

INVESTIGATION REPORT

Conclusions and recommendations of the external investigation into abusive credit card spending by the former General Manager, Mr. Richard Sun, reported in the January 2024 report of the Commission Municipal du Québec

PRESENTED TO:

Ville de Hampstead

PRESENTED BY:

Me Myriam Larose
Mr. Mathieu Gagnon

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To the attention of Mr. Jose Ramon Nunez, Director General of the town of Hampstead

OBJECT : Independent investigation report following the findings of the CMQ's DEPIM that wrongdoing had been committed against the town of Hampstead.

CASE : 240207-423E

INVESTIGATORS : Myriam Larose - matricule 1485
Mathieu Gagnon - matricule 1113

FORENSIC ACCOUNTANT: Richard Beaulieu - matricule 1438

MANDATE

On February 2, 2024, the general management of the Town of Hampstead (hereinafter “the Town”) mandated the firm Sirco following the publication in January 2024 of the report of the Commission Municipale du Québec (hereinafter “CMQ”), entitled “Conclusions and recommendations following a disclosure of wrongdoing with respect to the Town of Hampstead”. The general mandate is to assess the validity of the conclusions set out in the said report.

Initially, our role is to assess whether wrongdoing within the meaning of section 4 of the *Act to facilitate the disclosure of wrongdoing in respect of public bodies* (hereinafter “AFDWPD”), more specifically an abuse of public funds and a serious case of mismanagement, has indeed been committed against the Town. If so, Sirco must determine whether they can be attributed to other players in the municipal organization.

In order to do so, Sirco had to verify the credit card expenses incurred by the Director General, Mr. Richard Sun, for the following reference period: the years 2018 to 2023.

Finally, Sirco analyzed the changes made subsequent to the release of the CMQ report and submitted its own recommendations.

BACKGROUND AND TIMELINE

The Direction des enquêtes et des poursuites en intégrité municipale (hereinafter “DEPIM”) receives a disclosure that a wrongdoing has been committed against the Town. An investigation is launched.

Towards the end of November 2023, Mr. Sun announced that he would retire in January 2024.

On January 9, 2024, at the end of an investigation lasting several months, a public report was disclosed and shared with the Director General, Mr. Richard Sun, while he was still in office.¹

On January 15, 2024, Mr. Sun retires as planned.

Between January 11 and 17, 2024, a number of press articles²³⁴ were published in which Mayor Jérémy Levi promised an external investigation to clarify Mr. Sun's expenses as described in the CMQ report. The Town defends Mr. Sun, asserting that many expenses were incurred in the Town's best interests. In a press release dated January 12, 2024, it says: “The Town expresses its full confidence in its Director General and has no reason to suspect any fraudulent act or inappropriate conduct.”

On January 30, 2024, an initial meeting was held with Sirco's investigators and representatives of the Town. Following this meeting, the mandate was confirmed on February 7, 2024.

It wasn't until June 12, 2024, that documents including Mr. Sun's credit card statements for the years 2020 to 2023 were turned over to Sirco's investigators. In fact, the town was in its annual audit process as of April 29, 2024, and required the use of these documents.

On July 15, 2024, a subcontractor completes the digitization of the paper documents. On this date, the survey officially begins.

On August 6, 2024, the remaining documents for the years 2018 and 2019 are forwarded to Sirco's investigators at their request, so that they can analyze the same period of expenditure as CMQ.

At the end of this investigation, twelve (12) witnesses were interviewed, a forensic accounting analysis of expenses was conducted, and a review of expense reimbursement protocols, purchasing and control measures were carried out.

¹[Conclusions et recommandations à la suite d'une divulgation d'actes répréhensibles à l'égard de la Ville de Hampstead](#)

²https://www.thesuburban.com/news/city_news/hampstead-defends-dg-launches-external-probe-after-cmq-expenses-report/article_0c7ae812-0382-5ceb-96cb-ce09e5447d6a.html

³<https://montrealgazette.com/news/local-news/hampstead-director-general-stayed-at-disney-world-on-taxpayers-dime-report>

⁴<https://www.journaldemontreal.com/2024/01/12/hampstead-defend-les-depenses-de-son-directeur-general>

FINDINGS ON THE CMQ'S CONCLUSIONS

The DEPIM report, dated January 9, 2024, concludes that “reprehensible acts have been committed against the Town within the meaning of paragraphs 1°, 3° and 4°.” Furthermore, the report states that “credit card expenses and conditions and other benefits granted to executives, including those granted to himself by the Director General (hereinafter ‘DG’), are all expenses incurred in contravention of the Cities and Towns Act (hereinafter ‘LCV’) and which had not been authorized by Council.”

Sirco's investigators agree with DEPIM's conclusions but would like to nuance certain points. Most issues will be reviewed in the light of the explanations received and the physical evidence provided. As Sirco did not have access to the details of the figures retained by DEPIM, our assessment is based on our forensic accounting analysis carried out on the basis of the documents disclosed by the Town. In addition, the investigators will highlight the changes made within the Town since the CMQ investigation, which has continued since the arrival of the new DG, Mr. José Ramon Nunez.

INVESTIGATION

Credit cards expenses

Expenses incurred

To clarify the expenses incurred on the various cards used by Mr. Sun, it should be noted that very few expenses were charged to the RBC Visa card in the name of the Town of Hampstead. In fact, most purchases were made on the Costco Mastercard credit card in Mr. Sun's personal name, with the Town Hall as the reference address. Although Sirco analyzed expenses on both cards, only the Costco Mastercard credit card contained expenses that we deemed abusive and inappropriate.

We've sorted expenses by date, expense description and added a “supporting documents” section to indicate whether the expense was supported or not.

City of Hampstead - Credit card spending review - Richard Sun
Capital One Costco - Mastercard - Jan 2018 à Dec 2023

Total expenses																
Total amount (Tous)																
Row Label	Total	Restaurants	Snacks	Conference / Formation	Flight/ Transport	Hotels / Aibnb	Restaurants at conference	Membership fees	Employee recognition	Gifts/Gift Cards	Car rental	Gaz	Car repair / maintenance	Parkings & others	Health care spending	Others
2018	93 482	4 327	1 731	27 234	3 913	9 434	2 736	2 729	12 398	12 567	6 694	3 518	1 367	2 365	2 470	
2019	97 360	3 926	2 978	22 809	8 628	21 579	2 751	603	18 800	7 787		2 707	1 103	968	663	2 058
2020	58 517	3 323	1 013	3 454	720	2 133		395	4 661	21 350	2 293	1 746	1 348	1 120	9 484	4 955
2021	79 755	11 474	398	4 792	3 095	1 632		3 072	8 932	24 982		1 846	1 710	1 124	11 477	5 221
2022	110 155	4 660	1 027	11 389	10 203	6 632	1 683	1 380	19 000	33 370	11 302	592		277	4 612	4 029
2023	72 841	5 494	601	13 668	6 360	13 468	3 468	1 625	5 267	8 315		350	445	863	5 447	7 469
General total	512 111	33 204	7 748	83 346	32 919	54 879	11 158	9 803	69 058	108 372	20 288	10 760	4 606	5 720	34 049	26 202
	100,0%	6,5%	1,5%	16,3%	6,4%	10,7%	2,2%	1,9%	13,5%	21,2%	4,0%	2,1%	0,9%	1,1%	6,6%	5,1%

The total balance of expenses on the RBC credit card in the Town's name for the reference period is \$20,455, while the total combined expenses for the two cards used for the same period is \$532,566. The total for the Costco card is therefore \$512,111 for this period.

To give a general overview, the Town of Hampstead has an annual budget of \$30,000,000.00. The expenses generated on the credit cards used by Mr. Sun represent only 0.003% of the total annual budget on average. Although these expenses represent only a tiny portion of the budget, we assessed whether they were in the Town's best interests.

The investigation revealed that Mr. Sun had confused his assets with those of the Town. In fact, two (2) credit cards were used by Mr. Sun: an RBC Visa in the name of the Town and a Costco Mastercard in his personal name. The majority of expenses were made on the Costco credit card, while Mr. Sun accumulated points on the latter, which were awarded to him in cash once a year. Since 2017, Mr. Sun has received \$7,468.15 in cash back from Costco. He repaid only \$1,058.62 in 2024 while the investigation was underway.

In addition, the Costco Executive membership card earned him 2% cash back on his Costco purchases, specifically a sum of \$897.53 has been rebated to him since 2017.

In addition, Mr. Sun regularly went to Costco to stock the pantries of the three Town-owned buildings - Town Hall, the municipal garage and the community center - with snacks of all kinds. Many questionable purchases were found in the invoices reimbursed by the town and Mr. Sun explains that he may have inadvertently confused certain purchases of a personal nature with those of the town.

Among the expenses noted on credit cards, those incurred for conferences and training courses, including accommodation, transport and meals, represent an amount of over \$190,000 in four (4) years. It should be pointed out, however, that the town's budget provided for these training expenses. In 2020 and 2021, COVID prevented municipal civil servants from attending face-to-face conferences, so these years were not taken into account. Of these expenses, it is difficult to assess those associated with Mr. Sun alone, since he was able to use these credit cards for other employees who accompanied him.

To illustrate, in 2018, Richard Sun attended nine (9) conventions and training sessions held in Toronto, Barcelona, Paris, Baltimore, Halifax, Fredericton, Quebec City and Las Vegas. Mr. Sun insisted on attending each and every convention or training session to keep abreast of the latest information. At the time, there were no budgetary limits to restrict travel expenses, and thus the cost of hotels, restaurants (including alcohol) and travel. Since the CMQ survey, measures have been taken to control this type of expenditure; participation in conventions and training courses is now limited to two per employee per year in North America only.

Several invoices for conferences and training courses were not submitted to the treasurer by Mr. Sun. Certain expenses were also not explained. A simple signature from Mr. Sun was sufficient for him to authorize payment of the credit card balance. In addition, he approved his own expenses. For example, two cash advances, totaling \$1,031.30, were made by Mr. Sun while he was in Europe, without him actually explaining the expenditure.

At the end of the investigation, we discovered that around a third of the credit card expenditure generated during the analysis period, equivalent to a total of \$177,500, came from employee rewards and recognition some of which not previously known to council. It is important to specify that this amount includes gifts given at employee parties, the cost of meals at various social occasions and expenses associated with the employee Christmas party.

Several types of gifts were offered to employees to mark various occasions, such as a \$800 gift card for a wedding present, televisions, watches for retirement gifts.

The analysis of invoices in support of credit card statements enabled us to observe the abusive purchase of gift cards at all times of the year. In addition, unused gift cards totaling \$32,270 were found in Mr. Sun's office after his departure. There was no record of the distribution of these cards. Some of the gift card purchases were made without justification and some without the knowledge of town councilors.

Between 2018 and 2023, Mr. Richard Sun regularly dined at the restaurant, sometimes alone, sometimes accompanied by his employees or elected officials. He claims never to have brought lunch since taking up his post at the Town. It is not uncommon to observe restaurant expenses more than once on the same day for coffees, convenience store purchases or even lunches or dinners at restaurants when Mr. Sun is alone. Once again, there were no regulations governing meals, and no budget limits. Since then, specific rules have been put in place.

At the time, the finance department automatically reimbursed the credit card balance, even though expenses were sometimes unsupported and unexplained. As mentioned later in the section *Changes made following the recommendations of the CMQ report*, this situation has since been corrected.

Cost control and monitoring

It is true that Mr. Sun incurred expenses without first going through the resolution process. For example, Mr. Sun could proceed with the purchase of new Apple devices without first asking the Board for authorization. He justifies this method on the grounds that it speeds up the process. In an interview, he acknowledges that this is not the right way to go about things, and that if he could go back, he would have done it differently.

Although a supplier program was in place to provide all staff members with an Apple-branded phone, Mr. Sun ignored it and purchased new models himself, bypassing the purchasing department and distributing them to

certain managerial staff. The average cost of these devices was \$1,500. Airpods at around \$300 were regularly added to the bill.

The job description for the position of Treasurer states that he/she must “ensure that control measures are in place, and that supporting documents are available and verified, so that all purchases comply with the rules in force during internal and external audits”. It is also the Treasurer's responsibility, by law, to keep books of accounts, obtain and retain supporting documents for all payments made on behalf of the Town, and produce them for audit and inspection⁵. However, several non-compliant expenses were not reported to the Board by the Treasurer. What's more, the details of the invoices were not forwarded to them. Under these circumstances, the Board could not ensure full administration of the citizens' money. Closer monitoring should have been carried out by all concerned: the treasurer, the board and, above all, Mr. Sun. By failing to hand over the supporting documents, Mr. Sun put his team in an awkward position. Employees didn't feel comfortable blowing the whistle on their superiors, and there was no internal mechanism for reporting the situation anonymously.

What's more, some of Mr. Sun's personal expenses were charged to the Town's credit card. However, this is no longer the case, as the current Director General, Mr. Nunez, does not hold a Town credit card. He must go through the process set out in the new cheque requisition policy.

Expenses resulting from working conditions.

As mentioned in the CMQ report, some working conditions and benefits were authorized by the municipal council but did not go through the resolution process, notably the bonus associated with his leased vehicle, RRSPs and gym membership. These benefits were only granted by resolution once the CMQ investigation was underway.

According to the interpretation of his working conditions, Mr. Sun had a budget for his clothing, and his gas was paid for at all times, whether he was on or off duty. Also, although his company vehicle was considered a taxable benefit, he was granted an additional vehicle bonus on his paychecks to offset the tax loss of this benefit on his taxes.

Mr. Sun and certain executives had had access to a private clinic since 2012 without a resolution being passed by council. However, some councillors had given their consent in caucus. It was only in December 2023, when the CMQ investigation was underway, that the council adopted a resolution to this effect. It should be remembered that the Town had taken out group insurance with Beneva.

⁵Article 100, of the [Loi sur les cités et villes](#)

Changes made in follow-up to the recommendations of the CMQ report

On May 17, 2024, report # CMQ-70932-001 entitled *Follow-up on the recommendations of the Commission's report following a disclosure of wrongdoing with respect to the Town of Hampstead* was issued to the effect that the Town of Hampstead had duly implemented the recommendations cited in the January 9, 2024, report.

The new expenditure control measures introduced by the Town of Hampstead include the following:

- A policy on personal expenses on Town accounts provides for reimbursement of expenses by the employee by cheque requisition using a duly approved form with supporting documents.
- A policy on the use of procurement cards (Pcard) and credit cards that includes, in particular:
 - o A credit limit and a transaction limit.
 - o That advances of funds are not permitted.
 - o That only the Purchasing Manager or his assistant is authorized to possess a credit card in the name of the Town, and that the rules for its use are set out on various control forms.
 - o All employees must pay their own expenses (they may not bundle other people's expenses and include everything on the same invoice). All employees who use a Town purchasing card are required to provide Finance with all transaction receipts/supporting documents, as well as an explanation of the expenses incurred.
- A policy limiting the number of credit cards in circulation and specifying that municipal employees may not obtain a credit card or open a bank account in the name of the town without the prior authorization of the treasurer and council.
- A policy concerning the purchase and reimbursement of meals related to the municipal functions of blue-collar, white-collar and DG employees:
 - o This policy limits reimbursable meal expenses by the amount eligible for reimbursement to the employee. In the case of an off-site convention, a maximum allowance for each of the day's meals is specified.
 - o A department manager is nevertheless entitled to pay for group meals to reward his or her employees, within the department budget set annually by the Board. In addition, this must be authorized in advance by the Director General and the Treasurer. The policy also limits tipping and prescribes the reimbursement of alcoholic beverages.
 - o DG meals must be pre-authorized by the Treasurer.
 - o Information on authorized meals for the DG must include the agenda and a brief report detailing: date and place of the meeting, reason/purpose of the meeting, minutes of the meeting, names of those present at the meeting.
 - o DG meals must be reasonable and not excessive, while respecting the maximum cost per meal.
 - o The total amount of DG meals per year is limited to the amount budgeted and set annually by the Board.

- A policy for approving training and convention expenses:
 - This policy includes the use of a form to obtain prior authorization from the department manager, the GM and human resources. In the case of a convention, the municipal council must also pass a resolution. For conventions attended by the DG, the Treasurer must check that the entire expense has been budgeted and prepare a Treasurer's Certificate document for approval by Council resolution prior to the date of the convention. For Board members, the GM must approve the training or convention beforehand, and then the Treasurer and Board follow the same procedure as for the GM.
 - The policy excludes all training and conferences outside North America.

- A policy for reimbursing hotel expenses:
 - This policy limits charges per night per location in North America.
 - It indicates that the Treasurer can approve a cost overrun before the said reservation if the expense is reasonable and the department's budget allows it.
 - The policy limits reimbursements to overnight expenses only and excludes, but is not limited to, tipping, mini-bar, clothing cleaning, etc.
 - It provides an adjusted reimbursement (\$50/night) if the municipal employee decides to stay with a family member or friend.

- A policy of mileage reimbursement and other travel expenses:
 - The employee will be reimbursed by a fixed amount per kilometer based on the Canada Revenue Agency.
 - Public transport, cab, Uber and toll charges can be reimbursed.
 - The policy includes a mileage bonus for carpooling.
 - Electricity and gasoline reimbursements are not reimbursable as they are covered in the mileage reimbursement.
 - Parking at the airport is no longer covered, as the employee will be transported by cab or Uber.

The Town has also established a fraud policy, which was adopted by resolution 2024-032 on February 5, 2024. This policy includes all municipal employees and councillors of the Town of Hampstead. It covers, but is not limited to:

- Theft of property or equipment;
- Misuse and unauthorized use of Town property;
- Embezzlement of funds for anyone (company or individual);
- Circumvention of controls by management;
- Falsification of financial statements;
- Vandalism;
- Any other offence deemed reprehensible by management and/or Town Council.

What's more, the \$32,500 worth of gift cards found in the DG's office when he left forced the town to adopt a card-use policy and a card-use register. Department managers are now required to use them wisely before making new expenditures.

CONCLUSION

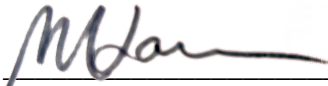
The Sirco investigation confirmed major financial management and control deficiencies that led to improper credit card spending by Mr. Sun of the Town of Hampstead between 2018 and 2023. At the time, Mr. Sun was the person who had to lead by example, ensuring that control measures were put in place and that the Town was soundly administered. Mr. Sun was well established in the municipal milieu, having worked in it for almost 25 years. He was very familiar with the rules, foundations and practices of the environment. He was respected and appreciated by his employees, who were flattered by his great generosity. Over the years, however, Mr. Sun has become more comfortable with his position and has shown himself to be a bit careless. In these circumstances, municipal employees were reluctant to speak out for fear of reprisals. The role of the treasurer is crucial in such situations.

It is important to point out that we cannot affirm that Mr. Sun defrauded the Town nor did he have the criminal intent to do so. On the other hand, we can clearly state that Mr. Sun was negligent in his spending and in his failure to comply with control measures.

Mr. Sun cooperated fully with the investigation. Had he been fundamentally dishonest, the personal or abusive expenses could have been much higher, and the unused gift cards would not have been found in his office. Despite his experience in the municipal world, particularly in finance, his interpretation of the concept of spending in the “best interests of the Town” was rather broad and not taking into consideration that he was responsible for the management of Public Funds. The arrival of the new Director General, who comes from a military background, has brought a much tighter framework of rules and procedures.

RECOMMENDATIONS

- Set up an external reporting line for employees, suppliers and citizens who wish to anonymously report a reprehensible situation.
- The Town would be entitled to seek reimbursement from Mr. Sun for some of his personal expenses.
- Present policies and controls to employees on an annual basis to ensure their understanding.



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