



City of Toronto
Compliance Audit
Report
Re: Peter Li Preti



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> *The Financial Investigators* partners ITd

City of Toronto

Compliance Report Re: Peter Li Preti



Chronology

- **May 3, 2010** – Li Preti filed for election as councillor or Ward 8
- **March 25, 2011** – Filed Financial Statement
- **June 22, 2011** – Applicant, Adam Chaleff-Freudenthaler, submitted request for compliance audit.
- **June 23, 2011** – Applicant, Howard Moscoe, submitted request for compliance audit.
- **July 20, 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
- **January 2013** – Candidate's appeal was dismissed and the compliance audit commenced

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Issues Identified by Applicants

1. Campaign accepted contributions from corporations in violation of Section 70(7) of the Act.

Additional Issues Raised by Howard Moscoe:

1. Campaign event held prior to filing as a candidate;
2. Li Preti paid campaign workers through his businesses;
3. Li Preti provided funds to condo owners in exchange for their support; and
4. Li Preti did not report inventory amounts for campaign signs from previous elections.

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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 Applicants and others identified during the compliance audit process;
 - Reconcile every number on the Financial Statement to supporting details and *vice versa*;
 - Address whether the Financial Statement were prepared in accordance with the Act;
 - Materiality not considered; and
 - Carry-out the procedures summarized in paragraph 1.10.

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Findings – Overall

1. Campaign expenses subject to limitation exceeded the authorized expense limitation by \$2,108. *Apparent contravention of Subsection 76(4) of the Act.*
2. Multiple findings involving contributions, expenses and financial reporting:
 - Contributions summarized in paragraphs 2.6 to 2.13. *Apparent contraventions of Subsections 66((1), 69(1)(l, k and m), 70.1(1), 71.1,75, 78(1) and 79(6) of the Act and City By-Law 1177-2009;*
 - Expenses summarized in paragraphs 2.14 to 2.18. *Apparent contraventions of Subsections 67(1), 67(2)(2), 69(1)(d, g and k) and 78(1) of the Act,*
 - Financial reporting as noted throughout the ‘Contributions’ and ‘Expenses’ sections; and
 - Other issues involving opening and closing inventory considerations. *Apparent contravention of Subsection 78(1) of the Act.*
3. A number of adjustments summarized in paragraph 2.19 and set out in **Schedule 1** of the Report and **Schedule 1(rev.)** attached to the Addendum dated July 25, 2013.



Findings – Contributions

1. Accepted forty-six (46) corporate contributions totalling \$21,000.
 - Cheques should have been returned and a personal cheque written by the principals.
 - *Apparent contraventions of Subsection 70.1(1) of the Act and City By-Law 1177-2009.*
2. Accepted four (4) contributions that exceeded the maximum contribution limit of \$750. Li Preti issued cheques returning the excess contribution, however none of the cheques were negotiated and no further follow-up steps taken.
 - *Apparent contraventions of Subsections 69(1)(m) and 71(1) of the Act.*
3. Timing of reimbursing himself for the \$10,000 contribution made by the Candidate at the outset of the campaign in May 2010.
 - *Apparent contravention of Subsection 79(6).*

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Findings – Contributions (continued)

4. Financial Reporting Issues

- Net amount of excess contributions records in Financial Statement despite failure to cash refund cheques;
- Personal contributions recorded as corporate in the Financial Statement and vice versa;
- Failure to record a cash deposit in the records and incorrect recording of a corporate contribution;
- Failure to record either the \$10,000 contribution *by* or the subsequent refund *to* the Candidate in the Financial Statement;
- Incorrect recording of details surrounding a major fundraising event in the Financial Statement;
- *Apparent financial reporting contraventions of Subsections 69(1)(k) and 78(1) for all and 66(1) and 69(1)(l) for specific items.*

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Discussion Points - Contributions

Contributions from Corporate Entities

- Forty-six (46) corporate contributions totalling \$21,000 were accepted by the campaign. Set out in Schedule 2 to our Report.
- Li Preti advised seeking professional advice on accepting corporate contributions:
 - Advised that if the individual reimbursed the contribution through the corporate loan account, the contribution was acceptable.
- Campaign obviously understood that corporate contributions weren't permitted:
 - Letters to campaign on corporate letterhead advising that the contribution was personal;
 - Notations made on cheque stubs and cheque copies suggesting contributions were personal; and
 - Notation on many cheques "*personal donation verified by W. Yousef*".
- FFP considered and rejected reaching out for 3rd party verification.

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Discussion Points – Contributions (continued)

Contribution from Candidate

- Initial deposit to campaign for \$10,000 on May 20, 2010.
- \$10,000 cheque issued from the campaign account on August 1, 2010 payable to Shoreham Chronic Pain Clinic, a medical clinic owned by Li Preti.
- Li Preti advised was a loan from his medical clinic that he had guaranteed, but could provide no supporting documentation.
- We reached out to his Bank but were advised in writing that we would have to obtain a Court ordered Summons to get further information.
- Considered a contribution and an early reimbursement to the Candidate.
- Non-disclosure of either entry in the Financial Statement an apparent financial reporting contravention.



Findings – Expenses

1. Lack of supporting documentation for multiple campaign expenses.
 - *Apparent contravention of Subsection 69(1)(g).*
2. Values not attributed or reported for goods and services utilized throughout the campaign.
 - *Apparent contraventions of Subsections 67(1), 67(2)(2) and 69(1)(d).*
3. Expenses were either not recorded or were recorded incorrectly in the Financial Statement.
 - *Apparent financial reporting contraventions of Subsections 69(1)(k) and 78(1) of the Act.*

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Discussion Points - Expenses

Lack of Supporting Documentation

- Cheque copies often the only documentary support for expenses.
- When requested, Li Preti was generally able to obtain and provide some additional support.
- Some support received was in the form of receipts seemingly issued from a common receipt book.
- Concern that the information received *post facto* was not provided when we first requested. Question if ever a part of the campaign records.
- Some instances of medical clinic invoices being paid through the campaign and *vice versa*.
- Unable to speak with the campaign internal accountant.
- Plausible explanations received for all 'significant' items.

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Discussion Points – Expenses (continued)

FifthFeb Design & Print Invoices

- One invoice paid by campaign for \$1,607.42 was for unrelated work completed for a Li Preti medical clinic.
- Two invoices for \$1,412.50 issued to campaign; only one paid from campaign account.
- Independent confirmation from supplier that all amounts were paid.

Campaign Office Rent

- Li Preti advised that he used a second storey office in a building that he owned.
- No rent assigned and minimal expenses considered.
- FFP visited the site and obtained a range of commercial real estate lease rates. Mid-range rate applied less credit given for leaseholds paid for by the campaign.

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Discussion Points – Expenses (continued)

Campaign Signs

- \$5,000 invoice from Vince Guccione for campaign signs. Li Preti advised that Guccione refurbished older signs.
- Letter provided from Guccione showing 4,000 signs refurbished + paid \$625 to accept delivery of 500 new signs for the 2010 campaign. FFP follow-up by telephone.
- Determined that Li Preti purchased two different-sized campaign signs that were new for the 2010 campaign.
- We do not accept that the market value of 500 signs of different sizes was \$625.
- Li Preti could provide no further documentation. We have accepted new sign information provided by Howard Moscoe, assumed there were 300 smaller signs and 200 larger signs and determined an overall cost.
- FFP determined that the refurbishing costs totally offset any opening inventory value consideration. Howard Moscoe disagrees as outlined in his submission.

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Additional Applicant Allegations

- Determined that an event was held in advance of filing in the Candidate's riding to gauge likely voter support. No expenses were charged to the campaign and we do not consider this to be a campaign event.
- The campaign paid considerable expenses for campaign workers. Li Preti advised that he did not pay any campaign workers from his medical clinics.
- To the best of his recollection and after reportedly checking his personal business bank records, Li Preti advised he did not provide funds to condo owners in exchange for support.
- The last two allegations were based on rumour only. Had any documentary or sworn evidence been provided, FFP would have considered examining all of the Li Preti personal and corporate records. In the absence of additional information, obtaining and reviewing financial records for medical clinics is beyond the scope of our audit.



In Summary

1. The campaign records were incomplete and below the standard expected for the financial records of an election campaign.
2. Documentation that should have been available at the outset of our audit was either not available or only provided after repeated requests.
3. As a result, in some instances, FFP had to make assumptions or use a best estimate.
4. There were numerous corporate contributions accepted.
5. Despite numerous delays, the Candidate was generally responsive and co-operative.