

Report to 2018 Municipal Election Compliance Audit Committee

To: Chair and Members
2018 Municipal Election Compliance Audit Committee
From: Cathy Saunders, City Clerk
Subject: Auditor's Report – Compliance Audit of Mayoral Candidate Paul Cheng for the 2018 City Of London Municipal Election
Date: March 5, 2021

Recommendation

That, the following actions be taken with respect to the Auditor's Report regarding 2018 Mayoral Candidate Paul Cheng:

- a) that the attached Auditor's Report of William Molson, CPA, CA (Appendix "A") dated February 17, 2021 entitled "Municipal Election Compliance Audit of the Campaign Finances of Candidate Paul Cheng", BE RECEIVED; and
- b) the City Clerk BE ADVISED pursuant to section 88.33(17) of the *Municipal Elections Act, 1996*, of the 2018 Municipal Election Compliance Audit Committee decision after considering the Auditor's Report noted in a) above, as to whether a legal proceeding should be commenced against 2018 Mayoral Candidate Paul Cheng for an apparent contravention.

Executive Summary

The purpose of this report is to provide information to the 2018 Municipal Election Compliance Audit Committee on the responsibilities under the *Municipal Elections Act, 1996* (MEA) in the consideration of the Auditor's Report regarding 2018 Mayoral Candidate Paul Cheng, pursuant to section 88.33(17) of the *Municipal Elections Act, 1996*.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Compliance Audit Committee – May 3, 2019 – Selection of an Auditor to conduct Compliance Audit under the *Municipal Elections Act, 1996*.

Compliance Audit Committee – May 17, 2019 – Appointment of an external auditor for conducting Compliance audits of 2018 municipal election campaign finances.

1.2 Background

The 2018 Municipal Election Compliance Audit Committee (the "Committee") is established pursuant to the *Municipal Elections Act, 1996* (the "Act"). Pursuant to Section 88.33(7) of the Act, the Committee shall consider applications by electors for an audit of candidates' or registered third party advertisers' election campaign finances.

At its' meeting held May 3, 2019, after reviewing the documentation submitted and hearing oral submissions from Lincoln McCardle and Alan McQuillan (the "Applicants") as well as Paul Cheng (the "Candidate"), the Committee granted an application for a compliance audit of the election campaign finances of Paul Cheng with respect to the Candidate's 2018 City of London mayoral campaign.

Pursuant to Section 88.33(10) of the Act, the Committee was required to appoint an Auditor to conduct the compliance audit. The Committee appointed William Molson, CPA, CA (the “Auditor”), at its meeting on May 17, 2019. At this meeting, the Committee further directed and authorized the City Clerk to take the necessary actions to negotiate a contract with the Auditor to carry out compliance audits in response to the decisions of the 2018 Municipal Election Compliance Audit Committee.

The Auditor was retained as directed and has completed the compliance audit. The Auditor provided a copy of the compliance audit report (the “Auditor’s Report”) to the Applicant, the Candidate, and to the City Clerk’s Office on February 16, 2021 with a revised report submitted to the City Clerk’s Office on February 17, 2021. The City Clerk submitted the Auditor’s report to the Committee on February 17, 2021 within 10 days of receiving it, as required by Section 88.33(14) of the Act. Accordingly, the 30-day timeline under Section 88.33(17) of the Act for the Committee to consider and decide this matter expires on March 18, 2021.

Attached as Appendix “A” to this report is the Auditor’s Report, dated February 17, 2021, prepared pursuant to Section 88.33(12) of the Act, for the Committee’s consideration.

2.0 Discussion and Considerations

The determination to commence a legal proceeding against the Candidate rests entirely with the Committee and, as such, this report does not comment on or make any recommendations pertaining to the appended Auditor’s Report.

The Act requires that the Committee consider the Auditor’s Report and, if the Report concludes that the Candidate appears to have contravened a provision of the Act relating to election campaign finances, the Committee shall decide whether to commence a legal proceeding against the Candidate for the apparent contravention.

Should the Committee decide to commence legal proceedings against the Candidate, the City Clerk shall carry out the required steps to implement the Committee’s decision, pursuant to Section 88.37(6) of the Act. Where a decision by the Compliance Audit Committee to commence legal proceedings has been made, best practice for municipalities is to appoint an independent, external prosecutor to represent the Committee in the matter.

If based on the decision of the Committee, a prosecutor is to be retained, they will be required to review the records related to this matter and use their professional discretion to determine whether to initiate legal action. The prosecutor must exercise their decision impartially and must take into consideration things such as public interest and reasonable prospect of conviction based on the available evidence and circumstances of the matter.

3.0 Financial Impact/Considerations

In accordance with Section 88.33(16) the City of London shall pay the Auditor’s costs of performing the audit. Should the Committee decide to commence legal proceedings, the City shall be responsible for the prosecutor’s costs, in accordance with Section 88.37(7) of the Act. In accordance with the Municipal Election Compliance Audit Committee Terms of Reference, costs will be funded from the Elections Reserve.

Conclusion

Next Steps of 2018 Municipal Election Compliance Audit Committee:

Upon receiving the Auditor’s Report, the 2018 Municipal Election Compliance Audit Committee is directed under the Act to undertake the following:

88.33(17) The committee shall consider the report within 30 days after receiving it and, if the report concludes that the candidate appears to have contravened a provision of

the Act relating to election campaign finances, the committee shall decide whether to commence a legal proceeding against the candidate for the apparent contravention. 2016, c. 15, s. 63.

88.33(18) The decision of the committee under subsection (17), and brief written reasons for the decision, shall be given to the candidate, the clerk with whom the candidate filed his or her nomination, the secretary of the local board, if applicable, and the applicant. 2016, c. 15, s. 63.

Note: The 30-day timeline under the *Municipal Elections Act, 1996* for the Committee to consider and decide this matter expires on March 18, 2021.

Prepared by: Jeannie Raycroft, Manager, Licensing and Elections

Sarah Corman, Manager II, Licensing and Elections

Recommended by: Cathy Saunders, City Clerk

Appendix 'A'

Report for The City of London

Municipal Election Compliance Audit of the Campaign Finances of Candidate Paul Cheng

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William Molson CPA, CA

Licensed Public Accountant

February 17, 2021 (revised as to MEA reference at 5.2.6)

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF THE MUNICIPAL ELECTIONS ACT, 1996

To: Paul Cheng, Candidate;
Cathy Saunders, City Clerk of the City of London;
Lincoln John McCardle, Applicant
Alan John McQuillan, Applicant.

1. Summary of findings

- 1.1. The Candidate apparently contravened the *Municipal Elections Act, 1996* (the “*MEA*” or the “*Act*”) with respect to the issues raised by Lincoln McCardle (“McCardle”) and Alan John McQuillan (“McQuillan”) as set out in sections 4 and 5 below.
- 1.2. The Candidate apparently exceeded the \$25,000 limit on contributions that he was entitled to make to his own campaign for the office of Mayor, by \$73,508.26. I was unable to conclude with respect to a further \$2,536.41 in potential campaign expenses identified, and there is a possibility that additional expenses were not identified.
- 1.3. The Candidate’s records provided were not organized in a manner that would facilitate compliance with the reporting requirements of the *Act*. Approximately 45 percent of apparent campaign expenses were not recorded in the campaign records provided to the external auditor for audit. Numerous additional apparent transactions were identified, the particulars of which are detailed in section 4 and in Appendix B.
- 1.4. Appendix A provides a table based on the “Financial Statement – Auditor’s Report, Candidate – Form 4”, showing the excess of expenses over revenues, as filed and as adjusted by the findings in this report, in summary form.

2. Introduction and background, including list of issues identified by Applicants

- 2.1. Paul Cheng (“Cheng” or the “Candidate”) filed his nomination for election as Mayor of London on May 1, 2018 in the election to be held October 22, 2018.
- 2.2. Cheng was not elected as Mayor in that election.
- 2.3. Cheng filed the Financial Statement for the campaign period from May 1, 2018 to December 31, 2018 on March 29, 2019 and attested that to the best of his knowledge, it was true and correct.
- 2.4. Cheng’s Financial Statement reported *Total Campaign Income*¹ of \$49,763.55, *Expenses subject to general spending limit*, of \$67,254.41; *Expenses subject to spending limit for parties and other expressions of appreciation*, of \$813.60; and *Expenses not subject to spending limits*, of \$1,695.00, with a resulting *Deficit for the campaign* of \$19,999.46. Cheng’s *Spending limit - General* (i.e., the maximum amount of qualifying expenses that he

¹ In this report certain terms may be italicized as a means of emphasizing that the item is specifically identified in the Financial Statement or the *Act*.

was permitted to incur) was \$223,931.25; his *Spending limit - Parties and Other Expressions of Appreciation* was \$22,393.13.

- 2.5. McCardle submitted an application for a compliance audit on April 3, 2019 setting forth the grounds for believing that Cheng had contravened the *Act* in respect of election campaign finances. The Application cited sections 88.20, 88.24, and 88.9.1; and appeared also to reference section 88.22². The relevant portions of these sections required that Cheng only incur costs for goods and services for use in his election campaign during the period from May 1, 2018 and December 31, 2018³; that the total contributions made by Cheng and his spouse not exceed \$25,000; and that he comply with duties regarding receipting and record-keeping. The Applicant alleged:
- that Cheng had “a lengthy ‘pre-campaign campaign’ whose costs were substantial” prior to his nomination as a candidate on May 1, 2018, and that these costs should have been included in the Financial Statement filed;
 - that Cheng was not in compliance with the duties of a candidate regarding financial transactions and record-keeping, that are included in subsection 88.22(1); and
 - that McCardle had made an online contribution to the Candidate’s campaign on May 12, 2017 prior to the commencement of the campaign period, and that the contribution was neither acknowledged, receipted nor refunded.
- 2.6. McQuillan also submitted to the City of London an application for a compliance audit on April 3, 2019 citing section 88.9.1 and stating that total contributions made by Cheng and his spouse may have exceeded the \$25,000 limit imposed by the *MEA*.
- 2.7. The Municipal Election Compliance Audit Committee of the City of London determined that a compliance audit in respect of the municipal election campaign finances of Cheng be carried out and on May 17, 2019 appointed William Molson CPA, CA to do so in accordance with subsection 88.33(10) of the *Act*. Appendix F provides a summary of the auditor’s credentials.

3. Audit Approach and procedures, Scope, Experience, and Certain reporting requirements

3.1. Approach and procedures

3.1.1. In accordance with subsection 88.33(12) of the Act the objective of my compliance audit is to conduct an audit and report “any apparent contravention by the candidate”.

3.1.2. My audit procedures included the following: a review of the Financial Statement as filed with the Clerk’s Office; ongoing review of the Act, the 2018 Candidates’ Guide for Ontario Municipal and School Board Elections⁴, and “London Votes – Candidate

² The Application for a Compliance Audit submitted by McCardle cited “88.20, 88.24, 88.9.1 & 88.24”. McCardle confirmed that his intention was to cite section 88.22, which sets forth a number of duties that Cheng was required to observe. These duties were considered in the preparation of this report, as they would be regardless of whether cited in the Application.

³ Section 88.24.4 sets out a mechanism whereby the end of a campaign period may be extended beyond December 31, but Cheng did not make use of this mechanism.

⁴ This guide “is a plain language guide for candidates and voters [that] does not have the force of law”. Jackson v. Vaughan (City), 2009 CarswellOnt 1490, [2009] O.J. NO. 1057, 176 A.C.W.S. (3d) 384, 59 M.P.L.R. (4th) 55 at para 14.

Information Package – 2018 Municipal Election”; consultation with subject-matter experts; interviews and examination of documents and financial and other records provided by the Applicants, the Candidate, and other persons where considered potentially to have information relevant to the audit; ongoing email and telephone exchanges with the above; public information; and preparation of my report.

3.2. Scope

3.2.1. Significantly, item 3.1.1 above means that the scope of my engagement is to audit and report not only with regard to the specific issues identified by the Applicants, but also with regard to any other apparent contravention which might come to my attention during the audit. It is important to recognize that any apparent contraventions may subsequently be determined not to be actual contraventions.

In so doing, it is important to apply the term “apparent” consistently throughout the report and with a clear definition of the word in mind. Relevant modern definitions of the word “apparent” include that which is evident, plain, clear, or obvious, and also that which appears to the senses or mind, as distinct from though not necessarily opposed to, what really is the case.

3.3. Experience

3.3.1. My audit concluded that a significant portion of reportable transactions were not reflected in the Financial Statement filed. The Candidate appeared to tend to the view that expenses incurred prior to his filing nomination papers on May 1, 2018 were beyond the scope of the *MEA*. I encountered some difficulties in obtaining information relating to this time period, and Candidate’s responses to questions asked were at times insufficiently precise to permit the reaching of a conclusion.

3.3.2. In some instances the Candidate reported a portion only of expenses incurred on or after May 1, 2018, apparently taking a position that the expenses could be reasonably pro-rated as either campaign-related or non-campaign-related. Significantly, the *Act* at 88.19(1) includes in expenses costs incurred “wholly or partly for use” in an election campaign. The *Act* does not contemplate a regime in which a Candidate is free to report only those portions of expenses that he or she considers as having been used in the campaign. If the *Act* permitted such pro-rating, reported compliance with limits would be substantially subjective and not readily permit subsequent verification. For this reason, the generally accepted conduct of municipal campaigns is to maintain a strict separation of campaign expenses from non-campaign expenses, so as to avoid an unintended inclusion in campaign expenses those portions of costs that were for goods and services that in the opinion of the candidate were not directly used in the particular campaign.

3.3.3. In the course of my audit I identified a number of errors that imply a potential lack of familiarity with appropriate accounting practices for purposes of the Financial Statement. These errors include the netting of contribution collection costs against contribution revenue; the netting of contributions returned or returnable to the contributor against contribution revenue; accepting and not remitting to the Clerk, an anonymous contribution; the inclusion in contributions of a personal contribution received in March, 2019 to replace a corporate contribution received in September, 2018 and returned; incorrect reporting of certain meetings costs as *subject to the spending limit on expressions of appreciation*; the absence of any expenses for brochures and telephone costs; and the

apparent omission of portions of certain expenses on the basis that they were not campaign costs.

The appropriate treatment of many of the above transactions can be determined by reading the 2018 Candidates' Guide; and the remainder determined through consultation and enquiry. While it would not be unreasonable to anticipate the external auditor to have identified the above and reported transactions correctly, municipal election accounting is somewhat specialized and practitioners may have varying levels of experience. However, Cheng as a registered candidate was responsible to ensure the correct reporting of transactions in his Financial Statement.

3.4. Certain audit reporting requirements

3.4.1. Subsection 88.25(1) requires a candidate to file a financial statement "...in the prescribed form⁵, reflecting the candidate's election campaign finances." Paragraph 88.24(1)1 specifies that "[t]he election campaign period begins on the day on which he or she files a nomination for office." The prescribed Financial Statement itself identifies that the return is "for the campaign period from (day candidate filed nomination)."

3.4.2. Subsection 88.19(1), which is also discussed above at 3.3.2, provides that "costs incurred for goods and services by... a person wholly or partly for use in his or her election campaign are expenses."

3.4.3. Paragraph 88.20(1)1 provides that "[a]n expense shall not be incurred by... a person unless he or she is a candidate" and paragraph 88.20(1)2 provides that "[a]n expense shall not be incurred by... a candidate outside his or her election campaign period," which in Cheng's case began May 1, 2018. It may be noted that this provision does not deem an expense to not be an expense if incurred outside the election period, as this would nullify the provision, and impair the efficacy of the *General spending limit* and the limits on contributions found at section 88.9.1. Based on a plain meaning interpretation of this provision in conjunction with subsection 88.19(1), it would appear that while not permitted to do so, a candidate could incur a campaign expense prior to registering as a candidate.

3.4.4. Subsection 88.31(1) provides that a "candidate has a surplus if the total credits exceed the total debits, and a deficit if the reverse is true." For purposes of the current discussion, "credits" may be read as "revenues" and "debits" as "expenses as defined by subsection 88.19(1)."⁶

3.4.5. As described in 4.3 below and detailed separately in Appendix B, Cheng apparently accepted contributions in kind of \$750.00 and incurred expenses of \$23,785.22 prior to registering as a candidate on May 1, 2018. While these are apparent contraventions of subsections 88.8(2) and 88.20(2) respectively, the manner in which these transactions are to be reported in the Financial Statement itself under such circumstances is not clear.

⁵ Ontario Central Forms Repository Form Number 017-9503P at <http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/SearchResults?Openform&MIN=&PRG=&BRN=&TIT=&NO=9503&NEW=&SRT=T&MAX=10&SRCH=2&ENV=WWE&STR=1>

⁶ Subsection 88.31(10) provides a transitional, further inclusion in "debits" applicable to the 2018 election. The application of this provision is discussed more fully below at 5.2.6.

4. Findings

4.1. Activities prior to May 1, 2018 - Overview

4.1.1. In 2017 Cheng, already known to many London voters⁷, began activities to promote his existing public profile, and discussion of civic issues that he thought important to residents of the City of London. Global News on May 12, 2017 reported Cheng as giving a statement outside City Hall and saying “Londoners deserve to be assured and reassured that there will be stability with the leadership of Paul Cheng as Mayor”⁸ and that he wanted to take the next year to make himself known to Londoners on an individual and community-wide basis.

4.1.2. Over the following months these activities included Facebook and Twitter activity; blog⁹ postings; promotion of a “PAUL CHENG LONDON – Lets build a better London 2018” YouTube video; promotion of activities under the banner “WhyNotLondon?”; public messaging including “We need your help” and “Thanks again for all your support!” and Christmas greeting messaging¹⁰; television promotion¹¹; convening public meetings described as “Town Hall” meetings”; an “unveil[ing of] his public platform”¹²; and participation in media interviews.

4.1.3. In September, 2017 Cheng met with an officer of CityMedia and a new website “paulchenglondon.ca” was developed and launched by CityMedia shortly thereafter. The website or its content appear to have been subsequently modified to “PaulChengforMayor” and “WhyNotLondon”. Updates, content creation and web management continued until at least October 2018.

4.1.4. In October, 2017 Cheng leased premises at 536 Queens Avenue, London N6B 1Y8 for eleven months from December 1, 2017 to October 31, 2018. The undated lease examined was between the landlord, and 875011 Ontario Ltd. and Paul Cheng as Tenant, and the rent security deposit was recorded in the landlord’s records as received on October 23, 2017. Ontario Ministry of Government Services records list Paul Cheng as the President, Secretary and Treasurer of 875011 Ontario Ltd. Cheng’s Twitter account on January 16, 2018 posted “Come to our OPEN HOUSE TODAY noon – 6:00 pm. Paul Cheng invites all friends, supporters, and colleagues to our New Open House @ 536 Queen’s Ave. (at William)”. Office signage promoting “paulchenglondon.ca” and “whynotlondon” was publicly visible at least as early as March, 2018.

4.1.5. The question here is whether Cheng incurred expenses under the *Act*, as defined in subsection 88.19(1), prematurely. Subsection 88.20(2) prohibits the incurring of an

⁷ Cheng ran for Mayor of London in the 2014 election and placed second, at 34.3% of the vote, to the successful candidate Matt Brown who obtained 57.7% of the vote. Brown did not run in the 2018 election.

⁸ <https://globalnews.ca/news/3447711/businessman-paul-cheng-launches-mayoral-bid-17-months-before-election/>

⁹ A blog is a regularly updated website or web page, typically one run by an individual or small group, that is written in an informal or conversational style.

¹⁰ <https://www.youtube.com/watch?v=4jimKSc6YcQ>

¹¹ Including “BRT on Ballot” on CTV Two London 6 P.M. News.

¹² London Free Press, February 28, 2018 <https://www.youtube.com/watch?v=xNLFo8IjVU4>

expense by a person or under the person’s direction, outside his campaign period, which in Cheng’s case began May 1, 2018.

4.1.6. It is noted that in the 2014 election, candidates were permitted to file nomination papers at the beginning of January. For the 2018 election, this date was changed to May 1. As a consequence, campaign periods were reduced from approximately ten months to approximately 6 months, including two summer months which historically have been considered a “quiet period” during which campaigning opportunities are reduced.

4.1.7. The determination of whether the activities described in 4.1.1 through 4.1.4 above were “wholly or in part for use in his or her election campaign” involves a consideration of whether these activities were intended to promote, or had the effect of promoting, his election, and whether there is a credible alternative characterization.

4.1.8. This consideration involves the weighing of a number of factors, including but not necessarily limited to, the nature and use intended of the particular expenses; whether they were isolated or continuous; whether they were part of a larger program; their relevance and proximity to the Candidate’s campaign period; the clarity of the circumstances; and the relation of the particular activities to the purposes regulated by the *Act*.

4.1.9. Incumbents and media personalities have a pre-existing public profile which may be created or enhanced by their positions on matters of public concern. I do not think that the *Act* intends to deny persons who may or may not aspire to public office the opportunity to engage in profile-building.

4.1.10. However, given the extent and continuous nature of the activities outlined above, and the absence of an apparent alternative explanation for them, I conclude that they were wholly or in part for use in Cheng’s 2018 election campaign, and that there were related campaign expenses that were reportable, but not included, in Cheng’s Financial Statement as filed.

4.1.11. As well, the *Act* at 88.19(3)(2) includes in campaign expenses the value of contributed services. A contributed service taking place in December, 2017 or thereabouts was identified.

4.1.12. Because the apparent omissions from the Financial Statement were numerous, they have been provided in tabular form in Appendix B of this report, which segregates adjustments into those relating to the period prior to May 1, 2018, and those after that date. My audit concluded that under-reported transactions prior to May 1, 2018 included contributed services of \$750, and expenses of \$23,785.22 as discussed below in 4.3. The incurring of expenses prior to May 1, 2018 is a contravention of sections 88.20(1) and 88.20(2). The acceptance of contributed services in December, 2017, is a contravention of 88.8(1) and (2).

4.2. Promotional activities prior to May 31, 2018 – Sections 88.3 through 88.7

4.2.1. The Compliance Audit Committee in its May 3, 2019 Notice of Decision, which directed that a compliance audit be carried out, at paragraph 15 of the Reasons suggested that the definition of *election campaign advertisement* found at subsection 88.3(1) of the *Act*, may have some application to Cheng’s activities before he filed his nomination as a candidate. The definition of *election campaign advertisement* is very broad and includes advertisements in any broadcast, print or other electronic medium.

The *Act* at sections 88.3 through 88.7 sets out rules regarding *election campaign advertisements*. These rules are in addition to the more general rules at sections 88.19 and 88.20 which regulate expenditures by “persons”. However, the rules at sections 88.3 through 88.7, are applicable to and limited to “candidate[s]” and are intended to set out the regime applicable to third-party advertisers. The term “candidate” is defined in section 1(1) as “a person who has been nominated under section 33”. Cheng was not a candidate prior to May 1, 2018 and accordingly the rules at sections 88.3 through 88.7 do not apply to his activities prior to that date, nor is it the intention of the *Act* that they should. I have obtained legal advice from outside counsel considered expert in the application of the *Act*, and this advice confirms this conclusion.

4.3. Activities prior to May 31, 2018 – Specific adjustments

An increase of \$750.00 in Revenues, and of \$23,785.22 in expenses, for the period prior to registration on May 1, 2018 were identified in the course of my audit and appropriate adjustments are separately detailed in Appendix B of this report.¹³ Appendix B details the date of the charge; the revenue or expense category involved; a description of the charge; a document identifier; description of the nature of the support obtained; and the amount.

4.3.1. *Contributions in goods or services from individuals other than candidate or spouse*, with a corresponding *Advertising* expense: \$750.00. Jorge Herrera provided video production services in December, 2017 relating to video material referred to in 4.1.2 above. Mr. Herrera is in the business of providing such services, the value of which was estimated by Cheng as being between \$500 and \$1,000.

4.3.2. *Advertising*: \$12,798.48 Apparent advertising expenses and web management services were identified from invoices and VISA statements. See also 4.1.2 and 4.1.3 above.

4.3.3. *Office expenses*: \$10,529.34. Comprised of a rent security deposit and rent from December, 2017 through April, 2018 for a total of \$10,170.00; and A&B Printing invoice 29494 provided by Cheng, for banners apparently used for display purposes, for \$359.34.

4.3.4. *Other – meetings*: \$457.40 Based on VISA statement charges apparently relating to specific meetings. See also 4.1.2 above.

4.3.5. The incurring of expenses prior to May 1, 2018 is a contravention of sections 88.20(1) and 88.20(2). The acceptance of contributed services in December, 2017, is a contravention of 88.8(1) and (2).

4.3.6. McCardle alleged that he was able to donate \$5.00 to Cheng’s campaign in May 2017, and provided proof that he had made such a donation to “Paul Cheng – nomination for mayor – 2014” via PayPal and that the amount had not been refunded to him. However, Cheng provided evidence that the account linked to that PayPal service had been closed in 2015, and I did not identify any evidence to support a conclusion that Cheng had received or accepted this amount as a contribution.

¹³ Certain outflows are recorded as reductions in revenue, rather than as expenses. For this reason the subtotals provided in Appendix B will not tie in directly to amounts provided here; but in aggregate balance to the summary provided at Appendix A.

4.4. Activities subsequent to registration on May 31, 2018 – Specific adjustments

Further increases of \$212.06 in revenues, and of \$31,865.90 in expenses, for the period subsequent to registration were noted in the course of my audit and appropriate adjustments are separately detailed in Appendix B of this report. Appendix B details the date of the charge; the revenue or expense category involved; a description of the charge; a document identifier; description of the nature of the support obtained; and the amount. The omission in reporting these amounts as revenues or expenses as the case may be, are apparent contraventions to the *Act*.

4.4.1. *Contributions in goods and services from candidate and spouse*: \$515.00 with corresponding increases in the related expense category. These amounts were estimates as discussed with Cheng, being \$200.00 for the cost of insurance provided by the Candidate, an estimated \$30.00 per month amount for cellphone use, an estimated \$110.00 for use of a computer, and an estimated \$25.00 for the registration of an Internet domain name.

4.4.2. *Contributions exceeding \$100 and Contributions returned or payable to the contributor*: A \$50 over-contribution from Scott Rasenburg and returned to him, was recorded on a net basis. The amount should be recorded on a gross basis, with the return of the contribution reported separately as *Contributions returned or payable to the contributor*.

4.4.3. *Contributions exceeding \$100, Contributions not exceeding \$100, Bank charges incurred until voting day and Bank charges incurred after voting day*: \$257.06. Collection costs were deducted from reported revenue rather than reporting contributions on a gross basis and recording the expense separately.

4.4.4. *Contributions returned or payable to the contributor*: A cash contribution of \$50 from an identified contributor was accepted, which is a contravention of subsection 88.8(8). The amount is required to be returned or forfeit and reported as an outflow.

4.4.5. *Contributions returned or payable to the contributor*: \$500.00. A contribution of \$500.00 was accepted from Planmar Financial Corporation, which is a contravention of 88.8(4)3 which prohibits corporate contributions. These funds were returned to the contributor in 2019, at which time a personal contribution for the same amount was accepted and reported as from Anthony Cuzzocrea, which is a contravention of 88.8(2) because the campaign period had ended December 31, 2018. Properly, the receipt should have been reported as from Planmar Financial Corporation rather than the individual, and also reported as returnable. The 2019 receipt should be returned to Mr. Cuzzocrea.

4.4.6. *Contributions paid or payable to the clerk*: \$10.00. An unidentified contribution of \$10.00 was accepted and included in *Contributions not exceeding \$100*. Subparagraph 88.22(1)(g)(iv) requires that a record be kept of each contributor's name and address, and that a receipt be issued pursuant to 88.22(1)(f). The exception available at subsection 88.15(1) is limited to amounts of \$25 or less donated at a fundraising function and does not apply. Because the contributor is not identified, the amount is payable to the clerk.

4.4.7. *Reclassification of contributions*: \$100.00. A contribution from William Fellner received August 28, 2018 was categorized in *Contributions not exceeding \$100*; however, Mr. Fellner also contributed an amount on October 15, 2018 such that the earlier contribution should have been reported in *Contributions exceeding \$100*.

4.4.8. *Advertising*: \$3,723.85. Charges from CityMedia for web management services based on invoices and VISA statements.

4.4.9. *Brochures*: \$445.10. VISA statement charges of \$227.03 from 4Imprint and \$218.07 from Vistaprint as identified by Cheng.

4.4.10. *Signs*: \$4,660.96 VISA charges, comprised of \$202.29 from Signworld and \$4,458.67 from Bolt Signs.

4.4.11. *Office expense before voting day*: \$9,864.76, comprised of \$7,135.40 rent on 536 Queens Avenue office; \$2,709.68 rent on 313 Horton St. office; (\$290.32) rents reallocated to post-Vday; \$200.00 insurance; \$110.00 use of computer. Based on notations in Appendix D, there appears to have been an intention to charge 50% of certain office rent to an unincorporated business owned by the Candidate, rather than to the campaign.

4.4.12. *Salaries and benefits before voting day*: \$11,285.98 for services of Kattie Forbes, Executive Assistant – Communications, paid via AllStaff Inc. \$2,659.10 was paid to Allstaff on June 11, 2018 from the campaign bank account, and this amount was reported in the Financial Statement filed as the full amount of *Salaries expense* for the campaign. An additional invoice to “Paul Cheng for Mayor” for a total of \$4,314.44 covering invoices from June 1, 2018 to August 6, 2018 at a weekly rate of \$534.04 was provided by the Candidate upon request in the course of the audit. A copy of the invoice is attached as Appendix E to this report. Cheng advised that Kattie Forbes ceased to work for the campaign in August, which is consistent with the invoice. While Forbes’ CV at LinkedIn indicates that she was engaged with Paul Cheng’s campaign until October, 2018, it also indicates that she assumed new unrelated responsibilities in August, 2018 and accordingly the August ending date is accepted.

An Excel file providing the entries supporting the Financial Statement as filed, and obtained by me in the course of my audit, also contained a worktab entitled “Campaign Budget”, an excerpt of which is provided as Appendix D. This document includes a notation “Kattie – May 1 to October 31 2018 27 weeks x \$1068.08 @ 50% to Fusering.” Given that \$534.04 is exactly half of \$1,068.08, the conclusion is that the amount paid from the campaign account, and the additional invoice, represent 50% of the apparent cost of these services. AllStaff did not respond to my inquiries on this matter. Given the above, an adjustment of $(\$2,659.10 + \$4,313.44) = \$6,972.54, \times 2 = \$13,945.08$, less \$2,659.10 reported in the Financial Statement, for a total of \$11,285.98 is appropriate.

4.4.13. *Other – Billboards*: \$847.50 charge from Pattison Outdoor Leasing, from VISA statement.

4.4.14. *Other – meetings and Expressions of appreciation*: Reallocation of \$813.60 for campaign kick-off party to include them in *expenses subject to the general limit*.

4.4.15. *Other – Rent after voting day*: \$580.64, being \$290.32 reallocated from *Office expenses until voting day*, as Cheng’s return as filed included \$1,000.00 October rent paid from the campaign bank; plus \$290.32 paid by unincorporated Cheng business “Fusering”. October rent was \$2,000.00 of which half was paid from the campaign account, and the remainder by Fusering. Nine days of October’s rent related to the period after voting day.

4.5. Other items - Unable to conclude

The Financial Statement filed by the Candidate reported that no expenses were incurred for *Brochures/flyers* or for *Phone and/or internet expenses*. In my experience it would be unusual for a campaign of any size to incur no expenses for either *Brochures/flyers* or for *Phone and/or internet expenses*. In the course of my audit I did not identify instances where such amounts had been included in reported expenses but misclassified. By way of illustration and comparison, the Financial Statement of the successful candidate for the office of mayor reported *Brochures/flyers* expenses of \$44,205 and *Phone and/or internet expenses* of \$581.

4.5.1. While the Candidate agreed that \$445.10 in specific printing costs identified on Visa statements, and an estimated \$215.00 for telephone use and the cost of an internet domain, were appropriate adjustments, my review of Visa statements provided to me also identified the followings amounts which appeared potentially to be additional campaign expenses:

Reference	Date	Category	Memo	Support	Amount
WMCA 120	2018-08-14	Brochures	Vistaprint [500-50-01]	Visa charge	380.80
WMCA 121	2018-08-27	Brochures	Vistaprint [500-50-01]	Visa charge	726.56
WMCA 52	2018-09-15	Brochures	Vistaprint [500-50-01]	Visa charge	632.77
WMCA 122	2018-09-26	Brochures	Vistaprint [500-50-01]	Visa charge	361.23
WMCA 119	2018-07-03	Meetings	Lndn Chbr Cmmrce [500-50-01]	Visa charge	435.05
					2,536.41

The Candidate stated that the Visa card was also used for business purposes not related to the campaign, and I was unable to conclude as to whether the above items were additional campaign expenses.

4.6. Other findings

4.6.1. Paragraph 88.22(1)(e) provides that a candidate must ensure that “receipts are issued for every contribution...” Cheng indicated that he issued a receipt for contributed goods and services in only one instance. The failure to issue receipts for all contributions of goods and services is an apparent contravention of the *Act*.

4.6.2. In November 2018 Cheng repaid himself \$12,000.00 from the campaign bank account. The *Act* contains no provision that might permit a campaign contribution made by the Candidate to be returned to him prior the end of the end of the campaign period. It only permits a return of candidate contributions to a candidate under subsection 88.31(6) where, after the campaign period has ended (on December 31, 2018) the candidate has a surplus. Based on discussion with the Candidate, my conclusion is that the intention was to reimburse the Candidate for expenses incurred to date by way of credit card, and that there is no apparent contravention of the *Act*.

5. **Treatment of Excess of Expenses over Revenues for the Campaign**

Section 5.1 below provides a general discussion of selected significant changes in the *Act* from 2006 onwards. Section 5.2 discusses the application of this framework to the Candidate’s Financial Statement.

5.1. *Evolving legislation*

5.1.1. The Surplus or Deficit of a particular campaign is calculated by deducting the sum of total expenses and amounts properly returned¹⁴ to the candidate, from total revenues. As well, for the 2018 election a transitional rule also allowed the deduction of any deficit from a previous campaign for the same office. The disposition of the surplus or deficit is subject to various rules including those set out in the table below. There have been significant changes over the past decade and consistent treatments of the surplus or deficit in financial statements as actually filed have not yet emerged.

	2006	2010	2014	2018	2022
Definition of Surplus or Deficit	79	79	79	88.31(1)	
Can a Deficit be carried forward to the next election?	Yes	Yes	Yes	No	Not anticipated
Can a Deficit be carried forward from the previous election?	Yes 79(3)	Yes 79(3)	Yes 79(3)	Yes 88.31(10) transitional rule	Not anticipated
Is there a limit on Expressions of appreciation?¹⁵	No	No	No	Yes 88.20(9)	Anticipated
Who gets the Surplus?	City Clerk holds in trust ¹⁶	City Clerk holds in trust ⁷	City Clerk ⁷	City Clerk ⁷	

¹⁴ These being the return of contributions permitted under subsection 88.31(6).

¹⁵ Prior to the 2018 election, there was no separate spending limit for parties and other expressions of appreciation. This limit was introduced for the 2018 election to address an issue arising as a consequence of new rules first applicable in 2010. Prior to the 2010 election, surplus funds from a particular campaign were paid to and held in trust by the City Clerk, and returned to the candidate if he or she ran for the same office in a subsequent election. This allowed successively successful candidates to build up substantial “war chests” of funds for future use, which was perceived as conferring an unfair advantage upon incumbents. Accordingly, starting in 2010 surplus funds were payable to the City Clerk and were not made available for subsequent campaigns.

In apparent response, some candidates in the 2010 and 2014 election cycle held large parties and events after polling day or made gratuitous payments to third parties after polling day, thereby incurring correspondingly large expenses that were not subject to spending limits but reduced the calculated surplus and hence the amount otherwise payable to the City Clerk. In response to the view that this outcome was not in keeping with legislative intent, a separate spending limit for parties and other expressions of appreciation was introduced at subsection 88.20(9) and first applicable to the 2018 election. Amendments were made at the same time to the regulations under the Act setting that limit as 10% of the general spending limit.

¹⁶ Portions of the surplus may be returned to a candidate in special circumstances, for example, where there are costs associated with a compliance audit (section 88.32).

Are Surplus monies available for the next election?	Yes 79(8)	No	No	No	Not anticipated
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The above table presents the information in general form. References are to the legislation in force at December 31 of that year. For application to a specific situation, reference should be made to the specific legislative requirement as the above treatments may be subject to additional considerations.

If the result of the above calculation at 6.1.1 is greater than zero, there is a surplus, which is paid to the City Clerk upon filing the Financial Statement; by implication, once all the bills for the campaign are paid, and any permitted amounts are returned to the candidate, the funds remaining in the bank are enough, but not more than enough, to pay the City Clerk.¹⁷ Up to and including the 2018 election, candidates were permitted to use a current surplus to repay themselves for deficits arising in a previous campaign for the same office, and deduct that from the amount payable to the City Clerk, but under current legislation this will not be the case in future.

If the calculated result at 6.1.1 is less than zero, there is a deficit; by implication, the funds remaining in the bank are not enough to cover remaining accounts payable from the campaign.

In some instances, historically, where the candidate had already paid the suppliers, a candidate might prefer to account for a deficit as a contribution in kind from the candidate, and the Financial Statement would show a surplus or deficit of Nil. In other instances, where a candidate intended to run in the following election and anticipated being able to repay himself the current deficit from a subsequent campaign for the same office, the deficit was reported as such. The financial statement for the subsequent election would incorporate the previously reported deficit and deduct this amount from any surplus amounts otherwise payable to the City Clerk, as described above.

Where the supplier of the goods and services had not been paid, the liabilities would be considered the responsibility of the candidate to pay; and could potentially be considered to be contributions from the supplier, with related contraventions of the *Act* arising. Discussion of these issues is beyond the scope of the current report.

5.1.2. For completeness of discussion, it is noted that under the new rules applicable to the 2018 election, candidates are no longer able to carry deficits forward to a subsequent campaign. As a result, while in previous campaigns an excess of expenses over revenues would commonly be reported as a deficit in order to facilitate its carry-forward to and recovery from a subsequent election campaign, this reasoning no longer applies.

5.1.3. Paragraph 88.19(3)3 specifically includes audit fees in the definition of campaign expenses. Although subsection 88.20(2) prohibits a candidate from incurring expenses outside his campaign period, subsection 88.20(3) carves out an exception that explicitly permits audit expenses to be incurred after the campaign period has ended.

¹⁷ A vexatious issue in attempting to apply these provisions correctly arises from the fact that the campaign bank may remain open for some months after December 31 while bills are paid, amounts (if any) are returned to the candidate, and the audit completed, and during this period bank charges will likely continue to apply. Historically, some candidates cover this amount personally on the basis that it is beyond the delineated scope of the Act, while others will accrue an amount as at December 31 to cover these anticipated costs. The second treatment is not clearly consistent with legislative requirements.

5.1.4. Since the audit necessarily takes place after the campaign period has ended, the logic behind this exception is clear. It follows, therefore, that since the candidate cannot accept contributions after the end of the campaign period (in this case December 31), and there is no requirement to retain a reserve in the campaign account to pay for a mandatory audit, it must be possible for a candidate to pay for that audit despite a lack of remaining campaign funds from which to do so. Accordingly, the payment of the audit expense by the candidate should not be considered a contribution governed by section 88.8 and 88.9.1.

5.1.5. It is important to say that it does not seem possible to say the same in respect of any other unpaid expense that may exist at the end of the campaign period. It is only the audit expense, as an expense incurred after the campaign period, that requires this treatment.

5.1.6. Where a candidate has other unpaid campaign expenses, that were incurred prior to the end of the campaign period, that are not covered by revenues and hence are included in an anticipated or calculated deficit, the candidate has the option of extending the campaign period for up to another six months, in order to raise more money to pay the bills from the campaign bank account. However, where the candidate has paid suppliers and foregoes the opportunity to extend the campaign and be reimbursed from the campaign bank, it may reasonably be concluded that such amounts are Contributions in kind, and are therefore subject to the limitations of subsection 88.9.1(1) and the rules at section 88.22.

5.1.7. Subsection 88.31(10) sets out a transitional provision for the 2018 election, which has the effect of including any deficit arising in the 2014 or subsequent byelection for the same office, in the calculation of the 2018 surplus or deficit. Cheng's 2014 Financial Statement did not show a deficit. Accordingly, the potential impact of subsection 88.31(10) is not considered further in this report.

5.2. Deficit reported by the Candidate and Impact on total Candidate contributions

5.2.1. The Candidate reported a deficit of \$19,999.46 in his Financial Statement as filed. Cheng indicated that this was an unintended result and a consequence of unanticipated adverse publicity¹⁸ the week prior to the election, which caused a decline in contributions such that there was a deficit. Based on the client records used as the basis for the Financial Statement filed, the deficit at October 14, 2018 was \$27,216, while the public had contributed \$11,706 and Cheng had contributed the maximum \$25,000 amount permitted. An additional \$13,505 in monetary contributions were received between October 15, 2018 and December 31, 2018.

5.2.2. In the 2014 election for the same position, Cheng raised \$13,254.00 in contributions and spent \$130,642.63 of his own funds. As discussed at 4.4.12 above, Appendix D provides a "Campaign budget" from the Candidate's records with estimated expenses of \$110,988 plus a further \$19,513 apparently intended to be charged to an unincorporated business activity of the Candidate, for a total budgeted expenditure of \$130,501. While this is a budget and as such would be subject to ongoing modification, these two items tend to support the credibility of the apparent total expenditure set out at Appendix A of \$125,414.13.

¹⁸ Specifically, public criticism by then deputy mayor Paul Hubert, as reported in the London Free Press. <https://lfpres.com/news/local-news/cheng-under-fire-agan-from-london-council.vet>

5.2.3. Appendix C sets out the monthly revenues raised from contributors other than the Candidate, the monthly expenses after adjustments identified in the audit, and the cumulative excess of expenses over revenues raised. The evidence is that by mid-October a growing cumulative deficit since May of 2018 was such that Cheng would need to raise a further approximately \$75,000 in contributions to avoid a deficit at the end of the campaign.

5.2.4. The *MEA* provides a regime whereby a Candidate in a deficit position on December 31 can upon filing and appropriate form (“Form 6”) extend the ending date of the return and continue to accept contributions in order to reduce the deficit. Cheng did not extend the campaign beyond December 31, 2018. Cheng indicated that he had paid for all expenses incurred by the campaign and that there were no unpaid expenses.

5.2.5. Paragraph 88.9.1(1)(b) provides that a candidate and his or her spouse may not contribute more than \$25,000 to his or her campaign.

5.2.6. For the reasons discussed above in section 5.1 of this report, and at 5.1.6 in particular, the Candidate in effect reported in the Financial Statement filed that he had exceeded his permitted contribution limit by \$18,304.46.¹⁹ After adjusting for the additional transactions identified and detailed above in section 4 of this report, it appears that Cheng contributed \$98,508.26 to his campaign and thereby exceeded his permitted contribution limit of \$25,000 by \$73,508.26. This is an apparent contravention of subsection 88.9.1(1).

6. Restrictions and limitations

6.1.1. This report was prepared for the City of London regarding the election finances of Paul Cheng in the election held October 22, 2018, as requested by the Municipal Election Compliance Audit Committee of the City of London. This report is not to be used for any other purpose and I disclaim any responsibility for losses or damages incurred as a result of the use of this report for any other purpose.

6.1.2. I am under no obligation to review or revise the contents of this report in light of information that becomes known to me after the date of this report, although I reserve the right to do so.

Respectfully submitted



Chartered Professional Accountant, Licensed Public Accountant

Licence # 1-18660

February 17, 2021 (revised as to *MEA* reference at 5.2.6)

Toronto, Ontario

¹⁹ Calculated as \$19,999.46 less the audit expense of \$1,695.00.

APPENDIX A

AMOUNTS REPORTED IN FINANCIAL STATEMENT (as Filed and as Adjusted)

Note: The following does not necessarily conform to the prescribed form (Form 017-9503P) of Financial Statement for purposes of section 88.25 filing requirements. See further discussion at 3.4.5 above.

INCOME	As Filed	Before May 1, 2018	After April 30, 2018	Report Reference	Adjusted
Contributions in money from Candidate	25,000.00				25,000.00
Contributions in goods and services from Candidate	-		73,508.26	4.4.1 5.2	73,508.26
	25,000.00				98,513.47
Contributions from all others – monetary	24,323.82		307.06	4.4.2 4.4.3 4.4.7	24,630.88
Contributions from all others – non-monetary	439.73	750.00		4.3.1	1,189.73
Less – contributions returned or payable to the contributor	-		(600.00)	4.4.2 4.4.4 4.4.5	(600.00)
Less – contributions returned or payable to the Clerk	-		(10.00)	4.4.6	(10.00)
	49,763.55				123,719.13
EXPENSES					
Expenses subject to general limit					
Advertising	23,415.79	12,798.48	3,723.85	4.4.8	39,938.12
Brochures/flyers	-		445.10	4.4.9	445.10
Signs	8,040.78		4,660.96	4.4.10	12,701.74
Office expenses until voting day	8,260.08	10,529.34	9,864.76	4.4.1 4.4.11	28,654.18
Phone and/or internet expenses until voting day	-		196.29	4.4.1	196.29
Salaries, benefits until voting day	2,659.10		11,285.98	4.4.12	13,945.08
Bank charges until voting day	216.41		204.46	4.4.3	420.87
Other – Billboards	24,662.25		847.50	4.4.13	25,509.75
Other – Meetings	-	457.40	813.60	4.3.4	1,271.00
	67,254.41				123,082.13
Expenses subject to spending limit for parties and other expressions of appreciation					
Campaign kick-off party	813.60		(813.60)	4.4.14	-
Expenses not subject to spending limits					
Audit	1,695.00				1,695.00
Phone and/or internet expenses after voting day	-		8.71	4.4.1	8.71
Bank charges after voting day	-		47.65	4.4.3	47.65
Other – Rent after voting day	-		580.64	4.4.11 4.4.15	580.64
	1,695.00				2,332.00
	69,763.01				125,414.13
DEFICIT FOR THE CAMPAIGN	(19,999.46)				(1,695.00)

Appendix B

List of Adjustments to Financial Statement

Ref	Date*	Line item	Memo	(Documentary) Support	Debit ----->		Credit -----		Report reference
					Item	Total	Item	Total	
PRE-REGISTRATION									
ADJUSTMENTS TO INCOME									
WMCA 123	2017-12-31	Contributions in G&S from other individuals (Sch 1 Part 2 Table 2)	Estimated value of Jorge Herrera services on video per Dec 16 20 email	Cheng estimate; evidence of work product			750.00	750.00	4.3.1
ADJUSTMENTS TO EXPENSE									
WMCA 106	2017-08-28	Advertising	/800-50-01/ Sun Media EHO ADV Londin /LF Free Press/	VISA stmt	980.28				4.3.2
WMCA 104	2017-09-11	Advertising	/800-50-01/ Advertising Katherine Haine City Media Olive	VISA stmt	38.29				4.3.2
WMCA 107	2017-09-21	Advertising	/800-50-01/ Villager Publications Melbourne	VISA stmt	678.00				4.3.2
WMCA 105	2017-10-06	Advertising	/800-50-01/ Masseys Fine Indian City Media	VISA stmt	41.14				4.3.2
WMCA 82	2017-10-24	Advertising	800-41 CityMedia website launch paulchenglondon	Invoice	1,751.50				4.3.2
WMCA 83	2017-12-01	Advertising	800-41 CityMedia web updates, content creation	Invoice	1,765.06				4.3.2
WMCA 123	2017-12-31	Advertising	Estimated value of Jorge Herrera services on video per Dec 16 20 email	Cheng estimate; evidence of work product	750.00				4.3.1
WMCA 92	2018-01-28	Advertising	/800-47/ CTV Two News @ 6PM - 3 spots BRT on Ballot	Invoice	2,518.77				4.3.2
WMCA 84	2018-02-01	Advertising	800-41 CityMedia webmanagement	Invoice	1,493.86				4.3.2
WMCA 85	2018-03-01	Advertising	800-41 CityMedia webmanagement	Invoice	1,287.72				4.3.2
WMCA 86	2018-04-02	Advertising	800-41 CityMedia webmanagement	Invoice	1,493.86	12,798.48			4.3.2
WMCA 70	2017-10-31	Office expenses PRE	/800-40-ff/ 536 Queens Rent deposit	Landlord records	1,695.00				4.3.3
WMCA 71	2017-12-31	Office expenses PRE	/800-40-ff/ 536 Queens Rent for the month	Landlord records	1,695.00				4.3.3
WMCA 72	2018-01-31	Office expenses PRE	/800-40-ff/ 536 Queens Rent for the month	Landlord records	1,695.00				4.3.3
WMCA 73	2018-02-28	Office expenses PRE	/800-40-ff/ 536 Queens Rent for the month	Landlord records	1,695.00				4.3.3
WMCA 74	2018-03-31	Office expenses PRE	/800-40-ff/ 536 Queens Rent for the month	Landlord records	1,695.00				4.3.3
WMCA 75	2018-04-30	Office expenses PRE	/800-40-ff/ 536 Queens Rent for the month	Landlord records	1,695.00				4.3.3
WMCA 124	2018-01-18	Office expenses PRE	A&B Printing 29494 Window sign VISA	Invoice	359.34	10,529.34			4.3.3
WMCA 108	2017-11-08	Other - meetings	/800-50-01/ London Public Library /Town Hall Meeting/	VISA stmt	256.95				4.3.4
WMCA 112	2018-01-30	Other - meetings	/800-50-01/ London Jewish Community Center	VISA stmt	113.00				4.3.4
WMCA 113	2018-04-10	Other - meetings	/800-50-01/ London Public Library MAS /Masonville//Tow	VISA stmt	87.45	457.40			4.3.4
						<u>23,785.22</u>		<u>750.00</u>	
AFTER REGISTRATION									
ADJUSTMENTS TO INCOME									
WMCA 62	2018-05-01	Contribs G&S from Cand (Sch 1 Part 1)	Insurance paid by Fusering (unincorporated)	Cheng estimate			200.00		4.4.1
WMCA 96	2018-05-01	Contribs G&S from Cand (Sch 1 Part 1)	20% of computer as GIK	VISA stmt + Cheng estimate			110.00		4.4.1
WMCA 97	2018-05-01	Contribs G&S from Cand (Sch 1 Part 1)	Domain registration per discussion	Agreed estimate			25.00		4.4.1

*in certain instances (e.g. rent) the month-end date may be used rather than the date of payment

Appendix B
List of Adjustments to Financial Statement (cont'd)

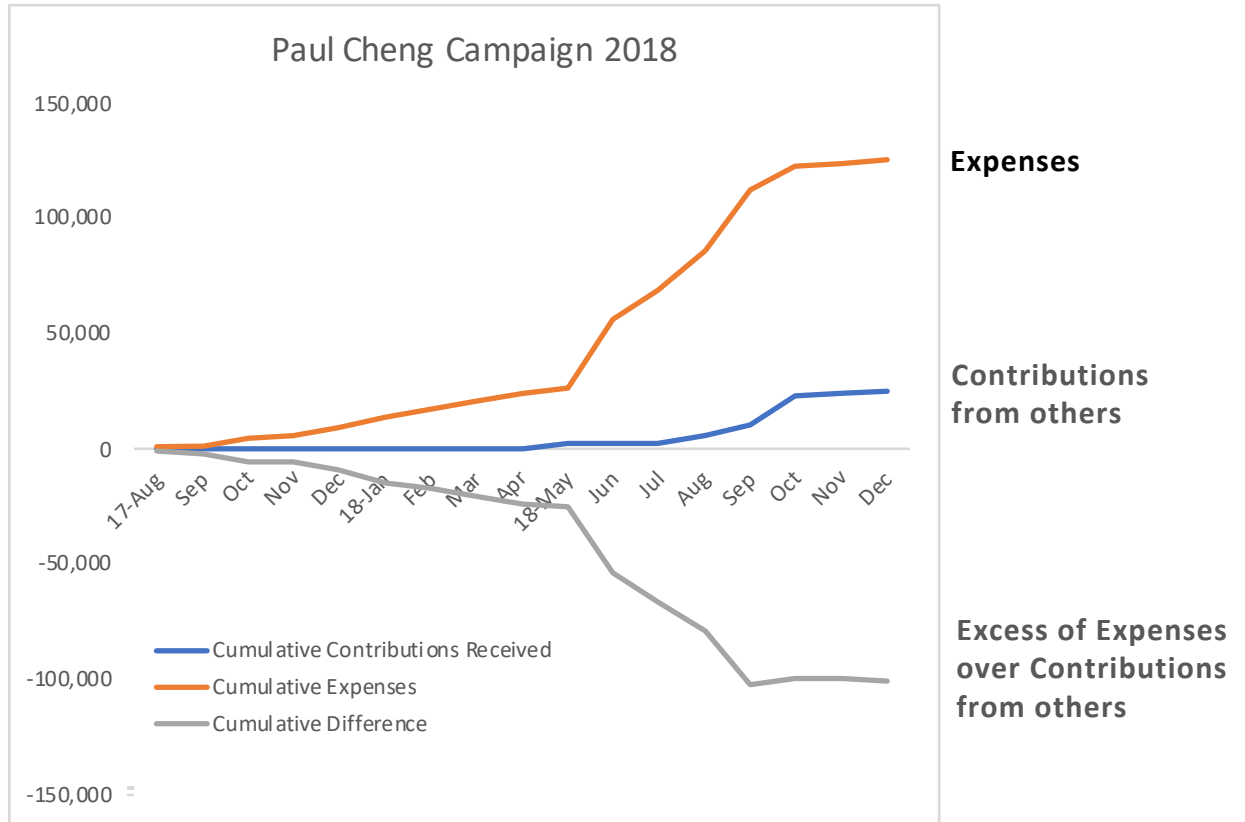
WMCA 97	2018-05-31	Contribs G&S from Cand (Sch 1 Part 1)	Provision for cellphone GIK	Agreed estimate		30.00		4.4.1
WMCA 99	2018-06-30	Contribs G&S from Cand (Sch 1 Part 1)	Provision for cellphone GIK	Agreed estimate		30.00		4.4.1
WMCA 100	2018-07-31	Contribs G&S from Cand (Sch 1 Part 1)	Provision for cellphone GIK	Agreed estimate		30.00		4.4.1
WMCA 101	2018-08-31	Contribs G&S from Cand (Sch 1 Part 1)	Provision for cellphone GIK	Agreed estimate		30.00		4.4.1
WMCA 102	2018-09-30	Contribs G&S from Cand (Sch 1 Part 1)	Provision for cellphone GIK	Agreed estimate		30.00		4.4.1
WMCA 103	2018-10-31	Contribs G&S from Cand (Sch 1 Part 1)	Provision for cellphone GIK	Agreed estimate		30.00	515.00	4.4.1
WMCA 34	2018-10-21	Contributions exceeding \$100	Chq 21 Scott Rasenburg overcontribution	Client worksheet in auditor's file		50.00		4.4.2
WMCA 61	2018-12-31	Contributions exceeding \$100	To account for collection discounts	Client worksheet in auditor's file		257.06	307.06	4.4.3
WMCA 58	2018-08-08	Contributions returnable	Greg Cook paid in cash	Client worksheet in auditor's file	50.00			4.4.4
WMCA 34	2018-10-21	Contributions returnable	Chq 21 Scott Rasenburg overcontribution	Client worksheet in auditor's file	50.00			4.4.2
WMCA 55	2018-12-31	Contributions returnable	Planmar Financial Corp	Client worksheet in auditor's file	500.00	600.00		4.4.5
WMCA 56	2018-06-15	Contribution payable to Clerk	June 15 Square D not identified	Client worksheet in auditor's file	10.00	10.00		4.4.6
WMCA 127	2018-08-23	Contributions exceeding \$100	Reclassification of William Fellner contribution	Confirmed by Cheng		100.00	100.00	4.4.7
WMCA 127	2018-08-23	Contribution not exceeding \$100	Reclassification of William Fellner contribution	Confirmed by Cheng	100.00	100.00		4.4.7
ADJUSTMENTS TO EXPENSE								
WMCA 87	2018-07-04	Advertising	800-41 CityMedia PaulChengforMayor webmanagement	Invoice		313.01		4.4.8
WMCA 88	2018-07-04	Advertising	800-41 CityMedia PaulChengforMayor June updated	Invoice		313.01		4.4.8
WMCA 89	2018-07-05	Advertising	800-41 CityMedia PaulChengforMayor Facebook activity	Invoice		425.72		4.4.8
WMCA90	2018-07-05	Advertising	800-41 CityMedia WhyNotLondon online advertising	Invoice		463.30		4.4.8
WMCA 91	2018-07-05	Advertising	800-41 CityMedia PaulChengforMayor gmail fees	Invoice		43.73		4.4.8
WMCA 117	2018-09-05	Advertising	/800-41/ CityMedia 0003789 Nov 4 VISA	Invoice		626.02		4.4.8
WMCA 118	2018-09-20	Advertising	/800-41/ CityMedia 0003796 Nov 4 VISA	Invoice	1,539.06	3,723.85		4.4.8
WMCA 115	2018-05-10	Brochures/flyers	/800-50-01/ 4Imprint	VISA stmt		227.03		4.4.9
WMCA 116	2018-05-10	Brochures/flyers	/800-50-01/ Vistaprint	VISA stmt		218.07	445.10	4.4.9
WMCA 114	2018-05-04	Signs incl deposit	/800-50-01/ Signworld Canada Frame	VISA stmt		202.29		4.4.10
WMCA 47	2018-07-26	Signs incl deposit	[800-5-14] CC Bolt Signs	VISA stmt		159.62		4.4.10
WMCA 48	2018-08-01	Signs incl deposit	[800-5-14] CC Bolt Signs	VISA stmt		159.63		4.4.10
WMCA 46	2018-08-09	Signs incl deposit	[800-5-14] CC Bolt Signs	VISA stmt	2,458.92			4.4.10
WMCA 110	2018-08-31	Signs incl deposit	/800-50-01/ Bolt Signs	VISA stmt		602.50		4.4.10
WMCA 111	2018-09-05	Signs incl deposit	/800-50-01/ Bolt Signs	VISA stmt		602.50		4.4.10
WMCA 51	2018-09-13	Signs incl deposit	[800-5-13] CC Bolt Signs	VISA stmt		475.50	4,660.96	4.4.10
WMCA 76	2018-05-31	Office expenses PRE	/800-40-ff/ 536 Queens Other half of Rent for the month	Landlord records		847.50		4.4.11

Appendix B
List of Adjustments to Financial Statement (cont'd)

WMCA 77	2018-06-30	Office expenses PRE	/800-40-ff/ 536 Queens Other half of Rent for the month	Landlord records	847.50		4.4.11
WMCA 78	2018-07-31	Office expenses PRE	/800-40-ff/ 536 Queens Other half of Rent for the month	Landlord records	847.50		4.4.11
WMCA 67	2018-08-31	Office expenses PRE	/800-36-01A-2/ Portion of rent paid by Fusering	Per Cheng	1,000.00		4.4.11
WMCA 79	2018-08-31	Office expenses PRE	/800-40-ff/ 536 Queens Rent for the month	Landlord records	1,695.00		4.4.11
WMCA 68	2018-09-30	Office expenses PRE	/800-36-01A-2/ Portion of rent paid by Fusering	Per Cheng	1,000.00		4.4.11
WMCA 80	2018-09-30	Office expenses PRE	/800-40-ff/ 536 Queens Rent for the month	Landlord records	1,695.00		4.4.11
WMCA 69	2018-10-22	Office expenses PRE	/800-36-01A-2/ Portion of rent charged to Fusering	Per Cheng	709.68		4.4.11
WMCA 81	2018-10-22	Office expenses PRE	/800-40-ff/ 536 Queens Rent for the month	Landlord records	1,202.90		4.4.11
WMCA 62	2018-05-01	Office expenses PRE	Insurance paid by Fusering (unincorporated)	Cheng estimate	200.00		4.4.1
WMCA 96	2018-05-01	Office expenses PRE	20% of computer as GIK	VISA stmt + Cheng estimate	110.00		4.4.1
WMCA 66	2018-10-22	Office expenses PRE	[800-5-17] Reallocate to post Vday	Reallocation	-193.00		4.4.11
WMCA 66	2018-10-22	Office expenses PRE	[800-5-17] Reallocate to post Vday	Reallocation	-97.32	9,864.76	4.4.11
WMCA 97	2018-05-01	Phone / Internet PRE	Domain registration per discussion	Agreed estimate	25.00		4.4.1
WMCA 97	2018-05-31	Phone / Internet PRE	Provision for cellphone GIK	Agreed estimate	30.00		4.4.1
WMCA 99	2018-06-30	Phone / Internet PRE	Provision for cellphone GIK	Agreed estimate	30.00		4.4.1
WMCA 100	2018-07-31	Phone / Internet PRE	Provision for cellphone GIK	Agreed estimate	30.00		4.4.1
WMCA 101	2018-08-31	Phone / Internet PRE	Provision for cellphone GIK	Agreed estimate	30.00		4.4.1
WMCA 102	2018-09-30	Phone / Internet PRE	Provision for cellphone GIK	Agreed estimate	30.00		4.4.1
WMCA 103	2018-10-22	Phone / Internet PRE	Provision for cellphone GIK	Agreed estimate	21.29	196.29	4.4.1
WMCA 128	2018-06-11	Salaries, benefits etc.	/800-44/ AllStaff Kattie Forbes	PBC budget	2,659.10		4.4.12
WMCA 93	2018-06-30	Salaries, benefits etc.	/800-44/ AllStaff Kattie Forbes	Invoice	1,575.42		4.4.12
WMCA 129	2018-06-30	Salaries, benefits etc.	/800-44/ AllStaff Kattie Forbes	Invoice/PBC budget	1,575.42		4.4.12
WMCA 94	2018-07-31	Salaries, benefits etc.	/800-44/ AllStaff Kattie Forbes	Invoice	2,457.64		4.4.12
WMCA 130	2018-07-31	Salaries, benefits etc.	/800-44/ AllStaff Kattie Forbes	Invoice/PBC budget	2,457.64		4.4.12
WMCA 131	2018-08-06	Salaries, benefits etc.	/800-44/ AllStaff Kattie Forbes	Invoice/PBC budget	280.38		4.4.12
WMCA 95	2018-08-06	Salaries, benefits etc.	/800-44/ AllStaff Kattie Forbes	Invoice	280.38	11,285.98	4.4.12
WMCA 61	2018-10-22	Bank charges PRE	To account for collection discounts	Client worksheet in auditor's file	204.46	204.46	4.4.3
WMCA 50	2018-09-10	Other - Billboards	[800-5-13] CC Pattison Outdoor Advertising not recorded	VISA stmt	847.50	847.50	4.4.13
WMCA 63	2018-05-01	Meetings hosted	Launch party was treated as Expression of appreciation	Disclosure error	813.60	813.60	4.4.14
WMCA 63	2018-05-01	Expressions: Campaign kick-off party	Launch party was treated as Expression of appreciation	Disclosure error	-813.60	-813.60	4.4.14
WMCA 66	2018-10-31	Office expenses AFTER Vday	[800-5-17] Rent reallocated from above	Reallocation	290.32		4.4.11, 4.4.15
WMCA 69	2018-10-31	Office expenses AFTER Vday	/800-36-01A-2/ Portion of rent charged to Fusering	Per Cheng	290.32	580.64	4.4.15
WMCA 103	2018-10-31	Phone / Internet AFTER Vday	Provision for cellphone GIK	Agreed estimate	8.71	8.71	4.4.1
WMCA 61	2018-12-31	Bank charges AFTER Vday	To account for collection discounts	Client worksheet in auditor's file	47.65	47.65	4.4.3
						32,575.90	922.06

Appendix C

Cumulative Revenue, Expense, and Difference by month



	Cumulative Contributions Received	Cumulative Expenses	Cumulative Difference	Revenue for the month	Expense for the month
17-Aug	0	980	-980	0	980
Sep	0	1,696	-1,696	0	716
Oct	0	5,184	-5,184	0	3,488
Nov	0	5,441	-5,441	0	257
Dec	0	9,651	-9,651	0	4,210
18-Jan	0	14,337	-14,337	0	4686
Feb	0	17,526	-17,526	0	3189
Mar	0	20,509	-20,509	0	2983
Apr	0	23,785	-23,785	0	3276
18-May	2,067	26,800	-24,733	2,067	3015
Jun	2,307	56,034	-53,727	240	29,234
Jul	2,457	68,466	-66,009	150	12,432
Aug	6,338	85,684	-79,346	3,881	17,218
Sep	10,310	112,596	-102,286	3,972	26,912
Oct	23,400	123,120	-99,720	13,090	10,524
Nov	24,400	123,711	-99,311	1,000	591
Dec	24,975	125,414	-100,439	575	1,703
					125,414

Appendix D

"Campaign Budget" excerpt from Candidate records

EXPENSES	COST	Notes/Comments	Campaign	Non - Campaign
Bill Boards	\$ 24,000.00	Already committed - contract in place 2018	\$ 24,000.00	\$ -
Bus Ads	\$ 11,400.00	Already committed - contract in place 2018	\$ 11,400.00	\$ -
Television Ads	\$ 20,000.00	Reduced from \$47,000 2014	\$ 20,000.00	\$ -
Radio Ads	\$ -	Removed \$4,000 - based on 2014; we reassess when donations come in		\$ -
Digital Ads & IP Tracking	\$ -	Removed proposal from Blackburn 2018 - \$7,100		\$ -
Newspaper Ads	\$ 1,000.00	Reduced from \$5,000 - no LFP in 2018	\$ 1,000.00	\$ -
Lawn Signs	\$ 16,275.00	Based on 2014 Financial reporting	\$ 16,275.00	\$ -
Posters Banners and Printing	\$ 1,500.00	Reduced from \$3,000 - based on 2014	\$ 1,500.00	\$ -
Pamphlets	\$ 3,000.00	Guessitmate- based on 2014	\$ 3,000.00	\$ -
Business Cards	\$ 1,000.00	Guessitmate- based on 2014 & needs 2018	\$ 1,000.00	\$ -
T-Shirts	\$ 750.00	Based on 2014 Financial reporting	\$ 750.00	\$ -
Venue Rental Town Halls	\$ 750.00	Estimated at 3 x \$250 rental	\$ 750.00	\$ -
Food/Beverages at Town Halls & Office Events	\$ 300.00	Estimated at 6 x \$50 for cookies, coffee, water, etc.	\$ 300.00	\$ -
Venue Rental Other	\$ -	Campaign Launch Event, Rally?, Election Party - TBD		\$ -
City Media	\$ 9,000.00	6 x \$1500	\$ 9,000.00	\$ -
Social Media boosts	\$ 2,000.00	10 x \$200	\$ 2,000.00	\$ -
Kattie	\$ 14,418.00	May 1 to October 31 2018 27 weeks x \$1068.08 @ 50% to FuseRing	534 \$ 14,418.00	\$ -
Office Rental	\$ 4,500.00	6 x \$1,500 @ 50% to FuseRing	\$ 4,500.00	\$ -
Office Insurance	\$ 250.00	\$500 @ 50% to FuseRing	41.67 \$ 250.00	\$ -
Phone/Internet	\$ 345.00	6 x \$115 @ 50% to FuseRing	57.5 \$ 345.00	\$ -
Office supplies	\$ 500.00		83.33 \$ 500.00	\$ -
TOTAL	\$ 110,988.00	28838.16	\$ 110,988.00	\$ -
			Proof	\$ 110,988.00

APPENDIX E - ALLSTAFF INVOICE

STATEMENT



AllStaff Inc.
 300 Wellington St. Suite 103
 London, ON N6B 2L5
 Toll 1.866.878.9675
 email: finance@allstaff.ca

Paul Cheng for Mayor
 536 Queens Ave
 London, ON N6B1Y8

Statement Date:	10/01/2018
Account Number:	9818

Aging Total	
Current Age	\$0.00
1-30 days	\$0.00
31-60 days	\$280.38
61-90 days	\$2,457.64
Over 90 days	\$1,575.42

Information reflects payments received as of Statement Date

Invoice Date	Invoice No.	Invoice Amount	Amount Paid	Balance Due
06/12/18	25216	\$534.04	\$0.00	\$534.04
06/18/18	25262	\$534.04	\$0.00	\$534.04
06/25/18	25335	\$507.34	\$0.00	\$507.34
07/03/18	25410	\$534.04	\$0.00	\$534.04
07/09/18	25471	\$401.59	\$0.00	\$401.59
07/16/18	25538	\$534.04	\$80.11	\$453.93
07/23/18	25617	\$534.04	\$0.00	\$534.04
07/30/18	25698	\$534.04	\$0.00	\$534.04
08/06/18	25746	\$280.38	\$0.00	\$280.38

Total Balance Due:

\$4,313.44

Grand Total	
+Invoice Amount	\$4,393.55
-Amount Paid	\$80.11
Total Balance Due	\$4,313.44

Thank you for your business! Interest charged at 2% per month compounded monthly (26.82% being the true annual effective interest rate) will be charged on late payments.

APPENDIX F

AUDITOR’S CREDENTIALS

William Molson CPA, CA

Will Molson is a licensed public accountant providing assurance and business advisory services primarily to not-for-profit organizations. His professional experience spans more than 30 years including 15 years in a large firm environment servicing small, medium and large domestic and international clients. He has significant experience in election audits, conducting government tax audits and managing tax appeals. He has audited approximately 500 election and riding association returns at the federal, provincial and municipal level, including 100 municipal returns.

Will is a Chartered Professional Accountant, Certified Public Accountant (Illinois), and Certified Management Accountant, and holds a Master’s in Business Administration and a Certificate in Dispute Resolution (University of Toronto).

Will is a member of the Public Accountants Council for the Province of Ontario; the Chartered Professional Accountants of Canada, Federal Elections Task Force Advisory Committee; the C.D. Howe Institute; and is past Chair of the Public Accounting Licensing Board of the Institute Chartered Professional Accountants of Ontario.