



Hilborn Ellis Grant LLP
Chartered Accountants

May 17, 2012

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, 2011

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 2011" 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	3030 M&E Office
1050 Permanent - Vacation Pay	3032 M&E Photographic
2010 Stationery and Office Supplies	3033 M&E Print & Bind
2020 Books and Magazines	3050 M&E Kitchen
2040 Photo Fax & Print Supplies	3070 M & E - Info Process
2080 Photo & Video Supplies	3310 Furnishings
2090 Graphic Design Supplies	3410 Computers -hardware
2099 Other Office Material	3420 Computers - Software
2260 Gasoline	4010 Prof Srv - Legal
2570 Janitorial Supplies	4038 Prof & Tech IT
2610 Kitchen Supplies	4078 Cons Svs Tech
2650 Comp & Printer Supplies	4079 Cons Svs IT
2660 Footware	4082 Photo/Video Systems
2741 Food Cost	4089 Cons Svs Mgmt/R&D
2790 Presentation Items	4091 Cons Svs Ext Lawyers
2999 Misc Materials	4093 Cons Svs Creative Communications
3020 M&E Communications	4118 Tickets
	4199 Other Prof/Tech Serv



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4205 Bus Trav - KM	4555 Pager/Radio Rental
4210 Bus Trav - Accom	4755 Meal Allow (Non-Travel)
4215 Bus Trav - Air Trans	4760 Membership Fees
4220 Bus Trav - Gr Trans	4770 Parking Expenses (Intown)
4225 Bus Trav - Pub Trans	4775 Metrage - OP (Intown)
4230 Bus Trav - Other Exp	4805 Postage
4251 Conf/Semin - KM	4808 Network cabling
4252 Conf/Semin - Accom	4810 Telephone
4253 Conf/Semin - Air/Rail	4811 Cellular Telephones
4254 Conf/Semin - Grd Trans	4812 Long Distance Phone Calls
4255 Conf/Semin - Other Exp	4813 Internet
4256 Conf/Semin - Regist Fee	4815 Courier
4310 Train/Dev - External	4820 Business Meeting Expenses
4340 Tuition Fees	4822 Receptions & PR
4414 Advertising & Promotion	4825 Print & Rep - 3rd party
4416 Transfer, Haul & Storage	4995 Other Expenses
4424 Contr - Srv - General	4999 Miscellaneous
4465 Contracted Services - Monitoring System	6031 Contribution Insurance Reserve Fund
4472 Comp Hardware Main	7025 IDC - Postage & Courier
4474 Comp Software Main	7030 IDC - Printing & Rep
4510 Rental of Veh & Equip	7035 IDC - Copying
4515 Rental of Office Eq	7130 IDC - User HDWE & OPS
4530 Rental of Property	

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:

- Expenses Claim Policies as they relate to Meal Allowance, Business meetings and Professional Memberships and Association Fees
- Conferences, Seminars and Business Travel
- Business Expense Policy
- Vacation
- Kilometrage Reimbursement for use of Personal Vehicle for City business
- Lieu time
- Tuition Reimbursement
- Blanket Contract Procedures
- Procedure for using Divisional Purchase Orders (DPOs)
- 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

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)



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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 noted transactions for which the City-by laws, policies and procedures were carried out in an independent manner pursuant to Chapter 3, as documented in Appendix B.

In addition, as a result of applying the above procedures, we noted one exception to the adherence of City-by laws, policies and procedures, as documented in Appendix C.

Except for the item noted above, 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,

Hilborn Ellis Grant LLP

I.B. MacKenzie\as



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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, 2011.

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	Vendor A	\$3,000.00
• Expert Opinion on Risk Assessment	Vendor B	\$3,000.00*

* Applied specified auditing procedures

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.



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Appendix B

We noted an instance where the Divisional Purchase Order (DPO) Policy was not complied with. The OO expressed that this was done so the OO would retain their independence as is provided for in Chapter 3.

- The OO posted a Request for Proposal for purposes of retaining a communications consultant/firm during the fiscal year 2010. The office awarded the contract to one of the proponents based on predetermined scoring criteria. The annual contract was not to exceed \$30,000 in each of three successive years for a total of \$90,000 over the three years of the contract.
- The DPO policy states that ‘contracts exceeding \$50,000 multi year requirements should be done through a formal bid process administered by PMMD’.
- The contract referenced above was administered by the OO rather than PMMD. The OO subsequently issued a DPO for \$49,000 (\$19,000 in 2010 and \$30,000 in 2011).
- As per the “Detailed Expense Report for the Year 2011” provided by the City Clerks’ Office, the following are the details of the transactions tested.

Vendor Name	Posting Date	Document Date	Amount	Ref Document Number
Pauline Couture & Associates Inc.	03/01/2011	02/10/2011	\$9,031.20	5105634857
Pauline Couture & Associates Inc.	12/31/2011	12/31/2011	\$3,205.44	5105857069



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Appendix C

We noted an instance of non-adherence of the Attendance at Conferences/Seminars and Business Travel for Staff and Councillors Policy to a business travel expenditure incurred during the year.

- The policy provides guidelines for obtaining travel rates/quotes and requires that copies of all quotes be retained as supporting documentation.
- A staff member from the OO travelled outside of the GTA for business purposes by way of an economy airline fare.
- The OO confirmed that the least expensive fare was booked based on a three quote flight comparison performed electronically at the time of booking however the quotes were not retained and as such it is undeterminable whether the lowest fare available was obtained when making business-travel arrangements.
- As per the “Detailed Expense Report for the Year 2011” provided by the City Clerks’ Office, the following are the details of transaction tested.

Vendor Name	Posting Date	Document Date	Amount	Ref Document Number
West Jet.	6/22/2011	6/22/2011	\$632.91	1000075258

