



# Report of the Auditor General of the Ville de Montréal to the City Council and to the Urban Agglomeration Council

For the Year Ended December 31, 2012

## Investigative and Forensic Accounting Report

# 3





## 3. Investigative and Forensic Accounting Report

### Background

Since 2010, the Bureau du vérificateur général (BVG) has had an investigative and forensic accounting team in place to deal with the allegations of wrongdoing it receives. This team also supports other BVG units with respect to evidence of irregularities or illegalities resulting from its audit work. Until March 30, 2011, most of these allegations were brought to the BVG's attention by way of the auditor general's ethics hotline. Since the responsibility for the management of the hotline was transferred to the Service du contrôleur général, these allegations have been accepted by mail, email, telephone and in person. It is important to emphasize that the BVG has a highly secure email account set up specifically for this purpose. This account is hosted by an external provider and is not linked to the city's email system. Allegations can therefore be emailed to [verificateurgeneral@bvgmtl.ca](mailto:verificateurgeneral@bvgmtl.ca).

## Processing Allegations

Allegations received are handled by the investigative and forensic accounting team according to priority criteria. A thoroughly documented and secure file is created for every allegation processed by the BVG.

A preliminary evaluation is not conducted if the subject of the allegation does not fall within the auditor general's purview or if the allegation is not substantial enough to warrant further investigation. Depending on the circumstances, such matters may be transferred to another city entity or closed without any further action undertaken.

All other allegations received undergo a preliminary evaluation to establish the suitability of carrying out an investigation, based on the nature of the claim, the probative value of the information provided and the risks involved. The BVG has no choice but to be selective in the files it decides to investigate given its limited resources and the volume of allegations received every year. As such, certain files, such as those whose material impact is negligible, may not be followed up on.

If an investigation is deemed relevant, 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 may be produced so that the necessary measures can be taken by the municipal administration. In cases where there is evidence of criminal wrongdoing, the results of the BVG's work are communicated to police authorities.

In 2012, we analyzed 41 allegations (compared with 36 in 2011). Of this number, 16 are still pending. A few of these are similar allegations forwarded to us by different parties. We have therefore grouped them together, so that we currently have 14 files pending. These files are at the preliminary evaluation stage, under investigation or being studied for future audits.

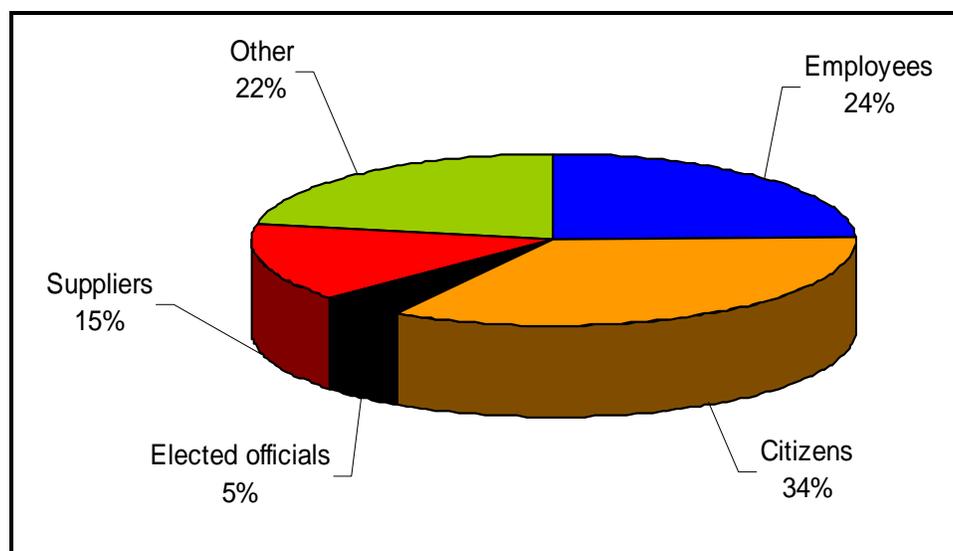
A total of 25 files were closed during the year for one of the following reasons:

- investigation concluded;
- insufficient evidence;
- transfer to another body for an allegation outside of the auditor general's purview.

## Sources of Allegations Received

Figure 1 shows the sources of the allegations received, 58% of which (24 out of 41) were submitted by employees or citizens.

**Figure 1 – Overview of Allegations Received in 2012  
By Source**



Among the allegations received, 26 out of 41 (63%) were channeled through the BVG's email account. The remainder were reported via telephone or mail.

It is interesting to note that only 11 allegations were made anonymously. In other words, 30 complainants out of 41 (73%) identified themselves, up significantly from 53% in 2011. When complainants disclose their identity, it is easier for us to obtain the additional information necessary to pursue our corroboration and investigation. It is important to point out that we guarantee confidentiality to those who agree to disclose their identity. Furthermore, under section 107.16 of the *Cities and Towns Act*, the auditor general cannot be compelled to give testimony relating to any information obtained in the performance of his duties or to produce any document containing such information. Moreover, wherever possible, those who come forward are protected against any form of reprisal.

## Categories and Examples of Allegations Received

We have grouped together the allegations received by category:

- Breach of ethics, conflict of interest, breach of trust, favouritism (7 allegations);
- Violation of laws, regulations or policies (10 allegations);
- Misappropriation or theft (time, money, assets), use of resources for personal reasons (9 allegations);
- Price gouging or product substitution, secret commissions, bribes (10 allegations);
- Other (5).

**Figure 2 – Overview of Allegations Received in 2012  
By Type**

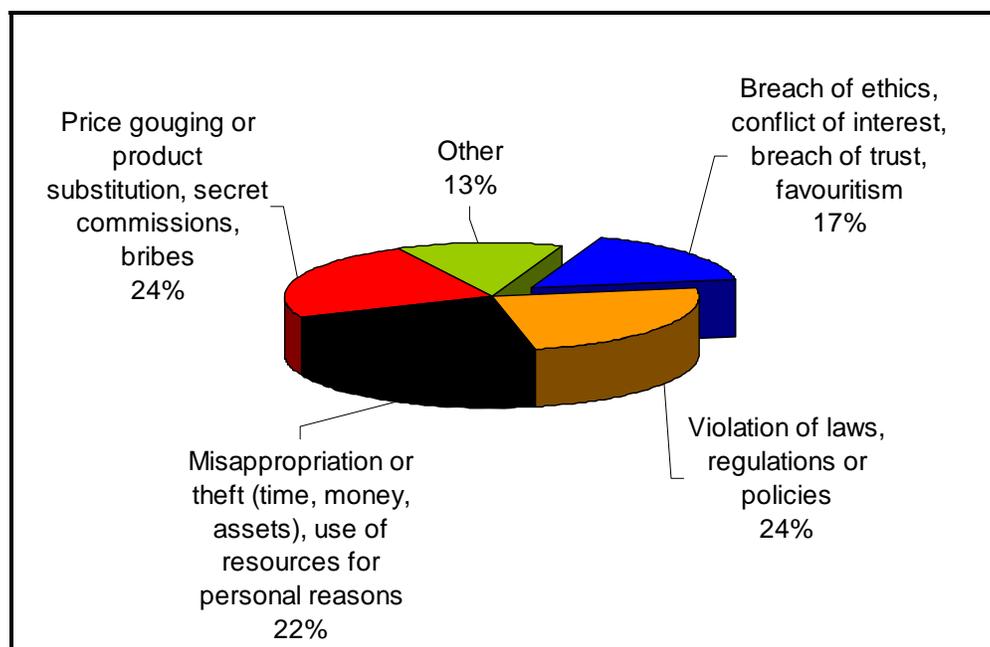


Table 1 presents a few examples of allegations that were communicated to us in 2012. Note that these allegations have not necessarily been confirmed by our investigations at this point.

**Table 1 – Examples of Allegations Received**

Types of allegations	Examples of allegations
Breach of ethics, conflict of interest, breach of trust, favouritism	<ul style="list-style-type: none"> <li>• Allegation of favouritism in the staffing competition process and allegation of conflicts of interest.</li> <li>• Allegation of waiving developers' fees.</li> <li>• Allegation of zoning changes that favour developers.</li> </ul>
Violation of laws, regulations or policies	<ul style="list-style-type: none"> <li>• Allegation of wrongdoing in the awarding of a contract without a call for tenders.</li> <li>• Allegation of irregularities in the awarding of a professional services contract.</li> <li>• Allegation of extreme delays in paying a supplier.</li> </ul>
Misappropriation or theft (time, money, assets), use of resources for personal reasons	<ul style="list-style-type: none"> <li>• Allegation of non-compliant expenses claimed by a body with relation to service agreements and subsidies received by the city.</li> <li>• Allegation of time theft by employees.</li> <li>• Allegation of poorly synced invoicing and collection systems within a city business unit.</li> </ul>
Price gouging or product substitution, secret commissions, bribes	<ul style="list-style-type: none"> <li>• Allegation of gifts offered to city employees to favour certain suppliers.</li> <li>• Allegation of mistaken calculations in the quantities requested and listed in tables of bid prices, which could potentially lead to extra charges billed by the selected contractor.</li> <li>• Allegation of non-compliance with the contract award process and employee corruption.</li> <li>• Allegation of a city representative wasting public funds.</li> </ul>