



City of Toronto
Compliance Audit
Report
Re: Mayor Rob Ford

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Compliance Report Re: Mayor Rob Ford



Chronology

- **March 25, 2010** – Ford filed for election as Mayor
- **March 24, 2011** – Filed Primary Financial Statement
- **September 29, 2011** – Filed Supplementary Financial Statement for the extended period ended June 30, 2011
- **May 3, 2011** – Applicants (Max Reed & Adam Chaleff-Freudenthaler) submitted request for compliance audit. Supplemental submissions filed May 11, 2011
- **May 13, 2011** – CAC determined that a compliance audit be conducted. Decision appealed by the Candidate
- **November 29, 2011** – Froese Forensic Partners Ltd retained by the City to conduct a number of compliance audits
- **April 2012** – Candidate abandoned appeal process and the compliance audit commenced



Issues Identified by Applicants

1. Campaign expenses paid for by Doug Ford Holdings (DHF) that served as a loan to the campaign;
2. Expenses incurred prior to filing as a candidate;
3. Accepted corporate contributions;
4. Improperly attributed expenses subject to the limit as fundraising expenses which are not subject to the limit;
5. Improperly classified promotional events as fundraising events;

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Issues Identified by Applicants, cont'd

6. Received products and services at below market value;
7. Expenses paid from sources other than the campaign account;
8. Ford campaign accepted contributions from individuals who had contributed over \$5,000 collectively to other Toronto candidates; and
9. Spent an excessive amount on victory party.

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Compliance Audit

- **Objective:** To report any apparent contraventions of the Municipal Elections Act 1996 (“**the Act**”) identified through the course of our audit
- **What was required:**
 - Address issues raised by the Applicant and others identified during the compliance audit process;
 - Reconcile every number on the Financial Statements to supporting details and *vice versa*;
 - Address whether the Financial Statements were prepared in accordance with the Act;
 - Materiality not considered; and
 - Carry-out the procedures summarized in paragraphs 1.8 and 1.9

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Findings – Overall

1. Campaign expenses subject to limitation exceeded the authorized expense limitation by \$40,168. *Apparent contravention of Subsection 76(4)*
2. Multiple findings involving contributions, expenses and financial reporting:
 - Contributions summarized in paragraphs 2.11 to 2.18. *Apparent contraventions of Subsections 66(2)(1)(iii), 67(1), 69(1)(k), 70(8), 70.1 and 75(1) of the Act and City By-Law 1177-2009;*
 - Fundraising considerations summarized in paragraphs 2.19 to 2.22. *Apparent contraventions of Subsections 66(1), 67(1) and 69(1)(d, e and f) of the Act;*
 - Expenses summarized in paragraphs 2.23 to 2.29. *Apparent contraventions of Subsections 67(1), 69(1)(c) and 76(2) of the Act,*
 - Financial reporting as noted throughout the ‘Contributions’ and ‘Expenses’ and in paragraphs 2.30 to 2.34; and
 - Contributions-in-kind and accompanying expenses noted throughout the findings regarding contributions, fundraising, expenses and financial reporting.
3. A number of adjustments summarized in paragraph 2.35 and set out in **Schedule 1** of the Report.



Contributing Factors to the Apparent Contraventions

1. Role played by Doug Ford Holdings (DFH) and Deco Labels & Tags (Deco);
2. Incurring expenses prior to filing date of March 25, 2010;
3. Contributions: Cash, corporate and contributions-in-kind;
4. Campaign events: fundraising vs. promotional; and
5. Attributing expenses to events organized on behalf of the Candidate

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Role played by Doug Ford Holdings (DFH)

- DFH provided financing to the campaign totaling \$77,722.31. Paid for invoices that would otherwise be paid from the campaign account
- Not considered contribution from the Candidate
 - Shared ownership, does not have sole signing authority for bank account
- Not considered a contribution from DFH as the intent to repay existed and was ultimately fulfilled
- Significant delays in securing repayment. Payment received several months after the campaign secured a line of credit with TD
- Interest associated with the borrowed funds considered a contribution-in-kind and an expense subject to the limit of \$3,444.45

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Role played by Deco Labels & Tags (Deco)

- Deco provided deferred payment of invoices totaling \$119,372.06 for products and services
 - Reviewed purchase orders of other Deco clients to ensure fair pricing to campaign
 - Rent paid was considered reasonable
- Other campaign expenses paid (i.e. a staff member's salary, Deco Amex charges) were paid by Deco and reimbursed promptly by the campaign
- Interest associated with the deferred payment invoices considered a contribution-in-kind and expense subject to the limit of \$943.37
- Determined that not all of the staff member's salary was billed to campaign
 - \$11,944.89 was overlooked in error and has been treated by FFP as a contribution-in-kind and an expense
 - Campaign considered her salary as 100% fundraising. We disagreed



Fundraising Criteria

- All campaign events were reported as fundraising expenses, not subject to the limit
- Applied criteria to evaluate campaign-related events:
 1. Ticket sales
 2. Raising funds incidental to the event
 3. Advertising materials for the event
 4. Whether occurred before or after October 25, 2010
 5. Occurred within Etobicoke North, Ward 2 riding
- Resulted in four (4) events being moved from fundraising to promotional with the addition of \$32,421.79 to expenses subject to the limit



Contributions-in-kind

- A number of contributions-in-kind were identified that had not been reported
 - Contributions-in-kind must also be reported as expenses
 - Identified contributions-in-kind that we were not able to value, however all of these were expenses not subject to the limit
- Events organized by individuals outside of the campaign were not, in all cases, reported in the Financial Statements
 - Pre-election events were not reported; Post-election events were reported
 - We concluded that these events were held *on behalf of* Ford and the associated expenses and funds raised should have been reported

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Other Issues Considered

- We do not consider campaign expenses paid by credit card to be an apparent contravention of the Act
 - In all instances expenses were submitted and reimbursed in a timely manner
- Candidate only responsible for ensuring contributions do not exceed \$2,500
- Post-election Harmony Dinner arrangements and financial accounting issues were handled well
- Considered direct mailing and phone canvassing as a fundraising ‘activity’ as defined in the Act.



Applicants' Submission Post-Report

1. FFP should have taken different approach to funds advanced from DFH from those from Deco (paragraph 11)
2. North Etobicoke, Ward 2 geographical distinction is arbitrary (paragraphs 12 to 14)
3. FFP failed to consider contraventions associated with expenses incurred prior to filing nomination (paragraph 15)
4. Wexler Production Inc's discount not treated as a corporate contribution-in-kind (paragraph 16)
5. Accepted campaign assertions and failed to follow-up (paragraph 17)
6. FFP failed to identify all apparent contraventions (paragraph 18)

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In Summary:

1. The campaign team was co-operative and responsive during our compliance audit
2. Given the large number of campaign contributions, expenses, volunteers and hired workers, the campaign documents and financials were well organized
3. Despite the above, we noted a number of errors, omissions and financial reporting issues.