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, 2011

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, “Detailed Expense Report for the Year 2011” 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 3030 M&E Office  
1050 Permanent - Vacation Pay 3032 M&E Photographic  
2010 Stationery and Office Supplies 3033 M&E Print & Bind  
2020 Books and Magazines 3050 M&E Kitchen  
2040 Photo Fax & Print Supplies 3070 M & E - Info Process  
2080 Photo & Video Supplies 3310 Furnishings  
2090 Graphic Design Supplies 3410 Computers - hardware  
2099 Other Office Material 3420 Computers - Software  
2260 Gasoline 4010 Prof Srv - Legal  
2570 Janitorial Supplies 4038 Prof & Tech IT  
2610 Kitchen Supplies 4078 Cons Svs Tech  
2650 Comp & Printer Supplies 4079 Cons Svs IT  
2660 Footware 4082 Photo/Video Systems  
2741 Food Cost 4089 Cons Svs Mgmt/R&D  
2790 Presentation Items 4091 Cons Svs Ext Lawyers  
2999 Misc Materials 4093 Cons Svs Creative Communications  
3020 M&E Communications 4118 Tickets  
3199 Other Prof/Tech Serv
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
- Business Expense Policy
- Vacation
- Kilometrage Reimbursement for use of Personal Vehicle for City business
- Lieu time
- Tuition Reimbursement
- Blanket Contract Procedures
- Procedure for using Divisional Purchase Orders (DPOs)
- 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)
May 17, 2012

In addition, the Quotation Request identified the policy framework for the City’s Accountability Officers, codified in the Toronto Municipal Code, Chapter 3, “Accountability Officers”, which reinforces both their arms-length relationship to the City and their independent status within the City’s governance system. As part of the implementation of Chapter 3, Accountability Officers are required to comply with all applicable City-by laws, policies and procedures while maintaining their balance between accountability and independence.

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.

As a result of applying the above procedures, we noted transactions for which the City-by laws, policies and procedures were carried out in an independent manner pursuant to Chapter 3, as documented in Appendix B.

In addition, as a result of applying the above procedures, we noted one exception to the adherence of City-by laws, policies and procedures, as documented in Appendix C.

Except for the item noted above, we found no other exceptions to the adherence to the policies, procedures, and delegated authorities as they applied to our test sample.

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
Appendix A

In compliance with section 6.3 b., of the Quotation Request, the following are items set forth in Appendix 3 for the year ended December 31, 2011.

List of Annual Sole Source Purchasing Activity

The City Clerk's Office provided us a list of Annual Sole Source Purchasing Activity incurred by the OO Office as noted below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Vendor name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Services</td>
<td>Vendor A</td>
<td>$3,000.00</td>
</tr>
<tr>
<td>Expert Opinion on Risk Assessment</td>
<td>Vendor B</td>
<td>$3,000.00*</td>
</tr>
</tbody>
</table>

* Applied specified auditing procedures

List of Annual Consulting Services Expenditures

During our engagement, we inquired with the City Clerk's Office regarding Annual Consulting Services Expenditures incurred by the Accountability Offices. The City Clerk’s Office noted there were no such transactions incurred by the OO.
Appendix B

We noted an instance where the Divisional Purchase Order (DPO) Policy was not complied with. The OO expressed that this was done so the OO would retain their independence as is provided for in Chapter 3.

- The OO posted a Request for Proposal for purposes of retaining a communications consultant/firm during the fiscal year 2010. The office awarded the contract to one of the proponents based on predetermined scoring criteria. The annual contract was not to exceed $30,000 in each of three successive years for a total of $90,000 over the three years of the contract.
- The DPO policy states that ‘contracts exceeding $50,000 multi year requirements should be done through a formal bid process administered by PMMD’.
- The contract referenced above was administered by the OO rather than PMMD. The OO subsequently issued a DPO for $49,000 ($19,000 in 2010 and $30,000 in 2011).
- As per the “Detailed Expense Report for the Year 2011” provided by the City Clerks’ Office, the following are the details of the transactions tested.

<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Posting Date</th>
<th>Document Date</th>
<th>Amount</th>
<th>Ref Document Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pauline Couture &amp; Associates Inc.</td>
<td>03/01/2011</td>
<td>02/10/2011</td>
<td>$9,031.20</td>
<td>5105634857</td>
</tr>
</tbody>
</table>
Appendix C

We noted an instance of non-adherence of the Attendance at Conferences/Seminars and Business Travel for Staff and Councillors Policy to a business travel expenditure incurred during the year.

- The policy provides guidelines for obtaining travel rates/quotes and requires that copies of all quotes be retained as supporting documentation.
- A staff member from the OO travelled outside of the GTA for business purposes by way of an economy airline fare.
- The OO confirmed that the least expensive fare was booked based on a three quote flight comparison performed electronically at the time of booking however the quotes were not retained and as such it is undeterminable whether the lowest fare available was obtained when making business-travel arrangements.
- As per the “Detailed Expense Report for the Year 2011” provided by the City Clerks’ Office, the following are the details of transaction tested.

<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Posting Date</th>
<th>Document Date</th>
<th>Amount</th>
<th>Ref Document Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Jet.</td>
<td>6/22/2011</td>
<td>6/22/2011</td>
<td>$632.91</td>
<td>1000075258</td>
</tr>
</tbody>
</table>