



Auditor General's 2024 Annual Report on the Fraud and Waste Hotline

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Auditor General

**AUDITOR
GENERAL**

TORONTO

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ANNUAL REPORT

Annual report on Hotline activity

This is the Auditor General’s 2024 annual report on fraud, waste and wrongdoing at the City, which includes information about the activities of the Fraud and Waste Hotline. It highlights the complaints that have been communicated to the Auditor General’s Office. It does not represent an overall picture of fraud or other wrongdoing across the City.

Role of the Auditor General

The *City of Toronto Act* assigns the Auditor General the responsibility to assist City Council in holding itself and its administrators accountable for stewardship over public funds and value for money in City operations. This responsibility is fulfilled by completing audits, operating the Hotline, and conducting forensic investigations.

Fraud and Waste Hotline Program

Program established in 2002

In 2002, a hotline was established so that employees, Councillors, and members of the public could report allegations of fraud, waste, or other wrongdoing, without fear of retribution.

Hotline is an important anti-fraud control

The Fraud and Waste Hotline Program is an important anti-fraud control for the City of Toronto. According to the Association of Certified Fraud Examiners *2024 Report to the Nations on Occupational Fraud*, organizations that had anti-fraud controls in place experienced smaller fraud losses and detected fraud more quickly than organizations lacking those controls.

Benefits of the Hotline Program

The Hotline Program has helped to reduce the City’s losses and has resulted in the protection of City assets. The actual and potential losses from complaints received from 2020 to 2024 are \$2.0 million (actual losses) plus \$1.1 million (potential losses), had the fraud not been detected. Additional benefits that are not quantifiable include:

- the deterrence of fraud or wrongdoing
- strengthened internal controls
- improvements in policies and procedures
- increased operational efficiencies
- the ability to use complaint data to identify trends and emerging issues, make results-oriented recommendations to management, and inform our Audit Work Plan

Forensic Unit has expertise to investigate a broad range of complex allegations

The Hotline is managed by the Auditor General’s Forensic Unit, which is comprised of a team of professionals who collectively possess the expertise to resolve a broad range of complaints and conduct investigative work into complex allegations. Depending on the volume of work, the Forensic Unit may leverage audit staff or outside experts to assist on complex investigations.

Independent oversight

The Forensic Unit also provides independent oversight of City management-led investigations by reviewing the adequacy of work conducted, including steps taken to detect and deter fraud, reduce losses, and protect City assets.

2024 Results and Accomplishments

Lower volume of cases received due to fewer outside jurisdiction complaints

In 2024, the Fraud and Waste Hotline received 679 complaints representing approximately 1,050 allegations. This is a reduction from 2023 by approximately 36 per cent or 375 complaints, and is primarily the result of receiving fewer complaints outside of our jurisdiction (not related to the City of Toronto), as well as subsidy fraud complaints.

Updates to the Auditor General’s website to clarify the scope of the Hotline Program, leading to a 78% reduction in outside jurisdiction complaints

Our Office took initiative to address the high volume of outside jurisdiction complaints, by updating the *Report Fraud, Waste or Wrongdoing* section of the Auditor General’s website. This provided education to staff and members of the public on the types of complaints that we investigate and that should be reported to the Hotline, as well as clarified those which are outside the Hotline’s scope.

Consistent number of allegations over the past five years

As a result, there was a substantial decrease in outside jurisdiction complaints received in 2024 (81 complaints compared to 362 outside jurisdiction complaints received in 2023). This 78 per cent decrease accounts for the majority of the overall reduction in the total volume of complaints in 2024. Despite the decrease in number of complaints, we continue to manage a high volume of allegations, which has remained relatively consistent over the past five years at an average of approximately 1,250 allegations per year.

Significant progress in reducing backlog of prior year cases

Receiving fewer outside jurisdiction complaints allowed our team to focus on the complaints that directly impact the City and also allowed us to make significant progress in reducing the backlog of prior year cases. As noted in previous annual reports, the Hotline received an increased volume of complaints between 2020 and 2023, which created a backlog.

In 2024, we closed a total of 885 complaints, 43 per cent (378 complaints) of which related to prior years. In comparison, we closed 918 complaints in 2023, 14 per cent (125 complaints) of which related to prior years. Reducing the backlog of older complaints also

allowed us to focus more on current complaints and to process and address them in a timelier manner.

Investigative review concluded in 2024

In addition to operating the Hotline, the Auditor General's Office conducts investigations. Conducting investigations into high-risk allegations can require a significant number of staff resources, time, and in some cases, costs associated with hiring external specialists. Since 2020, we have issued 10 public reports on major investigations, while other investigative reviews were reported through the Fraud and Waste Hotline Annual Report or directly to management.

In 2024, the Forensic Unit issued a public report on one major investigation that is summarized in Exhibit 2 of this report, along with a separate in-depth management letter. Several other investigations are also in progress or waiting to be addressed, and we expect that some of these will be concluded and reported on in 2025. The Auditor General also anticipates that the need for complex and in-depth forensic investigations will continue.

The Auditor General continues to perform investigations and hire specialists when needed

The Auditor General's Office will continue to operate the Fraud and Waste Hotline and respond to fraud risks as they emerge. Having the flexibility to leverage experts and specialized tools to supplement our investigations has been helpful in identifying and investigating complex and time-sensitive matters.

Responsibility to Report Wrongdoing and Raising Awareness

Employee responsibility to report wrongdoing

The *Disclosure of Wrongdoing and Reprisal Protection* policy, part of the *Toronto Public Service By-law* (the By-law), includes a duty for employees to report allegations of wrongdoing.

Specifically, the By-law requires:

- all City employees who are aware that wrongdoing has occurred to immediately notify their manager, their Division Head, or the Auditor General's Office
- allegations of wrongdoing received by Division Heads, Deputy City Managers or the City Manager **to be immediately reported to the Auditor General**
- employees who report wrongdoing in good faith be protected from reprisal

Auditor General's Office has responsibility to investigate reprisal

The fear of reprisal can deter many people from reporting allegations of wrongdoing. Management is responsible for ensuring employees who report allegations of wrongdoing can do so without the fear of reprisal.

The Auditor General's Office is responsible for investigating complaints of reprisal against City employees who report wrongdoing. As mentioned above, in Exhibit 2, we have summarized a reprisal investigation that we completed in 2024.

Raising awareness

Continuous promotion of the Fraud and Waste Hotline to raise awareness of the By-Law requirements is essential to ensure all employees and management know what to do when allegations of wrongdoing are received.

This year, to promote awareness of the Hotline and the responsibility to report wrongdoing, we completed several communications initiatives to City staff and the public, including:

- emails and intranet reminders throughout the year, as well as posts on the Auditor General's Office's X (formerly Twitter) account during Fraud Prevention Month
- presentations to external organizations and to new Executives at the City of Toronto, including resuming in-person executive onboarding training with 55 executives in attendance
- an update to the design of the internal Hotline poster and working with Strategic Communications to develop an electronic campaign that was rolled out during International Fraud Awareness Week

These initiatives reinforce a workplace culture that prioritizes integrity, transparency, and responsibility.

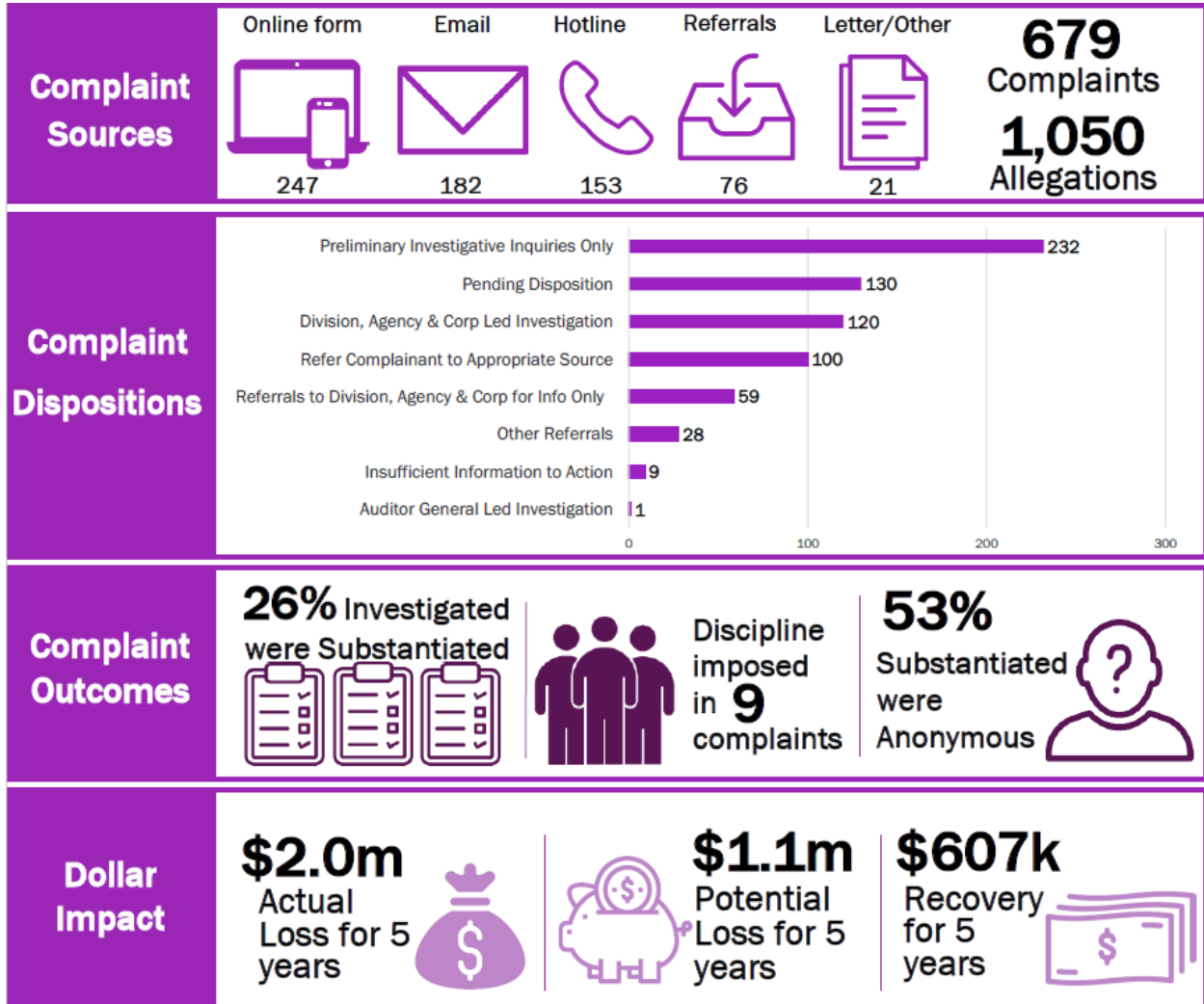
In 2025, our Office will continue to carry out communications initiatives to further increase awareness of the Hotline and the responsibility to report wrongdoing.

More information can be found on the Auditor General's website - <https://www.torontoauditor.ca/report-fraud/>.

Key Statistics

The infographic below provides key statistics at a glance for the Fraud and Waste Hotline program for 2024.

Figure 1: Key Statistics



Exhibits

Exhibit 1 – Detailed Statistical Summary

Detailed statistics summarizing the activities of the Hotline Program are included in this report as Exhibit 1.

Exhibit 2 – Investigation Summary

Summarized details of the major investigative report issued by the Auditor General in 2024 is included as Exhibit 2.

Exhibit 3 – Complaint Summaries

Summarized details of a sample of complaints concluded in 2024 are included as Exhibit 3.

EXHIBIT 1 – DETAILED STATISTICAL SUMMARY

Leveraging complaint data

Audit standards require that fraud risks be considered in all performance audits. Collecting, monitoring, and analyzing data and trends on complaints received through the Fraud and Waste Hotline may identify areas of concern within the City and may point to systemic problems.

Complaint data informs audit project selection

Complaint data from the Hotline is also one of the factors considered that may result in a performance audit being conducted. For example, recent performance audits that have been initiated in part due to data from the Hotline include:

- *Reinforcing the Importance of Openness, Fairness and Transparency in City Procurement: An Audit of the Procurement and Implementation of the Paylt Unsolicited Proposal*
- *Building Better Outcomes: Audit of Toronto Building’s Inspection Function*
- *A Review of the Procurement and Award of the Winter Maintenance Performance-Based Contracts*

Trends from 2024 complaints received

Complaint data is also used to identify trends and in 2024, the most common types of complaints received included subsidy fraud, conflict of interest, waste/mismanagement and time theft. Some of these complaints are summarized in Exhibit 3.

1. Total Complaints

679 complaints received representing 1,050 allegations

Since the Fraud and Waste Hotline Program was initiated in 2002, the Auditor General’s Office has handled almost 14,650 complaints. Each complaint may include multiple allegations. In 2024, 679 complaints were received, representing approximately 1,050 allegations.

Dynamic nature of hotline

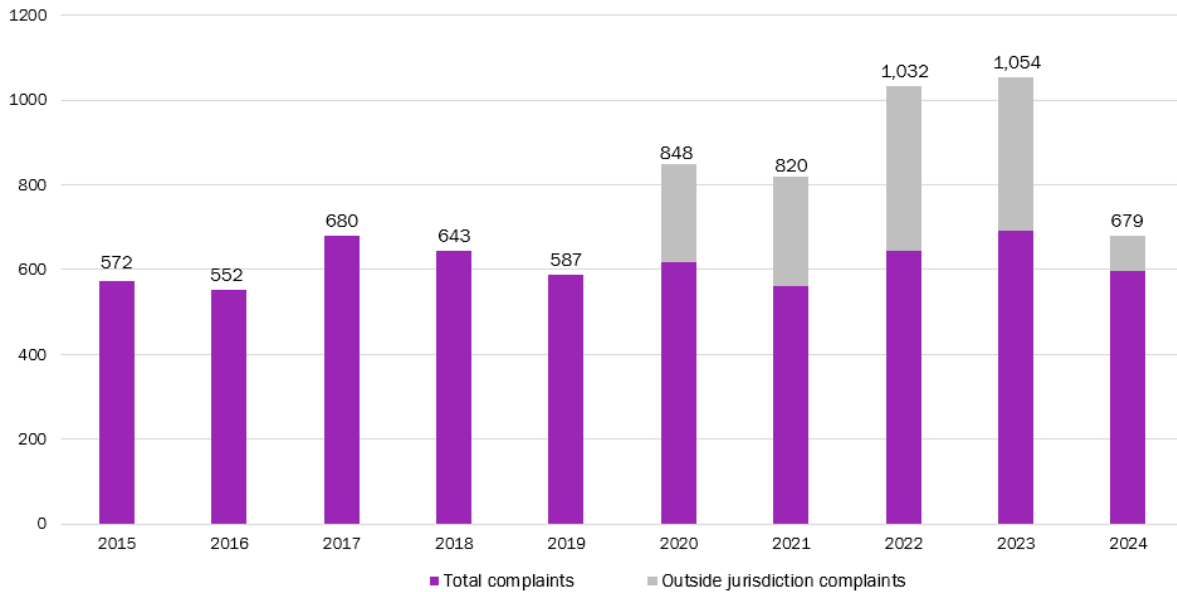
Complaint activity may increase or decrease because of the dynamic nature of a hotline program as well as various factors including outreach activities and the nature of issues reported by the media.

Lower volume of cases received due to fewer outside jurisdiction complaints

In 2024, the Hotline received 36 per cent fewer complaints than in 2023 (1,054), and 34 per cent less than in 2022 (1,032). The reduced volume of complaints is mainly attributed to a decline in the number of outside jurisdiction complaints submitted to the Hotline, as discussed in the 2024 Results and Accomplishments section of this report.

Figure 2 outlines the number of complaints received over the past 10 years between 2015 to 2024. In addition to the number of complaints, Figure 2 shows the number of outside jurisdiction complaints received over the past 5 years.

Figure 2: Complaints Received (2015 to 2024) and Number of Outside Jurisdiction Complaints (2020 to 2024)

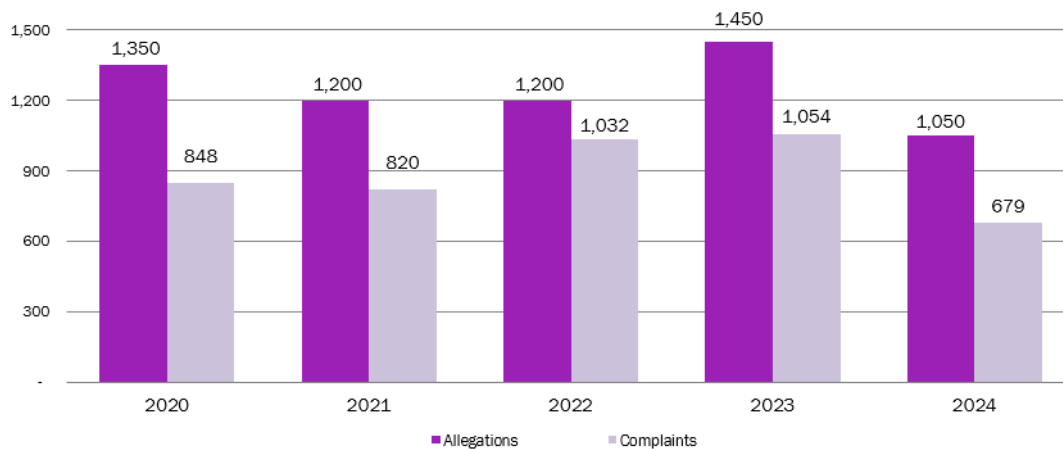


Consistent number of allegations over the past five years

Despite the decrease in number of complaints, we continue to manage a high volume of allegations, which has remained relatively consistent over the past five years at an average of approximately 1,250 allegations per year as shown in Figure 3 below.

Figure 3 shows the number of allegations included in complaints received over the past five years.

Figure 3: Complaints and Allegations Received – 2020 to 2024



2. Source of Complaints

Many methods available to report a complaint

The general public, City staff, and anyone doing business with the City can report suspected fraud, waste, or wrongdoing involving City resources. Complaints can be made via:

- Secure online form
- Email
- Calling the Hotline
- Mail

36% of complaints through online form

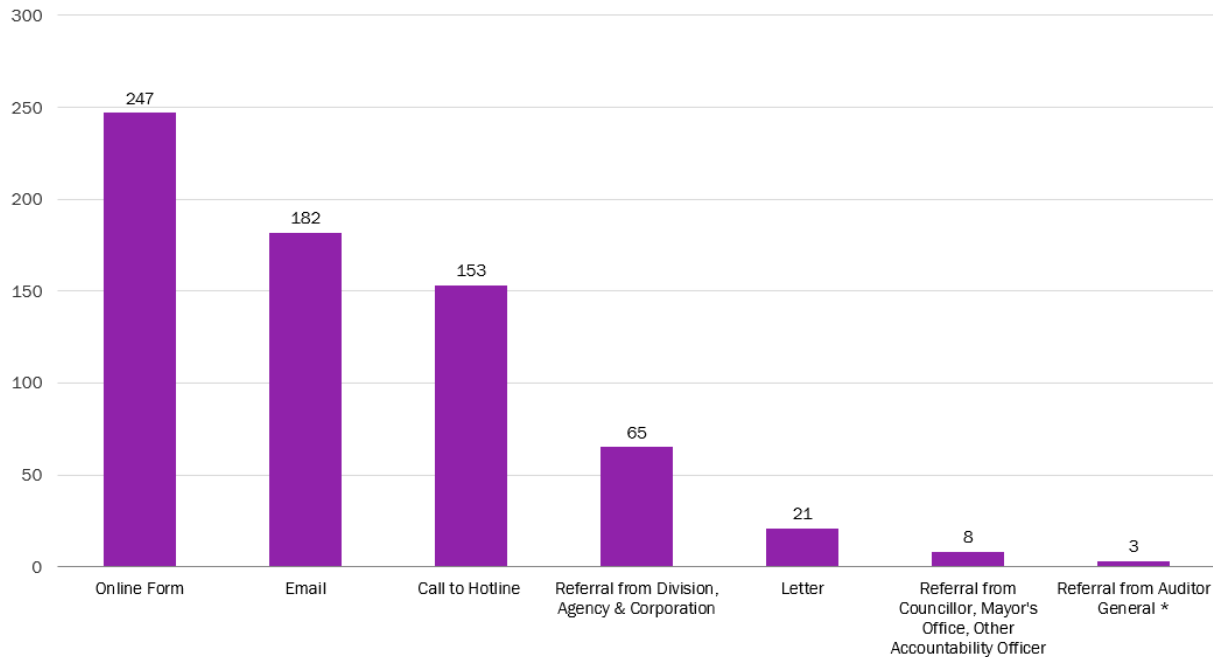
In 2024, the most commonly used method of reporting was online, with 36 per cent of all complaints received through the Auditor General’s secure online complaint form.

Hotlines help detect fraud through tips

According to the Association of Certified Fraud Examiners 2024 *Report to the Nations on Occupational Fraud*, organizations with reporting hotlines were nearly twice as likely to detect fraud through tips than organizations without hotlines. This illustrates the crucial role that hotlines play in comprehensive fraud detection programs.

Figure 4 provides a summary of the methods used to report complaints to the Fraud and Waste Hotline Program in 2024.

Figure 4: Source of Complaints



*Includes observations made by the Auditor General through performance audits and reviews.

3. Disposition of Complaints

All complaints are reviewed

All complaints received are evaluated by the Forensic Unit to determine the disposition, or action to be taken.

Triage process helps assess the risk and priority of incoming complaints

In 2024, all complaints received were triaged to assess the risk and priority level of the allegations. This process is the first step of conducting preliminary investigative work.

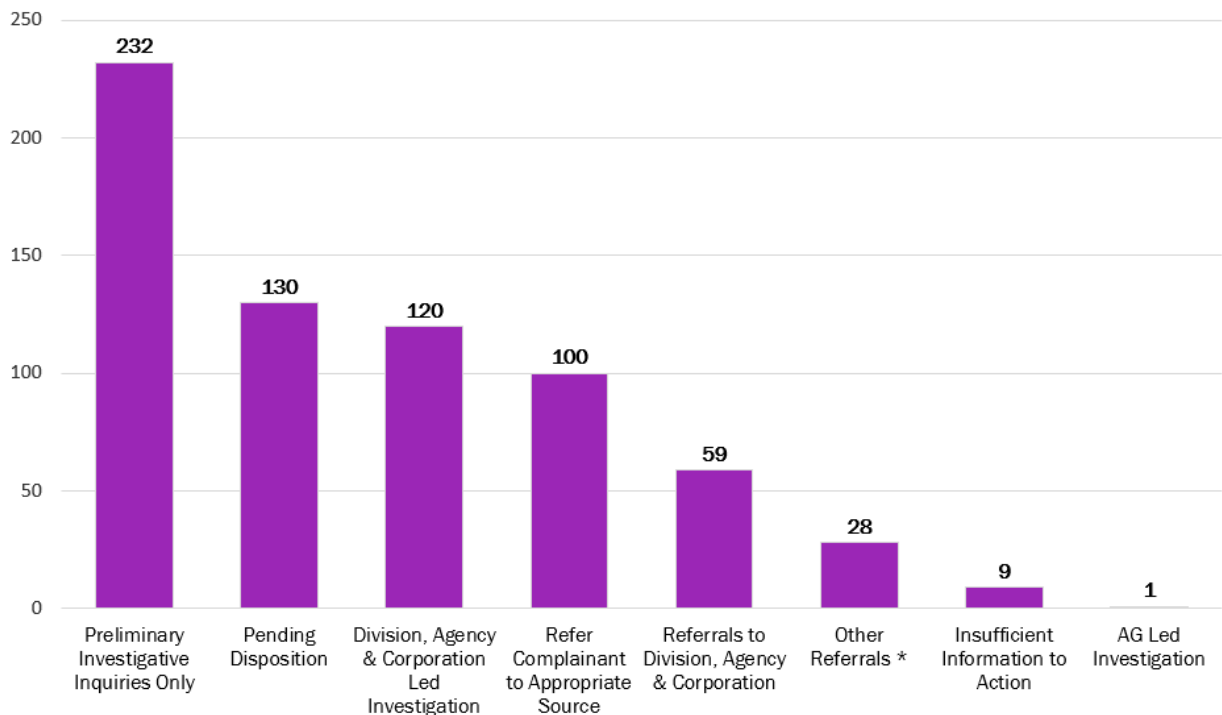
Prior to determining the disposition, the Auditor General’s Office will usually conduct additional inquiries to determine whether allegations have merit. Preliminary investigative inquiries are also conducted prior to referring complaints to divisions for action.

Professional judgment used to determine disposition

The unique circumstances of each complaint requires the application of professional judgment, and in certain cases, discussion pertaining to the disposition of complaints is conducted with the Auditor General.

Figure 5 provides a breakdown of the disposition of complaints received in 2024.

Figure 5: Disposition of Complaints



*Other referrals include to 311, future AG audit, other Accountability Officers, and agencies outside of the City.

Preliminary Inquiries	Thirty-four per cent (232) of all complaints received were closed following preliminary investigative work by the Forensic Unit. In some cases, it was determined that no further action could be taken or was needed based on the complaint details received and our preliminary analysis of the information.
Division, Agency & Corporation led investigations	Eighteen per cent (120) of all complaints were referred within the City and investigated by management with our oversight.
AG investigations	Of the complaints received in 2024, one complaint had a disposition of investigation led by the Auditor General's Office. However, there are several other investigations that are ongoing from complaints received in prior years, and others may still result in further investigation by the Auditor General before they can be resolved.
Referrals to Division, Agency & Corporation for information only	Nine per cent (59) of all complaints were referred to management for review and appropriate action or for information only. Examples of such complaints include employee misconduct, hiring issues, or harassment allegations.
Refer complainant to appropriate source	In fifteen per cent (100) of all complaints, the complainants were re-directed to the appropriate source or provided with more relevant information, as the matters did not pertain to wrongdoing involving the City. For example, service complaints such as garbage removal would be re-directed to 311 Toronto.
Pending Disposition	Nineteen per cent (130) of all complaints received this year do not have a disposition assigned since determination of next steps on the complaints is pending.

4. Complaint Conclusion

	The Forensic Unit manages each complaint until it has been resolved or concluded.
Unsubstantiated complaints may highlight other issues of concern	In cases where the evidence does not support a finding of wrongdoing, the complaint conclusion is tracked as unsubstantiated. However, this does not mean that the complaint is without merit. In some cases, a review or investigation may highlight internal management control issues and risks that need to be addressed.
Substantiated complaints 26%	Twenty-six per cent (32) of the 121 complaints from 2024 that were investigated have been substantiated in whole or in part. This number is expected to increase as outstanding 2024 investigations are completed in 2025.
Anonymous complaints	Fifty-three per cent (17 out of 32) of the substantiated complaints were anonymous.

Internal control weaknesses

Where internal control weaknesses contributed to or facilitated wrongdoing in substantiated complaints, divisions have confirmed that the internal control weaknesses have been or are being addressed.

Previous years complaints concluded in subsequent years

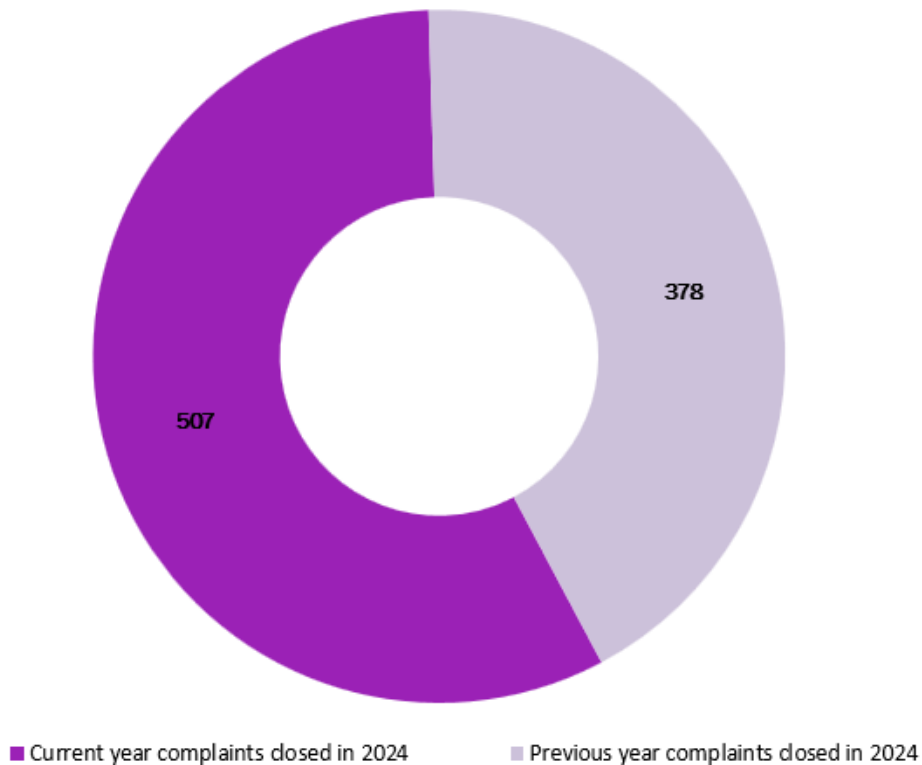
Some complaints cannot be concluded until a future year. In cases where a previous year’s complaint is concluded, statistics are updated in the Auditor General’s database to capture information, such as whether the complaint was substantiated and whether there was a loss to the City.

19% of complaints closed from previous years were also substantiated

In 2024, 378 complaints from previous years were also closed and 19 per cent (71 complaints) of those were substantiated in whole or in part.

Figure 6 shows that a total of 885 complaints were closed in 2024, of which 507 complaints relate to the current year and 378 complaints relate to previous years.

Figure 6: Current Year vs. Previous Years Complaints Closed in 2024



5. Disciplinary Action in Substantiated Complaints

Disciplinary action is management's responsibility

Where investigations indicate fraud or wrongdoing, the appropriate level of discipline is the sole responsibility of management. Information regarding disciplinary action taken is communicated to and tracked by the Auditor General's Office.

Discipline or other appropriate action in all substantiated complaints from 2024

In 2024, management reported that discipline was imposed in nine of the 32 substantiated complaints. In the additional 23 instances, management took other appropriate action with vendors, employees, or members of the public, such as subsidy recipients.

Discipline or other appropriate action in 71 complaints from previous years

For previous years' cases that were substantiated in 2024, discipline was imposed in 19 cases and other appropriate action was taken in 52 instances.

An important consideration for management in disciplining employees is to ensure fairness and consistency throughout the City. Management also uses knowledge gained through investigations to provide guidance on and reinforce acceptable conduct for all City employees.

6. Loss and Recovery

Cost of fraud difficult to measure

Measuring the total cost of fraud is difficult because fraud by its nature is concealed and can sometimes go undetected for many years. The standard of proof is high. In some cases, it may not be possible to determine the duration of the fraud, making it difficult to accurately quantify losses.

The Association of Certified Fraud Examiners *2024 Report to the Nations on Occupational Fraud* reported that 57 per cent of victim organizations do not recover any of their fraud losses.

Impact of fraud exceeds dollar values

The impact of fraud on an organization includes more than just financial losses. Wrongdoing perpetrated in the workplace can damage the morale of co-workers and can negatively impact the reputation of the organization. In addition, significant management time is required to investigate allegations of fraud.

Our office tracks the actual and potential losses, and the recovery of the actual losses for all substantiated complaints¹, as summarized in Table 1. Detailed explanations of these values are also included below.

Table 1: Summary of Losses and Recoveries for 2024 and Past 5-Year Total

	Current year (2024) Total	Past 5-Year Cumulative Total (2020 to 2024)
Actual Losses	\$87,000 + \$653,000 (prior years) = \$740,000	\$2.0 million
Recoveries	\$421,000	\$607,000
Potential Losses	\$225,000	\$1.1 million

\$87,000 actual losses from complaints received and substantiated in 2024

For complaints received and substantiated in 2024, quantifiable actual losses to the City² were approximately \$87,000. This amount is expected to increase as outstanding 2024 complaints are concluded in 2025.

Information concerning complaint conclusion, resolution, or the determination of loss and recovery may occur several years after the allegations are received. Amounts reported for complaints received in previous years are captured once they are concluded in subsequent years.

\$653,000 actual losses from prior year complaints resolved in 2024

Prior year complaints that were concluded as substantiated or substantiated in part in 2024 included 21 complaints from 2023, seven complaints from 2022, five complaints from 2021, one complaint from 2020, and one complaint from 2018. These complaints resulted in actual losses of approximately \$653,000 to the City.

\$421,000 recovered

The City recovered approximately \$421,000 of actual losses in 2024.

¹ **Actual Loss** – a loss incurred by the City as a result of fraud or wrongdoing.

Potential Loss – a loss that would otherwise have been incurred by the City had the fraud not been reported and investigated.

Recovery – the amount of actual loss the City was able to recover after the fraud was identified and investigated.

² Actual losses include Financial Supports provided by the City (e.g., social assistance benefits/payments; various subsidies) that are fully or partially funded by other orders of government. Financial Supports provided to clients are reflected as gross expenditures in the City’s Operating Budget, while offsetting program delivery funding received from other orders of government are reflected as revenues.

\$225,000 of potential losses avoided

The City also avoided potential losses of approximately \$225,000 from all complaints substantiated and closed in 2024. The City would have otherwise incurred this loss had the fraud not been reported and investigated. For example, in complaints related to subsidy fraud, the City would have continued to pay the client a monthly subsidy payment had the complaint not detected a recipient's ineligibility.

\$2.0m actual and \$1.1m potential losses for 5 years

The cumulative 5-year total of actual and potential losses from complaints received and concluded in previous years (2020 to 2024) are \$2.0 million (actual losses) plus \$1.1 million (potential losses) had the fraud not been detected.

\$607,000 of actual losses recovered in the last 5 years

The City also cumulatively recovered \$607,000 of actual losses in the last 5 years (2020 to 2024).

Savings from the Fraud and Waste Hotline Program

Requirement to report on savings achieved

The Toronto Municipal Code requires that the Auditor General's Office report annually to City Council on the activities of our Office, including the savings achieved.

In the *Demonstrating the Value of the Auditor General's Office* report, we include savings from the Hotline

As a result, in the 2024 *Demonstrating the Value of the Auditor General's Office* annual report, the following values from complaints received through the Hotline Program are included:

- recovery of actual losses for complaints closed and substantiated in 2024 as a **one-time recovery**
- potential losses over a five-year period for complaints which have an ongoing dollar impact (e.g., subsidy fraud) as an **avoided cost**

A one-time recovery of \$12,000 and avoided costs of \$470,000 projected over a five-year period (2025 to 2029) are included in the report, resulting from complaints received through the Hotline Program.

Quantifiable benefits arising from complaints identified by divisional management and referred to the Hotline Program are not included in our savings calculations.

The 2024 *Demonstrating the Value of the Auditor General's Office* annual report will be presented at the February 12, 2025 Audit Committee meeting.

EXHIBIT 2 – INVESTIGATION SUMMARY

Below is a summary of a major investigation that resulted in a report being issued to Audit Committee in 2024. This summary demonstrates that a substantial number of resources are required to conduct investigations.

In 2024, the Forensic Unit also invested time and resources into several other ongoing investigations, which may be concluded and reported on in 2025.

Investigation into Allegations of Reprisal for Reporting a Conflict of Interest

The Auditor General's Office completed an investigation into an allegation of reprisal

The Auditor General's Office issued a report on the results of an investigation into an allegation of reprisal from a City of Toronto employee in the Municipal Licensing and Standards Division. The employee claimed they were facing reprisal by management for disclosing a conflict of interest to the Fraud and Waste Hotline.

The Auditor General's Office has a responsibility to investigate reprisal

In accordance with the Toronto Public Service By-law, Chapter 192, the Auditor General's Office has the responsibility to investigate reprisal, in consultation with the City Manager or their designate. Reprisal investigations are complex, and therefore the Auditor General initiated an investigation into the allegations.

Under the *City of Toronto Act, 2006*, the Auditor General is also responsible for assisting City Council in holding itself and City administrators accountable for the quality of stewardship over public funds and for achievement of value for money in City operations. Ensuring that employees can come forward in a safe environment to report potential wrongdoing is a key internal control that helps to safeguard City assets and ensure value for money.

The Auditor General concluded that the employee was not subjected to reprisal

Based on the work performed, the Auditor General concluded that the employee was not subjected to reprisal for reporting a conflict of interest to the Fraud and Waste Hotline. Therefore, no further action was recommended with respect to the alleged reprisal.

Conflict of interest allegation substantiated

With regards to the conflict of interest allegation, the Auditor General concluded that the allegation was substantiated, including a violation of a related section in the Toronto Municipal Code.

Divisional Conflict of Interest Policy and Framework needed

Our Office noted that the Municipal Licensing and Standards Division could benefit from a Divisional conflict of interest policy and framework that would support the Conflict of Interest and Confidentiality provisions of the Toronto Public Service By-law.

2 recommendations

As a result, two recommendations were made to strengthen the process for reporting and documenting conflicts of interest, along with training within the Division to supplement the overarching Conflict of Interest and Confidentiality provisions.

Management Letter issued with additional recommendation

Furthermore, the Auditor General issued a separate management letter with specific details on the findings of the investigation, including an additional recommendation to the Municipal Licensing and Standards Division.

The full report is available at:

<https://www.toronto.ca/legdocs/mmis/2024/au/bgrd/backgroundfile-246923.pdf>

EXHIBIT 3 – COMPLAINT SUMMARIES

Below are summaries of various reviews and investigations concluded in 2024. These summaries are provided so that Audit Committee and members of the public can better understand the nature of the complaints we receive. These summaries are from selected complaints that were substantiated in full or in part, or are complaints where internal controls were improved as a result of investigative work.

The Auditor General is independent of City operations. The extent and nature of discipline is the responsibility of management and not the Auditor General. We can say, however, that for the cases we have examined, management is diligent in taking appropriate action to address the situation.

We have included 13 complaint summaries in eight categories of fraud, waste or wrongdoing. These complaints resulted in a total loss of over \$288,000 and the termination of employment of six employees. Three complaints identified internal control weaknesses that management has advised were addressed or are in the process of being addressed.

1. Conflict of Interest with Employment at the City

1.1 Conflict of Interest and Hiring Mismanagement

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline regarding allegations of conflict of interest and mismanagement involving the hiring of four City employees on a specific team within a Division. The complainant alleged that the employees had active licences with an external organization at the time they were hired, violating the City of Toronto's Conflict of Interest policy. They also alleged that management had violated this policy when they knowingly hired the employees.

The Auditor General's Office conducted preliminary analysis and confirmed that the employees' held active licences with an external organization, and in addition, that their names were listed on the websites of external employers.

An investigation was led by the Division, which involved discussions with the employees of this specific team, their managers, and members of the hiring committee, as well as a review of the public registry containing records of the alleged licences. The Division concluded that none of the employees who were hired were found to be in violation with the City's Conflict of Interest policy; however, the conflict allegations against two of the employees were substantiated in-part as their licences were confirmed to be active after they were hired at the City. In addition, they should have declared their licence-related activities during the hiring process and/or put their active licences on hold.

Furthermore, the Division concluded that the allegation of mismanagement was substantiated as there was at least once instance where a hiring manager did not clearly explain expectations regarding the retention of a licence, advise the employee to declare a conflict, or escalate the employee's refusal to withdraw their licence to the Division's Director for review.

As a result of this complaint, the Division has developed a separate internal Conflict of Interest (COI) policy for this specific team to complement the City's existing COI policy. This internal COI policy includes the following requirements:

- prohibits staff of this specific team from conducting licence-related activities located within City boundaries
- allows existing staff who disclosed their licence to transition into compliance by fully divesting themselves of their engagement with, and ceasing employment with the external organization within a period of three months
- staff currently engaged in conducting licence-related activities with an external organization outside the City of Toronto, but within Ontario, will be required to immediately disclose their involvement in that engagement and if the engagement is assessed and determined to be an actual or perceived conflict of interest, the employee will be directed to withdraw from any such engagement

The Division requires the staff of this team to sign and acknowledge this internal COI policy annually to avoid any further perception of, or actual conflicts of interest, and they will be updating Offer Letters of Employment with relevant restrictions, and ensuring that consistent language is used by hiring managers to explain the policy in the Division's hiring process.

1.2 Conflict of Interest and Second Job

The Auditor General's Office received two anonymous complaints through the Fraud and Waste Hotline alleging conflict of interest by two City employees for working at other organizations while employed with the City.

The Auditor General's Office conducted preliminary analysis and confirmed that both individuals appeared to be active employees on the websites of their external employers, despite one of them using a different last name.

An investigation was led by the Division and concluded that the employees were engaged in activities with other organizations, which violated their employment contracts. Overall, the Division's investigation corroborated the preliminary findings of the Auditor General's Office and determined that the conflict of interest allegations were substantiated.

As a result of the investigation, both employees were terminated and are ineligible for rehire by either the City or City Agencies.

2. Abuse of Sick Leave and Breach of Trust

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline regarding allegations that a City employee inappropriately used sick days to work a second job.

The investigation was led by the Division and concluded that the employee was absent for 79 per cent of their scheduled shifts in one year, was not wholly truthful during the investigation, and had performed work for another employer while collecting sick pay, totaling approximately \$42,900 from the City. Furthermore, the employee's conduct was a significant breach of trust.

Employment with the City was terminated. The employee has filed a grievance, and the matter is currently at arbitration. The City is pursuing recovery through this process.

3. Inappropriate use of City assets and Financial Irregularities

The Auditor General's Office was advised by a Division of allegations that a contractor was inappropriately using City assets and property to run an online business that was not in line with the contract terms. Additionally, the Division advised that they had identified a number of financial irregularities in relation to the contractor.

An investigation was led by the Division to assess the allegation of the contractor's inappropriate use of City assets and property. Through the investigation, they concluded that the contractor had inappropriately used City assets, and as a result, breached their contract. The Division determined that the contractor should have known the details outlined in the contractual agreement regarding the use of those assets. Furthermore, they concluded that the allegations of using City property not in line with the contract, specifically for storage, was substantiated and the contractor was required to remove their items.

With regards to the contractor running a business outside of the agreement terms, the Division concluded that from time-to-time, the contractor had operated a business. However, their findings could not substantiate the allegation that a regular business was being conducted.

Regarding the alleged financial irregularities, a forensic accounting firm was hired by the Division to review the contractor's financial statements, the agreement, and daily revenue transactions, along with participant attendance reports. Based on their work, they identified a small financial variance, along with participant attendance variances. The Division explained the attendance variances were due to limitations in the system at the time and were resolved in the following year. With regards to the small financial variance, the forensic accounting firm recommended that the contractor prepare a reconciliation report outlining variances to ensure accuracy of revenues moving forward.

The Division has confirmed that upon expiration of the previous contract, they entered into an agreement in December 2023 with a new contractor who has a system that is able to provide reconciliation reports, and they have implemented measures for monitoring and improving the accuracy of reporting revenue.

Overall, the Division, together with the forensic firm, conducted a thorough investigation into the allegations, and the Division has implemented enhanced controls and contract language to ensure adherence to the terms of the agreement and to ensure fiscal oversight.

4. Electronic Health Records Fraud and Breach of Trust

The Auditor General's Office was advised by a Division that a City employee had asked their colleague, another City employee, to update one of their dependent's immunization records and alter other records in the system related to their dependent.

An investigation was conducted by the Division involving both employees, and the City employee admitted to updating health records for their colleague as requested, after their regular working hours.

The Division concluded that both City employees had engaged in health records fraud. Their conduct violated their professional body's Code of Conduct and Confidentiality and Privacy practice standard, as well as violated the Toronto Public Service By-law (Chapter 192 Conflict of Interest and Confidentiality provisions) and constituted a breach of trust.

Employment for both employees with the City was terminated immediately. They are ineligible for rehire and the fraudulent actions were reported to their professional association's governing body.

5. Long-Term Disability Fraud

The Auditor General's Office was advised that the City's Long-Term Disability administrator reported that an employee was allegedly working in an alternative occupation while receiving long-term disability (LTD) benefits.

An investigation was conducted by the Division, in consultation with Pension, Payroll & Employee Benefits, People & Equity and Legal Services divisions, along with the City's LTD administrator. The investigation concluded the employee was not totally disabled as per the Long-Term Disability Plan definition and did not disclose their employment and additional income earned while in receipt of LTD benefits. The disability benefits were ceased and resulted in an overpayment of approximately \$97,300.

Employment with the City was terminated.

6. Utility Fraud

The Auditor General's Office received two complaints through the Fraud and Waste Hotline alleging that a member of the public re-routed the water meter at their property and had not been paying for water for over 15 years.

An investigation was led by the Division which included a chemical analysis, water pressure test, and a valve shut-off test outside the home. Through the investigation, the Division determined that the property was on the City's water supply and therefore, should have been paying for the water. It was concluded that the allegations of water utility fraud were substantiated.

In consultation with Revenue Services and Legal Services, the Division determined that the individual was to be back charged for unmetered water at an estimated water usage of 1 cubic metre per day for a period of one year, a total of approximately \$1,600.

The Division since confirmed that the total back charged amount was added to the individual's utility bill and it has been paid in full.

7. Contractor Negligence Resulting in Liquidated Damages

The Auditor General's Office received a complaint through the Fraud and Waste Hotline regarding allegations of a City employee refusing to apply and charge a contractor with liquidated damages for non-operational equipment as part of the contract terms.

An investigation was conducted by the Division and found that although the employee may have applied partial liquidated damages, the City lost additional revenue due to the negligence of the contractor. The contractor took full responsibility, and the City calculated and applied the correct amount of liquidated damages and was issued a credit memo in the amount of approximately \$2,750.

The Division has since implemented measures to improve the way liquidated damages are applied, including the development of standard operating procedures, creating a training manual, conducting training sessions, and creating a corporate compliance unit. This was

initially implemented in the Operations and Maintenance section with plans to implement across the division by the end of 2025.

8. Subsidy Fraud

The Auditor General's Office continues to receive subsidy-related complaints alleging City employees and members of the public are receiving subsidies they are not entitled to, and in some cases, by fraudulent means.

We continue to encourage members of the public and City employees to report allegations of subsidy fraud to the Fraud and Waste Hotline for investigation, to ensure that all forms of financial assistance from the City are going to those who are most in need.

Below are summaries from five investigations related to subsidy fraud that were concluded in 2024.

8.1 Misrepresentation of Eligibility Information

The Auditor General's Office received two complaints through the Fraud and Waste Hotline alleging that three members of the public were receiving subsidies through fraudulent claims.

An investigation was led by the Division and concluded that two of the three alleged were financially entwined and failed to appropriately report their marital status and household income. The other individual also failed to disclose their marital status and misrepresented their household income, including income from an employer and monetary cash gifts received. Therefore, all three individuals received subsidies they were not entitled to.

The total combined amount of the ineligible overpayment was approximately \$48,500.

The subsidy files for all alleged individuals were closed by the Division and made ineligible from the date of grant. The Division is pursuing recovery of the respective overpayment from each individual.

8.2 Misrepresentation of Household Composition

The Auditor General's Office received two anonymous complaints through the Fraud and Waste Hotline alleging that a member of public was receiving three separate subsidies, from two Divisions and a City Corporation, through fraudulent claims.

The Divisions concluded that the individual failed to declare changes to household composition and marital status, and therefore received subsidies they were not entitled to. As a result of the Divisions' investigations, the individual also voluntarily withdrew from their housing subsidy and vacated the subsidized housing unit while the City Corporation's investigation was ongoing and therefore the related allegations were not conclusively founded by the City Corporation.

The total combined amount of the ineligible overpayment was approximately \$39,100.

As a result of the investigations, subsidies from both Divisions were terminated and the Divisions will be pursuing recovery of the respective overpayments.

8.3 Failure to Declare Income and Improper Use of a Subsidized Housing Unit

The Auditor General's Office was advised by a City Corporation that a member of the public was sub-letting their social housing unit to other individuals and charging them for rent.

An investigation was led by the City Corporation and concluded that the individual was sub-letting the unit to other individuals while living at their spouse's social housing unit. The individual also failed to appropriately declare employment income. As a result of the investigation, the City Corporation issued a Loss of Eligibility to the individual, and in response to this, the individual voluntarily vacated the subsidized housing unit.

The total amount of the ineligible overpayment was approximately \$40,500; the total overpayment was reduced by the Small Claims Court to the claim limit of \$35,000.

8.4 Unauthorized Use of a Subsidized Housing Unit

The Auditor General's Office received a complaint through the Fraud and Waste Hotline alleging that a member of the public was receiving a housing subsidy while residing outside of the country.

An investigation was led by a City Corporation. It was discovered through a unit inspection that multiple unauthorized occupants were living in the housing unit, none of whom were the legal tenant. It appeared that one of the unauthorized occupants was impersonating the alleged and using their identity to illegally maintain the tenancy. The City Corporation also reviewed the legal tenant's file and noted inconsistencies in the signatures on the Annual Reviews; however, they were not able to determine whether the legal tenant was knowingly involved in the unauthorized use of the unit, due to lack of documentation. The legal tenant cooperated with the investigation by providing photo identification and willingly signed an agreement to terminate their tenancy.

Following the investigation, the unauthorized occupants were removed from the unit and the unit was returned to the City Corporation.

8.5 Failing to Disclose Ownership of Property to Retain a Subsidized Housing Unit

The Auditor General's Office received a complaint through the Fraud and Waste Hotline alleging that a member of the public was residing in subsidized housing while owning a private residential property.

The investigation was led by a City Corporation and concluded that the individual had an interest in another property and failed to divest the property following a warning letter from the City Corporation. The subsidy file was closed, and the individual became a market rent tenant, at which time they voluntarily vacated the unit.

The total amount of the of the ineligible overpayment was approximately \$15,500.

The Corporation is pursuing recovery, and the individual is ineligible for housing subsidy across the province without a repayment agreement or unless the overpayment is paid in full.

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