

**City of Toronto
Compliance Audit Report
Re: Faith Goldy**

Election held October 22, 2018

Chronology

- July 27, 2018 – Goldy filed for election as Mayor
- April 1, 2019 – Applicant Evan Balgord submitted request for compliance audit
- April 29, 2019 – Goldy filed audited Form 4 Financial Statement
- April 29, 2019 – Compliance Audit Committee determined that a compliance audit be conducted
- July 24, 2019 – William Molson CPA retained by the City to conduct a compliance audit
- January 13, 2022 – Compliance report submitted

Compliance Audit

- Objective: To report any apparent contraventions of the Municipal Elections Act 1996 ("the Act") identified in the course of my audit
- Procedures included:
 - Review of Form 4 Financial Statement as filed
 - Reconciled every number on the Financial Statement to auditor's file
 - Reconciled Financial Statement to expense support provided to the City for purposes of contribution rebate program
 - Review of Applicant's request for compliance audit
 - Review of certain personal bank account records
 - Examination of the Candidate
 - Ongoing discussion with outside counsel
 - Review of publicly available information

Compliance Audit (cont'd)

- Timing

- The Act at 88.33 sets out a number of strict time constraints, none of which applies to the time required for the completion of a compliance audit
- 94.2(1) does not permit a prosecution under the Act to commence after November 15, 2022
- 88.33(12) sets out a less strict duty for the auditor to "promptly conduct an audit"
- Timing of report primarily influenced by Candidate's lack of cooperation. Specific information requested as early as February 2020 was responded to in part only in December 2021
- Candidate did not cooperate in responding to repeat requests for information
- Legal mechanisms to promote response to summonses issued not readily available due to Covid

Overall Findings

- 4.1 Under-reported campaign period expenses by \$86,398.49
- 4.2 Under-reported campaign period contributions by \$56,117.95
- 4.3 Accepted contributions of \$12,365.99 after the end of the campaign period
- 4.3 Omitted \$500.00 expense incurred after the end of the campaign period
- 4.4 Did not report apparent contributions accepted of \$101,118.00. The extent of the contributor's eligibility to contribute has not been determined
- 4.5 and 4.6 Other errors
- 5.2 Exceeded \$25,000.00 limit on candidate contributions by \$56,388.63

4.1 - Under-reported campaign expenses by \$86,398.49

- Bell Media declined to run certain advertising, and returned deposits paid
- Candidate commenced unsuccessful legal action completed in 2018
- Legal bill for \$64,973.06 reported as \$25,000.00 in the Financial Statement
- Further court costs awarded in 2018 of \$43,117.90 omitted
- \$2,507.53 of other expenses omitted
- Contributions-in-kind estimated at \$800.00 omitted

4.2 - Under-reported campaign period contributions by \$56,117.95

- Relate primarily to legal expenses above
 - Oct 3 – retainer discussions with solicitor
 - Oct 4 – received \$50,000.00 personally from family sources
 - Oct 5 – paid \$25,000.00 to solicitor by personal draft
 - Oct 15 – paid \$25,000.00 to solicitor from campaign bank account
 - From the above, \$50,000.00 paid to solicitor, \$25,000.00 retained personally
 - Candidate did not respond to request to clarify terms of \$50,000.00 received
 - Oct 9 – two identified contributions of \$2,500.00 each paid directly by contributor to solicitor
- \$1,117.95 candidate contributions included in 4.1 above
- Total calculated / treated as as $\$50,000.00 + \$5,000.00 + \$1,117.95 = \$56,117.95$

4.3 – Transactions after the end of the campaign period

- \$12,365.99 in contributions accepted in 2019
 - Based on Candidate record “Export of Campaign Donations Complete”
 - \$6,690.00 identifiable, remainder are not
 - Contributions should be returned or forfeit
-
- March 2019 salary expense of \$500.00

4.4 - Did not report other apparent contributions accepted of \$101,118.00.

- Possible contravention identified in Applicant's complaint
- Appendix E October 5 broadcast solicitation at commencement of legal action against Bell Media
- Candidate did not cooperate with compliance audit inquiries to explain other activities
- Made use of best available information to identify and compare patterns in revenue deposited to campaign bank account and to one personal bank account
- The extent of contributor eligibility (e.g. residence) has not been determined. Similar 2019 revenue had 39% non-Canadian content. Canadian content outside Ontario not determined.

4.4 (cont') - Method

- Grouped personal bank deposits for period January 1 2018 to March 31 2019 into bi-monthly* subtotals
- Removed certain recurring amounts, other amounts addressed elsewhere, and amounts unable to conclude, as detailed at Appendix A
- Remainder comprised 499 deposits, of which 497 etransfers / electronic
- Table at 4.4.10 compares deposit pattern to that in campaign account and to Candidate's funding requirements
- Method has been used in other circumstances, e.g. World Bank Group analysis of certain corrupt practices**
- Additional campaign period revenue appears not to have been reported in personal income tax return provided***

*adjusted to reflect July 27, 2018 registration date, and February 1, 2019 revenue included in January, 2019

**World Bank Group, Development Research Group, February 2020 "Elite capture of foreign aid"

*** Additional revenue of \$101,118.00 comprises \$71,577.94 during the 2018 campaign period and \$29,540.06 in the period January 1 to March 31 2019

4.5 and 4.6 – Other errors

- Contribution of \$200.00 from unincorporated business returned in error
- Allocation errors – reported in incorrect category
 - *Phone and/or Internet* of \$536.22 reported as *Interest reported on loan*
 - Return of \$38,059.53 in advertising deposits reported as a reduction in expense rather than as *Other income*
 - *Signs* of \$1,017.00 reported as *Advertising*
 - *Salaries* of 109.09 reported as prior to end of voting day rather than after

5 – Treatment of Excess of Expenses over Revenues

- Candidate reported deficit of \$6,205.14
- Actual deficit appears to be \$6,205.14 *plus* \$86,398.49 additional expenses *less* \$6,117.95 additional contributions = \$86,485.68
- Additional expenses apparently paid
- Treat as contribution from Candidate
- 88.9.1 limits Candidate contribution to \$25,000.00
- Reasonable to exclude \$6,215.00 cost of audit from calculation of excess Candidate contribution
- Excess calculated as \$86,485.68 *less* \$6,215.00 *less* (\$25,000.00 *less* \$1,117.95) = \$56,388.63

Conclusions

- Candidate under-reported both expenses and revenues
- Candidate exceeded her candidate contribution limit
- Applicant's concerns substantially correct
- Candidate apparently accepted and did not report contributions, including contributions from persons not eligible to contribute
- Candidate obstructed the compliance audit process
- Candidate did not carry out her duties as set out in the Act