



Air Canada Component Trustees' Report & Recommendations
&
Secretary-Treasurer's Response

Audit Period: July 1, 2014 to January 31, 2015

Trustee Audit Report

Dear Members,

In May 2017, three Component Trustees, Andrea de Verteuil, Joyce Nakanishi and Marc Roumy were elected to audit the financial affairs of our Union, the Air Canada Component of CUPE (ACC). This audit report was prepared by only two Component Trustees, Andrea de Verteuil and Joyce Nakanishi. Unless expressly stated otherwise, for the purposes of this audit, whenever the terms "Component Trustees" or "we" is used, it refers only to the two afore-mentioned Component Trustees.

We gratefully acknowledge the members who got involved and supported our efforts to achieve an independent trustee audit. If it were not for the support of the members through email communication, on our Facebook discussion board and in person at Local meetings, this audit would not have been possible.

Trustee audits can build solidarity and confidence by confirming that our Union dues are being utilized in a fiscally responsible way in the members' best interests. When trustee audit recommendations are taken seriously, debated and implemented, our Union members can only benefit.

You are the Union. You elect the trustees to review the Component finances in order to ensure that the Union is spending your union dues in a way that you collectively deem to be appropriate. Your voice counts. Our report is a review of a past period, but from this report, we hope that future improvements will be made.

In service to the membership,

Andrea de Verteuil
Joyce Nakanishi

Thank you, Joyce and Andrea, for completing this 7 month audit. You will see my response as the Component Secretary-Treasurer in red below.

In Solidarity,
Wesley Lesosky

Part 1: Circumstances of the Audit

What are the Trustees auditing exactly?

The union's books are first audited by an outside accounting firm to ensure that accounting principles and generally accepted practices are followed. After the accounting firm has completed its work, the Component Trustees audit to ensure that money is spent with constitutional authorization (i.e. by a motion, a bylaw, or a budget line within a budget passed by a motion), with the overriding intent that the money is used to benefit and further the interests of the membership.

Audit period:

This audit covers only the seven (7) month period from July 1, 2014 to January 31, 2015.

Normally an audit reviews a 12 month period. Accordingly, the ACC budget is calculated and balanced for a twelve month period from July 1st to June 30th.

This audit, however, is unusual in the sense that it is conducted with only two elected Component Trustees, Andrea de Verteuil and Joyce Nakanishi, and represents only 7 out of 12 months of the fiscal year.

Conflict of Interest

In October 2017, the Component Trustees were invited to a meeting with the current Component Secretary-Treasurer, the Component President, Vice-President and our CUPE National Representative. During this meeting, it was brought to the attention of those in attendance that one of the Component Trustees had been the Component Secretary-Treasurer for part of the fiscal year that we were preparing to audit.

The Trustee Hotline, a department of CUPE National that assists trustees with their work, informed us in writing that it would be a conflict of interest for a Trustee to audit a term where they had been the Secretary-Treasurer.

This issue was left to CUPE National to investigate further. It was confirmed that the Trustee in conflict of interest was not willing to remove himself from the audit and since no one has the authority to remove a Union officer from an elected position, other solutions were explored.

Over the ensuing ten months, CUPE National directed various solutions. One of them was to divide the fiscal period into two parts but allow the Trustee in conflict of interest to participate by remaining in the auditing room. CUPE National also requested that the Trustee in conflict of interest not sign the audit despite having been in the room for the audit. The other two Trustees found this solution unacceptable and misleading to the membership reading the report.

The CUPE Constitution clearly states that three trustees must conduct an audit. It had been a long-standing CUPE practice that a trustee audit could not commence if there was a vacant trustee position. It was the opinion of one Trustee that to do an audit with only two trustees was a constitutional violation. Furthermore, having the former Secretary-Treasurer in the room during the audit of his term impeded discussion and an impartial review of the finances. The validity of any audit conducted under such circumstances was questioned. CUPE National offered the Trustees a "LET" to the CUPE Constitution to allow the audit to go forward, however, written confirmation of such a "LET" was never produced.

A resolution to the conflict of interest came about after a member at a Local YVR meeting publicly questioned the appropriateness of a former Secretary-Treasurer participating in an audit of his own work. As

a result, it was confirmed that the two remaining Trustees, A. de Verteuil and J. Nakanishi, would conduct the audit alone.

Assessment and Recommendations

Audits are intended to be independent reviews of the Union's finances. Despite common sense and confirmation by the Trustee hotline that a former Secretary-Treasurer cannot audit their own term/work, it was a frustrating struggle to implement that policy and avoid a conflict of interest in this audit.

One Trustee still believed that the CUPE Constitution would be violated by auditing with only two trustees instead of three but agreed to move ahead with the audit for the sake of trying to get the audits up to date.

Unfortunately, it seems that the only way to avoid a repeat of this kind of situation in the future is to have a bylaw amendment explicitly stating that a conflict of interest will not be permitted.

The two Component Trustees performing this audit have already submitted a bylaw amendment suggestion regarding this issue.

Challenges of auditing only 7 out of 12 months of a fiscal period:

Because all the financials are calculated in quarterly or year-end amounts, determining the values that applied to our 7 month audit was challenging. As most budgets are fluid during the year, it is generally regarded that mid-year calculations are important for operational requirements, but year end financial statements are relied upon for audits.

When we began the audit, the staff bookkeeper no longer worked for the Union and the accounting program that was in use during the fiscal period was no longer used. In the last days of the audit we were able to speak directly with the new bookkeeper and receive some of the specific financial information we needed to report in this audit. A lot of wasted time and unnecessary work would have been avoided if we'd had direct access to the bookkeeper from the beginning.

Assessment and Recommendations

It is the opinion of both Component Trustees who performed this audit that a fiscal period cannot be divided into two parts without creating significant problems. The outside accounting firm audited a 12 month period but many of their year-end totals were not usable to us and could not be broken down into our applicable time period. We were also unable to determine if most Component budgets were within or over-budget. Best efforts were made but because we were not permitted access to the remaining months of the fiscal period, there is a distinct possibility of errors.

The Trustee audit period should mirror the fiscal period used by the Component budget and the outside accounting firm. Dividing the fiscal period into two audits creates unnecessary work and is a waste of the Trustees' time and by extension, the members' money.

***All information requested was available or made available. Component runs on a yearly budget, but this can be broken down by month if requested and required.**

Timeliness of this audit:

We are reporting approximately 4 years after the fact.

Why?

Typically audits are intended to take place soon after the end of each fiscal year. The books are balanced by the in-house bookkeeper, sent to an outside accounting firm, and, once audited by the accounting firm, are then reviewed by the Component Trustees.

In this case, the July 2014 to June 2015 finances were only ready for the Component Trustees to review in mid-February 2018, and the issue of conflict of interest concerning one of the Component Trustees participating in the audit was not resolved until mid-August 2018.

By then, one of the Component Trustees conducting the audit was on short term disability leave, so the earliest opportunity to begin the audit was September 2018.

Assessment and Recommendations

Timeliness of an audit is important because it allows errors and loopholes to be caught early and helps the Union run more smoothly and responsibly. Timely audits are also the only way to ensure Component accountability.

Since the closing of the fiscal period of the audit in question, the accounting system has changed to allow quicker reconciliation of the financial books each year. We have been told that future audits will not be delayed in a similar way. We will allow future trustees to review those changes.

***The above noted delays have been an issue raised year after year and was due to the books not being reconciled so that they could be sent to the external auditor. The books are always sent to the external auditor first, and then the trustees. This process has been corrected in the current term and will hopefully be carried forward.**

Component Secretary-Treasurer's Directions to the Trustees:

In the October 2017 meeting, the Component Secretary-Treasurer informed us that, among other restrictions, the Trustees were not permitted to communicate or speak with the membership directly except after the publication of this audit report. Furthermore, the Component Trustees were limited to reviewing the information provided by the Component Secretary-Treasurer and not permitted to seek direct communication with any member of staff including accounting, committee members, or former elected Union officers.

One Component Trustee disagreed with the Component Secretary-Treasurer as she viewed the "protocol" to effectively restrict the independence, authority and accountability of the Component Trustees and the trustee role in general. The Component Trustees, in her view, worked on behalf of the membership, not the Component Officers who are the subject of the audit. Further to that, if statements were sourced through an intermediary, no matter how well-meaning, there was an undeniable potential for receiving filtered, biased and/or incomplete information.

It was later discovered that during the September 2017 ACCEX meeting, an agenda item entitled "F.47 Trustee Protocol" was discussed wherein a motion was put forward by the Component Secretary-Treasurer and unanimously passed:

Motion #2017 – 09 – 12-15:

The Component Secretary-Treasurer to communicate with Component CUPE Staff Rep to find a proper protocol for the Component trustees with regards to access of information, confidentiality and disbursement of information."

The ACCEX minutes further recorded that:

“It was noted that the trustees will be monitored by a staff member when they are at Component doing the audit to ensure they remain neutral and objective as per the Component Bylaws.”

Assessment and Recommendations

In the Trustees' view, this motion and minuted discussion reflects a poor understanding of the role of the Component Trustee. Trustees are neither employees of ACCEX nor of the Component Officers but are elected by the membership to audit on their behalf. To suggest that a staff member be used to chaperone a Component Trustee is outside the authority of the union executive, disrespectful to the staff member and Trustees, and a questionable use of members' dues.

We recommend that the Component Secretary-Treasurer and CUPE National review the role of the Component Trustees as per the ACC Bylaws and the CUPE Constitution. We recommend that greater care be taken to support the Component Trustees' responsibility to conduct an independent audit.

*This was as per a recommendation by CUPE National after discussion with the Trustees and their role. It was brought forward in past audits that all information is to go through the Component Secretary-Treasurer for accuracy, and information should not be sought independently as the information received may not be factual or as per the accounting practises. The safeguarding of all information is important, and with all Component Officers not always on site, it was important to have a staff member, someone impartial, available to collect and distribute the boxes of information to the trustees and ensure it was returned and locked up. Previous audits had information left in the boardrooms or corridors. This allowed access by outside parties and was not appropriate.

Part 2 : Review of the Financial Information Pertaining to the Audit Period: July 1, 2014 – January 31, 2015 (seven months)

Section A: Component Budget and Union Dues

Section B: Organization and Record Keeping

Section C: Expenses and Expense Policy

Section D: Audit by an Outside Accounting firm

Section A: Component Budget and Union Dues

Component Budget – where does the money come from?

Every month, 1.5% of the members' monthly gross income (not including expenses) is automatically deducted from our paycheques as union dues. The dues are forwarded to our Union and from those dues, \$18.09625 per member is forwarded to our parent union, CUPE National, and other amounts are sent to each Local as outlined in the ACC bylaws. What is left over comprises the Component budget.

For this 7 month audit period:

Ending balance from the previous Trustees Audit Report: -\$100,707.55 (deficit)

Assets and Liabilities as of January 31, 2015: Not Available

Total amount of dues collected by the ACC: \$2,647,145.27

Total amount sent to CUPE National in per capita payments: \$800,886.13

Total amount of Component Budget: Not Available

*Asset lists were given to the Trustees for review and verification. This is something that is verified at the time of the audit. As our audits run late, as noted above, this is verified sometimes years later and reconciled to the lists at that time.

*The Component Budget would be broken down monthly to get the amount above, "not available".

Assessment and Recommendations

Not much can be said about the budget as we are not auditing the full year and expenditures can vary significantly from month to month. We can determine, however, that both Grievance Committee and Component Executive budget lines had already greatly exceeded their annual budget by month 7.

Banking - Union Dues and deposits

For unknown reasons the company was depositing our union dues into the EAP bank account. It took several months to get this sorted out and have our funds returned to us.

Meanwhile the company is charging us \$230/mo to collect and transfer our union dues to the component. It is our understanding that other union groups are also being charged this administration fee.

Assessment and Recommendation

Once the error in deposits was recognized, actions were taken to correct the situation.

It is our understanding that IAM and Unifor are also being charged the \$230/month administration fee and are challenging the employer about it. The ACCEX minutes reflect that the Component Secretary-Treasurer addressed this issue with the Company but it remained unresolved.

We recommend that the Component Officers pursue this matter further as it seems counter-intuitive that a Union should be charged a fee to benefit from a legal ruling (the Rand formula).

*There have been discussions on this fee this term as well.

WIP and EAP budgets were not available to be audited:

During this audit, we made great efforts to access and review the budgets of EAP (Employee Assistance Program) and WIP (Wage Indemnity Plan), however, our requests were denied.

Assessment and Recommendations

The recognized need for closer oversight of the WIP budget was evidenced in the July 2014 ACCEX minutes when it was recorded that ACCEX "had some concern about the expense policies practiced by the WIP Board of Trustees and their adherence to the Declaration of Trust with the final view that the membership's money must be spent ethically and responsibly."(Sic)

The current Component Secretary-Treasurer stated that both WIP and EAP have revenue sources outside of Union dues -- WIP through a contribution deducted from active members' paycheques and EAP through a government program that allows the employer to get a rebate on EI premiums provided they use the money to fund an EAP program. According to the current Component Secretary-Treasurer it is not within the purview of the Component Trustees to review WIP or EAP.

We disagree with the Component Secretary-Treasurer's stance, and believe that it is neither in the best interests of the membership nor is it fiscally responsible to entertain this loophole.

Both WIP and EAP are listed as committees in the ACC bylaws.

SECTION 9 - COMPONENT COMMITTEES

9.1 In accordance with Section 6.1(g), the Component President shall make the following appointments (and fill vacancies as required) to the membership of the established Component Committees below:

(c) Component **EAP** Committee:

- Chairperson(s), and
- Additional national EAP coordinators as required.

...

(h) Component **WIP** Board of Trustees:

- Chairperson(s), and
- Additional members in accordance with the ACC Wage Indemnity Plan Trust Agreement.

And the ACC bylaws state:

6.4 The Component Trustees shall:

(a) Act as an auditing committee on behalf of the members and audit the books and accounts of the Secretary-Treasurer and **the Component Committees** at least once every calendar year; **(emphasis added)**

Each member of WIP and EAP committees are flight attendants and are appointed through the authority of the ACC bylaws. It is, in our opinion, irresponsible to say that two committees with significantly large budgets will not be audited to ensure that the members' money -- whether it is through Union dues, WIP deductions or a government subsidy that springs from our employment -- is used properly according to the membership's needs. To date we are not aware that WIP and EAP have ever been audited by the membership to ensure adherence to constitutional authority (motions to authorize spending) and our financial policies, not just adherence to generally accepted accounting principles. We believe there is a cause for concern.

We highly recommend that WIP and EAP be audited by the Component Trustees to ensure that their spending is in line with the rest of the Component committees and Union expense policies and practices.

***This has been discussed at great lengths for many audits. As noted above, the Component Trustees are to audit the books and accounts of the Secretary-Treasurer and that is what they did. EAP has a budget line for Component spending and WIP is fully responsible for the money they collect outside of the dues. The Component Trustees reviewed the EAP budget line as per practise. All other outside funding to these committees does not fall on our Component books or ledgers, so would not fall under this audit. This is normal practice.**

Filing System:

The filing system added another layer of difficulty to our audit. As expenditures are filed by member name, specific hotel, or company name, and not by committee or budget line, it became difficult if not impossible to cross reference amounts.

Overdue bill payments and late fees:

Bills were consistently being paid late, some as much as 5 months. This resulted in an unacceptable amount

of late fees which is a waste of union funds. Adopting the previous recommendation to have three officers with signing authority did not seem to alleviate these delays.

Assessment and Recommendations

We recommend that bills are paid in a timely manner to avoid wasting money on late fees. If the accountant is too busy it is the Secretary-Treasurer's responsibility to ensure that it's done.

*Late fees have been a huge issue for years and is not something specific to this term in question.

Section B: Organization of Financial Records

Minutes

There were 5 ACCEX meetings during the 7 month period we audited. The minutes of 2 of the 5 meetings were adopted in subsequent meetings several months later, however 3 sets of minutes were not adopted at all. There were also minutes from the previous fiscal period that were never adopted. The reason given was that the Executive Assistant became very busy with 2015 bargaining preparations.

According to the bylaws:

6.3 The Component Secretary-Treasurer shall: ...

... (p) Keep an accurate, full and impartial record of each meeting of the ACCEX and any other meetings as may be deemed necessary and forward such records to members of the ACCEX within thirty (30) days after the meeting;

When the Trustees reviewed the minutes it was discovered that in most instances only a briefly summarized account of topics was recorded. Summarized discussions do not help future ACCEX members understand the history and rationale behind a motion or a Union position, nor does it help members understand what the Union was discussing and how the members' needs are being addressed. ACCEX minutes are made available to all members upon request as they have a right to know what is being decided at the executive level on their behalf and why.

It is common practice that the recording of minutes is delegated to the Executive Assistant who is a member of staff at the Component's Belfield office. Work may be delegated but the responsibility remains with the elected Union officer.

During this trustee audit, the current Component Secretary-Treasurer indicated that he would attempt to have the April 2014 minutes and other outstanding minutes adopted at the December 2018 ACCEX meeting. While we appreciate the effort, we recognize that it is impossible to adopt minutes when most of those present at the meeting over four years ago are no longer in office. Without properly adopted minutes, the meeting motions are in dispute and should not be actioned.

As Secretary-Treasurer of the 2017-2019 term I can only comment on the following statement: **"the current Component Secretary-Treasurer indicated that he would attempt to have the April 2014 minutes and other outstanding minutes adopted at the December 2018 ACCEX meeting"**. This was not stated nor brought to ACCEX for adoption.

Assessment and Recommendations

Adopt Minutes within 30 days: The bylaws were violated. The bylaws dictate that the minutes must be ready and adopted within a 30 day period, otherwise, the minutes are technically not confirmed to be

accurate (i.e. adopted). Greater effort must be made to produce and adopt the minutes within 30 days of any meeting. We recommend that rather than waiting until the next ACCEX meeting, which is often 3 months away, adopting minutes through a conference call or email poll should be explored.

Quality of Minutes: Greater effort must be made to improve the quality of the minutes so that they are “accurate, full and impartial.” They do not have to be verbatim minutes, but we recommend that they provide the context and reasoning surrounding or leading to motions.

The Component Secretary-Treasurer is responsible for the minutes: In the future, the Component Secretary-Treasurer must ensure that “an accurate, full and impartial record of each meeting” must be provided to ACCEX within 30 days of said meeting. If the work cannot be completed in time by staff, we recommend that the Component Secretary-Treasurer complete it themselves.

Motion Book

According to the September 2014 ACCEX minutes, there was a motion to create a Motion book which would be a central record for all ACCEX motions. Unfortunately, this motion was not implemented. The reason given was that the Executive Assistant tasked with the motion became very busy as bargaining was to begin in 2015.

Assessment and Recommendations

The implementation of a motion book was a trustee recommendation made in previous audits. We agree that a motion book would improve the audit process and increase transparency of the motions as they would be easier to locate and track. It was relayed to us that a motion book has now been implemented in the current term.

When reviewing the motion, the trustees noted that it directed the Executive Assistant to create the motion book. The Executive Assistant is not a member of ACCEX and as such cannot be directed by an ACCEX motion. It would have been more appropriate if the motion had directed the Component Secretary-Treasurer to create the motion book.

*Component has a motion book available and it is up to date.

Supplemental Pay/“Top Up” Cheques for Component Officers:

The supplemental pay “top up” cheques were not located in the files we were given. We had to make a special request to acquire them. Some top-up payments could not be reviewed as the cheques were issued outside of our 7 month term.

Assessment and Recommendations

It is important that all files be kept together for the purposes of the audit.

For documentations’ sake, supplemental paycheques should be accompanied by the list of Highest Earners, Central Site Committee’s recommendation and a copy of the netline schedule for the Highest Earner chosen.

As this report was being written, many questions were being raised about the criteria historically used to determine Highest Earner. Included in the files was evidence that the Central Site committee, the Component committee tasked with determining the Highest Earner used for supplemental pay purposes, was verifying each member on the list for eligibility based on legal flying and non-participation in short assignment.

We recommend that criteria regarding the Highest Earner eligibility requirements be included in the ACC bylaws regarding supplemental pay for Component Officers.

*There is a motion and a Bylaw referendum coming up to deal with the Highest Earner. There was no special request required to view the cheques, up until this term, they were always separated and in a different cabinet, with all payroll files. These files were given for review and separated out for all future audits as well.

Inventory:

Over 400 pieces of furniture and computer equipment was tagged with a code number and recorded in a spreadsheet noting location, serial number, and identifying description. We witnessed the list being updated many times, sometimes daily, to reflect the frequent moving of small items throughout the building.

Assessment and Recommendation

The trustees appreciate the diligence with which this process has been adhered to. We found the inventory list to be very accurate.

Concerns have been raised that the Union had made considerable investments in equipment for the Communication Committee. We can confirm that except for one or two articles valued at less than \$100, all equipment was accounted for and remains in the Component's care.

Hotel and Meeting Rooms:

Hotel reservations are filed by individual hotel name making it impossible to cross-reference and check if hotel stays were properly documented and reasonable.

Assessment and Recommendations

Hotel reservations should also include a reference as to the purpose of the trip, and the budget line to which it will be attributed.

*Now that the Union uses QuickBooks, the bookkeeper tags all hotels to the correct budget line and has the reason for the hotel tagged to the actual journal entry.

Union Releases:

Members are released from regular flying duties in two ways – for an entire month before the bidding period or on a pairing by pairing (ad hoc) basis, as needed. Ad Hoc flight releases are requested using a form recording the member's name, pairing number and credit.

Assessment and Recommendations

The Ad Hoc flight release forms do not indicate the Union work for which the member is being released. This makes it difficult to review or cross-reference flight releases with Committee work and budget line.

We recommend that Ad Hoc pairing release forms have a second sheet indicating the purpose of the flight release and the Component budget line to which it will be applied.

**Now that the Union uses QuickBooks, the bookkeeper tags all flight releases to the correct budget line and has the reason for the release tagged to the actual journal entry or committee line.

Section C: Expenses and Expense Policy

180 day limit to submit expenses:

From the ACC Bylaws:

SECTION 7 - EXPENSES

7.4 Any expenses submitted more than one hundred and eighty (180) days after being incurred will not be considered for payment by the ACC.

The Trustees noted that in the September 2014 minutes, ACCEX passed a motion to pay the expense claims of four or five members (there was a discrepancy in the number of members) who had performed Union work but had submitted the expense claims outside the 180 day limit. The motion was passed unanimously.

Assessment and Recommendations:

The 180 day deadline to submit expenses is in conflict with the union's bonding insurance. CUPE National Secretary's office confirms that in order for our bonding insurance to be in effect, every trustee audit must be submitted within 6 months of the end of the fiscal year. Considering that as per the bylaws members have 6 months to submit their expense claims, adhering to the required a six month deadline to keep our bonding insurance is impossible.

We recommend that the 180 day submission deadline be reduced to 90 days to allow the Component Secretary-Treasurer and the Union's accounting staff time to wrap up the fiscal year, submit it to the outside accounting firm to perform an accounting audit, and submit it to Component Trustees to undergo an audit. Even by reducing the expense claims for reimbursement to 90 days, completing the audit process within six months is ambitious.

Expense Policy

During this fiscal period, the Component Secretary-Treasurer introduced and motioned a new Component Expense Policy. The policy stated that:

"In order to clearly define what would be considered a REASONABLE (sic) and therefore allowable expense, the Air Canada Component has established the following financial policies in addition to the Component by-laws."

This policy replaced the one that had been in use since 2008. It gave greater clarity to some undiscussed aspects of Component Officers' and Committee members' expenses.

Assessment and Recommendations

We applaud the efforts of the Component Secretary-Treasurer to bring clarity and definition to the Component Expense Policy. While the previous 2008 Component Expense Policy was utilized in good faith, having an Expense Policy motioned by ACCEX safeguards the members' funds by ensuring that spending practices remain within certain parameters.

We would like to highlight, however, a few aspects of the policy that are problematic:

1) Component Officers Ground Transportation Expenses

"Component Officers transportation will be paid at home base when conducting Union business to attend a meeting outside the office or on a Union business travel trip to a maximum of \$800.00 a month. Anything expensed outside that amount will need to have approval from ACCEX. The Component Executive Assistant

will write the explicit locations and purpose of the ground transportation on the receipts". (2015 Component Expense Policy)

Prior to this transportation allowance, all travel at home base was only reimbursed at 20 cents/km and taxi travel was only reimbursed on an exceptional basis.

Despite the language, the effect of this new ground transportation expense policy seemed to have been to allow Component Officers to claim regular taxi travel to and from home. A Component officer expense-claimed frequent local taxi fares despite the fact that he was also claiming the cost of a monthly TTC pass.

We recommend that this Ground Transportation Expense be reviewed.

2) Child/Dependant Care Expenses (12 years and Under)

The Component Expense Policy states that "Any individual (on a full time union release) performing authorized Component Union office work exceeding 14 days will be entitled to child/dependent care expenses of \$60/day to a maximum of \$400/mo per family for every day exceeding the 14 days."

This policy should be reworded to read child/dependent care expenses of **up to** \$60/day, as daily costs vary from province to province.

It was also noted that some committee members were claiming 20 days of childcare, and that the union overpaid by over \$1,000.

We recommend that in future these claims be either adjusted or denied pending resubmission.

3) Equipment Bought with Component Funds

This policy clarified that "any equipment purchased with Component funds shall remain with Component once a Component term is over and an individual has not been re-elected into their position. Should an individual wish to keep their Union laptop and/or Union cell phone it can be purchased at a depreciated value of 20% a year off the original receipt price. No other equipment bought with Component funds can be purchased. Any Component equipment purchased must be itemized and tagged in the Component inventory upon purchase through the Component Executive Assistant – Administration"

We appreciate the clarity that all equipment remain with the Component and be returned to the Component. The practice of purchasing laptops was one that started prior to this term and the depreciation was calculated at 50% per year, so this policy of depreciating only 20% is a marked improvement.

It was noted that a MacBook Air Pro was purchased for \$1200.00 in November 2013 and then sold to the Component Officer in January 2015 for \$20.10 after depreciation. There was an error in calculation that wasn't caught at the time. Despite the error, we believe that the depreciation is overly generous and that the membership would be better served if the laptop remained with the Union for another committee member to use. A 14 month old laptop is still very useful and expensive to replace.

We recommend discontinuation of this policy so that the Component is not required to purchase brand new expensive computer equipment every two years.

Printing of Campaign Material by a Component Officer:

The Component President printed his campaign material on Union photocopiers. The Union staff billed him for the copies. The Tabulating Committee stated that the Union photocopier was not a Union resource so it

should not affect his candidacy in the election.

Assessment and Recommendations

The Tabulating Committee is mistaken in that all assets, including photocopiers, bought with Union funds are considered Union resources and are the property of the Union.

The Component President made over 17000 copies and was billed at a low rate with only one hour of clerical staff time. Considering that similar large photocopying jobs for the Union were outsourced to Staples, we question the appropriateness of causing wear and tear on our machinery for personal use.

Furthermore, it was noted that no other candidate was offered this convenience.

We recommend that a bylaw amendment clarify the inappropriateness of using Union resources for personal campaign purposes.

Reimbursement by CUPE National

CUPE National's policy is that they will reimburse expense claims when members attend a CUPE National training session and/or working group. It was noted that members who attended these events submitted their expense claims to the Component instead.

Assessment and Recommendations

We recommend that when participation in a CUPE National event is being contemplated, the member should be informed as early as possible that CUPE National will reimburse expense claims submitted within 30 days.

We recommend that the Component Secretary-Treasurer advise the member that such claims should not be submitted to the Component as CUPE National will not reimburse the Union for these costs.

Luncheon Tickets to hear the CEO speak

On February 4, 2014, the Component Vice-President and the interim Component Secretary-Treasurer attended a luncheon at the Canadian Club of Toronto held at the Fairmont Hotel to hear the Company's CEO speak. They expensed the \$150 (total) for the luncheon tickets to the Union.

Assessment and Recommendations

While it is important to be up to date with the public statements made by the CEO of our employer, the Component Trustees question whether it is a responsible use of members' money to attend a luxury event. This speech, as with all other public statements made by the CEO of a publicly traded company, was made available online for the benefit of public shareholders shortly thereafter.

<https://www.aircanada.com/ca/en/aco/home/about/media/speeches-presentations.html>

https://www.aircanada.com/content/dam/aircanada/portal/documents/PDF/speeches-presentations/en/cdn_club_Feb4_2014_en.pdf

We recommend that if attendance to such an event is deemed necessary by the Component Officers and/or ACCEX, it would be appropriate for the members to receive a report summarizing what was learned and how it has furthered the objectives of the Union.

Section D: Audit by an Outside Accounting Firm

After the end of the fiscal year, the Union's books are sent to an outside accounting firm to ensure that accounting principles and generally accepted practices are followed. The independent auditor's report is attached to the end of this Trustee report.

The outside accounting firm identified some deficiencies and made many recommendations to improve the quality of our record-keeping and internal controls.

Some suggestions included:

1. The Union implement an electronic ledger system. They point out that best practices suggest that a separate general ledger should be provided that details every transaction recorded in the period.
2. Bank reconciliations be reviewed by someone other than the accountant, (presumably the Component Secretary-Treasurer) as it would greatly enforce the checks and balances necessary for strong controls over cash.
3. Improve the timeliness of the audit. By the time the outside accounting firm received this fiscal period to be audited more than 2 years had passed since the end of the fiscal audit year. They identified that this time lag reduced accountability and accuracy of information as former Union officers were no longer available to answer questions or provide information.

Assessment and Recommendations

We recommend that the Component Secretary-Treasurer implement an electronic ledger system and perform bank reconciliations, as per the outside accounting firm's suggestions.

We also recommend that audits occur in a timely manner following the close of the fiscal period. We understand that efforts have been made in this regard, and we will leave it to future Trustees to assess timeliness in subsequent audits.

***All above recommendations are currently the practice.**