



Hilborn Ellis Grant LLP
Chartered Accountants

April 25, 2012

PRIVATE & CONFIDENTIAL

Ms. Frances Pritchard
c/o Toronto City Council -- Audit Committee
City Clerks' Office
10th floor, West Tower, City Hall
100 Queen Street West
Toronto, ON M5H 2N2

Re: Auditor General'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 Audit Committee 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 Auditor General's Office of the City of Toronto (AGO) 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 AGO. 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 AGO.

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



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4205 Bus Trav - KM	4755 Meal Allow (Non-Travel)
4210 Bus Trav - Accom	4760 Membership Fees
4215 Bus Trav - Air Trans	4770 Parking Expenses (Intown)
4220 Bus Trav - Gr Trans	4775 Metrage - OP (Intown)
4225 Bus Trav - Pub Trans	4805 Postage
4230 Bus Trav - Other Exp	4810 Telephone
4251 Conf/Semin - KM	4811 Cellular Telephones
4252 Conf/Semin - Accom	4812 Long Distance Phone Calls
4253 Conf/Semin - Air/Rail	4815 Courier
4254 Conf/Semin - Grd Trans	4820 Business Meeting Expenses
4255 Conf/Semin - Other Exp	4822 Receptions & PR
4256 Conf/Semin - Regist Fee	4825 Print & Rep - 3rd party
4310 Train/Dev - External	4995 Other Expenses
4340 Tuition Fees	4999 Miscellaneous
4414 Advertising & Promotion	6031 Contribution Insurance Reserve Fund
4416 Transfer, Haul & Storage	7025 IDC - Postage & Courier
4465 Contracted Services - Monitoring System	7030 IDC - Printing & Rep
4472 Comp Hardware Main	7035 IDC - Copying
4474 Comp Software Main	7090 IDC - Admin Charges
4510 Rental of Veh & Equip	7097 IDC - EMS
4515 Rental of Office Eq	7130 IDC - User HDWE & OPS
4555 Pager/Radio Rental	

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 Assistance 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 found no 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 the Auditor General'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\mam



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Appendix

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 Accountability Office noted below. During our engagement we inquired with the Audit Manager of the AGO and the Auditor General, who corroborated this and further noted that one third of these fees will be recoverable by the City Managers IA division.

Description	Vendor name	Amount
• ACL annual license renewal	ACL	\$3,836.00*
• ACL annual license renewal HST adjustment	ACL	\$67.51

* Applied specified auditing procedures

List of Annual Consulting Services Expenditures

The City Clerk's Office provided us a list of Annual Consulting Services Expenditures for the AGO as noted below. During our engagement we inquired with the Audit Manager of the AGO and the Auditor General, who corroborated this and further noted that these fees will be reimbursed by the TTC.

Description	Vendor name	Amount
• Legal services in regards to contract compliance issues pertaining to TTC - Wheel Trans	Davis LLP	\$3,761.66*
• Legal services in regards to contract compliance issues pertaining to TTC - Wheel Trans	Davis LLP	\$1,711.69
• Legal services in regards to contract compliance issues pertaining to TTC - Wheel Trans	Davis LLP	\$4,320.37
• Legal services in regards to contract compliance issues pertaining to TTC - Wheel Trans	Davis LLP	\$17,075.76*
• Legal services in regards to contract compliance issues pertaining to TTC - Wheel Trans	Davis LLP	\$1,623.82
• Legal services in regards to contract compliance issues pertaining to TTC - Wheel Trans	Davis LLP	\$200.88
• Legal services in regards to contract compliance issues pertaining to TTC - Wheel Trans	Davis LLP	\$305.77
• Legal services in regards to contract compliance issues pertaining to TTC - Wheel Trans	Davis LLP	\$45.97

* Applied specified auditing procedures

