

Re: EA6.2



City of Toronto
Compliance Audit
Report

Re: Gus Cusimano

February 18, 2016



FROESE FORENSIC
> *The Financial Investigators* partners INC.

City of Toronto

Compliance Report Re: Gus Cusimano



Chronology:

- January 29, 2014 – Gus Cusimano filed for election as Ward 9 Councillor
- March 27, 2015 – Filing of Financial Statement for the period from January 29, 2014 to December 31, 2014
- June 25, 2015 – Applicant (Mr. Anthony Fernando) submitted request for compliance audit
- July 15, 2015 – CAC determined that a compliance audit be conducted
- November 24, 2015 – Froese Forensic Partners Ltd (“**FFP**”) retained to conduct a compliance audit.

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Issue Identified by the Applicant:

- At least six billboards purchased around September and October 2014 promoting Gus Cusimano as Councillor were not recorded in the Financial Statement.

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1. *“Working for You!...A Name you can Trust!”*

- Put up within the boundaries of Ward 9
- Final months of the campaign
- Applicant - not aware of any billboards used by Mr. Cusimano to promote his insurance business at any other time
- Candidate - consistent with his business' previous advertising effort

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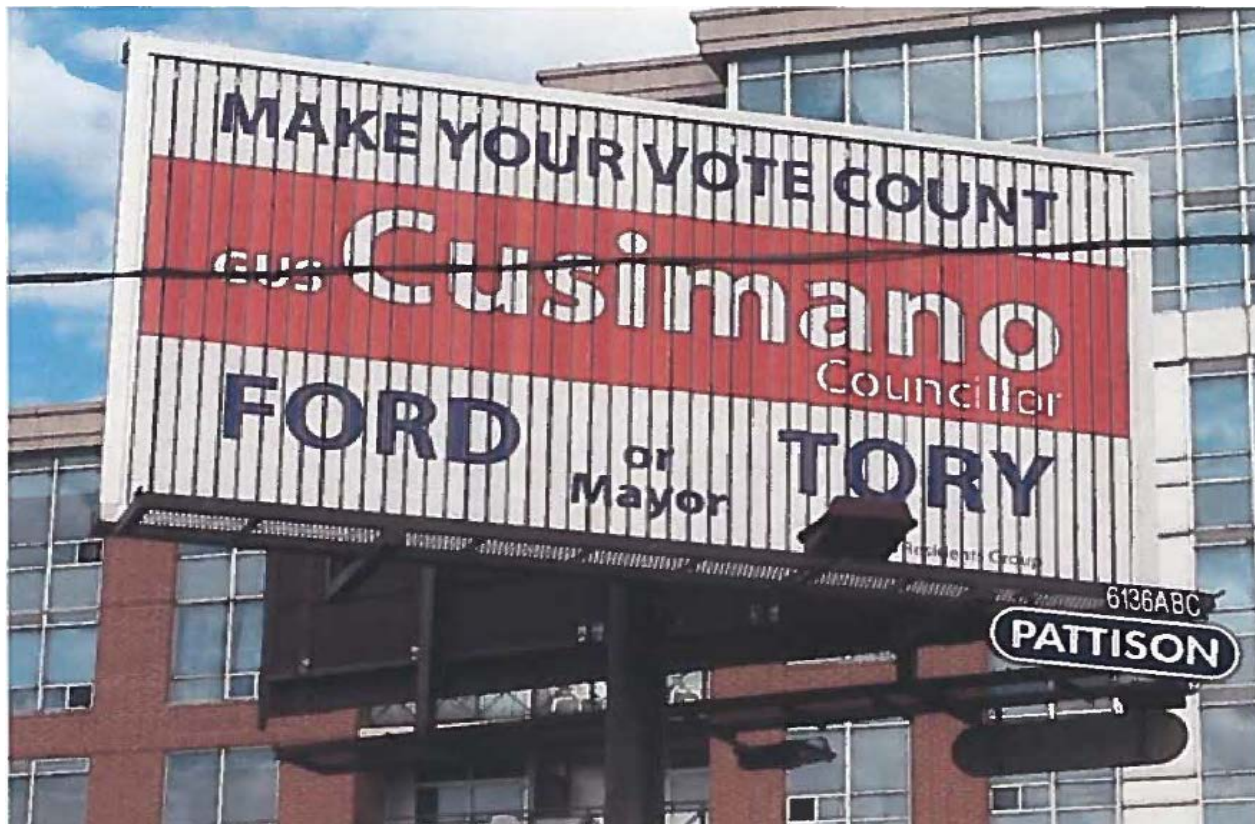


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2. Cusimano / Ford / Tory

- Candidate – third party advertising that Mr. Cusimano had no knowledge of



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Compliance Audit

- Purpose: *“to determine whether the auditee is following specific procedures or rules set down by some higher authority”*(1)
- Address issues raised by the Applicant as well as other matters identified through the compliance audit process
- Reconcile every number on the Financial Statement to supporting details
- Materiality considerations
- Procedures summarized in paragraph 1.12
- Report any apparent contraventions of the Municipal Elections Act

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Findings – Deerborne Insurance Billboards


- Reviewed advertising general ledger account for Deerborne Insurance from August 2008 to December 2015:
 - No billboard advertising until September 2014
 - Pattison Outdoor Advertising from September 22 to November 2, 2014 - \$2,045
 - CBS Outdoor Canada LP from September 29 to October 26, 2014 - \$3,390



Findings – Deerborne Insurance Billboards

- Requested flyers and invoices previously printed by Deerborne Insurance in 2012 to 2014 period:
 - Used same slogan “*Working for You!...A Name you can Trust!*” and similar photo to promote Deerborne Insurance prior to the campaign
- Some election materials used “*Change We Can Trust*” and “*Working for You*”
- Correspondence between Mr. Borrello and CBS:
“*Dufferin s/o Celt, is out of our area*” and “*use ‘Working for you’ and your best judgment, keeping in mind our objective*”

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Working for you !

Gus Cusimano

A Name you can Trust !

Paying too much for Insurance? Prices are dropping

Call Today !
416-223-9000

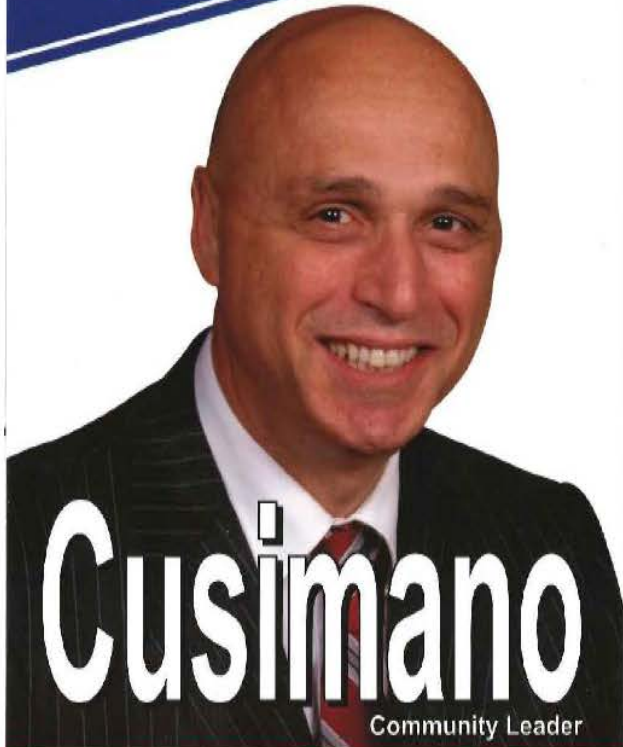
 **Deerborne**
INSURANCE

185 Bridgeland Ave., #200
Toronto, Ont. M6A 1Y7


hablamos español
parliamo italiano

Vote Gus City Councillor
October 27
Ward 9

CHANGE WE CAN
TRUST



- Helping our neighbourhood for years!
- Bringing Fresh Ideas, Respect and Leadership back to Downsview!
- It's time for POSITIVE CHANGE!



Gus Cusimano
Working For You!
416.821.2350
Gus@GusCusimano.com
www.GusCusimano.com

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Findings – Deerborne Insurance Billboards

- Factors considered:
 1. Timing of the billboard advertising
 2. Same slogan and similar picture – consistent with the messaging Deerborne Ins. used in non-election period
 3. Correspondence between Mr. Borrello and CBS - intended to be in the riding, coincide with election period and to have a similar look and message to election flyers – was the “*objective*” to promote Mr. Cusimano’s campaign?
 4. Billboards did not contain any reference to Mr. Cusimano’s election campaign

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Findings – Deerborne Insurance Billboards

- Billboard advertising likely benefit both insurance business and election campaign
- Unable to conclude whether the Deerborne Insurance billboard advertising expense was a campaign expenditure as contemplated by s. 69(1)(d) of the Act, which requires all contributions of goods and services are valued.

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Findings – Third Party Billboards

- Preliminary Interview – Mr. Cusimano indicated he had no knowledge of the billboards placed by Mr. Renato Sannuto
- Mr. Renato Sannuto:
 - Was a volunteer in Gus Cusimano’s 2010 election campaign
 - Spoke with Mr. Borrello, who put him in contact with advertising agent
 - Could not recall details re. providing instructions to advertising agent
 - He paid for the billboard advertising using his company’s credit card

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Findings – Third Party Billboards

- Pattison Outdoor Advertising:
 - Billboard advertising placed under the account of Mr. Renato Sannuto totaled \$1,305.15
 - Paid using a Mastercard under the name of Sergio Borrello
- Mr. Sergio Borrello:
 - He told Mr. Cusimano of his involvement in billboard advertising after our preliminary interview
 - Subsequently acknowledged that he paid for the Cusimano/ Ford / Tory billboard advertising at Pattison Outdoor Advertising while Mr. Sannuto paid for a billboard of CBS Outdoor Canada LP (\$1,130)
 - He and Renato put up advertising as private citizens (not acting as representatives of Mr. Cusimano's campaign)

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Findings – Third Party Billboards

- CBS Outdoor Canada LP:
 - Mr. Borrello placed the advertising orders for both Deerborne Insurance and Cusimano / Ford / Tory billboards at the same time in August 2014
 - CBS account manager sent the contract for Cusimano / Ford / Tory billboards to Mr. Borrello and asked him to arrange for Mr. Sannuto to sign

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Findings – Third Party Billboards

- Mr. Borrello placed the Cusimano / Ford / Tory billboard advertising in August / September 2014 at a time when he was part of Mr. Cusimano’s campaign team (not third party)
- Mr. Borrello was also a member of Mr. Cusimano’s 2010 election campaign team
- Cusimano / Ford / Tory billboard advertising constitutes:
 - ✓ “costs incurred for goods or services by or on behalf of a person wholly or partly for use in his or her election campaign” in accordance with s. 67(1) of the Act; and
 - ✓ “money, goods and services given to and accepted by or on behalf of a person for his or her campaign are contributions” in accordance with s. 66(1) of the Act.



Findings – Third Party Billboards

- Apparent contraventions of the Act by Mr. Borrello in his role on the campaign team:
 - s. 69(1)(d) and s. 69(1)(e) – failure to record the costs of billboards advertising as contributions and expenses
 - s. 69(1)(c) – failure to pay billboard advertising expenses through the campaign bank account
 - s. 69(1)(g), s. 69(1)(k) and s. 78(1) – Failure to keep records of every expense and failure to file the Financial Statement in the prescribed form
 - s. 71(1) – Both Mr. Sannuto and Mr. Borrello contributed an amount in excess of \$750

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Findings – Third Party Billboards

- Apparent contraventions of the Act by Mr. Cusimano:
 - s. 69(1)(l) – failure to provide proper direction to persons who are authorized to incur expenses on behalf of the candidate
- Financial Statement should include additional contributions and advertising expenses of \$2,435

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Findings – Other Issues

1. Expenses Paid to Sergio Borrello:

- \$500 campaign expenses (no third party invoices attached)
- \$750 services rendered for organizing and managing fundraising for the Gus Cusimano campaign

Re. \$500 campaign expenses:

- Apparent contravention of s. 69(1)(g) of the Act – failure to keep records of every campaign expenditure
- Apparent contravention of s. 69(1)(l) of the Act – failure to provide proper direction to persons authorized to incur expenses on behalf of the candidate

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Findings – Other Issues

2. Replacement value of opening inventory:
 - Campaign office sign recorded at \$300
 - Should be reported at current value of \$350, same value as used in the 2010 election campaign's financial statement (barring contradictory evidence)

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Findings – Other Issues

3. Financial Statement:

- Adjustments:
 - i. \$100 refund of nomination fee
 - ii. Deficit carried forward \$89,196
 - iii. Contributions and advertising expenses of \$2,435
 - iv. Contributions by candidate and inventory from previous campaign used in this campaign \$50
- Restated expenses subject to spending limit \$27,426 (below campaign spending limit of \$28,346)