April 29, 2013

Ms. Rosemary MacKenzie  
c/o Toronto City Council -- Audit Committee  
City Clerks' Office  
10th floor, West Tower, City Hall  
100 Queen Street West  
Toronto, Ontario M5H 2N2

Re: Auditor General’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, 2012

To the Audit Committee 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 Auditor General’s Office of the City of Toronto (AGO) 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 2012” for the AGO.  
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 AGO.

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

1025 Permanent - Overtime SAP  
1050 Permanent - Vacation Pay  
2010 Stationery and Office Supplies  
2020 Books and Magazines  
2040 Photo Fax & Print Supplies  
2080 Photo & Video Supplies  
2082 Health and Safety Supplies  
2090 Graphic Design Supplies  
2099 Other Office Material  
2260 Gasoline  
2570 Janitorial Supplies  
2610 Kitchen Supplies  
2650 Computer & Printer Supplies  
2710 General Hardware  
2741 Food Cost  
2790 Presentation Items  
2999 Misc Materials  
3020 M&E Communications  
3030 M&E Office  
3032 M&E Photographic  
3033 M&E Printing & Binding  
3050 M&E Kitchen  
3099 General Equipment  
3310 Furnishings  
3410 Computers - Hardware  
3420 Computers - Software  
4010 Professional Services - Legal  
4038 Professional & Technical Services (IT)  
4078 Cons Svs Tech  
4079 Cons Svs IT  
4082 Photo/Video Systems  
4086 Tech Services - Translations & Interpreters  
4089 Cons Svs Mgmt/R&D  
4091 Cons Svs Ext Lawyers  
4093 Cons Svs Creative Communications  
4118 Tickets  
4130 Process Server Fees  
4132 Conduct Money
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4144</td>
<td>Investigative Expenses</td>
<td>4530</td>
<td>Rental of Property (Other than Office)</td>
</tr>
<tr>
<td>4199</td>
<td>Other Prof/Tech Serv</td>
<td>4555</td>
<td>Pager/Radio Rental</td>
</tr>
<tr>
<td>4205</td>
<td>Bus Trav - KM</td>
<td>4590</td>
<td>Rental-Other</td>
</tr>
<tr>
<td>4210</td>
<td>Bus Trav - Accom</td>
<td>4755</td>
<td>Meal Allow (Non-Travel)</td>
</tr>
<tr>
<td>4215</td>
<td>Bus Trav - Air Trans</td>
<td>4760</td>
<td>Membership Fees</td>
</tr>
<tr>
<td>4220</td>
<td>Bus Trav - Gr Trans</td>
<td>4770</td>
<td>Parking Expenses (Intown)</td>
</tr>
<tr>
<td>4225</td>
<td>Bus Trav - Pub Trans</td>
<td>4775</td>
<td>Metrage - OP (Intown)</td>
</tr>
<tr>
<td>4230</td>
<td>Bus Trav - Other Exp</td>
<td>4805</td>
<td>Postage</td>
</tr>
<tr>
<td>4251</td>
<td>Conf/Semin - KM</td>
<td>4808</td>
<td>Network Equipment, incl. Cabling</td>
</tr>
<tr>
<td>4252</td>
<td>Conf/Semin - Accom</td>
<td>4810</td>
<td>Telephone</td>
</tr>
<tr>
<td>4253</td>
<td>Conf/Semin - Air/Rail</td>
<td>4811</td>
<td>Cellular Telephones</td>
</tr>
<tr>
<td>4254</td>
<td>Conf/Semin - Grd Trans</td>
<td>4812</td>
<td>Long Distance Phone Calls</td>
</tr>
<tr>
<td>4255</td>
<td>Conf/Semin - Other Exp</td>
<td>4813</td>
<td>Internet</td>
</tr>
<tr>
<td>4256</td>
<td>Conf/Semin - Regist Fee</td>
<td>4815</td>
<td>Courier</td>
</tr>
<tr>
<td>4310</td>
<td>Train/Dev - External</td>
<td>4820</td>
<td>Business Meeting Expenses</td>
</tr>
<tr>
<td>4340</td>
<td>Tuition Fees</td>
<td>4822</td>
<td>Receptions &amp; PR</td>
</tr>
<tr>
<td>4414</td>
<td>Advertising &amp; Promotion</td>
<td>4825</td>
<td>Print &amp; Rep - 3rd party</td>
</tr>
<tr>
<td>4416</td>
<td>Transfer, Haul &amp; Storage</td>
<td>4995</td>
<td>Other Expenses</td>
</tr>
<tr>
<td>4424</td>
<td>Contracted Services-General</td>
<td>4999</td>
<td>Miscellaneous</td>
</tr>
<tr>
<td>4452</td>
<td>Transportation - Taxis</td>
<td>6031</td>
<td>Contribution Insurance Reserve Fund</td>
</tr>
<tr>
<td>4465</td>
<td>Contracted Services - Monitoring System</td>
<td>7025</td>
<td>IDC - Postage &amp; Courier</td>
</tr>
<tr>
<td>4472</td>
<td>Comp Hardware Main</td>
<td>7030</td>
<td>IDC - Printing &amp; Rep</td>
</tr>
<tr>
<td>4474</td>
<td>Comp Software Main</td>
<td>7035</td>
<td>IDC - Copying</td>
</tr>
<tr>
<td>4510</td>
<td>Rental of Veh &amp; Equip</td>
<td>7130</td>
<td>IDC - User HDWE &amp; OPS</td>
</tr>
<tr>
<td>4515</td>
<td>Rental of Office Equip</td>
<td>7170</td>
<td>IDC - Parks &amp; Services</td>
</tr>
</tbody>
</table>

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:

- Business Expense Policy
- Vacation
- Kilometrage Reimbursement for use of Personal Vehicle for City business
- Lieu time
- Training and Development
- Attendance Management
- Leave without pay
- Tuition Assistance 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
- Using an Established Roster to Obtain Professional, Consultant or Other Services

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)
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 found no 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 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 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\mam
Appendix

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, 2012.

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 Accountability Office noted below. During our engagement we inquired with the Audit Manager of the AGO and the Auditor General, who corroborated this and further noted that one third of these fees was recovered from the City Managers IA division.

<table>
<thead>
<tr>
<th>Description</th>
<th>Vendor name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACL annual license renewal</td>
<td>ACL</td>
<td>$3,700.00*</td>
</tr>
<tr>
<td>ACL annual license renewal</td>
<td>ACL</td>
<td>$23.40</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 AGO.