City of Ottawa’s Election Compliance Audit Committee

Specified Auditing Procedures for the 2014 Campaign of Mr. Eli El-Chantiry
Period reviewed: May 7, 2014 to December 31, 2014

Date of report: November 18, 2015
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1.0 Executive Summary

An application dated June 22, 2015 (“the Application”) was submitted by an eligible elector for reasonable grounds to believe that the candidate, Mr. Eli El-Chantiry (“Mr. El-Chantiry”) has contravened a provision of the Municipal Elections Act (“MEA”), 1996, S.O 1996, c.32, as amended relating to elections campaign finances. Pursuant to an engagement letter dated August 10, 2015, the City of Ottawa, on behalf of the Election Compliance Audit Committee, contracted Raymond Chabot Grant Thornton LLP (“RCGT”) to perform specified auditing procedures of the Election Campaign Expenses of Candidate, Mr. El-Chantiry. This report is based on specified auditing procedures as described in Appendix A.

RCGT gained an understanding of the application submitted by the eligible elector and addressed the application as well as other issues identified. The spending limit for Mr. El-Chantiry’s district for the 2014 campaign was $20,501 while the reported expenses incurred by Mr. El-Chantiry subject to the spending limit was $20,457. Through our procedures performed, there was a clerical error in recording bookkeeping expenses of $1,754 as salaries, benefits, honoraria, professional fees incurred after voting day when it should have been classified as accounting and audit expenses not subject to the spending limit. Furthermore, we also determined that there was a clerical error in not recording the refund of the $100 nomination filing fee as income in the 2014 Financial Statements of Mr. El-Chantiry.

2.0 Background

After a Municipal Election, there is no official review of campaign contributions and expenses by the City of Ottawa to ensure compliance with the MEA. However, candidates can be held accountable for apparent violations when a private citizen reviews the Financial Statements and files an application with the Municipal Election Compliance Audit Committee. According to Section 81. (1) of the MEA, an elector who is entitled to vote in an election and believes on reasonable grounds, that a candidate has contravened a provision of the MEA relating to election campaign finances may apply for a compliance audit of the candidate’s election campaign finances.

Mr. El-Chantiry was elected as city councillor for Ward 5 West Carleton-March on October 27, 2014 and the Application was submitted on June 22, 2015. In July 2015, the Election Compliance Audit Committee granted the Application for a compliance audit of the election campaign finances of Candidate Mr. El-Chantiry. Pursuant to an engagement letter dated August 10, 2015, the City of Ottawa, on behalf of the Election Compliance Audit

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1 It is noted however that pursuant to section 78 of the MEA, candidates are obligated to have their campaign financial statements audited where total contributions received and total expenses incurred in the election campaign up to the end of the relevant period are equal to or greater than $10,000.
Committee, contracted RCGT to perform specified auditing procedures of the Election Campaign Expenses of Candidate, Mr. El-Chantiry.

3.0 Objective and Scope

This report is based on specified auditing procedures as described in Appendix A. The specified auditing procedures were agreed upon by the City of Ottawa in the engagement letter dated August 10, 2015. Our procedures do not constitute an audit or review engagement as defined by the Generally Accepted Auditing Standards (CPA Canada Handbook) or the International Professional Practices Framework for Internal Audit (Institute of Internal Auditors), and as such, we do not provide any assurance in this report. The purpose of these procedures is to monitor and test each candidate’s compliance with the provisions of the MEA, 1996 relating to election campaign finances.

The primary relevant sections of the MEA, 1996 related to election campaign finances are Sections 66 through Section 79.1, Subsections 92(3) and 92(5). Additional campaign finance regulation is found in the General Regulation, 101/97, enacted pursuant to the MEA. In addition, the 2014 Candidate’s Guide for Ontario Municipal and School Board Elections (“2014 Candidate’s Guide”) was referenced as a supplement to the MEA.

The audit procedures are not limited to an examination of the complaint that led to the audit, but to all of the relevant provisions of the MEA, 1996 related to the candidates’ election campaign finances.

4.0 Restriction on Distribution and Use

This report is prepared to assist City of Ottawa’s Election Compliance Audit Committee determine whether Mr. Eli El-Chantiry was in compliance with the MEA and if there were any apparent contraventions. Our report may not be suitable for other general purposes, and should not be distributed to or used by other parties.

5.0 Overview of the Campaign

The following is an overview of the campaign:

Campaign period - May 7, 2014 to December 31, 2014
Voting day - October 27, 2014
Results of the election - Mr. El-Chantiry was elected in Ward 5 (West Carleton March)
District - West-Carleton- March Ward 5
Spending limit - $20,501
Total expenses subject to spending limit per Form 4\(^2\) - $20,457

6.0 Application by Eligible Elector

RCGT gained an understanding of the application submitted by the eligible elector which identified the following issues:

- Contributions from Partnerships and Limited Liability Partnership’s (LLP)
- Returned Donations
- Nomination Filing Fee
- Replacement Cost of signs from prior campaigns

RCGT has provided detailed findings on issues regarding the application and other issues identified in Section 8.0 Findings.

7.0 Interviews Conducted

In order to determine whether there is a contravention of the MEA, RCGT interviewed the following individuals associated with Mr. Eli El-Chantiry’s campaign:

- Eli El-Chantiry – Candidate (October 16, 2015)
- Annie Stuart - CFO (October 15, 2015)
- Wayne Thomas – Volunteer (October 15, 2015)
- Lee Wainwright - Volunteer for Signs (October 13, 2015)
- Kevin Vroom – Auditor for 2010 and 2014 Election Campaigns (October 26, 2015)
- Kelly Signs (October 28, 2015)
- Third Party (October 7, 2015)

8.0 Findings

Overview

Based on the procedures performed as per Appendix A, RCGT has noted the following:

- The amounts in the bank statements reconcile to the contributions and expenses recorded in the 2014 Financial Statements for the period under review.
- All reported contributions have been received during the election campaign.
- All reported contributions that were received and deposited in the bank account were from eligible contributors.

\(^2\) According to the 2014 Candidate’s Guide, the spending limit covers expenses that the candidate incurs between the beginning of the campaign and voting day.
All reported contributions are within limits outlined in the MEA.
All reported expenses that were incurred during the election campaign were eligible.
All reported expenses were incurred in the campaign period.

Addressing the Application by the Eligible Elector:

Issue #1

Campaign donations from Tartan Nicol & Lazier LLP in the amount of $750 and Campaign Donation from Gilmac Partnership #5 in the amount of $750:

Observations:
- There were two ineligible amounts received by the campaign by mail from an LLP and sole proprietor.
- These amounts were not deposited and were returned on January 31st, 2015.
- There is no clear indication as to when Mr. El-Chantiry and his campaign became aware that there were two ineligible amounts received.

Relevant guidance used:
- In the 2014 Candidate’s Guide, ineligible contributions are defined as follows: if you are going to accept a contribution from a business, you must ensure that the business is a corporation. Other kinds of business such as sole proprietorships or LLPs are not eligible to make contributions (p.14).
- Furthermore, the 2014 Candidate’s Guide states that for ineligible contributions, you are required to return any contribution that was made or accepted in contravention of the Act as soon as you learn that it was an ineligible contribution. If you cannot return the contribution, you must turn it over to the clerk (p.16). The guide also states, you are obligated to return an ineligible contribution as soon as you become aware that it is not allowed under the Act. If you are not able to return it to the contributor, you must turn it over to the clerk (p.31).
- The 2014 Candidate’s Guide defines contributions as the following: all contributions-including contributions you make yourself-must be deposited into the campaign bank account (p.13).
- In accordance with the MEA, a contribution is defined as the following: Act, 66. (1) For the purposes of this Act, money, goods and services given to and accepted by or on behalf of a person for his or her election campaign are contributions. 1996, c. 32, Sched. s. 66 (1).

Conclusion:
- Our conclusion is based on the observations and relevant guidance noted above.
- There was no apparent contravention of the MEA since these amounts would not be considered contributions as they were not accepted by the campaign and were not deposited into the campaign bank account.
**Issue #2**

Returned donations in the amount of $5,125

**Observations:**

- There were amounts totaling $5,125 that were received during the campaign period and returned directly after the campaign period on January 31st, 2015.
- The amounts received included amounts from the LLP and sole proprietorship (discussed above) as well as from various corporations, small businesses and individuals.
- The corporate amounts were returned because Mr. El-Chantiry had a policy before the campaign started of not accepting any donations from corporations or small businesses and only from individuals.
- The personal amounts were returned because Mr. El-Chantiry’s campaign reached their capacity for accepting donations.

**Relevant guidance used:**

- The 2014 Candidate’s Guide defines contributions as the following: *all contributions-including contributions you make yourself-must be deposited into the campaign bank account (p.13).*
- In accordance with the MEA, a contribution is defined as the following: *Act, 66. (1) For the purposes of this Act, money, goods and services given to and accepted by or on behalf of a person for his or her election campaign are contributions.* 1996, c. 32, Sched. s. 66 (1).

**Conclusion:**

- Our conclusion is based on the observations and relevant guidance noted above.
- There was no apparent contravention of the MEA as the returned amounts would not be considered contributions as they were not accepted by the campaign and were not deposited into the campaign bank account.

**Issue #3**

Inventory of Campaign Goods and Materials from Previous Campaigns

**Observations:**

- There were 300 small signs carried forward in 2014 from a prior campaign at a cost of $469.50 or $1.565 per sign.
- The signs from prior campaigns were from 2003 and 2006 and purchased from Kelly Signs.
- The number of signs the campaign used in 2014 was traced directly to Schedule 4 in Mr. El-Chantiry’s 2010 Financial Statements.
- There was no physical inventory count performed of the signs prior to the 2014 campaign.
The campaign did not track the number of signs used and the locations of signs. Furthermore the campaign did not track which year the signs used were from (2003, 2006 or 2014).

RCGT was unable to trace to any supporting documentation to support the 300 signs reportedly used.

The replacement cost used for the 2003 and 2006 signs in Mr. El-Chantiry’s 2010 Financial Statements was $2.79 per sign.

RCGT determined through a third party, the replacement cost of acquiring equivalent signs in 2014 as being higher than the $1.565 assigned. The third party was not able to provide an exact amount.

The MEA and Candidate’s Guide do not provide sufficient guidance as to what the replacement value should be as it is open to interpretation.

Relevant guidance used:

According to the MEA, the value assigned to signs is the following: Act, 67. (2) The replacement value of goods retained by the person from any previous election and used in the current election.

In the 2014 Candidate’s Guide, the value assigned to signs is the following: if you ran in the last election and you want to reuse leftover goods such as signs or office supplies you must establish the current market value of the goods – what it would cost you to purchase them today. You must record the current market value as an expense (p.31).

The Accounting Standards for Private Enterprises (ASPE) handbook, replacement cost for inventory is defined as follows: (a) Replacement cost — the amount that would be needed currently to acquire an equivalent asset.

Conclusion:

Our conclusion is based on the observations and relevant guidance noted above. Notwithstanding our inability to determine the replacement value of the signs in question, as described above, there is no apparent contravention of the MEA.

Issue #4
Income-Refund of Nomination Filing Fee

Observations:

The refund of the $100 nomination filing fee was not recorded as income in the Financial Statements of Mr. El-Chantiry.

Relevant guidance used:

According to the 2014 Candidate’s Guide, your nomination filing fee will be refunded to you if you withdraw your nomination, if you are elected, or if you receive more than 2 per cent of the votes cast for the office (p.3).
Conclusion:
- Our conclusion is based on the observations and relevant guidance noted above.
  - The refund of the $100 nominating filing fee should have been recorded as Income in Mr. El-Chantiry’s 2014 Financial Statements. See adjustment in Section 9 Conclusion.

Other Findings:

Other Findings #1
Salaries, benefits, honoraria, professional fees incurred after voting day

Observations:
- In the 2014 Financial Statements of Mr. El-Chantiry, there is an amount recorded for Salaries, benefits, honoraria, professional fees incurred after voting day of $1,754.
- These expenses were bookkeeping services which should have been recorded as accounting and audit expenses.
- There were bookkeeping expenses of $554 which were incurred prior to voting day however as they are accounting expenses, they would not be subject to the spending limit.

Relevant guidance used:
- According to the 2014 Candidate’s Guide, the following expenses are not subject to the spending limit: audit and accounting fees.

Conclusion:
- Our conclusion is based on the observations and relevant guidance noted above.
  - The amount of $1,754 should be reclassified as accounting and audit expenses not subject to the spending limit. See adjustment in Section 9 Conclusion.

Other Findings #2
Bank Charges incurred after campaign period

Observations:
- There were bank charges of $29.20 that were not recorded in the 2014 Financial Statements as expenses not subject to the limit.

Relevant guidance used:
- There is no clear guidance in the MEA or 2014 Candidate’s Guide and open to interpretation as to how to record these expenses.

Conclusion:
- Since there is no clear guidance we have not made an adjustment.
Other Findings #3

Surplus amount

Observations:

- The surplus amount of $2,000 that was recorded in the 2014 Financial Statements does not agree with the $1,077 that was transferred to the City of Ottawa from the campaign bank account.
- This inaccuracy directly relates to the expenses incurred (bank charges) after the campaign period.

Relevant guidance used:

- There is no clear guidance in the MEA or 2014 Candidate’s guide and open to interpretation as to how to record these expenses.

Conclusion:

- Since there is no clear guidance we have not made an adjustment.

Other Findings #4

Contribution received after campaign period

Observations:

- There was a contribution received after the campaign period by Ms. Annie Stuart, CFO of $23 to cover the shortfall to pay the remaining surplus amount to the City of Ottawa.
- This contribution was not recorded in the 2014 Financial Statements.

Relevant guidance used:

- There is no clear guidance in the MEA or 2014 Candidate’s Guide and open to interpretation whether to record the contribution.

Conclusion:

- Since there is no clear guidance we have not made an adjustment.

9.0 Conclusion

Through our procedures performed, there was a clerical error in recording bookkeeping expenses of $1,754 as salaries, benefits, honoraria, professional fees incurred after voting day when it should have been classified as accounting and audit expenses not subject to the spending limit. Furthermore, there was also a clerical error in not recording the refund of the $100 nomination filing fee as income in the 2014 Financial Statements of Mr. El-Chantiry.
Line C1: Total Campaign Income: 30,185
Adjustments:
Nomination Filing Fee 100
Total Campaign Income 30,285

Expenses not subject to spending limit
Accounting and Audit 2,543
Adjustments:
Salaries, benefits, honoraria, professional fees incurred after voting day 1,754
Total Accounting and Audit Fees 4,297
Appendix A – Specified Auditing Procedures

Agreed-upon Procedures

The following agreed-upon procedures were performed:

- Performed a detailed review of the MEA;
- Obtained a copy and review the application submitted by the eligible elector;
- Reviewed the 2014 Campaign Financial Statements of the Candidate;
- Contacted the Candidate and Agent of the Candidate to obtain appropriate supporting documentation;
- Examined supporting documentation for the Candidate’s contributions and expenses;
- Interviewed the Candidate Eli El-Chantiry, CFO Annie Stuart, Volunteer Lee Wainwright, Third Party, Auditor Kevin Vroom and Kelly Signs;
- Reviewed the candidates’ activities with respect to expenses, contributions and Financial Statements and their compliance against their obligations related to election campaign finance under the MEA;
- Performed reconciliation from detailed listings of expenses and contributions to Financial Statements;
- Performed the following detailed procedures based on audit program for contributions and expenses;
  - Inquired as to whether any contributions were received and not recorded;
  - Inquired as to whether any non-monetary contributions were received;
  - Traced contributions to contribution receipts and contribution cheques;
  - Recalculated contributions (FMV) if required;
  - Reviewed bank reconciliation for cash contributions over $25;
  - During bank reconciliation ensured that contributions were eligible;
  - Reviewed the 2014 Financial Statements to determine whether any addresses outside of Ontario;
  - For a sample of contributors, traced the address to the contribution receipt;
  - Discussed with candidate whether they received any contributions from ineligible contributors;
  - Ensured contributions were received during the campaign period;
  - Reviewed the contributions listing to determine if contributions were within limits;
  - Reviewed expense listing to determine whether any expenses were incurred and not recorded;
  - Traced expenses to invoices and copy of cheques;
  - Performed research to verify replacement value for goods retained from previous elections;
  - Inquired about use of volunteers;
**Methodology**

As part of the agreed upon procedures, testing was performed on 100% of contributions and expenses. We relied on and examined pertinent documentation supporting the Candidate’s contributions and expenditures.

**Documentation Provided**

RCGT obtained and tested the following documents received from the candidate, Mr. El-Chantiry:

- 2014 Financial Statements of Mr. El-Chantiry;
- Detailed listing of contributions and expenses; and
- Supporting documentation provided by the candidate.

**Testing of Pertinent Documentation**

RCGT requested that the Candidate provide a copy of the supporting documentation. Supporting documentation included contribution receipts, copy of contribution cheques, invoices, cancelled cheques and bank statements that supported the contributions received and expenses incurred during the 2014 campaign.