



**Hilborn Ellis Grant LLP**  
**Chartered Accountants**

October 7, 2011

Joseph P. Pennachetti  
City Manager  
Toronto City Hall, 11<sup>th</sup> Floor East  
100 Queen Street West  
Toronto, Ontario M5H 2N2

Re: Ombudsman's Office of the City of Toronto  
Report on the Results of Applying Specified Auditing Procedures to  
Financial Information Other Than Financial Statements for the Year  
Ended December 31, 2010

To the City Manager of the City of Toronto:

This letter has been prepared at the request of Toronto City Council to obtain assurance that expenditures incurred by the Ombudsman's Office of the City of Toronto (OO) are in compliance with the applicable policies and procedures, including appropriate exercise of delegated authorities 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 policies, procedures and delegated authorities is solely the responsibility of the City of Toronto. Consequently, we make no representation regarding the sufficiency of the City of Toronto policies, procedures and delegated authorities described below.

For the purpose of this letter, the financial information to which the auditing procedures were applied was included within the City of Toronto SAP report, "GL Listing of Cost Elements - January - December 2010" for the OO. This report is essentially a General Ledger detailing the transactions that have been posted under the cost elements which in turn comprise the scope of the transactions subject to audit. The report was provided directly to us from by staff of the City Clerk's Office.

To clarify, the Quotation Request identified the following Cost Elements to be tested:

1025 Permanent -Overtime SAP	4010 Prof Srv - Legal
1050 Permanent - Vacation Pay	4078 Cons Svs Tech
2010 Stationery and Office Supplies	4079 Cons Svs IT
2020 Books and Magazines	4089 Cons Svs Mgmt/R&D
2040 Photo Fax & Print Supplies	4091 Cons Svs Ext Lawyers
2099 Other Office Material	4093 Cons Svs Creative Communications
2260 Gasoline	4199 Other Prof/Tech Serv
2650 Comp & Printer Supplies	4205 Bus Trav - KM
2660 Footware	4210 Bus Trav - Accom
2790 Presentation Items	4215 Bus Trav - Air Trans
2999 Misc Materials	4220 Bus Trav - Gr Trans
3070 M & E - Info Process	4225 Bus Trav - Pub Trans
3310 Furnishings	4230 Bus Trav - Other Exp
3410 Computers -hardware	4251 Conf/Semin - KM
3420 Computers - Software	4252 Conf/Semin - Accom



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4253 Conf/Semin - Air/Rail	4755 Meal Allow (Non-Travel)
4254 Conf/Semin - Grd Trans	4760 Membership Fees
4255 Conf/Semin - Other Exp	4770 Parking Expenses (Intown)
4256 Conf/Semin - Regist Fee	4775 Metrage - OP (Intown)
4310 Train/Dev - External	4810 Telephone
4340 Tuition Fees	4811 Cellular Telephones
4414 Advertising & Promotion	4812 Long Distance Phone Calls
4472 Comp Hardware Main	4820 Business Meeting Expenses
4474 Comp Software Main	4822 Receptions & PR
4510 Rental of Veh & Equip	4825 Print & Rep - 3rd party
4515 Rental of Office Eq	4995 Other Expenses
4555 Pager/Radio Rental	4999 Miscellaneous

We were provided directly from the City Clerk's Office, the Policy Applicability Matrix (Matrix) that linked each Cost Element above with the applicable City of Toronto policies and procedures below:

- Expenses Claim Policies as they relate to Meal Allowance, Business meetings and Professional Memberships and Association Fees
- Conferences, Seminars and Business Travel
- Vacation
- Kilometrage Reimbursement for use of Personal Vehicle for City business
- Lieu time
- Tuition Reimbursement
- Blanket Contract Procedures
- Divisional Purchase Orders (DPOs)
- Long Distance Telephone
- Payment Requisition Procedures
- Petty Cash Policy and Procedures
- Purchasing Card (PCard) Program
- Selection and Hiring of Consulting Services
- Sole Source or Non-Competitive Procurement Procedures

To further clarify, the Quotation Request identified the delegated authorities as follows:

- Chapter 71, Financial Control
- Chapter 195, Purchasing
- Chapter 217, Records, Corporate (City)
- Chapter 257, Signing Authority (spending authority set at the level of a Division Head)

Copies of the above City of Toronto policies and procedures and web-links to the City of Toronto related delegated authorities were provided by the City Clerk's Office.

We selected a statistical sample of transactions to be tested based on the number of entries in each Cost Element and examined those transactions for compliance with the applicable policies and procedures of the Matrix, including appropriate exercise of delegated authorities with underlying supporting documents for adherence to the policies, procedures and delegated authorities noted above.



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As a result of applying the above procedures, we found one exception to the adherence to the policies, procedures and delegated authorities as they applied to our test sample as follows:

Vendor Name	Posting Date	Document Date	Amount	Ref Document Number	Reference
4 OFFICE AUTOMATION LTD	1/18/2010	1/18/2010	\$362.45	5000003192	140555JAN10MET
Per follow-up with City Clerk's Office, the back-up for this entry could not be located as the entry was the result of an error by City Clerk's Office staff in the process of a training exercise. A new staff member was participating in a training session and as part of the session recorded this entry. The entry made to demonstrate a training point should have been reversed but was not, nor was it identified for reversal during month end review.					

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 staff of the City Clerk'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 determining compliance with the Section 3-8B of the City of Toronto's Municipal Code 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\pl

*Hilborn Ellis Grant LLP*



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**Appendix**

In compliance with section 6.3 b., the following are items set forth in Appendix 3 of the Quotation Request for the year ended December 31, 2010.

**List of Annual Sole Source Purchasing Activity**

The City Clerk's Office provided us a list of Annual Sole Source Purchasing Activity for the OO as noted below. During our engagement we inquired with Winnie Li, whom corroborated this.

<b>Vendor name</b>	<b>Reason</b>	<b>Approved amount excluding taxes</b>	<b>2010 Expenses incurred</b>
Working Group, The	Proprietary/Trademark/Patent	\$36,000.00 (\$12,000.00 p.a. for 2010 to 2012)	\$16,663.40
Vendor A*	Time Constraint	\$ 6,800.00	\$6,660.00
Fizzz Design Inc	Match existing services	\$ 4,565.00	\$4,565.00
Fizzz Design Inc	Match existing services	\$ 5,400.00	\$5,400.00
Vendor B*	Specialized Services	\$ 20,000.00	\$15,660.00

\* - In compliance with the Municipal Freedom of Information and Protection of Privacy Act, the names of the individuals in connection with the payment amount is considered personal information and therefore, the names have been removed.

**List of Annual Consulting Services Expenditures**

During our engagement, we inquired with the City Clerk's Office on providing a list of Annual Consulting Services Expenditures incurred by the Accountability Offices. The City Clerk's Office noted there were no transactions incurred by the OO.

