

May 10, 2013

Joseph P. Pennachetti
City Manager
Toronto City Hall, 11th Floor East
100 Queen Street West
Toronto, Ontario M5H 2N2

Re: Ombudsman's Office of the City of Toronto
Report on the Results of Applying Specified Auditing Procedures to
Financial Information Other Than Financial Statements for the Year
Ended December 31, 2012

To the City Manager of the City of Toronto:

This letter has been prepared at the request of Toronto City Council to obtain assurance that expenditures incurred by the Ombudsman's Office of the City of Toronto (OO) are in compliance with the applicable policies and procedures, including appropriate exercise of delegated authorities as set by the City of Toronto.

We have performed the auditing procedures as described below. This agreed-upon procedures engagement was performed in accordance with standards published by The Canadian Institute of Chartered Accountants. The sufficiency of these policies, procedures and delegated authorities is solely the responsibility of the City of Toronto. Consequently, we make no representation regarding the sufficiency of the City of Toronto policies, procedures and delegated authorities described below.

For the purpose of this letter, the financial information to which the auditing procedures were applied was included within the City of Toronto SAP report, "Detailed Expense Report for the Year 2012" for the OO. This report is essentially a General Ledger detailing the transactions that have been posted under the cost elements which in turn comprise the scope of the transactions subject to audit. The report was provided directly to us from by staff of the City Clerk's Office.

To clarify, the Quotation Request identified the following Cost Elements to be tested:

1025 Permanent - Overtime SAP	3050 M&E Kitchen
1050 Permanent - Vacation Pay	3099 General Equipment
2010 Stationery and Office Supplies	3310 Furnishings
2020 Books and Magazines	3410 Computers - Hardware
2040 Photo Fax & Print Supplies	3420 Computers - Software
2080 Photo & Video Supplies	4010 Professional Services - Legal
2082 Health and Safety Supplies	4038 Professional & Technical Services (IT)
2090 Graphic Design Supplies	4078 Cons Svs Tech
2099 Other Office Material	4079 Cons Svs IT
2260 Gasoline	4082 Photo/Video Systems
2570 Janitorial Supplies	4086 Tech Services - Translations & Interpreters
2610 Kitchen Supplies	4089 Cons Svs Mgmt/R&D
2650 Computer & Printer Supplies	4091 Cons Svs Ext Lawyers
2710 General Hardware	4093 Cons Svs Creative Communications
2741 Food Cost	4118 Tickets
2790 Presentation Items	4130 Process Server Fees
2999 Misc Materials	4132 Conduct Money
3020 M&E Communications	4144 Investigative Expenses
3030 M&E Office	4199 Other Prof/Tech Serv
3032 M&E Photographic	4205 Bus Trav - KM
3033 M&E Printing & Binding	4210 Bus Trav - Accom

4215 Bus Trav - Air Trans	4590 - Rental-Other
4220 Bus Trav - Gr Trans	4755 Meal Allow (Non-Travel)
4225 Bus Trav - Pub Trans	4760 Membership Fees
4230 Bus Trav - Other Exp	4770 Parking Expenses (Intown)
4251 Conf/Semin - KM	4775 Metrage - OP (Intown)
4252 Conf/Semin - Accom	4805 Postage
4253 Conf/Semin - Air/Rail	4808 Network Equipment, incl. Cabling
4254 Conf/Semin - Grd Trans	4810 Telephone
4255 Conf/Semin - Other Exp	4811 Cellular Telephones
4256 Conf/Semin - Regist Fee	4812 Long Distance Phone Calls
4310 Train/Dev - External	4813 Internet
4340 Tuition Fees	4815 Courier
4414 Advertising & Promotion	4820 Business Meeting Expenses
4416 Transfer, Haul & Storage	4822 Receptions & PR
4424 Contracted Services-General	4825 Print & Rep - 3rd party
4452 Transportation - Taxis	4995 Other Expenses
4465 Contracted Services - Monitoring System	4999 Miscellaneous
4472 Comp Hardware Main	6031 Contribution Insurance Reserve Fund
4474 Comp Software Main	7025 IDC - Postage & Courier
4510 Rental of Veh & Equip	7030 IDC - Printing & Rep
4515 Rental of Office Equip	7035 IDC - Copying
4530 Rental of Property (Other than Office)	7130 IDC - User HDWE & OPS
4555 Pager/Radio Rental	7170 IDC - Parks & Services

We were provided directly from the City Clerk's Office, the Policy Applicability Matrix (Matrix) that linked each Cost Element above with the applicable City of Toronto policies and procedures below:

- Business Expense Policy
- Vacation
- Kilometrage Reimbursement for use of Personal Vehicle for City business
- Lieu time
- Training and Development
- Attendance Management
- Leave without pay
- Tuition Assistance Reimbursement
- Blanket Contract Procedures
- Divisional Purchase Orders (DPOs)
- Long Distance Telephone
- Payment Requisition Procedures
- Petty Cash Policy and Procedures
- Purchasing Card (PCard) Program
- Selection and Hiring of Consulting Services
- Sole Source or Non-Competitive Procurement Procedures
- Using an Established Roster to Obtain Professional, Consultant or Other Services

To further clarify, the Quotation Request identified the delegated authorities as follows:

- Chapter 71, Financial Control
- Chapter 195, Purchasing
- Chapter 217, Records, Corporate (City)
- Chapter 257, Signing Authority (spending authority set at the level of a Division Head)

In addition, the Quotation Request identified the policy framework for the City's Accountability Officers, codified in the Toronto Municipal Code, Chapter 3, "Accountability Officers", which reinforces both their arms-length relationship to the City and their independent status within the City's governance system. As part of the implementation of Chapter 3, Accountability Officers are required to comply with all applicable City-by laws, policies and procedures while maintaining their balance between accountability and independence.

Copies of the above City of Toronto policies and procedures and web-links to the City of Toronto related delegated authorities were provided by the City Clerk's Office.

We selected a statistical sample of transactions to be tested based on the number of entries in each Cost Element and examined those transactions for compliance with the applicable policies and procedures of the Matrix, including appropriate exercise of delegated authorities with underlying supporting documents for adherence to the policies, procedures and delegated authorities noted above.

As a result of applying the above procedures, we found no other exceptions to the adherence to the policies, procedures, and delegated authorities as they applied to our test sample.

It should be understood that we make no representations as to the sufficiency for your purposes of the procedures as described in the preceding paragraphs. Further we have addressed ourselves solely to the report, which we received directly from staff of the City Clerk's Office of the City of Toronto and make no representations as to whether any material items were omitted. Our procedures do not constitute an audit of the report and therefore we express no opinion on the report.

This letter is provided solely for the purpose of determining compliance with the Section 3-8B of the City of Toronto's Municipal Code and should not be used for any other purpose.

Any use that a third party makes of this letter, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this letter.

Yours very truly,



I.B. MacKenzie/mam

Appendix A

In compliance with section 6.3 b., of the Quotation Request, the following are items set forth in Appendix 3 for the year ended December 31, 2012.

List of Annual Sole Source Purchasing Activity

The City Clerk's Office provided us a list of Annual Sole Source Purchasing Activity incurred by the OO Office as noted below.

Description	Vendor name	Amount
• Legal services	Dunsmore Law	\$11,000.00
• Consulting services	Delphic Communications	\$1,300.00

List of Annual Consulting Services Expenditures

During our engagement, we inquired with the City Clerk's Office regarding Annual Consulting Services Expenditures incurred by the Accountability Offices. The City Clerk's Office noted there were no such transactions incurred by the OO.