Director.

In reviewing the credit card expense claims for 4 other employees, we found that there were purchases for a dishwasher, a washer and a dryer, as well as televisions, totaling approximately \$8,900. In addition, there were payments of professional membership fees for 1 employee. Although these credit card claims were signed by the Executive Director, indicating approval, the exceptions to the policy should be rare rather than normal practice.



Recommendation 9

We recommend that MSP revise its employee credit card policy to ensure clear guidelines for acceptable and unacceptable purchases. Exceptions to the policy should be limited and require justification and signoff by the Executive Director.

Excessive credit card use

As outlined in **SECTION 2.1.1**, the former Executive Director's credit card purchases totaled \$71,000 for the audit period. For the same period, \$135,365 in employee credit card purchases were made. While we recognize the requirement for MSP to be able to make purchases for unexpected program needs, there is a pattern of credit cards being used to pay operating expenses. MSP should better align its purchasing practices to require operational expenses to be processed using a typical accounts payable process. This would include purchase requisitions for all items over a certain dollar value threshold. Currently the only threshold that exists is a requirement for Board approval for items with a singular cost of more than \$25,000. In addition, we found that when credit cards are used for purchases, the receipt of goods or services is not always documented. It is important that someone other than the purchaser documents that goods and services are received before invoices payments are made.



Recommendation 10

We recommend that MSP ensure that credit cards are only used when necessary and that purchases should be made through the accounts payable process whenever possible.

2.4.3 NO EXECUTIVE DIRECTOR APPROVAL OF BANK RECONCILIATIONS

The 2013 WRHA audit recommended that MSP prepare monthly bank reconciliations and investigate any unreconciled differences. These bank reconciliations were to be approved by the Executive Director. We reviewed the bank reconciliations for the period from April 1, 2015 to March 31, 2019 and found that only one bank reconciliation was signed. The signature was illegible and we are unsure if it was the signature of the reconciliation preparer or the reviewer.



Recommendation 11

We recommend that monthly bank reconciliations are prepared and reviewed within 30 days. The bank reconciliations should indicate dates and signatures of both the preparer and the reviewer.

2.4.4 ACCOUNTING RECORDS MANAGEMENT REQUIRE IMPROVEMENT

Throughout this investigation we were required to retrieve information from MSP's accounting records and in many instances, we found these records difficult to follow. Some examples include:

- Supplier files.
- Credit card records and related journal entries.
- Electronic funds transfer payments.

It is important that all accounting records be supported by original source documents so that anyone looking at these records can follow what was done.



Recommendation 12

We recommend that MSP document accounting recordkeeping requirements which would include the identification of key records to be maintained, where they should be maintained, and whether they should be maintained in paper or electronic format.

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Summary of recommendations

This section includes specific responses to each recommendation, which were provided by the Department of Health and Seniors Care on behalf the Main Street Project.

RECOMMENDATION 1

We recommend that MSP's Board implement a policy over Executive Director's expenses. At minimum, this policy should address:

- Authorization limits.
- Types of expenses allowed.
- Requirements for pre-approval from the Board for travel related expenses, including supporting documents to provide business rationale for expense.
- Requirements for submitting original receipts with details of what was purchased to be attached to all claims.
- Required documentation on the purposes of restaurant meals and who attended, and documentation on the nature and purpose of entertainment events.
- If and when alcohol charges are allowed.
- A requirement that group expenses can only be claimed by the most senior person present.
- Prohibiting cash advances on MSP credit cards.
- Requirements to payback overpayment of expense claims promptly.

Response of officials:

MSP agrees with this recommendation and has implemented, or is in the process of implementing, the following policy provisions with respect to Executive Director expenses:

- Expenses will not exceed \$500 per transaction without prior approval.
- All expenses must be business-related.
- All out-of-province travel and all air travel must be pre- approved by the Board and must be supported with business rationale for travel.
- Original receipts with supporting details as to what was purchased must be attached to all expense reports.
- Restaurant meal expenses must be supported with receipts, purpose of expenditure and who attended. The senior MSP person in attendance must claim the expense.

- Special events must be fully documented regarding the purpose of the event, expenses incurred and related benefits.
- Purchase of alcohol is not permitted unless for a special event, fundraising, or part of substance management programs and only with the prior approval of the Board.
- Cash advances are not permitted on credit cards.
- Should an overpayment of expense occur, it must be repaid promptly.

RECOMMENDATION 2

We recommend that MSP's Board Chair, or other delegated approver, be provided training from the Director of Finance on requirements and expectations with respect to oversight of the Executive Director's expenses.

Response of officials:

MSP agrees with this recommendation. The Board Chair and the Chair of the Finance Committee will consult with the Director of Finance to ensure that there is a clear understanding of policies, internal controls and procedures with respect to the processing and Board approvals required for all Executive Director expenses.

RECOMMENDATION 3

We recommend that MSP's Board develop a policy for the review and approval for all expenses of the Executive Director. This policy should include at a minimum requirement for:

- Board member(s) designated to review and approve Executive Director's Expense.
- Review of expense claims by Director of Finance prior to submission to Board.
- Timing of expense approvals.

Response of officials:

MSP agrees with this recommendation and has implemented a policy that requires approval of Executive Director expenses by either the Board Chair or the Chair of the Finance Committee. The Director of Finance is responsible for reviewing all Executive Director expenses prior to submitting to the Board Chair or Finance Committee Chair for approval. All Executive Director expenses will be submitted for approval on a timely basis in accordance with the monthly accounts payable cycle.

RECOMMENDATION 4

We recommend a personnel file be maintained for the Executive Director. This file should be kept by the Director of Human Resources and include evidence of appropriate recruitment and hiring practices such as:

- Verification of education.
- Reference checks.
- Criminal record check.

Response of officials:

MSP agrees with this recommendation. A personnel file for the Executive Director has been established and is being maintained by the Director of Human Resources. The file contains, or will contain, the Executive Director's employment contract, verification of education, reference checks, criminal record check, annual performance evaluations, and other pertinent information.

RECOMMENDATION 5

We recommend that MSP's Board ensure annual performance evaluations of the Executive Director are completed and that a copy, signed by both the Executive Director and at the Board level, is maintained in the personnel file.

Response of officials:

MSP agrees with this recommendation. Annual performance evaluations of the Executive Director will be performed and a copy, signed by both the Executive Director and the Board, will be maintained in the Executive Director personnel file.

RECOMMENDATION 6

We recommend that MSP's Board periodically conduct board evaluations.

Response of officials:

MSP agrees with this recommendation and has implemented semi- annual Board evaluations. The board also conducts monthly meeting self-evaluations.

RECOMMENDATION 7

We recommend that MSP ensure that conflict of interest declaration forms are completed annually by all Board members and the Executive Director.

Response of officials:

MSP agrees with this recommendation and will ensure that conflict of interest declaration forms are completed annually by all Board members and the Executive Director.

RECOMMENDATION 8

We recommend that MSP review and revise its purchasing policy to provide more guidance, including at a minimum:

- Procurement methods available for use.
- Dollar value thresholds to guide the procurement method to be used.
- Guidance for evaluating suppliers.
- Purchasing authority levels.
- Requirement for goods/services received to be verified by someone other than the person making the purchase.

Response of officials:

MSP agrees with this recommendation and has implemented, or will be implementing, purchasing policies to include the following guidelines and provisions:

- Procurement methods – the majority of goods and services purchased will be through the purchasing/accounts payable system. Low value goods and services may be purchased through the use of the corporate credit card where it is economically advantageous to do so but only with strict adherence to corporate credit card limitations and procedures.
- Dollar value thresholds – purchases through the centralized purchasing/accounts payable system will be for goods and services necessary for the efficient operation of the organization and which are included in the approved operating and capital budgets. Purchases through the corporate credit card will be restricted to low value items with individual purchases not exceeding \$500 per item of purchase without pre-approval.
- Evaluation of suppliers will be conducted when contracting for goods and services to ensure reliability of supply at the lowest cost consistent with MSP's requirements and specifications.
- Purchasing authority levels have been established as follows:

Board	> \$50,000
Executive Director	up to \$50,000
Director	up to \$5,000
Manager	up to \$1,000
- Verification of the receipt of goods and services must be made by a person other than the person initiating the purchase.

RECOMMENDATION 9

We recommend that MSP revise its employee credit card policy to ensure clear guidelines for acceptable and unacceptable purchases. Exceptions to the policy should be limited and require justification and signoff by the Executive Director.

Response from officials:

Main Street Project agrees with this recommendation. MSP's purchasing policy will be strengthened to ensure that no personal expenses are allowed, no cash advances are permitted and no membership fees and subscriptions are permitted without explicit approval of the Executive Director.

RECOMMENDATION 10

We recommend that MSP ensure that credit cards are only used when necessary and that purchases should be made through the accounts payable process whenever possible.

Response from officials:

Main Street Project agrees with this recommendation. MSP will ensure that the majority of purchases are made through the centralized purchasing/accounts payable system. The dollar limit for low value purchases through the Corporate credit card has been established at \$500 per individual transaction without prior approval.

RECOMMENDATION 11

We recommend that monthly bank reconciliations are prepared and reviewed within 30 days. The bank reconciliations should indicate dates and signatures of both the preparer and the reviewer.

Response from officials:

Main Street Project agrees with this recommendation. Monthly Bank Reconciliation are prepared and signed by Director of Finance and reviewed and signed by Executive Director.

RECOMMENDATION 12

We recommend that MSP document accounting recordkeeping requirements which would include the identification of key records to be maintained, where they should be maintained, and whether they should be maintained in paper or electronic format.

Response from officials:

Main Street Project agrees with this recommendation. MSP will undertake a review to ensure that it is adhering to best practices with respect to the maintenance of accounting records and backup documentation.

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