



FROESE FORENSIC
partners inc.

**Compliance Audit Report
For the City of Toronto
Re: Rob Ford**

February 1, 2013



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1 Introduction

Background to the Compliance Audit

- 1.1 This Report is the result of a request for a compliance audit under Section 81 of the Municipal Elections Act, 1996 (“**the Act**”) in relation to the campaign finances of Rob Ford (“**Ford**” or “**the Candidate**”).
- 1.2 Ford filed for election as Mayor of the City of Toronto (“**the City**”) on March 25, 2010.
- 1.3 After initially submitting his Primary Financial Statement (“**the Primary Financial**”) on March 24, 2011 for the campaign period from March 25, 2010 to December 31, 2010, Ford attested that his Supplementary Financial Statement for the extended campaign period from March 25, 2010 to June 30, 2011 (“**the Supplementary Financial**”) was true and correct to the best of his knowledge and belief. Our findings are based upon information contained in both the Primary Financial and the Supplementary Financial, collectively (“**the Financial Statements**”).
- 1.4 On May 3, 2011, Max Reed (“**Reed**”) and Adam Chaleff-Freudenthaler (“**Chaleff-Freudenthaler**” or collectively “**the Applicants**”), submitted a joint request for a compliance audit to the City of Toronto Compliance Audit Committee (“**the Committee**”). The Applicants identified the following issues regarding the Supplementary Financial:
 - 1) The Ford campaign had expenses paid for by Doug Ford Holdings (“**DFH**”) and these payments served as a loan to the campaign;
 - 2) The Ford campaign incurred expenses prior to filing as a candidate on March 25, 2010;
 - 3) The Ford campaign accepted corporate contributions;
 - 4) The Ford campaign improperly attributed expenses subject to the spending limit to fundraising expenses which are not subject to a spending limit;
 - 5) The Ford campaign improperly classified promotional events as fundraising events;



- 6) The Ford campaign received products and services at below fair market value;
 - 7) The Ford campaign paid for expenses from sources other than the campaign account;
 - 8) The Ford campaign accepted contributions from individuals who had contributed over \$5,000.00 collectively to other Toronto candidates; and
 - 9) The Ford campaign spent an excessive amount of money on his victory party and the printing and mailing of appreciation notices.
- 1.5 On May 13, 2011, the Committee met to consider the merits of the application and determined that a compliance audit of the Financial Statements be conducted for the 2010 election campaign finances and the 2011 extended campaign finances of Ford pursuant to Subsection 81(7) of the Act.
- 1.6 Bruce Armstrong of Froese Forensic Partners Ltd (“FFP”) and Glen R. Davison, CA, were retained to conduct the compliance audit in accordance with the Act. Subsection 81(9) of the Act requires that the auditor prepare a report “*outlining any apparent contravention by the candidate.*” This Report contains our findings in relation to our compliance audit of the Financial Statements submitted by Ford.

Our Approach to the Compliance Audit

- 1.7 The objective of our compliance audit is to report any apparent contraventions of the Act identified through the course of our compliance audit related to the Supplementary Financial filed by Ford. We have set out our understanding of a number of relevant sections of the Act as **Appendix A** to this Report.
- 1.8 The compliance audit addressed the issues raised by the Applicants as identified in paragraph 1.4. The audit also addressed other matters identified through the compliance audit process, including:
- 1) Whether the fair market value of goods and services were reflected in the Supplementary Financial as contributions and expenses;
 - 2) Whether campaign expenses were appropriately supported by invoices or other supporting documentation and incurred as appropriate; and
 - 3) Whether the Supplementary Financial was prepared in accordance with the Municipal Elections Act 1996 (“**the Act**”), the Province of Ontario Municipal Elections 2010 Guide (“**the Provincial Guide**”) and the City of Toronto 2010 Municipal Election Candidate’s Guide (“**the Municipal Guide**”).



Procedures Performed

1.9 Our procedures related to the compliance audit included:

- 1) A review of the Compliance Audit Applications by the Applicants;
- 2) A review of the Primary and Supplementary Financial Statements and supporting documents;
- 3) An ongoing review of the Act and the Guides;
- 4) Attendance on June 4, 2012 at a preliminary meeting with the Candidate's legal counsel, Tom Barlow ("**Barlow**"), the Chief Financial Officer of Ford's campaign, Steve Chan ("**Chan**"), Doug Ford ("**Doug**") and Ford to obtain the campaign records and explain the audit process;
- 5) Examination of the accounting and financial documentation provided and ongoing communications with Chan and Barlow;
- 6) Meeting with the Applicants on May 10 and September 18, 2012 to fully understand their allegations, determine if there were any additional allegations and obtain follow-up information;
- 7) Ongoing meetings and discussions with Barlow and Chan, in particular to follow-up outstanding requests, including a number of undertakings. Chris Climo ("**Climo**"), the auditor for the campaign, was present at one of these meetings;
- 8) Written communication with third-party service providers and vendors to the campaign including extensive email and telephone follow up;
- 9) Scheduling and attendance at an interview of Ford on January 20, 2013 in the presence of Barlow, Chan and Doug;
- 10) Review of information provided by anonymous third parties; and
- 11) Preparation of our report.

2 Overall Findings

Overall Summary

- 2.1 In our opinion, the Candidate's campaign expenses subject to limitation exceeded the authorized limit by \$40,168, or by approximately 3%, as set out in **Schedule 1**. This is an apparent contravention of Subsection 76(4) of the Act.
- 2.2 Contributing factors to this excess included unrecorded expenses resulting from contributions in kind and the re-allocation of the costs of certain events previously treated as fundraising.
- 2.3 Additional apparent contraventions in relation to contributions, campaign expenses and financial reporting are discussed in summary form in this section and in more detail in Section 3 of this report.

General

- 2.4 Ford and his campaign team cooperated with the compliance audit process. There were a large number of records for this campaign and considering the volume, these records were well maintained, organized, and generally consistent with the requirements of the Act.
- 2.5 The campaign's legal advisors believed that the scope of our compliance audit should be limited to the period covered by the Primary Financial. However, rather than take legal steps that might further delay the audit process, agreement was reached to turn over all records required for the full campaign period ended June 30, 2011. The resultant delay was minimal.
- 2.6 The Primary Financial for the period March 25, 2010 to December 31, 2010 reported a deficit of \$639,526.60 and total contributions of \$1,080,849.38.
- 2.7 The Supplementary Financial for the period March 25, 2010 to June 30, 2011, the end of the extended campaign period, reported a surplus of \$27,307.99 and total contributions of \$1,942,358.38. Contributions received after December 31, 2010 totaled \$861,509.00. A significant portion of the contributions received after December 31, 2010 was as a result of the Harmony Dinner, which is addressed in Section 3 below.



- 2.8 Ford had a campaign expense limitation of \$1,305,066.65 as set out in information on the City of Toronto website. The Supplementary Financial Statement reported campaign expenses subject to limitation of \$1,300,732.74. Expenses not subject to limitation totalled \$617,547.44.
- 2.9 We have determined that DFH is a federally incorporated company with Diane Ford and her three (3) sons (Randal, Doug and the Candidate) listed as directors and that Deco Labels & Tags Ltd. (“Deco”) is a wholly owned subsidiary of DFH with the same rostrum of directors. In discussions with Rob and Doug Ford, it was confirmed that the Candidate has an ownership interest in DFH.
- 2.10 Because they are corporations, FFP does not consider any contributions-in-kind from DFH or Deco to be from the Candidate. Further, in discussions with Chan, we were advised that the Candidate does not have any involvement in the day-to-day decisions of either corporation nor does he have any sole signing authority over the corporate bank accounts.

Contributions

- 2.11 Both DFH and Deco provided generous credit terms to the Ford campaign that extended well beyond the period when the campaign had secured a sufficient line of credit arrangement with a Chartered Bank. DFH covered costs totalling \$77,722.31 that were incurred on behalf of the campaign prior to early June 2010. These were repaid in full by the campaign on April 18, 2011. Deco began invoicing the campaign regularly each month from March 2010 until January 2011, for amounts totalling \$119,372.06. These were repaid in full by April 18, 2011.
- 2.12 In our opinion, the credit terms provided by DFH and Deco were a form of financing provided to the campaign and were an apparent contravention of Subsection 75(1) of the Act which states that loans may be obtained “*from a bank or other recognized lending institution in Ontario, to be paid directly into the candidate’s campaign account*”. DFH and Deco do not meet the definition of a bank or recognized lending institution.
- 2.13 A line of credit was established in July 2010 with TD Commercial Banking (“TD”); however it was not fully utilized and not used to repay the amounts owing to DFH and Deco. We calculated a relief amount of \$3,444.45 and \$943.37 provided by DFH and Deco respectively in the form of interest that should have been charged to the campaign. Our calculations assumed that:
- 1) DFH and Deco offered 90-day terms of repayment to the campaign; and
 - 2) The interest rate is Prime + 3%, which is what was charged to the campaign by the Chartered Bank once credit facilities were in place.



- 2.14 This interest relief provided by DFH and Deco represented a contribution-in-kind provided by each corporation, and additional expenses subject to the limit totalling \$4,387.82. In our opinion, these are apparent contraventions by the contributors and the Candidate of Subsections 66(2)(1)(iii) and 70.1 of the Act and City By-Law 177-2009. Further, the failure to record the expense is an apparent contravention of Subsection 67(1) of the Act. Finally, the failure to pay the campaign expenses from the campaign bank account that were initially paid for by DFH was an apparent contravention of Subsection 69(1)(c) of the Act. The details regarding this and the preceding three (3) paragraphs are discussed in more detail in paragraphs 3.1 to 3.12 and 3.16 to 3.24.
- 2.15 Contributions from a number of corporations were accepted by the campaign, particularly during the last few weeks leading up to the election. Similarly, cash was accepted during the same period as well as contributions from a number of non-residents of Ontario. Chan advised that the contributions were examined in detail following the campaign and several were either returned to hopefully be replaced by personal cheques or were forfeited to the City in the event that a contributor couldn't be located. In our opinion the Candidate has understood and complied with his duties in relation to these refunded or forfeited contributions, as set out in Subsection 69(1)(m) of the Act, requiring that *"a contribution of money made or received in contravention of this Act is returned to the contributor as soon as possible after the candidate becomes aware of the contravention"*.
- 2.16 Despite the above, there were a number of apparent contraventions with respect to contributions from corporations and the receipt of cash, as follows:
- 1) Eleven (11) cheques totalling \$6,000.00 were accepted from corporations during the campaign and no further remedial action was taken. In our opinion, these are apparent contraventions of Subsection 70(7) of the Act and an apparent contravention by both the contributor and Candidate with respect to the City of Toronto By-Law 1177-2009 and Section 70.1 of the Act. The contributions should have been returned and hopefully replaced by personal cheques. In all instances, receipts were issued in the name of an individual and reported as such in the Financial Statements. In our opinion, these are financial reporting contraventions of Subsection 69(1)(k) and Section 78 of the Act. This is further discussed in paragraphs 3.25 to 3.28;
 - 2) In several instances, cash contributions exceeding \$25.00 were accepted for deposit. In all instances, where the contributor could be identified, the campaign returned the cash contribution with a request that it be replaced by personal cheque. Contributions totalling \$13,249.25 were forfeited to the City in instances where cash contributions could not be identified or contributions were from non-residents of Ontario, were anonymous or where no addresses were provided. This is further discussed in paragraphs 3.29 to 3.30;



- 3) Accepting cash contributions exceeding \$25.00 is an apparent contravention of Subsection 70(8) of the Act. However, the Ford campaign complied with Subsection 69(1)(m) that states "*a contribution of money made or received in contravention of this Act is returned to the contributor as soon as possible after the candidate becomes aware of the contravention*"; and
 - 4) In three (3) instances totalling \$4,400.00, we noted the purchase of sequentially numbered money orders from TD Bank locations in Toronto. These money orders represented twenty-one (21) separate contributions, each in excess of \$25.00, and the accompanying instructions indicated that cash had been accepted from contributors. In our opinion, these are apparent contraventions by both the contributor and the Candidate of Subsection 70(8) of the Act. This is displayed in **Schedule 2** and further discussed in paragraphs 3.31 to 3.35.
- 2.17 In a number of instances, contributions were accepted from individuals that resulted in total contributions collectively exceeding \$5,000.00 to multiple candidates. In our opinion, the individual candidate can only be expected to keep track of contributions to his/her respective campaign and under these circumstances, in no instance was there a contribution to the Candidate in excess of the \$2,500 individual limit. Where there were multiple contributions by one individual in excess of \$5,000.00, in our opinion, this is an apparent contravention by the contributor of Subsection 71(2.1) of the Act. This is further discussed in paragraphs 3.36 to 3.38.
- 2.18 FFP has identified a number of additional instances in which a contribution-in-kind and a corresponding expense subject to limitation has been incurred but not recorded by the campaign. In all instances, in our opinion these are apparent contraventions of Subsections 66(2)(1)(iii) and 67(1) of the Act, as follows:
- 1) A bus was chartered for the campaign launch on March 25, 2010 at a cost of \$840 that was paid for by Doug from his shareholder loan account at Deco. As this expense was incurred prior to the campaign launch, it is also an apparent contravention of Subsection 76(2) of the Act. This is further discussed in paragraphs 3.100 and 3.105; and
 - 2) A Recreational Vehicle ("RV") was rented by the campaign at a cost of \$1,808.00 for use during the period from July to October 2010. We concluded that the rental was at less than fair market value ("FMV") and that a more appropriate rental would have been \$3,892. This is further discussed at paragraphs 3.126 to 3.132.



Fundraising

- 2.19 FFP identified a number of instances in which fundraising events were organized for the Candidate by people outside of the campaign. In all instances, contributions were raised; however no expenses were attributed to the event. In each of these events noted below, a nominal amount at a minimum should have been attributed as a contribution-in-kind and a corresponding expense not subject to limitation by the campaign. In all instances, in our opinion these are apparent contraventions of Subsections 66(1), 67(1) and 69(1)(d, e and f) of the Act, as follows:

Before Election Day

- 1) A fundraiser on October 9, 2010 organized for the Ismaili Community in which forty (40) to fifty (50) people were in attendance and light refreshments were served and paid for by an individual, who we have been unable to contact;
- 2) A breakfast meeting on October 14, 2010 held by the law firm of McCarthy Tetrault LLP in which forty (40) to fifty (50) lawyers were in attendance and light refreshments were served;
- 3) An event held at the offices of TAC Mechanical at 215 Carlingview Drive on October 21, 2010 in which ten (10) to fifteen (15) people were in attendance, light refreshments were served and a substantial amount of money was raised. If the corporation paid the costs, it is also an apparent contravention by the contributor and the Candidate of Subsections 66(2)(1)(iii) and 70.1(1) of the Act and City By-Law 1177-2009.

These and two (2) other pre-election fundraisers not organized by the campaign are further discussed in paragraphs 3.74 to 3.84. None of these five (5) events was reported in the Financial Statements, which is an apparent financial reporting contravention of Subsection 69(1)(k) and Section 78 of the Act.

After Election Day

- 4) An event held at Harbour 60 on June 8, 2011 in which twenty-eight (28) people were in attendance and a full dinner was served. The total cost of the event was \$9,151.69 and was paid for personally by Lisa and Steve Nikolaou, the owners of Harbour 60. Despite the fact that as owners, the Nikolaou couple would have likely reimbursed their company at cost, we considered that the \$9,151.69 was the market value and were governed by Subsection 66(2)(1)(iii) of the Act. In our opinion, this is a contribution-in-kind by each individual that exceeds the contribution limits and as such, is an apparent



contravention by the contributors and the candidate of Subsection 70.1(5) of the Act;

- 5) Our further review of fundraising events in late June 2011 suggests that the Bromell event did not take place and that contributions totalling \$19,500 were incorrectly attributed to it. In our opinion, this is a financial reporting contravention of Subsections 69(1)(k) and Section 78 of the Act;
- 6) The \$19,500 previously attributed to the Bromell non-event was actually raised at the BILD event and contributions totalling \$25,000 were incorrectly attributed to and reported for the BILD event. In our opinion, this is a financial reporting contravention of Subsection 69(1)(k) and Section 78 of the Act;
- 7) The BILD event was held on June 27, 2011 at a personal residence for which forty (40) tickets were sold. The total cost of the event was \$2,449.86 and was paid for personally by the late Stephen Dupuis, the former CEO of BILD. At this point, we do not have any additional information that would suggest that the contribution-in-kind exceeded the \$2,500 individual limit;
- 8) The \$25,000 previously attributed to the BILD event actually was raised at or pursuant to a dinner that was arranged by Mike Harris ("**Harris**") on or before June 21, 2011 in which Robert DeGasperis ("**DeGasperis**"), the president of Metrus Properties, and others met with Doug and the Candidate. Ten (10) cheques totalling \$25,000 were forwarded to the Campaign from DeGasperis via Harris and were deposited as a group into the campaign account on June 28, 2011. At this point, we have no further information as to the total cost of the event and what individual(s) or corporation(s) paid for it. Further, the non-reporting of this event in the Supplementary Financial is a financial reporting contravention of Subsection 69(1)(k) and Section 78 of the Act.

These post-election fundraisers not organized by the campaign were reported in the Supplementary Financial and are further discussed in paragraphs 3.74 to 3.78 and 3.85 to 3.98.

- 2.20 The campaign organized twenty-one (21) separate events or activities and reflected them as fundraising in nature. We reviewed fundraising criteria for each event according to criteria set out in paragraph 3.64. In our opinion, four (4) of these events do not meet the criteria for fundraising and are more promotional in nature. We re-classified the expenses related to these events, totalling \$32,421.79, as promotional and therefore subject to the spending limit. We further determined that an incorrect schedule was prepared in the Supplementary Financial for one of the four (4) events. The classification of promotional events as fundraising events by the Ford campaign is an apparent contravention of Subsections 67(2.1)(a), 69(1)(k) and Section 78 of the Act. This is further discussed in paragraphs 3.61 to 3.73.



- 2.21 On January 27, 2011, a fundraising event entitled the Harmony Dinner was held for the purposes of assisting three (3) Mayoral candidates in reducing the deficits incurred during their respective campaigns. Tickets were sold and all revenues received for the event were deposited directly into each respective candidate's campaign account. A separate bank account was set up, controlled by Chan and most of the expenses for the event were handled through this account. In our opinion, the accounting was easy to follow and the stewardship over the separate bank account was handled with professionalism and care.
- 2.22 The campaign considered the costs of direct mailing and telephone canvassing to be fundraising expenses. We reviewed the related expenses and are satisfied that they meet the definition of a fundraising activity as set out in the Act and as highlighted in the "What's New for 2010" section of the Municipal Guide. This is further discussed in paragraphs 3.53 to 3.60.

Expenses

- 2.23 In our opinion, the Candidate's campaign expenses subject to limitation exceeded the campaign's authorized limit, which is an apparent contravention of Subsection 76(4) of the Act. As shown in the attached **Schedule 1**, as adjusted by the FFP findings, the Candidate incurred expenses subject to the limit of \$1,345,235. This exceeded the \$1,305,066.65 authorized spending limit by \$40,168 or by approximately 3%.
- 2.24 We identified a number of instances totalling \$5,805.09 in which expenses were incurred prior to the Candidate filing his nomination papers. These are summarized below. We considered these to be campaign expenses and apparent contraventions of Subsection 76(2) of the Act. Expenses can only be incurred once a candidate has filed nomination papers with the City. These are summarized below and further discussed in paragraphs 3.99 to 3.118.
- 1) Invoice from Deco in the amount of \$2,209.15 for the printing of 500 "Ford for Mayor" signs;
 - 2) 5% of the total invoice for \$4,118.35 received from Happy Town T-Shirts c/o Partners Promotional Group, and amounting to \$255.94, for the purchase of and printing on approximately fifty-five (55) t-shirts in advance of the Candidate filing his nomination on March 25, 2010;
 - 3) The chartering of the bus at a cost of \$840 that was discussed earlier at paragraph 2.18;
 - 4) A letter of intent to deliver and service campaign management software was signed on March 9, 2010 with Momentum BPO Inc. The software was to be



installed on March 15, 2010 and there was anticipation of a \$2,500 payment at that time, which was paid on March 30, 2010.

- 2.25 The venue was booked and an advertisement appeared in the *Etobicoke Guardian* in advance of the wine & cheese event that was held at the Toronto Congress Centre on March 26, 2010. While there is no evidence that any fees or a deposit were paid in advance, an agreement was signed on March 24, 2010 and a corresponding invoice was received from the Toronto Congress Centre, indicating that a commitment had been made. In our opinion, there has been no apparent contravention of the Act with respect to pre-booking this event. This is further discussed in paragraphs 3.113 to 3.114.
- 2.26 A poll was conducted by the Logit Group in January 2010 to research the prospects of Ford becoming mayor. The \$4,250 expense was paid for by Deco and we understand was charged to Ford's shareholder loan account. While the results of the poll would no doubt be helpful in terms of deciding whether to enter the mayoral race, we do not consider these to be campaign related expenses. As such, in our opinion there were no apparent contraventions of the Act related to this expense. This is further discussed in paragraphs 3.116 to 3.118.
- 2.27 There were a number of instances in which the Candidate received preferential treatment for products and services required during the campaign. The following instances were noted earlier in this section of the report that were considered expenses subject to the limitation:
- 1) Financing costs not charged by DFH and Deco, as noted in paragraphs 2.11 to 2.14;
 - 2) Rental of the bus for the campaign kick-off as noted in paragraph 2.18(1); and
 - 3) Rental of the RV at less than fair market value as noted in paragraph 2.18(2).
- 2.28 We reviewed all of the instances noted by the Applicants and other instances where there might be evidence of preferential treatment. We noted one (1) further instance. Wexler Productions ("Wexler") billed \$71,167.40 to the campaign for services provided during the post-election victory party. The campaign paid \$35,000 and according to discussions with Doug, the campaign felt any further amounts were excessive. Wexler advised that his billing was reasonable and that he had to write-off the difference.
- 2.29 In our opinion, the failure to pay the full amount is an apparent contravention of Subsection 67(1) of the Act and the expenses not subject to limitation should be increased accordingly. We considered whether the \$36,167.40 unpaid amount was also a contribution-in-kind and rejected that treatment as the non-payment was



involuntary and not considered to be a voluntary discount provided by the vendor. This is discussed in paragraphs 3.143 to 3.150.

Financial Reporting

- 2.30 There were two (2) invoices from Deco totalling \$9,957.65 reported as expenses subject to the limit on the Supplementary Financial that should have been reported on the Primary Financial. In our opinion, the failure to record these on the Primary financial was an apparent financial reporting contravention of Subsections 67(1), 69(1)(k) and 78(1) of the Act. This is discussed in paragraph 3.155.
- 2.31 All expenses initially charged to the campaign for the work performed by Mandy Beaton (“**Ms. Beaton**”) were treated as fundraising expenses not subject to limitation. These expenses totalling \$11,601.35 were paid through the Deco payroll, then billed to and immediately reimbursed by the campaign. However we determined that only the first three (3) months of Ms. Beaton’s time was billed to the campaign and that Deco failed to invoice the campaign for the period subsequent to October 31, 2010. The expenses for the additional period were \$11,944.89 and for the full period totalled \$23,546.25.
- 2.32 We have determined that Ms. Beaton performed essential administrative and accounting services for all aspects of the campaign and that 50% of her expenses or \$11,773.12 should be attributed to expenses subject to limitation. In our opinion, there are apparent contraventions of the Act, as follows:
- 1) The failure to record the additional \$11,944.89 as a contribution in kind by Deco and a corresponding expense is an apparent contravention of Subsections 66(2)(1)(iii) and 67(1) of the Act;
 - 2) The failure to record the initial \$11,601.35 amount expensed correctly is an apparent financial reporting contravention of Subsection 69(1)(k) and Section 78 of the Act.

The effect of the foregoing will be to increase expenses subject to limitation by \$11,773.12 and to increase fundraising expenses not subject to limitation by \$171.77. This is further discussed in paragraphs 3.46 to 3.49.

- 2.33 Payments totalling \$5,874.80 were included as campaign expenses subject to limitation. We determined that these advertising and printing costs were directly attributable to certain fundraising events and thus qualified as expenses not subject to limitation. In our opinion, the failure to record these items correctly is an apparent financial reporting contravention of Subsection 69(1)(k) and Section 78 of the Act. This is further discussed in paragraph 3.159.



- 2.34 A legal payment in the amount of \$1,130 was made by the campaign that should have been a personal expense of the Candidate. In our opinion, this is an apparent financial reporting contravention of Subsection 69(1)(k) and Section 78 of the Act and the expenses subject to limitation should be reduced by \$1,130. This is discussed in paragraph 3.51.
- 2.35 FFP has incorporated all of the proposed adjustments to the Supplementary Financial that have been discussed earlier in this Section of the report. The details are referred to as follows and are summarized in **Schedule 1**:

Campaign Period Income – increased by \$20,459

- 1) Adjustment 1 – Contribution in kind totalling \$4,388 provided by DFH and Deco in the form of interest calculated on their long-term advances to the campaign (paragraph 2.14);
- 2) Adjustment 2 – Exclusion of \$6,000.00 in contributions received from corporations (paragraph 2.16(1));
- 3) Adjustment 3 – Exclusion of \$4,400.00 in cash contributions converted to money orders (paragraph 2.16(4));
- 4) Adjustment 4 – Contribution in kind of \$840 provided by Doug for the bus rental for the campaign launch (paragraph 2.18(1));
- 5) Adjustment 5 – Contribution in kind of \$2,084 provided by Michael Richardson for the RV rental (paragraph 2.18(2));
- 6) Adjustment 6 – Contributions in kind totalling \$9,152 from Lisa and Steve Nikolaou for the fundraising event at Harbour 60 (paragraph 2.19(4));
- 7) Adjustment 7 – Contribution in kind totalling \$2,450 from the late Steve Dupuis for the BILD fundraising event (paragraph 2.19(7)); and
- 8) Adjustment 10 – Contribution in kind totalling \$11,945 provided by Deco when they failed to invoice the campaign for Ms. Beaton’s post-election time (paragraph 2.31).

Campaign Period Expenses Subject to Limit – increased by \$44,502

- 1) Adjustment 1 – Interest of \$4,388 calculated on the long-term advances provided by DFH and Deco to the campaign (paragraph 2.14);
- 2) Adjustment 4 – Bus rental of \$840 for the campaign launch (paragraph 2.18(1));



- 3) Adjustment 5 – Additional calculated rent expense of \$2,084 for the RV (paragraph 2.18(2));
- 4) Adjustment 8 – Re-allocation of a number of events totalling \$32,422 from fundraising to promotion (paragraph 2.20);
- 5) Adjustment 10 – 50% portion of Ms. Beaton’s wages that are subject to the limit totalling \$11,773 (paragraph 2.32);
- 6) Adjustment 11 – Re-allocation of \$5,875 from promotion to fundraising expenses not subject to limit (paragraph 2.33); and
- 7) Adjustment 12 – Removal of a legal expense for \$1,130 that was charged to the campaign in error (paragraph 2.34).

Campaign Period Expenses Not Subject to Limit – increased by \$21,394

- 1) Adjustment 6 – Expenses totalling \$9,152 paid by Lisa and Steve Nikolaou for the fundraising event at Harbour 60 (paragraph 2.19(4));
- 2) Adjustment 7 – Expenses totalling \$2,450 paid by the late Steve Dupuis for the BILD fundraising event (paragraph 2.19(7));
- 3) Adjustment 8 – Re-allocation of a number of events totalling \$32,422 from fundraising to promotion (paragraph 2.20);
- 4) Adjustment 9 – Portion of the invoice totalling \$36,167 from Wexler Productions that the campaign didn’t pay regarding the victory party (paragraph 2.29);
- 5) Adjustment 10 – Amount of \$172 required increase to the portion of Ms. Beaton’s wages not subject to the limit to 50% (paragraph 2.32); and
- 6) Adjustment 11 – Re-allocation of expenses totalling \$5,875 from promotion to fundraising (paragraph 2.33).



3 Details in Support of Findings

Contributions

Corporate Contributions

3.1 The Applicants submitted that the campaign may have received corporate contributions from the following entities or individuals:

- 1) Doug Ford Holdings;
- 2) Il Cavallino Catering; and
- 3) Deco Labels and Tags.

Doug Ford Holdings

3.2 Listed in the below table are payments made by DFH on behalf of the Ford campaign totalling \$77,722.31. Campaign records show that these expenses were incurred in the early months of the campaign. The total owing was set up as a payable to DFH as at December 31, 2010 and re-paid in full by the campaign in April 2011. See further comments at 3.xxx.

| Date | Ref. | Amount | Description |
|-----------|--------------|--------------------|--|
| Mar 25/10 | RF-1 | \$10,000.00 | Payment of Stephen Sparling's fundraising fees |
| Mar 26/10 | RF-2 | \$25,379.81 | Payment of Toronto Congress Centre invoice #PEB22708 for Wine and Cheese event |
| Mar 27/10 | RF-3 | \$8,242.50 | Payment of Digital Dreams Production Inc inv. #032710 for services related to March 25 th Wine & Cheese fundraising event |
| Mar 31/10 | RF-5 | \$3,000.00 | Payment of Mark Towhey's invoice #1 for professional services |
| Apr 5/10 | RF-6 | \$7,000.00 | Payment of Tom Beyer's March 29 /10 services fees |
| May 11/10 | RF-7 | \$23,100.00 | Payment of Praxicus inv #01157 for survey fees |
| Jun 3/10 | 115 | \$1,000.00 | Deposit paid for Jun 5/10 Grand Baccus event |
| | Total | \$77,722.31 | |

3.3 DFH is a federally incorporated company with Diane Ford and her three (3) sons (Randal, Doug and the Candidate) listed as directors. In discussions with Rob and Doug Ford, it was confirmed that Rob has an ownership interest in DFH.



- 3.4 Chan explained the reason the invoices listed above were paid by DFH was due to the campaign account not having sufficient funds at the time payments were due. DFH provided bridge financing until funds were available in the campaign account.
- 3.5 We accept the Candidate's explanation that the intent of these payments was never as contributions but rather as bridge financing to the campaign until contributions were received. When considering that the total amount paid from DFH was well in excess of the \$2,500.00 contribution limit for a mayoral campaign, it is reasonable to conclude that the payment of \$77,722.31 on behalf of the campaign was never intended as a contribution.
- 3.6 Barlow questioned how the payments from DFH, of which Ford is a director, would differ from a contribution from the Candidate for which there is no limit.
- 3.7 In our opinion, funds advanced from DFH do not qualify as a contribution from the Candidate. Ford is a director and shareholder of DFH but according to Chan, does not have any involvement in day-to-day decisions or have sole signing authority over the DFH bank account, which requires two (2) signatures on all cheques issued.
- 3.8 The Ford campaign negotiated a conventional line of credit with TD with the initial advance authorized on July 21, 2010. The details regarding the line of credit, including interest rate and security provided is set out in paragraphs 3.135 to 3.139.
- 3.9 Rather than repay previous advances from DFH, the campaign utilized the TD line of credit towards other day-to-day campaign expenses. The Campaign settled the amount owing to DFH with one payment of \$77,722.31 which cleared the campaign bank account on April 18, 2011.
- 3.10 FFP determined that the advances from DFH should have attracted interest at a rate at least equivalent to what the campaign would have been required to pay for the TD line of credit. Our calculations assumed that DFH offered 90-day terms of repayment to the campaign.
- 3.11 The method utilized to calculate the interest amount owing is set out later in this section at paragraphs 3.141 to 3.142. The following table lists the invoiced amounts from DFH and the calculated interest amounts for each:

| Due Date (90 days later) | Invoiced amounts | Actual date paid | Days overdue | Interest @ 6% |
|--------------------------|--------------------|------------------|--------------|-------------------|
| Jun 30/10 | \$46,622.31 | Apr 18/11 | 292 | \$2,237.87 |
| Jul 31/10 | 7,000.00 | Apr 18/11 | 261 | 300.33 |
| Aug 31/10 | 23,100.00 | Apr 18/11 | 230 | 873.37 |
| Sep 30/10 | 1,000.00 | Apr 18/11 | 200 | 32.88 |
| Totals | \$77,722.31 | | | \$3,444.45 |



- 3.12 The total of all interest charges is \$3,444.45. We consider this amount to be a contribution-in-kind and a corresponding expense subject to limitation and the amount reported in the Supplementary Financial as 'interest on loan' should be increased accordingly.

Il Cavallino Catering

- 3.13 Il Cavallino Catering did not make a financial contribution to the campaign. They provided catering services for an event held at the Wine Studio, a wine importing business that operates a retail store in Woodbridge. The invoice for catering services totalling \$1,596.73 was paid by Pino Piscitelli ("Piscitelli"), the owner of the Wine Studio, to whom the campaign issued a receipt for the same amount.
- 3.14 The Wine Studio was contacted in order to determine if this invoice was paid personally by Piscitelli or by the Wine Studio and to determine the venue charge that would normally apply for this type of event. Piscitelli advised that he paid for this invoice personally, not through the Wine Studio. However, he could not provide documents in support of this. He said that rental fees are not charged for the Wine Studio as it is a wine accessory retail store and not a venue primarily used for hosting events.
- 3.15 The campaign recorded the \$1,596.73 amount as a contribution-in-kind by Piscitelli and as a fundraising expense, not subject to limitation. We accept that no rental fee for the use of the venue is applicable as the Wine Studio earns its profits from the sale of wine at these events as opposed to charging rent.

Deco Labels and Tags

- 3.16 Deco issued a number of invoices for services and products to the Ford campaign as early as March 29, 2010. These totalled \$119,372.06 and were not paid in full until March 2011. These invoices are summarized by month in a Table set out at paragraph 3.23.
- 3.17 Deco is a wholly owned subsidiary of DFH and the Directors are the same for each entity. This information was further confirmed in discussions with the Candidate and his advisors on January 20, 2013.
- 3.18 We accept the Candidate's explanation that the services and products provided by Deco were never intended as a contribution and that Deco was not paid on a timely basis due to the campaign account not having sufficient funds at the time payments were due. Chan was asked about the delayed payments, and advised that the money in the campaign account was required to pay other vendors on a timely basis and Deco



allowed the invoices to accrue as account receivables because the campaign was in need of the financial courtesy at that time.

- 3.19 As mentioned, the Ford campaign negotiated a conventional line of credit with TD, with the initial advance authorized on July 21, 2010 and the details are set out in 3.135 to 3.142. Rather than repay any of the noted Deco invoices, the campaign utilized the TD line of credit towards other day-to-day campaign expenses.
- 3.20 FFP determined that the advances from Deco should have attracted interest at a rate at least equivalent to what the campaign would have been required to pay for the TD line of credit. Our calculations assumed that Deco offered 90-day terms of repayment to the campaign.
- 3.21 The amount paid for services¹ and products from Deco was \$119,372.06 for thirty-nine (39) invoices dated from March 29, 2010 to January 4, 2011. This amount was repaid by the campaign with two (2) cheques. The first was dated February 22, 2011 in the amount of \$105,467.98 and the second was dated March 25, 2011 in the amount of \$13,904.08.
- 3.22 As a point of clarification, the Applicants stated that “...the Rob Ford Campaign purchased \$211,624.32 worth of materials and services from Deco Labels and Tags...” This is the Applicant’s calculation which they apparently based on the total of all payments to Deco on Ford’s monthly expense spreadsheet. Payments made to Deco exceeding \$119,372.06 were for reimbursement of campaign-related credit card purchases made on Deco’s American Express card,² and to reimburse Deco for the salary payments of Ms. Beaton³ because she was on Deco’s payroll for the duration of the campaign. These additional amounts were reimbursed promptly in all cases.
- 3.23 The method utilized to calculate the interest amount owing is set out later in this section at paragraphs 3.141 to 3.142. The following table lists the invoiced amounts from Deco and the calculated interest amounts for each:

| Due Date (90 days after) | Invoiced amounts | Actual date paid | Days overdue | Interest @ 6% |
|--------------------------|------------------|------------------|--------------|---------------|
| Jun 30/10 | \$7,579.90 | Feb 22/11 | 237 | \$296.30 |
| Jul 31/10 | 2,544.31 | Feb 22/11 | 206 | 86.16 |
| Aug 31/10 | 6,525.90 | Feb 22/11 | 176 | 188.80 |
| Sep 30/10 | 2,845.96 | Feb 22/11 | 145 | 67.84 |

¹ The services included the rental of an office at the Deco plant as discussed later in the report in paragraphs 3.121 to 3.123.

² Further discussed in paragraph 3.153.

³ Further discussed in paragraphs 3.46 to 3.49.

| Due Date (90 days after) | Invoiced amounts | Actual date paid | Days overdue | Interest @ 6% |
|--------------------------|---------------------|------------------|--------------|-----------------|
| Oct 31/10 | 3,947.09 | Feb 22/11 | 114 | 73.97 |
| Nov 30/10 | 3,782.68 | Feb 22/11 | 84 | 52.23 |
| Nov 30/10 | 1,272.89 | Apr 18/11 | 139 | 29.08 |
| Dec 31/10 | 5,537.57 | Feb 22/11 | 53 | 48.25 |
| Feb 28/11 | 62,746.92 | Feb 22/11 | (6) | - |
| Feb 28/11 | 12,631.19 | Apr 18/11 | 49 | 101.74 |
| Apr 30/11 | 9,957.65 | Feb 22/11 | (67) | - |
| Totals | \$119,372.06 | | | \$943.37 |

- 3.24 The total of all interest charges is \$943.37. We consider this amount to be a contribution in kind and a corresponding expense subject to limitation and the amount reported in the Supplementary Financial as 'interest on loan' should be increased accordingly.

Other Corporate Contributions

- 3.25 There were a number of instances in which corporate contributions were accepted, especially during the weeks immediately leading up to the election. Chan conceded that these contributions were not examined closely at the time they were received. Chan advised that these contributions were examined in more detail in the weeks following the election and it was determined that a number of cheques had been received from corporate contributors. In a number of instances, these cheques were returned to the corporate contributor and subsequently replaced by personal cheques.
- 3.26 In the event the contributions could not be returned to the contributors, they were forfeited to the City. For example, a cheque issued by Floros Investments & Developments Inc for \$1,500.00 dated June 8, 2011 was forfeited to the City.
- 3.27 Despite the above steps taken by the campaign, we determined that personal receipts totalling \$6,000.00 were issued to eleven (11) individuals that did not correspond with the names on the corresponding cheques received. Specifically, these cheques were accepted by the Ford campaign from corporations that were subsequently not returned to the contributors as specified in the Act. These contributions are set out in the following Table:

| Cheque Date | Amount | Company Name/Cheque Issuer | Name on Receipt |
|-------------|------------|--|-----------------|
| Sep 8/10 | \$2,500.00 | Steane Consulting Ltd | Mike Harris |
| Sep 11/10 | 500.00 | 1245982 Ontario Limited T/A Vujeva Surveys | Vlado Vujeva |
| Sep 23/10 | 100.00 | James S. Marks Professional Corporation | James Marks |



| | | | |
|-----------|-------------------|---------------------------------|-----------------|
| Sep 28/10 | 500.00 | Daeward Inc | David E. Howard |
| Sep 30/10 | 250.00 | 1507769 Ontario Limited | Craig Blair |
| Oct 4/10 | 250.00 | Dino's Place of Hair Design Inc | Dino DePalma |
| Oct 9/10 | 100.00 | Famtak G. of C. Inc | Mohamed Lalani |
| Oct 9/10 | 100.00 | Globex Travel Inc | Rashida Tejani |
| Oct 12/10 | 300.00 | 1158746 Ontario Limited | Chau Lun Wong |
| Oct 16/10 | 1,100.00 | Singh Food Centre Ltd | Paul Singh |
| Oct 21/10 | 300.00 | JTA Foods Ltd | Joe Amorim |
| | \$6,000.00 | | |

3.28 We matched the name on the cheques with the Ontario Corporation database and verified that each company was listed.

Cash Contributions

3.29 Similar to the circumstances with corporate contributions, there were a number of instances in which individual cash contributions exceeding \$25.00 were accepted, especially during the weeks immediately leading up to the election, that Chan conceded were not examined in any detail at the time of their receipt. We determined that cash totalling \$10,750.00 was accepted in the weeks leading up to the election. In all instances, where the contributor could be identified, the campaign returned the cash contribution with a request that it be replaced by personal cheque.

3.30 Contributions were forfeited to the City in instances where cash contributions could not be identified or contributions were from non-residents of Ontario, anonymous, or where no addresses were provided for contributions over \$10.00. These forfeited contributions totalled \$13,249.25.

Money Orders

3.31 We identified multiple sequentially numbered money orders that were purchased on three (3) separate occasions from TD Bank locations in Toronto. These contributions by money orders totalled \$4,400.00 as set out in the attached **Schedule 2**. Twelve (12) money orders were purchased on October 13, 2010; four (4) were purchased on October 29, 2010; and five (5) were purchased on November 4, 2010.

3.32 Included with the money orders purchased October 13, 2010 were handwritten notes listing the source of the cash contribution and the names in which the money orders were to be purchased. Notations included "do money orders for ea. @ bank tues" and "match w contributors who made via cash, then get money orders @ bank in their names."

3.33 For the money orders purchased on October 29, 2010 and November 4, 2010, there were contribution forms with handwritten notes of the amount contributed followed by



the word "cash" scratched out. These were attached to the copies of the money orders purchased.

- 3.34 Chan advised that Ms. Beaton, his assistant during the campaign, purchased money orders to be deposited to the campaign account with cash received from contributors.
- 3.35 It is unclear why some cash contributions were converted to money orders and others returned to contributors or forfeited to the City.

Contributions to Multiple Candidates

- 3.36 The Applicants submitted that the Ford campaign violated the Act by accepting contributions from individuals who had contributed in excess of \$5,000.00 cumulatively to candidates running for either the office of Mayor or Councillor in the City of Toronto. Subsection 71(2.1) of the Act states that "*a contributor shall not make contributions exceeding a total of \$5,000.00 to two or more candidates for office on the same council...*"
- 3.37 We interpret this subsection of the Act as applying only to the contributor, as is stated in the Act. An individual candidate is only responsible to keep track of contributions made to his/her campaign. In the case of the Ford campaign, the responsibility would be to ensure that individual contribution levels do not exceed \$2,500.00 to the mayoral campaign.
- 3.38 The information provided by the Applicants clearly demonstrated that there were individuals who made contributions to a number of candidates and that cumulatively, these contributions exceeded \$5,000.00. This information is readily available *post facto* but would not have been known by any individual candidate until all of the Financial Statements had been filed and made public. As such, we do not consider this to be a contravention of the Act by Ford.

Harmony Dinner

- 3.39 On January 27, 2011 a fundraising dinner was held for the express purpose of reducing the deficits that had been incurred by the following three (3) Mayoral candidates: - Sara Thomson, Rocco Rossi and Rob Ford.
- 3.40 A separate bank account was established for this event in the name of the 'Mayoral Harmony Dinner' and Chan was appointed as the person responsible for managing the event costs and ensuring that the three (3) candidates paid their proportionate share. The account was opened on January 13, 2011 and appears to have been closed on or about April 21, 2011.
- 3.41 From the documentation provided, we determined that pledges were received in advance according to the pledge's preferred candidate. Ratios were established and



Chan used these to determine the apportioning of the expenses for the event. As required, he would request cheques from each campaign in order to pay the event expenses. Ultimately, approximately \$147,000 passed through this account from the three (3) candidates and Ford's proportionate share was just less than \$123,000 or about 83% of the total required. The total expenses paid by the Ford campaign were \$143,173.41⁴ and the difference was paid directly from the campaign account.

- 3.42 Tickets were sold for the event in \$250, \$500 and \$1,000 denominations and we were advised that the event was over-subscribed. All ticket revenues flowed through each candidate's respective campaign account rather than the separate account noted above.
- 3.43 Ultimately, three hundred and ninety-seven (397) tickets were purchased in support of the Ford campaign, totalling \$691,000.⁵ A further \$104,720 in contributions was collected at the door and a breakdown of this amount was provided to us. We have reconciled all of the information to the accounting records and the Supplementary Financial

Fundraising

- 3.44 The Applicants submitted that the Ford campaign wrongly attributed fundraising commissions as a fundraising expense instead of as an expense subject to the spending limit. As discussed throughout this subsection of the report, FFP does not agree.
- 3.45 The campaign paid a total of \$89,693.95 in fundraising commission payments and the payments are fully detailed in the campaign accounting records. A portion (\$45,781.45) was paid for telephone canvassing while the remainder (\$43,912.50) was paid for workers who sold tickets or raised funds at actual fundraising events. Chan advised that the latter allocation was based on the estimated time and effort spent by the workers.
- 3.46 Included in this amount were all payments made to Ms. Beaton, the only campaign paid worker that was paid from the Deco payroll. We discussed her role with Chan and were advised that Ms. Beaton worked from August 2010 until just after she ceased working following the Harmony Dinner in January 2011.
- 3.47 According to Chan, Ms. Beaton was his right-hand administrative/accounting support person on the campaign. In that role, she made all deposits, initiated the preparation of all cheques and prepared rudimentary accounting schedules. She also performed significant fundraising responsibilities including the organizing of events, managing

⁴ The event was summarized on two (2) schedules in the Supplementary Financial as an initial \$5,000 was required in advance to secure the venue.

⁵ Ibid.



the tables set up to receive contributions, summarizing and depositing the contributions received, and facilitating the prompt issuance of receipts.

- 3.48 In our opinion, Ms. Beaton performed necessary administrative support in all aspects of the campaign. Accordingly, in our opinion 50% of the total costs of her services should be re-allocated from fundraising to promotion. Both Chan and FFP have endeavoured to locate Ms. Beaton to further clarify her role in the campaign, and have had no success to date.
- 3.49 We reviewed the supporting documentation and noted that her full salary plus all employer/employee withholdings, totalling \$11,601.35 were expensed to the campaign for the period from August to October 2010. However, there was no evidence that the campaign had been expensed for the subsequent three (3) month period. We questioned Chan, who researched and advised that this was an oversight and that he neglected to invoice the campaign for the post-election period. He produced further documentation showing that the additional payroll information totalled \$11,944.89. To summarize, the payroll attributed to Ms. Beaton was \$23,546.24.
- 3.50 All of the other workers were paid directly by the campaign. In total, the campaign incurred expenses totalling \$555,824.67⁶ for salaries and professional fees, of which \$89,693.95 or 16.1% of the total was attributed to fundraising commissions. A breakdown is set out in the following Table:

| | Salaries and Prof. Fees | % of Total |
|-------------------------------|-------------------------|--------------|
| Expenses subject to limit | \$ 466,131.02 | 83.9 |
| Expenses not subject to limit | 89,693.65 | 16.1 |
| Totals | \$ 555,824.67 | 100.0 |

- 3.51 We examined the expenses making up the 'Salaries & Professional Fees' subject to the limitation and noted one invoice that should not have been paid by the campaign. Specifically, Doug received an invoice dated October 29, 2010 for \$1,130 from Julian Porter, QC Professional Corporation pertaining to a Court Action that was unrelated to the campaign.
- 3.52 While a complete list was not maintained, Chan advised that there were also hundreds of unpaid volunteers on the Ford campaign.

⁶ This is the total before the \$11,944.89 adjustment to Ms. Beaton's salary as noted in paragraph 3.49.



Direct Mail & Phone Canvassing

- 3.53 The Act defines a fundraising function as “*an event or activity held by or on behalf of a candidate for the purpose of raising funds for his or her election campaign.*” Fundraising expenses are not subject to the campaign spending limit.
- 3.54 The Ford Campaign reported expenses for direct mailing (\$13,021.59) and commission paid for telephone canvassing (\$45,781.45) in the Supplementary Financial as fundraising.
- 3.55 The Applicants submitted that, by definition, direct mail and phone canvassing cannot be classified as fundraising because to be qualified as such, an actual event has to be hosted on a particular date.
- 3.56 FFP does not agree with the Applicants’ submission. Specifically, the Act defines a fundraising function as “*an event or activity held by or on behalf of a candidate.*” It should be noted that the “What’s New for 2010” section of the Municipal Guide reported that “*the definition of a fundraising function has been changed to ‘an event or activity’ [underlined for emphasis] held by or on behalf of a candidate.*” In our opinion, direct mail and phone canvassing meets the new criteria as long as the campaign has taken the necessary steps to adequately account for the costs and the results from these efforts.
- 3.57 Chan provided copies of the direct mail items classified as fundraising in the form of a series of letters signed by the Candidate. In addition to describing his campaign platform, Ford asked for financial support in the letter. These letters were sent to specific individuals from ‘targeted’ listings prepared and provided by campaign advisors.
- 3.58 Had there been any evidence that a mass distribution or mail drop had been employed to distribute these letters, FFP would have considered the mailing costs to be promotional rather than fundraising. We discussed this with the Candidate and his advisors and did not see any evidence to the contrary.
- 3.59 Telephone canvassing was completed by employees of the campaign who were paid a commission calculated as a percentage of the total each employee raised. We were advised that the telephone campaigners utilized similar listings to those provided for the direct mailing.
- 3.60 We consider that the purpose of the direct mailing and the phone canvassing as fundraising and the associated costs are not subject to the limit. In our opinion, these activities were correctly attributed to fundraising.

Promotional versus Fundraising Events

- 3.61 Between the campaign documents and Financial Statements, we found evidence of twenty-nine (29) events that occurred throughout the campaign and extended campaign periods. Chan advised that eight (8) of these events were not organized or paid for by the Ford campaign but that Ford attended as an invitee and received contributions. The remaining twenty-one (21) events were hosted and organized by the campaign.
- 3.62 Climo advised that he contacted the elections office at the City to get clarification on what constituted a fundraising event. He was told that if an event is held with the intentions of raising funds, it is classified as a fundraising event.
- 3.63 The Applicants submitted that Ford classified all events held throughout the campaign and extended campaign period as fundraising events when, in their opinion, some events were promotional in nature as the role of fundraising was incidental. Promotional events are subject to the campaign spending limit whereas fundraising events are not.
- 3.64 Based on the Act and the Municipal Guide, we considered the following criteria to evaluate whether an event was fundraising or promotional:
- 1) Whether tickets were sold for the event;
 - 2) Whether the event was held within or outside of Etobicoke and in particular, the Etobicoke North, Ward 2 riding where Ford had previously served as City Councillor;
 - 3) If the event occurred after October 25, 2010;
 - 4) If fundraising was incidental to the event; and
 - 5) The nature of any materials that were created to publicize the event.
- 3.65 If tickets were sold for the event we considered it to be fundraising. Tickets were sold for ten (10) of the twenty-one (21) events that were organized by the campaign. For these events, in all but one instance, ticket revenue exceeded the expenses.
- 3.66 We considered events held within Etobicoke to be fundraising because Ford would have been relatively well-known amongst the constituents and little, if any, promotional work would be required. For events without ticket sales that occurred outside of Etobicoke we considered these to be promotional as Ford was required to promote awareness of his candidacy and his platform.



- 3.67 We considered all of the events that occurred after October 25, 2010 to be fundraising. Ford was already elected and the promotion of his campaign was no longer required. Additionally, and as confirmed by Ford’s campaign team, eliminating his campaign deficit through fundraising was the priority after Election Day.
- 3.68 We considered all of the events at which fundraising was incidental or ancillary as organized for the purpose of promoting public awareness of Ford’s campaign. This is the definition set out in Subsection 67(2.1) of the Act.
- 3.69 After reviewing all the events using the above-listed criteria, we identified four (4) events that in our opinion do not meet the criteria outlined and are considered promotional in nature. The effect is to move \$32,421.79 from fundraising expenses to expenses subject to the limit, as set out in the following Table.

| Date | Event | Total Expense | Contributions |
|-------------------------------|------------------------|---------------------|---------------|
| Jun 5/10 | Grand Baccus Event | \$ 27,796.29 | \$ 2,920.00 |
| Jul 15/10 | Boys Night Out | 300.00 | - |
| Aug 22/10 | Kosher BBQ | 1,900.00 | 782.00 |
| Oct 10/10 | Toronto Board of Trade | 2,425.50 | 450.00 |
| Sub-total | | 33,071.79 | |
| Adjustment⁷ | | (650.00) | |
| Total | | \$ 32,421.79 | |

- 3.70 We discussed the circumstances surrounding the Grand Baccus event with Ford and his advisors and, at their request, further examined this event to determine if any items of a fund-raising nature could be identified. We identified few (if any) expenses that could be specifically identified as fund-raising, aside from the \$500.00 campaign allocation of fundraising commissions. As with other events, a table was set up and operated by volunteers, attendees could make donations and \$2,920.00 was identified as having been received at the door. We were advised that the attendees were encouraged to sign in at the door and leave their contact information, which would then be used for follow-up communications.
- 3.71 We reviewed an advertisement in the *Scarborough Mirror* inviting voters to attend the Grand Baccus event on June 5, 2010. In our opinion, this further supports the promotional nature of the event. Although the campaign team was hopeful of receiving contributions at any event being held, this advertisement clearly indicated

⁷ Fundraising commissions have been re-allocated to other events.



that the theme of the Grand Baccus event was to create awareness of Rob Ford. Fundraising would be ancillary to this event and the Act doesn't provide any leeway to split expenses between promotional and fundraising.

3.72 Counsel for Ford provided information stating that there were a number of volunteers that were prepared to state that their responsibility at the Grand Baccus event was to collect contributions.

3.73 We also discussed the Board of Trade event that was reported as occurring on October 10, 2010 in the Financial Statements and were advised that the event was booked but subsequently cancelled. We have reviewed all of the supporting documentation and have found a number of anomalies and conflicting information. This is what we feel has occurred:

- 1) There was no scheduled event for October 10, 2010;
- 2) The \$2,425.50 expense was a cancellation fee paid in October 2010 for a previously scheduled Board of Trade event that was to occur on June 17, 2010 at the Hilton Toronto;
- 3) A sold-out event was held at the Board of Trade in downtown Toronto on October 13, 2010 at which Ford spoke. All ticket revenues were collected by and apparently retained by the Board of Trade;
- 4) The "pass the hat" revenue reflected on the schedule of the non-event on October 10, 2010 was no doubt collected during the sold-out October 14, 2010 event; and
- 5) The payment of the cancellation fee actually resulted in a \$1,100 discount granted by the Hilton Toronto for the event on October 14, 2010.

Events Not Organized by the Ford Campaign

3.74 Chan advised that there were eight (8) events that occurred throughout the campaign and extended campaign periods that were not organized or paid for by the Ford campaign. Chan said that Ford attended these events as an invitee and received contributions while in attendance. Five (5) of the events occurred prior to Election Day and three (3) events occurred after Election Day.

3.75 These events, as described in the campaign documents, were:

| | Date | Event Name | Amount Raised |
|----------|-------------|------------------------------|----------------------|
| 1 | Oct 9/10 | Tim Kwan Fundraiser | \$7,830.00 |
| 2 | Oct 9/10 | Ismaili Community Fundraiser | \$3,550.00 |
| 3 | Oct 14/10 | Lawyers Breakfast | \$1,700.00 |



| | Date | Event Name | Amount Raised |
|--------------------------------------|-----------|---------------------------|---------------|
| 4 | Oct 17/10 | Vietnamese Dinner | \$4,380.00 |
| 5 | Oct 21/10 | TAC Mechanical Fundraiser | \$12,700.00 |
| October 25, 2010 Election Day | | | |
| 6 | Jun 8/11 | Harbour 60 | \$27,000.00 |
| 7 | Jun 22/11 | Bromell | \$19,500.00 |
| 8 | Jun 27/11 | BILD | \$25,000.00 |

- 3.76 The campaign documents contained spreadsheets listing the contributors for each event and the amount each contributed. The documents associated with the five (5) events held prior to Election Day did not include any associated expenses and no expenses were reported in the Primary or Supplementary Financial. The three (3) events held after Election Day did not report any expenses and were reported in the Supplementary Financial.
- 3.77 While the campaign maintains that Ford was invited to these events and collected contributions, it is our opinion that these events were hosted on behalf of Ford for the purpose of raising funds and the expenses associated with hosting each event should have been reported as both contributions in kind and fundraising expenses.
- 3.78 We were advised by Chan that none of the individuals that hosted events for Ford had contributed to the campaign previously.

Before Election Day

- 3.79 Tim Kwan Fundraiser: This event was organized by the Mon Sheong Foundation, a charitable organization that operates long term care centres, and it was held at its Scarborough location. According to attendees, there were light refreshments with appetizers served and approximately 100 (one hundred) people were in attendance at the event. We were advised that all but the members of the Board of Directors of the Foundation were residents of the care centre. Ford spoke briefly at the event.
- 3.80 Ismaili Community Fundraiser: This event was held at a private residence with approximately forty (40) to fifty (50) people in attendance. Fiaz Babul ("**Babul**") paid for the refreshments at the event. There was a table set up in the residence to accept contributions and Ford spoke at the event. Admission was not charged for this event however there was a suggested minimum contribution of \$100 per person, but that was not mandatory.
- 3.81 Lawyers Breakfast: This breakfast gathering was hosted at McCarthy Tetrault. Invitations were sent via email by Doug Thompson, a partner at the firm. There was no cost for attending the event. Contributions were accepted at a table set up by Ford



campaign workers, however contributions were not mandatory. Ford spoke at the event, which was attended by forty (40) to fifty (50) people.

- 3.82 Vietnamese Dinner: A program for the Vietnamese Dinner on October 17, 2010 called the function "A Meet and Greet with Mr. Rob Ford", with the "Ford for Mayor" campaign logo appearing underneath. The back cover of the program stated "Brought to you by Vietnamese-Canadians of Toronto", with the Ford campaign logo and the phrase "Respect for Taxpayers". Contributions received at this event totaled \$4,380.00 and were in amounts ranging from \$25.00 to \$1,000.00. We consider this to be a fundraiser held on behalf of Ford and the associated expenses should have been reported as a contribution in kind.
- 3.83 This event was held at the Forestview Restaurant on Dundas Street West, with approximately two hundred (200) people in attendance. It was a 10-course meal and attendees advised that tickets had to be purchased to attend, which covered the cost of their meal. Rob Ford spoke at the event.
- 3.84 TAC Mechanical Fundraiser This event was attended by approximately 15 (fifteen) to 20 (twenty) people. Light appetizers were served and Rob Ford spoke at the event.

After Election Day

- 3.85 The Applicants questioned the three (3) events occurring after Election Day as there were no expenses recorded for them and only contributions at the door were reported. They considered these events to be unreported in kind contributions and amongst these three (3) events, Ford raised \$71,500.00.
- 3.86 The "Harbour 60" event raised \$27,000.00. Cheques deposited to the campaign account dated on or after the date of this event were in the amount of \$1,500.00 each. Chan advised that this event was a dinner party hosted by John Oakley at Harbour 60 restaurant and further advised that Ford was an invitee to this dinner.
- 3.87 We contacted Harbour 60 and they provided documents showing that twenty-eight (28) people were in attendance at this event and the total costs for food, drink and tip was \$9,151.69. This was paid by Lisa and Steve Nikolaou, the owners of Harbour 60, and \$4,575.85 was attributed to each owner. We understand that as owners, the effective cost to them might be substantially less than retail.
- 3.88 This amount was not reflected in the campaign records. We consider the \$9,151.69 to be a the FMV cost for the event and a contribution-in-kind by the Nikolaou couple that exceeded the individual campaign limit and a corresponding campaign expense not subject to the spending limit.
- 3.89 The "Bromell" event raised \$19,500.00, as reported in the Supplementary Financial. Payments to the campaign on or after the date of this event were in the amount of



\$500.00 each with the exception of one (1) contribution of \$1,000.00. The Applicants advised that they believed this event was associated with Craig Bromell ("**Bromell**"), the former president of the Toronto Police Association.

- 3.90 We contacted Bromell and he advised that he never hosted, attended or contributed to an event for Ford. We understand that Bromell is, or was, associated with BILD. Accordingly, we have concluded that the event was improperly recorded as a Bromell event, whereas the contributions related to the BILD event. This is consistent with the following:
- 1) Cheques totalling \$19,500 were deposited on June 30, 2011;
 - 2) Some of the cheques were dated June 27, 2011 and indicated that they were either related to "*Mayor Ford's reception – June 27/11*" or the "*BILD reception for Ford*"; and
 - 3) There were other deposits made to the campaign bank account between the listed date of the Bromell event (June 22, 2011) and the date the related cheques were deposited (June 30, 2011).
- 3.91 According to the campaign records, the "BILD" event raised \$25,000.00. Cheques deposited to the campaign account were dated prior to this event in the amount of \$2,500.00 each. If the event occurred on June 27, 2011 as reported, the dates of the cheques (June 6 to June 17, 2011) would indicate that these were not contributions received at the door. Chan advised that this event was hosted by Paul Golini ("**Golini**"), an executive at Empire Communities. A Globe and Mail article stated that "*Joe Vaccaro, the acting president of BILD, the GTA's development industry association, confirmed that the group's chairman, Paul Golini Jr., a senior executive at Empire Communities, hosted one of the fundraisers at his home.*"⁸
- 3.92 We spoke with Golini's solicitor, David Bronskill ("**Bronskill**"), who confirmed that Golini held an event at his house with forty (40) tickets sold. The total cost of the food, drinks and entertainment was \$2,449.86. This was paid by the late Stephen Dupuis, the former CEO of BILD. We consider the payment of food and beverages to be an unreported contribution in kind. The total of campaign expenses not subject to the spending limit should be adjusted accordingly.
- 3.93 We questioned the Candidate and his campaign advisors when we met with them on January 20, 2013. They recalled the event as described by Bronskill
- 3.94 In the interim, our additional findings regarding the \$19,500 originally attributed to the Bromell event has lead us to conclude that:

⁸ Globe and Mail, September 6, 2012. *Ford urged to allow forensic review of campaign finances.*



- 1) Reflecting the \$19,500 as ticket sales for the BILD event would be consistent with the information that Golini provided;
 - 2) As these contributors were no doubt attendees, we question whether the \$25,000 reflected as "*Contributions at the door*" has been correctly allocated.
- 3.95 We noted ten (10) cheques for \$2,500 each that were deposited as a group on June 28, 2011. This was the only grouping that we located that totaled \$25,000.
- 3.96 The following correspondence within the Ford records supports the matching of these cheques to an event other than the BILD event:
- 1) Letter dated June 21, 2011 from Robert DeGasperis (President of Metrus Properties) ("**DeGasperis**") to Mike Harris, thanking him for arranging a dinner with Rob and Doug Ford and enclosing "...ten (10) cheques payable to the Rob Ford campaign as discussed."
 - 2) Letter dated June 23, 2011 from 'Mike' to 'Doug' stating "*Enclosed please find 10 cheques totaling \$25,000.00 – from the DeGasperis dinner.*"
- 3.97 We placed calls to a number of the individuals that contributed \$2,500 to determine if they have any recollection of attending a DeGasperis dinner. However, we concluded that there was an unreported fundraising event held sometime on or before June 21, 2011 that was hosted by DeGasperis. There is no record of this individual making a contribution to the Ford campaign at any time.
- 3.98 We have no further details regarding this dinner and conclude that DeGasperis made a contribution-in-kind of an indeterminate amount. This amount would also be a campaign expense not subject to the limitation. We were advised by Doug that he and his brother attended the dinner and paid for their meal.

Expenses

Expenses Incurred Prior to Filing Nomination

- 3.99 Ford filed his candidacy for Mayor on March 25, 2010. Subsection 76(1) states that "*An expense shall not be incurred by or on behalf of a person unless he or she is a candidate*" making it an apparent contravention of the Act if campaign expenses were incurred by Ford prior to filing his nomination papers on March 25, 2010.
- 3.100 ***Expenses Related to March 25, 2010 Nomination Filing:*** The Applicants submitted that there were expenses related to the printing of campaign signs and t-shirts and the chartering of a bus which occurred prior to Ford submitting his nomination. The



applicants referenced a *National Post* news article⁹ providing a timeline of the day that Ford filed his candidacy for mayor. They pointed out that Ford supporters had “Ford for Mayor” signs and t-shirts at the Victoria Diner and were bussed to this location ahead of Ford attending City Hall to file his nomination.

- 3.101 Deco Invoice #111639 has an order date of March 24, 2010 for the printing of 500 “Ford for Mayor” signs at a cost of \$2,209.15. Chan advised that these signs were printed on the midnight shift at Deco in the early hours of March 25, 2010.
- 3.102 The Applicants also submitted that “a witness recently disclosed to us that they observed Ford for Mayor signs when they attended the Deco plant weeks before the registration of Mayor Ford’s candidacy.” When asked, the Applicants did not disclose who this witness was. In the absence of any additional information or name we are not able to comment further on this allegation. Chan advised that there are “Team Ford” signs at the Deco plant that were used for previous councillor campaigns and these could have been the signs in question.
- 3.103 The printed t-shirts are also a campaign-related expense that was incurred prior to Ford filing his nomination. Chan said there were approximately fifty (50) t-shirts ordered and printed for the March 25 event and this cost was included in a subsequent and larger t-shirt order that was invoiced to the campaign on April 14, 2010.
- 3.104 We noted an invoice dated April 14, 2010 from Happy Town T-Shirts c/o Partners Promotional Group Inc. For 1000 t-shirts at a total cost of \$4,118.35. Assuming that this is inclusive of the earlier order, we have attributed 55 t-shirts of the order or \$255.94 to the nomination meeting.
- 3.105 Chan confirmed that a bus was chartered for the campaign launch and that it was done so for practical purposes. He said busing supporters was easier and more economical than having people take public transit or paying for parking in downtown Toronto. The bus cost \$840.00 to charter and this was paid for by Deco. Chan provided documentation to show that the amount was charged to the shareholder loan account for Doug at the time and that it had not been reallocated to the campaign to date.
- 3.106 Following our discussions, Chan advised that the expense should have been attributed to the Candidate’s shareholder account and would be re-allocated.
- 3.107 **Payment to Mark Towhey:** The Applicants submitted that the March 31, 2010 payment of \$3,000.00 represented 75% of Mark Towhey’s (“**Towhey**”) regular monthly salary of \$4,000.00 per month and therefore his salary was an expense incurred prior to March 25, 2010.

⁹ National Post. March 25, 2010. *Thursday timeline: Rob Ford launches his campaign for mayor.*



- 3.108 Towhey was paid \$3,000.00 on March 31, 2010, \$5,000.00 on April 30, 2010 and \$4,000.00 for the months of May through October 2010. Towhey issued invoices to the campaign at the end of each month with the description of *"Personal services related to the Rob Ford Campaign."*
- 3.109 Towhey advised that he had agreed upon a contracted amount for his services of approximately \$30,000.00. His first payment served as a retainer and, save for his second payment, the remaining amount of the contract was divided evenly into monthly payments. There was no written contract for Towhey and he advised that he did not commence any of his billable services to the campaign prior to March 25, 2010.
- 3.110 **Payment to Tom Beyer:** The Applicants alleged that Tom Beyer ("**Beyer**") received \$7,000.00 on April 5, 2010 *"with a notation that states 'Month of March' in the column titled 'Period.'"* and therefore Beyer's salary was an expense incurred prior to March 25, 2010.
- 3.111 Review of the contract and invoice issued by Beyer to the campaign disclosed that he had been contracted to the campaign for social media consulting for \$20,000.00. The initial payment of \$7,000.00 was scheduled for March 29, 2010 and was paid to him on April 5, 2010. There were four (4) bi-monthly payments of \$3,250.00 made to Beyer starting May 31, 2010 concluding on October 22, 2010 when the payments had reached the contract total.
- 3.112 Chan advised that this \$7,000.00 payment served as a retainer for Beyer, which was confirmed during our discussions with Beyer. Beyer further advised that he did not commence any work for the campaign until after March 25, 2010.
- 3.113 **Toronto Congress Centre Wine & Cheese:** The Applicants submitted that a "pre-event invoice" dated March 24, 2010 from the Toronto Congress Centre for \$25,379.81 was an expense incurred prior to Ford filing his candidacy. The event was held on March 26, 2010, one day after Ford filed his nomination papers and it was an event held to launch his campaign. Arrangements and bookings were made for this event and Doug signed the agreement on March 24, 2010. The campaign was invoiced on that date and the full payment for the event was made on March 31, 2010, five (5) days after Ford filed his candidacy.
- 3.114 This event was noted in an advertisement that appeared in the *Etobicoke Guardian* on March 25, 2010. The cost was \$1,311.66 and was invoiced to the campaign on March 28, 2010. In our opinion, the details regarding the advertisement would have been pre-arranged prior to the nomination date.
- 3.115 **Momentum BPO Inc:** A letter of intent from Momentum BPO Inc signed March 9, 2010 by Chan was included in the records as a commitment to provide the Ford



campaign with campaign management software. It states that access to software was to be provided to the campaign commencing March 15, 2010 and continuing until October 31, 2010. The payment terms indicate that the first payment of \$2,500.00 was due March 15, 2010 however the first invoice received by the campaign for this service was on March 29, 2010. As at the date Ford filed his nomination, it would appear that there were ten (10) days of usage for this software which, albeit partial, is an expense incurred prior to Ford filing his candidacy.

- 3.116 ***Polling conducted in January 2010:*** The Applicants referred to a *Toronto Star* article¹⁰ dated February 2, 2010 about Ford commissioning a mayoralty poll for three (3) days during January 2010 as support that Ford incurred a campaign expense prior to filing as a candidate.
- 3.117 Chan confirmed that a poll was conducted for the purposes of researching Ford's likelihood of becoming mayor. The poll was completed by Logit Group and cost \$4,200.00 which was paid by Deco and the expense was attributed to Ford's shareholder account.
- 3.118 We do not consider this poll to be a campaign expense. The poll was completed to determine if a campaign for mayor would be worthwhile and was not done to promote Ford as a candidate. His nomination was undecided prior to the poll being commissioned.

Fair Market Value for Products & Services

- 3.119 ***Products & Services from Deco:*** The Applicants submitted that, due to Ford's stake in Deco, his campaign may have received preferential pricing for printing campaign-related material.
- 3.120 We discussed this with Chan and requested a sample of work orders related to both campaign and regular business activities. We reviewed this information and are satisfied that the ensuing campaign invoices were comparable in price and profit mark-up to what Deco granted to its regular customers. Chan added that they were particularly diligent to ensure that all work completed for the Ford campaign was at the same rates charged to all other Deco clients in the event claims were raised that the campaign received preferred pricing. It is our opinion that Deco did not provide preferential pricing to the campaign.
- 3.121 The campaign also rented space from Deco at a total cost of \$7,670 made up of: \$1,000 per month plus GST for April to June 2010; then \$1,000 per month plus HST for the period from July to October 2010. This space served as the main west end campaign office prior to securing an agreement to lease space at 245 Dixon Road in

¹⁰ Toronto Star. February 2, 2010. *Rob Ford commissions own mayoral poll: He's third.*



early May 2010. The campaign continued to utilize the Deco space as required until the end of October 2010.

- 3.122 We spoke with Chan and toured the Deco premises used by the campaign. These premises comprise approximately 1,000 square feet and are located on the second floor of a large industrial building located next door to the main Deco facilities. Chan advised that until 2008 or 2009, this building was rented out to a furniture maker and had sat idle until a portion was used by the campaign. At the present time, most of this office space is still unused although we noted that three (3) small offices now are sparsely furnished and have telephone and computer services. Chan advised that Deco salesmen use these offices from time-to-time.
- 3.123 The space occupied was sub-standard and surplus to the Deco requirements. In our opinion, the rent billed to and paid by the campaign to Deco was at FMV.
- 3.124 **Regular Campaign Offices:** The campaign entered into two (2) lease agreements for campaign offices, as follows:
- 1) 245 Dixon Road, Etobicoke – An agreement was established with Loblaws Inc. to lease approximately 1,909 square feet at a cost of \$1,600 per month plus GST for May and June 2010 and \$1,600 per month plus HST for the period from July to October 2010. The total amount paid, including initial cleaning of the premises, was \$11,514; and
 - 2) 2059 Lawrence Avenue East, Scarborough – An agreement was established with 1095999 Ontario Inc. To lease approximately 1,450 square feet at a cost of \$3,000 per month plus utilities from July to October 2010. The total amount paid was \$13,691.05.
- 3.125 It has been our experience that historically, short term rentals for surplus space are signed at rates often less than 50% of the going market rates. While we have not done any research on the going rates around the Etobicoke and Scarborough locations, we have no reason to question the reasonableness of these arm's length agreements.
- 3.126 **Campaign RV:** The Applicants submitted that the amount charged for an RV used by the campaign through the months of July, August, September and October was below market value. The invoice for the RV was issued by Michael Robertson ("Robertson") of Toronto and he charged the campaign \$400 per month plus HST, for a total cost of \$1,808.00. Ford's counsel advised that the RV was an older model and used as a back drop for events. Large vinyl adhesives were purchased to wrap the RV in campaign-themed branding.



- 3.127 Robertson advised FFP that the RV was a 2001 Ford E450 28-foot vehicle which he purchased for \$4,000.00. He said that he rented the RV to the Ford campaign for the amount it was going to cost him to get brake work completed on it.
- 3.128 FFP questioned whether utilizing a cost recovery approach for determining a rental cost was appropriate method for determining fair market value. However, as there was no current market for the rental of a ten (10) year old RV, FFP considered two (2) approaches, as follows:
- 1) What was the going rate for renting a comparable RV for a similar time period; and
 - 2) What was the relationship between the costs to purchase a 2001 RV as compared to a new 2010 model?
- 3.129 With respect to rentals, our research determined that this was considered a Class C vehicle and that the rental period was considered 'high' season. Taking into consideration the size of the vehicle, our online research yielded a range of several rental costs from a low of \$10,490.78 to a high of \$24,552.00 for a new or nearly new RV.
- 3.130 We were able to locate a number of comparable 2001 and 2010 vehicles for sale online.¹¹ The 2001 RVs were listed from a low of \$12,999 to a high of \$32,995. The 2010 RVs were listed from a low of \$34,995 to a high of \$59,367. The average selling price when considering six (6) RVs from each year was \$22,950 (2001) and \$47,090 (2010).
- 3.131 We then compared the relationship between the current purchase prices for an RV from each year in the following Table:

| Details | 2001 | 2010 | Percentage (2001 to 2010) |
|---------------------------|-----------|-----------|---------------------------|
| Lowest price | \$ 12,999 | \$ 34,995 | 37.1 |
| Highest price | 32,995 | 59,367 | 55.6 |
| Average of six (6) prices | 22,950 | 47,090 | 48.7 |

- 3.132 The specific RV in question had apparently been purchased for less than any RV that we found listed online. As such, we applied the lowest relationship percentage against the lowest rental cost determined for a new or nearly new RV (37.1% of \$10,490.78 = \$3,892.08). In our opinion, this is a reasonable basis for determining the depreciated

¹¹ The source utilized was Camping World located at www.campingworld.com.

rental cost of a 2001 vehicle and results in a contribution in kind and a corresponding expense subject to limitation of \$3,892.

- 3.133 **Venue Expenses:** The Applicants submitted that the campaign may have incurred services at below market value from the Liberty Grand Entertainment Complex and the Capitol Event Theatre as there were discounts shown on each invoice. The event at the Liberty Grand was held on Tuesday June 29, 2010 and the event at the Capitol Event Theatre was held on Thursday August 19, 2010. We contacted both venues and received pricing information from each vendor confirming that the rates charged and discounts applied to the Ford campaign were reasonable and in line with those accorded to other clients.
- 3.134 **Voice Broadcasting Services:** The Applicants submitted that “it is possible that Prime Contact...did not charge fair market value for its services” because the campaign was charged different rates on different invoices. We reviewed the invoices, and determined that two different services were used – Voice Broadcasts and ITR (Interactive Text Response). The invoices also varied from one another in the number of households that were contacted. We received information from Prime Contact pertaining to the two services provided, pricing structures, rates, and the effect call volume has on the rate structure. After reviewing the invoices issued to the Ford campaign, it is evident that it was charged according to the Prime Contact pricing structure in place during 2010.
- 3.135 **Campaign Account Line of Credit:** The campaign received credit facilities from the TD Bank GTA West Commercial Banking Centre at 140 Rexdale Boulevard which is in close proximity to the branch where the campaign bank account was domiciled at the Rexdale Commercial Banking Centre, 2038 Kipling Avenue. This is also where Deco holds their bank accounts.
- 3.136 The first credit amount extended to the campaign was received on July 21, 2010 in the amount of \$100,000.00 with no apparent security attached. This credit limit was increased on September 15, 2010 to \$300,000.00, with \$200,000.00 serving as security for the loan. The credit limit was increased again on October 15, 2010 to \$550,000.00 with \$450,000.00 serving as security for the loan.
- 3.137 The term deposits assigned as security for the latter two credit increases were on deposit with TD Bank at the branch at 2038 Kipling Avenue.
- 3.138 FFP had a number of questions regarding the credit facility and the underlying security and communicated directly with Kamal Patel (“Patel”), the relationship manager from TD Bank in 2010, and currently. Patel confirmed that:
- 1) The Candidate was a personal customer at the branch at the time that the credit facilities were arranged;



- 2) The initial \$100,000 advance was unsecured and that facility was granted based on a financial assessment made of the Candidate;
 - 3) The interest rate in effect was Prime + 3% per annum;¹²
 - 4) Each succeeding increased credit facility replaced the one currently in effect and always had a \$100,000 unsecured portion;
 - 5) There was no change in the interest rate for the increased credit facilities;
 - 6) The Candidate provided the underlying security for the second and third credit facilities, described as follows in the correspondence from the TD Bank; and
 - a) *Assignment of Term Deposits and Credit Balances in the amount of CDN\$200,000 from Rob Ford;*¹³
 - b) *Assignment of Term Deposits and Credit Balances in the amount of CDN\$450,000 from Rob Ford.*¹⁴
 - 7) At no time were personal guarantees put up by the Candidate, members of his family, DFH or Deco.
- 3.139 The second and third credit facilities were only utilized in part, leaving sufficient unused credit room (especially following the third facility) to fully repay the advances received from DFH and Deco. When asked why the campaign account did not pay back the funds to DFH and Deco as soon as the credit facilities were in place in July, September or October 2010, Chan said that they didn't know if they would need the funds for other purposes throughout the campaign.
- 3.140 The campaign received a benefit by not incurring or having to pay interest charges on the amounts owing to DFH and Deco. Had these invoices been paid in a timely manner from the campaign account line of credit, interest charges would have been levied which would be considered campaign expenses.
- 3.141 The interest rate we applied to the late payments was 6% per annum - being equivalent to the interest rate charged by the campaign line of credit with TD Bank (Prime + 3%). The Campaign bank account was drawing on this line of credit throughout the period

¹² Patel confirmed that the bank prime rate in effect then (and now) was 3%. As such, the effective lending rate to the customer was 6% per annum.

¹³ Demand Operating Facility Agreement Amendment dated September 15, 2010 signed by Patel and the District Vice President of TD and addressed to the Robert Ford Campaign.

¹⁴ Demand Operating Facility Agreement Amendment dated October 15, 2010 signed by Patel and the District Vice President of TD and addressed to the Robert Ford Campaign.

that the invoices were outstanding and we have assumed that payment on the invoicing would have resulted in interest expense payable to TD Bank.

- 3.142 We calculated an interest charge based on payment terms of 90 days. The standard payment terms for Deco invoicing is 30 days and we added 60 days to allow for reminders and the goodwill that is often extended by a supplier to a client. DFH invoices did not indicate payment terms. To each invoice we applied a due date 90 days subsequent to the invoice date with the due date rounded up to the nearest future month-end (i.e. due date of June 3, 2010 was rounded up to June 30, 2010).

Excessive Amount Spent on Victory Party

- 3.143 The Applicants submitted that the amount spent on Ford's victory party was excessive. While reviewing invoices and the Supplementary Financial we found a discrepancy with an invoice from Wexler Productions Inc¹⁵ ("**Wexler**") who provided event lighting, sound, A/V broadcast resources for the media and a large media stage on October 25, 2012.
- 3.144 Invoice #7461 dated October 28, 2010 from Wexler shows the total for all services for "Rob Ford – Election Night" was \$71,167.40, including tax. There was a second invoice, #7461C dated October 28, 2010, describing the same services for the same event but the total was \$35,000.00, including tax. Campaign records show \$35,000.00 was paid to Wexler for services for this event.
- 3.145 Bernie Wexler ("**Bernie**") of Wexler Productions advised that Doug thought the invoice for \$71,167.40 was too high and did not want to pay it. The campaign was only willing to pay \$35,000.00. Bernie said that the value of the services they received exceeded the actual amount paid and that he had to write off the difference of \$36,167.40.
- 3.146 During our meeting on January 20, 2013, Doug recalled his discussions with Bernie and was adamant that the expenses initially invoiced were excessive and unreasonable.
- 3.147 Subsection 66(2)(1)(i) of the Act states that "*goods and services used in a person's election campaign...purchased for less than their market value, the difference between the amount paid and market value*" are contributions.
- 3.148 The Provincial Guide states in the section "*Frequently Asked Questions – Contributions*" that "*if suppliers of goods or services are not paid or have agreed not to accept payment, such non-payment will constitute a contribution of a good or service and must be receipted as such.*"

¹⁵ Now operating as WPI Events.

- 3.149 The Municipal Guide states in the section "*Contributions of Goods and Services*" that "*If a supplier of goods or services is not paid or has agreed not to accept payment, the value of the good or service is a contribution and a receipt must be issued...*" We were unable to locate any reference to a disputed invoice.
- 3.150 The expenses not subject to the limit should be increased by \$36,167.40 to reflect the unpaid amount owing to Wexler Productions. While consideration has been given to treat this amount as a contribution-in-kind by the corporation, we have rejected that treatment as the non-payment was involuntary and never meant to be considered as a discount provided by the vendor.

Campaign Expenses Paid from Sources Other than Campaign Account

- 3.151 The Applicants submitted that there were campaign expenses that were paid from sources other than the campaign account and we have found support for these allegations in the campaign records.
- 3.152 DFH paid seven (7) invoices within the first three months of the campaign totalling \$77,722.31. These invoices should have been paid from the campaign account and if sufficient funds were not available at the time payment was required, application should have been made for credit facilities at a financial institution or the Candidate should have funded the expenses.
- 3.153 Although the Act is unclear, we do not consider campaign expenses paid for by credit card, be it the Deco American Express or a campaign worker's Visa, as an apparent contravention of the Act. In all instances where credit cards were used to make campaign purchases, receipts and invoices were submitted and the payee was reimbursed from the campaign account in a timely manner. In audits conducted for other candidates, this has been a common practice as well.

Financial Reporting

- 3.154 The campaign did not include the invoice nor report the expense of the bus chartered on the date Ford filed his nomination.
- 3.155 Two invoices dated January 4, 2011 totalling \$9,957.65 from Deco were reported as expenses subject to the limit on the Supplementary Financial. One was for bumper stickers and the second was for platform cards. These invoices referred to products that were provided during the campaign and should have been reported in the Primary Financial.
- 3.156 As discussed in paragraphs 3.2 to 3.12 and 3.16 to 3.24, no interest was calculated nor reported in the Supplementary Financial for the funds received from DFH and deferred payments to Deco.



- 3.157 The campaign did not properly report three (3) events hosted for fundraising purposes after Election Day. The only amounts reported were contributions at the door when additional details (i.e., expenses, tickets sold, etc) should have been reported.
- 3.158 The campaign did not report the in kind contributions, in the form of known expense payments for the Harbour 60 and BILD events that were received from Steve and Lisa Nikolaou and Golini respectively.
- 3.159 On closer inspection, we have identified multiple invoices reported as expenses subject to the limit that should have been allocated to fundraising. All of these invoices related to advertising or printing for fundraising events or for Ford's victory party. These invoices from Kwik Copy, Deco and TCN totalled \$5,874.80 and related directly to events that we have determined are fundraising in nature.



4 Restrictions and Limitations

- 4.1 This Report was prepared for the City of Toronto in relation to the compliance audit regarding the 2010 Mayoral election campaign finances of Rob Ford requested by the Compliance Audit Committee. This report is not to be used for any other purpose and we specifically disclaim any responsibility for losses or damages incurred through use of this Report for a purpose other than as described in this paragraph.
- 4.2 Although we reserve the right, we will be under no obligation to review and/or revise the contents of this Report in light of information which becomes known to us after the date of this Report.
- 4.3 This Report is respectfully submitted by Bruce Armstrong of FFP and Glen R. Davison. We were assisted in the compliance audit by Ainsley Vaculik and Mark Vandertoorn of FFP.

Yours truly,

Bruce Armstrong, FCA, CFE
Managing Director
Froese Forensic Partners Ltd.

Glen R. Davison, CA, LPA
License #5774

SCHEDULE 1

Rob Ford
Adjustments to the Supplementary Financial Statement
for the period March 25, 2010 to June 30, 2011 incl.

Box C: Statement of Campaign Period Income and Expenses

| | As Filed | Adjustments | | As Adjusted |
|--|---------------------|-----------------|--------------------|---------------------|
| | | Adjustment # | Amount | |
| Income | | | | |
| Contributions from Candidate | \$ - | | - | - |
| All other contributions | 1,942,358.38 | 1, 2, 3, 4, 5, | (3,088.00) | 1,939,270.38 |
| Revenue from fundraising functions | 3,229.79 | 6, 7, 10 | 23,547.00 | 26,776.79 |
| Total Campaign Period Income | 1,945,588.17 | | 20,459.00 | 1,966,047.17 |
| Expenses Subject to Spending Limit | | | | |
| Advertising | 203,153.04 | 4, 5, 8, 11 | 29,471.00 | 232,624.04 |
| Bank Charges | 14,540.03 | | - | 14,540.03 |
| Brochures | 228,700.72 | | - | 228,700.72 |
| Interest on loan | 6,664.05 | 1 | 4,388.00 | 11,052.05 |
| Meeting hosted | 129,028.19 | | - | 129,028.19 |
| Nomination filing fee | 200.00 | | - | 200.00 |
| Office Expenses | 76,293.76 | | - | 76,293.76 |
| Phone and/or Internet | 70,257.19 | | - | 70,257.19 |
| Salaries and benefits/professional fees | 466,131.02 | 10, 12 | 10,643.00 | 476,774.02 |
| Signs | 105,764.74 | | - | 105,764.74 |
| Sub-total | 1,300,732.74 | | 44,502.00 | 1,345,234.74 |
| Expenses Not Subject to Spending Limit | | | | |
| Accounting and Audit | 15,291.36 | | - | 15,291.36 |
| Costs of fund-raising function | 432,721.90 | 6, 7, 8, 10, 11 | (14,773.00) | 417,948.90 |
| Expenses related to compliance audit | 55,327.63 | | - | 55,327.63 |
| Voting day party | 114,206.55 | 9 | 36,167.00 | 150,373.55 |
| Sub-total | 617,547.44 | | 21,394.00 | 638,941.44 |
| Total Campaign Period Expenses | 1,918,280.18 | | 65,896.00 | 1,984,176.18 |
| Excess (Deficiency) of Income over Expenses | \$ 27,307.99 | | (45,437.00) | (18,129.01) |
| Campaign Expenses Subject to Limitation | | | | |
| From Line 1 of BOX B | \$ 1,305,066.65 | | | 1,305,066.65 |
| Expenses previous and as adjusted | 1,300,732.74 | | 44,502.00 | 1,345,234.74 |
| (Over) Under the Limit | \$ 4,333.91 | | (44,502.00) | (40,168.09) |

SCHEDULE 2

Rob Ford
Summary of Money Orders
for the period March 25, 2010 to June 30, 2011 incl.

| Date | Money order # | Amount | Contributor |
|-------------|----------------------|----------------------------------|-----------------------|
| 2010 | | | |
| 13-Oct | 53149776 | \$ 250.00 | Mark Coimbra |
| 13-Oct | 53149777 | 250.00 | Roberta Coimbra |
| 13-Oct | 53149778 | 250.00 | Melinda Coimbra |
| 13-Oct | 53149779 | 250.00 | Andrew Coimbra |
| 13-Oct | 53149780 | 250.00 | Nark Robert Coimbra |
| 13-Oct | 53149781 | 250.00 | Manuel C. Coimbra |
| 13-Oct | 53149782 | 250.00 | Jose Cabral |
| 13-Oct | 53149783 | 500.00 | Mark Booth |
| 13-Oct | 53149784 | 250.00 | Fernando Dutra |
| 13-Oct | 53149785 | 250.00 | Rainford Alcock |
| 13-Oct | 53149786 | 250.00 | Philip Barbosa |
| 13-Oct | 53149787 | 500.00 | Colleen Crawford |
| | Subtotal | <u>3,500.00</u> | |
| 29-Oct | 55260198 | 250.00 | Domenic Mazzone |
| 29-Oct | 55260199 | 100.00 | Jennifer Le Tuyet |
| 29-Oct | 55260200 | 100.00 | Tina Vu |
| 29-Oct | 55260201 | 50.00 | Nhan Dai Nguyen |
| | Subtotal | <u>500.00</u> | |
| 4-Nov | 54030785 | 100.00 | Joseph (Tuyen) Nguyen |
| 4-Nov | 54030786 | 100.00 | Thi My Phuong Nguyen |
| 4-Nov | 54030787 | 100.00 | Tuyet Huynh |
| 4-Nov | 54030788 | 50.00 | Chung Ngon |
| 4-Nov | 54030789 | 50.00 | Anh Hoang Thi Le |
| | Subtotal | <u>400.00</u> | |
| | | \$ <u><u>4,400.00</u></u> | |

APPENDIX A

What the Act & Guide say about Financial Records and Reporting

Re: Rob Ford

What the Act and Guide Say about Contributions

- 1.1 Subsection 66(1) of the Act states that “...*money, goods and services given to and accepted by or on behalf of a person for his or her election campaign are contributions.*”
- 1.2 Item 3 of Subsection 66(2)(1) of the Act states that if “*goods or services used in a person’s election campaign are purchased for less than their market value*” then the difference between amount paid and market value is considered a contribution.
- 1.3 Subsection 66(3) states that “*the value of goods and services provided as a contribution is...if the contributor is not in the business of supplying the goods and services, the lowest amount a business providing similar goods or services charges the general public for them in the same market area at or about the same time.*”
- 1.4 Where a contribution is made or received in contravention of the Act, paragraph 69(1)(m) requires that the contribution be returned to the contributor “*as soon as possible after the candidate becomes aware of the contravention.*” Paragraph 69(1)(n) also requires that a contribution not returned to the contributor be paid to the City Clerk.
- 1.5 Subsection 70(7) of the Act states that a contribution can only be accepted from and made by a person or entity entitled to make one.
- 1.6 Subsection 70(8) of the Act does not permit contributions of cash in excess of \$25 to be either made by contributors or accepted by the candidate.
- 1.7 Subsection 70.1(1) of the Act states that “*the City of Toronto may by by-law prohibit a corporation...or a trade union...from making a contribution to or for any candidate for an office on city council.*” The City of Toronto passed by-law 1177-2009 prohibiting contributions from corporations or trade unions to or for candidates running for an office on Toronto City Council.
- 1.8 As included in Subsection 70.1(5) of the Act, the maximum contribution that can be made to a candidate for the office of mayor of the City of Toronto is \$2,500.00.
- 1.9 Subsection 71(2.1) of the Act does not permit contributions over a total of \$5,000 to two or more candidates for office on the same council.
- 1.10 In the section “Before Election Day” under the heading “Accepting Campaign Contributions” (page 39), the City of Toronto 2010 Municipal Election Candidate’s Guide includes that any contribution over \$25 must be made by cheque, money order or credit card.

What the Act and Guide Say about Expenses

- 1.11 Subsection 67(1) of the Act states that “*costs incurred for goods and services by or on behalf of a person wholly or partly for use in his or her election campaign are expenses*” [underlining added].
- 1.12 Item 2 of Subsection 67(2) states that expenses include “*the value of contributions of goods and services.*” Accordingly, any contribution of goods or services is also a campaign expense of the same amount.
- 1.13 Subsection 67(2.1) states “*for greater certainty, the cost of holding fund-raising functions...does not include costs related to events or activities that are organized for such purposes as promoting public awareness of a candidate and at which the soliciting of contributions is incidental; or promotional materials in which the soliciting of contributions is incidental.*”
- 1.14 Regarding campaign loans, Section 75 states that “*A candidate and his or her spouse may obtain a loan from a bank or other recognized lending institution in Ontario, to be paid directly into the candidate’s campaign account.*” This loan cannot be guaranteed by anyone other than the candidate or his or her spouse.
- 1.15 Expenses can only be incurred by a candidate within his or her campaign period (Subsection 76(2)).
- 1.16 Subsection 76(4) specifies that a candidate’s campaign expenses “*shall not exceed an amount calculated in accordance with the prescribed formula.*”
- 1.12 In the section “Before Election Day” of the City of Toronto 2010 Municipal Election Candidate’s Guide under “Definition of a campaign expense” (page 45), it states: “*Any expense incurred in whole or in part for goods or services for a candidate’s campaign is considered a campaign expense. It includes...any contribution of goods or services during the campaign period.*”

What the Act and Guide Say about Financial Reporting

- 1.17 Subsection 69(1) of the Act, under the heading “Duties of candidate”, requires candidates to:
- 1) Open one or more bank account in the name of the candidate’s election campaign exclusively for the purposes of the election campaign (69(1)(a));
 - 2) Deposit all contributions into campaign bank account(s) (69(1)(b));
 - 3) Make all payments of expenses from the campaign bank account(s) other than the nomination filing fee (69(1)(c));
 - 4) Value all contributions of goods and services (69(1)(d));

- 5) Issue receipts for every contribution (69(1)(e));
 - 6) Keep records of the receipts issued for every contribution, the value of every contribution, whether a contribution is in the form of money, goods or services and the contributor's name and address (69(1)(f));
 - 7) Retain receipts for all expenses (69(1)(g) and (h)) for the term of office of the members of council or until their successors are elected;
 - 8) Make financial filings in accordance with sections 78 and 79.1 (69(1)(k)); and
 - 9) Provide proper direction to those authorized to incur expenses and accept or solicit contributions on behalf of a candidate (69(1)(l)).
- 1.18 Subsection 78(1) of the Act, under the heading "Financial Statement and Auditor's Report", states that *"on or before 2 p.m. on the filing date, a candidate shall file with the clerk with whom the nomination was filed a financial statement and auditor's report, each in the prescribed form, reflecting the candidate's election campaign finances."*
- 1.19 In the section "After Election Day" under the heading "Financial Statement" (page 77), the City of Toronto 2010 Municipal Election Candidate's Guide states that it is the responsibility of the candidate to ensure they file a complete and accurate financial statement on time.
- 1.20 Candidates are required to sign a 'Box F: Declaration' in the Financial Statements. By signing, the candidate *"hereby declare[s] to the best of my knowledge and belief that these financial statements and attached supporting schedules are true and correct."*

What the Act and Guide Say about Offences, Penalties and Enforcement

- 1.21 Subsection 89(h) of the Act states that *"A person is guilty of an offence if he or she furnishes false or misleading information to a person whom this Act authorizes to obtain information."*