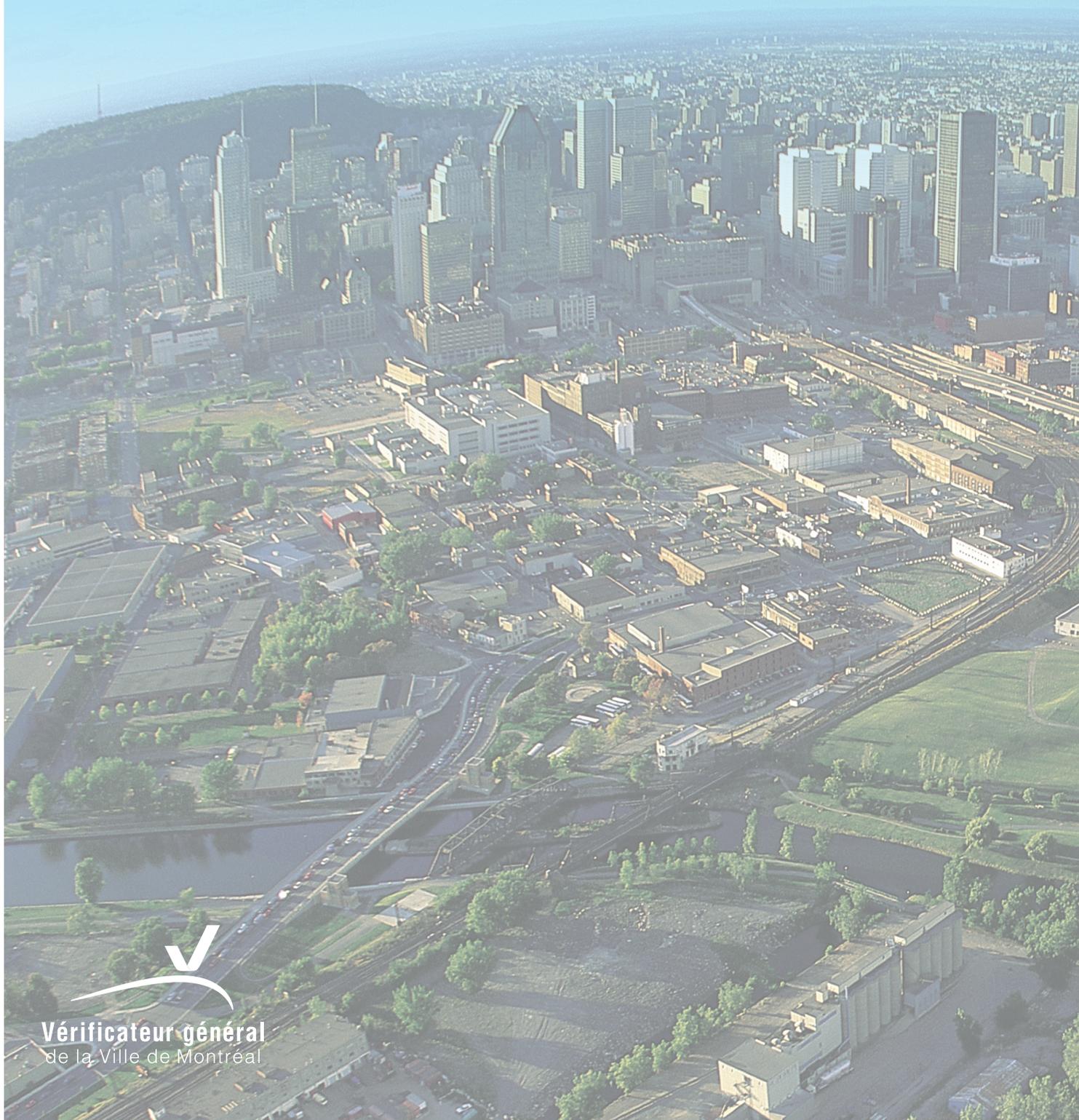


III. Investigative and Forensic Accounting Report



Vérificateur général
de la Ville de Montréal

III. INVESTIGATIVE AND FORENSIC ACCOUNTING REPORT

A. BACKGROUND

In 2010, the Bureau du vérificateur général (BVG) created a unit to manage the auditor general's ethics hotline and provide specialized investigative and forensic accounting services to the other BVG units when there is evidence of irregularities or fraud from audits or allegations received by the BVG.

Although management of the ethics hotline is now the responsibility of the Service du contrôleur général, it should be noted that this unit is only a means among others through which allegations of wrongdoing can be communicated. Furthermore, investigative and forensic accounting activities are included in the auditor general's mission pursuant to section 107.8 of the *Cities and Towns Act*. The auditor general is the only city authority with full power to investigate evidence or allegations of irregularities or illegalities in the management of the affairs of the city and the bodies under its control.

It should be pointed out, however, that the investigative and forensic accounting unit's scope does not include allegations pertaining to breaches of the various collective agreements or any other issue associated with human resources management.

B. PROCESSING ALLEGATIONS

Allegations received are handled by the investigative and forensic accounting team according to priority criteria. Every allegation has a thoroughly documented and secured file.

Every allegation received undergoes a preliminary evaluation to establish the suitability of carrying out an investigation based on the nature of the allegation, the probative value of the information provided and the risks involved.

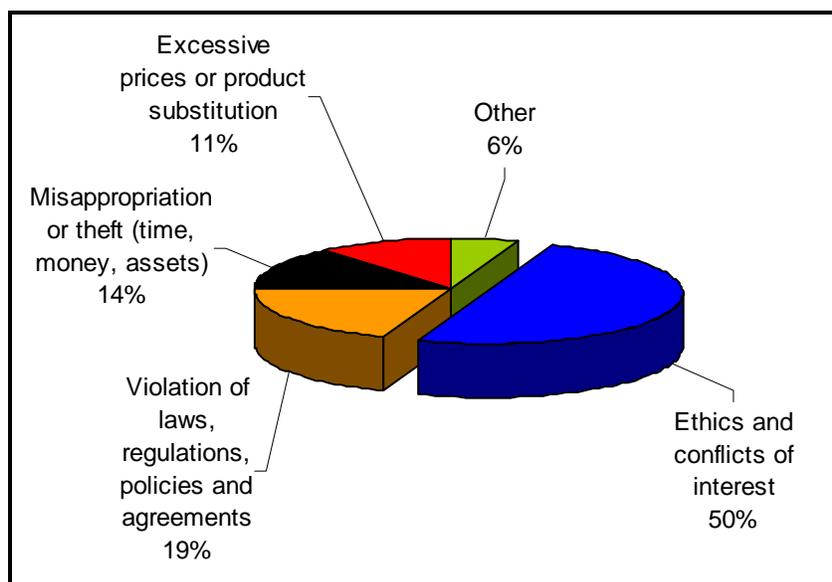
If it is deemed relevant to carry out an investigation, it will be performed in accordance with recognized practices in investigative and forensic accounting. Once the investigation is

completed, an investigative and forensic accounting report can be issued so that the necessary measures are taken by the administration. In cases where there is evidence of criminal acts, the results of our work are communicated to police authorities.

C. STATISTICS

In 2011, we analyzed 36 allegations. In graph 1, the allegations received in 2011 are broken down by type.

**Graph 1—Overview of Allegations Received in 2011
By Type**



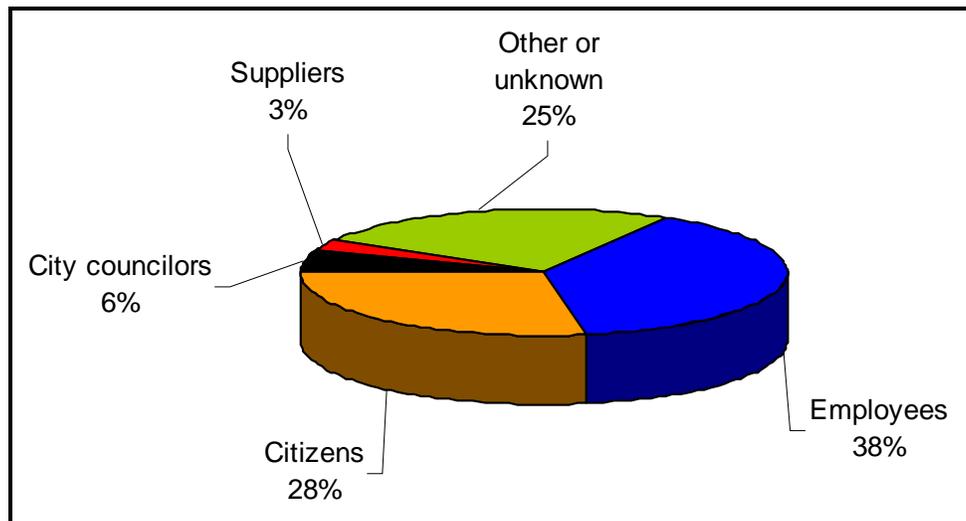
Most of the allegations received pertain to conflicts of interest and ethical issues. The allegations describe unethical or dishonest behaviour as well as situations or actions involving city employees that are contrary to the city’s best interests. In the following section, we will provide a summary of some allegations that we have received.

Approximately half the allegations were communicated to us anonymously (17, or 47%). It is important to point out that we guarantee confidentiality to whistleblowers who agree to disclose their identity. Whenever possible, they are protected against any form of potential retribution. When individuals disclose their identity, it is easier for us to obtain the additional information necessary to pursue our investigation. For five of the allegations that were

communicated to us, the information obtained was too vague or insufficient for us to even carry out a preliminary analysis. These files were therefore closed.

Graph 2 shows the sources of the allegations received. We found that two thirds of the allegations received were from employees or citizens (24 out of 36).

**Graph 2—Overview of Allegations Received in 2011
By Source**



Among the allegations received, 14 files are presently active. They are currently undergoing more in-depth analyses or being studied in order to carry out planned future audits. Conversely, 22 files have been closed. Of this number, two allegations were determined to be founded or partially founded following our investigation. As for the 20 other files, they were closed either because of insufficient evidence or because no conclusion was required.¹ Table 1 shows the processing status of allegations received in 2011.

¹ For example, when the allegations are not applicable because of issues of irregularity or fraud relating to management of the city's affairs or the bodies under its control.

**Table 1—Overview of Allegations Received in 2011
By Status**

Status	Number of allegations
Closed	22
• <i>Founded or partially founded</i>	2
• <i>Insufficient evidence</i>	6
• <i>Conclusions not required</i>	14
In progress	14
Total	36

D. EXAMPLES OF ALLEGATIONS RECEIVED

Here are a few examples of allegations that were communicated to us. It is important to point out that these allegations have not necessarily been confirmed by our investigations at this point.

Table 2—Examples of Allegations Received

Type of allegation	Reporting examples
Misappropriation or theft (time, money, assets)	<ul style="list-style-type: none"> • Request to investigate the compliance of a body's spending with the service agreements and subsidies received by the city. • Allegation of time theft on the part of an employee. • Allegation of use of a city vehicle for personal purposes.
Ethics, conflicts of interest	<ul style="list-style-type: none"> • Allegation of nepotism and conflict of interest in the awarding of a contract without call for tenders. • Allegation of conflict of interest on the part of a member of the selection committee related to a call for tenders for a professional services contract. • Allegation of favouritism in the granting of a subsidy to a body.
Excessive prices or product substitution, secret commissions or bribes	<ul style="list-style-type: none"> • Allegation of collusion between bidders, bid rigging, bid suppression or abstention. • Allegation of non-compliance with the contract awarding process and corruption. • Allegation of a city representative wasting public funds.
Violation of laws, regulations and policies	<ul style="list-style-type: none"> • Examination of conditions and privileges granted to an employee in the context of an external training.