



City of Toronto
Compliance Audit
Report
Re: Giorgio Mammoliti



FROESE FORENSIC
> *The Financial Investigators* partners ltd

City of Toronto

Compliance Report Re: Giorgio Mammoliti



Chronology:

- **July 9, 2010** – Mammoliti withdrew from Mayoral campaign and filed for election as Councillor for Ward 7
- **March 25, 2011** – Filed Primary Financial Statement
- **September 29, 2011** – Filed Supplementary Financial Statement for the extended period ended June 30, 2011
- **December 28, 2011** – Applicant (David DePoe) submitted request for compliance audit. Supplemental submission filed in early January 2012
- **January 27, 2012** – CAC determined that a compliance audit be conducted. Decision appealed but abandoned on **May 18, 2012**
- **July 4, 2012** – Froese Forensic Partners Ltd retained to conduct a compliance audit.

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Issues Identified by Applicant:

1. Failure to report costs for office space used at 2958 Islington Avenue;
2. Invoices included in Mammoliti's reporting exceeded the expense totals reported in the Financial Statements;
3. The overall campaign spending limit was exceeded when the additional expenses are included; and
4. Mammoliti improperly accepted a \$1,250 donation and failed to keep adequate records of other contributions.

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Compliance Audit

- **Objective:** To report any apparent contraventions of the Municipal Elections Act 1996 (“**the Act**”) identified through the course of our audit

- **What was required:**
 - Address issues raised by the Applicant and others identified during the compliance audit process;
 - Reconcile every number on the Financial Statements to supporting details and *vice versa*;
 - Address whether the Financial Statements were prepared in accordance with the Act;
 - Materiality not considered; and
 - Carry-out the procedures summarized in paragraph 1.11

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Findings – Overall

1. Campaign expenses subject to limitation exceeded the authorized expense limitation by \$12,065. *Apparent contravention of Subsection 76(4)*
2. Multiple findings involving contributions, expenses and financial reporting:
 - Contributions summarized in paragraphs 2.14 to 2.18. *Apparent contraventions of Subsections 69(1)(k), 70(8), 71(1) and 78(2) of the Act,*
 - Expenses summarized in paragraphs 2.20 to 2.30. *Apparent contraventions of Subsections 66(2)(1)(iii), 67(1), 69(1)(g and k), 78(1), 78(2) and possibly 70.1(1) of the Act,*
 - Financial reporting as noted throughout the ‘Contributions’ and ‘Expenses’ and in paragraphs 2.32 to 2.34.
3. A number of adjustments summarized in paragraph 2.31 and set out in **Schedule 1** of the Report.

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Note: Adjustments are detailed in para 2.31

Expenses Subject to Spending Limit		As Filed	Adjustment #	Amount	As Adjusted
Advertising	\$	4,919.23	5, 11, 12	4,499.00	9,418.23
Bank Charges		192.71		-	192.71
Brochures		832.07		-	832.07
Meeting hosted		840.70		-	840.70
Nomination filing fee		100.00		-	100.00
Office Expenses		5,705.06	4, 15	4,353.00	10,058.06
Phone and/or Internet		1,349.32	6, 7, 8, 9, 10, 13, 14	4,830.00	6,179.32
Signs		11,909.00		-	11,909.00
Sub-total	\$	25,848.09		13,682.00	39,530.09

Campaign Expenses Subject to Limitation					
From Line 1 of BOX B	\$	27,464.65			27,464.65
Expenses previous and as adjusted		25,848.09		13,682.00	39,530.09
(Over) Under the Limit	\$	1,616.56		(13,682.00)	(12,065.44)

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Contribution Revenues and Expenses not Subject to Limit

	As Filed	Adjustment #	Amount	As Adjusted
Income				
Contributions from candidate	\$ -	1	750.00	750.00
All other contributions	86,585.00	1, 2, 3	(3,210.00)	83,375.00
Other	100.00	4	768.00	868.00
Total Campaign Period Income	\$ 86,685.00		(1,692.00)	84,993.00

Expenses Not Subject to Spending Limit	As Filed	Adjustment #	Amount	As Adjusted
Accounting and Audit	\$ 4,181.00		-	4,181.00
Costs of fund-raising function	33,539.62	5, 10, 14	608.00	34,147.62
Expenses related to compliance audit	10,801.21		-	10,801.21
Other	3,202.44	5, 7, 8	(1,298.00)	1,904.44
Total – expenses not subject to limit	\$ 51,724.27		(690.00)	51,034.27

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Contributing factors to the apparent contraventions:

1. Complexity of the records that should have been maintained;
2. Lack of any on-site accounting expertise; and
3. Consequences of having to defer to outside expertise.



Complexity of the records to be maintained

- There is a sound reason for requiring that a Candidate run his/her campaign using bank account(s) specified for that purpose. *Subsection 69(1)(a)*.

Issues that would have improved if consistent procedures had been followed

1. Mayoral campaign followed by Councillor campaign;
2. Many common expenses that required splitting;
3. Simultaneous fundraising efforts, post-election;
4. Extensive use of Mammoliti's AMEX card; and
5. Suncor credit card available for campaign workers.



Lack of any on-site accounting expertise:

1. Campaign auditor provided periodic consulting assistance during the campaign and a standard set of working papers to be filled out
2. Campaign team unable to fill out these working papers beyond recording debits and credits – much like a glorified bank book
3. Campaign accounting records were simply two (2) sets of banking records – not accounting working papers
4. Many entries required additional consideration
 - Identifying of expenses;
 - Expenses common to both campaigns;
 - Procedures for identifying and reimbursing campaign expenses on AMEX card;
 - Allocating amounts expensed through the Suncor credit card; and
 - Summarizing transactions for purposes of preparing the Financial Statements

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Consequences of having to defer to outside expertise:

1. Need for regular assistance
2. Delay in ability to get the required assistance/expertise
3. Questionable in-house accounting decisions made:
 - Expenses paid for out of account that had \$\$ in it;
 - Failure to identify all campaign expenses on AMEX card;
 - Failure to have any means of allocating expenses from Suncor credit card;
 - Failure to reimburse Mammoliti for AMEX expenses on a 1:1 basis;
 - No evidence of reconciliations of bank accounts or expense allocations

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● Consequences of having to defer to outside expertise, cont'd:

4. Campaign auditor had to step out of his role and act as both accountant and auditor at the timing of each deadline filing date;
5. Many examples of information in the Financial Statements not corresponding to the accounting records and *vice versa*; and
6. Lack of a meaningful audit trail

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Other issues for consideration

- Considered that Subsection 69(1)(c) of the Act stipulates that “*all payments for expenses, except for a nomination filing fee, are made from campaign accounts*”
- Recognized that vendors/suppliers often require campaigns to pay with credit card, cash, or certified cheques before filling the order
- Considered if it was the intent to reimburse the credit-card holder promptly
- **FFP considered the consequences rather than the act** of apparently contravening Subsection 69(1)(c)
- This is generally consistent with the treatment given for other candidates that we have audited

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 **Other issues for consideration, cont'd**

- Letter dated September 20, 2011 from the Candidate to Bernard Nayman, CA:

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September 20, 2011

Bernard Nayman
1110 Finch Ave West
Suite 710
Downsview, Ontario
M3J 2T2

Bernie,

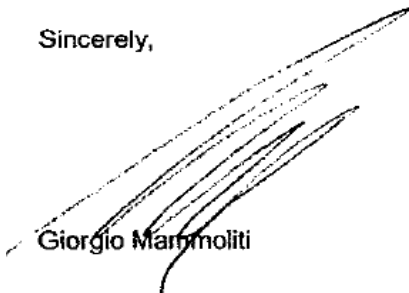
Please be aware that all payments in 2011 amounting to \$7984.00 were expenses incurred for the satellite office on Islington Ave, while a candidate for Mayor, which were paid on my credit card.

Subsequently in 2011 since there was no money in the Mayoral account, these items were paid back to me by the Councillor account.

Therefore, they represent an election expense for the Mayoral candidacy.

Should you have any questions, please free to contact me at 416-520-9960.

Sincerely,



Giorgio Mammoliti

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Other issues for consideration, cont'd

- Possible composition of \$7,984 re-allocation:

Reference	Description	Amount
2.28(g)	Stitch to Work – Jackets	3,390.00
2.30	Journal Entry Made – No support or duplication	2,635.00
3.36	Rent paid by Mayoral Campaign for Oct/10	<u>1,356.00</u>
		7,381.00
	Unexplained Difference	<u>603.00</u>
		<u>7,984.00</u>

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In Summary:

1. The campaign team was co-operative during our compliance audit
2. There were delays in receiving requested information, including from the campaign auditor
3. They were unable to answer many of our questions
4. Many mistakes were made and apparent contraventions of the Act were a consequence