

On January 17, 2024, the Minister of Municipal Affairs appointed Deloitte Inc. to conduct a second inspection of the City of Chestermere's financial policies, controls and governance, as well as certain financial transactions, in the period of October 18, 2021 to December 4, 2023.

We have completed our municipal inspection pursuant to Ministerial Order MSD005/24. The following summarizes highlights from our report dated May 3, 2024.

Summary Findings

Financial Policies and Controls

- Clear policies and procedures are the foundation for establishing and maintaining an effective internal control environment.
- The financial policies and controls in place during the period in scope of our inspection do not align with practices commonly followed by Alberta Municipalities. For example:
 - The most recent update to the 65 administrative policies we reviewed in Appendix B happened on average more than ten years ago, before Chestermere became a City.
 - We identified instances where policies lagged compared to common practices providing insufficient guidance in areas such as terminations and severance.
 - No established policies were in place to assess, evaluate or monitor the effectiveness of the City of Chestermere's control environment over time. These types of processes are needed to ensure the control environment becomes more sophisticated as organizations grow.
 - Of the 13 information technology policies commonly implemented by municipalities across Alberta, three were in place during the period in scope of our inspection and zero (0) were up to date. The City of Chestermere did not have appropriate policies or tools with respect to data loss prevention or transaction logging, which are critical elements of an effective control environment.
 - Of the more than 80 controls tested, 8 were found to be designed and implemented effectively during the period in scope of our inspection.

Financial Transactions

- Transactions should be carried out in accordance with legislation, policies and practices to safeguard public assets, provide transparency and ensure value-for-money.
- We identified instances during the period in scope of our inspection where transactions executed did not adhere to relevant legislation, policies or processes. Examples include:
 - We tested 115 operating expense transactions, finding that zero (0) had documented evidence to support that all procurement practices required by City of Chestermere policy were followed, and that three did not have a valid business purpose.
 - We tested 35 capital purchases, finding that zero (0) had documented evidence to support that all procurement practices required by City of Chestermere policy were followed, and that three (3) did not have a valid business purpose, such as renovations to create a Council office wing at City hall (approximately \$63,000). ([Page 52 - 2.1 Procurement, 2.1.3 Non-compliance to policy for additions and disposals of capital assets.](#))
 - We identified expenditures made without appropriate approval, such as purchase of four buses (Molly Trolleys) for public transportation (approximately \$123,000) or legal fees in excess of \$75,000 on a judicial review. ([Page 55 - 2.1 Procurement 2.1.4, Non-compliant expenditures lacking authorization by council. Page 85 - 3.1 General duties of Council, 3.1.1 Mayor Acting without Council resolution.](#))
 - We identified an instance where a transaction was completed with a company owned by a senior employee and the invoice was approved by the same employee.
 - We tested 565 Council expenses undertaken by the Mayor and councilors and found that one (1) was documented, reviewed and approved in accordance with policy. ([Page 58 - 2.2 CAO and Council Expenses, 2.2.1 Credit card use in non-compliance with established policy. Page 60 - 2.2 CAO and Council Expenses, 2.2.2 Insufficient or absent supporting documentation for expenses. Page 64 - 2.2 CAO and Council Expenses, 2.2.4 Non-compliance with policy and Official Administrator requirement for public disclosure of Council Expense.](#))
 - We identified Council, Chief Administrative Officers, and non-elected official expenses that were non-compliant with City of Chestermere policies, such as travel expenses for an employee's spouse, or registration for social events. ([Page 62 - 2.2 CAO and Council Expenses, 2.2.3 Non-compliant expenses contrary to expense and procurement policy.](#))

Financial transactions (continued from prior page)

- We observed that Mayor expenses in 2022 and 2023 were more than 2 times higher than chief elected officers from comparable municipalities over the same period.
- We tested 25 employee hires and found that 0 were fully compliant with the City policy surrounding job postings, references, and interviews, among others.
- We tested 11 employee terminations and found that 0 samples had appropriate documentation of the rationale for the dismissal prior to termination.
- We tested payroll expenses for 7 hourly employees and found that timecards could not be provided for 3 employees, which is non-compliant with City policy. Of the remaining 4 employees, the timecard did not agree with the pay slip and the pay register for 3 employees and no documentation could be provided to explain the differences.
- We observed high turnover at the City of Chestermere with more than 150 hirings and 110 terminations/resignations during the period in scope of our inspection, as well as 6 Chief Financial Officers and four City Directors of Corporate Services.

Financial governance

- We identified instances during the period of our inspection where the action taken by City of Chestermere Council and Administration did not adhere to relevant legislation or common practices. Examples include:
 - The Mayor executing an agreement to sell the Webster lands without an approved Council resolution then engaging directly with legal counsel on terms. ([Page 84 - 3.1 General Duties of Council, 3.1.1 Mayor acting without Council Resolution](#). [Page 93 - 3.2 Information Sharing, 3.2.2 Legal and expert advice not shared with council.](#))
 - The Mayor engaging directly with a private landowner to complete services on their land at the City's expense without an approved Council resolution. ([Page 85 - 3.1 General Duties of Council, 3.1.1 Mayor acting without Council Resolution.](#))
 - The Mayor engaging directly with vendors, such as a carnival provider without an approved budget or council resolution. ([Page 85 - 3.1 General Duties of Council, 3.1.1 Mayor acting without Council Resolution.](#))

Financial governance

- The Mayor requesting access to corporate emails of 9 terminated employees, including a former Mayor, and requesting access to the personal information of a resident raises concerns around compliance with the FOIP act. ([Page 87 - 3.1 General Duties of Council, 3.1.2 Mayor requesting personal information raises concerns around compliance with Freedom of Information and Protection of Privacy Act.](#))
- The Mayor obtaining legal opinions from external counsel where there is no evidence that the opinions were shared with the rest of council prior to debate on issue. ([Page 90 - 3.2 Information Sharing 3.2.1. Insufficient sharing of information with Council to support decision-making. Page 93 - 3.2 Information Sharing, 3.2.2 Legal and expert advice not shared with council.](#))

Overall Conclusion

Based on the evidence obtained through our inspection procedures, we have identified 31 findings that are detailed in the Municipal Inspection Report. These findings are supported by one or more instances of non-compliance with enacted legislation or City of Chestermere bylaws and administrative policies.

The evidence obtained through our inspection procedures demonstrates that there has been a pervasive lack of financial control and governance during the period in scope of our inspection. In addition, there are numerous instances where the enacted bylaws or administrative policies do not align with the practices commonly followed by other municipalities in Alberta of a similar nature, size and complexity.

Sample testing identified instances where the Council and Chief Administrative Officers in place during the period in scope of the inspection failed to uphold their responsibilities in accordance with Sections 201 and 207 of the Municipal Government Act.

On this basis, our procedures confirm that the financial management of the City of Chestermere during the period in scope of our inspection has been irregular, improper and improvident.

To view the full report please scan the QR code or visit:

thecityofchestermere.ca/city-of-chestermere-municipal-inspection-report

