



**Compliance Audit Report**  
**For the Joint Compliance Audit Committee –**  
**City of Richmond Hill**  
**Re: Greg Beros**

*December 16, 2019*

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# 1 Introduction

## Background to the Compliance Audit

- 1.1 This Report is the result of a request for a compliance audit under Subsection 88.33 of the Municipal Elections Act, 1996 (“**the Act**”) in relation to the campaign finances of Greg Beros (“**Mr. Beros**” or “**the Candidate**”).
- 1.2 Mr. Beros filed for election for the Office of Ward 1 Councillor of the City of Richmond Hill on May 1, 2018. His campaign general spending limit was \$22,399.50 and his spending limit for parties and other expressions of appreciation was \$2,239.95.
- 1.3 On March 26, 2019, Mr. Beros attested that the financial statement for the campaign period from May 1, 2018 to December 31, 2018 (the “**Financial Statement**”) was true and correct to the best of his knowledge and belief. Mr. Beros reported total expenses subject to general spending limit of \$20,985.61.
- 1.4 On June 27, 2019, Mr. Wayne Leafloor (“**the Applicant**”) submitted a request for a compliance audit to the Joint Compliance Audit Committee (“**JCAC**”). The Applicant identified 4 issues regarding contribution records and possible under-reporting of campaign expenses in the Financial Statement, summarized as follows:
  - 1) That the Candidate did not keep a record of the contributors’ addresses as required by the Act;
  - 2) That the Candidate accepted contributions possibly received from corporations, as the addresses of several contributors appear to be commercial locations;
  - 3) That the Candidate reported three contributions of \$633.33 each from three contributors with the last name “Kaptyn”. The Applicant suspected that funds of \$1,900 came from one individual; and
  - 4) That the Candidate under-reported or misclassified the following campaign expenses:
    - a) The contractor that the Candidate used for fundraising performed additional services other than solely soliciting contributions, thus the expenses should be subject to the spending limit;

- b) Under-reporting of the current market value of the sign inventory from the previous campaign and not recording expenses for wooden stakes or H-frames for the signs; and
  - c) No office and phone expenses were reported for the campaign.
- 1.5 On July 18, 2019, the JCAC ordered a compliance audit of the financial statements for the 2018 election campaign finances of Mr. Beros pursuant to Subsection 88.33 of the Act.
- 1.6 The JCAC appointed Glen R. Davison, CPA, CA, LPA<sup>1</sup> of Froese Forensic Partners Ltd (“**FFP**”) to conduct the compliance audit in accordance with the Act.
- 1.7 Subsection 88.33(12) of the Act requires that the auditor prepare a report “*outlining any apparent contravention by the candidate.*” This Report contains our findings in relation to our compliance audit of the Financial Statement submitted by Mr. Beros.

### **Our Approach to the Compliance Audit**

- 1.8 The objective of our compliance audit is to report any apparent contraventions of the Act identified through the course of our compliance audit related to the Financial Statement filed by Mr. Beros. The compliance audit addressed the issues raised by the Applicant, as summarized above. The audit also addressed other matters identified through the compliance audit process, including:
- 1) Whether the Candidate maintained separate bank accounts for the campaign;
  - 2) Whether the Candidate kept proper books and records for the campaign;
  - 3) Whether the Candidate performed candidate duties in accordance with the Act; and
  - 4) Whether the Financial Statement was prepared in accordance with the Act and the 2018 Candidates’ Guide for Ontario Municipal Council and School Board Elections (“**the 2018 Candidates’ Guide**”).
- 1.9 Mr. Beros cooperated fully with the compliance audit process and provided detailed explanations as requested.

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<sup>1</sup> Licensed Public Accountant.

- 1.10 Mr. Beros had retained BDO LLP to maintain the bank account and accounting records for the campaign. Accounting records were provided to us in electronic format, except for contribution receipts.
- 1.11 Cancelled cheques for the campaign bank account were not provided for our review as the bank account was closed and the cancelled cheque copies were not accessible through online banking. We were advised by BDO that all cheques were paid to Mr. Greg Beros for reimbursing campaign expenditures. This is consistent with the details on the cheque stubs and reconciled with the accounting records.

## **Procedures Performed**

- 1.12 Our procedures related to the compliance audit included:
- 1) Review of the information presented to the JCAC in relation to the application for the compliance audit;
  - 2) Review of the Financial Statement, campaign bank statements, bank deposits, contribution receipts, expense payments and supporting documents;
  - 3) Review of the Municipal Elections Act, 1996 and the 2018 Candidates' Guide;
  - 4) Interview of Mr. Beros (accompanied by Mr. Carmine Perrelli);
  - 5) Telephone interview of Mr. George Simpson of BDO LLP, accountant for Mr. Beros' campaign;
  - 6) Meeting with Ms. Carol Davidson ("**Ms. Davidson**"), a representative for the Applicant,<sup>2</sup> and review of documents she provided;
  - 7) Conducted investigative research as considered appropriate; and
  - 8) Inquiries of select suppliers, photographer and volunteer in relation to the campaign expenditures in question.

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<sup>2</sup> The Applicant, Mr. Wayne Leafloor, referred us to Ms. Carol Davidson, who spoke at the JCAC meeting in support of the compliance audit application. Ms. Davidson was a Candidate for the Office of Ward 1 Councillor of the City of Richmond Hill.

## What the Act Says About Contributions

1.13 Subsection 88.15(1) of the Act states that *“money, goods and services given to and accepted by a person for his or her election campaign, or given to and accepted by another person who is acting under the person’s direction, are contributions.”*

1.14 The 2018 Candidates’ Guide states that:<sup>3</sup>

*“Campaign contributions are any money, goods or services that are given to you for use in your campaign, including money and goods that you contribute yourself.”*

*“If you are given a special discount on a good or service that you are purchasing for your campaign, the difference between what you were charged and what the market value would be is considered to be a contribution.”*

1.15 Subsection 88.8(3) of the Act states that only the following persons may make contributions:

- “1. An individual who is normally resident in Ontario.*
- 2. Subject to subsection (5), the candidate and his or her spouse.”*

Corporations and other businesses are not permitted to make contributions to the Candidate.

1.16 Subsection 88.8(2) states that contributions should not be accepted by or on behalf of the candidate outside his or her campaign period.

1.17 Subsection 88.8(6) states that only a candidate or a person acting under the candidate’s direction may accept a contribution.

1.18 Subsection 88.9(1) of the Act limits the maximum contribution a contributor can make to any one candidate in an election to \$1,200 and Subsection 88.8(8) of the Act requires that a contribution of money that exceeds \$25 should not be contributed in the form of cash and should be contributed in a manner that associates the contributor’s name and account with the payment or by a money order signed by the contributor.

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<sup>3</sup> Page 17 of the 2018 Candidates’ Guide.

1.19 Subsection 88.22(1) of the Act, under the heading “Duties of candidates”, requires candidates to perform the following duties in relation to contributions:

- 1) All contributions of money are deposited into campaign bank account(s) (88.22(1)(b));
- 2) All contributions of goods and services are valued (88.22(1)(e));
- 3) Receipts are issued for every contribution and obtained for every expense (88.22(1)(f));
- 4) Records are kept of,
  - a) the receipts issued for every contribution,
  - b) the value of every contribution,
  - c) whether a contribution is in the form of money, goods or services, and
  - d) the contributor’s name and address (88.22(1)(g));
- 5) Proper direction is given to persons who are authorized to incur expenses and accept or solicit contributions under the direction of the candidate (88.22(1)(n));
- 6) Each contributor is informed that a contributor shall not make contributions exceeding,
  - (i) subject to subsection (2), a total of \$1,200 to any one candidate in an election, and
  - (ii) a total of \$5,000 to two or more candidates for offices on the same council or local board (88.22(1)(r)).

1.20 The 2018 Candidates’ Guide requires that the Candidate must list the names and addresses of every contributor who gives more than \$100 to the campaign in the financial statements. A receipt must be issued for every contribution the Candidate received, including the full value of goods and services received.<sup>4</sup>

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<sup>4</sup> Page 20 of the 2018 Candidates’ Guide.

- 1.21 A record of the names and addresses of the contributor must be kept, regardless of the value of the contribution, as the same contributor may make multiple contributions that exceed \$100.
- 1.22 If the Candidate receives a cheque from a joint personal account, the receipt must be issued only to the person who signs the cheque as the contribution can only come from one person.

### **What the Act Says About Expenses**

- 1.23 Subsection 88.19(1) of the Act states that “*costs incurred for goods and services by or under the direction of a person wholly or partly for use in his or her election campaign are expenses*”.
- 1.24 Section 88.20(5) outlines who may incur expenses, and states that only a candidate or an individual acting under a candidate’s direction may incur expenses.
- 1.25 The 2018 Candidates’ Guide notes that:<sup>5</sup>

*“Expenses must be paid from your campaign bank account. If you use a credit card to pay for purchases you should make sure that you keep clear records showing that the expense on the credit card was reimbursed from the campaign account.”*

- 1.26 In regards to special discounts provided to the campaign by suppliers of goods and services, the 2018 Candidates’ Guide states that:<sup>6</sup>

*“If you are given a special discount on a good or service that you are purchasing for your campaign, you should record the expense as if you were not given the discount (since the value of the discount is considered to be a contribution of the good or service to your campaign).*

- 1.27 The 2018 Candidates’ Guide provides the following guidance in relation to campaign inventory (Subsection 88.19(3)(1) of the Act):<sup>7</sup>

*“If you ran in the last municipal council or school board election and you want to reuse leftover goods such as signs or office supplies*

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<sup>5</sup> Page 22 of the 2018 Candidates’ Guide.

<sup>6</sup> Page 23 of the 2018 Candidates’ Guide.

<sup>7</sup> Page 25 of the 2018 Candidates’ Guide.

*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.”*

- 1.28 Subsection 88.20(6) of the Act prescribes that the maximum amount of expenses to be incurred during the campaign should not exceed an amount calculated in accordance with the prescribed formula (i.e. the general spending limit). The 2018 Candidates’ Guide states the following when applying the spending limit of expenses:<sup>8</sup>

*“Your spending limit covers expenses that you incur between the beginning of your campaign and voting day. Expenses that you incur between the day after voting day and the end of your campaign are not subject to the spending limit.”*

- 1.29 Subsection 88.20(9) of the Act prescribes that the maximum amount spent on holding parties and making other expressions of appreciation after the close of voting should not exceed an amount calculated in accordance with the prescribed formula (i.e. the spending limit for parties and other expressions of appreciation).

- 1.30 The 2018 Candidates’ Guide states that expenses related to holding a fundraising event or activity are not subject to the general spending limit. Any materials, events or activities must have fundraising as the primary purpose in order to be exempt from the spending limit. An incidental mention of contributions is not enough to qualify as fundraising.<sup>9</sup>

- 1.31 Subsection 88.22(1) of the Act, under the heading “Duties of candidates”, requires candidates to perform the following duties in relation to campaign expenses:

- 1) All funds in the campaign accounts are used exclusively for the purpose of the election campaign (88.22(1)(c));
- 2) All payments of expenses are made from the campaign bank account(s) (88.22(1)(d));
- 3) Receipts are obtained for every expense (88.22(1)(f));
- 4) Records are kept of every expense including the receipts obtained for each expense (88.22(1)(h));

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<sup>8</sup> Page 24 of the 2018 Candidates’ Guide.

<sup>9</sup> Page 24 of the 2018 Candidates’ Guide.

- 5) Records are kept of any claim for payment of an expense that the candidate disputes or refuses to pay (88.22(1)(i)); and
- 6) Proper direction is given to persons who are authorized to incur expenses and accept or solicit contributions on behalf of the candidate ((88.22(1)(n)).

## 2 Overall Summary

2.1 We reviewed the four issues identified by the Applicant and summarized our conclusions as follows (detailed discussions in Section 3 of this Report):

- 1) *Failure to keep a record of the contributors' addresses* – We identified an apparent contravention of Subsection 88.22(1)(g) of the Act in relation to failure to keep accurate records of the contributors' names and addresses;
- 2) *Accepting contributions possibly from corporations* – We did not identify any apparent contraventions of the Act in relation to accepting contributions from corporations;
- 3) *Accepting contributions possibly from one individual over the maximum contribution limit* – We did not identify an apparent contravention of the Act in relation to accepting contributions from individuals over the maximum limit; and
- 4) *Possible Under-Reporting / Misclassification of Campaign Expenses:*
  - a) *Fundraising Expenses* – We did not identify any apparent contraventions of the Act in relation to recording of fundraising expenses;
  - b) *Sign Inventory* – We did not identify any apparent contraventions of the Act in relation to the reporting of sign inventory from the previous campaign at estimated replacement value; and
  - c) *Office, Phone and Internet Expenses* - We did not identify any apparent contraventions of the Act in relation to under-reporting of office, phone and internet expenses.

2.2 We also reviewed the balance of the Financial Statement and other issues Ms. Davidson brought to our attention and we concluded that there are apparent contraventions of Subsection 88.22(1)(d) of the Act in relation to failure to reimburse Mr. Beros for the sign deposit of \$260 through the campaign bank account and apparent contraventions of Subsection 88.22(1)(h) of the Act in relation to failure to record the sign deposit in the Financial Statement.

- 2.3 Accordingly, the Candidate's Financial Statement should be adjusted as follows:
- 1) *"Contributions in money from candidate and spouse"* for \$260; and
  - 2) *"Signs (including sign deposits)"* for \$260 to a total of \$274.67.
- 2.4 *"Total expenses subject to general spending limit"* would become \$21,245.61 and remain within the general spending limit of \$22,399.50. There would be no impact on the campaign's surplus.

## **3 Our Findings – Applicant’s Allegations**

### **Contribution Records**

- 3.1 The Applicant alleged that the Candidate did not keep a record of contributor addresses as required by the Act. The Applicant indicated that an address for one contributor (Antranik Zakarian) was not reported in the contributors’ list filed under Form 4.
- 3.2 The Candidate advised us that all contribution cheques were given to his accountant, who would then deposit them to the campaign bank account. Both the Candidate and the campaign accountant acknowledged that they did not keep a record of the contributors’ information separately and the only source of address information was from the copies of the contribution cheques, some of which were not pre-printed on the cheques but rather were handwritten.
- 3.3 FFP reviewed the contributors’ list and checked the details to the addresses shown on the contribution cheques. FFP noted 2 incidences where unit numbers of the addresses were not recorded, 1 incidence of a P.O. Box address, and noted that the address for Antranik Zakarian was blank. The contribution cheque copy for Antranik Zakarian did not include an address. Mr. Beros subsequently provided us with the relevant address, being the same address as another contributor, Norma Zakarian.
- 3.4 FFP also reviewed the contribution receipt book prepared by the accountant and compared it to the details of the contributors as disclosed in the cheque copies. All contribution receipts disclosed the names and addresses of the contributors, although unit numbers were missing for two addresses. There is an address documented for Antranik Zakarian in the contribution receipt book, being the same address as Norma Zakarian.
- 3.5 Although the campaign did not separately record the names and addresses of the contributors, records were kept in the contribution receipt book. However, as unit numbers were missing in two of the contributors’ records, we conclude that there is an apparent financial reporting contravention of the Act in relation to keeping accurate records of the contributor’s name and address in accordance with Subsection 88.22(1)(g) of the Act.

## Contributions with Business Addresses

3.6 The Applicant alleged that 3 of the contributors listed on Form 4 appear to have business addresses, suggesting that they may be contributions from corporations rather than individuals, thus violating Subsection 88.8(3) of the Act.

3.7 These possible contributors included:

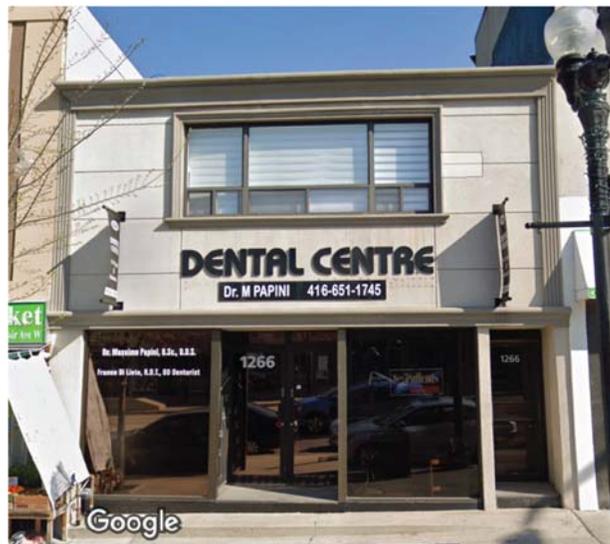
- 1) John Papini – his address is disclosed as the same address as Dr. Papini & Associates Dental Centre;
- 2) Jason Kaptyn – his address is disclosed as the same address as Best Western Parkway Hotel;
- 3) Carlo Muia – his address is disclosed as the same address as Carval Homes.

*John Papini - 1266 St. Clair Avenue West, Toronto*

3.8 The contribution cheque is a personal cheque of John Papini with the address handwritten on the cheque.

3.9 The Candidate advised us that John Papini lived in an apartment above the dental clinic operated by his dad.

3.10 Our internet research disclosed that Dr. Papini & Associates Dental Centre is operated by “Dr. M Papini” (Dr. Massimo Papini) and the building includes a second floor apartment.



- 3.11 As the contribution cheque is a personal cheque from John Papini and the dental clinic was not operated by the contributor, we concluded that there were no apparent contraventions of the Act in relation to accepting the contribution.

*Jason Kaptyn – 600 Hwy 7 E., Ste 102, Richmond Hill*

- 3.12 The contribution cheque is a personal cheque of Jason Kaptyn with the above address pre-printed on the cheque. Another contributor cheque from Simon W. Kaptyn also disclosed the same address pre-printed on his personal cheque.
- 3.13 The address matched the address of the Sheraton Parkway Toronto North Hotel and the adjacent Best Western Parkway Hotel in Richmond Hill. The Candidate advised us that it is widely known that Jason Kaptyn owns the Sheraton Parkway Hotel in Richmond Hill and that he lives in the hotel.
- 3.14 Our research determined that Jason Kaptyn is the President of the Sheraton Parkway North Toronto Hotel in Richmond Hill and other hospitality and real estate related businesses. The 600 Highway 7 East, Suite 102 address is also used for Captain Realty Inc., a property management company whose president is “*Simon Kaptyn Sr.*”.
- 3.15 FFP determined that the business address was used as a mailing address on the personal cheques for both Jason Kaptyn and Simon Kaptyn.
- 3.16 The Candidate and the campaign accountant both acknowledged that they relied on the addresses on the contribution cheques and that they did not verify whether the addresses were business locations.
- 3.17 Subsection 88.22(1)(g) of the Act requires that the Candidate keep records of the contributor’s names and addresses but does not require the Candidate to verify that the addresses are residential addresses.
- 3.18 We have no evidence that the contribution was a corporate contribution as the contribution cheque is a personal cheque with a pre-printed address. Accordingly, we concluded that there are no apparent contraventions of the Act in relation to accepting the contribution.

*Carlo Muia – 399 Applewood Crescent, Concord*

- 3.19 The contribution cheque is a personal cheque of Carlo Muia with an address handwritten on the cheque.

- 3.20 The Candidate advised that he spoke with the contributor, who was in the process of moving his residence during the time of the contribution, and thus the contributor had written his business address on the cheque.
- 3.21 In our opinion, as the contribution cheque is a personal cheque and the explanation provided was reasonable, we concluded that there are no apparent contraventions of the Act in relation to accepting the contribution.

### **Three Contributions Totaling \$1,900**

- 3.22 There were three contributors with the same last name - "Kaptyn" - and each contributed \$633.33 to Mr. Beros' Campaign. The Applicant alleged that likely one cheque of \$1,900 was received from one individual, resulting in the contribution being \$700 over the contribution limit.
- 3.23 FFP reviewed the cheque copies of the relevant contributions and confirmed that 3 personal cheques of \$633.33 each were received from Jason Kaptyn, Jonathan Kaptyn and Simon Kaptyn.
- 3.24 In our opinion, there are no apparent contraventions of the Act in relation to the three contributions.

### **Possible Under-Reporting / Misclassification of Expenses**

- 3.25 The Applicant alleged that the Candidate under-reported / misclassified the following expenses, such that total expenses for Mr. Beros' campaign were not within the general spending limit of \$22,399.50:
- 1) Contractor for soliciting contributions provided additional services other than fundraising, which would constitute an expense subject to the general spending limit;
  - 2) Sign inventory from previous municipal campaigns was reported at less than current market value; and
  - 3) No office, phone or internet expenses were reported for the campaign.

#### *Fundraising Expenses*

- 3.26 Mr. Beros' campaign recorded \$2,531.20 as fundraising expenses not subject to the general spending limit.

- 3.27 The Applicant alleged that the contractor for soliciting contributions provided additional services other than fundraising and that the amount should be subject to the general spending limit.
- 3.28 The contractor for Mr. Beros' fundraising expense was Pelhum Consulting Ltd. The invoice disclosed that \$2,240 plus HST (total of \$2,531.20) was charged as a fundraising fee.
- 3.29 FFP contacted Mike Makrigiorgos, one of the owners of Pelhum Consulting Ltd. and the person that dealt with Mr. Beros' campaign. He advised that the services provided for Mr. Beros' campaign included determining a plan to solicit donations, preparing a fundraising letter, and sending out the fundraising letter to possible contributors. He also advised that Pelhum Consulting Ltd. provided similar services for other candidates in municipal elections.
- 3.30 Mr. Makrigiorgos advised that he had proposed other campaigning services to the Candidate but Mr. Beros declined additional services. Mr. Makrigiorgos stated that it was agreed verbally between he and the Candidate that only fundraising services were to be provided.
- 3.31 Mr. Makrigiorgos stated that the quoted price was based on estimated contributions equal to the Candidate's general spending limit and the fees were charged after the agreed upon services were completed.
- 3.32 We concluded that the Pelhum Consulting expenses were primarily fundraising expenses, which are not subject to the general spending limit. Accordingly, there are no apparent contraventions of the Act in relation to fundraising expenses.

#### *Sign Inventory*

- 3.33 The Candidate reported a total of \$2,750 in sign expenses, consisting of 150 large campaign signs at \$10 each (\$1,500) and 500 small campaign signs at \$2.50 each (\$1,250), as inventory of goods and materials from the previous municipal campaign used in the 2018 campaign.
- 3.34 The Applicant alleged that the amount reported for sign inventory was less than current market value and that no costs for wooden stakes / H-frames were reported.
- 3.35 Ms. Davidson provided pictures of Mr. Beros' large and small signs used during the campaign, an actual invoice for purchasing coroplast signs and a quote for bag signs from the supplier. Ms. Davidson also indicated that the number of signs used in Mr. Beros' campaign appeared to be more than the amount reported.

- 3.36 The Candidate advised that he re-used bag signs for his campaign and that the frames he used for the signs were also from the previous campaign. He stated that the signs and frames were included as inventory in his previous campaign and that the prior cost of signs recorded as inventory included the cost of the frames.
- 3.37 FFP contacted the volunteer who helped Mr. Beros put up signs at street corners for his campaign. The volunteer disclosed that he had a pick-up truck and Mr. Beros provided him with approximately 150 4-foot used signs and used wooden stakes. He went out around 4 or 5 evenings during the campaign and put up around 15-20 signs each time, resulting in around 100 large signs being put up, without using the entire inventory.
- 3.38 The Candidate provided us with a quote for coroplast signs he obtained in June 2018 that listed 100 32 x 48 (large) coroplast signs at \$8.40 each, resulting in a quote of \$9.49 per sign, including HST. The quote did not include any H-frames or wooden stakes. A Sign-O-City price list for signs added \$0.95 to the cost of signs for H stake stands, which would increase the quoted cost to \$10.56 per sign, including HST, or a total of \$1,584 for 150 signs (a difference of \$84).
- 3.39 In relation to the small signs, Ms. Davidson provided a quote for 500 2-colours 2-sided 18" x 24" bag signs at \$3.87, with steel frames included.
- 3.40 Mr. Carmine Perrelli (Regional and Local Councillor for Richmond Hill) canvassed with Mr. Beros during the 2018 election. They advised that together they put up around 130 small signs and 6 large signs on the lawns of residences.
- 3.41 The Candidate provided us with a letter from a sign supplier used by Mr. Perrelli during his 2018 election campaign. The bag signs used by Mr. Perrelli are 20" x 24" one colour signs. The supplier had a bulk deal with Mr. Perrelli pricing the bag signs, including wire frames, at \$1.65 each (with a purchase of 1,000 signs).
- 3.42 FFP contacted Mr. Perrelli's sign supplier, Top Quality Print and Sign. They confirmed that the price for Mr. Perrelli's bag signs was a regular price (i.e. without any special discounts). They also provided a quote for 500 small bag signs with two colours including wire frames at a cost of \$1.90 for each sign (\$2.15 with HST).
- 3.43 Additional online research disclosed pricing for small bag signs, including H frames, as follows (for approximately 500 signs):
- YardSignsCanada.com - \$3.75 plus HST (24"x20" two colour including H frame);
  - LawnBagSigns.com - \$3.70 plus HST (24"x20" two colour including H frame);

- Sign O City - \$2.69 plus \$0.95 for H frame (total of \$3.64) plus HST (18"x24" full colour).
- 3.44 Although costs for signs varies significantly between suppliers, the Act and related Candidate's Guide permit use of the lowest pricing available to the public for valuing in-kind contributions and inventory from prior elections. If Mr. Beros had been required to purchase small bag signs for his 2018 election campaign, we concluded he likely would have obtained his signs at a price offered by the sign supplier for Mr. Perrelli (i.e. \$2.15 including HST for each small bag sign), as they canvassed and put up campaign signs together during the campaign. This is less than the \$2.50 per small sign Mr. Beros used as the value of small campaign signs used in the campaign.
- 3.45 We considered that even if the replacement value of 500 small campaign signs is adjusted to \$3.64 plus HST (\$4.11) per sign (total \$2,055) and the replacement value of 150 big campaign signs is adjusted to \$1,584 (a combined difference of \$889), the Candidate's total expenses after this adjustment would remain within the general spending limit.
- 3.46 Accordingly, we accept the replacement value and the number of sign inventory reported by the Candidate and conclude that there are no apparent contraventions of the Act in relation to reporting of sign inventory at replacement value in accordance with Subsection 88.19(3)(1) of the Act.

#### *Office, Phone and Internet Expenses*

- 3.47 The Applicant alleged that Mr. Beros' campaign under-reported office, phone and internet expenses.
- 3.48 The Candidate advised that he ran a simple campaign and did not set up a campaign office. He used an internet phone at home that was set up a few years ago. No extra phone/internet costs were incurred for the campaign.
- 3.49 The Candidate arguably should have attributed a value to the phone and internet services used in the campaign but we accept that these costs would have been nominal.
- 3.50 We also learned that residents of Richmond Hill received robocalls from Mr. Beros' campaign during the 2018 election. Mr. Beros' financial statements reported \$5,650 in advertising expenses in relation to expenses spent on live agent calls from Globacon Inc. and thus we concluded that these expenses were included in his Financial Statement.
- 3.51 In our opinion, there are no apparent contraventions of the Act in relation to under-reporting of office, phone and internet campaign expenses.

## Other Allegations by the Applicant

### *Sign Deposit*

- 3.52 The Applicant alleged that the Candidate had not fully recorded the sign deposit of \$260 in the Financial Statement, where the Candidate had only reported sign expense of \$14.67.
- 3.53 The City requires that each Candidate pay a non-refundable fee of \$260 prior to erecting or displaying any elections related signage.
- 3.54 Mr. Beros paid for the signage fee with his own credit card.
- 3.55 Mr. Beros' accountant did not reimburse Mr. Beros for the sign deposit through the campaign bank account, thinking that the signage fee was refundable from the City. As a result, the signage fee was not reimbursed and was not recorded in the Candidate's Financial Statement.
- 3.56 The 2018 Candidates' Guide states the following in relation to sign deposits:<sup>10</sup>
- “If your municipality requires a deposit for election signs, this should be recorded as a campaign expense and paid for using campaign funds. If your deposit is refunded, record the amount under Income in Box C.”*
- 3.57 The 2018 Candidates' Guide also states that it is the Candidate's responsibility *“to file a **complete and accurate** financial statement **on time**.”*<sup>11</sup>
- 3.58 The Candidate's Financial Statement should be adjusted as follows:
- 1) *“Contributions in money from candidate and spouse”* for \$260; and
  - 2) *“Signs (including sign deposits)”* for \$260 to a total of \$274.67.
- 3.59 Thus, *“total expenses subject to general spending limit”* would become \$21,245.61 and remain within the general spending limit of \$22,399.50. There would be no impact on the campaign's surplus.
- 3.60 Accordingly, the failure to reimburse the Candidate for the signage fee is an apparent contravention of Subsection 88.22(1)(d) of the Act which requires that all payments of expenses are made from the campaign bank account(s) and that the failure to record the

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<sup>10</sup> Page 35 of the 2018 Candidates' Guide.

<sup>11</sup> Page 25 of the 2018 Candidates' Guide.

sign expense in the Financial Statement is an apparent contravention of Subsection 88.22(1)(h) of the Act which requires records are kept for every expense.

#### *Accounting and Audit Fees*

- 3.61 The Applicant alleged that the Candidate reported accounting and audit fees of \$4,596.67 under expenses not subject to the general spending limit, approximately 400% above the accounting and audit fees reported by the Candidate in 2014.
- 3.62 Ms. Davidson also provided a quote to obtain an audit of an election campaign that she obtained from Mr. Jack Eigenmacht, who performed the audit for Mr. Beros' 2018 election campaign. The quote disclosed a flat fee of \$1,500 plus HST for audit services of election campaigns and an additional \$800 for accounting services.
- 3.63 The Applicant questioned whether the \$2,000 excess accounting and audit fees reported by Mr. Beros should be accounted for under expenses subject to the general spending limit as opposed to expenses not subject to the general spending limit.
- 3.64 We examined the following invoices for accounting and audit fees of \$4,596.67 reported by the Candidate:
- 1) BDO Canada LLP for accounting services for the 2018 municipal election for \$2,901.67; and
  - 2) Eigenmacht Crackower Chartered Accountants Professional Corporation for audit services of Mr. Beros' 2018 election campaign for \$1,695 (\$1,500 plus HST), consistent with the quote obtained by Ms. Davidson.
- 3.65 BDO Canada LLP advised that they provided accounting services related to recording contributions and campaign expenses, making deposits, maintaining the campaign bank account and preparing schedules of contributions for Mr. Beros' 2018 election campaign. We accept that the payment to BDO Canada LLP was incurred for accounting services related to the election campaign, although the expense exceeds the quote obtained by Ms. Davidson.
- 3.66 Accordingly, we concluded that there are no apparent contraventions of the Act in relation to the reported accounting and audit fees for Mr. Beros' 2018 election campaign.

## 4 Restrictions and Limitations

- 4.1 This Report was prepared for the Joint Compliance Audit Committee (City of Richmond Hill) in relation to the compliance audit regarding the 2018 election campaign finances of Mr. Greg Beros. This report is not to be used for any other purpose and we specifically disclaim any responsibility for losses or damages incurred through use of this Report for a purpose other than as described in this paragraph.
- 4.2 Although we reserve the right, we will be under no obligation to review and/or revise the contents of this Report in light of information which becomes known to us after the date of this Report.
- 4.3 This Report is respectfully submitted by Glen R. Davison. I was assisted in the compliance audit by Ken Froese and Grace Lau.

Yours truly,



**Glen R. Davison, CPA, CA, LPA**