

Falsified Expense Account

Location: Quebec

Topic(s): Council Ethics, Provincial Government

Please describe the situation.

In 1998, in my role as Director General (City Manager) I suspected the mayor of falsifying his expense account. This saga carried on for many months and created a political firestorm that ended up with this resignation in the spring of 1999.

I had been the City Manager for almost 10 years. It was my first job in that position with a series of mayors and councils, we had made tremendous progress in turning the finances of the Town around, renewing the major infrastructures and taking on the unions to control our spending and increase productivity. We developed a strategic plan that had the backing of the population and the level of satisfaction in the Town's services was extremely high.

What was the current political environment? What factors led to the situation? What were the events that unfolded in this particular scenario?

The management team that I had put in place was young and determined to bring about change. Generally, we were backed by Council but with the newly-arrived CUPE becoming increasingly concerned with the improvements we were getting through negotiation and with the fire personnel, through arbitration, we became the target of more labour unrest up to a series of strikes by all unionized personnel. As a consequence, we had outside agitators join in the protests that, in turn, created a difficult atmosphere inside the organization as employees were made to choose between their employer and their union. Given that CUPE had told the Town employees that they would be getting better results with them than with the Teamsters, there was added pressure to deliver. It became apparent a few years later when all cities on the island of Montreal became merged that the unions were in sync with the ruling provincial government and knew that these "wins" on the labour front were a threat to their future with the new City of Montreal. Also, it was the unions plan to become the super-union for all employees of the new City of Montreal.

At the same time, the Parti Quebecois had started to move towards reducing the number of municipalities across the province and had proposed the merging of all on-island municipalities into the City of Montreal. This was a political nightmare for us as some of the province's arguments were that the smaller municipalities were not cost-effective, and were in fact private fiefdoms for their mayors who squabbled amongst themselves rather than working together for the benefit of their citizens.

So, at a time when things were heating up both locally and provincially, the need for solid leadership was important. To have the matter of the mayor's expenses become public would only acerbate an already increasingly difficult situation.

How did you respond to or address the situation?

As Director General, I had the authority to approve all expenses within my powers of delegation from the Council. This included the control over the administration's budget which also included the mayor's office. No payments could be made without my authorization, this was eventually ratified by Council at a subsequent public meeting. I realize that in some communities, no payments are made until the resolution of Council has been approved. In our Town, in the spirit of handling the Town's business more efficiently, suppliers were paid upon proof of services delivered, compliance with the PO's, etc. unless it was an expense that Council had requested to have first approval.

In the fall of 1998, I started noticing that many of the expense vouchers put forward by the mayor were missing dates. Most of the payments were paid by credit card which normally have the date and time stamped on the receipt. I reviewed previous expense claims that already had been processed and noticed this pattern had been in place for a few months. In essence, I was approving expense payments to the Mayor that were missing key information. This was legally not correct so I found myself technically involved in this matter if indeed it was proven to be correct. It was!

So, I doubled my checking of the mayor's accounts along with his schedule to see if this was just a small oversight on one or two occasions. It was not an oversight and had occurred at least a couple dozen times.

I put all of the information in a spreadsheet which included date of claim, who the meals were with, and the amount. I shared this document with no one until I was convinced there was impropriety. I met with the Town's lawyer who confirmed my concerns about both my legal situation and the Mayor's. I had to act to make sure the matter was resolved.

I met privately with the Mayor and asked why there were elements missing from his expense claims. I then explained that I was not going to process outstanding claims until full information had been produced. This was a difficult conversation since the Mayor and I had worked well together on many files since I first joined the Town. The Mayor was not pleased with me but said he would provide me with the missing information.

I waited four months and got nothing, despite repeated private reminders to him of what he had promised. As the matter was delicate for everyone's reputation I remained patient but it was not something that I could simply ignore, it had to be resolved.

Given that the matter could eventually leak out, I kept close communication with our legal representatives and documented every step I took in the matter. I transferred much of this documentation to our lawyers so as to keep the matter of access to information under control should a member of the public request reports before and after the matter could be resolved. In Quebec, we have very generous access to information legislation that allows the public to obtain copies of documents. Though the notion is good and I am all for transparency and accountability, many of the request are abusive and require hours of staff time to answer.

I contacted the Minister of Municipal Affairs (MAM) office and spelled out the situation. My objective was to seek confirmation of what I already knew. I had to act on the matter as the four-month stalling by the Mayor had produced no results and was not acceptable. I had to involve the Council since I had no authority over the Mayor but in doing so, the risk of the matter becoming public increased. At this point I was no longer concerned about the public aspect since I was stressed out by all the secrecy required to protect the Town's image and that of the Mayor. I thought the Mayor was a reasonable man, but felt that he thought very little of me since he ignored my request for information in hopes that I or the matter would go away.

I chose to make the matter known to a veteran councillor who was retiring. I knew the matter had to be presented to Council eventually and through this means it made it easier to introduce the subject with his understanding of what was to be presented. His advice was to proceed.

I put together a confidential report that I presented to Council in a caucus meeting where the Mayor was not present. In this report I outlined the matter and the steps taken since I was first made aware of the discrepancies. Council in caucus decided that they would meet with the Mayor and ask for justification for the discrepancies, failure to do so would leave them no choice but to bring the matter forward at the monthly public meeting. I was no longer directly involved in the discussions with the Mayor but the delegation from Council had no more success with the mayor than I had. Prior to the public meeting one of the councillors gave my report to the local paper who reported it, almost verbatim.

The Council passed resolutions requesting information and deadlines, any failure to do so would see a resolution to disqualify the mayor from office. The Mayor remained silent and quit in May, citing that any further action would upset his family.

It turned out that the Mayor who had been a successful business man was broke. His paycheques had also been garnished by the federal government for non-payment of taxes. He was too proud to tell anyone or ask for help. He elicited a lot of sympathy from the population who thought that this matter was a witch hunt by the Council but that was only at the very end. The actions by the member of Council to leak a confidential report to the press (see attached article) was unacceptable and this did little to enlighten the population to why the actions (or lack thereof) of the mayor were not part of the values of the Town.

The laws do not give an amount or a range where unjustified payments are acceptable in the public sector. The City Manager has no discretion under Quebec law to provide funds without any valid justification. I was left burnt out and had to take time off. The matter and the subsequent actions that I was forced and asked to do left me feeling that I had been the bad guy and not the "poor old mayor". I had given the Mayor sufficient time to reply to my questions, treated him with utmost respect throughout and kept the matter confidential until I had no further choice.

What lessons did you learn from this scenario?

Check everything, even when things are going well and check it twice. Document any and all suspicions and keep a diary of what is going on. Understand the environment you are working in. In our case the municipal world has lots of different actors so be aware of the role you play. You have a job to do and council has a job to do, never trade jobs.

What advice would you give to someone going through a similar situation?

Don't take things for granted and when you need to seek advice to confirm if your suspicions are correct, do it discreetly. Treat everyone with respect, a person's reputation is very important and fragile.

Play Station

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COMMUNITY NEWS

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TOWN OF MOUNT ROYAL

Schwartz resigns to avoid 'agonizing' legal battle with town

N BECKER
Gazette

Royal Mayor Harry Schwartz from office yesterday to avoid a "prolonging" legal battle with

A council launched a lawsuit against Schwartz from of-
properly received re-
expense account.
assess by council also
s' lawyers to bring an
declaration of disqual-
Quebec Cities and
would bar him from
y municipal council.
ference yesterday.
welfare of his com-
zens and family was
han his political ca-

Because his resignation comes less
than a year before the next scheduled
election, the town doesn't have to hold
a by-election to choose a new mayor.
The next election in T.M.R. will be in
November.

Councillors will be meeting in the
coming days to choose an interim mayor.
The resignation came as an about-
face since a defiant Schwartz last
month said he planned to stay on as
mayor after council adopted the resolu-
tion to remove him from office.

"In the days and weeks following
council's resolution, it was my stated
intent to carry on in the office of may-
or of T.M.R.," said Schwartz as his
wife, Maxine, sat at a nearby table, wip-
ping tears from her eyes.

"However, as the battle evolved, I be-
came acutely aware of the enormous
pressure and increasingly heavy toll it
was taking on our community, my wife
and my family," Schwartz said.

Schwartz's resignation comes just as
town manager Duncan Campbell said
the town was planning to deposit a mo-
tion in Quebec Superior Court this
week detailing the dispute over his ex-
pense account and declaring him inca-
pable of continuing as mayor.

the amount reported to be in dispute
with town officials.

Schwartz said he paid back the
amount because he wanted to put an
end to demands calling for his removal
from office. But town officials re-
mained steadfast in their intent to re-
move Schwartz from office.

Schwartz's relationship with town
officials soured further last month af-
ter they went public with the fact four
creditors had placed seizures on
Schwartz's salary.

Yesterday, Campbell said Schwartz's
resignation could have been avoided.

Campbell said town officials repeat-
edly tried to resolve the issue of
Schwartz's disputed expense accounts
since November, but to no avail.

"The situation could have been recti-
fied, but, for reasons only Mr. Schwartz
knows, he chose to say nothing,"
Campbell said.

Schwartz, who has served on council
since 1987, was first elected mayor in a
by-election in 1994.

"This not a happy moment for the
town," said Ed Ropaleski, president of
the Mount-Royal Municipal Associa-
tion. "We enjoyed an excellent collabo-
ration with Mr. Schwartz over the

