



Auditor General's 2025 Annual Report on the Fraud and Waste Hotline

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**AUDITOR
GENERAL**

TORONTO

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ANNUAL REPORT

Annual report on Hotline activity

This is the Auditor General's 2025 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 were communicated to the Auditor General's Office and therefore represents an overview of fraud that was reported to us through the Hotline.

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.

About the Fraud and Waste Hotline Program

Program established in 2002

In 2002, the City established a hotline for employees, Councillors, and members of the public to report allegations of fraud, waste, or other wrongdoing, without fear of retribution. Wrongdoing as defined in the [Toronto Public Service By-law](#) refers to serious actions that are contrary to the public interest including but not limited to:

- Fraud;
- Theft of City assets;
- Waste: mismanagement of City resources or assets in a wilful, intentional or negligent manner that contravenes a City policy or direction by Council;
- Violations of the City's Conflict of Interest provisions; and
- Breach of public trust.

The Hotline is an important anti-fraud control

The Fraud and Waste Hotline Program (the Hotline) 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 with anti-fraud controls in place experienced lower fraud losses and detected fraud more quickly than organizations lacking those controls.

Hotline benefits

The Hotline has helped to reduce the City’s losses and protect its assets. The actual and potential losses from complaints received from 2021 to 2025 are \$6.3 million (actual losses) plus \$4 million (potential losses), had the fraud not been detected. Additional non-quantifiable benefits include:

- the deterrence of fraud or wrongdoing
- strengthened internal controls
- policy and procedure improvements
- increased operational efficiencies
- using complaint data to identify trends and emerging issues, make results-orientated 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, comprising a team of professionals with the expertise to resolve a broad range of complaints and investigate complex allegations. Depending on the volume of work, the Forensic Unit may leverage audit staff or outside experts to assist in complex investigations.

Independent oversight

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

2025 Highlights

Similar complaint volume in 2024 and 2025

In 2025, the Hotline received 697 complaints representing approximately 1,150 allegations. This is similar to the number of complaints received in 2024 (679 complaints and 1,050 allegations).

Consistent number of allegations over the past five years

Some complaints may raise more than one allegation, however, each allegation is individually reviewed to ensure the complaint is fully addressed. We continue to manage a high volume of allegations, which has remained relatively consistent over the past five years, averaging approximately 1,210 allegations per year.

Increasing number of complex complaints

Over the past few years, we received an increased number of complaints that are complex in nature. These complaints have multiple allegations, which can in turn affect multiple Divisions, Agencies and Corporations. While the overall volume of complaints in 2025 is comparable to 2024, complex complaints with multiple allegations require more time and effort to review and address.

This trend reflects the multifaceted nature of complaints that are reported to the Hotline and highlights why the Hotline is a critical and reliable mechanism for City employees and the public to report suspected fraud, waste or wrongdoing.

Major investigation concluded in 2025

In addition to operating the Hotline, the Auditor General's Office conducts investigations (refer to **Exhibit 1 – Dispositions** for further details). 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 2021, we have issued eight public reports on major investigations, while other investigative reviews were reported through the Fraud and Waste Hotline Annual Report or directly to management.

In 2025, the Forensic Unit issued a public report on one major investigation (see **Exhibit 2** of this report). 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 2026. 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 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, Articles VI, VII, and VIII of Chapter 192 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 people from reporting allegations of wrongdoing. Under the By-law, management is responsible for ensuring employees who report allegations of wrongdoing can do so without the fear of reprisal, while the Auditor General's Office is responsible for investigating allegations of reprisal against City employees who report wrongdoing.

Raising awareness

Ongoing promotion of the Hotline to raise awareness of the By-law requirements is essential to ensure all City employees and management know what to do when allegations of wrongdoing are received.

In 2025, to promote awareness of the Hotline and the responsibility to report wrongdoing, we directed several communications initiatives to City staff and more broadly to the public, including:

- regularly educating and reminding City employees through internal channels and employee orientation training about the Hotline throughout the year
- internally and externally promoting Fraud Prevention Month in March 2025, including coordinating the issuance of the Mayor's Proclamation¹, and encouraging Councillors to share information about the Hotline with their constituents and include it in their websites and newsletters
- internally and externally promoting International Fraud Awareness Week in November 2025 through social media and internal City communications

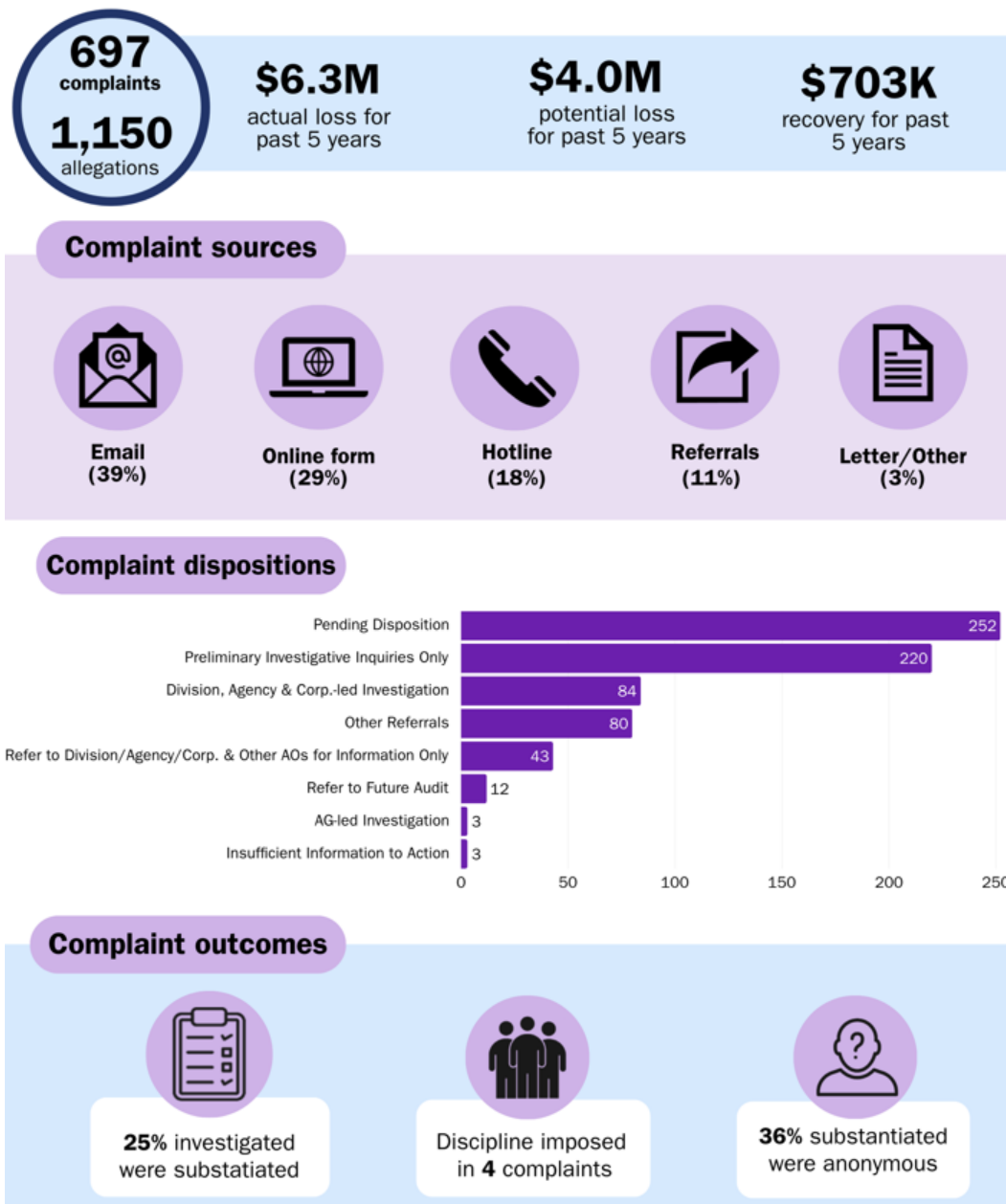
These initiatives reinforce a workplace culture that prioritizes integrity, transparency, and responsibility. In 2026, our Office will continue to communicate initiatives to further increase awareness of the Hotline and the responsibility to report wrongdoing.

More information can be found on the [Auditor General's website](#).

¹ Refer to March 2025 for the [Mayor's Proclamation](#).

The infographic below provides key statistics at a glance for the Hotline in 2025.

Figure 1: Key Statistics



Exhibits

Exhibit 1 – Detailed Statistical Summary: Detailed statistics summarizing the activities of the Hotline are included in this report as Exhibit 1.

Exhibit 2 – Investigation Summary: A summary of the major investigative report issued by the Auditor General in 2025 is included as Exhibit 2.

Exhibit 3 – Complaint Summaries: Summarized details of a sample of complaints concluded in 2025 are included as Exhibit 3.

EXHIBIT 1 – DETAILED STATISTICAL SUMMARY

Leveraging complaint data	Audit standards require that all performance audits consider fraud risks. Collecting, monitoring, and analyzing data and trends from Hotline complaints may identify areas of concern and systemic issues within the City.
Complaint data informs audit project selection	<p>As such, Hotline complaint data is a factor that may inform what performance audits the Office conducts. For example, recent performance audits that were initiated in part due to Hotline data include:</p> <ul style="list-style-type: none">• Audit of Transportation Services: Improving Utility Cut Permit and Inspection Processes• Audit of the Toronto Transit Commission’s Non-Union Workforce Planning and Management
Trends from 2025 complaints	Complaint data is also used to identify trends. In 2025, the most common types of complaints were related to waste/mismanagement, subsidy fraud, time theft, irregular benefit claims, and conflicts of interest. Some of these complaints are summarized in Exhibit 3.
Emerging risk – change order fraud by altering subcontractor documentation	<p>We also noticed an emerging fraud risk regarding change order fraud. More specifically, we saw a trend of allegations where subcontractor documentation was altered by various City contractors through the change order process to inflate their fees and overbill the City. One such example is summarized in Exhibit 3 as Summary #1.</p> <p>According to the Association of Certified Fraud Examiners, change orders generally receive less scrutiny than the process used to acquire the underlying contract, making them a popular way to fraudulently access funds or generate funds for kickbacks².</p>
City staff should be vigilant when reviewing change orders and related supporting documentation	Given this emerging fraud risk, we encourage City staff to be vigilant when reviewing change orders and related supporting documentation, including looking for inconsistencies in formatting in documentation, missing or vague details, or unusual pricing or calculations.

² [Fraud Risk Exposures](#) - page 81.

1. Total Complaints

697 complaints received representing 1,150 allegations

The Auditor General’s Office has handled almost 15,350 Hotline complaints since 2002. Each complaint may include multiple allegations. In 2025, 697 complaints were received, representing approximately 1,150 allegations. This is similar to the volume received in 2024 (679 complaints and 1,050 allegations).

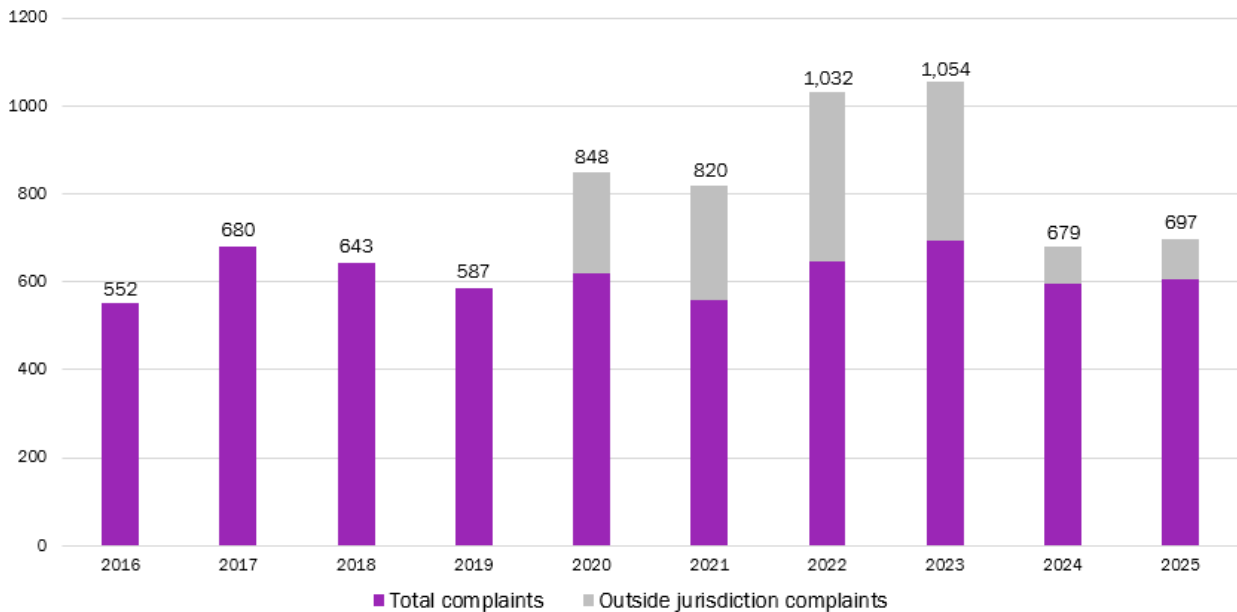
Dynamic nature of hotline complaints

The volume and types of hotline complaints are dynamic and may increase or decrease due to various factors such as outreach activities and media coverage.

Figure 2 outlines the number of complaints received over the past 10 years between 2016 to 2025. It also shows the number of complaints received that were outside of our jurisdiction over the past six years, which our Office began tracking in 2020.

Outside jurisdiction complaints, such as income tax fraud or tax evasion, do not relate to the City and are outside our scope. In past years we averaged 309 annual outside jurisdiction complaints, but this decreased in 2024 (83 complaints) and 2025 (92 complaints). This is largely due to changes made on the Auditor General’s website clarifying what we investigate, what should be reported, and the Hotline’s scope.

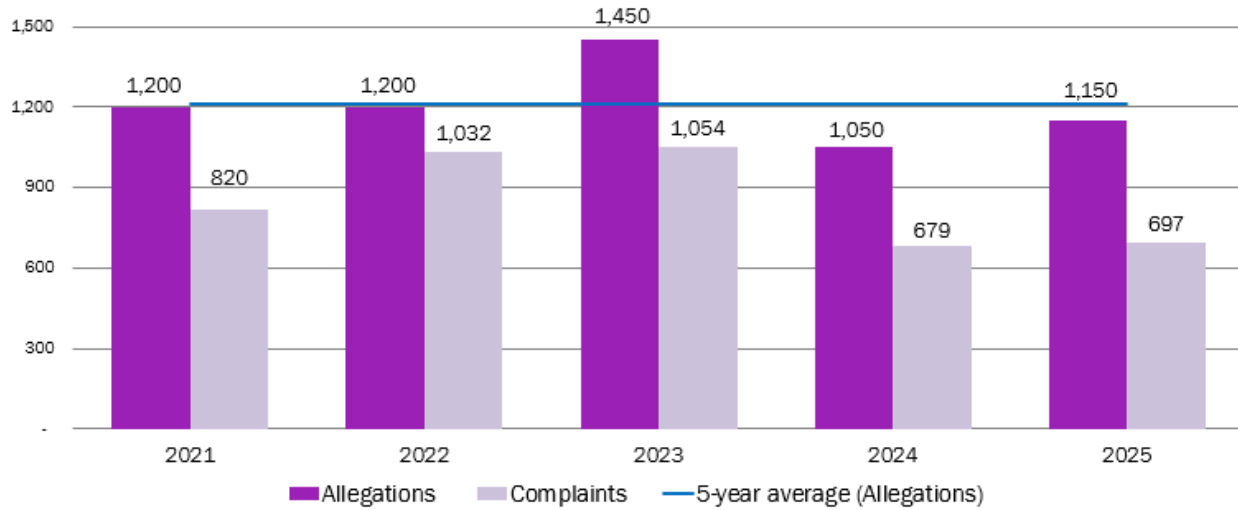
Figure 2: Complaints Received (2016 to 2025) and Number of Outside Jurisdiction Complaints (2020 to 2025)



Consistent number of allegations over the past five years

We continue to manage a high volume of allegations, which remains relatively consistent over the past five years, averaging approximately 1,210 allegations per year as shown in Figure 3 below.

Figure 3: Complaints and Allegations Received (2021 to 2025)



2. Source of Complaints and Anonymity

The Hotline is confidential and anonymous

The Hotline is a confidential and anonymous program that allows staff, members of the public, and anyone doing business with the City to report incidents of suspected fraud, waste or wrongdoing involving City resources 24 hours a day, seven days a week.

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.

Several reporting channels

Complaints can be made to the Fraud and Waste Hotline via:

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

39% of complaints through email

In 2025, the most used reporting method was email, with 39 per cent of all complaints received by email to the Auditor General's Office.

Complainant's identity is not disclosed regardless of anonymity

Regardless of which channel is used, when a complainant submits a report, it is optional for them to provide identifying information, such as their name and contact information. If a complainant identifies themselves, their identity is not disclosed without their consent and only if necessary to ensure a thorough, effective, and complete investigation.

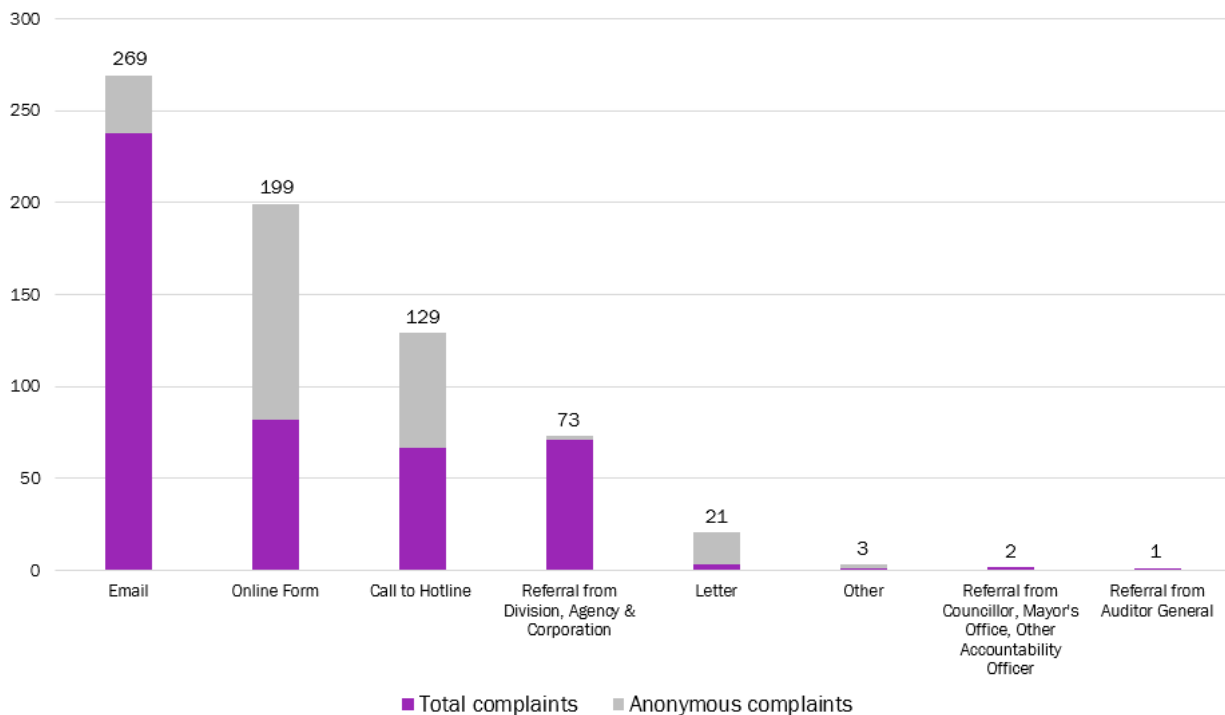
A complainant's identity may also be disclosed if the Auditor General's Office is compelled to do so by law. Protecting a complainant's identity is paramount to ensure people feel safe using the Hotline to report suspected incidents of fraud.

33% of complaints were reported to the Hotline anonymously

In 2025, 33 per cent (232) of the reported complaints were anonymous. Approximately 50 per cent (117) of the anonymous complaints received were through the secure online complaint form.

Figure 4 summarizes the methods used to report complaints to the Hotline in 2025, along with the number of those reports that were made anonymously.

Figure 4: Source of Complaints and Number of Reports Made Anonymously (2025)



3. Disposition of Complaints

All complaints are reviewed

All complaints received are tracked and screened by designated intake staff, with appropriate supervisory review.

Triage process assesses the risk and priority of incoming complaints

The Forensics Unit triages all complaints to assess the risk and priority level of the allegations, typically within one business day of receipt. This process is the first step in conducting preliminary investigative work.

The team evaluates all complaints to determine their disposition, which is the action taken on a complaint. Before determining the disposition, the Auditor General's Office will conduct preliminary inquiries to determine whether allegations have merit and before referring complaints to divisions for action.

Disposition options that may be assigned to a complaint or a particular allegation within a complaint include:

1. Investigation:
 - Led by the Auditor General's Office
 - Led by the Division, Agency or Corporation (with a report back to the Auditor General's Office)
2. Future Audit by the Auditor General's Office
3. Referral to Division, Agency or Corporation for Information Only
4. No Action:
 - Not enough information
 - Duplicate
 - Outside our scope
 - Preliminary inquiries conducted suggest no further action warranted

Professional judgment used to determine disposition

The unique circumstances of each complaint requires applying professional judgment, and in certain cases, discussing the disposition of complaints with the Auditor General to determine next steps.

If a complaint is actionable, we do not disclose the action taken to the complainant, in accordance with the Duty of Confidentiality, Section 181, of the *City of Toronto Act*.

Figure 5 provides an overview of the Hotline complaints intake and resolution process.

Figure 5: Hotline Complaints Intake and Resolution Process

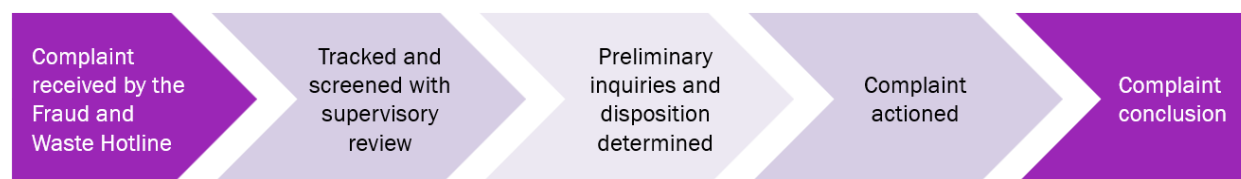
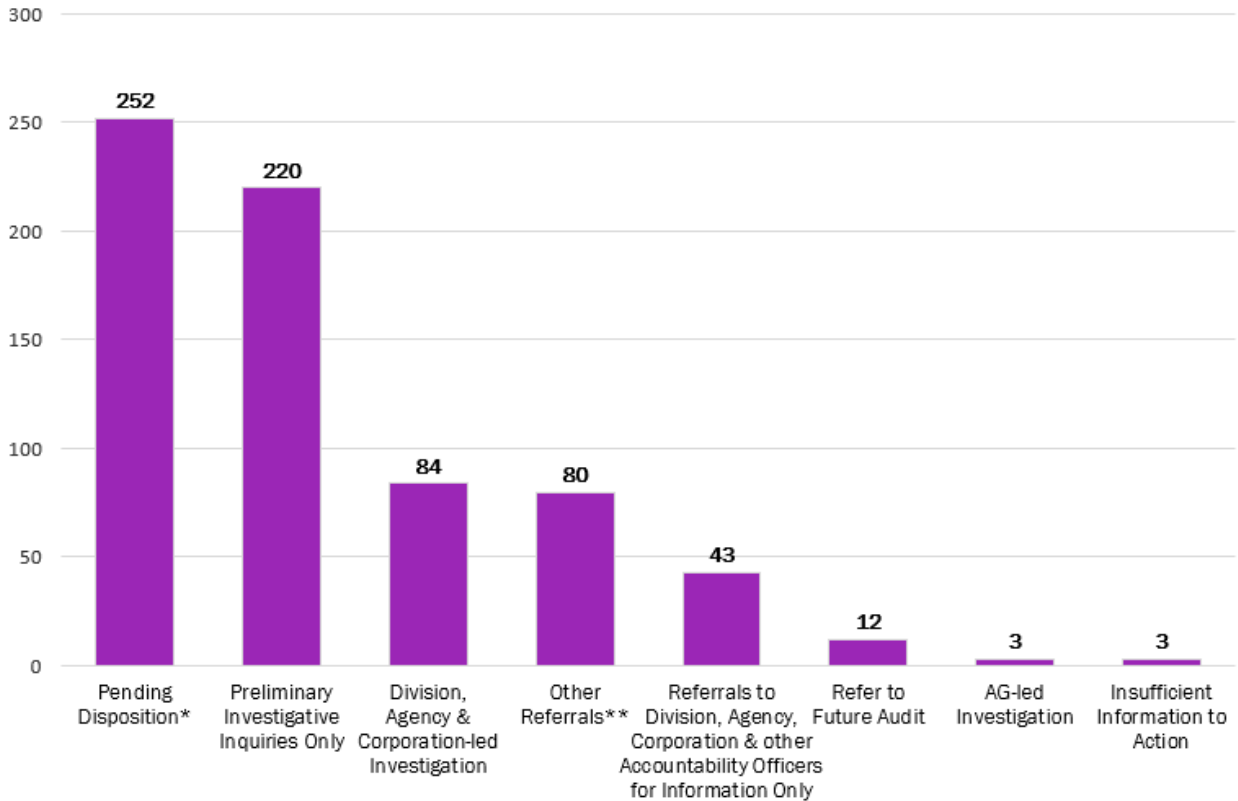


Figure 6 provides a breakdown of the disposition of complaints received in 2025.

Figure 6: Disposition of Complaints (2025)



* Pending Disposition includes complaints that do not have a disposition assigned yet since the determination of next steps on the complaints is pending with the Forensic Unit

** Other Referrals are outside jurisdiction complaints that were referred to appropriate sources and agencies outside the City

Preliminary inquiries

Thirty-two per cent (220) 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

Twelve per cent (84) of all complaints were referred within the City to be investigated by management, under our oversight.

AG-led investigations

Three complaints resulted in an investigation led by the Auditor General’s Office. These are ongoing and may be reported out in the future.

Other referrals	Eleven per cent (80) of all complaints were redirected to the appropriate source or provided with more relevant information, as the matters did not pertain to fraud, waste or wrongdoing involving the City.
Referrals to Division, Agency, Corporation & other Accountability Officers for information only	Six per cent (43) of all complaints were referred to management or other Accountability Officers for any action they deem necessary. Examples of such complaints include employee misconduct, hiring issues, or harassment allegations.
Refer to future audit	Two per cent (12) of all complaints were referred for consideration in a future audit by the Auditor General's Office because they would be better resolved with an audit compared to a forensic investigation.
Pending disposition	Thirty-six per cent (252) of all complaints received this year do not have a disposition assigned since determination of next steps is pending with the Forensic Unit. This number fluctuates each year depending on the Forensic Unit's workload.

4. Complaint Conclusion

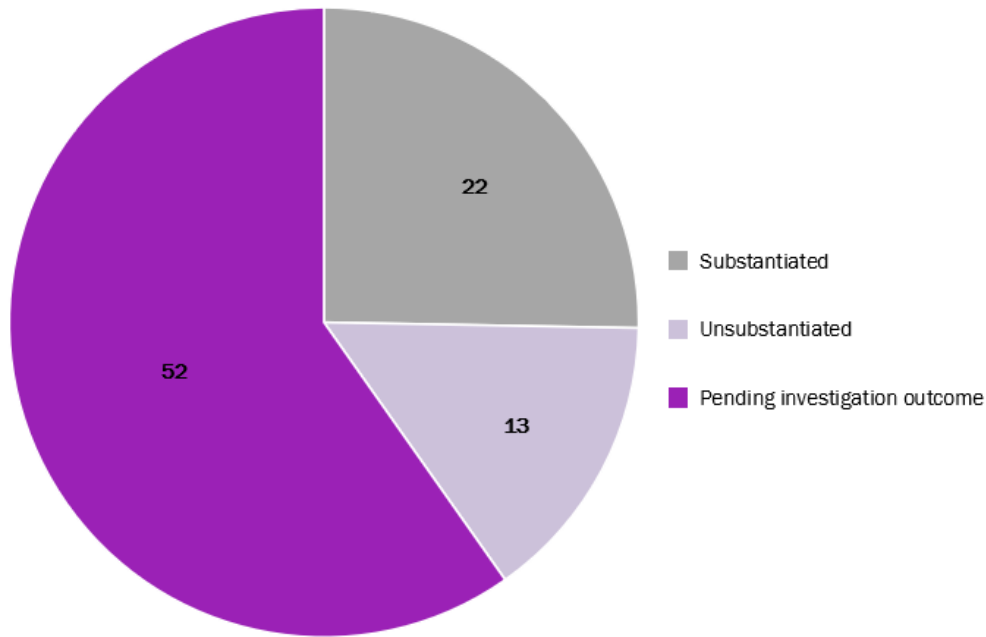
	The Forensic Unit manages each complaint until it is closed.
25% of complaints were substantiated	<p>Twenty-five per cent (22) of the 87 investigated complaints from 2025 were substantiated in whole or in part. The most common types of complaints that were substantiated include subsidy fraud, irregular benefit claims, fraud, and time theft. This number is expected to increase as outstanding 2025 investigations are completed in 2026.</p> <p>In cases where the evidence does not support a finding of wrongdoing, 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.</p> <p>Where internal control weaknesses contributed to or facilitated wrongdoing in substantiated complaints, divisions confirmed that the internal control weaknesses have been or are being addressed.</p>
Anonymous complaints	Thirty-six per cent (eight out of 22) of the substantiated complaints were anonymous. This shows that anonymous complaints are taken seriously and can result in substantiated findings.
Previous years complaints concluded in subsequent years	Some complaints cannot be concluded until a future year due to various factors such as the complexity of the matters involved or other external factors such as delays in responses from stakeholders. 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.

41% of complaints investigated from previous years were also substantiated

In 2025, 159 complaints from previous years were closed and of those, 63 complaints were investigated. Forty-one per cent (26) of the 63 investigated complaints were substantiated in whole or in part. The most common type of complaints that were substantiated include subsidy fraud, irregular benefit claims, theft of City assets, fraud, time theft, and conflicts of interest.

Figure 7 shows the breakdown of the total complaints investigated in 2025 by substantiated, unsubstantiated, and pending investigation outcome.

Figure 7: Total Complaints Investigated in 2025 by Substantiated, Unsubstantiated, and Pending Investigation Outcome



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 imposed in 4 substantiated complaints

In 2025, management reported that discipline was imposed on City employees in four of the 22 substantiated complaints, which may include termination of employment or suspension.

In the additional 18 instances, management took other appropriate action with vendors, employees, or members of the public, such as subsidy recipients.

Discipline or other appropriate action in 26 complaints from previous years

For previous years' complaints that were substantiated in 2025, discipline was imposed in three cases and other appropriate action was taken in 23 instances.

An important consideration for management in disciplining employees is to ensure fairness and consistency throughout the City. Management also uses knowledge gained through prior 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.

Fraud carries non-financial impact

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

Management is responsible for recovering actual losses incurred

If an investigation determines that the City incurred actual losses as a result of fraud or wrongdoing, it is management's responsibility to recover these losses where possible.

Our Office tracks the actual and potential losses, and the recovery of the actual losses for all substantiated complaints³, as summarized in Table 1. Detailed explanations of these values are also included below.

³ **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. Also referred to as an avoided cost.

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

Table 1: Summary of Total Losses and Recoveries for 2025 and Past Five Years

	2025 Complaints	Previous Years' Complaints closed in 2025	Past 5-Year Cumulative Total (2021-2025)
Actual Losses	\$4.5 million*	\$565,000	\$6.3 million
Recoveries	\$9,000	\$381,000	\$703,000
Potential Losses (Avoided Costs)	\$38,000	\$5.2 million**	\$4.0 million

* \$4.4 million of this actual loss relates to a Division that administers subsidies provided by other orders of government. The Division undertook a data review of subsidies flagged by the other orders of government and identified eligibility issues, which led to a cumulative loss of \$4.4 million. Please also refer to footnote 4 for further explanation of Financial Supports provided by the City that are fully or partially funded by other orders of government.

**In 2025, we closed three complaints from 2020 and prior that had potential losses. The total potential losses of \$2.2 million are not reflected in the past 5-year cumulative total since it was from 2020.

\$4.5 million actual losses from complaints received and substantiated in 2025

For complaints received and substantiated in 2025, quantifiable actual losses to the City⁴ were approximately \$4.5 million. This amount is expected to increase as outstanding 2025 complaints are concluded in the future.

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.

\$565,000 actual losses from prior year complaints closed in 2025

Prior year complaints that were concluded as substantiated in whole or in part in 2025 included nine complaints from 2024, four complaints from 2023, two complaints from 2022, and three complaints from 2020 and prior. These complaints resulted in actual losses of approximately \$565,000 to the City.

\$390,000 recovered

The City recovered actual losses of approximately \$9,000 from 2025 complaints and \$381,000 from previous years' complaints substantiated and closed. As mentioned above, it is management's responsibility to recover losses where possible.

⁴ 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.

\$5.2 million of potential losses avoided

The City also avoided potential losses of approximately \$38,000 from 2025 complaints and \$5.2 million from previous years' complaints substantiated and closed in 2025. 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.

\$6.3 million actual and \$4 million potential losses for last 5 years

The cumulative five-year total of actual and potential losses from complaints received and concluded in previous years (2021 to 2025) are \$6.3 million (actual losses) plus \$4 million (potential losses) had the fraud not been detected.

\$703,000 of actual losses recovered in the last 5 years

The City also cumulatively recovered \$703,000 of actual losses in the last five years (2021 to 2025).

Savings from the Hotline

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.

As a result, in the *2025 Demonstrating the Value of the Auditor General's Office* annual report, the following values from complaints received through the Hotline are included:

- recovery of actual losses for complaints closed and substantiated in 2025 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 approximately \$28,000 and avoided costs of approximately \$467,000, for a total of \$495,000 projected over a five-year period (2026 to 2030) are included in the report, resulting from complaints received through the Hotline.

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

The [*2025 Demonstrating the Value of the Auditor General's Office*](#) annual report will be presented at the February 12, 2026 Audit Committee meeting.

EXHIBIT 2 – INVESTIGATION SUMMARY

In 2025, a major investigation resulted in our office issuing a report to Audit Committee. This summary demonstrates that investigations undertaken by the Auditor General’s Office are often large in scope and can require considerable time and resources to conduct a thorough and effective review of highly complex matters. Investigations of this nature typically require substantial engagement with multiple internal and external parties, careful review of documentation, and detailed data analysis.

This summary also highlights how investigations help raise awareness of potential improvements to processes for City Divisions, Agencies, and Corporations. This can prevent similar occurrences of fraud in the future, and emphasizes the critical role that investigations have in protecting the City’s resources.

In 2025, the Forensic Unit also handled several investigations that remain active and ongoing, which may be concluded and reported on in 2026.

Fraud Investigation Involving Multiple City of Toronto Electricity Accounts

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 electricity accounts were switched from Toronto Hydro to third-party energy retailers, which was unusual.

Contracts had a total value of \$4.2 million

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. The two 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”

CREM also noted that the City employee who purportedly signed the contracts had retired before they were signed and did not have authority to sign contracts of this value, therefore making the contracts null and void. The City directed the energy retailers to revert the affected electricity accounts back to Toronto Hydro and the payments made to the energy retailers under the 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'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.

For background, while all electricity in Toronto is physically distributed by Toronto Hydro, Ontario has an electricity market where consumers can purchase their electricity from either Toronto Hydro (at a regulated price, without markup by Toronto Hydro) or from a licensed energy retailer. By default, in accordance with Provincial legislation, consumers purchase from Toronto Hydro.

In some cases, energy retailers pay commissions to consulting firms that bring in new contracts to them. The consulting firms act as intermediaries between the energy retailers and consumers. It appeared that the commissions received by the consultants were the motivation to enter the City into these contracts.

**Investigation
conclusion**

Our investigation concluded:

1. The alleged City employee did not sign the contracts and therefore the contracts were fraudulent.
2. Consulting firm owners appeared to have some involvement in establishing the contracts with energy retailers, but this could not be substantiated due to lack of evidence at this time, despite extensive efforts.
3. Retired City employees' identifications were fraudulently used to set up the contracts with the energy retailers.

Based on the evidence available and the work performed, we were 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.

**Matter referred to the
Toronto Police Service**

This matter was referred to the Toronto Police Service (TPS) due to prior allegations against one of the consulting firm owners, including signature forgery.

The Audit Committee passed a motion for City Council to forward this report to the Toronto Police Service Board and request the Chief of Police to consider initiating an investigation, which demonstrated the importance of the matter.

**The City did not incur a
loss**

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.

**Why this investigation
matters**

This investigation raises awareness that the City and its Agencies and Corporations can have their electricity accounts changed to third-party

energy retailers without their knowledge. It is important for the City and its Agencies and Corporations to be diligent in reviewing electricity invoices and ensure they have a process in place to identify if a switch in electricity accounts is made to prevent any loss. 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.

The full report is available at: [*Fraud Investigation Involving Multiple City of Toronto Electricity Accounts*](#)

EXHIBIT 3 – COMPLAINT SUMMARIES

Below are summaries of various reviews and investigations concluded in 2025. These summaries are provided so that the 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. This means the extent and nature of discipline and the pursuit of recoveries, if any, is the responsibility of management and not the Auditor General. However, we observe that for the cases we examined, management is diligent in taking action to address the situation and recover losses to the City where possible.

1. City Vendor Altering Subcontractor Quotes and Overcharging the City

The Auditor General's Office received five separate complaints through the Fraud and Waste Hotline regarding allegations that a Vendor with multiple City contracts was altering subcontractor quotations through the change order process to inflate their fees and overbill the City. A change order is a formal, written modification to a construction contract and is used when work needs to be added, removed, or adjusted from the contract's original scope. Based on the preliminary reviews performed by the Auditor General's Office, the complaints appeared credible and therefore, we referred them to the Division.

The Division led the investigation. They reviewed the complaints through an examination of the supporting change order documentation supplied by the Vendor and completing a comparative analysis of the change order work. The investigation initially determined that the change orders appeared reasonable.

The Auditor General's Office independently reviewed the Division's investigation, after receiving their preliminary report and conclusions, and found that although the Division reviewed background documents and conducted the comparative analysis, further review was warranted including securing independent documentation for the change orders from the Vendor's subcontractors.

The Division issued a formal audit notice to the Vendor, requesting all relevant subcontractor records to verify the costs in a series of change orders. Although the Vendor acknowledged the notice, it did not provide all requested information and failed to fully satisfy the request. The Division then pursued its request by engaging with the Vendor's subcontractors directly.

The Division's review of documentation obtained directly from subcontractors revealed lower pricing than what the Vendor had submitted to the City as part of its change order documentation. In addition, two of the Vendor's subcontractors confirmed they did not submit the quotes that the Vendor provided to the City as part of its change order documentation.

In order to provide a more detailed analysis, including who was responsible for the alleged wrongdoing and the extent of it, the Division and the Vendor each retained separate external auditing firms to conduct forensic audits. After reviewing initial findings, the Division expanded its investigation to review executed change orders on contracts from the Vendor and its

affiliated companies for the Division and another City Division. The Auditor General's Office is providing oversight of the Division's investigation and will ensure allegations and risks are adequately addressed.

The preliminary findings of the forensic audit retained by the Division included:

- There was intentional overbilling of at least **\$1.1 million** related to a City contract
- A member of the Vendor's senior management team (Vendor Employee) engaged in overbilling through the alteration of subcontractor quotations on a City project and overbillings have been potentially identified on other City projects involving the Vendor
- The Vendor Employee had a bonus plan tied to the value of all change orders executed under their control
- The Vendor had control deficiencies such that (i) individuals in finance and accounting roles would not have been able to identify the overbilling scheme; and (ii) the Vendor employee's direct superior did not adequately oversee the actions of the Vendor Employee

These findings have been reported to the Toronto Police Service by the City. The Vendor has confirmed that the Vendor employee is no longer employed by the company.

The Division has taken measures to stop the fraudulent activity and recover overbillings, including (i) suspending the Vendor and its affiliated persons, to bid on, or be awarded, any City of Toronto contracts for the maximum allowable period of five years; and (ii) enforcing its contractual rights to withhold monies for overbillings detected to date and the City's forensic audit costs.

The Division's investigation remains ongoing and seeks to determine whether further overbilling activity occurred and if additional Vendor employees and/or other parties were involved. The total loss for the City is to be determined; however, the Vendor has committed to full restitution.

2. Misappropriation of City Funds

The Auditor General's Office was informed by a Division that a City-funded organization was investigating allegations of misappropriated funds involving a former employee of the organization.

The City-funded organization engaged a third-party forensic examiner to conduct a thorough investigation of the former employee's financial actions during their tenure with the organization. Based on their investigation, the Division concluded that the allegations of misappropriation of funds were substantiated.

It was concluded that the former employee made unauthorized gift card purchases from unauthorized retailers with no evidence of the gift cards being provided to clients, but was claimed under the City of Toronto's funding agreement. No other staff members were found to be involved or engaged in creating these unauthorized expenses alongside the former employee. The investigation found no impact on other City-funded programs run by the organization, and no other fraudulent activities by other employees.

The employee left the organization before the fraud was discovered. The City's financial loss was approximately **\$53,600** and the Division recovered the entire loss.

As a result of the investigation, the organization developed and implemented a remediation action plan outlining several immediate and comprehensive actions to address the issues and

prevent future recurrence. These actions include:

- updating all financial policies;
- training of managers and staff on the revised policies and controls;
- instituting rigorous oversight of the handling of gift card inventory; and,
- hiring a Chief Financial Officer and Controller to increase strategic financial oversight.

The Division will continue to ensure the organization implements and adheres to its corrective actions and will review its funding agreements with the organization and similar organizations to ensure that stronger financial oversight and accountability mechanisms are in place moving forward.

3. Fraud and Mismanagement of City Funding

A Division advised the Auditor General's Office about allegations involving a not-for-profit agency with a service agreement for City funding. It was alleged that the agency appeared to be unable to repay a substantial amount of unspent funding, which was required under the agency's service agreement with the City.

A Division-led investigation concluded that the allegations were substantiated and identified that an agency employee was involved in the allegations. In addition to being unable to repay a significant amount of unspent funds, other findings from the investigation included:

- a lack of proper documentation and insufficient explanations for various expenses;
- deficiencies in timely and accurate record-keeping;
- a lack of board oversight on financials;
- compliance issues; and,
- a lack of supporting documents for cash withdrawals.

The investigation identified that an agency employee fraudulently used the City's funding for personal expenses.

To address these findings, the Division developed and sent the agency a remediation action plan outlining several necessary steps for the agency to implement to maintain compliance and ensure continued funding. The Division is monitoring progress monthly and will implement additional corrective actions if progress is not demonstrated.

The agency has since terminated the employment of the agency employee and referred the matter to the Toronto Police Service. As a result of this complaint, the Division is exploring opportunities to develop a new approach that will strengthen oversight and ensure more effective management of funding.

The City incurred a financial loss of approximately **\$181,000** due to unreturned funds under the agency's service agreement. The Division has recovered approximately **\$52,000** to date and is in the process of recovering the remaining loss from the agency.

4. Falsified Financial Statements and Forgery

A Division advised the Auditor General's Office about allegations that an employee of a City-funded organization falsified the organization's 2020 and 2021 audited financial statements and forged the signatures of the auditor and board members. This came to the organization's attention when the auditor requested documentation for the 2020 audit, but was informed by

the Treasurer that the 2021 audited financial statements had already been approved at the Annual General Meeting (AGM) the month prior.

As a result, the Division initiated an investigation and concluded that the allegations against the employee were substantiated. The investigation also discovered that the employee forged the prior year's AGM minutes to indicate board approval for the 2020 audited financial statements. As a result of the investigation, the organization terminated the employee and referred the case to the Toronto Police Service.

The organization requested its auditor to conduct a review of all financial records dating back to 2020 to ensure no further fraudulent activity took place. From their review, they discovered that the employee falsified the audited financial statements due to workload pressures and delays, but determined that there was no loss to the City as there was no evidence of misappropriation or misuse of funds. The City has fully reinstated funding to the organization, which was suspended until the completion of the investigation and receipt of outstanding audited financial statements.

The Division is regularly monitoring the organization's improvements in governance and financial management policies and procedures. The organization created a new board governance manual and updated all their by-laws to be in compliance with the *Ontario Non-Profit Corporation Act*.

5. Misrepresentation of Rental Units to Avoid Rental Housing Obligations

A Division advised the Auditor General's Office about allegations that an applicant misrepresented the number of rental units to the City in their demolition application to avoid rental housing replacement obligations.

The Division led an investigation and concluded that the applicant appeared to have knowingly provided false information on the application and took steps to conceal the existence of rental housing units. The applicant denied having any previous knowledge of the additional rental units. However, evidence provided by former tenants identified that the applicant did not take appropriate steps to ensure factual information was provided to the City to confirm the number of existing rental units and impacted tenants.

As a result of the investigation, the applicant was required to provide updated submission materials to support their demolition application. The requested materials included plans showing the replacement of rental units in the new building, the right for tenants to return to replacement units, and a tenant assistance plan to mitigate hardship faced by tenants. At the time of publication of the Fraud and Waste Hotline Annual Report, the applicant was in the process of preparing the necessary materials to meet the City's requirements.

The Division has worked with the applicant to secure replacement rental housing and assistance for impacted tenants. In addition, to avoid a similar situation in the future, the Division has updated their internal implementation practices with the aim of conducting site visits earlier in the review process and has engaged with Legal Services to initiate a review of existing requirements to submit a legal affidavit to assess if any improvements are needed.

6. Time Theft and Conflict of Interest Due to Second Job

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline alleging that a City employee was committing time theft by working a second job during

work hours.

The Division led an investigation and concluded that the employee conducted personal business for their own company during work hours. The employee also admitted that they had other government clients. As such, they could have benefitted from the confidential information obtained during their employment with the City as their personal business involves the same type of duties that they held within the City, creating a conflict of interest. Overall, the Division's investigation determined that the allegations of time theft and conflict of interest were substantiated.

Management advised that they provided a refresher to its employees on the City's Conflict of Interest Policy. Managers are required to review the Policy with employees annually during their performance review period. In addition, an annual reminder is issued requesting employees to declare any conflicts of interest.

The employee was terminated and is ineligible for rehire at the City.

7. Theft of City Assets

7.1 Theft of Packages Delivered to City Facilities

A Division advised the Auditor's General's Office about allegations that more than twenty mailroom packages containing electronic items went missing or were unaccounted for over a two-year period totaling approximately **\$21,100**.

The Division initiated an investigation and found that on the balance of probabilities, a City employee stole three packages containing electronic items from two separate City facilities on two different dates. The estimated total value for the three packages was approximately **\$2,300**. The Division could not conclusively attribute the remaining items totaling approximately \$18,800 to the City employee.

The Division has since implemented measures to reduce the likelihood of theft, including installing a partial barrier to limit unauthorized access, informing Corporate Security, updating Divisional procedures, and purchasing a safe for each facility.

The employee is no longer employed with the City and is not eligible for rehire.

7.2 Selling City-issued Personal Protective Equipment Online

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline regarding allegations of a City employee selling City-issued personal protective equipment (PPE) online.

The Division led an investigation and the employee admitted to: posting the PPE online for sale; selling the PPE; and wearing PPE that was not City-approved or supplied while working. The investigation could not determine whether the sale resulted in a personal gain for the employee, but the Division concluded that selling PPE without authorization from the City was inappropriate and not acceptable.

The total value of the PPE supplied by the City to the employee was approximately **\$350**.

As a result of the investigation, the employee was suspended for 10 days without pay.

7.3 Selling City-issued Items Online for Personal Gain

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline regarding allegations of a City employee selling City-issued clothing online.

The investigation was led by the Division and concluded on a balance of probabilities that the City employee had misused City resources for personal gain by selling City paid for and issued items online.

The total value of the items sold by the employee was approximately **\$125**.

The employee was initially terminated from the City and subsequently grieved the termination.

8. Abuse of Sick Leave

A Division advised the Auditor General's Office about an allegation 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 approximately three weeks and had performed work for another employer while collecting sick pay, which resulted in an estimated loss of approximately **\$3,200**. The Division has recovered the entire loss.

The employee resigned from their employment with the City during the Division's investigation. However, since the employee's improper use of sick days constituted fraud, the employee is ineligible for rehire.

9. Employee Benefits Fraud

The City's benefits administrator's Claim Watch program detects fraudulent activity using artificial intelligence and other resources to protect the plan sponsor – the City of Toronto. Online employee benefit claims are audited on a regular basis, and the program frequently requires employees to provide supporting documentation for claim submissions.

Below are summaries from two investigations related to employee benefits fraud that were concluded in 2025.

9.1 Falsified and Unsupported Benefit Claims

The Auditor General's Office was advised that the City's benefits administrator reported the submission of falsified and unsupported benefit claims by a City employee.

The Division led an investigation in consultation with the People & Equity and Pension, Payroll & Employee Benefits Divisions. The investigation concluded that the employee submitted 85 claims where no service was provided and an additional four claims that were unsupported, totaling approximately **\$14,900**.

The employee repaid the full amount and resigned from their employment with the City during the investigation. However, it was concluded that it was more likely than not that the employee engaged in fraud. As a result, the employee is ineligible for rehire.

9.2 Falsified Benefit Claims

The Auditor General's Office was advised that the City's benefits administrator reported that a City employee submitted claims containing false information.

The Division led an investigation in consultation with the People & Equity and Pension, Payroll & Employee Benefits Divisions. The investigation concluded that the employee submitted 10 falsified claims where no service was provided and for which the employee had received payment totaling approximately **\$2,100**. The claims review performed by the benefits administrator also halted payments for additional claims totaling **\$120**.

The employee has repaid the full amount. In addition, the employee's employment with the City was terminated and they are ineligible for rehire.

10. Subsidy Fraud

The Auditor General's Office continues to receive subsidy-related complaints alleging members of the public and, in some instances, City employees, are receiving subsidies they are not entitled to, including through 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 four investigations related to subsidy fraud that were concluded in 2025.

10.1 Misrepresentation of Eligibility Information

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline alleging that a member of the public was receiving subsidies while residing outside the City of Toronto.

The Division led an investigation and confirmed that the individual had purchased a residential property outside the city of Toronto. It was also discovered that the same individual was also the leaseholder and recipient of a housing subsidy unit. Due to these findings, the Division administering the housing subsidy program was contacted and confirmed that the individual's ownership of the residential property would impact their eligibility for the housing subsidy unit.

As a result of the investigation, the individual was required to demonstrate eligibility for both subsidies; however, the individual was unable to provide all of the requested documents or supplementary information to the Divisions. The individual's subsidies were therefore withdrawn, and the housing provider of the individual's housing subsidy unit issued a loss of eligibility notice to the individual's household based on the compliance issues found.

The total combined amount of the ineligible overpayment was approximately **\$55,000**.

The Divisions are pursuing recovery of the respective overpayments. A small repayment of the combined total overpayment has been made to date.

10.2 Unauthorized Use of a Subsidized Housing Unit, Misrepresentation of Household Income and Composition, and Breach of the *Toronto Public Service By-law*

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline alleging that a member of the public was subletting their subsidized housing unit to other individuals and charging them for rent.

The relevant City Corporation led an investigation, which included a comprehensive review of the evidence collected, various inspections at the subsidized housing unit, and an interview with the tenant. Based on these findings, it was confirmed that the unit was occupied by unauthorized occupants. On the balance of probabilities, it was determined that the legal tenant did not reside at their subsidized housing unit and had illegally sublet it for profit.

It was also concluded that the legal tenant intentionally misrepresented the household composition and income by failing to report the unauthorized occupants and their income. The legal tenant also failed to report that they were no longer residing at the subsidized unit and the rental income received during the illegal sublet – all of which was required by the City Corporation within 30 days of a change.

As a result of the investigation, the legal tenant's tenancy was terminated. The legal tenant initially agreed to voluntarily vacate the subsidized housing unit but attempted to revoke the agreement through legal action against the City Corporation to preserve their tenancy, which was denied. The City Corporation received an order from the Landlord and Tenant Board to terminate the tenancy. The legal tenant subsequently vacated the unit, and the City Corporation has initiated a legal proceeding through Small Claims Court to pursue recovery of the ineligible overpayment totaling approximately **\$17,100**.

Through its investigation, the City Corporation separately discovered that the legal tenant was employed at a City Division during the time of the illegal sublet. The Auditor General's Office referred relevant information to the employee's Division, and the Division collected further evidence from witnesses, public court documents, and interviewed the employee to determine whether the findings of the City Corporation's investigation conflicted with employment requirements and responsibilities.

The Division's investigation concluded that, on a balance of probabilities, there was sufficient evidence to support that the employee committed housing subsidy fraud, which violated the *Toronto Public Service By-law*, and was not aligned with the values of setting the standard for professional and ethical public service.

As a result of the Division's investigation, the employee was terminated and is ineligible for rehire.

10.3 Failure to Disclose Employment Income

The Auditor General's Office received a complaint through the Fraud and Waste Hotline alleging that two members of the public were working full time for a food delivery service while claiming Provincial subsidies through the City and were using a different bank account for their undeclared earnings.

The Division's investigation concluded that the allegations against both individuals were substantiated as they each failed to disclose their employment income, and therefore received subsidies they were not entitled to.

The subsidy file for one individual remained open until January 2025, which was subsequently closed at the individual's request. The Division closed the subsidy file for the other individual after they failed to submit earnings and banking information when requested by the Division to assess their ongoing eligibility. However, they subsequently provided the requested information which revealed additional income from other employment that was deposited into a previously undeclared bank account.

The total amount of the ineligible overpayment for both parties amounted to approximately **\$10,300** for which a small repayment has been made to date.

The Division will continue pursuing recovery of the outstanding overpayments from both individuals.

10.4 Failure to Report Benefit Income and Out-of-Country Status

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline alleging that a member of the public was not reporting cash income from employment and travelled abroad while in receipt of subsidies.

The Division led an investigation and found insufficient information to substantiate the allegations of undeclared employment income and determined that the trips taken outside of the country were funded by a family member and were within the time period permitted by the applicable absence policy. However, the investigation identified that the individual received government benefits that they failed to report as income.

The total amount of ineligible overpayment was approximately **\$10,600**.

Although the individual's subsidy file remains open, the Division has initiated a monthly recovery of the overpayment.

About this Report

This report provides information about the activities of the Fraud and Waste Hotline including the key statistics, financial losses and summaries of various reviews and investigations concluded in 2025. The Auditor General's [*2025 Annual Report – Demonstrating the Value of the Auditor General's Office*](#) is also available on our website.

About the Fraud and Waste Hotline

The Auditor General's Office operates the City of Toronto's Fraud and Waste Hotline Program. The Hotline is a confidential and anonymous program that allows staff, members of the public, and anyone doing business with the City to report incidents of suspected fraud, waste or wrongdoing involving City resources 24 hours a day, seven days a week.

City employees have a duty to report suspected allegations of wrongdoing to the Auditor General's Office through the Fraud and Waste Hotline as required under the [*Disclosure of Wrongdoing and Reprisal Protection policy*](#).

Contact the Hotline

Complaints can be made to the City's Fraud and Waste Hotline via:

Online Form: www.torontoauditor.ca/report-fraud

Email: auditorgeneral@toronto.ca

Phone: 416-397-STOP (7867) (answered 24/7)

Mail: Auditor General's Office, 55 John Street, 9th Floor, Toronto, ON M5V 3C6

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