November 1, 2016

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: FIN-56-2016]

On September 13, 2016, the Department of Finance received your request for access to the following records/information:

“The report prepared by the comptroller general’s office about financial issues at Iris Kirby House. This report was provided to the Iris Kirby House board of directors on Sept. 8, 2016. Request includes records in any and all formats, including paper and electronic.”

The Department is pleased to advise that access has been granted in part and is attached.

Please note the following regarding the attached:

- The Report represents a review of select financial transactions of the Iris Kirby House (IKH) and the IKH Foundation. This audit was completed by the Professional Services and Internal Audit Division of the Office of the Comptroller General (OCG).
- The main objectives of the review were to examine the financial processes and controls over the spending of Government of Newfoundland and Labrador and donor funds, and the details of these transactions.
- It is noted that the OCG had been engaged by the Department of Health and Community Services (HCS) to provide advice with respect to a financial analysis on funding. It is the responsibility of HCS and the Eastern Regional Health Authority to review the results of the attached Report when determining future funding.
- Some information is considered Harmful to Personal Privacy and has been severed pursuant to sections 40.(1), 40.(4), 40.(4)(g), 40.(4)(g)(i), 40.(4)(g)(ii), 40.(5), and 40.(5)(h) of the Access to Information and Protection of Privacy Act, 2015.
Disclosure Harmful to Personal Privacy

40. (1) The head of a public body shall refuse to disclose personal information to an applicant where the disclosure would be an unreasonable invasion of a third party's personal privacy.

40. (4) A disclosure of personal information is presumed to be an unreasonable invasion of a third party's personal privacy where

   (g) the personal information consists of the third party's name where

      (i) it appears with other personal information about the third party, or

      (ii) the disclosure of the name itself would reveal personal information about the third party; or

40. (5) In determining under subsections (1) and (4) whether a disclosure of personal information constitutes an unreasonable invasion of a third party's personal privacy, the head of a public body shall consider all the relevant circumstances, including whether

   (h) the disclosure may unfairly damage the reputation of a person referred to in the record requested by the applicant;

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the Access to Information and Protection of Privacy Act (the Act). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner.

The address and contact information of the Information and Privacy Commissioner is as follows:

    Office of the Information and Privacy Commissioner
    2 Canada Drive
    P. O. Box 13004, Stn. A
    St. John’s, NL. A1B 3V8

    Telephone: (709) 729-6309
    Toll-Free: 1-877-729-6309
    Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

Please be advised that this letter will be published following a 72 hour period after it is sent electronically to you or five business days in the case where records are mailed to you. It is the
goal to have the letter posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please feel free to contact the undersigned by telephone at 709-729-2082, or by email at bethbartlett@gov.nl.ca.

Sincerely,

Beth Bartlett
ATIPP Coordinator

Attachment
Iris Kirby House and the IKH Foundation

Review of Select Financial Transactions of Iris Kirby House and the IKH Foundation

September 2016

Professional Services and Internal Audit Division
Office of the Comptroller General

Government of Newfoundland and Labrador
Department of Finance
Government of Newfoundland and Labrador
Office of the Comptroller General
Professional Services and Internal Audit Division

Iris Kirby House and the IKH Foundation

Review of Select Financial Transactions of Iris Kirby House and the IKH Foundation

Date: September 2016

Submitted to:
The Honorable Cathy Bennett, MHA, Minister of Finance and Minister Responsible for Women’s Policy
The Honorable John Haggie, MHA, Minister of Health and Community Services

From:
Ann Marie Miller CPA, CMA, Comptroller General of Finance

Approved by:
Brian O’Neill CPA, CA, Director

Reviewed by:
Annette St. Croix CPA, CMA, Manager

Auditors:
Aman Khanna; Geraldine Roche
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EXECUTIVE SUMMARY

The Office of the Comptroller General (OCG) has reviewed selected financial transactions and supporting documentation where available of the Iris Kirby House (IKH) and the Iris Kirby House Foundation (IKHF) for the period April 1, 2014 to March 31, 2016. The main objectives of the review were to examine the financial processes and controls over the spending of Government of Newfoundland and Labrador (GNL) and donor funds and to examine details of these transactions. A limitation imposed upon the OCG in conducting this review was that we were not permitted to take copies of any source documents (invoices, contracts, Board minutes, general ledger accounts etc.) to support our audit findings. Audit documentation was limited to notes taken based upon what was observed. This sort of limitation is not normally present in conducting an audit.

The OCG was able to get answers to many of the financial questions posed to the IKH and IKHF Boards. It is noted that the OCG has been engaged by the Department of Health and Community Services to provide advice with respect to financial analysis on funding. It is the responsibility of HCS and EH to review the results of this Report along with other information available in order to reach decisions regarding future funding.

The review noted a number of concerns related to financial oversight and controls. Many of the financial responsibilities related to approval of transactions resided with a single individual resulting in concerns with segregation of duties. When an organization lacks proper segregation of duties or other compensating controls, it is more vulnerable to the risk of fraudulent activity. Many expenditures lacked evidence of independent management review and expenses were not always properly supported. Bank reconciliations for April 2015 to March 2016 were not completed until June 2016 thus decreasing the effectiveness of the bank reconciliation process to detect errors or irregularities. There was no documented evidence of management review of payroll registers (although management advised that these are reviewed). Board minutes were examined for evidence of approval of certain transactions however minutes were often not signed. There was also evidence that donation revenues were not always being properly receipted and donated gift cards were not well controlled. This is consistent with findings of the current external auditor for the year ended March 31, 2015.

IKH employed three different Financial Officers since March 2014. Management of IKH has noted a lack of financial resources as a contributing factor to the state of the accounting records. IKH is attempting to address this concern and has contracted with an accounting firm for bookkeeping services.

The Chief Executive Officer (CEO) has been without a valid employment contract for almost two years. Total compensation for the last two fiscal years is:

The employment contract has changed since inception and OCG has not been able to validate Board approval of these changes. Board minutes were provided for most items however minutes often were not signed. The CEO’s compensation package includes salaries from both IKH and IKHF.

The employment contract also provides paid leave days annually, Sections, 40.(1), 40.(4), 40.(4)(g)(i), 40.(4)(g)(ii)
being on call. The Board member and we did not see any evidence of the detail of the overtime being reviewed by the Board. A Board member provided high-level approval of overtime via email without details as to hours worked. Payouts for overtime and leave balances were made based upon an hourly rate that includes an amount charged from IKHF to IKH for the CEO’s salary, rather than the amount stated in the CEO’s contract.

In fiscal 2015, IKH entered into an agreement with a Consultant. The Service Offer described the work as [redacted] The CEO advised that the scope was intended to be much broader however this broader scope was not outlined in the Service Offer. Payments of $176,547 were made to or on behalf of the Consultant. This included $26,500 for expanded scope work. There was no documentation presented in the way of a Service Offer or other supporting documentation to validate the expanded scope. A final report on the results of the work was a defined deliverable in the Service Offer however a final report was never delivered. The CEO advised that the Consultant presented the results of his work verbally to the Board.

| Table 1: CEO Compensation and Consultant Contract as a Percentage of GNL Funding |
|---------------------------------------------|-------------|-------------|
| Consultant Contract – IKH                  |             |             |
| Total                                      |             |             |
| Operational funding from GNL               | $1,991,410  | $2,176,410  |
| Above expenditures as a percentage of GNL  |             |             |

In addition to CEO compensation and the Consultant agreement, an examination of expenditures showed that IKHF spent $11,562 in fiscal 2015 and $9,323 in fiscal 2016 on travel and meals expenses. The names of attendees were not always noted which would have enhanced the accountability around these expenses. There were also instances of alcohol purchases and the rental of a party bus for a staff development event. We were unable to quantify how much was spent on travel and meals in IKH due to the fact that these expenses were posted in several places in the accounting records. We were able to examine a sample of these expenses and found similar cases of working lunches which included the purchase of alcohol.

In fiscal 2015, payments were made to an IKH related to renovations for the “Up and Out” Project. It was noted that this was a contract extension and that IKHF was noted as having purchased gift cards of: F2015 - $3,789 (56+ cards); and F2016 - $3,540 (41+ cards). Many of these were noted as being purchased for employees and Board members. A list of employees who received the cards was provided however there was no detail as to who received which cards and the list was not signed by the Board or management thus reducing its effectiveness as audit evidence.
INTRODUCTION

The Professional Services and Internal Audit (PSIA) Division of the Office of the Comptroller General has been asked to perform a review of select financial transactions of both IKH and IKHF.

IKH is a registered not-for-profit organization who provides services to women and their children fleeing from domestic abuse. IKH operates two facilities, one in St. John’s and one in Carbonear. The IKHF is a separate entity whose mandate is to raise funds to support the operations of IKH. IKH receives approximately $2M annually from Eastern Regional Health Authority (EH) for its operations. There is a direct accountability back to GNL for how taxpayer funding is spent. They also receive donations from other sources for capital projects. Another source of revenue for IKH is rental income from their Second Stage Housing Units. IKHF does not receive any funding from EH. They rely upon the support of donors to provide funding through charitable contributions. IKHF also derives revenues from their annual Gala. Therefore, as with all fundraising bodies, there is a responsibility to ensure that donor funds are spent for the purposes intended.

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Iris Kirby House (EH)</td>
<td>956,918</td>
<td>944,450</td>
<td>966,094</td>
<td>981,916</td>
<td>1,080,416</td>
<td>4,929,794</td>
</tr>
<tr>
<td>O'Shaughnessy House (EH)</td>
<td>960,743</td>
<td>968,392</td>
<td>990,422</td>
<td>1,009,494</td>
<td>1,095,994</td>
<td>5,025,045</td>
</tr>
<tr>
<td>Subtotal (EH)</td>
<td>1,917,661</td>
<td>1,912,842</td>
<td>1,956,516</td>
<td>1,991,410</td>
<td>2,176,410</td>
<td>9,954,839</td>
</tr>
<tr>
<td>GNL</td>
<td>73,237</td>
<td>11,200</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>543,625*</td>
</tr>
<tr>
<td>Total</td>
<td>1,990,898</td>
<td>1,924,042</td>
<td>1,956,516</td>
<td>1,991,410</td>
<td>2,720,035</td>
<td>10,582,901</td>
</tr>
</tbody>
</table>

Source: Eastern Regional Health Authority and Oracle Financial Management System

* includes $528,300 in one time funding related to the Up and Out Program

IKHF does not receive direct funding from GNL or EH therefore one could attempt to make the case that the Foundation could be precluded from a review by GNL. However, due to the extremely close non-arm’s length relationship between IKHF and IKH, any adequate review of financial transactions for IKH has to include IKHF. According to incorporation documents filed with the Canada Revenue Agency, IKHF was created to “serve as the fundraising entity of IKH.” If this is the case, the management of funds within IKHF has a direct impact on resources available for the programs of IKH. Other evidence of the non-arm’s length relationship that exists includes the fact that IKHF uses many shared resources of IKH including office space and personnel as well as the fact that certain expenses of IKHF are paid for the direct benefit of IKH.

In early 2016, GNL provided the IKH and IKHF Boards with a list of questions related to financial information of both entities. GNL used publicly available information which was obtained from the Canada Revenue Agency (CRA) as well as financial information provided directly by IKH. The IKH Board Chair provided a written response to GNL on May 18, 2016.
The response explained that growth in the operations was a factor in the increased expenditure levels over the years. However, the conclusion drawn from reviewing the response was that a more detailed analysis of the financial records of IKH and IKHF was required.

On July 20, 2016, GNL made a public announcement requiring IKH to meet a number of conditions in order to continue receiving funding. Among these conditions was a requirement for their current and predecessor external auditors to meet with the OCG to clarify questions regarding financial matters of IKH and IKHF. Due to the timing of availability of the external auditors to meet with the OCG, we were required to begin audit work in advance of this meeting in order to meet the deadline to complete this review.

The questions originally presented to the IKH and IKHF Boards were centered on gaining insight into the financial management practices of the two entities including examining how funding is spent and what processes are in place to ensure expenditures are properly controlled. Upon completion of this audit and review of the response provided by IKH on May 18, 2016, answers have been provided to many of the financial questions presented to the IKH and IKHF Boards. Examples have been provided within this Report as to how funding is controlled and expended.

It was not an objective of this audit to conclude on decisions related to future funding of IKH. It is the responsibility of HCS and EH to review the results of this Report along with other information available in order to reach decisions regarding future funding.

**AUDIT SCOPE AND OBJECTIVES**

The objectives of the review were to:

1. To review financial processes at IKH and IKHF; and
2. Review financial transactions of IKH and IKHF to confirm the effectiveness of controls.

The scope of the audit covered the fiscal years ended March 31, 2015 and 2016 for both IKH and IKHF.

To perform the review, the OCG examined a sample of transactions from both fiscal years for IKH and IKHF. Audit procedures included:

- review to ensure there was adequate supporting documentation;
- review to ensure there was evidence of management review of supporting documentation to demonstrate that the transactions were approved and to serve as evidence of receipt of goods and services; and
- review to examine whether supporting documentation contained indicators of other control procedures being performed (such as being stamped as "posted" or "paid" to prevent duplicate entry, or notations as to proper general ledger account postings).

As part of the review, the OCG met with both the current and predecessor external auditors of IKH and IKHF. The purpose of the meeting was to gain clarification on questions regarding financial matters of IKH and IKHF. It is noted that the audits conducted by both the current and predecessor external auditors were for the purpose of expressing an opinion on the financial statements for the years involved. Their audits were not designed or intended to be used for any...
other purposes. Therefore, matters of specific interest to GNL may not have been addressed in
their audits.

The OCG’s audit procedures around donation revenues were limited to a review of donation
receipt books to examine numerical continuity.

We did not perform any audit procedures around revenues from the Second Stage Housing
Program or from deferred capital contributions.

IKH and IKHF provided the OCG with access to records however we were not permitted to take
copies of any records including printouts of general ledger accounts, invoices, contracts etc. This
is a limitation that would not normally be present in an audit. Accordingly support for our audit
findings is limited to what we were able to observe and make notes on and our working papers
would not contain the detail we would normally require. In addition, the records of IKHF were
not up-to-date for fiscal 2016 at the time of our review and therefore we were unable to use
information from the general ledger. Instead for IKHF 2016, we had to compile information by
summarizing cheque stubs and transactions from the credit card statement.

AUDIT FINDINGS

The review highlighted a number of concerns related to proper internal control over the finances
of both IKH and IKHF. Some of these were consistent with the findings raised by both the
current and predecessor external auditors of IKH and IKHF. The review also noted items which
are of concern related to the spending of GNL and donor money.

Segregation of Duties
Segregation of duties (SOD) is premised on the idea that more than one individual be required to
complete a process or task. The goal of SOD is to help reduce the risk of error or fraud. Given
the size and organizational structure of IKH and IKHF, limited resources are not always
available to properly segregate incompatible functions. This is noted as an area of particularly
high risk for IKH and IKHF in the purchasing and payment cycle. There is a single Financial
Officer position which is responsible for all aspects of this cycle including recording of payments
and bank reconciliations.

In the absence of resources to achieve proper SOD, compensating controls must be considered
such as additional management oversight and review of financial transactions and reports. In the
external auditor’s 2014 management letter, the predecessor auditors identified opportunities to
implement additional controls to address SOD including independent review of bank
reconciliations, management review of journal entries and periodic petty cash counts.

Lack of Proper Supporting Documentation
Proper supporting documentation must be maintained to ensure payments made are legitimate
expenses for business purposes. A lack of proper supporting documentation results in an
incomplete management trail of expenditures, reduced accountability for House and Foundation
spending and could also increase an organization’s exposure to fraud. In reviewing the expenses
of both IKH and IKHF, there were numerous instances where the supporting documentation provided was either not sufficient or there was no supporting documentation.

Table 3: Expenditures without proper supporting documentation

<table>
<thead>
<tr>
<th></th>
<th>Total samples</th>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>IKH</td>
<td>157</td>
<td>2</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>IKHF</td>
<td>189</td>
<td>13</td>
<td>26</td>
<td>39</td>
</tr>
<tr>
<td>Total</td>
<td>346</td>
<td>15</td>
<td>33</td>
<td>48</td>
</tr>
</tbody>
</table>

There are credit cards issued in the CEO’s name for both IKH and IKHF. Many of the examples of unsupported expenditures related to purchases made on these credit cards. The OCG was able to examine the credit card statement but supporting receipts were often not present. In some other cases, payments were made from supplier statements as opposed to original invoices and yet in other cases, no support could be provided. While it is noted that some of these exceptions are small in dollar amount, all expenditures need to be supported.

Lack of Proper Management Review of Expenditures

The lack of proper SOD as noted above creates an added requirement for management review, approval and oversight of expenditures. Proper control of expenditures dictates that supporting documentation should bear evidence that they have been reviewed and approved prior to payment. In reviewing the expenses of both IKH and IKHF, there were numerous instances where the supporting documentation did not contain evidence that it was reviewed and approved prior to payment.

Table 4: Expenditures without evidence of management review and approval before payment

<table>
<thead>
<tr>
<th></th>
<th>Total samples</th>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>IKH</td>
<td>157</td>
<td>18</td>
<td>65</td>
<td>83</td>
</tr>
<tr>
<td>IKHF</td>
<td>189</td>
<td>71</td>
<td>83</td>
<td>154</td>
</tr>
<tr>
<td>Total</td>
<td>346</td>
<td>89</td>
<td>148</td>
<td>237</td>
</tr>
</tbody>
</table>

It is noted that cheques were generally signed by the CEO and a second individual however without evidence of review indicated directly on the invoice, there is no proof that supporting documentation was presented for signing with the cheques.

Other Internal Control Observations

From discussions with IKH personnel and observations made during audit testing, a number of other internal control concerns were noted. These observations were noted in both IKH and IKHF unless otherwise noted.

1. Invoices/supporting documentation for purchases were not always being stamped as “posted” or “paid”. This is an important internal control in the prevention of duplicate payments. We noted two instances in IKH where invoices were paid twice. In both instances, The OCG was able to confirm that only one cheque cleared the bank for each of these duplicate payments.
2. For the 2016 fiscal year, purchases of over $33,000 were made on the IKH credit card. None of these charges were posted to the general ledger until August 2016. Therefore any financial information presented to the Board would have been missing these purchases resulting in incomplete financial reporting.

3. General ledger account codes are not being noted on invoices or supporting documentation. This increases the risk of amounts being posted to the wrong accounts.

4. There are limited controls over vendor setup in the system and no supporting documentation is required for setup of a vendor. While the review did not reveal any signs of fraudulent vendors, this lack of control increases the risk of fraudulent payments.

5. For the fiscal year 2015-16 for IKH, the bank reconciliation statements for the months of April, May and June of 2015 were prepared by the bookkeeper on June 23 2016. Also, we found no evidence of management review on any of the bank reconciliation statements provided to us for fiscal years 2014-15 and 2015-16. Such delay in preparation and lack of management review can increase the risk that fraudulent payments may go undetected.

6. We have been advised by management that the supporting documentation for the biweekly direct deposits uploads, which include copies of the biweekly payroll summaries, are reviewed by the CEO. However, the copies of reports given to us by the shelter supervisor did not include any documentation of the CEO’s review or approval.

Consultant Contract
In the 2015 fiscal year, IKH spent a considerable amount of funding on staff development ($196,000). Much of this amount was paid to a single vendor. In April 2014, IKH entered into an agreement with a vendor (the Consultant) to create materials for staff development. The scope of work included in the Consultant’s proposal centred largely on . The total contract price was $125,000 plus travel expenses. As per the terms of the contract the deliverable was to include a written report on the Consultant’s findings.

The OCG requested a copy of the Consultant’s final report. The CEO advised that a written report was not provided. When asked about deliverables for the Consultant’s work, the CEO provided a box of materials from the Consultant. It contained materials related to ten training modules which were developed. The work of the Consultant was discussed with the CEO on August 29, 2016. She advised that the original scope was in fact more than just but also included programming for IKH.

A summary of payments made to/on behalf of the Consultant is noted below.
Table 5: Payments to/on behalf of the Consultant

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount excluding HST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments made and as outlined in the Service Offer (Training Research and Evaluation) contract dated April 11, 2014.</td>
<td>$125,000</td>
</tr>
<tr>
<td>Project scope expansion as outlined in an email to Executive Director on Sept 17, 2014. Invoice for work related to expanded from consulting services outlined in Service Offer dated April 11, 2014.</td>
<td>$26,500</td>
</tr>
<tr>
<td>Total</td>
<td>$151,500</td>
</tr>
<tr>
<td>Payments made for travels costs (per diem, hotel, air tickets, baggage fees, car rental, car rental fuel, seat selection) as invoiced by the Consultant or paid directly by IKH.</td>
<td>$23,209</td>
</tr>
<tr>
<td>Paid by IKHF to fly Consultant to St. John’s to attend Gala (and also noted as being per Service Offer).</td>
<td>$1,838</td>
</tr>
<tr>
<td>Total</td>
<td>$176,547</td>
</tr>
</tbody>
</table>

In addition to the original contract amount of $125,000, the Consultant billed an additional $26,500 for an expanded project scope. The consultant noted in correspondence with the CEO that a new service offer would need to be submitted. This was never completed. When asked about the expanded project scope, the CEO noted that the work of the Consultant was more in-depth than originally planned. It is also noted that travel expenses were often billed in advance of travel dates.

As per the above table, it is noted that Consultant expenditures from this project represent approximately 9% of GNL’s contribution toward IKH’s operating funding for fiscal 2015.

IKH Management advised that the Consultant provided a verbal report to the Board on the work completed however there was no documented evidence that the Board approved forgoing receipt of the final report.

Travel and Meals Expenses

The OCG reviewed travel and meals expenses for IKH and IKHF. For the two-year period reviewed IKHF had expenses that would be classified as travel and meals of: 2015 - $11,562; and 2016 - $9,322. These would represent approximately 10% of IKHF’s total expenditures (excluding payroll and donations to IKH).

In IKHF, for the two-year period, the OCG observed several (47) expenses noted as working lunches, Board meetings or other. Examples include a retirement dinner ($1,764); tickets to a Humanitarian dinner ($900); rental of party bus for staff development ($850); Gala appreciation dinner ($821); Staff Christmas lunch ($672); debriefing meeting with Consultant ($505); Board meeting ($485); and several other lunches in excess of $100. In some of these, alcohol was noted as being purchased. The names of attendees were not included in all cases. The practice of noting attendees on such expenses would have helped to enhance accountability for such expenses.
Also included in IKHF are hotel expenses for the CEO and a Consultant (discussed in a previous section) in New York to visit another transition house ($3,411). Airfare of $1,519 for this trip was paid through IKH.

OCG also noted instances of direct purchases of alcohol in IKHF from the Newfoundland Liquor Corporation (NLC) or other sources including: alcohol for staff development ($337); NLC purchase on credit card noted as being for Gala ($308); NLC ($320); and a bar tab at the Gala ($173).

For IKH, we were unable to get a reliable compilation of these types of expenses because they were posted in various places within the general ledger. Given that we could only view paper copies of the general ledger, we were unable to obtain something in electronic format that would have allowed us to perform this type of analysis. We therefore examined a sample of these expenses from various accounts. There were 17 samples reviewed totalling $11,645.94. Samples were determined judgmentally.

Upon review of these, OCG noted a Board meeting ($579 dollars which included a $133 tip); and a lunch with the Consultant and another third party ($256). Alcohol was included in both.

**Gift Cards**

Gift cards are commonly donated to IKH for use by and for their clients. Inquiry was made as to how the use of these gift cards is controlled. the OCG was advised that all donated gift cards are kept in a safe. Within the safe, gift cards for each “vendor” (eg. Walmart, Tim Horton’s etc) are kept in separate envelopes and there is a sign out sheet in each envelope. IKH provided us with three of these envelopes. The sign out sheet provides for two people to initial the sign out and sign in of cards. In most cases, only one initial was noted. Also, when cards are used, the sign out sheet did not contain details of what the card was spent on or if it was given to a client. It is therefore not possible to determine whether cards were used appropriately.

The sign out sheets indicated that the cards were last counted on July 12, 2016. One sheet went back as far as June 24, 2015 but there was no other indication on the sheets that any counts were conducted other than this most recent one. If gift cards are not regularly counted, there is an increased risk that lost or stolen cards would go undetected.

In addition to donated gift cards in IKH, expense testing noted a large number of gift cards being purchased within IKHF. For the 2015 fiscal year, it was noted that there were in excess of 56 gift cards totalling over $3,700 purchased primarily for Board members and staff (note that for one gift card purchase of $575, a detailed receipt could not be provided therefore the exact number of gift cards could not be determined).

For the 2016 fiscal year, it was noted that there were in excess of 49 gift cards totalling over $3,500 purchased within IKHF.

In our sample of expense testing for IKH, one purchase of gift cards was noted. Support for the amount was an expense claim for a former employee and is noted as being eight $100 gift cards
for in-house residents for Christmas. We note that the claim was not signed by the former employee and was erroneously dated December 23, 2016.

The OCG requested documentation to show who these gift cards were distributed to. We were provided with a list of 32 employees who received the cards for the 2015 fiscal year and 32 in 2016 as well. It is noted that the list did not indicate who received which cards or how much and was not signed or dated by the Board as evidence that the list was valid. While the employees listed may have received the gift cards as noted, we would have expected to see a list signed by management to ensure proper control.

**Other purchases**

1. In the 2015 fiscal year, payments of $[redacted] to oversee renovations for the “Up and Out” Project. Review of supporting correspondence indicated that this was a contract extension[^1] in fiscal 2014 related to this project for the two years).

2. In both fiscal 2015 and 2016, IKHF made payments to an individual to coordinate the annual gala ($3,500 each year). Included in this amount each year was $1,500 for travel. Travel costs were not detailed or supported and the vendor has a local address which, in the absence of other information, would make the amount of travel expenses required questionable given that the gala is also in the St. John’s area.

3. A Payment was made on April 23, 2015 to a garage for $97.12 by IKH. The vehicle indicated on the invoice was a [redacted] vehicle. This vehicle is not indicated on the vehicle insurance policy document reviewed by the OCG for fiscal year 2015-16.

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**Donation revenues - IKHF**

An inherent risk in the audit of bodies that conduct fundraising activities is that donation revenues may not be complete. The nature of donation revenues is that the auditor is restricted to reviewing what has actually been receipted. Therefore if funds are received but not receipted, there is often little means for an auditor to detect this. For this reason, the independent auditors report for such bodies often contains a qualification that the auditors could not satisfy themselves as to the completeness and accuracy of revenues. The IKHF audit report contains such a standard qualification.

The OCG discussed donation revenues with the current external auditors of IKHF. They noted in their fiscal 2015 management letter that donation revenues were not always being properly receipted. This is a significant risk for IKHF given that donations can often come in the form of cash or gift cards. Concerns around the completeness and accuracy of revenues were such that the independent auditor’s report for the fiscal 2015 financial statements went beyond the standard qualification wording. The audit report was further qualified as to Gala revenues and donated gift card revenues.

Given the inherent limitations of auditing donation revenues and the fact that the current external auditors have already noted concerns with the proper receipting of revenues, the OCG performed limited audit work in this area.

[^1]: Sections 40.(1), 40.(4), 40.(4)(g)(i), 40.(4)(g)(ii)
The OCG examined a sample of receipt books to ensure all receipt numbers were being accounted for in sequence. Instances were found whereby receipts were completed however the donor copy as well as the IKHF copy both remained in the book (indicating that the donor never received their official receipt). It was also noted that receipts were not being completed in sequence.

Mobile devices

The OCG compiled a list of mobile devices being paid through IKH and IKHF and requested details of who these devices were assigned to. It was found that IKH was paying for six cell phones and IKHF were paying for four cell phones and two portable tablets. In addition to these cell phones, another employee is being reimbursed $73.45 per month for personal phone. As per information provided to us by the staff, the CEO is using two cell phones and a portable tablet, a Board member is using one cell phone and a portable tablet, a shelter employee is using one cell phone, an employee in charge for maintenance is using one cell phone and five cell phones are being used as floating device by various employees on an as-needed basis. It is also noted that three of these cell phones are still in the name of a former employee who left in November 2012.

Staff Payroll

Staff employed by IKH includes a number of unionized full-time and relief employees, additional unionized and non-unionized support staff, and management. The Foundation incurs payroll expenditures for IKH’s CEO, IKH’s financial officer and or staff assisting the Financial Officer. Payroll is processed by one individual who is also the shelter supervisor. Biweekly payroll is processed via direct deposit however manual cheques may also be used to pay overtime, statutory payments, payments for the empowerment group, etc. Testing of payroll consisted of an examination of a sample of payments from the payroll register and general ledger and ensuring amounts agreed to relevant documentation such as employment contracts or collective agreements.

The OCG examined a sample of payments for bargaining unit employees for fiscal 2016. Nothing unusual was noted. Based upon these results, no samples were reviewed for fiscal 2015.

Contract for CEO Compensation

The employment contract for the IKH CEO was signed in December 2012 by the CEO and the Board’s Acting Chair. The contract was referenced in the minutes of the Board’s Human Resources Committee meeting of December 11, 2012 (copy of minutes was not signed). Per the terms of the CEO’s contract, compensation includes a salary to be paid in accordance with the Hay Management Pay Plan, classification. The contract expired in December 2014 and the CEO is therefore without a valid contract since that time.

The salary per the contract is based on:

In addition, the contract gives the CEO an “on call” amount of

Sections, 40.(1), 40.(4), 40.(4)(g)(i), 40.(4)(g)(ii)
However for the period reviewed, the CEO was receiving [redacted] for “on call.” This increase was documented in minutes to the HR Committee of March 20, 2014 however the minutes were not signed.

In addition to IKH, the CEO receives a salary from IKHF which is based upon [redacted]. The current level of [redacted] was discussed at the March 26, 2015 Finance Committee meeting (copy of minutes was not signed). There is no employment contract with IKHF. In meeting with IKHF’s current external auditors, they produced an email from the IKHF Board Chair confirming that [redacted] from IKHF. The email did not appear to reference any pay rate however.

Hourly Rate for CEO Compensation
Despite the fact that the most recent contract for the CEO provides for a salary at [redacted] the CEO’s actual base salary is higher than this. In the March 26, 2015 Finance Committee minutes (copy of minutes was not signed) it was agreed to transfer [redacted] of the CEO’s salary from the IKHF to IKH. This effectively gives the CEO a new base salary of [redacted]. This new salary number is used for purposes of calculating the hourly rate for any other payouts such as overtime or leave. It is also noted that for the two fiscal years, there were at least 4 different hourly rates used for the CEO’s biweekly compensation in IKH.

Paid Leave for the CEO
Per the employment contract the CEO is provided [redacted] paid leave days and [redacted] statutory holidays. In addition to leave and statutory holidays the CEO avails of [redacted].

A review of the monthly time sheet maintained indicates the CEO commonly which provided an additional
The CEO has received pay-outs for leave in the two fiscal years for:

Tracking, Review and Approval of Time in Lieu for the CEO
Requests for payments for overtime or leave are documented through emails from the CEO to the Financial Officer which are usually copied to certain members of the Board’s Finance and HR committees. The year-end payout for leave was included in the March 26, 2015 Finance committee minutes (copy of minutes were not signed). Details of balances for leave and overtime are documented by the CEO on a monthly time sheet. Notes by the CEO are also maintained in the file with details of reasons for the overtime but not always the time it was incurred. Although Board members are notified via emails of the request for the payments there is no indication or documentation that they conduct any review of the details of the overtime. As per discussion with the CEO there is no requirement for the Board to review overtime details.

Summary of CEO Compensation

The following table summarized CEO compensation for the two fiscal years examined.

It is noted that for fiscal 2016, the CEO’s compensation from IKH (excluding IKHF) represented approximately of GNL’s $2.1M contribution to operations. During the review there were a number of changes noted to the way these changes have not been incorporated into a formal contract. Changes including those previously mentioned above include:

- [Redacted]
- [Redacted] with the consequence of increasing the hourly rate used to calculate leave and overtime payouts in IKH;
- [Redacted] effective January 1, 2014 was included in the March 20, 2014 Finance Committee minutes (copy of minutes was not signed).

Sections, 40.(1), 40.(4), 40.(4)(g)(i), 40.(4)(g)(ii)
Although there was evidence of the discussions and/or approval through emails, correspondence and minute meetings of these changes it was not apparent if the Board undertook an analysis of these changes before approval was granted. It was also noted that some of these changes resulted in a retroactive payments.

**Donations from IKHF to IKH**
As previously noted, IKHF was created to be the fundraising entity of IKH. It is noted that in two of the last three fiscal years (2014 and 2016), there have been no direct donations from IKHF to IKH. In correspondence from IKH, it was noted that direct donations to IKH are only one aspect of the activities of IKHF. The response further goes on to say that IKHF incurs expenses for children’s services; residents’ special activities; public awareness; advertising and promotion; and professional development.

While OCG did review expenditures on advertising (for the annual Gala) and professional development, there were limited instances of amounts spent on children’s services, residents’ special activities and public awareness in IKHF.
APPENDIX:

Iris Kirby House Combined (IKH + Foundation)
Review of Financial Information – Questions for Board

Table 1

Analysis of combined financial information shows large surpluses for a number of years and then a large deficit in the most recent year. What significant changes occurred that caused the combined results to go from a surplus of $188K in 2014 to a deficit of $334K in 2015 (a $523K difference)?

Table 2

Operating grants from GNL have more than doubled since 2009. Overall combined revenues have increased 122%. Can statistics be provided to substantiate the request for further increases in operating grants? Can further explanation be provided for the requirement for increased funding for the upcoming year given the surpluses and excess cash held by Iris Kirby and the Foundation?

Can the decrease in fundraising revenues in the Foundation in 2015 be explained?

Rental income recorded in IKH is for second stage housing. The IKH Foundation has been recording a rent expense and is located at the same physical address as IKH, yet IKH does not appear to be recording any rental revenue from the Foundation. Can this be explained? Who is the Foundation paying rent to?

Table 3

Overall expenditures have increased 171% (2009 - $958K; 2015 - $2,595K) from 2009 to 2015. Some particular areas include professional fees, purchased services and salaries. What specific measures have IKH and the Foundation taken to ensure costs are properly controlled?

Table 4

Discrepancies exist between recorded donation revenues per IKH and donation expenses per the Foundation. Over the period, Iris Kirby recorded donation revenues of $317,243. For that same period, the Foundation recorded a donation expense of $397,843, a shortfall of $80,600. Can this discrepancy be explained?

Fundraising revenues for IKH Foundation for the period 2005 to 2015 were $1,135,673 yet donation expense in the Foundation for the same period is $397,843 (35% of total Foundation revenues).
a) Why is only a small portion of fundraising revenues making its way to fund the programs of Iris Kirby?

b) Based upon a review of their financial statements, the Foundation ran operating surpluses in 2012, 2013 and 2014 and had cash as at March 31, 2014 of $179K. Why would excess cash be retained within the Foundation when extra funding is needed in IKH?

c) Why would there have not have been any donation revenue from IKH Foundation for 2014?
Table 1: Summary of combined financial indicators for Iris Kirby and IKH

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<tbody>
<tr>
<td>Cash</td>
<td>160,040</td>
<td>609,401</td>
<td>619,081</td>
<td>391,621</td>
<td>156,456</td>
<td>733,526</td>
<td>160,388</td>
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<td>Net assets</td>
<td>976,202</td>
<td>1,297,626</td>
<td>714,960</td>
<td>473,070</td>
<td>283,793</td>
<td>844,850</td>
<td>275,939</td>
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<tr>
<td>Operating surplus (deficit)</td>
<td>(334,261)</td>
<td>188,766</td>
<td>108,052</td>
<td>26,220</td>
<td>(87,202)</td>
<td>50,410</td>
<td>58,504</td>
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Table 2: Combined revenues for Iris Kirby and IKH Foundation

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<td>Operating grants</td>
<td>1,991,587</td>
<td>1,949,805</td>
<td>1,812,588</td>
<td>1,803,118</td>
<td>1,686,566</td>
<td>931,281</td>
<td>838,482</td>
<td>11,013,427</td>
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<td>Amortization of deferred capital contributions</td>
<td>118,853</td>
<td>245,239</td>
<td>257,753</td>
<td>111,003</td>
<td>156,843</td>
<td>79,006</td>
<td>66,234</td>
<td>1,034,931</td>
</tr>
<tr>
<td>Donations - IKH</td>
<td>36,449</td>
<td>-</td>
<td>8,088</td>
<td>(9,146)</td>
<td>(62,968)</td>
<td>37,913</td>
<td>(49,856)</td>
<td>(39,520)</td>
</tr>
<tr>
<td>Fundraising - Foundation</td>
<td>59,946</td>
<td>183,544</td>
<td>181,267</td>
<td>167,491</td>
<td>136,194</td>
<td>112,288</td>
<td>68,526</td>
<td>909,256</td>
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<td>Rental income</td>
<td>54,309</td>
<td>59,703</td>
<td>60,157</td>
<td>60,029</td>
<td>46,664</td>
<td>41,224</td>
<td>36,005</td>
<td>358,091</td>
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<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,953</td>
<td>598</td>
<td>21,551</td>
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<td>Donation - capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54,534</td>
<td>54,534</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>820</td>
<td>424</td>
<td>288</td>
<td>34</td>
<td>958</td>
<td>2,650</td>
<td>5,174</td>
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<tr>
<td>Total revenues</td>
<td>2,261,144</td>
<td>2,439,111</td>
<td>2,320,277</td>
<td>2,132,783</td>
<td>1,963,333</td>
<td>1,223,623</td>
<td>1,017,173</td>
<td>13,357,444</td>
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Table 3: Total combined operating expenses for IKH and the Foundation are shown below

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<tr>
<td>Total operating expenses - excluding donation expense in Foundation</td>
<td>2,595,405</td>
<td>2,250,345</td>
<td>2,212,225</td>
<td>2,106,563</td>
<td>2,050,535</td>
<td>1,173,213</td>
<td>958,669</td>
<td>13,346,955</td>
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Table 4: Analysis of fundraising revenues and related donation expense recorded in IKH Foundation compared to donation revenue in Iris Kirby House

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<tr>
<td>Donation revenue</td>
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<tr>
<td>per Iris Kirby</td>
<td>106,449</td>
<td>-</td>
<td>16,997</td>
<td>7,124</td>
<td>6,596</td>
<td>78,737</td>
<td>36,050</td>
<td>2,130</td>
<td>3,060</td>
<td>1,309</td>
<td>58,791</td>
<td>317,243</td>
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<tr>
<td>Donation Expense</td>
<td>70,000</td>
<td>-</td>
<td>8,909</td>
<td>16,270</td>
<td>69,564</td>
<td>40,824</td>
<td>85,906</td>
<td>106,370</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>397,843</td>
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<tr>
<td>per Foundation</td>
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<tr>
<td>Difference</td>
<td>36,449</td>
<td>-</td>
<td>8,088</td>
<td>(9,146)</td>
<td>(62,968)</td>
<td>(37,913)</td>
<td>(49,856)</td>
<td>(104,240)</td>
<td>3,060</td>
<td>1,309</td>
<td>58,791</td>
<td>(80,600)</td>
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<td>Foundation</td>
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<td>fundraising</td>
<td>59,946</td>
<td>183,544</td>
<td>181,267</td>
<td>167,491</td>
<td>136,194</td>
<td>112,288</td>
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<td>revenues</td>
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<tr>
<td>% of revenues</td>
<td>117%</td>
<td>0%</td>
<td>5%</td>
<td>10%</td>
<td>51%</td>
<td>36%</td>
<td>125%</td>
<td>157%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>35%</td>
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<tr>
<td>gifted to Iris</td>
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<tr>
<td>Kirby</td>
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