

Chapter 3

Constituency Office Costs for Members of the Legislative Assembly and Executive Council

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Constituency Office Costs for Members of the Legislative Assembly and Executive Council

Summary

3.1 The purpose of this chapter is to inform the Legislative Assembly about the work we did on constituency office costs for Members of the Legislative Assembly and Members of the Executive Council. This chapter reports observations, findings and recommendations regarding Members' constituency office costs with respect to the authority and management by both the Office of the Clerk of the Legislative Assembly (Clerk) and departments. It identifies positive features, as well as issues that need improvement to ensure proper stewardship and accountability.

Introduction

Objective

3.2 The objective of our work was to determine whether payments to Members of Executive Council and/or Members of the Legislative Assembly including allowances, reimbursements and related expenses are adequately supported and in accordance with Acts, Regulations, policies and other guidelines.

Why We Focus on Constituency Office Costs in this Chapter

3.3 We began by developing a picture of the total amount of payments to Members over the last three years. We determined there were various controls in place over some of these categories. However, we identified some potential risks associated with Members' constituency office costs, and therefore we decided to focus on that area in this chapter.

Terms Used in this Chapter

3.4 The following terms are used in this chapter.

- **Minister** is an elected Member of the Legislative Assembly, who is also a Member of the Executive

Council.

- **Private Member** is an elected Member of the Legislative Assembly, who is not a Member of the Executive Council.
- **Member** is an elected Member of the Legislative Assembly (with no distinction between a Private Member and a Minister).
- **Legislative Administration Committee (LAC)** is a committee of the Legislature responsible for establishing rules, policies and directives for the operation of constituency offices.

Highlights

Approval, Payment, and Reporting of Constituency Office Expenses

3.5 Under the *Legislative Assembly Act*, Private Members of the Legislative Assembly are provided with a \$40,000 allowance to cover certain types of expenses associated with setting up and operating their constituency offices. Members of the Executive Council (Ministers) receive a \$15,000 allowance. Expenses incurred under this allowance are reimbursed by the Office of the Clerk of the Legislative Assembly (Clerk).

3.6 Under the *Executive Council Act*, Ministers are granted an additional \$25,000 constituency office budget to cover staff costs, and an unlimited amount to cover telephone, fax, cellular, and office supplies. These expenses are reimbursed by the Minister's own department.

3.7 We found that policies and guidelines for approving and recording constituency office expenses paid by the Clerk were adequate. We also found that management and operating practices followed by the Clerk were appropriate. Constituency office expenses paid by the Clerk on behalf of Private Members and Ministers are reported annually in *Other Information – Unaudited Supplementary Employee Lists*, produced by the Office of the Comptroller.

3.8 However, we found that policy and guidelines for approving and recording constituency office expenses paid by departments for Ministers are not always adequate. Departments are not required to record this information separately and constituency office costs are sometimes mixed with other departmental expenses. Therefore, we were unable to identify total constituency office costs paid by departments.

3.9 Further, we believe that improvements are needed in management practices and operating procedures at departments for processing their constituency office expenses. In particular:

- eleven of twenty-six departments were unable to provide complete and accurate information regarding constituency office budgets and costs;
- we noted inconsistent budgets, inconsistent recording of expenses and spending over authorized limits for constituency office expenses by some departments. For example, one department reported expenses relating to constituency office staff of \$55,789 which is \$30,789 over the authorized limit of \$25,000; and
- we noted that a department reimbursed ineligible purchases (i.e. \$1,195 for “desks, tables, and chairs”).

3.10 There is typically no specific public reporting by departments of amounts paid for constituency office costs they administer, nor are these amounts included in the *Other Information – Unaudited Supplementary Employee Lists* report. Consequently, the information contained in that report is incomplete, and as a result it may be misleading to readers.

3.11 To address deficiencies noted with constituency office expenses administered by departments, we recommended that all constituency office costs be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. We also recommended that appropriate revisions be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.

3.12 Further, to improve public accountability, we recommended the Legislative Assembly publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.

***Constituency Office
Asset Management***

3.13 Within the \$40,000 constituency office allowance provided to Private Members and the \$15,000 allowance provided to Ministers, there are no dollar limits placed on the purchase of individual constituency office assets. We recommended the Legislative Administration Committee establish additional guidelines for constituency office asset purchases. Specific suggestions are provided in the body of this report.

3.14 Constituency office assets are the property of the Legislative Assembly. Therefore, when a Member departs (e.g. due to the result of an election, resignation, retirement), the Clerk is responsible for disposing of their constituency office assets. Disposition of assets over the period under review appeared to comply with rules established by the Legislative Administration Committee of the Legislative Assembly.

3.15 However, we strongly believe that these rules should be revisited. Currently, departing Members are given the first option of buying assets from their constituency offices at net book value, which is often a very low percentage of their original purchase price. This may not be in the best financial interests of the Province, and significantly differs from general Government Policy.

3.16 Consequently, we recommended the Legislative Administration Committee consider whether current guidelines covering the disposal of constituency office assets upon the departure of Members provide the most favorable financial result for the Province. If not, the Legislative Administration Committee should give the Clerk authority to recommend a revised asset disposal policy. A revised policy, for example, could give primary consideration to reusing assets within government (e.g. by transferring information technology assets to the Computers for Schools program run by the Department of Education, and furniture and fixtures to incoming Members or a government department), rather than first offering these assets to departing Members at discount prices.

3.17 We also noted there is no perpetual inventory maintained for constituency office assets, and those assets are not tagged or otherwise marked as being the property of the Legislative Assembly. We believe that controls should be improved. Therefore, we recommended that the Legislative Administration Committee develop an inventory control policy for constituency office assets that is based upon general Government Policy.

3.18 Our recommendations to the Legislative Assembly and the Executive Council are presented along with their responses to each recommendation in Box 1.

Conclusion

3.19 In regards to our objective, we made the following conclusions:

- While there is adequate authority for constituency office expenses, policy and guidelines for consistently approving, recording and reporting constituency office expenses need improvement.
- There are appropriate management practices and operating procedures in place for constituency office expenses paid by the Clerk. However, we have concerns about management practices and operating procedures in place for Ministers' constituency office expenses paid by their departments. In particular, our concerns relate to the inability of some departments to provide complete and accurate information about their Minister's constituency office expenses, and cases where departmental spending exceeds authorized limits in this area.
- There is inadequate public reporting of all constituency office expenses as the information currently being publicly reported is incomplete.
- Management practices and operating procedures for constituency office assets are inadequate. While asset disposition appears to follow the *Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices (LAC Rules)*, within the \$40,000 and \$15,000 allowances there are no dollar limits for purchasing individual constituency office assets or quantity limits, and there are no perpetual inventory records for asset control. Further, while it appears that LAC Rules are followed for disposals, we are unsure whether current LAC Rules are in the best financial interests of the Province.

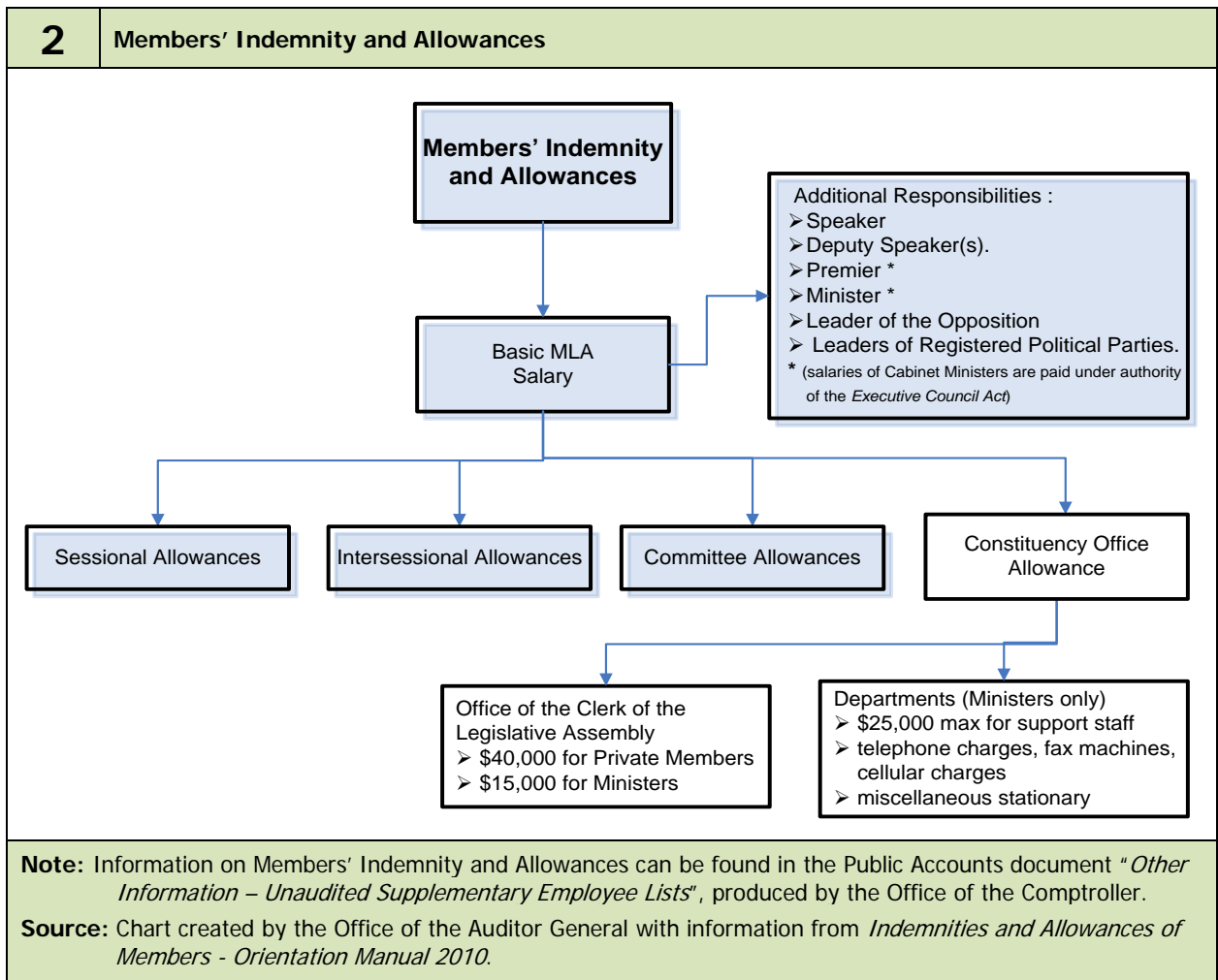
1	Recommendations Relating to Constituency Office Costs With Responses		
<i>Recommendations</i>	<i>Legislative Assembly's Response</i>	<i>Executive Council's Response</i>	
<p>Management practices and operating procedures</p> <p>3.50 We recommended all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.</p> <p>Publicly reporting constituency office costs</p> <p>3.62 To provide better accountability, the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.</p> <p>Assets for constituency offices</p> <p>3.74 The Legislative Administration Committee should establish additional guidelines for constituency office assets to ensure purchases by Members are reasonable (e.g. timing, individual cost and/or frequency of asset purchases).</p>	<p><i>The Legislative Assembly will collaborate with officials from the Executive Council Office and prepare the necessary proposal to effect these changes and submit for the consideration of the Legislative Administration Committee and Board of Management.</i></p> <p><i>Member's Constituency Offices costs paid by the budget of the Legislative Assembly are currently disclosed in the Public Accounts. The Legislative Assembly will collaborate with Officials from the Executive Council Office to ensure that total constituency office costs for each Member, whether paid by the budget of the Legislative Assembly or a department, are publicly reported.</i></p> <p><i>The Legislative Assembly will review the rules and guidelines for constituency office assets, and where necessary propose any changes to the LAC to ensure assets purchased by Members are reasonable.</i></p>	<p><i>We concur with your recommendation that all constituency office costs be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. We are prepared to work with the Office of the Clerk of the Legislative Assembly to facilitate this change and will take the steps necessary to clarify the existing guidelines respecting these expenses pending any future transfer of responsibility.</i></p>	

1	Recommendations Relating to Constituency Office Costs With Responses	
<p>3.83 The Legislative Administration Committee should consider whether current guidelines covering the disposal of constituency office assets upon the departure of Members provide the most favorable financial result for the Province. If not, it should give the Office of the Clerk authority to recommend a revised asset disposal policy. A revised policy, for example, could give primary consideration to reusing assets within government (e.g. by transferring information technology assets to the Computers for Schools program run by the Department of Education, and furniture and fixtures to incoming Members or a government department), rather than first offering these assets to departing Members at discount prices.</p> <p>3.89 The Legislative Administration Committee should develop an inventory control policy for assets purchased for constituency offices which includes controls similar to those in the Government's policies AD-1703 and AD-1704.</p>	<p><i>The Legislative Assembly will review current rules and guidelines covering the disposal of constituency office assets upon the departure of Members, and propose changes to the current guidelines to the LAC to ensure the most favourable result for the Province.</i></p> <p><i>The Legislative Assembly has implemented a perpetual inventory listing for each MLA detailing assets purchased using the Constituency Office Allowance.</i></p>	

Background Information

Payments to Members - Members' Indemnity and Allowances

3.20 “The various indemnities, allowances and expenses paid to Members of the Legislative Assembly of New Brunswick are authorized by the Legislative Assembly Act. Members are paid and expenses authorized in accordance with the relevant provisions of the Act. Administration of the Act is through the Legislative Assembly and payment requisitions are processed through the Office of the Clerk.”¹ Box 2 provides an overview of Members' indemnity and allowances and highlights our particular area of focus in this report on constituency offices costs.



¹ Legislative Assembly of New Brunswick, *Indemnities and Allowances of Members - Orientation Manual 2010*, page 1.

Constituency Office Costs

3.21 *Indemnities and Allowances of Members - Orientation Manual 2010* (orientation manual) provides guidance for constituency office costs which are reimbursed by the Clerk. The orientation manual gives useful guidance regarding the reimbursement of costs for the constituency office. Appendix 1 provides general information on constituency office costs, including the purpose of a constituency office and the amounts of the allowances for reimbursement of such costs.

3.22 Ministers have two sources of funding for their constituency office costs. Ministers receive a \$15,000 constituency office allowance to be paid by the Clerk. They are also eligible for additional constituency office expenses to be paid by their department in accordance to a 1999 Board of Management decision - Appendix 2.

Introduction

What We Examined & the Objective of our Work

3.23 The *Legislative Assembly Act* delegates the authority to the Legislative Administration Committee to reimburse Members of the Legislative Assembly (Members) for constituency office costs. “*Each Member is entitled to receive reimbursement for constituency office costs incurred in respect of their duties as Member of the constituency. There are three categories of constituency office costs for which Members may be reimbursed: (1) office accommodation; (2) office operations; and (3) staff.*”² Constituency office costs are reimbursed by the Office of the Clerk of the Legislative Assembly (Clerk). In fiscal 2010 the costs reimbursed by the Clerk were \$1.644³ million. In addition, Members who serve on the Executive Council (Ministers) are authorized to charge specific constituency office costs to their Department, which are not included in the \$1.644 million.

3.24 Our scope for this work included all Members’ constituency office costs for the period 1 April 2008 to 31 December 2010. We reviewed constituency office expenses reimbursed by both the Clerk and by

² Legislative Assembly of New Brunswick, *Indemnities And Allowances Of Members - Orientation Manual 2010*, page 9.

³ Province of New Brunswick, *Public Accounts 2010 – Other Information - Unaudited Supplementary Employee Lists*, page 108.

departments. We reviewed legislation, policies and guidelines. We examined operating procedures. We selected and performed testing on a sample of Member files maintained by the Clerk. We held discussions with representatives from the Office of the Clerk of the Legislative Assembly and departments. We performed other procedures as we determined necessary.

3.25 The objective of our work was:

to determine whether payments to Members of Executive Council and/or Members of the Legislative Assembly including allowances, reimbursements and related expenses are adequately supported and in accordance with Acts, Regulations, policies and other guidelines.

3.26 Given the focus of this chapter as explained in 3.3, we developed four criteria to use as the basis for our work. The criteria are listed in Box 3. We compared the information we obtained against the criteria to develop the findings, conclusions and recommendations presented in this chapter.

3	Criteria Used in Our Work
	<p><i>Criterion #1: There should be Acts, Regulations, policies and/or guidelines to provide adequate direction for consistently approving, recording and reporting constituency office expenses.</i></p> <p><i>Criterion #2: There should be appropriate management practices and operating procedures for constituency office expenses.</i></p> <p><i>Criterion #3: There should be adequate reporting of all constituency office expenses.</i></p> <p><i>Criterion #4: There should be adequate policies and/or guidelines for constituency office assets, and there should be appropriate management practices and operating procedures for all assets at constituency offices, which belong to the Legislative Assembly.</i></p>

Key Used in This Chapter

3.27 Our findings are reported for each of our four criteria. Each section begins with highlights, which state the criterion, the summary findings and our conclusion. The following key is used to classify our summary findings:

- ✓ represents a positive observation;
- ! represents an area needing improvement or further consideration;
- represents other observations.

Findings

Criterion #1: Authority, Policy and Guidelines for Constituency Office Expenses

3.28 Typically, legislation provides authority for spending public funds; and, no expense should be made unless it has been authorized. Policies and guidelines typically provide direction and guidance which promote the consistent approval, recording and reporting of transactions. This serves as the basis for our first criterion.

3.29 Criterion #1 was:

there should be Acts, Regulations, policies and/or guidelines to provide adequate direction for consistently approving, recording and reporting constituency office expenses.

Highlights

3.30 We found the following:

- ✓ There is appropriate authority for constituency office expenses paid by the Clerk.
- ✓ There are adequate policy and guidelines for approving and recording constituency office expenses paid by the Clerk.
- ✓ There is appropriate authority for constituency office expenses paid by departments.
- ! Policy and guidelines for approving and recording constituency office expenses paid by departments are not adequate.
- ! Policy and guidelines for reporting constituency office expenses paid by departments are not adequate.

Criterion Conclusion

3.31 While there is adequate authority for constituency office expenses, policy and guidelines for consistently approving, recording and reporting constituency office expenses need improvement.

Detailed Findings

There is appropriate authority for constituency office expenses paid by the Clerk.

There are adequate policy and guidelines for approving and recording constituency office expenses paid by the Clerk.

3.32 In assessing authority and direction for constituency office expenses, we examined those in place at the Office of the Clerk of the Legislative Assembly (Clerk) and those in place at departments. We report our observations separately for each location.

3.33 The following documents provide authority for constituency office expenses paid by the Clerk:

- The *Legislative Assembly Act* delegates to the Legislative Administration Committee (LAC) specific authority for constituency office expenses. Section 32.1 of the *Legislative Assembly Act* states, “*The Legislative Assembly may delegate to the Legislative Administration Committee its authority under this Act with respect to amounts, indemnities, allowances and salaries and with respect to the amendment of Schedule A.*”
- *Schedule A - Expenses for Which Members of the Legislative Assembly May Be Reimbursed* states, “*Constituency office costs for each member to provide services to constituents, consisting of office accommodation, office operations and staff.*”
- The document *Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices* sets financial limits, defines constituency office costs and sets operational rules for constituency office expenses that are reimbursed by the Clerk.

3.34 In reviewing policies and guidelines for consistently approving and recording constituency office expenses processed at the Office of the Clerk, we made the following observations:

- The Clerk publishes a document entitled *Indemnities and Allowances Of Members - Orientation Manual 2010* (orientation manual). This document provides guidance for constituency office expenses which are reimbursed by the Clerk. The orientation manual sets the method of payment and claim procedures, as well as defining the three categories of constituency office costs.

- ✓ The orientation manual reflects the *Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices*.
- ✓ The orientation manual describes the process of obtaining access to the allowance and provides direction on allowable expenses. It gives useful guidance regarding salaries and the reimbursement of expenses for constituency offices.

There is appropriate authority for constituency office expenses paid by Departments.

3.35 The following documents provide authority for constituency office expenses paid by departments for Ministers:

- The *Executive Council Act* provides authority for the Minister of Finance to pay reasonable expenses to Members of the Executive Council (Ministers) for certain constituency office expenses. The *Executive Council Act* in section 8 states, “*Each member of the Executive Council engaged in public business of the Province shall be paid by the Minister of Finance those allowances for his or her reasonable expenses while so engaged that are fixed by the Lieutenant-Governor in Council.*”
- A 1999 Board of Management minute defines certain constituency office expenses for Ministers which are paid by departments. Appendix 2 provides excerpts from the minute.

Policy and guidelines for approving and recording constituency office expenses paid by departments are not adequate.

3.36 In reviewing policy and guidelines for consistently approving and recording constituency office expenses processed at departments, we made the following observations:

- ✓ The Board of Management minute provides direction to departments regarding the types of constituency office expenses that are authorized for Ministers.
- ! Some guidance for recording constituency office expenses paid by departments is also included in the Board of Management minute; “*expenses covered by Department budgets are to be paid by Departments per established procedures*”.⁴ (This appears limited in

⁴ Appendix 2

comparison to the information provided in the orientation manual used for constituency office expenses paid by the Clerk). Departmental responses to our request for information indicate constituency office expenses are not recorded consistently.

- ! With the exception of “*staff support to a maximum of \$25,000 per year*”, there are no limits for departments regarding constituency office expenses for those items listed per the Board of Management minute. (This differs from constituency office expenses paid by the Clerk, which has a budget for each Member.)

Policy and guidelines for reporting constituency office expenses are not adequate.

**Criterion # 2:
Management Practices and Operating Procedures**

3.37 In reviewing policies and guidelines for reporting constituency office expenses, we found that there is no specific direction for how to publicly report constituency office expenses.

3.38 Management practices and operating procedures are established to ensure that expenses, revenues, assets and liabilities are properly authorized, recorded and reported. This serves as the basis for our second criterion.

3.39 Criterion # 2 was:

there should be appropriate management practices and operating procedures for constituency office expenses.

Highlights

3.40 We found the following:

- ✓ There are appropriate management practices and operating procedures for constituency office expenses paid by the Clerk.

- ! Improvements are needed in management practices and operating procedures at departments. In particular we noted the following two observations:

- ! Eleven of twenty-six departments were unable to provide complete and accurate information regarding constituency office budgets and costs.

- ! We noted inconsistent budgets, inconsistent recording of expenses and spending over authorized limits for constituency offices by some departments.

Criterion Conclusion

3.41 There are appropriate management practices and operating procedures in place for constituency office expenses paid by the Clerk. However, we have concerns about management practices and operating procedures in place for Ministers' constituency office expenses paid by their departments. In particular, our concerns relate to the inability of some departments to provide complete and accurate information about their Minister's constituency office expenses, and cases where departmental spending exceeds authorized limits in this area.

Detailed Findings

There are appropriate management practices and operating procedures for constituency office expenses paid by the Clerk.

3.42 In reviewing management practices and operating procedures for constituency office expenses processed at the Office of the Clerk, we observed the following positive attributes:

- ✓ There is an authorized annual budget for each Member, which serves as a limit to spending on constituency office costs and serves as one level of prevention to excessive and/or extravagant spending. The *Legislative Assembly Act* delegates the authority to the Legislative Administration Committee (LAC) to reimburse Members for constituency office costs. The LAC has set an annual budget of \$40,000 for constituency office expenses for Private Members and of \$15,000 for Ministers, which can be claimed through their allowance and paid by the Clerk.
- ✓ The Office of the Clerk of the Legislative Assembly monitors spending for each Member's constituency office to ensure no overspending of their budget.
- ✓ The orientation manual provides useful detailed guidance on allowable expenses and in some cases states items which are specifically excluded, such as:
 - *renovations to premises owned by the Member;*
 - *maintenance or repair to office equipment owned by the member;*
 - *televisions, VCRs, cameras and related supplies such as tapes and film;*

- *paintings or other decorative wall hangings;*
 - *briefcases or attaché cases; and*
 - *food or beverage for use in the constituency office*⁵.
- ✓ Members must use a standard reimbursement form when requesting reimbursement for constituency office expenses. The form includes a declaration that the Member must sign attesting to the appropriateness and accuracy of their claim. A standard form of this type reduces the risk of error or inappropriate claims and results in efficient and consistent processing.
 - ✓ The reimbursement form must be accompanied by original invoices when submitted to the Clerk for payment. This reduces the risk of inappropriate expenses being claimed; and, it reduces the risk of double claiming for the same expense.
 - ✓ Reimbursement forms from all constituency offices are submitted to the Clerk, where they are processed consistently by an independent and objective office.

3.43 We reviewed the Public Accounts document *Other Information Unaudited Supplementary Employee List*, [section] *Payments to Members for Constituency Office Expenses* for the three fiscal years ended 31 March 2009, 2010 and 2011⁶ and the amounts appeared reasonable given the annual budget of \$40,000 for constituency office expenses for Private Members and of \$15,000 for Ministers.

3.44 We reviewed documentation supporting the annual constituency office expenses for a sample of Members and found that claims were supported by all required documentation.

⁵ Legislative Assembly of New Brunswick, *Indemnities And Allowances Of Members - Orientation Manual 2010*, page 18.

⁶ 2011 figures were obtained from the Office of Clerk because they were not publicly reported at the time of our work.

Improvements are needed in management practices and operating procedures at departments.

3.45 In reviewing management practices and operating procedures for constituency office expenses processed at departments for Ministers, we observed the following:

- ✓ A list of allowable expenses covered by the departments is provided and authorized in a 1999 Board of Management minute (Appendix 2). Allowable expenses are: telephone charges (local and long distance), cellular charges, fax machines (purchase or rental and use charges), miscellaneous office expenses (stationary, paper, pens, etc.) and staff support. (The purchase of constituency office assets, such as computers and office furniture is not an authorized expense for departments.) The minute also states, “*Expenses covered by Department budgets are to be paid by Departments per established procedures.*”⁷
- ! While there is an authorized limit of \$25,000/year⁸ for staff support at constituency offices, there is no limit on the other authorized expenses. This means there is no effective limit on the constituency office costs that may be charged by a Minister to their department for listed expense categories.
- ! There are no specific recording requirements for constituency office expenses paid by departments for Ministers and consequently they are not consistently recorded by departments. Departments are not required to record this information separately and constituency office costs are sometimes mixed with other departmental expenses. Therefore, we were unable to identify total constituency office costs paid by departments.
- ! Information provided by departments indicates inconsistencies (e.g. budgeting practices, treatment of staff costs) and spending above authorized limits.

⁷ Appendix 2

⁸ Appendix 2

Eleven of twenty-six departments were unable to provide complete and accurate information regarding constituency office budgets and costs.

We noted inconsistent budgets, inconsistent recording of expenses and spending over authorized limits for constituency offices by some departments.

3.46 Because constituency office expenses paid by departments for Ministers are not consistently recorded, and not readily identifiable from government accounting records, we asked departments to supply us with information needed for our review. We sent a letter to 26 departments requesting information regarding constituency office budgets, expenses and assets.

3.47 All departments responded. Among those responses:

- Fifteen departments responded appropriately satisfying our request for information. Of these fifteen respondents, seven indicated they had nothing to report (i.e. no constituency office expenses were paid by their department.) The other eight departments provided the requested information.
- The remaining eleven departments responded to our letter and provided some information. However, they did not or were unable to provide all of the requested information (budgets, expenses and assets). Two of these eleven departments included a note that the reported expenses did not include phone expenses. One department provided constituency office expense figures with a note stating that they included an error because the figures included the salary of the Minister's executive assistant.

3.48 We made the following observations on the information provided by departments regarding constituency office budgets, expenses and assets for their Minister. Where requested information was not provided, we were unable to provide comments.

- *Recording constituency office costs:* Three departments reported that they did not track expenditures for the constituency office separately from the expenditures of the Minister's office.
- *Budgets for constituency office costs:* Budgets reported by departments were inconsistent and showed significant differences. Budget figures provided ranged from \$25,000 to \$46,700. Five

departments indicated that they did not have a separate budget for constituency office costs.

- *Budgets for staff costs:* The authorized limit for staff support at constituency offices is \$25,000/year⁹. Four departments reported a budget of \$25,000 for staff costs, which is consistent with the authorized amount. However, one department reported a budget of \$46,000 for constituency office staff costs which exceeded the authorized budget of \$25,000.
- ! *Actual constituency office staff costs:* Eleven departments reported actual expenses relating to constituency office staff which exceeded the authorized amount of \$25,000 for staff related costs. These reported expenses for constituency office staff ranged from \$25,025 to \$55,789. (The overspending ranged from less than \$100 to \$30,789.)
- ! *Unauthorized spending:* One department reported an expense of \$1,195 for “*Desks, Tables & Chairs*”. Departments are not authorized to purchase furniture for their Minister’s constituency office.

3.49 Our findings indicate significant differences between management practices and operating procedures for constituency office expenses paid by the Clerk versus those paid by departments for Ministers. Departmental practices were found to be inconsistent and in some cases spending was over authorized limits. To simplify and improve control over processing and reporting these expenses, we believe all constituency office costs should be paid by the Clerk. This is consistent with the notion in the orientation manual that a constituency office is “*established to serve the residents of a constituency in a non-partisan fashion*” and not intended to be an extension of a Minister’s portfolio responsibilities.

Recommendation

3.50 We recommended all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should

⁹ Appendix 2

be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.

**Criterion # 3:
Reporting of
Constituency
Office Expenses**

3.51 Public reporting is an important component of accountability. This serves as the basis for our third criterion.

3.52 Criterion #3 was:

there should be adequate reporting of all constituency office expenses.

Highlights

3.53 We found the following:

- ! Total constituency office expenses are not publicly reported.
- ✓ There is public reporting of constituency office expenses paid by the Clerk.
- ! There is no public reporting specifically of constituency office expenses paid by departments for Ministers.
- ! The information currently being publicly reported could be misleading as it is incomplete.

Criterion Conclusion

3.54 There is inadequate public reporting of all constituency office expenses as the information currently being publicly reported is incomplete.

Detailed Findings

Total constituency office expenses are not publicly reported.

3.55 Total constituency office expenses paid by the Province are not consolidated and publicly reported.

There is public reporting of constituency office expenses paid by the Clerk.

3.56 The Public Accounts document *Other Information – Unaudited Supplementary Employee Lists*, produced by the Office of the Comptroller, discloses constituency office expenses for each Member of the Legislative Assembly annually. The figures reported are the costs paid by the Clerk only. They do not include constituency office expenses paid by departments for Ministers. This incomplete reporting does not allow the public to make accurate comparisons between the constituency office costs claimed by Members.

There is no public reporting specifically of constituency office expenses paid by departments for Ministers.

3.57 Constituency office expenses paid by departments for Ministers are typically grouped together with other departmental expenditures for reporting purposes. There is no public disclosure that departments may have paid constituency office expenses.

3.58 There is little guidance available covering reporting requirements for constituency office expenses paid by departments for Ministers. The Board of Management minute (Appendix 2) authorizes certain types of constituency office expenses which departments can pay, and states, “*Expenses covered by Department budgets are to be paid by Departments per established procedures.*”

The information currently being publicly reported could be misleading as it is incomplete.

3.59 There is no public disclosure that Ministers have two sources of funds for constituency office expenses (\$15,000 allowance from the Clerk and funds from Departments). While the Public Accounts document *Other Information – Unaudited Supplementary Employee Lists* does report constituency office expenses paid by the Clerk for each Member annually, there is no disclosure that Ministers may have additional constituency office expenses recorded and reported by departments.

3.60 We observed a difference in the amount allowed for constituency office expenses for Private Members and for Ministers. Private Members are allowed \$40,000. Ministers have no overall dollar limit; they are allowed \$15,000 (reimbursed by the Clerk) plus \$25,000 for salary related costs (reimbursed by departments) plus other certain expenses (phone, fax, supplies, etc) without limits (also reimbursed by departments). We believe this should be publicly disclosed.

3.61 Earlier in this report (with criterion 1), we commented on the lack of policies and guidelines for reporting constituency office expenses. In this section, we concluded there is not adequate reporting of all constituency office expenses and the information currently being publicly reported is incomplete and could be misleading.

Recommendation

3.62 **To provide better accountability, the Legislative Assembly should publicly report total constituency office costs claimed by each Member, whether paid by the Clerk or a department.**

**Criterion #4:
Assets for
Constituency
Offices**

3.63 Our first three criteria involved constituency office expenses; this criterion is about the management and control of assets at constituency offices.

3.64 Criterion # 4 was:

there should be adequate policies and/or guidelines for constituency office assets, and there should be appropriate management practices and operating procedures for all assets at constituency offices, which belong to the Legislative Assembly.

3.65 For purposes of this discussion, constituency office assets are defined as office equipment and furnishings including:

... desks, chairs, tables, bookcases, filing cabinets, shelving units, flip charts, area carpets, lamps, drapes, file baskets, desk sets, computers/printers/ software, word processors/printers/software, typewriters, photocopiers, dictaphones, telephone answering machines, fax machines, calculators, air conditioners, coat racks, waste paper baskets, signs.¹⁰

Highlights

3.66 We found the following:

- There are some policies and guidelines regarding the management of constituency office assets.
- ! Within the \$40,000 and \$15,000 Members' allowances, there are no dollar limits placed on the purchase of individual constituency office assets.
- ! Information provided by departments suggests non-compliance with Board of Management direction.
- ✓ Disposition of assets appeared to comply with the *Rules Adopted by the Legislative Assembly Committee for the Operation of Constituency Offices* (LAC Rules).
- ! There is no perpetual inventory of constituency office assets maintained by the Legislative Assembly.
- Government asset control policies do not apply to constituency office assets.

¹⁰ Legislative Assembly of New Brunswick, *Indemnities and Allowances of Members - Orientation Manual 2010*, section 6 Rules and Guidelines for the Operation of Constituency Offices, pages 17-18.

Criterion Conclusion

3.67 Management practices and operating procedures for constituency office assets are inadequate. While asset disposition appears to follow the LAC Rules, within the \$40,000 and \$15,000 allowances there are no dollar limits for purchasing individual constituency office assets or quantity limits, and there are no perpetual inventory records for asset control. Further, while it appears that LAC Rules are followed for disposals, we are unsure whether current LAC Rules are in the best financial interests of the Province.

Detailed Findings

There are some policies and guidelines regarding the management of constituency office assets.

3.68 Guidance regarding the management of constituency office assets is provided in the *Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices* (LAC Rules), in the orientation manual and in a Board of Management minute (Appendix 2).

3.69 The LAC Rules:

- define constituency office assets;
- state that assets are the property of the Legislative Assembly – “6(1) *Office equipment and office furnishings purchased with funds from the Allowance are the property of the Legislative Assembly of New Brunswick*”¹¹; and
- provide *Rules for Disposition of Constituency Office Assets*. See Appendix 3.

3.70 The orientation manual gives useful guidance as to what types of assets are permitted and specific items which are not allowed. It also states, “*Any supplies, equipment or furnishings paid out of the Allowance shall be used in the Member's Constituency Office in connection with the Member's official duties*”¹².

¹¹ Legislative Assembly of New Brunswick, *Rules Adopted by the Legislative Assembly Committee for the Operation of Constituency Offices*, Adopted Sept 30, 1993 with amendments to March 15, 2011, section 6 - page 7.

¹² Legislative Assembly of New Brunswick, *Indemnities and Allowances of Members - Orientation Manual 2010*, page 18.

Within the \$40,000 and \$15,000 Members' allowances, there are no dollar limits placed on the purchase of individual constituency office assets.

3.71 Although the annual Member allowance for constituency office expenses is \$40,000 for a Private Member and \$15,000 for a Minister, neither the LAC Rules nor the orientation manual give guidance as to any limits for allowable asset purchases. There is no limit for the number of allowable assets purchased; there is no limit for the prices of allowable assets; and, there is no limit for the frequency of purchases of an allowable asset. For example, a Member could purchase a new laptop every year.

3.72 We observed the following purchases, which may suggest a need for asset purchase limits:

- six guest chairs \$4,754;
- two chairs \$2,598;
- desk \$1,411;
- coffee table \$683;
- laptop computer package \$3,604; and,
- computer and monitor \$2,679.

Most of these examples, along with others, are shown in Box 4 presented later in this chapter.

3.73 In contrast, consider the following quote. *“In the past, the purchase of coffee machines and microwave ovens was specifically excluded. The guidelines were amended in April 2009 to allow for the purchase of office sized small appliances or related items which might reasonably be used in a small office setting to make the office more functional. Such items might include a small fridge, small microwave or inexpensive coffee maker.”*¹³ We found it unusual that the orientation manual implied a limit to the purchase of a coffee maker, a relatively low-cost item, yet did not provide limits for higher-cost items, such as computers and furniture.

Recommendation

3.74 **The Legislative Administration Committee should establish additional guidelines for constituency office assets to ensure purchases by Members are reasonable (e.g. timing, individual cost and/or frequency of asset purchases).**

¹³ Legislative Assembly of New Brunswick, *Indemnities and Allowances of Members - Orientation Manual 2010*, page 18.

Information provided by departments suggests non-compliance with Board of Management direction.

3.75 A list of allowable expenses covered by departments is provided and authorized in a Board of Management minute (Appendix 2). Under this authorization, purchases are limited to assets related to telephone charges, cell charges and fax machines. The purchase of constituency office assets, such as computers and office furniture, is not an authorized expense for departments.

3.76 Information provided by departments suggests non-compliance with the Board of Management minute as one Department reported an expense of \$1,195 for “*Desks, Tables & Chairs*”. According to the Board of Management direction, departments are not authorized to purchase furniture for their Minister’s constituency office.

3.77 The risk of this happening in the future would be eliminated by implementing our earlier recommendation that “*all constituency office costs should be authorized, paid, recorded, monitored and reported through the Office of the Clerk of the Legislative Assembly. Appropriate revisions should be made by the Legislative Assembly and the Executive Council Office to existing guidelines to facilitate this change.*”

Disposition of assets appeared to comply with the Legislative Administration Committee Rules.

3.78 When a Member resigns or is not re-elected in a provincial general election, the Member may purchase the constituency office assets that were purchased using their constituency office allowance. The LAC Rules contain *Rules for Disposition of Constituency Office Assets* (Rules for Disposition), which are shown in Appendix 3.

3.79 In reviewing the “Rules for Disposition”, we made the following observations:

- Office equipment or furniture costing less than \$200 can be taken by the departing Member, free of charge.
- The Rules allow a departing Member to purchase constituency office assets at a depreciated book value. The depreciation rates are high, meaning that an asset loses book value quickly.
- The depreciation rates for equipment are such that a computer could be purchased by a departing Member for 65% of its original cost the day after it is purchased, for 35% of its original cost 13 months later, for 10% of its original cost 25 months later and could be taken free of charge in just over three years. This means that departing

Members that serve a full four-year term and are not re-elected are allowed to take with them, free of charge, all the equipment purchased during the first year of their four-year term. For example, we observed one case where the departing Member purchased three IT assets (computer with monitor, laptop, BlackBerry) which were 2½ years old and originally cost \$4,283 for \$428.

- The depreciation rates for furniture are slightly less than those for equipment. However it is such that a desk, for example, could be purchased by a departing Member for 75% of its original cost the day after it is purchased, for 55% of its original cost thirteen months later, for 35% of its original cost 25 months later, for 20% of its original cost 37 months later, for 5% of its original cost 49 months later; and, could be taken free of charge in just over five years. For example, we observed one case where the departing Member purchased a desk for \$235, which was 3½ years old and originally cost \$1,173.
- The Clerk has the authority to lower the purchase price if transportation costs of moving the asset from a constituency office to Fredericton is more than the value of the asset.

3.80 The Clerk provided our Office with constituency office asset listings for disposition purposes for 19 non-returning Members, who were not re-elected in the September 2010 election. Each listing described the asset, provided the purchase price and date, the depreciation rate, the depreciated value (sale price) and provided notes regarding the outcome (purchased by departing or incoming Member, transported to Legislative Assembly, etc.).

3.81 We did not test the listings for accuracy or completeness or do detailed testing on the disposition of assets resulting from the 2010 election. Our preliminary review of the listings and documentation maintained by the Clerk suggested that the LAC Rules were applied appropriately in most cases. However, we noted two cases where there was an error in the depreciation rate used, which resulted in these assets being sold at a lower value than should have been the case. The total of the two errors was \$1,332.

3.82 Box 4 presents a selection of specific assets sold to departing Members, which we noted during our review of the listings. One could conclude that the current Rules for

Disposition, along with the lack of asset purchase limits could promote practices that are not in the best financial interest of the Province.

4 Selection of Specific Assets Sold to Departing Members				
Asset purchased	Purchase price	Selling price	Selling price as % of purchase price	Time lapsed (purchase - disposition)
<i>Furniture</i>				
desk	\$1,411	\$494	35%	~ 2½ years
6 guest chairs	\$4,754	\$951	20%	~3 ½ years
end table	\$451	\$90	20%	~3 ½ years
table	\$644	\$129	20%	~3 ½ years
desk	\$1,173	\$235	20%	~3 ½ years
desk	\$991	\$198	20%	~3 ½ years
round table	\$535	\$107	20%	~3 ¼ years
2 chairs	\$2,598	\$520	20%	~3 ½ years
coffee table	\$683	\$137	20%	~3 ½ years
<i>Equipment</i>				
computer	\$1,921	\$192	10%	~ 2 years
computer package	\$1,468	\$147	10%	~ 2½ years
laptop computer package	\$1,356	\$475	35%	~ 1¾ years
laptop computer package	\$1,288	\$129	10%	~ 2¾ years
BlackBerry	\$316	\$32	10%	~ 2½ years
2 laptop computer packages	\$2,068	\$724	35%	~ 1½ years
3 Multi-Function Units (printer, scanner, copier, fax, phone)	\$542 \$542 \$554	\$190 \$190 \$194	35% 35% 35%	~ 1½ years
computer & monitor	\$2,679	\$268	10%	~ 2½ years
laptop computer package	\$1,703	\$170	10%	~ 2½ years
Source: Table created by the Office of the Auditor General with information provided by the Office of the Clerk of the Legislative Assembly.				

Recommendation

There is no perpetual inventory of constituency office assets maintained by the Legislative Assembly.

Government asset control policies do not apply to constituency office assets.

3.83 The Legislative Administration Committee should consider whether current guidelines covering the disposal of constituency office assets upon the departure of Members provide the most favorable financial result for the Province. If not, it should give the Clerk authority to recommend a revised asset disposal policy. A revised policy, for example, could give primary consideration to reusing assets within government (e.g. by transferring information technology assets to the Computers for Schools program run by the Department of Education, and furniture and fixtures to incoming Members or a government department), rather than first offering these assets to departing Members at discount prices.

3.84 Neither the LAC Rules nor the orientation manual provides guidance to the Members or to the Clerk for inventory record management for constituency office assets.

3.85 When an asset is purchased for a constituency office, the asset is processed like other constituency office expenses to be reimbursed. The Clerk maintains an individual file for each Member. The file is a record of all Clerk reimbursed constituency office costs with supporting documents, which were claimed by the Member. The constituency office costs include office equipment and furniture (assets). The assets are not tagged or otherwise marked as “property of the Legislative Assembly”.

3.86 The Clerk does not maintain a list of all assets at each constituency office. The Clerk prepares an asset listing when needed (i.e. when a Member departs), using the information contained in the Member’s file of constituency office costs.

3.87 The Legislative Assembly is not required to comply with policies AD-1703 - *Purchasing - Office Equipment Policy* and AD-1704 - *Purchasing - Office Furniture Policy*. The two policies have sections covering:

- Asset Control: Inventory Responsibility
- Responsibilities - Departmental Coordinator
- Responsibilities - Responsibility Center Coordinator
- Compliance¹⁴/Management Audit¹⁵

3.88 The LAC Rules state, “*Office equipment and office furnishings purchased with funds from the allowance are the property of the Legislative Assembly of New Brunswick*”¹⁶. The LAC Rules address the processes of acquiring and disposing assets at constituency offices. However, the LAC Rules do not address maintaining records for constituency office equipment and furniture. In our opinion, constituency office furniture and equipment, which are the property of the Legislative Assembly, should be subject to the same level of control as furniture and equipment purchased by departments and agencies, which are the property of the Province of New Brunswick.

Recommendation

3.89 The Legislative Administration Committee should develop an inventory control policy for assets purchased for constituency offices which includes controls similar to those in the Government’s policies AD-1703 and AD-1704.

¹⁴ Province of New Brunswick Administration Manuals: AD-1704 - Purchasing - Office Furniture Policy.

¹⁵ Province of New Brunswick Administration Manuals: AD-1703 - Purchasing - Office Equipment Policy.

¹⁶ Legislative Assembly of New Brunswick, *Rules Adopted by the Legislative Assembly Committee for the Operation of Constituency Offices*, Adopted Sept 30, 1993 with amendments to March 15, 2011, section 6 - page 7.

Appendix 1 – General Information on Constituency Office Costs

General Information on Constituency Office Costs

Constituency Office Purpose

- *A constituency office is an office which has been established to serve the residents of a constituency in a non-partisan fashion. The purpose of the constituency office is to allow the elected Member to act as the constituency representative in a facility where citizens, regardless of political affiliation, can come to discuss their problems or concerns with their representative. A constituency office may not be used for the purposes of promoting political party activities, holding party events, conducting election activities, nomination or leadership campaigns, storing or distributing party material or information, selling party memberships, or soliciting financial contributions or other such activities.*

History, Authority and Purpose of the Allowance

- *A Constituency Office Allowance for Members of the Legislative Assembly of New Brunswick was established in 1993 with the adoption of amendments to the Legislative Assembly Act.*
- *Each Member is entitled to receive reimbursement for constituency office costs incurred in respect of their duties as Member of the constituency. There are three categories of constituency office costs for which Members may be reimbursed: (1) office accommodation; (2) office operations; and (3) staff.*

Amount

- *Each Private Member is entitled to reimbursement for constituency office costs up to a maximum of \$40,000 per fiscal year to enable the Member to perform the duties as Member of his or her constituency. This figure is the total amount that can be spent for secretarial services, office rental and overhead, stationery and supplies and any other purchase or service related to the operation of an MLA's constituency office.*
- *Members of the Executive Council receive \$15,000 in constituency office funding each fiscal year in addition to expenses covered by their departmental budget.*
- *The year end for this allowance is March 31. Any unused portion of this allowance is not transferable at fiscal year-end.*
- *The Constituency Office Allowance is allocated to each Member every fiscal year and it is prorated for Members elected part way through the fiscal year.*

Constituency Office Assets

- *All office equipment and furnishings purchased with funds from the allowance remain the property of the Legislative Assembly of New Brunswick.*

LAC

- *The Legislative Administration Committee is responsible for establishing rules, policies and directives for the operation of constituency offices.*

Source: Excerpts from the *Indemnities and Allowances of Members - Orientation Manual 2010*, pages 9-11.

Appendix 2 – Excerpts From a 1999 Board of Management Minute

Excerpts From a 1999 Board of Management Minute

- ... authorize funding for Constituency Offices in those cases when MLA's are Ministers as follows:
 - i. telephone charges, local service and long distance,
 - ii. fax machines, purchase or rental and use charges,
 - iii. cellular charges,
 - iv. miscellaneous office expenses (stationary, note paper, pens etc.), and
 - v. staff support to a maximum of \$15,000 per year by means of Ministerial appointment. (A subsequent Board of Management Minute replaced the \$15,000 with \$25,000.)
- expenses covered by Department budgets are to be paid by Departments per established procedures.

Appendix 3 – Excerpt From the LAC Rules

Excerpt From Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices

Rules for Disposition of Constituency Office Assets

9(1) In this section, constituency office assets means “office equipment” and “office furnishings” as defined in section 2 of these Rules.

9(2) If a Member of the Legislative Assembly resigns or, after dissolution or ending of the Legislative Assembly, is not re-elected for any reason as a Member of the Legislative Assembly in the next following provincial general election, the Clerk may, in accordance with section 10, sell the constituency office assets that were paid for out of the member’s constituency office allowance.

9(3) Subsection (2) does not apply to a constituency asset having an original purchase price of less than two hundred dollars. (Amended June 4, 1998)

10 The Clerk shall sell a constituency office asset at the depreciated value of the asset as determined under sections 11 or 12 and section 13.

11 The depreciated value of office equipment shall be determined by deducting from the original purchase price

- (a) thirty-five per cent of the original purchase price in the first year after purchase,
- (b) thirty per cent of the original purchase price in the second year after purchase,
- (c) twenty-five per cent of the original purchase price in the third year after purchase,
- (d) ten per cent of the original purchase price in the fourth year after purchase.

12 The depreciated value of office furnishings shall be determined by cumulatively deducting from the original purchase price

- (a) twenty-five per cent of the original purchase price in the first year after purchase,
- (b) twenty per cent of the original purchase price in the second and third year after purchase,
- (c) fifteen per cent of the original purchase price in the fourth and fifth year after purchase,
- (d) five per cent of the original purchase price in the sixth year after purchase.

13(1) The depreciated value of a constituency office asset shall be determined as of the day of disposition.

13(2) Repealed June 8, 1995.
(Amended June 8, 1995.)

14 Notwithstanding sections 11 or 12, if the Clerk of the Legislative Assembly is satisfied that the value of a constituency office asset is less than the estimated expense of having it picked up, the Clerk may negotiate a lower purchase price than that provided in sections 11 or 12.

15 The Clerk shall give the first opportunity to purchase a constituency office asset to the former Member out of whose constituency office allowance the asset was paid for, and shall give the second opportunity to the new Member elected to occupy the seat previously held by the former Member.

16 A former member who wishes to purchase a constituency office asset shall notify the Clerk in writing to that effect, not more than forty-five days after the Member resigns or after the day on which the new Member is officially declared to be elected to the seat, as the case may be.

17 If a former Member does not wish to purchase a constituency office asset, the new Member, if wishing to purchase the asset, shall notify the Clerk to that effect not more than forty-five days after the former Member declines, or after the deadline for responding occurs, whichever occurs first.

18 If the former and the new Member do not wish to purchase a constituency office asset or if either has failed to give notice respecting a constituency office asset as required under section 16, the Clerk shall cause the asset to be returned to the Legislative Assembly.

19 Part II of these Rules shall be deemed to have come into effect on October 4, 1994.

Source: Rules Adopted by the Legislative Administration Committee for the Operation of Constituency Offices, Adopted Sept 30, 1993 with amendments to March 15, 2011, pages 8 - 9.