City of Ottawa’s Election Compliance Audit Committee

Specified Auditing Procedures for the 2014 Campaign of Mr. Mark Taylor
Period reviewed: January 8, 2014 to December 31, 2014

Date of report: November 18, 2015
1.0 Executive Summary

An application dated June 15th, 2015 ("the Application") was submitted by an eligible elector for reasonable grounds to believe that the candidate, Mr. Mark Taylor ("Mr. Taylor") 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 ("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. Taylor. 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 any other issues identified. Through our procedures performed, we have concluded that the 2014 Financial Statements of Mr. Taylor did not have an accurate amount for the eligible deficit carried forward by the candidate from the last election due to a clerical error.

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 MEA1. 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. Taylor was elected as city councillor for Ward 7 Bay on October 27, 2014 and the Application was submitted on June 15, 2015. In July 2015, the Election Compliance Audit Committee granted the Application for a compliance audit of the election campaign finances of Candidate, Mr. Taylor. Pursuant to an engagement letter dated August 10, 2015 the City of Ottawa, on behalf of the Election Compliance Audit Committee, contracted RCGT to perform specified auditing procedures of the Election Campaign Expenses of the Candidate, Mr. Taylor.

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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.
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 determine whether Mr. Mark Taylor 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. Taylor was elected in Ward 7 (Bay)
District – Bay Ward 7
Spending limit - $29,982
Total expenses subject to spending limit\(^2\) per Form 4 - $26,540

\(^2\) 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.
6.0 Application by Eligible Elector

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

- Mr. Taylor’s financial statements shows $0 deficit in 2010 but in 2014, he claimed an eligible deficit of 4,049 carried forward from 2010.

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

7.0 Interviews Conducted

In order to determine whether there is a contravention of the act, RCGT interviewed the following individuals of Mr. Mark Taylor’s campaign:

- Mark Taylor – Candidate (October 28, 2015)
- Steve Karanikollas – CFO (October 28, 2015)
- Christine Prins – Auditor (October 30, 2015)

8.0 Findings

Overview

Based on the procedures performed included in 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.
- 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

Eligible deficit recorded in 2014 Financial Statements carried forward from 2010

Observations:

- In the 2010 Financial Statements, there was a surplus/deficit recorded of $0.
During the 2010 campaign, Mr. Taylor funded $9,171 from his own personal funds in which $4,050 was reimbursed by the campaign to Mr. Taylor and $5,121 was not reimbursed.

$5,121 was the final deficit of Mr. Taylor’s 2010 campaign being the excess of expenses over revenue not covered by campaign assets.

The deficit of $5,121 was misallocated in the 2010 Financial Statements by the auditors as a contribution by Mr. Taylor and not as a deficit which was confirmed by the auditors.

In the 2014 Financial Statements, $4,050 was recorded as the eligible deficit carried forward which was the incorrect amount.

The amount of $4,050 was recorded as Due to Candidate in the 2010 Financial Statements as it was the funds due to Mr. Taylor and supported by campaign assets from the 2010 campaign.

In a letter to the Election Compliance Audit Committee dated July 6th, 2015, the auditors confirmed that there was a deficit of $5,121 from the 2010 campaign and $4,050 was incorrectly recorded as the eligible deficit in the 2014 Financial Statements.

The auditors also attached to the letter, a revision to the 2010 Financial Statements with $5,121 removed from Contributions from candidate and $5,121 recorded as the deficit.

The 2014 Financial Statements were amended by the auditors on July 6th, 2015 with the correct eligible deficit amount of $5,121.

In a letter to the Election Compliance Audit Committee dated July 7th, 2015, the legal representatives for Mr. Taylor confirmed that there was a deficit of $5,121 from the 2010 campaign and $4,050 was incorrectly recorded as the eligible deficit in the 2014 Financial Statements.

The surplus of $2,733 in 2014 was reimbursed to Mr. Taylor for his funding of the 2010 campaign deficit.

9.0 Conclusion

Based on the observations noted above, the 2014 Financial Statements of Mr. Taylor did not have an accurate amount for the eligible deficit carried forward by the candidate from the last election. The reason for this is a clerical error on Mr. Taylor’s 2010 Financial Statements which inaccurately stated a $0 deficit in 2010. Moreover, the deficit of $4,050 initially recorded as a carried forward in 2014 was incorrect and restated to the correct amount of $5,121 by the auditors on July 6th, 2015. We have illustrated below the initial surplus (or deficit) and the corrected amounts.
**Mr. Taylor’s 2014 Financial Statements (Form 4)**

**Box D: Calculation of Surplus or Deficit**

**As originally submitted:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess (deficiency) of income over expenses (Income-Total Expenses)</td>
<td>2,733</td>
</tr>
<tr>
<td>Eligible deficit carried forward by the candidate from the last elections</td>
<td>4,050</td>
</tr>
<tr>
<td>Total (D1-D2)</td>
<td>(1,317)</td>
</tr>
<tr>
<td>If there is a surplus, deduct any refund of candidate's or spouse's contributions to the campaign</td>
<td>0</td>
</tr>
<tr>
<td>Surplus (or deficit) for the Campaign</td>
<td>(1,317)</td>
</tr>
</tbody>
</table>

**Corrected:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess (deficiency) of income over expenses (Income-Total Expenses)</td>
<td>2,733</td>
</tr>
<tr>
<td>Eligible deficit carried forward by the candidate from the last elections</td>
<td>(5,121)</td>
</tr>
<tr>
<td>Total (D1-D2)</td>
<td>(2,388)</td>
</tr>
<tr>
<td>If there is a surplus, deduct any refund of candidate's or spouse's contributions to the campaign</td>
<td>0</td>
</tr>
<tr>
<td>Surplus (or deficit) for the Campaign</td>
<td>(2,388)</td>
</tr>
</tbody>
</table>
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 reviewed the application submitted by the eligible elector;
- Reviewed the 2014 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 Mark Taylor, CFO Steve Karanikollas, Auditor Christine Prins;
- 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 are 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. Taylor:
- 2014 Financial Statements of Mr. Taylor;
- 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.