



Fraud Investigation Involving Multiple City of Toronto Electricity Accounts

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**AUDITOR
GENERAL**

TORONTO

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Executive Summary

The Complaint

City electricity accounts switched to third-party energy retailers from Toronto Hydro

In October 2019, the Corporate Real Estate Management (CREM) Division's Energy Management Team, as part of their routine account review of electricity invoices, identified that several of the City of Toronto's (the City) electricity accounts were switched from Toronto Hydro to third-party energy retailers, which was unusual.

Actions taken by Corporate Real Estate Management Division

CREM followed up on the unusual invoices and discovered that in July 2019, electricity accounts for 14 City properties were switched to two different third-party energy retailers. Management also obtained copies of the contracts (Energy Retailer 1 Contract and Energy Retailer 2 Contract) and noted that the City employee who purportedly signed the contracts did not have signing authority and had retired on July 1, 2019 – before the contracts were even signed.

The two energy retailer contracts had a total value of \$4.2 million

The two energy retailer contracts had an estimated total value of \$4.2 million, of which \$2.5 million represented what would have been lost by the City had the unusual invoices not been identified. This estimated potential loss was based on the difference between what the City would have paid Toronto Hydro versus what would have been paid to the energy retailers over the term of the contract.

Contracts were considered “null and void”

Divisional management advised the energy retailers that the two contracts were “null and void” because the employee who allegedly signed the contract at the time was retired and never had the authority to sign contracts of this value. As a result, the City directed the energy retailers to revert the affected electricity accounts back to Toronto Hydro and payments made to the energy retailers under the “null and void” contracts were recovered by the City.

CREM informed the Auditor General's Office under the TPS By-law

In January 2020, CREM informed the Auditor General's Office of the potentially fraudulent contracts as required under the Toronto Public Service By-law's (TPS By-law) *Disclosure of Wrongdoing and Reprisal Protection* policy.

The Auditor General commenced a detailed investigation of the matter

The Auditor General's Office commenced a detailed review of the contracts to determine who entered the City into these contracts and whether any City employee was involved in the fraud scheme. The review was paused due to the COVID-19 pandemic and competing priorities, restarted in 2024, and finalized in 2025. Detailed investigation steps are discussed in the **Investigation Results** section on page 11.

The Findings

1. Corroborative evidence confirmed the contracts were fraudulent

We reviewed the two energy retailer contracts and noted irregularities through corroborating evidence.

Employee X that allegedly signed the contract was retired

The employee (Employee X) who purportedly signed the contracts with the energy retailers was retired at the time the contracts were signed.

In addition, when employed by the City, they never had signing authority to change service arrangements or enter into contracts totalling \$4.2 million. The City's procurement policies also require contracts of this value to be approved by City Council, and these contracts were not brought to City Council for approval.

Employee X did not sign the contracts

We confirmed the signature on the contract was not the employee's signature through a handwriting expert's analysis.

Through discussion, Employee X confirmed they did not sign any City contracts and were not in the role listed on the contract at any point during their employment with the City.

We also noted other irregularities on the contracts including an incorrect email address and phone number for Employee X.

Based on this evidence, the contracts were not signed by Employee X and were therefore fraudulent.

2. Consulting firm owners appeared to have some involvement in establishing the contracts with Energy Retailers, but this could not be substantiated

The Auditor General interviewed both consulting firm owners

The two energy retailers informed us that they received the contracts via two different consulting firms (Consulting Firm A and Consulting Firm B). We interviewed the consulting firm owners to understand their involvement in the contracts and how they obtained the City's electricity account numbers.

Consulting Firm Owners A and B acknowledge that they know one another. Owner A denied involvement with establishing the Energy Retailer 1 Contract and alleged that Owner B set up that contract.

Consulting Firm Owner B cannot recall either contract. However, they admitted they have dealt with Energy Retailers 1 and 2.

It appears Consulting Firm Owner B was involved in setting up the contracts with Energy Retailers 1 and 2

Matter has been referred to the Toronto Police Service

It appears that Consulting Firm Owner B was involved in setting up the contracts with Energy Retailers 1 and 2, as detailed in this report. However, we cannot determine who signed the contracts on behalf of the City due to lack of evidence at this time, despite extensive efforts.

This matter has been referred to the Toronto Police Service (TPS) due to prior allegations against Consulting Firm Owner B, including signature forgery. TPS will assess whether the circumstances meet the criminal threshold to warrant a criminal investigation.

3. Retired City employees' identifications were fraudulently used to establish contracts with energy retailers

One of the Consulting Firm owners provided the name and email of a City employee (Employee Y) that allegedly provided them with the City's electricity account numbers. Employee Y confirmed to us that they did not deal with or know City electricity account numbers, they did not provide the City's electricity account numbers to the consulting firm, the email address used to correspond with the consulting firm was not theirs, and they had never heard of the Consultant.

Similarly, Employee X, who allegedly signed the two energy retailer contracts, also confirmed to us that they did not sign any City contracts, and they had never heard of the Consultant.

Retired City employees' identifications were fraudulently used to set up contracts

Our review concludes that two retired City employees' identifications were used fraudulently to set up these contracts with the energy retailers.

Why this Investigation is Important

There are three key reasons why the Auditor General undertook the investigation.

Toronto Public Service By-Law outlines the core values for City staff

Chapter 192 of the *Toronto Public Service By-law* (TPS By-law) outlines the core values of the Toronto Public Service, which include serving the public well, acting with integrity, and using City property, services and resources responsibly. It was important to undertake this investigation to determine whether any wrongdoing was committed by a City employee.

Important for energy retailers to have proper controls in place

It is also important for energy retailers to have proper controls in place to verify the legitimacy of the consumer before proceeding with the account switch, and to mitigate this risk from occurring in the future.

The City and its Agencies and Corporations could be entered into third-party energy retailer contracts without their knowledge

Finally, this investigation brings awareness that the City and its Agencies and Corporations can have their electricity accounts changed to third-party energy retailers without their knowledge, which could result in millions of dollars in extra costs. This report highlights the importance of the City and its Agencies and Corporations to be diligent in reviewing electricity invoices and ensure they have a process in place to identify when a switch in electricity accounts from Toronto Hydro to a third-party energy retailer is made.

Thank You

We would like to express our appreciation for the co-operation and assistance we received from management of the Corporate Real Estate Management Division. We'd also like to acknowledge the diligence of CREM staff and management for identifying and following up on these fraudulent contracts, and recovering the payments made to the energy retailers under the void contracts for the City.

The Complaint

CREM Identified that Some Electricity Invoices Listed Third-Party Energy Retailers as the Electricity Supplier Instead of Toronto Hydro

In October 2019, during routine account reviews, Corporate Real Estate Management (CREM) Division's Energy Management Team identified some Toronto Hydro invoices that listed a third-party energy retailer as the electricity supplier instead of Toronto Hydro. CREM flagged the invoices for follow-up because it was unusual to have a third-party energy retailer listed as the electricity supplier for City of Toronto accounts.

Figure 1 is an example of a Toronto Hydro invoice from October 2019 where it listed the third-party energy retailer as the electricity supplier for a City building. The invoice stated, "YOU ARE BUYING YOUR ELECTRICITY FROM" and it listed the energy retailer name and contact information, which are redacted for confidentiality.

Figure 1: Sample Toronto Hydro Invoice showing the phrase "YOU ARE BUYING YOUR ELECTRICITY FROM"

The image is a sample of a Toronto Hydro invoice. At the top, it says "Toronto Hydro-Electric System Limited" and "YOUR ELECTRICITY BILL" in large, bold letters. To the right is the Toronto Hydro logo. Below this, there is a section for "Premise number" and "Bill Print Date 101919". A redacted box contains the text "To be used for payments". Below this is the "Meter Number" and the address: "CITY OF TORONTO - METRO HALL - FAC MGMT", "55 JOHN ST, 2ND FLOOR", "C/O EED - EWMO", "TORONTO ON M5V 3C6". To the right of the address is a table with the following information:

Statement Date	Oct 18 2019
Amount Due	[Redacted]
Due Date	Nov 07 2019
Amount Paid	
416,542.8000 www.torontohydro.com	
Interest is charged on any amount past due at a daily rate of 0.04896% compounded at time of billing from the due date until receipt of such amount and all accrued interest (effective interest rate of 19.56% per annum)	

Below the address is the "Service Location: 55 JOHN ST, TORONTO" and "Your Electricity Charges". To the right of this is "Page 1 / 1". Below "Your Electricity Charges" is a section for "Electricity" with a red box around the text "YOU ARE BUYING YOUR ELECTRICITY FROM". Below this is the "ENERGY CHARGE" and "Global Adjustment". To the right of this is a section for "Compare your daily usage" with a table showing "Read Date" and "Kwh Usage". The "Read Date" column lists dates from "30 SEP 19" to "30 APR 19". The "Kwh Usage" column shows a bar chart for each date, with the bars for "30 SEP 19" and "30 APR 19" being significantly higher than the others. The "Kwh Usage" column is redacted for the dates "31 AUG 19", "31 JUL 19", "30 JUN 19", "31 MAY 19", and "30 APR 19".

In July 2019, 14 electricity accounts were switched from Toronto Hydro to energy retailers

CREM followed up on the unusual invoices with both Toronto Hydro and the energy retailers. Upon inquiry, it was discovered that in July 2019, 14 of the City's electricity accounts were switched from Toronto Hydro to two different energy retailers.

The Contracts with Energy Retailers Were Signed by a Retired City Employee Who Did Not Have Authority to Sign Contracts

Employee X who allegedly signed the two contracts was retired and did not have authority to sign contracts

Management also obtained copies of the contracts with the two energy retailers and noted that the City employee (Employee X) who purportedly signed the two contracts did not have signing authority and had retired on July 1, 2019 – before the contracts were even signed. The two energy retailer contracts had a total value of \$4.2 million.

Contracts were deemed as “null and void”

CREM advised the energy retailers that the two contracts were “null and void” because the employee that signed the contract at the time was retired and did not have authority to sign contracts.

As a result, the City directed the two energy retailers to revert the affected City's electricity accounts back to Toronto Hydro.

\$250,000 was already paid to the energy retailers and was later recovered by the City

In addition, for the five-month period where the contract was active, the City paid approximately \$250,000 to the two energy retailers from the start of the contract in September 2019 to when the contract was terminated in January 2020. The two energy retailers returned this money back to the City because the contracts were considered “null and void”.

City would have overpaid \$2.5 million for electricity had the fraud not been identified

If the fraud had not been identified by CREM in a timely manner and had the contracts been left to run to their full contract terms, we estimate that the City would have overpaid for electricity by approximately \$2.5 million.

CREM Referred the Complaint to the Auditor General's Office under the TPS By-Law

CREM informed the Auditor General's Office under the TPS By-law

In January 2020, CREM informed the Auditor General's Office of the fraudulent contracts, as required under the Toronto Public Service By-law's (TPS By-law) *Disclosure of Wrongdoing and Reprisal Protection* policy.

Purpose of Auditor General's investigation

Given the serious nature of the allegations and the dollar values involved, the Auditor General's Office commenced an investigation. The purpose of the investigation was to try to identify who entered the City into these contracts and whether any City employee was involved in the fraud.

Background

Electricity Generation, Distribution and Electricity Market in Ontario

Electricity generation by Ontario Power Generation

Nearly half of Ontario's electricity is generated by Ontario Power Generation, a provincially-owned organization. Once electricity is generated, it is delivered to urban and rural areas through high-voltage transmission lines, most of them owned by Hydro One, a partially provincially-owned corporation. At certain transformer stations, the electricity powers the Toronto Hydro grid.

Toronto Hydro is a local distribution company

Toronto Hydro is a City-owned local distribution company (LDC) responsible for distributing power to residential, commercial, and industrial consumers in Toronto.

Toronto consumers can buy electricity from Toronto Hydro or from a licensed energy retailer

While all electricity in Toronto is physically distributed by Toronto Hydro, Ontario has an electricity market where consumers can choose to purchase their electricity from either Toronto Hydro (at a regulated price, without mark-up by Toronto Hydro) or from a licensed energy retailer. By default, in accordance with provincial legislation, consumers purchase from Toronto Hydro.

Licensed Energy Retailers

Energy retailers are private companies selling to consumers via a commercial contract

Licensed energy retailers are private companies that purchase electricity from power generating companies through the Ontario electricity market, and then sell it to consumers using commercial contracts for a specified period.

In some cases, energy retailers pay commissions to consulting firms that bring in new contracts for them. The consulting firms act as intermediaries between the energy retailers and consumers.

The City of Toronto purchases its electricity from Toronto Hydro

The City purchases its electricity from Toronto Hydro. Per CREM staff, there is no policy that dictates that the City must buy electricity from Toronto Hydro, but the nature of electricity pricing in Ontario is such that the market price from a regulated utility, such as Toronto Hydro versus that of a retailer, is more advantageous.

Ontario Energy Board

The Ontario Energy Board (OEB) regulates the electricity sector in Ontario, including licensing energy retailers.

Energy retailers must be licensed

The *Ontario Energy Board Act* mandates that no person can retail electricity or act as an agent or broker for a consumer in the sale of electricity without a license.

Energy retailers licensed by the OEB must comply with all the conditions and codes of their license, including the *Electricity Retailer Code of Conduct*.¹

Electricity Distributor and Energy Retailer Obligations under the OEB Retail Settlement Code

Toronto Hydro's processes and interactions with all energy retailers is governed by OEB regulations

Toronto Hydro's processes and interactions with all energy retailers is governed by OEB regulations, specifically the *Retail Settlement Code* (RSC)². The *Retail Settlement Code* limits what actions Toronto Hydro can take with respect to retailers and the interactions between retailers and customers. Toronto Hydro management informed us that the OEB's limitations are intended to protect the commercial retail market and prevent distributors like Toronto Hydro from interfering with retailers signing up new customers.

Energy retailer submits a service transaction request to Toronto Hydro to enter a consumer into a contract with the energy retailer

In order to enter a consumer into a contract with an energy retailer, the energy retailer submits a service transaction request through Toronto Hydro's electronic system. The enrollment requires validation terms, which include the consumer electricity account number and either the consumer's name or postal code.

If the consumer doesn't have an assigned electricity account number with Toronto Hydro, the system then requires both the consumer's name and postal code in order to process the service request. If either the account number validation fails or the required information (name and postal code) is missing or invalid, the service request will be rejected by Toronto Hydro's system.

Energy retailer not required to submit a physical or electronic copy of the consumer's written authorization to Toronto Hydro

As per section 10.2 of the *Retail Settlement Code*, an energy retailer who submits a service transaction request on behalf of a consumer is not required to submit a physical or electronic copy of the consumer's written authorization to Toronto Hydro for processing. However, the energy retailer should explicitly state that written authorization was obtained from the consumer for the change in service arrangements and for the retailer to act as the consumer's agent in submitting the service transaction request.

¹ <https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/electricity-retailer-code-conduct>

² <https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/retail-settlement-code-rsc>

If consumer contact information and/or authorization is fraudulently used to make the switch, then the actual consumer (i.e., the City) would not have any knowledge of the change in the service arrangements. This was the scenario with the City's two fraudulent contracts where retired City employees' credentials were fraudulently used to make the switch from Toronto Hydro to the two energy retailers.

Toronto Hydro Notification to Consumers

Toronto Hydro will state the name of the energy retailer the consumer is purchasing from on invoice

If a consumer purchases their electricity from an energy retailer and receives their invoice directly from Toronto Hydro, their invoice will note the name of the energy retailer the consumer is purchasing from. The invoice will include the phrase *"YOU ARE BUYING YOUR ELECTRICITY FROM"*, followed by the energy retailer's name, toll-free telephone number, and website address, as provided by the energy retailer. Provincial rules stipulate that language, and limit any further notification by Toronto Hydro, which would be seen as interfering with the retail market.

Refer to Figure 1 for a sample Toronto Hydro invoice with the phrase *"YOU ARE BUYING YOUR ELECTRICITY FROM"*.

The City was able to identify the switch from reviewing invoices containing this phrase and took actions immediately to change the service arrangements back to Toronto Hydro.

Toronto Hydro provides electricity accounts switch notification letter to "low volume consumers" only

In addition to notifying the switch of the service arrangements on the invoice, Toronto Hydro provides a separate notification letter in writing to low-volume consumers only.³ The City of Toronto is a high-volume consumer, so City staff did not receive this notification.

City of Toronto's Hydro Invoice Review and Payment Process

CREM processed over \$228 million electricity invoices in 2024

In 2024, the City of Toronto's CREM Division processed over \$228 million in electricity invoices, including over \$147 million for the City and \$81 million for some Agencies and Corporations.

³ A low-volume consumer means a consumer who uses less than 150,000 kilowatt hours of electricity per year.

Electricity invoices go through a series of audits before payment

The City of Toronto uses an automated billing process where PDF copies of the invoices are uploaded to the Energy Management system daily. The invoices undergo a series of audits by the system and CREM staff before they are exported to SAP for payment. Anomalies are flagged and rectified before payment. Due to the volume of invoices (approximately 3,700 a month) and a short payment window (15 days from statement date to due date), CREM staff cannot realistically verify each invoice individually, but they have review procedures in place to identify invoice anomalies on an ongoing basis.

CREM's review process prevented a \$2.5 million loss to the City

Through their review procedures, CREM staff identified the electricity invoices that were switched from Toronto Hydro to energy retailers in a timely manner, which prevented the City from overpaying \$2.5 million for electricity at 14 properties.

Investigation Results

A. Auditor General's Findings Involving the Two Energy Retailer Contracts

A. 1. Corroborative Evidence Confirmed the Contracts Were Fraudulent

The two energy retailer contracts were signed in July 2019

The electricity contract between the City and Energy Retailer 1 was allegedly signed in July 2019 for a two-year term and affected 12 City electricity accounts.

Energy Retailer 1 informed us that Consultant A brought the contract on behalf of the City through a consulting firm in Mississauga (Consulting Firm A).

The electricity contract between the City and Energy Retailer 2 was also signed in July 2019 for a three-year term and affected two City electricity accounts.

Energy Retailer 2 informed us that the City's contract came to them via an energy broker located in Chicago, Illinois. When we contacted this energy broker, they advised us that the contract came to them via Consultant B, through a consulting firm in Toronto (Consulting Firm B).

Irregularities identified in the two energy retailer contracts

We reviewed the two energy retailer contracts and identified the following irregularities:

1. The City employee (Employee X) who purportedly signed the contracts was retired, so they could not have signed the contracts.
2. When Employee X worked at the City, they never had signing authority to change electricity accounts or enter into contracts of this value. Furthermore, the City's procurement policies require City Council approval for contracts of this value, which did not occur.
3. Employee X's position was incorrectly listed as "Real Estate Manager (acting)" on the contract. After following up with Employee X and reviewing City documentation, we confirmed they never held such a position, even on an acting basis.
4. One contract incorrectly spelled Employee X's name and position title.

5. The wrong email address of the retired employee was used. It was listed on the contracts as 'employee.name@torontoservice.ca' instead of 'employee.name@toronto.ca'. The City confirmed to us that the domain name '@torontoservice.ca' is not valid for any City of Toronto accounts.
6. There was no witness to Employee X's signature.
7. We obtained a sample of Employee X's real signature and confirmed that the signature on the contracts was not the employee's signature through a handwriting expert's analysis.
8. We confirmed with the Technology Services Division that the cell phone number provided in the contracts was never assigned to the City of Toronto.
9. There is no name, phone number or signature of the consultants on the contracts that purportedly signed the City with the energy retailers.

Figure 2 is an image of the redacted Energy Retailer 1 contract as an example.

Figure 2: Redacted Energy Retailer 1 Contract

Natural Gas & Electricity Program Contract

CONTRACT ENROLMENT FORM

IMPORTANT:

Customer Information

The Customer is responsible for ensuring the accuracy of the information set out below.

City of Toronto
Account Holder (as shown on Utility bill)

Legal Name (if different than name above)
[Redacted]

Signatory Full Name and Title
Real Estate Manager (Acting)

Billing Address – Street Number and Name
55 John Street

Unit Number (if applicable)
2nd Floor

City
Toronto

Province
Ontario

Postal Code
M5V 3C6

Phone Number (with extension)
[Redacted]

Cell Phone
[Redacted]

Fax Number
[Redacted]

Email
[Redacted]

This agreement is for ☐ Single Location ☒ Multiple Locations

Complete "List of Account Numbers" on following page.

Conclusion

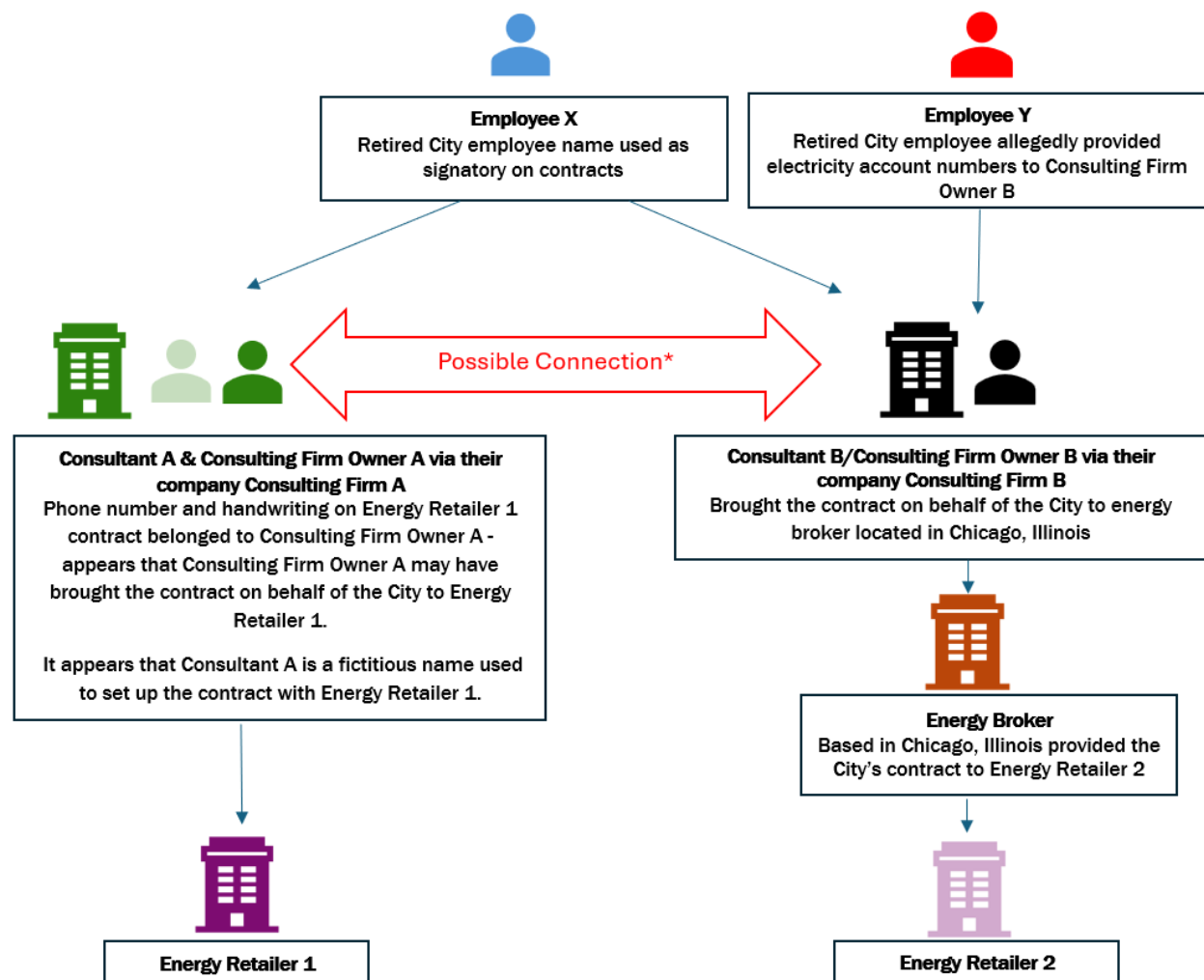
The corroborating evidence obtained by the Auditor General determined that the contracts were not signed by Employee X and were therefore fraudulent.

A. 2. Consulting Firm Owners Appeared to Have Some Involvement in Establishing Contracts with Energy Retailers, but this Could Not Be Substantiated

The Auditor General exercised various methods to attempt to track down the consultants who allegedly switched the City's electricity accounts to the two energy retailers.

Figure 3 outlines the relationship between the various parties' involvement, as discussed throughout Section A.

Figure 3: Relationship Diagram



*Possible Connection between Consulting Firm A and B:

- Consulting Firm Owner A and Consulting Firm Owner B confirmed that they know each other through their business relationships.
- Consulting Firm Owner A's name appeared on Consulting Firm B's OEB license.
- Consulting Firm Owner A was listed as a Director on Consulting Firm B's Business Corporation document filed with the Government of Canada.
- Consulting Firm Owner A also alleged that Consulting Firm Owner B transferred \$98,000 from Consulting Firm A's bank account without their knowledge. We obtained the bank receipt for the \$98,000 and confirmed that the recipient of the money was not Consulting Firm Owner B, but an individual (Intermediary A) who had connections to Consulting Firm Owner B. We interviewed Intermediary A who confirmed to us that they received the \$98,000 from Consulting Firm Owner B for a loan repayment. Therefore, it appears Consulting Firm Owner B had access to Consulting Firm A's bank account.

Consultant A, Consulting Firm Owner A and Consulting Firm A.

**Auditor General's Office
performed many steps to
track down Consulting
Firm Owner A**

The Auditor General performed the following steps to try to track down Consultant A and Consulting Firm Owner A, and obtain further information, including:

- Investigating the business address. Energy Retailer 1 provided us with the contact information of Consultant A and the alleged address of Consulting Firm A. Based on our research, we noted that the address of Consulting Firm A belonged to another unrelated business. When we contacted that business, the business owner confirmed that he has owned the property at the location for close to 20 years and has never heard of Consultant A. Therefore, a false business address was provided to Energy Retailer 1.
- Calling the phone number and emailing the email address provided by Energy Retailer 1. The person who answered our phone call said they are Consulting Firm Owner A, not Consultant A, and did not remember signing contracts with the City of Toronto. We also received an undelivered email notification from the email address.
- Obtaining Consulting Firm A's banking records to verify the account owner's identity. Per the records, the bank account owner was listed as Consulting Firm Owner A (not Consultant A).

- Engaging a forensic examiner specializing in handwriting analysis to compare the writing and signatures on the two energy retailer contracts with Consulting Firm Owner A's writing and signatures from their bank records. The handwriting expert confirmed that Consulting Firm Owner A's handwriting matched the handwriting on Energy Retailer 1's contract, but not with Energy Retailer 2's contract.
- Interviewing Consulting Firm Owner A. They denied their involvement with the City's contract and denied that the handwriting on the Energy Retailer 1 contract is theirs. They also stated that they didn't know about the deposits from Energy Retailer 1 in their company's bank account and never heard of Consultant A's name. Therefore, it's probable that Consultant A is a fictitious name used to set up the contract with Energy Retailer 1. However, Consulting Firm Owner A pointed to another person that might have been involved in setting up the City contract with Energy Retailer 1.
- The name provided by Consulting Firm Owner A is the same name provided to us by the energy broker that interacted with Energy Retailer 2. This person is Consultant B, who is the same person as Consulting Firm Owner B.

Conclusion

Given the handwriting on the Energy Retailer 1 contract matched with Consulting Firm Owner A's handwriting, and the phone number provided by Energy Retailer 1 belonged to Consulting Firm Owner A, it appears that Consulting Firm Owner A may have been involved with the City contract with Energy Retailer 1, although they deny any knowledge of or involvement with it. It also appears that Consultant A is a fictitious name used to set up the contract with Energy Retailer 1.

Consultant B/Consulting Firm Owner B and Consulting Firm B

Based on the documentation we gathered, it appears that Consultant B/Consulting Firm Owner B, via their consulting firm (Consulting Firm B), set up the City contract with Energy Retailer 2 through an energy broker located in Chicago, Illinois.

Auditor General's Office performed many steps to track down Consulting Firm Owner B

The Auditor General performed various steps to try to track down Consulting Firm Owner B and obtain further information, including:

- Obtaining contact information and banking records for Consulting Firm Owner B through information provided by Consulting Firm Owner A.

- Interviewing Consulting Firm Owner B, who could not recall the specific contract since they were working with many different energy retailers at the time, including Energy Retailers 1 and 2. However, they provided information about a City employee who allegedly interacted with Consulting Firm B and provided the City's electricity account numbers used to set up the contract with the energy retailers.
- Consulting Firm Owner B provided documentation and email correspondence with a City employee (Employee Y) as discussed in Section A.3 below. The documents listed 39 of the City's electricity accounts. We confirmed through our reconciliation that eight out of the 14 accounts that were switched with the energy retailers matched with the account numbers provided by Consulting Firm Owner B.

Conclusion

Although Consulting Firm Owner B provided information about the City employee they allegedly interacted with to set up contracts with the energy retailers, they could not recall this specific contract. However, it is likely that Consulting Firm Owner B was involved with setting up the contract with Energy Retailer 2 given that they confirmed to us that they have dealt with both the City and Energy Retailer 2. Also, Consulting Firm Owner B's name and phone number were provided to us by the energy broker in Chicago who interacted with Energy Retailer 2.

Possible Connection Between Consulting Firm A and Consulting Firm B

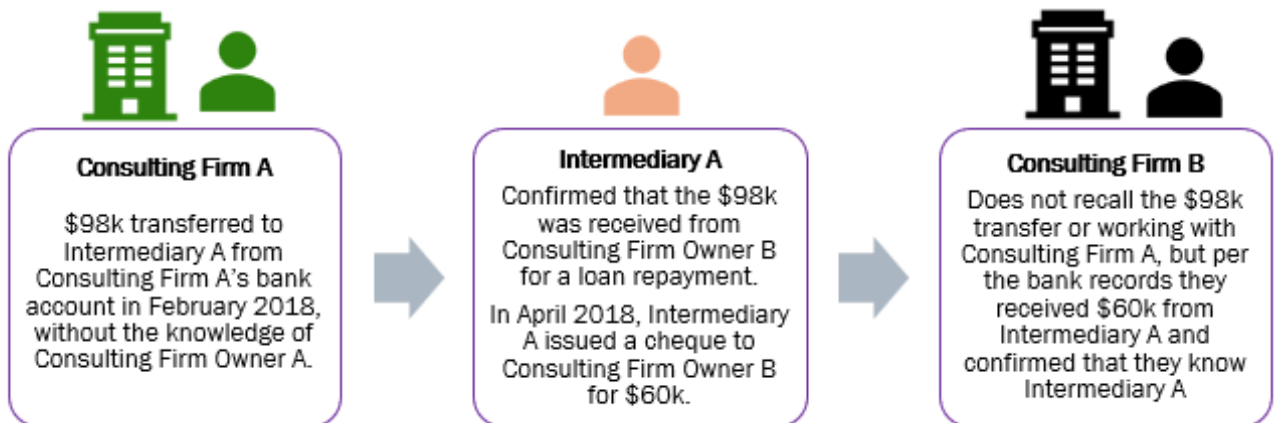
Many factors leading to a possible connection between Consulting Firm A and B

It appears there is a possible connection between Consulting Firm A and B due to the following reasons and as outlined in the Relationship Diagram (Figure 3):

- Consulting Firm Owner A and Consulting Firm Owner B confirmed they know each other through their business relationships.
- Consulting Firm Owner A's name was on Consulting Firm B's OEB license.
- Consulting Firm Owner A was listed as a Director on Consulting Firm B's Business Corporation document filed with the Government of Canada.

- Consulting Firm Owner A alleged that Consulting Firm Owner B transferred \$98,000 from Consulting Firm A's bank account without their knowledge. We obtained the bank receipt for the \$98,000 to attempt to validate the allegation. The recipient of the money was an individual with personal connections to Consulting Firm Owner B. We interviewed the recipient of the money (Intermediary A) who confirmed they received the money from Consulting Firm Owner B for a loan repayment. It appears Consulting Firm Owner B had access to Consulting Firm A's bank account, even though they are not listed as an owner on the banking records or business corporation documents.
- Figure 4 outlines the flow of money showing a possible connection between Consulting Firms A and B.

Figure 4: Flow of Money Showing Possible Connection Between Consulting Firms A and B



Although the two City contracts were brought to the energy retailers by two different consulting firms, it appears that there is a connection between the two consulting firms in setting up these contracts for the City as noted in Figures 3 and 4.

Conclusion

Consulting Firm Owners A and B acknowledge that they know one another. Owner A denies involvement with establishing the Energy Retailer Contract 1 and alleged that Owner B is the one who set up that contract.

Consulting Firm Owner B cannot recall either contract. However, they admitted they have dealt with Energy Retailers 1 and 2.

It appears that Consulting Firm Owner B had involvement with setting up the contracts with Energy Retailers 1 and 2. However, we cannot determine who signed the contracts on behalf of the City due to lack of evidence at this time, despite extensive efforts.

Matter has been referred to the Toronto Police Service

This matter has been referred to the Toronto Police Service (TPS) due to prior allegations against Consulting Firm Owner B, including signature forgery. TPS will assess whether the circumstances meet the criminal threshold to warrant a criminal investigation.

A. 3. Retired City Employees' Identifications Were Fraudulently Used to Establish the Contracts with the Energy Retailers

As noted in the previous section, Consulting Firm Owner B provided Employee Y's name and email address used in correspondence between them. Consulting Firm Owner B also provided two documents that Employee Y allegedly signed to authorize the switch to the energy retailers.

Employee Y confirmed that they did not sign the documents

We interviewed Employee Y who confirmed to us that they did not sign these documents, did not know of or interact with Consulting Firm Owner B, and that the email address Consulting Firm Owner B provided was not theirs.

Similarly, Employee X, who allegedly signed the two energy retailer contracts, confirmed that they did not sign any City contracts, were not in the role that was listed on the contract at any point during their City employment, and have never heard of Consultant A.

Conclusion

Our review indicates that the retired City employees' identifications were fraudulently used to set up these contracts with the energy retailers.

B. Why this Investigation Matters

B. 1. Determine if there is Wrongdoing Committed by City Employees

One of the core values of the Toronto Public Service is to act with integrity

Chapter 192 of the *Toronto Public Service By-law* (TPS By-law) outlines the core values of the Toronto Public Service, which includes serving the public well, acting with integrity, and using City property, services and resources responsibly.

To support these core values, the *Disclosure of Wrongdoing and Reprisal Protection provisions*⁴ provides a clear process to investigate allegations of wrongdoing in order to maintain public confidence in the public service, the delivery of City services, and the use of City resources.

⁴ <https://www.toronto.ca/wp-content/uploads/2017/11/8f20-TPS-By-law-Disclosure-of-Wrongdoing-link-to-Chapter-192-sections-V1.1.pdf>

If an employee had knowingly enrolled the City in third-party energy contracts which would have resulted in the City paying more for electricity, this would be contrary to the Toronto Public Service values and would be wrongdoing (waste and/or potential breach of public trust).

Important to undertake this investigation to determine any wrongdoing committed by a City employee

As such, it was important to undertake this investigation to determine whether any wrongdoing was committed by a City employee. Although we were unable to identify if a City employee was involved in this case, if new information comes to light, our Office may consider conducting further work.

B. 2. Identify Control Weaknesses that Need Improvement

Energy Retailer 1 & 2 holds an active OEB license

Energy Retailers 1 and 2 hold active licenses issued by the Ontario Energy Board to operate as an energy retailer.

We asked Energy Retailer 1's CEO for all information related to the interaction between Consultant A and the City, to which they replied:

"We do not have any information regarding this process or events and neither [Consultant A nor their firm] have returned our emails or calls."

We then asked for further clarification on how the contract was brought to Energy Retailer 1 and the CEO advised:

"[Consulting Firm A] contacted [Energy Retailer 1] as an independent broker with customers interested in energy commodity contracts. [Consultant A] would request a price from us for a term, commodity (natural gas and/or electricity) and in some cases volumes. It is our understanding that [they] might obtain prices from several suppliers and present to [their] customers. This is common practice. Brokers/consultants dealing with large consumers often "shop" prices for their customers. If we were the successful bid then [Consulting Firm A] would supply us with copies of invoices, contact information and in some cases a fully executed contract for our acceptance. We would verify the copies of the invoices were eligible for our enrollment and then proceed with the contract."

All energy retailers including agents or brokers for retailers must be licensed by the Ontario Energy Board

All energy retailers, including those selling or offering to sell electricity to a consumer and those who act as agents or brokers for retailers, must be licensed by the Ontario Energy Board.

Consulting Firm A's name did not appear on the Ontario Energy Board's (OEB) list of licensed companies. Consulting Firm B's name does appear on this list.

We asked Energy Retailer 1 for the OEB licensing information for Consulting Firm A. They advised that they “*are not in possession of any such license*”. It appears they did not check to confirm that Consulting Firm A was licensed with OEB prior to accepting the contract with the City.

We asked Energy Retailer 2 to provide an overview of their process of how the City can be signed to a contract without proper authorization. They replied:

“We process a lot of transactions everyday, this scenario is a first for me. When a person represents themselves as having the ability to bind a corporation and their title/role is one that seems reasonable we operate under the belief that it is.”

Important for energy retailers to have proper controls in place to verify the legitimacy of the consumer

Based on these responses, it appears that the energy retailers performed limited due diligence to verify that the person signing a contract has the authority to do so. It is important for energy retailers to have proper controls in place to verify the legitimacy of the consumer before proceeding with the account switch and to mitigate this risk from occurring in the future. The Auditor General does not conduct investigations of private companies, such as the energy retailers, and/or the Ontario Energy Board. Therefore, we did not audit the controls and processes of the energy retailers or the Ontario Energy Board.

B. 3. Importance of Being Vigilant

The two contracts were signed with energy retailers without the City’s knowledge

The two fraudulent contracts were signed without the knowledge of the City. There is a risk that a similar situation could have occurred at other City premises, including Agencies and Corporations.

At the time the fraud was discovered, the Auditor General’s Office contacted Toronto Hydro and requested a summary of all City of Toronto premises, including Agencies and Corporations that had contracts with energy retailers over the previous five years.

Toronto Hydro responded stating that they identified five Agencies and Corporations that had contracts with energy retailers in the past five years. To determine whether the contracts were still active, the Auditor General’s Office reached out to the contacts responsible for the electricity accounts at the respective Agencies and Corporations to find out.

All of them confirmed back to us that the energy retailer contracts were no longer active, except for one City Arena.

Important for the City and its Agencies and Corporations to be vigilant

It is important for the City, and its Agencies and Corporations, to be vigilant because the switch of electricity accounts to third-party energy retailers can occur without their knowledge and can result in a negative financial impact. It is important that City staff are diligent in reviewing and approving electricity invoices, to prevent or detect this potential fraudulent scheme early.

Employee identities and credentials can also be used for fraudulent purposes, so it is critical to review contracts and invoices diligently prior to approval and payment.

**Members of the public and other municipalities should check their electricity invoices
CREM has implemented additional controls to mitigate the risk**

This investigation also serves to notify the public and other municipalities to check their electricity invoices for any possible switches to energy retailers without their knowledge.

Since discovering the fraudulent contracts, CREM staff have implemented additional controls to avoid future occurrences, including:

- An automated invoice-scraping tool that can identify any text changes on invoices and notify staff prior to invoice payment.
- Toronto Hydro's weekly file of the City's electricity accounts that CREM reviews includes a new column specifically identifying the energy retailer. The column should normally read "Toronto Hydro" on all City invoices. CREM staff now review the file upon receipt to ensure the electricity provider has not changed before invoice payment.

Recommendation:

1. **City Council request the City Manager to forward this investigation report to other City Divisions, and Agencies and Corporations for their information, to encourage diligence in reviewing and approving invoices, with emphasis to those Agencies and Corporations that are responsible for reviewing their own electricity invoices.**

Conclusion

	<p>This report presents the results of the Auditor General's investigation of a complaint received through the Fraud and Waste Hotline alleging that 14 City's electricity accounts were switched to third-party energy retailers from Toronto Hydro without the City's knowledge, which could have cost the City \$2.5 million.</p>
<p>City Division detected this fraudulent activity</p>	<p>The City division responsible for reviewing the electricity invoices, CREM, detected this fraudulent activity, contacted the energy retailers and Toronto Hydro, and reverted the electricity accounts back to Toronto Hydro. It also recovered the payments made to the energy retailers under the "null and void" contracts.</p>
<p>We were not able to conclude on how the alleged obtained City's retired employees' identifications and electricity account numbers</p>	<p>The Auditor General's Office conducted extensive investigation work but was not able to conclude on who signed the Energy Retailer 1 and 2 contracts on behalf of the City and/or how the alleged obtained City retired employees' identifications and electricity account numbers to set up the contracts with the energy retailers. It appears that the purported signatures of the retired employees were forged. It appears that Consulting Firm Owner B had involvement with setting up the contracts with Energy Retailers 1 and 2, however, we cannot substantiate it due to lack of evidence at this time, despite extensive efforts.</p>
<p>Matter has been referred to the Toronto Police Service</p>	<p>This matter has been referred to the Toronto Police Service (TPS) due to prior allegations against Consulting Firm Owner B, including signature forgery. TPS will assess whether the circumstances meet the criminal threshold to warrant a criminal investigation.</p> <p>Based on the evidence available and the work performed, we are unable to identify if a City employee was involved in this fraud. If new information comes to light, our Office may consider conducting further work.</p>
<p>No loss incurred by the City</p>	<p>The energy retailers suffered a loss as they were unable to recover the commissions paid to the consulting firm owners. However, the City did not incur a loss on these void contracts and has proper controls and processes in place to identify the switch of the electricity accounts with energy retailers.</p>

Investigation Objectives, Scope and Methodology

Objective and scope of the review

The purpose of the investigation was to try to identify who entered the City into these contracts and whether any City employee was involved in this fraud scheme.

Methodology

Our investigative approach included:

- reviewing contracts, relevant City policies and legislation of the Ontario Energy Board, websites, and social media searches;
- interviewing CREM staff, the Consulting Firm Owners, the intermediary, Toronto Hydro, energy retailers, and the retired City of Toronto employees;
- handwriting analyses of the contracts; email searches and review of banking records, including transfers and
- issuing summons to persons of interest for interviews and production of documents from energy retailers and banks.

The Auditor General does not conduct investigations of private companies, such as the energy retailers, and/or the Ontario Energy Board. Therefore, we did not audit the controls and processes of the energy retailers or the Ontario Energy Board.

This is an investigation, not an audit

This is an investigation, not an audit. The work performed in relation to this investigation report does not constitute an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Appendix 1: Management's Response to the Auditor General's Report Entitled: "Fraud Investigation Involving Multiple City of Toronto Electricity Accounts"

Recommendation 1: City Council request the City Manager to forward this investigation report to other City Divisions, and Agencies and Corporations for their information, to encourage diligence in reviewing and approving invoices, with emphasis to those Agencies and Corporations that are responsible for reviewing their own electricity invoices.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: This investigation report will be forwarded to the parties suggested by the Auditor General immediately following its adoption at Council to encourage diligence in their reviewing and approving of electricity invoices. The City Manager also acknowledges and appreciates the due diligence of the Corporate Real Estate Management (CREM) Division for identifying this issue, taking steps to ensure no loss to the City of Toronto and further strengthening its controls to mitigate the potential for fraud in this area. Timeline for completion is Q3 2025

**AUDITOR
GENERAL**

TORONTO

