

# City of Toronto: Video Conference Meeting of the Compliance Audit Committee

**MNP**

## Election Compliance Audit Candidate Jim Karygiannis

Presented by:

MNP LLP

Date: December 1, 2021



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# Scope of Work

- MNP LLP was retained by the City of Toronto to provide a compliance audit in connection with the Jim Karygiannis' (the "Candidate") Councillor campaign for the 2018 Toronto Municipal Elections.
- As per section 88.33(10) of the Ontario Municipal Elections Act, we were asked to prepare an Elections Compliance Audit Report. Our role as compliance auditors is outlined in the Act under section 88.33(12):

## *Duty of auditor*

- The auditor shall promptly conduct an audit of the candidate's election campaign finances to determine whether he or she has complied with the provisions of this Act relating to election campaign finances and shall prepare a report outlining any apparent contravention by the candidate. 2016, c. 15, s. 63.

# Methodology

## Compliance Audit Procedures

To reach the conclusions set in the Elections Compliance Audit Report, we undertook the following key compliance audit procedures:

- We reviewed:
  - The Applications for a Compliance Audit received by the City:
    - Adam Chaleff's Application for Compliance Audit; and
    - Roland Lin's Application for Compliance Audit.
  - The campaign financial statements submitted by the Candidate.
  - The relevant sections of the Act.
  - The invoices provided to us.
- We prepared information requests and performed analysis of the information received.
- We obtained the relevant bank statements and supporting documentation and subsequently reviewed and/or analyzed the statements received.
- We conducted research.

# Methodology, continued

## Compliance Audit Procedures

We conducted interviews with the following individuals:

- The Applicants:
  - Adam Chaleff
  - Roland Lin
- The Candidate (conducted under subsection **88.33(15)** of the Municipal Elections Act, 1996 and section **33** of the Public Inquiries Act, 2009. Whereby the interview was covered by subsections **33(6) and (7)** of the Public Inquiries Act, 2009 (and, as applicable, the Ontario Evidence Act and the Canada Evidence Act).
- The following individuals involved in the Candidates' Campaign:
  - Ms. Margot Doey-Vick
  - Mr. Ting Wai Leung
  - Ms. Yaraan Hayas
  - Mr. Kevin Haynes
  - Ms. Gwen Mackay
- The Candidates' Campaign Financial Statements Auditor, Mr. Henderson Tse

# Methodology, continued

## Issues During Compliance Audit Procedures

We encountered the following issues during our investigation:

- Delays encountered in obtaining information from the Candidate and an interview with Candidate.
- Delays in obtaining replies to information requests.
- Delays in obtaining replies to speak with the auditor.
- Denial of request to interview Mr. Ken Froese, or obtain additional information from Mr. Froese other than some questions for which legal counsel requested as written questions and significantly refused a response due to the Candidates' counsel claiming Privilege.
- Denial of request for a 2<sup>nd</sup> discussion with the auditor, Mr. Henderson Tse, due to the Candidates' counsel claiming Privilege with regards to that request and the auditor directing us to Mr Karygiannis' legal counsel for information requests or a 2<sup>nd</sup> interview.

# Background – Key Dates

The following are some of the key dates related to the 2018 City of Toronto municipal election:

- On **May 1, 2018**, the registration for candidates for Councillor opened for the 2018 City of Toronto municipal election.
- Per section 88.24(1) of the Act, the campaign period begins on the day in which the clerk receives a nomination and ends on December 31, 2018 (the “Campaign”).
- On **October 22, 2018**, the Candidate was re-elected as a member of the Toronto City Council for Ward 22 (Scarborough-Agincourt).
- On **December 21, 2018**, the Candidate hosted a dinner party at the restaurant Santorini Grill.
- **March 27, 2019**, the Candidate submitted his election campaign financial statements for the period May 1, 2018 to December 31, 2018 and attested that he believed they were prepared to the best of his knowledge and that the Initial Financial Statements and supporting schedules submitted were true and correct.
- On **June 4, 2019**, Mr. Adam Chaleff filed an application for a compliance audit relating to the Candidate election campaign.

# Background – Key Dates, continued

- On **June 25, 2019**, Mr. Roland Lin filed an application for a compliance audit relating to the Candidates' election campaign.
- On **July 2, 2019**, a meeting was held by the City of Toronto's Compliance Audit Committee to consider Mr. Adam Chaleff's application for a Compliance Audit, which the City received in June 2019 regarding the Candidates' Campaign finances. During the meeting, the Audit Committee decided to request the production of a Compliance Audit Report.
- On **July 24, 2019**, a meeting was held by the City of Toronto's Compliance Audit Committee to consider Mr. Roland Lin's application for a Compliance Audit, that the City received in June 2019 regarding the Candidates' Campaign finances. During the meeting, the Audit Committee decided to request the production of a Compliance Audit Report.
- On **October 28, 2019**, Mr. Karygiannis submitted his election campaign Supplementary Financial Statements for the period May 1, 2018 to July 2, 2019 and attested that he believed they were, to the best of his knowledge, accurate and that the Supplementary Financial Statements and supporting schedules submitted were true and correct.



# Summary of Key Findings – Mr. Adam Chaleff

## Summary of allegations against candidate and results of Compliance Audit:

Ref	Applicant's Concerns	Results of Compliance Audit
1	The Candidate exceeded the General Spending Limit.	<ul style="list-style-type: none"> <li>The Candidates' expenses were below spending limit.</li> </ul>
2	The Candidate paid "honoraria" to supporters totaling \$81,000 and classified these payments as having been incurred after voting date (exempt from the General Spending Limit).	<ul style="list-style-type: none"> <li>Appears that \$43,000 of the honoraria expense may be in violation of <b>Section 88.22(1)(c)</b>.</li> </ul>
3	The Candidate misclassified expenses of \$13,611.36 for mailing promotional material.	<ul style="list-style-type: none"> <li>Brochure correctly recorded under cost of fundraising events/activities.</li> </ul>
4	The Candidate misclassified a voter appreciation event as a fundraising event to circumvent the Voter Appreciation Spending Limit. The "fundraising event" was held on December 21, 2018 which is two months after voting date.	<ul style="list-style-type: none"> <li>Supplementary Financial Statements, dated October 26, 2019, listed this as expenses related to spending limit for parties and other expressions of appreciation, amounts over the spending limit / violation of <b>Section 88.20(9)</b>.</li> </ul>



# Summary of Key Findings – Mr. Roland Lin

## Summary of allegations against candidate and results of Compliance Audit:

Ref	Applicant's Concerns	Results of Compliance Audit
1	The Candidate's financial statement was incomplete as it did not disclose the dates of all the contributions.	<ul style="list-style-type: none"> <li>The Act does not mention that contribution dates are required to be kept by the candidate.</li> </ul>
2	Although 339 records of contributions were found in the EFFS, Mr. Roland Lin questions whether they were filed before the deadline.	<ul style="list-style-type: none"> <li>Contributions can be received after voting day up until December 31, which is the end of the campaign period.</li> </ul>
3	Mr. Roland Lin found 339 records of which 32 records were missing for contributions not exceeding \$100.	<ul style="list-style-type: none"> <li>List of contributions received with financial statements agreed with the amount reported on Financial Statements.</li> </ul>
4	The Financial Statements indicated a loan from Scotia Bank yet there was no amount borrowed and no interest charged on loan until or after voting day.	<ul style="list-style-type: none"> <li>It does not appear that the Campaign received a loan from Scotiabank.</li> </ul>

# Summary of Key Findings – Mr. Roland Lin

## Summary of allegations against candidate and results of Compliance Audit:

Ref	Applicant's Concerns	Results of Compliance Audit
5	Financial Statements showed that there was a fundraising event on September 9, 2018. There were no tickets/admission charge, only expenses of \$20,176.36.	<ul style="list-style-type: none"> <li>• Included that the BBQ event held on September 9, 2018 was a dual purposed, so also appeared to have a fundraising component based on section <b>88.19(4)(b)</b> of the Act and the 2018 Candidates' Guide.</li> </ul>
6	There were no expenses of salaries, benefits, honoraria, professional fees incurred until voting day, but \$81,000 expenses after the voting day.	<ul style="list-style-type: none"> <li>• Appears that \$43,000 of the honoraria expense may be in violation of <b>Section 88.22(1)(c)</b>.</li> </ul>
7	The Financial Statements also indicated a payment of \$5,000 to a Church, Living Stone Assembly, as a victory party expense. There was no receipt of party expenses to verify how many people attended, where the party was held and when.	<ul style="list-style-type: none"> <li>• The \$5,000 expense was misclassified in the Initial Financial Statements as an expense not subject to spending limits. However, the \$5,000 expense was corrected by the Candidate and classified as an expense subject to the \$6,120.80 spending limit for parties and other expressions of appreciation in the Supplementary Financial Statements.</li> </ul>

# Summary of Key Findings – Mr. Roland Lin

## Summary of allegations against candidate and results of Compliance Audit:

Ref	Applicant's Concerns	Results of Compliance Audit
8	The goods purchased from tri-tech Office Solutions dated March 12, 2018 may not be for the campaign office, but for the Candidates' new office.	<ul style="list-style-type: none"> <li>• Tri-tech office Solutions invoice #46221A in the amount of \$868 does appear to relate to the Candidates' campaign and thus correctly accounted for as a campaign expense.</li> </ul>
9	Mr. Roland Lin had restored the Candidate's contributions by his team's bookkeeping order. Based on the order, Mr. Roland Lin believes that all the contributions were received before or on the voting day. Only certain credit card contributions of \$46,750 were processed and the funds were received after the voting day.	<ul style="list-style-type: none"> <li>• Contributions can be received after voting day up until December 31, which is the end of the campaign period.</li> </ul>
10	Mr. Roland Lin sorted the contributions by date contribution received and found that most of the contributions had been processed by November 12, 2018.	<ul style="list-style-type: none"> <li>• Contributions can be received after voting day up until December 31, which is the end of the campaign period.</li> </ul>

# Summary of Key Findings – Mr. Roland Lin

## Summary of allegations against candidate and results of Compliance Audit:

Ref	Applicant's Concerns	Results of Compliance Audit
11	The last contributions of \$3,300 were received on November 26, 2018 and Mr. Roland Lin believes there was no need of another fundraising event.	<ul style="list-style-type: none"><li>Based on the Act, the fundraising event held after voting day was acceptable based on section <b>88.10(2)</b> of the Act.</li></ul>
12	Mr. Lin questions whether there was an event on December 21, 2018 and if one did exist, that it was a "fund-spending event" rather than a "fund-raising one".	<ul style="list-style-type: none"><li>We have considered the Santorini Grill event and the related \$27,083.50 of expenses to be subject to the \$6,120.80 spending limit for Parties and other expressions of appreciation. Therefore, the amounts related to this event would be over such spending limit of \$6,120.80 and thus in violation of <b>Section 88.20(9)</b> of the Act.</li></ul>

# Summary of Key Findings – Mr. Roland Lin

## Summary of allegations against candidate and results of Compliance Audit:

Ref	Applicant's Concerns	Results of Compliance Audit
13	<p>There were 2,000 copies of invitations/letterhead Fund-raising/promotional envelopes printed. That would mean that about 2,000 people were invited to Event 2: Santorini Grill where it can accommodate up to 160 guests. \$21,300 was paid to Campaign Support Ltd and Margot Doey-Vick to plan such an event. There were no ticket or admission charge, only expenses of \$27,083.50.</p>	<ul style="list-style-type: none"><li>• We have considered the Santorini Grill event and the related \$27,083.50 of expenses to be subject to the \$6,120.80 spending limit for Parties and other expressions of appreciation, and as reclassified by the Candidate on his Supplementary Financial Statement. It follows, that the amounts related to this event would be over such spending limit of \$6,120.80 and thus in violation of <b>Section 88.20(9) of the Act</b>.</li></ul>