

# Hilborn Ellis Grant LLP

## Chartered Accountants

JOHN P. HILBORN      GARY W. WEDDEL      MARION S. MacDONALD  
P. DOUGLAS HOLT      I. BLAIR MacKENZIE      LISA J. SAUNDERS  
CARMELO LINARDI      KEN HYNES

401 Bay Street, Suite 3100, P.O. Box 49  
Toronto, Ontario M5H 2Y4  
Telephone: 416-364-1359 Fax: 416-364-9503

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May 25 2007

Audit Committee  
City of Toronto  
c/o Ms. Rosemary MacKenzie  
Committee Administrator  
City Clerks Office  
12<sup>th</sup> Floor, West Tower, City Hall  
Toronto, Ontario  
M5H 2N2

re: Auditor General's Office of the City of Toronto (AGO)  
Report on the Results of Applying Specified Auditing Procedures to  
Financial Information Other Than Financial Statements for the Year  
Ended December 31, 2006

To the Audit Committee of the City of Toronto:

This letter has been prepared at the request of the Audit Committee of the City of Toronto to obtain assurance that those expenditures as incurred by the Auditor General's Office of the City of Toronto are in compliance with the applicable policies as set by the City of Toronto.

We have performed the auditing procedures as described below. This agreed-upon procedures engagement was performed in accordance with standards published by The Canadian Institute of Chartered Accountants. The sufficiency of these procedures is solely the responsibility of the addressee of this letter. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this letter has been requested or for any other purpose.

For the purpose of this letter, the financial information to which the auditing procedures were applied was comprised of the City of Toronto SAP report, "Analysis of Actuals by Period for the Year of 2006" for the Auditor General's Office (Cost Centre AU1000 in the SAP system) (the report). The report detailed by cost element the expenditures of the AGO for the 2006 year.

For the above noted report, we performed the procedures set out below.

We requested Internal Audit to confirm the applicability of those City policies, as had been provided to us in the prior year, to each cost element of the report and to indicate other policies (if any) that are applicable.

The policies identified in the prior year are listed below:

- Expense Claim Policy for Staff of the City of Toronto
  - A. Meal Allowance
  - B. Business Meetings
  - C. Professional Membership and Association Fees
- Conferences/Seminars/Business Travel Approval/Advances and Expense Claim Procedures
- Conflict of Interest

City of Toronto  
May 25, 2007

- Lieu Time Policy for Non-union Employees
- Mileage (Reimbursement for use of personal vehicles)
- Training and Development Request Authorization
- Departmental Purchase Order
- Contract Release Order for Blanket Contracts
- Sole Source Request
- Cheque Request/Petty Cash

As a result of this procedure, the following changes were made to the policies listed in the matrix (attached):

- Tuition Fee Reimbursement was added to the schedule
- Long Distance was added to the schedule

Internal Audit identified the estimated number of transactions per cost element, identified the cost elements to be tested and specified the number of transactions to be tested per cost element. All transactions of the payroll cost elements, cost element #4015 (Professional Services - Audit) and IDC cost elements were excluded from the sample to be tested.

We selected the sample of transactions to be tested, and either reviewed those transactions for compliance with the applicable policies of the City of Toronto as defined by Internal Audit or determined that certain policies as defined by Internal Audit were not applicable to the transactions.

As a result of applying the above procedures, we found no exceptions except as described in the paragraph below.

The procedure of reviewing telephone bills (landline and cellular) on a periodic basis for personal long distance calls, detailed in the Long Distance policy, was not performed by the AGO.

It should be understood that we make no representations as to the sufficiency for your purposes of the procedures as described in the preceding paragraphs. Further we have addressed ourselves solely to the report, which we received directly from the Auditor General's Office of the City of Toronto and make no representations as to whether any material items were omitted. Our procedures do not constitute an audit of the report and therefore we express no opinion on the report.

This letter is provided solely for the purpose of assisting the Audit Committee to which it is addressed in discharging their responsibilities and should not be used for any other purpose.

Any use that a third party makes of this letter, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this letter.

Yours very truly,

I.B.MacKenzie\at

*Hilborn Ellis Grant LLP*

City of Toronto - Auditor General's Office  
Policies' Applicability to COT AG - SAP Report / Transaction Testing Matrix  
Year ended December 31, 2006

COST ELEMENTS		POLICIES												2006 YTD \$ Amount per SAP Report	Estimated number of transactions per cost element	Number of transactions tested per cost element	
Cost element #	Cost element name	Expense Claim Policy for Staff of the City of Toronto (Mar. 10, 1998)	Conferences/Seminars/Business Travel Approval/Advances and Expense Claim Procedures (Feb. 16, 2004)	Conflict of Interest (Aug. 4, 2000) Appendix 2 Supplemental Guidelines (Jan. 17, 2005)	Lieu Time Policy for Non-union Employees (Mar. 1, 2000)	Mileage (Reimbursement for use of personal vehicles) and Parking Expense (Oct. 3, 2000 updated March 13, 2006)	Training and development Request Authorization	Tuition Fee Reimbursement (April 13, 1999)	Long Distance Policy (Oct. 2004)	Departmental Purchase Order (Dec 2, 2004)	CRO for Blanket PO (Oct 27, 2004)	Sole Source Request (Jan 25, 2005 updated Nov 13, 2006)	Cheque Request (Jan. 5, 2005)/Petty Cash (Jan. 1, 2004)				
1015	FULL TIME REG PY SAP														2,763,421.73	N/A (1)	N/A (1)
1025	PERMANENT- OVERTIME SAP														4,447.14	N/A (1)	N/A (1)
1050	PERMANENT- VACATION PAY														6,084.43	N/A (1)	N/A (1)
1060	PERM- PERF BONUS														27,897.28	N/A (1)	N/A (1)
1215	P/T- REG PAY SAP															N/A (1)	N/A (1)
1250	PART TIME- VACATION PAY															N/A (1)	N/A (1)
1520	GAPPING															N/A (1)	N/A (1)
1555	SEPARATION - SALARY															N/A (1)	N/A (1)
1711	COMPREHENSIVE MEDICAL															N/A (1)	N/A (1)
1712	DENTAL PLAN														86,161.40	N/A (1)	N/A (1)
1720	LONG TERM DISABILITY														56,442.47	N/A (1)	N/A (1)
1730	GROUP LIFE INSURANCE														51,919.64	N/A (1)	N/A (1)
1740	EMPLOYMENT INSURANCE														19,764.24	N/A (1)	N/A (1)
1745	EI REBATE														26,185.29	N/A (1)	N/A (1)
1750	ONTARIO HEALTH TAX														1,210.29	N/A (1)	N/A (1)
1760	CANADA PENSION PLAN														52,923.80	N/A (1)	N/A (1)
1770	PENSION PLAN (OMERS)														54,387.13	N/A (1)	N/A (1)
1850	BENEFITS TO BE DIST.														232,000.38	N/A (1)	N/A (1)
1970	WCB, MED & PEN															N/A (1)	N/A (1)
1975	WCB ADMIN															N/A (1)	N/A (1)
2010	STATIONERY AND OFFICE SUPPLIES			X									X - n/a (4)		2,196.51	16	3
2020	BOOKS AND MAGAZINES			X					X - n/a (4)				X		749.34	5	2
2025	BOOKS AND MAGAZINES- GST			X					X - n/a (4)				X		1,294.17	7	2
2040	PHOT FAX & PRINT SUPPLIES			X									X - n/a (4)		315.22	1	1
2099	OTHER OFFICE MATERIALS			X					X				X		6,038.79	18	4
2260	GASOLINE	X - n/a (4)		X											2,537.01	6	2
2650	COMP & PRINTER SUPP	X - n/a (4)		X					X						2,580.96	9	2
2660	FOOTWEAR	X - n/a (4)		X											460.54	1	1
2750	FOOD & NON ALCOHOLIC BEV			X									X		91.53	1	0
2999	MISC MATERIALS			X									X - n/a (4)		746.92	15	3
3035	M&E - LABORATORY			X					X - n/a (4)			X - n/a (4)	X - n/a (4)		240.00	1	1
3070	M & E INFO PROCESS			X					X			X - n/a (4)			3,767.48	6	2
3310	FURNISHINGS			X					X - n/a (4)		X - n/a (4)	X - n/a (4)			10,205.65	1	1
3410	COMPUTERS - HARDWARE			X					X				X - n/a (4)		100.00	1	1
4015	PROF SRV - AUDIT														311,236.02	N/A (1)	N/A (1)
4077	REPAIR SERVICES - VEHICLES	X - n/a (4)		X											574.40	2	1
4078	CONSULT- TECHNICAL															N/A (2)	N/A (2)
4205	BUS. TRAVEL - KM	X - n/a (4)	X	X		X									465.06	5	2
4210	BUS. TRAVEL - ACCOM	X - n/a (4)	X	X											3,207.76	3	2
4215	BUS. TRAVEL - AIR TRANS	X - n/a (4)	X	X											2,725.35	8	2
4220	BUS. TRAVEL - GRND TRANS	X - n/a (4)	X	X											1,061.74	12	2
4225	BUS. TRAVEL - PUBLIC TRANS	X	X	X											4.40	1	0
4230	BUS. TRAVEL - OTHER EXP	X - n/a (4)	X	X											1,488.28	14	2
4252	CONF/SEMIN - ACCOM	X - n/a (4)	X	X				X - n/a (4)							2,631.87	10	3
4253	CONF/SEMIN - AIR / RAIL															N/A (2)	N/A (2)
4254	CONF/SEMIN - GRND TRANS	X - n/a (4)	X	X				X - n/a (4)							228.88	3	1
4255	CONF/SEMIN - OTHER EXP	X - n/a (4)	X	X				X - n/a (4)							1,101.85	6	2
4256	CONF/SEMIN - REG FEES	X - n/a (4)	X	X				X - n/a (4)					X		897.95	2	1
4310	TRNG & DEV- EXTERNAL	X - n/a (4)	X - n/a (4)	X				X					X		33,848.52	38	2
4340	TUITION FEES			X				X - n/a (4)	X				X - n/a (4)		515.40	2	2
4414	ADVERTISING AND PROMOTION			X						X - n/a (4)					574.00	1	1
4472	COMP HARDWARE MAIN															N/A (2)	N/A (2)
4474	COMP SOFTWARE AND MAIN			X						X			X - n/a (4)		100.00	1	1
4510	RENTAL OF VEH & EQUIP			X						X - n/a (4)	X - n/a (4)				6,024.84	12	1

City of Toronto - Auditor General's Office

Policies' Applicability to COT AG - SAP Report / Transaction Testing Matrix

Year ended December 31, 2006

COST ELEMENTS		POLICIES												2006 YTD \$ Amount per SAP Report	Estimated number of transactions per cost element	Number of transactions tested per cost element		
		Expense Claim Policy for Staff of the City of Toronto (Mar. 10, 1998)	Conferences/Seminars/Business Travel Approval/Advances and Expense Claim Procedures (Feb. 16, 2004)	Conflict of Interest (Aug. 4, 2000) Appendix 2 Supplemental Guidelines (Jan. 17, 2005)	Lieu Time Policy for Non-union Employees (Mar. 1, 2000)	Mileage (Reimbursement for use of personal vehicles) and Parking Expense (Oct. 3, 2000 updated March 13, 2006)	Training and development Request Authorization	Tuition Fee Reimbursement (April 13, 1999)	Long Distance Policy (Oct. 2004)	Departmental Purchase Order (Dec 2, 2004)	CRO for Blanket PO (Oct 27, 2004)	Sole Source Request (Jan 25, 2005 updated Nov 13, 2006)	Cheque Request (Jan. 5, 2005)/Petty Cash (Jan. 1, 2004)					
Cost element #	Cost element name																	
4555	PAGER/RADIO RENTALS																N/A (2)	N/A (2)
4620	CONTR. SVCS - INTERIOR PLAN	X											X		352.80		1	1
4755	MEAL ALLOW. (NON-TRAVEL)	X	X - n/a (4)	X									X - n/a (4)		186.56		10	2
4760	MEMBERSHIP FEES	X		X									X		14,407.47		35	4
4770	PARKING EXP (IN TOWN)	X - n/a (4)		X				X - n/a (4)							236.40		10	3
4775	METRAGE - OP (IN TOWN)	X - n/a (4)		X				X							1,311.21		12	3
4808	NETWORK CABLING			X						X - n/a (4)					1,396.85		4	2
4810	TELEPHONE			X					X				X - n/a (4)		12,372.65		14	3
4811	CELLULAR TELEPHONE			X					X				X		4,482.79		32	4 - note
4820	BUS. MEETING EXP	X - n/a (4)		X										X	267.90		6	2
4830	PERMIT & LICENSE FEES																N/A (2)	N/A (2)
4993	OTHER SERVICES			X										X	23.54		1	0
4995	OTHER EXPENSES																N/A (2)	N/A (2)
6030	CONTRIB. TO RESERVE FUNDS																N/A (2)	N/A (2)
6031	CONTRIB. TO INS RESERVE FUND														5,278.00		1	0
7020	IDC- TRAINING & DEV														477.00		4	N/A (3)
7025	IDC- POSTAGE & COURIER														140.18		6	N/A (3)
7030	IDC- PRINTING & REP														103.68		3	N/A (3)
7035	IDC- COPYING														1,493.51		14	N/A (3)
7070	IDC- FAC MAINT SVCS														987.37		2	N/A (3)
7075	IDC- CORP. INFO																N/A (3)	N/A (3)
7080	IDC- OTHER SERVICES														225.58		1	N/A (3)
7090	IDC- ADMIN CHARGES																N/A (3)	N/A (3)
7130	IDC- USER HDWE & OP S														21,012.00		6	N/A (3)
7650	INTERDPT. RECOV-POLICE																N/A (3)	N/A (3)
															3,845,611.15			

Legend: N/A (1) - Not applicable as payroll cost element or related to external audit contract payments  
 N/A (2) - Not applicable as cost element balance is nil  
 N/A (3) - Not applicable as IDC cost element  
 N/A (4) - Not applicable based on transactions reviewed  
 Note 2 of the 4 transactions are transactions other than telephone calls