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## Efficiency and transparency of financial and administrative management

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### PURPOSE

To provide the PRIPHC02 with information regarding the Performance Review Criteria 7: *Efficiency and transparency of financial and administrative management*.

### BACKGROUND

#### **Criteria 7: *Efficiency and transparency of financial and administrative management***

- i. Availability of resources for IPHC activities
  - Extent to which financial and other resources are made available to achieve the aims of the IPHC and to implement the Commission's decisions.
- ii. Efficiency and cost-effectiveness
  - Extent to which the IPHC is efficiently and effectively managing its human and financial resources.
  - Extent to which the IPHC is managing its budget as well as its capacity to monitor and audit annual and multiannual expenditures.
  - Extent to which the IPHC Rules of Procedure and the IPHC Financial Regulations comply with international best practice.
- iii. Advisory structure
  - Extent to which the IPHC has an adequate and effective set of subsidiary bodies which provide it with sound advice, and in accordance with best practice governance processes.

### DISCUSSION

The information currently available relating to Performance Criteria 7 are provided at [Appendix A](#).

### RECOMMENDATION

That the PRIPHC02 **NOTE** paper IPHC-2019-PRIPHC02-09 Rev\_1 which provides information related to the Performance Review Criteria 7: *Efficiency and transparency of financial and administrative management*.

### APPENDICES

[Appendix A](#): Performance Review Criteria 7: *Efficiency and transparency of financial and administrative management*

## APPENDIX A

### PERFORMANCE REVIEW CRITERIA 7: EFFICIENCY AND TRANSPARENCY OF FINANCIAL AND ADMINISTRATIVE MANAGEMENT

- i. Availability of resources for IPHC activities
  - Extent to which financial and other resources are made available to achieve the aims of the IPHC and to implement the Commission's decisions.

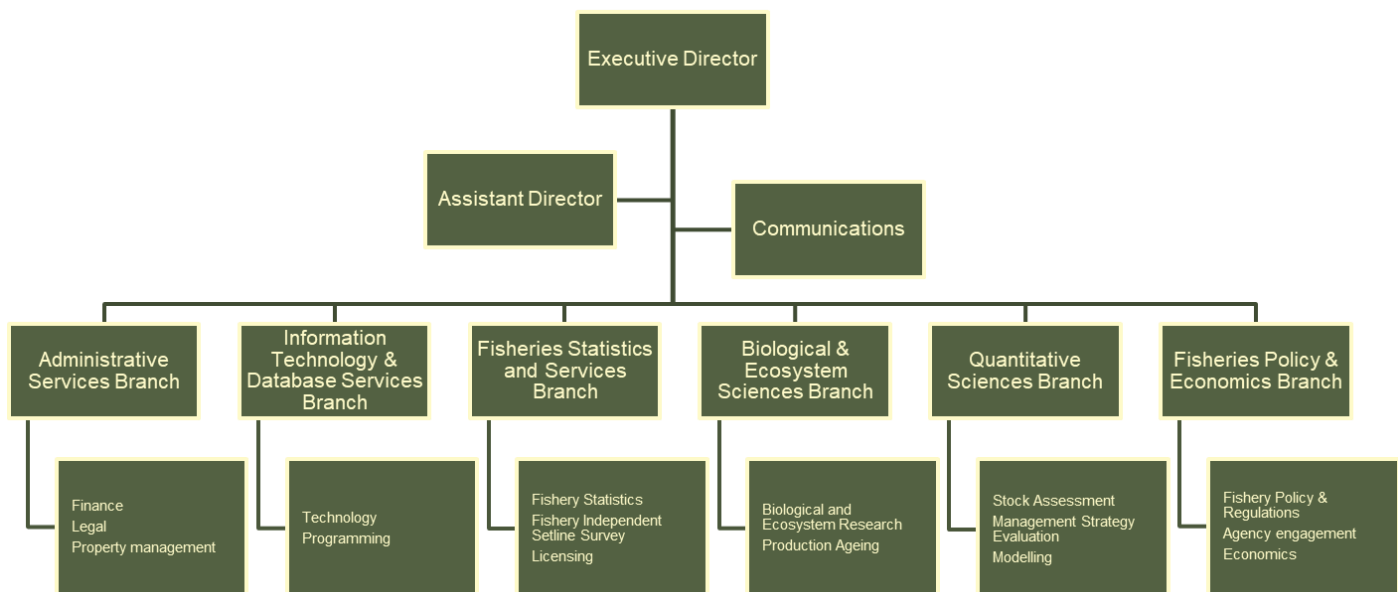
The documents related to each budget cycle, and the associated decisions of the Commission are provided in the Annual Meeting pages: <https://www.iphc.int/library/documents/meeting-documents/iphc-meeting-index>. The decisions of the Commission are contained within each Annual Meeting report.

Intersessional budget related decisions are recorded in IPHC Circulars: <https://www.iphc.int/library/documents/category/circulars>. For example, recent intersessional decisions are provided in [IPHC Circular 2019-010](#).

Prior to 2017, the record keeping of decisions made and the associated supporting evidence are not well recorded. Since 2016 however, all documents are available to the public via each meeting page. An example of the most recent (2019) Annual Meeting documents and decisions are provided at: <https://www.iphc.int/venues/details/95th-session-of-the-iphc-annual-meeting-am095>.

- ii. Efficiency and cost-effectiveness
  - Extent to which the IPHC is efficiently and effectively managing its human and financial resources.

**IPHC Secretariat:** The IPHC currently employs 35 regular ongoing staff based in Seattle, WA, USA, and 35-45 seasonal staff. **Fig. 1** provides a schematic of the IPHC Secretariat's structure.



**Fig. 1.** Schematic of the IPHC Secretariat's structure.

A directory of IPHC Secretariat, including staff bios are provided at: <https://www.iphc.int/the-commission/secretariat-staff>.

## **Performance evaluation and Performance Improvement Process:**

Supervisors and employees are strongly encouraged to discuss position performance and goals on an informal, day-to-day basis. Additional formal performance evaluations are conducted to provide both supervisors and employees the opportunity to discuss position tasks, identify and correct weaknesses, encourage and recognize strengths, and discuss positive, purposeful approaches for meeting goals.

The performance of all full-time employees is generally evaluated according to an ongoing 12-month calendar year cycle (1 January to 31 December). Employee objectives for the next review period are agreed upon during this evaluation. In addition, a mid-year evaluation (June-July) is conducted that is informal, but should be documented by the supervisor.

The IPHC is committed to its employees' success in their positions. If performance improvement is needed, the IPHC's goal is to provide the opportunity for the employee to achieve and sustain the necessary improvement. The Performance Improvement Process provides a common set of tools that can be applied fairly and consistently, in conjunction with IPHC personnel standards and policies, to effectively address concerns with an employee's work performance. It allows supervisors to engage and assist their employees by being clear and precise regarding these concerns and steps for correction. The detailed Performance Evaluation and Improvement processes are available if the Panel wishes to review them.

**Financial resources:** The IPHC has adopted a basis of accounting agreed to by the governments of Canada and the United States of America and which is a modified accrual system. The basis of accounting differs in certain respects from generally accepted accounting principles and is known as "other comprehensive basis of accounting" OCBOA, which is a special purpose framework.

The following are the most substantial differences:

1. Revenues are recorded in the fiscal year when appropriated by the governments of Canada and the United States of America and expenditures are recorded in the fiscal year in which the funds are committed by the Commission.
2. Fixed assets are charged to expenditures in the current year and are not capitalized.
3. Vacations and severance pay are charged to expenses when paid.
4. Pension costs are charged to expense when funds necessary to fund the employer's normal pension costs are paid. Certain disclosures of pension costs required by generally accepted accounting principles are not included in the notes to the financial statements.
5. Post-retirement health care and life insurance costs are charged to expense when the related premiums are paid. Certain disclosures required by generally accepted accounting principles are not included in the notes to the financial statements.
6. Rent expense related to operating leases is expensed when paid and is not recognized on a straight-line basis over the life of the lease. Contributions of free rents are not recognized in the financial statements.

The IPHC is exempt from a number of taxes and regulated benefits based on either status as an International Governmental Organization or through application to government entities.

Federal Income Tax – The IPHC is exempt from U.S. Federal income tax based on an Internal Revenue Service ruling on 26 February 1987 which provided the IPHC with 501(c)3 status (Not-for-Profit status).

Federal Unemployment Taxes – Section 4(d) of P.L. 79-291 amends the Federal Unemployment Tax Act code to exempt 'Service performed in the employ of and international

organization' from paying unemployment taxes. This exemption is in place and the IPHC is not subject to U.S. Federal unemployment taxes.

The accounting and human resource systems consist of a number of interconnected systems to manage the operations of the IPHC.

Microsoft Dynamics GP – Primary financial accounting system used for all financial transactions, including accounts payable, accounts receivable and payroll. <https://dynamics.microsoft.com/en-us/gp-overview/>

BambooHR – Software used for employee human resource management. Cloud based system used to track employee onboarding/offboarding, compensation, training, employment history, benefits, employee documentation, and more. <https://www.bamboohr.com/>

JazzHR – Software used for applicant tracking and hiring. Cloud based system which manages new hire applications, candidate sourcing, interviews and notifications. <https://www.jazzhr.com/>

Concur – Software used for expense claims and travel approval and processing. Cloud based system allowing employees and managers to submit and approve travel and expense claims. <https://www.concur.com/>

- Extent to which the IPHC is managing its budget as well as its capacity to monitor and audit annual and multiannual expenditures.

**Budget management:** The most recent budget papers are available on the Annual Meeting page (2019) <https://www.iphc.int/venues/details/95th-session-of-the-iphc-annual-meeting-am095>, and prior meeting pages (since 2017).

Paper: [IPHC-2019-AM095-16 Financial Statement for FY2018 \(M. Larsen & D. Wilson\)](#)

Presentation: <https://www.iphc.int/uploads/pdf/am/2019am/ppt/iphc-2019-am095-16-p.pdf>

Paper: [IPHC-2019-AM095-18 Budget estimates for FY2020 \(for approval\) and tentatively for FY2021 \(M. Larsen & D. Wilson\)](#)

Presentation: <https://www.iphc.int/uploads/pdf/am/2019am/ppt/iphc-2019-am095-18-p.pdf>

**Audits:** The IPHC undergoes an annual independent audit. The most recent of which is available on the IPHC website, annual meeting documents (linked below). The following text from the report of the 95<sup>th</sup> Session of the IPHC Annual Meeting (AM095), provides the Commissions current stance on the audits.

**Annual independent auditor's report (2017 & 2018)**

108. The Commission **NOTED** paper IPHC-2019-AM095-17 which provided the Commission with the Auditors Report for FY2017, and process for FY2018, as per Regulation 14 of the IPHC Financial Regulations (2018). In addition, the report provides information on past audit costs and recommendation for appointment of the auditor for FY2019.

109. The Commission **APPROVED** the FY2017 audit report.

110. The Commission **ENDORSED** the re-appointment of MKD CPAs PPLC (Seattle, WA) as the IPHC auditor for the FY2019 audit of the IPHC financial statements.

111. The Commission **RECALLED** that due to issues related to the updated financial accounting software and the initial implementation, the audit report was delayed while erroneous FY2017 data were updated. These issues have been resolved.

112. The Commission **NOTED** that the FY2018 audit is scheduled for February 2019 and the report will be available for distribution and approval inter-sessionally by the Commission.

- Extent to which the IPHC Rules of Procedure and the IPHC Financial Regulations comply with international best practice.

[IPHC Rules of Procedure \(2019\)](#)

The Rules of Procedure consist of rules and regulations adopted by the IPHC pursuant to the Convention between Canada and the United States of America.

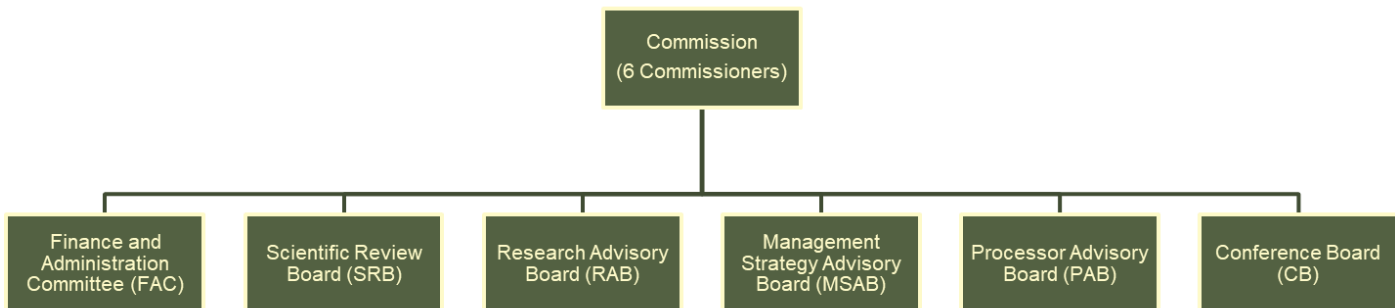
[IPHC Financial Regulations \(2019\)](#)

The Financial Regulations govern the financial administration of the IPHC and were established pursuant to the Commission's Rules of Procedure.

iii. Advisory structure

- Extent to which the IPHC has an adequate and effective set of subsidiary bodies which provide it with sound advice, and in accordance with best practice governance processes.

The Commission is advised by one (1) committee and five (5) boards, as illustrated in Fig. 1. The [IPHC Rules of Procedure \(2019\)](#) describe the various terms of reference for each subsidiary body, as listed in Rule 14.



**Fig. 1**

**Rule 14 – Subsidiary Bodies**

1. The Commission may establish or dissolve subsidiary bodies to assist its work, as it deems necessary. At the Commission's request, the Executive Director may make recommendations concerning subsidiary body structure and/or membership.
2. All subsidiary bodies shall operate under the Rules of Procedure of the Commission *mutatis mutandis*, except where specific provisions are laid down in the Convention or in these Rules of Procedure.

3. Officers and Members of the Commission's subsidiary bodies shall operate in accordance with the IPHC Code of Conduct, as provided at [Appendix II](#).
4. Members of the Commission's subsidiary bodies, acting as individuals and/or representatives, shall be responsible for communicating Commission activities to relevant stakeholders, and shall receive IPHC correspondence on their behalf.
5. Each subsidiary body may propose modifications of their Rules of Procedure, as necessary for the conduct of its meetings and for the exercise of its functions and duties, in accordance with the Commission's Rules of Procedure and subject to the Commission's approval.
6. Pursuant to [Rule 14.1](#), the Commission establishes the following Committees which will act as advisory bodies to the Commission:
  - a) Finance and Administration Committee (FAC)
7. Pursuant to [Rule 14.2](#), the terms of reference, and Rules of Procedure outlined in the following Appendices shall govern the procedures to be applied to the Committees:
  - a) [Appendix III](#) - Finance and Administration Committee (FAC)
8. Pursuant to [Rule 14.1](#), the Commission establishes the following Boards which will act as subsidiary bodies to the Commission:
  - a) Conference Board (CB)
  - b) Management Strategy Advisory Board (MSAB)
  - c) Processor Advisory Board (PAB)
  - d) Research Advisory Board (RAB)
  - e) Scientific Review Board (SRB)
9. Pursuant to [Rule 14.2](#), the terms of reference, and Rules of Procedure outlined in the following Appendices shall govern the procedures to be applied to the Boards:
  - a) [Appendix IV](#) - Conference Board (CB)
  - b) [Appendix V](#) - Management Strategy Advisory Board (MSAB)
  - c) [Appendix VI](#) - Processor Advisory Board (PAB)
  - d) [Appendix VII](#) - Research Advisory Board (RAB)
  - e) [Appendix VIII](#) - Scientific Review Board (SRB)
10. Documents prepared for, and submitted to, the subsidiary bodies of the Commission shall be made available to the general public via the Commission's website and/or other electronic communication means approved by the Commission.

11. Individuals may serve on more than one subsidiary body.
12. The Commission may defray the travel and living expenses of subsidiary body members at such meetings as it deems necessary, and may provide honoraria on occasion. The amount of such expenses and the number of representatives whose expenses may be defrayed shall be the decision of the Commission, upon recommendation of the Executive Director.