



## City of Hamilton

# AUDIT, FINANCE AND ADMINISTRATION COMMITTEE REVISED

**Meeting #:** 20-010

**Date:** November 5, 2020

**Time:** 9:30 a.m.

**Location:** Due to the COVID-19 and the Closure of City Hall

All electronic meetings can be viewed at:

City's Website:

<https://www.hamilton.ca/council-committee/council-committee-meetings/meetings-and-agendas>

City's YouTube Channel:

<https://www.youtube.com/user/InsideCityofHamilton> or Cable 14

Angela McRae, Legislative Coordinator (905) 546-2424 ext. 5987

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**1. APPROVAL OF AGENDA**

(Added Items, if applicable, will be noted with \*)

**2. DECLARATIONS OF INTEREST**

**3. APPROVAL OF MINUTES OF PREVIOUS MEETING**

3.1. October 22, 2020

**4. COMMUNICATIONS**

**5. DELEGATION REQUESTS**

\*5.1. Cameron Kroetsch, respecting Item 6.1 - Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098) (For today's meeting)

**6. CONSENT ITEMS**

- 6.1. Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098) (City Wide)

**7. PUBLIC HEARINGS / WRITTEN DELEGATIONS / VITRUAL DELEGATIONS**

**8. STAFF PRESENTATIONS**

**9. DISCUSSION ITEMS**

- 9.1. Citizen Committee Report - Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Advisory Committee - Advertising for Vacancies
- 9.2. Workplace Mental Health and Wellbeing Strategy (2019-2021) (HUR20009) (City Wide)
- 9.3. A Privacy Breach Review (FCS20097) (City Wide)
- 9.4. Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory (AUD20008) (City Wide)

Discussion of Confidential Appendix 'E' to this report, would be pursuant to Section 8.1, Sub-section (a) of the City's Procedural By-law 18-270, as amended, and Section 239(2), Sub-section (a) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to the security of the property of the municipality or local board.

Please refer to Item 13.2 for Confidential Appendix "E" to Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory (AUD20008).

**10. MOTIONS**

**11. NOTICES OF MOTION**

**12. GENERAL INFORMATION / OTHER BUSINESS**

**13. PRIVATE AND CONFIDENTIAL**

13.1. October 22, 2020 - Closed Minutes

Pursuant to Section 8.1, Sub-sections (e) and (f) of the City's Procedural By-law 18-270, as amended, and Section 239(2), Sub-sections (e) and (f) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board; and advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

13.2. Confidential Appendix "E" to Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory (AUD20008)

Discussion of Confidential Appendix 'E' to Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory (AUD20008), would be pursuant to Section 8.1, Sub-section (a) of the City's Procedural By-law 18-270, as amended, and Section 239(2), Sub-section (a) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to the security of the property of the municipality or local board.

Please refer to Item 9.4 for Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory (AUD20008).

13.3. 386 Wilcox Street Assessment Review Board Appeals (FCS20093 / LS20029) (City Wide)

Pursuant to Section 8.1, Sub-sections (e) and (f) of the City's Procedural By-law 18-270, as amended, and Section 239(2), Sub-sections (e) and (f) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board; and advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

**14. ADJOURNMENT**





## AUDIT, FINANCE AND ADMINISTRATION COMMITTEE MINUTES 20-009

9:30 a.m.  
October 22, 2020  
Council Chambers  
Hamilton City Hall

**Present:** Councillors M. Wilson (Chair), C. Collins, L. Ferguson, J. Partridge, M. Pearson, and A. VanderBeek

**Absent:** Councillors B. Johnson, B. Clark – City Business

### THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:

1. **Upgrade of 911 System to the Next Generation 9-1-1 (NG9-1-1) Messaging Services Delivery (FCS20082 / HSC20045) (City Wide) (Item 6.1)**

**(Ferguson/Wilson)**

That Report FCS20082 / HSC20045 respecting an Upgrade of 911 System to the Next Generation 9-1-1 (NG9-1-1) Messaging Services Delivery, be received.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
 YES - Ward 15 Councillor Judi Partridge  
 YES - Ward 13 Councillor Arlene VanderBeek  
 YES - Ward 12 Councillor Lloyd Ferguson  
 NOT PRESENT - Ward 11 Councillor Brenda Johnson  
 YES - Ward 10 Councillor Maria Pearson  
 NOT PRESENT - Ward 9 Councillor Brad Clark  
 YES - Ward 5 Councillor Chad Collins

2. **Fair Wage Policy and Fair Wage Schedule Complaints Annual Report (FCS20084) (City Wide) (Item 6.2)**

**(Partridge/VanderBeek)**

That Report FCS20084 respecting the Fair Wage Policy and Fair Wage Schedule Complaints Annual Report, be received.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
 YES - Ward 15 Councillor Judi Partridge  
 YES - Ward 13 Councillor Arlene VanderBeek

YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**3. Fraud and Waste Annual Report (AUD20007) (City Wide) (Item 8.1)**

**(Ferguson/VanderBeek)**

That Report AUD20007 respecting the Fraud and Waste Annual Report, be received.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**4. 2019 Reserve Report (FCS20068) (City Wide) (Item 9.1)**

**(VanderBeek/Pearson)**

- (a) That the 2019 Reserve Report and the 2019 Reserves Detail Report, with 2018 Comparative figures and 2020-2022 Projections, attached as Appendix "A" to Report FCS20068, be received; and,
- (b) That COVID-19 Reserve #108006 be established with previously approved initial funding of \$1,144,000.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

5. **Governance Review Sub-Committee Report 20-002 – October 13, 2020 (Item 9.2)**

**(Pearson/VanderBeek)**

**(a) 2022 Council and Committee Calendar (Item 10 .1) (Attached as Appendix “A” to Governance Review Sub-Committee Report 20-002)**

That the 2022 Council and Committee Calendar be approved, as presented.

**(b) Recording of Closed Session Meetings (FCS20090 / LS20027) (City Wide) (Item 10.2)**

That Report FCS20090 / LS20027, respecting Recording of Closed Session Meetings, be received.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

6. **Advisory Committee for Immigrants and Refugees Membership (Item 10.1)**

**(Wilson/Pearson)**

WHEREAS, the Advisory Committee for Immigrants and Refugees received resignations from Waleed Aslam and Anjum Chauhan on March 6, 2020;

THEREFORE BE IT RESOLVED:

- (a) That the resignations from Waleed Aslam and Anjum Chauhan from the Advisory Committee for Immigrants and Refugees, be received; and,
- (b) That the membership number of the Advisory Committee for Immigrants and Refugees be adjusted accordingly in order to obtain quorum.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**FOR INFORMATION:**

**(a) CHANGES TO THE AGENDA (Item 1)**

The Committee Clerk advised of the following changes to the agenda:

**4. COMMUNICATIONS**

- 4.1 Correspondence from June Roberts, respecting an Extension of Benefits for City of Hamilton Retirees who turn 65 in 2021.
  - 4.1(a) Additional Correspondence from June Roberts, respecting an Extension of Benefits for City of Hamilton Retirees who turn 65 in 2021.

**5. DELEGATION REQUESTS**

- 5.1 Kenneth Ukrainec, on behalf of Network Sewer and Watermain Ltd., respecting the Fair Wage Policy and Fair Wage Schedule Complaints Annual Report (FCS20084) (For today's meeting)
- 5.2 Jason Snyder, GardaWorld, respecting the City's decision to exclude Garda Canada Security Corp from being able to bid on work for the City (For today's meeting)
  - 5.2(a) Staff Supporting Documentation regarding Jason Snyder, GardaWorld, respecting the City's decision to exclude Garda Canada Security Corp from being able to bid on work for the City

**7. PUBLIC HEARINGS / WRITTEN DELEGATIONS / VIRTUAL DELEGATIONS**

- 7.1(a) Staff Supporting Documentation respecting Kevin Rachman, SmartCentres REIT, respecting an Extension to Development Charges Credit

**(Collins/Ferguson)**

That the agenda for the October 22, 2020 Audit, Finance and Administration Committee meeting be approved, as amended.

**Result: Motion CARRIED by a vote of 5 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
NOT PRESENT - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**(b) DECLARATIONS OF INTEREST (Item 2)**

There were no declarations of interest.

**(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)**

**(i) October 8, 2020 (Item 3.1)**

**(Pearson/VanderBeek)**

That the Minutes of the October 8, 2020 meeting of the Audit, Finance and Administration Committee be approved, as presented.

**Result: Motion CARRIED by a vote of 5 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
NOT PRESENT - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**(d) COMMUNICATIONS (Item 4)**

**(VanderBeek/Pearson)**

That the following Communication Items, be received:

**(i) Correspondence from June Roberts, respecting an Extension of Benefits for City of Hamilton Retirees who turn 65 in 2021 (Added Item 4.1 & 4.1(a))**

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**(e) DELEGATION REQUESTS (Item 5)**

**(i) Kenneth Ukraineec, on behalf of Network Sewer and Watermain Ltd., respecting the Fair Wage Policy and Fair Wage Schedule Complaints Annual Report (FCS20084) (Added Item 5.1)**

**(Partridge/Pearson)**

That the Delegation Request from Kenneth Ukraineec, on behalf of Network Sewer and Watermain Ltd., respecting the Fair Wage Policy and Fair

Wage Schedule Complaints Annual Report (FCS20084), be approved for today's meeting.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

- (ii) **Jason Snyder, GardaWorld, respecting the City's decision to exclude Garda Canada Security Corp from being able to bid on work for the City (Added Item 5.2)**

**(Ferguson/Partridge)**

That the Delegation Request from Jason Snyder, GardaWorld, respecting the City's decision to exclude Garda Canada Security Corp from being able to bid on work for the City, be approved for today's meeting.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

- (f) **PUBLIC HEARINGS / WRITTEN DELEGATIONS / VIRTUAL DELEGATIONS (Item 7)**

- (i) **Kevin Rachman, SmartCentres REIT, respecting an Extension to Development Charges Credit (approved October 8, 2020) (Item 7.1)**

Kevin Rachman, SmartCentres REIT, addressed the Committee respecting an Extension to a Development Charges Credit, with the aid of a PowerPoint presentation.

**(Collins/VanderBeek)**

That the delegation from Kevin Rachman, SmartCentres REIT, respecting an Extension to a Development Charges Credit, be received.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge

YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**(ii) Staff Supporting Documentation regarding Kevin Rachman, SmartCentres REIT, respecting an Extension to Development Charges Credit (Added Item 7.1(a))**

**(Ferguson/Partridge)**

That the Staff Supporting Documentation regarding Kevin Rachman, SmartCentres REIT, respecting an Extension to a Development Charges Credit, be referred back to staff to investigate further and report back to the Audit, Finance and Administration Committee.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**(iii) Kenneth Ukrainec, on behalf of Network Sewer and Watermain Ltd., respecting the Fair Wage Policy and Fair Wage Schedule Complaints Annual Report (FCS20084) (Added Item 7.2)**

Kenneth Ukrainec, on behalf of Network Sewer and Watermain Ltd., addressed the Committee respecting the Fair Wage Policy and Fair Wage Schedule Complaints Annual Report.

**(Pearson/Collins)**

That the delegation from Kenneth Ukrainec, on behalf of Network Sewer and Watermain Ltd., respecting the Fair Wage Policy and Fair Wage Schedule Complaints Annual Report, be received.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**(Ferguson/Pearson)**

That Procurement staff be directed to investigate whether the Audit Fee to be charged to Network Sewer and Watermain Ltd., is reasonable and report back to the Audit, Finance and Administration Committee.

**Result: Motion CARRIED by a vote of 4 to 0, as follows:**

NO - Ward 3 - Ward 1 Councillor Maureen Wilson  
NO - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark

**(iv) Jason Snyder, GardaWorld, respecting the City's decision to exclude Garda Canada Security Corp from being able to bid on work for the City (Added Item 7.3)**

Jason Snyder, GardaWorld, addressed the Committee respecting the City's decision to exclude Garda Canada Security Corp from being able to bid on work for the City.

**(VanderBeek/Collins)**

That the delegation from Jason Snyder, GardaWorld, respecting the City's decision to exclude Garda Canada Security Corp from being able to bid on work for the City, be received.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**(g) STAFF PRESENTATIONS (Item 8)**

**(i) Fraud and Waste Annual Report (AUD20007) (City Wide)**

Charles Brown, City Auditor, addressed the Committee respecting the Fraud and Waste Annual Report (AUD20007), with the aid of a presentation.

**(Collins/Pearson)**

That the staff presentation respecting the Fraud and Waste Annual Report (AUD20007), be received.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

**(h) MOTIONS (Item 10)**

Councillor Wilson relinquished the Chair to Councillor Collins to introduce her motion respecting the Advisory Committee for Immigrants and Refugees Membership.

Councillor Wilson resumed the Chair.

**(i) PRIVATE AND CONFIDENTIAL (Item 13)**

**(Ferguson/Pearson)**

That the Committee moved into Closed Session respecting Items 5.2 and 5.2(a), pursuant to Section 8.1, Sub-sections (e) and (f) of the City's Procedural By-law 18-270, as amended, and Section 239(2), Sub-sections (e) and (f) of the Ontario Municipal Act, 2001, as amended, as the subject matter pertains to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board; and advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

**(j) DELEGATION REQUESTS (Item 5) (Continued)**

**(i) Staff Supporting Documentation regarding Jason Snyder, GardaWorld, respecting the City's decision to exclude Garda Canada Security Corp from being able to bid on work for the City (Added Item 5.2(a))**

**(VanderBeek/Pearson)**

That the Staff Supporting Documentation regarding Jason Snyder, GardaWorld, respecting the City's decision to exclude Garda Canada Security Corp from being able to bid on work for the City, be received.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark

YES - Ward 5 Councillor Chad Collins

**(k) ADJOURNMENT (Item 14)**

**(Pearson/Ferguson)**

That, there being no further business, the Audit, Finance and Administration Committee, be adjourned at 11:52 a.m.

**Result: Motion CARRIED by a vote of 6 to 0, as follows:**

YES - Ward 3 - Ward 1 Councillor Maureen Wilson  
YES - Ward 15 Councillor Judi Partridge  
YES - Ward 13 Councillor Arlene VanderBeek  
YES - Ward 12 Councillor Lloyd Ferguson  
NOT PRESENT - Ward 11 Councillor Brenda Johnson  
YES - Ward 10 Councillor Maria Pearson  
NOT PRESENT - Ward 9 Councillor Brad Clark  
YES - Ward 5 Councillor Chad Collins

Respectfully submitted,

Councillor Wilson, Chair  
Audit, Finance and Administration  
Committee

Angela McRae  
Legislative Coordinator  
Office of the City Clerk

## Request to Speak to Committee of Council

Submitted on Monday, November 2, 2020 - 7:49 pm

==Committee Requested==

**Committee:** Audit, Finance & Administration Committee

==Requestor Information==

**Name of Individual:** Cameron Kroetsch

**Name of Organization:**

**Contact Number:**

**Email Address:**

**Mailing Address:**

**Reason(s) for delegation request:** To provide my personal comments about the report at the November 5, 2020 meeting of the Audit, Finance and Administration Committee entitled "Advertising Costs Associated with Advertising for Vacancies on the LGBTQ Advisory Committee (FCS20098)". I am requesting that I be permitted to join the meeting live by Webex to provide my comments by video.

**Will you be requesting funds from the City?** No

**Will you be submitting a formal presentation?** No





## INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	November 5, 2020
<b>SUBJECT/REPORT NO:</b>	Advertising Costs Associated with Advertising for Vacancies on the Lesbian, Gay, Bisexual, Transgender, Queer (LGTBQ) Advisory Committee (FCS20098) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Janet Pilon (905) 546-2424 Ext. 4304
<b>SUBMITTED BY:</b>	Andrea Holland City Clerk Office of the City Clerk
<b>SIGNATURE:</b>	

### COUNCIL DIRECTION

Not Applicable

### INFORMATION

As per the following direction within the Citizen Committee Report from the Lesbian, Gay, Bisexual, Transgender, Queer (LGTBQ) Advisory Committee:

That the Office of the City Clerk advertises for vacancies on the LGBTQ Advisory Committee in the places which the Committee has identified as likely to be most relevant to Two Spirit and LGBTQIA+ communities (see below).

- Pride and other 2SLGBTQIA+ websites and social media pages
- Facebook groups relevant to 2SLGBTQIA+ communities
- Public buildings
- Community bulletin boards
- Rural communities and rural community centres/hubs
- 2SLGBTQIA+ businesses and not-for-profit organizations
- Business Improvement Areas (BIAs)
- Hamilton Regional Indian Centre and Six Nations
- Bus shelters (if feasible and safe)

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: Advertising Costs Associated with Advertising for Vacancies on the Lesbian, Gay, Bisexual, Transgender, Queer (LGTBQ) Advisory Committee (FCS20098) (City Wide) - Page 2 of 3**

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Staff prepared this Information Report to provide the Audit, Finance and Administration Committee with the details and costs associated with the recommendation within the Citizen Committee Report from the LGTBQ Advisory Committee.

As per the February 27/28, 2020 Council decision respecting the Citizen Committee Report - Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Advisory Committee - Additional Committee Members, staff were directed to commence a recruitment process for the selection of additional members for the Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Advisory Committee.

The Analysis/Rationale from the Citizen Committee Report (below) provide further information respecting the recruitment process for the additional members for the LGTBQ Advisory Committee:

**Analysis/Rationale:**

It is important that the Committee have a full complement of members at all times so that it may best represent the diverse communities to which it is accountable (Two Spirit and LGBTQIA+) and may carry out its mandate to the best of its ability.

To that end, we are asking that City Council grant our specific requests to appoint 4 additional members to our Committee and to:

- (1) focus their selection on youth, queer and trans people of colour (QTPOC), and Two-Spirit members of the community; and
- (2) involve members of the LGBTQ Advisory Committee in the selection process.

**NOTE:** We ask that the Committee be updated as to when this Citizen Committee Report will be before both the Audit, Finance and Administration Committee, General Issues Committee, and City Council in the event that either the Chair or Vice Chair would like to delegate in support of the Committee's recommendation.

The City is unable to post to other social media sites, Communications can prepare the social media content and share that content with the Committee, the members of the Committee can reach out to the social media pages and ask them to post the content prepared by Communications or have the content retweeted to the City of Hamilton.

**SUBJECT: Advertising Costs Associated with Advertising for Vacancies on the Lesbian, Gay, Bisexual, Transgender, Queer (LGTBQ) Advisory Committee (FCS20098) (City Wide) - Page 3 of 3**

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Communications can reach out to the rural communities and hubs, as well as the Business Improvement Areas (BIAs) and other organizations and ask them to share the information.

Communications can run a digital online campaign that would reach relevant 2SLGTBQIA+ community groups, at a cost of \$500.

Communications currently don't have any advertisements on public buildings, however, the social media content can be included on the City Hall message board at no charge.

Communications recommends a half page advertisement in the Turtle Island News, in order to reach the Six Nations community, at a cost of \$690.

Advertising on bus shelters is available for \$500 per location with the advertisement being posted for one month, however, in order to initiate the advertisements on the bus shelters, it requires a minimum purchase of \$4000.

Communications can also purchase a quarter page advertisement in the Hamilton Spectator for \$890, with the same size advertisement in all 6 of the community newspapers for \$2550.

Communications has also advised staff that many of the specialty publications have stopped printing due to COVID.

The advertising costs associated with advertising for vacancies on the LGTBQ Advisory Committee would be \$8,630, if all of the above were put in place.

**APPENDICES AND SCHEDULES ATTACHED**

Not applicable





## CITIZEN COMMITTEE REPORT

<b>To:</b>	Office of the City Clerk
<b>From:</b>	LGBTQ Advisory Committee  <div style="text-align: right;">   <hr style="width: 20%; margin: 0 auto;"/>           Cameron Kroetsch, Chair         </div>
<b>Date:</b>	September 15, 2020
<b>Re:</b>	Motion 5.1 carried at the September 15, 2020 meeting of the LGBTQ Advisory Committee

### Recommendation

That the Office of the City Clerk advertises for vacancies on the LGBTQ Advisory Committee in the places which the Committee has identified as likely to be most relevant to Two Spirit and LGBTQIA+ communities (see below).

- Pride and other 2SLGBTQIA+ websites and social media pages
- Facebook groups relevant to 2SLGBTQIA+ communities
- Public buildings
- Community bulletin boards
- Rural communities and rural community centres/hubs
- 2SLGBTQIA+ businesses and not-for-profit organizations
- Business Improvement Areas (BIAs)
- Hamilton Regional Indian Centre and Six Nations
- Bus shelters (if feasible and safe)

## **Background**

The Office of the City Clerk wrote to the Chair of the LGBTQ Advisory Committee with the following request:

“For this round of recruitment, we want to ensure that we are advertising in the most relevant places for the Advisory Committee. After discussion with the Clerk and the Staff Liaison, this will be added as a discussion item to the next LGBTQ Advisory Committee agenda.

At the meeting please have the Advisory Committee discuss and put forward a motion with their recommendations for advertisement options.”

## **Analysis/Rationale**

This recommendation was requested from the Office of the City Clerk and, with the Committee’s input, will hopefully lead to reaching more members of Two Spirit and LGBTQIA+ communities.

**NOTE** - We ask that the Committee Chair be updated as to when the recommendations in this Citizen Committee Report will be addressed and when vacancies will be advertised so that the Committee and its members can circulate any advertisements to their public and private networks. The Committee also asks that this advertisement be translated into multiple languages (multilingual) so as to reach more interested Hamiltonians.



## INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	November 5, 2020
<b>SUBJECT/REPORT NO:</b>	Workplace Mental Health and Wellbeing Strategy (2019-2021) (HUR20009) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Gord Muise (905) 546-2424 Ext. 2655 David Lindeman (905) 546-2424 Ext. 5657 Miri Freimanis (905) 546-2424 Ext. 7141
<b>SUBMITTED BY:</b>	Lora Fontana Executive Director Human Resources
<b>SIGNATURE:</b>	

### COUNCIL DIRECTION:

At its meeting of May 16, 2019, the Audit, Finance and Administration Committee approved Report HUR19010 which included the following directions:

- (a) That staff be directed to execute the Workplace Mental Health and Wellbeing Strategy (2019-2021), that continues to foster, promote and support overall health and wellbeing, encourage dialogue and remove stigma associated with mental illness; and
- (b) That staff report back to the Audit, Finance and Administration Committee on the progress made on implementing the strategy on a periodic basis.

### INFORMATION:

The City recognizes that mental health and wellbeing is fundamental to overall health, and that the workplace has an important role to play in maintaining and promoting mental health and wellness. Human Resources has established a comprehensive strategy aligned with best practices and national standards.

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**SUBJECT: Workplace Mental Health and Wellbeing Strategy (2019-2021)  
(HUR20009) (City Wide)**

**Page 2 of 8**

Human Resources last reported to Committee on May 16, 2019. The following report highlights the activities undertaken to execute our workplace mental health and wellbeing strategy.

To assist in our efforts to create a workplace that promotes mental health and wellbeing, in 2016 we adopted the framework from the *Psychological Health and Safety: An Action Guide for Employers (2012)*. This guide, created by the Mental Health Commission of Canada, identifies actions an employer can take to enhance and protect employee psychological health and safety. The actions are evidence-based, practical and flexible.

In 2016, Council and Senior Leadership Team (SLT) approved a Workplace Mental Health and Wellbeing Strategy 2016-2018. The strategy set out specific objectives for the organization and included the establishment of a Workplace Mental Health Action Committee (WMHAC) to advise on implementation of the strategy and make recommendations to improve our policies and programs.

In 2019, the WMHAC provided SLT with recommendations. In response to the recommendations from MHAC, SLT supported taking specific actions that form the Workplace Mental Health and Wellbeing Strategy 2019-2021 approved by Council:

1. SLT to complete either one of the Leadership Mental Health Training Modules - The Working Mind people leader training or Mental Health@Work certificate program.
  - The majority of SLT has now completed one or both of the Leadership Mental Health Training Modules. Our senior leaders have used the skills and knowledge they've acquired to respond to issues in their departments including development of action plans to address concerns raised by staff in the Our People Survey. Senior leaders have also been visible in identifying mental health issues and communicating resources available to staff during the pandemic response.
2. Mental health and wellbeing considerations will be incorporated into change management training and processes and sufficient resources allocated to mitigate mental health hazards associated with workplace change.
  - The response to the impact the pandemic had on staff and their families is a good example on how mental health and well-being has come to the forefront in our decision-making process. Early on, existing resources were enhanced with new information focused directly at front-line staff and those in leadership roles. As the pandemic continues, we are working to ensure resources are available to reduce anxiety and increase resiliency in all roles.
3. Mental health promotion and stigma reduction campaigns to be held annually in May and October with SLT visible participation.

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**SUBJECT: Workplace Mental Health and Wellbeing Strategy (2019-2021)  
(HUR20009) (City Wide)****Page 3 of 8**

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- Our internal Shifting Minds campaign focusses on how employees think about themselves and others and how employees seek the required support they need. The video-based campaign includes modules that cover:
    - Respect
    - Rethink
    - Reconnect
    - Renew
    - Resources
  - Senior leaders will look for ways they can raise their visibility to coincide with the anti-stigma campaigns.
4. Undertake review of questions and ensure that key indicators are incorporated into the questions within Our People survey in 2020
- The employee survey has been rescheduled to 2021. The content and design of the survey will continue to address indicators of employee mental health and well-being and ensure resources are in place for leaders to respond to survey results for their teams.
5. Human Resources to review the non-union benefit package and consider adding more flexibility in choosing benefits that will improve access to psychological services.
- The non-union benefit package was redesigned in 2019 to offer improved access to psychological support by increasing the annual benefit amount from \$100 to \$1,000, removing the cap on per-session billing amounts and changing eligible services to include Clinical Psychologist, Psychiatrist, Psychotherapist, or Social Worker. These changes results in increased benefit use by staff and eligible dependants. Enhancements were also made to the benefits programs for those unions having more recently negotiated renewals to their collective bargaining agreements, including CUPE 5167 and Hamilton Fire, with similar increases in usage.
6. SLT to set targets to train more employees in The Working Mind or Road to Mental Readiness training programs.
- This program was developed by the Mental Health Commission of Canada and helps all employees in the workplace better understand mental illness and poor mental health, the stigma surrounding mental illness and its effect on individuals and the workplace. There are two sessions in the program: one for employees without direct reports and one for People Leaders.

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**SUBJECT: Workplace Mental Health and Wellbeing Strategy (2019-2021)  
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- In 2019 and 2020, 165 front-line workers and 50 People Leaders were trained in the program.
  - To date, 228 People Leaders and 658 frontline staff have received the training.
  - The program was designed for classroom delivery and no sessions were scheduled after February 2020 due to restrictions on gathering in response to the pandemic. In the meantime, the Mental Health Commission of Canada developed an online version of the training program, which our trainers attended online, and are now certified to deliver the new web-based sessions.
  - Hamilton Paramedic Services and the Hamilton Fire Department have committed to providing the Road to Mental Health training for first responders to all of their staff.
  - Additionally, the Mental Health@Work Certificate Training for Leaders is provided through Queen's University and Mourneau Shepell and follows the National Standard for Psychological Health and Safety in the Workplace. The program helps People Leaders better understand mental illness and poor mental health, the stigma surrounding mental health and its effect on individuals and the workplace. Its primary objective is to increase their comfort level in discussing mental illness and give them skills to improve their mental health and support each other. To date, 350 People Leaders across the organization have been certified through the program.
  - The program was offered by a combination of in-class and online modules. The program was adapted in 2020 and can now be offered completely online.
7. Human Resources to examine current recruitment, job design and return-to-work processes and update where applicable to include cognitive demands.
- Interview questions have been reviewed to ensure questions are used to probe managing cognitive demands where applicable. Return to Work Services is undertaking cognitive demands analysis, when required, during the return-to-work and accommodation processes.
8. Promote the Manager Mental Health Toolkit through Howi and other platforms.
- The WMHAC developed a tool kit for People Leaders that identifies available resources to help them deal with situations in the workplace that could contribute to stress and poor performance. The topics include:

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**SUBJECT: Workplace Mental Health and Wellbeing Strategy (2019-2021)  
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- Workplace Stress
  - Relationship Building
  - Communication (difficult conversations, discussing sensitive topics)
  - Managing workload, priorities, poor performance
  - Bullying (co-worker)
  - Interpersonal Conflict (defusing situations)
- The tool kit was given prominence under People Leader Resources in Howi. Any upcoming redesign of the web site will ensure that the tool kit remains a highlighted resource for People Leaders.
9. Human Resources to begin tracking nature of illness and injury, when available for short-term sick absences using current disability management software.
- Short-Term Disability analysis has been piloted and information provided to work groups where the volume of mental health related absences is high. The data indicates that mental health is a leading cause of absences.
  - Mental health continues to be the top diagnostic category representing 36% of all long-term disability claims received by the city in 2018-20. This is in line with the industry comparison group of 35%.
10. Replace the existing Zero Tolerance Program with a new program targeting, preventing and responding to bad behaviour, harassment and violence against staff and users of city services.
- A task force was struck to develop policies that will cover expectations for the public and staff behaviour in our workplaces and procedures to respond to acts of unwanted behaviour, harassment and violence. An updated program will be put in place and communicated in late 2020 or early 2021.
11. Develop and distribute checklists that staff can use to assess their individual and group respectfulness and civility in order to build better working relationships on their teams.
- A tool has been drafted and Human Resources is reviewing the content and the context in which it will be used with staff. There are several venues that the checklist could be used at including corporate training and team exercises, including initiatives put in place in response to Our People Survey team results.
12. Human Resources to identify best practices by benchmarking with other municipalities through established networks like the Single-Tier Municipal Group and Association of Municipalities of Ontario.

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- Human Resources has contacted municipalities in Ontario and elsewhere in Canada along with local public organizations to assess how our strategy compares to others. A survey was undertaken early in 2020 that identified that our programming and priorities is in line with other similar employers. There is consistency as we are all following the national standards for workplace mental health.

13. Corporate Communications to include workplace mental health in its development of improved communication channels, to ensure that mental health and wellbeing resources are known and easy to find.

- Corporate Communications and Human Resources have worked closely together to ensure important mental health and well-being messaging reaches its intended audience. An example of the collaboration is the response to employee anxiety during the pandemic by identifying key resources for staff and People Leaders, compiling them in a central, accessible location and providing direction on how to access and use the resources. The strategy allowed the resources to reach both staff that have online connections and those that don't.
- Examples of such resources include:

**Employee Resources**

Managing Stress & Anxiety  
Mental Health  
Resilience  
Work-Life Balance & Parenting  
Working from Home

**Leader Resources**

Transitioning back to work  
Leading a Remote Workforce  
Leading through Crisis & Change  
Maximizing Team Performance  
Recognizing Employees

- Corporate Communications has also aligned its internal and external mental health and well-being messaging to support staff and the public.

14. WMHAC to remain in place, meet quarterly and mental health and wellness champions to be recruited and supported

- The WMHAC met four times in 2019. In 2020, the committee has been unable to meet due to the pandemic. The committee is scheduled to meet virtually before the end of the year. Recruitment is underway for additional champions.

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## **ADDITIONAL INFORMATION**

### **Responding to the Impact of the Pandemic on Staff**

While responding to the pandemic presented many challenges for delivering our mental health programming, having resources in place, established partnerships with service providers and higher levels of skills among staff through previous training, allowed us to quickly and effectively respond to the needs of our employees and their families.

Human Resources and Corporate Communications collaborated on pulling together resources that would help employees and their families in the short and long term. As demands changed, we anticipated needs and ensured resources and assistance were available to staff. For example, as the new school year was approaching, we identified that many employees would be facing challenges when deciding whether to send their children to school or keep them home. We provided our People Leaders with the tools they needed to support their teams and to deal with requests for flexibility and accommodation.

Our Senior Leaders reinforced the importance of looking after our own mental health and well-being while we assisted our community and consistently provided valuable service.

The concern and support for staff well-being was repeated in email messages, town-hall meetings, virtual team meetings and through individual contact.

A good example of matching the needs of staff to just-in-time supports is the increased usage of LifeSpeak On Demand. This web-based program is an expert-led online streaming video resource dealing with a wide variety of health, family, eldercare, personal growth and development, and work-life balance topics. Employees and their families are able to access the support they need to overcome hurdles and accomplish goals. The resource was highlighted in much of our communication to staff.

In 2019, the top 5 training topics accessed by staff were

1. Professional Development	1,000
2. Leadership & Management Skills	441
3. Preventative Health	401
4. Stress Management & Resilience	353
5. Mental Health	260

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In the first six month of 2020, the top 5 topics accessed by staff were:

1. Mental Health	1,966
2. Physical Conditions & Diseases	1,105
3. Professional Development	724
4. Leadership & Management Skills	688
5. Parenting and Caregiving	508

Employees accessed the online support program to help improve their mental health and to take care of their physical health. As well, we experienced an overall increase in usage of 200% and an 800% increase in accessing Mental Health modules.

Human Resources continues to monitor the state of mental health and wellbeing of the organization with a view to adjusting services and supports in response to the changing needs of employees and their families. These adjustments are particularly crucial as we cope with the challenges associated with the COVID-19 pandemic crisis.

**APPENDICES AND SCHEDULES ATTACHED**

Not Applicable



# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance & Administration Committee
<b>COMMITTEE DATE:</b>	November 5, 2020
<b>SUBJECT/REPORT NO:</b>	A Privacy Breach Review (FCS20097)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Lisa Barroso (905) 546-2424 Ext. 2743
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager, Corporate Services
<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Not applicable.

## INFORMATION

The purpose of this report is to provide Audit, Finance & Administration Committee with the results of a Privacy Breach Review, requested by the City Manager on October 1, 2020, to investigate personal information of identifiable individuals found to be on the City's website.

This Privacy Breach Review will provide:

- 1) Timelines and Discovery of the privacy breach
- 2) City's Privacy Breach Response Plan
- 3) Summary of Privacy Investigation
- 4) Corrective Actions/Recommendations resulting from the Investigation

### 1) Timelines and Discovery of the privacy breach

- On October 10, 2019, the Hamilton Police Services (HPS) Board considered a request for a deputation to the Board regarding a motion that was passed by the LGBTQ Advisory Committee. Submitted with request for deputation, was a copy

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of LGBTQ Advisory Committee motion from its meeting minutes dated May 15, 2019. The motion contained personal information of identifiable individuals, as defined in the *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA), and was published in the HPS Board Agenda unredacted.

- On February 20, 2020, the City's Audit, Finance and Administration Committee received minutes of LGBTQ Advisory Committee meetings. Under the authority of the MFIPPA, the City Clerk redacted personal information of identifiable individuals, a mandatory exemption under the legislation, contained in the LGBTQ Committee minutes dated May 15, 2019, and informed Committee of the redaction. The redacted minutes were published in the AF&A meeting Agenda.
- During the discussion of an Integrity Commissioner report at Council on September 30, 2020, the City's Senior Communications Officer, responsible for the City's social media accounts, received a tweet @cityofhamilton that provided a link to an unredacted document on the City of Hamilton's website. The unredacted document was published in the HPS Board Agenda dated October 10, 2019.
- Upon receiving the tweet, the Senior Communications Officer forwarded the information to the City Clerk and Deputy Clerk to verify. Once verified, the Clerk directed the Legislative Coordinator of Audit, Finance & Administration Committee, to notify the HPS Board Administrator that an unredacted record was published in their agenda dated October 10, 2019. The Manager of Corporate Records and FOI was notified at the same time.
- Later in the day on September 30, 2020, the Administrator of the HPS Board confirmed that they exercised their authority under MFIPPA and replaced the record containing personal information with a redacted version.
- On October 1, 2020, The City Manager directed the Manager of Corporate Records and FOI to conduct a Privacy Breach Review with a report due to Committee in 30 days.
- On October 1, 2020, the Manager of Corporate Records and FOI executed the City's Privacy Breach Response Plan.

## **2) City's Privacy Breach Response Plan**

The following provides a brief outline of the process followed by Privacy staff upon being notified of a privacy breach:

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*Step 1 – Immediately Alert Appropriate Parties*

- Alert all relevant staff of the breach, including the Privacy Officer, and determine who else within your organization should be involved in addressing the breach.

*Step 2 – Contain the Breach*

- Identify the nature and scope of the breach and the action required to contain the breach (i.e. determine what personal information is involved and take corrective action).

*Step 3 – Notify those affected by the Breach*

Notify those affected as soon as reasonably possible. Notification should include:

- details of the extent of the breach and the specifics of the personal information that was compromised;
- the steps taken and planned to address the breach, both immediate and long-term;
- contact information for someone within your organization who can provide additional information and assistance, and answer questions;
- a statement that those affected have a right to make a complaint to the IPC and how to do so.

*Step 4 – Investigate the Breach and Remediation*

- Identify and analyze the events that led to the breach
- Review your policies and practices in protecting personal information, privacy breach response plans and staff training to determine whether changes are needed;
- Determine whether the breach was a result of a systemic issue and if so, review your program-wide or institution-wide procedures;
- Take corrective action to prevent similar breaches in the future and ensure staff are adequately trained.

***NOTIFYING THE INFORMATION and PRIVACY COMMISSIONER (IPC)***

Assess the need to notify the IPC. The IPC should be notified of significant breaches such as those that may involve sensitive personal information or large numbers of individuals, or when there are matters of public interest, or when there are difficulties containing the breach.

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### **3) Summary of Privacy Investigation**

- In January 2018, the City of Hamilton began using eSCRIBE Agenda Management software, as a meeting management software solution. The HPS Board was included as a user in the City's contract of this solution. The hosted solution was provided through the City's eSCRIBE account. The HPS Board Agendas appeared on both the Police Services Board website and the City of Hamilton's website through this account.
- The investigation confirmed that personal information of identifiable individuals, was available on the City's web site, through a HPS Board Agenda, without the consent of the identifiable individuals. This constituted a privacy breach.
- The privacy breach revealed issues of accountability and custody and control over HPS Board records which were available through the shared City eSCRIBE account. Information contained in HPS Board Agendas was under the control of the HPS Board, having authority over the creation, use, disclosure and disposal of the information, but in the custody of the City, hosted on the City's website.
- Once alerted to the breach, City staff notified the Administrator of the HPS Board who took immediate steps to contain the breach and have the record replaced with a redacted version. The City did not have control over the record.
- The Manager of Corporate Records and FOI took responsibility for conducting the privacy investigation, for notifying affected parties to the breach, in writing, in accordance with the City's Privacy Breach Response Plan, and for determining corrective actions to prevent a future breach.
- The results of the Privacy Breach Investigation were shared with the Administrator of the HPS Board.
- Given the public interest in this matter, the Manager of Corporate Records and FOI has reported the breach to the Information & Privacy Commissioner's Office (IPC). All information relating to this matter will be shared with the IPC in the event they conduct their own investigation.

### **4) Corrective Actions/Recommendations resulting from the Investigation**

That Management review the following recommendations and prepare responses to the Audit, Finance and Administration Committee:

- Set up a new dedicated account for HPS Board Agendas to be embedded directly on the Hamilton Police Services website and remove the Hamilton Police Services Board Agendas from the City's website.

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- Review and update the privacy statement on the City's website to ensure it governs the collection, use, storage and protection of personal data provided by users of the City's website.
- Develop a web policy to ensure all software integration on the City's website is vetted by the Digital Communications Team prior to implementation.
- Develop a web content strategy to guide the planning, creation, delivery and governance of web content.
- Review procurement policies and by-law as it relates to vendor requirements to comply with MFIPPA.
- Conduct Privacy Impact Assessments on new software applications and processes to support the Information & Privacy Commissioner of Ontario's Privacy By Design Principles.
- Implement a Privacy Policy that establishes clear accountability statements, including roles and responsibilities for the protection of personal information collected, used, disclosed and disposed by the City of Hamilton, to foster greater public trust. This includes ensuring staff are adequately trained.

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**CITY OF HAMILTON**  
**CITY MANAGER'S OFFICE**  
**Office of the City Auditor**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	November 5, 2020
<b>SUBJECT/REPORT NO:</b>	Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory (AUD20008) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Amy Bodner CPA, CA, CIA (905) 546-2424 Ext. 4438  Domenic Pellegrini CPA, CMA, CIA (905) 546-2424 Ext. 2207  Brigitte Minard CPA, CA, CIA, CGAP (905) 546-2424 Ext. 3107
<b>SUBMITTED BY:</b>	Charles Brown CPA, CA, CPA (Illinois) City Auditor Office of the City Auditor
<b>SIGNATURE:</b>	

**Discussion of Confidential Appendix “E” to this report in Closed Session, would be pursuant to Section 8.1, Sub-section (a) of the City's Procedural By-law 18-270, as amended, and Section 239(2), Sub-section (a) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to the security of the property of the municipality or local board.**

### **RECOMMENDATIONS**

- (a) That Appendix “A” of Report AUD20008, respecting the Transportation Operations Inventory Audit Report, be received.
- (b) That the Management Responses as detailed in Appendix “B”, Appendix “D” and Private and Confidential Appendix “E” of Report AUD20008 be approved;

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**SUBJECT: Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 Public Works – Traffic Inventory (AUD20008) (City Wide) – Page 2 of 5**

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- (c) That the General Manager of Public Works be directed to instruct the appropriate staff to have the Management Responses (attached as Appendix “B”, Appendix “D” and Private and Confidential Appendix “E” to Report AUD20008) implemented; and
- (d) That Appendix “C” of Report AUD20008, respecting the follow up of Audit report 2013-17, Public Works – Traffic Inventory, be received.
- (e) That Private and Confidential Appendix “E” to Report AUD20008, remain confidential.

### **EXECUTIVE SUMMARY**

As a result of a recent concerns management brought forward about suspected misappropriation of copper wire inventory at the Traffic Operations Centre, the City Auditor chose to carry out an audit of processes to identify gaps that expose inventory to the risk of misuse, loss or misappropriation. Twenty-two recommendations were made to strengthen controls and increase process efficiencies related to inventory. The results of this audit are presented in a formal audit report containing our findings, conclusions, recommendations and management responses. This audit report is attached as Appendices “A”, “B”, and “E” (Private and Confidential) to Report AUD20008.

In addition to Audit Report 2020-04, the City Auditor has included the results respecting a second follow up of Audit Report 2013-17 as both projects pertained to Transportation Operations inventory. Audit Report 2013-17 was originally issued in June 2014 and management action plans with implementation timelines were included in the Report. A Follow Up to Audit Report 2013-17 was issued in March 2016 to determine if appropriate and timely actions had been taken. At that time, of the nine recommendations made in the original Report, two recommendations were completed, three were in progress and four remained not completed. In June 2020, the Office of the City Auditor (OCA) completed a second follow up exercise. Of the nine original recommendations, two recommendations are in progress, two are initiated and five remain not completed. As compared to the initial follow up, the status of four recommendations have remained the same, one has improved, while the remaining four regressed. Details of implementation specific to each recommendation are included in Appendix “C” to Report AUD20008.

The City Auditor also completed an investigation attempting to determine how almost 17,000 meters of copper wire worth approximately \$51K could have gone missing. Although it was not possible to determine the reason for the copper wire’s disappearance, the investigation identified four vulnerabilities and made eleven

**SUBJECT: Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 Public Works – Traffic Inventory (AUD20008) (City Wide) – Page 3 of 5**

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recommendations to improve the reporting of copper wire usage and the amount of excess copper wire scrapped. This investigation report is attached as Appendix “D” to Report AUD20008.

**Alternatives for Consideration – Not Applicable**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: None.

Staffing: None.

Legal: None.

**HISTORICAL BACKGROUND**

The City Auditor chose to conduct the audit leading to Audit Report 2020-04 as a result of investigating concerns brought forward by management about suspected misappropriation of inventory within Transportation Operations. The results of this audit are attached as Appendices “A” and “B” to Report AUD20008.

Some of the issues raised by Traffic Operations also relate to Fraud and Waste. Therefore, the City Auditor also chose to report this issue as Fraud and Waste Hotline report 2020-28312. The results of this report are attached as Appendix “D” to Report AUD20008.

The Audit, Finance and Administration Committee receives and approves audit reports as part of its responsibilities for the oversight of governance.

Audit Report 2013-17, Public Works – Traffic Inventory, was originally issued in June 2014. The report provided nine recommendations to strengthen controls, improve process efficiencies and increase management oversight. A follow up to Audit Report 2013-17 was issued in March 2016 reporting the implementation status of those recommendations. Due to concerns over inventory controls, the City Auditor chose to conduct another follow up exercise on all nine recommendations, even those recommendations previously reported as being completed. The results of this follow up audit are attached as Appendix “C” to Report AUD20008.

**SUBJECT: Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 Public Works – Traffic Inventory (AUD20008) (City Wide) – Page 4 of 5**

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## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

None.

## **RELEVANT CONSULTATION**

Appendices “B”, “D” and “E” (private and confidential) to Report AUD20008 include management responses from management in the Public Works Department responsible for overseeing inventory at the Traffic Operations Centre. In addition, management was provided Appendix “C” to Report AUD20008 containing the results of the follow up audit. In all cases, management resides within the City’s Transportation Operations and Maintenance Division of the Public Works Department.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATIONS**

The OCA interviewed staff, reviewed documents and observed activities in order to understand and assess processes in place for safeguarding inventory. Appendix “A” to Report AUD20008 contains a formal Audit Report (2020-04) containing the audit observations. The OCA made 22 recommendations to strengthen controls and increase process efficiencies for inventory at the Traffic Operations Centre. These recommendations can be found in Appendix “B” and “E” (private and confidential) to Report AUD20008.

Management agreed with 19 recommendations and partially agreed with the remaining three recommendations. Management provided management responses for implementation. The implementation of the management responses are anticipated to be completed by 2022.

In addition to Audit Report 2020-04, the City Auditor has included the results respecting a second follow up of Audit Report 2013-17 which also pertained to Transportation Operations inventory.

The report attached as Appendix “C” to Report AUD20008 contains the original report, Audit Report 2013-11, previous follow up findings, along with comments indicating the City Auditor’s findings for the follow up work performed this year. There were nine recommendations in Audit Report 2013-11. As of June 2020, two recommendations were “In Progress”, one was “Initiated”, one was “Alternative Initiated” and five were “Not Completed”. Appendix “C” to Report AUD20008 contains the details of implementation by recommendation.

**SUBJECT: Audit Report 2020-04 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 Public Works – Traffic Inventory (AUD20008) (City Wide) – Page 5 of 5**

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The OCA interviewed staff, reviewed documents and observed activities in order to understand and assess the procurement, inventory, usage and scrapping of specified copper wire. Appendix “D” to Report AUD20008 contains the Fraud and Waste Hotline report issued to management (2020-28312) containing the vulnerabilities identified. The OCA made 11 recommendations to better track copper wire usage and the scrapping of waste wire stored at the Traffic Operations Centre. These recommendations can be found in Appendix “D” to Report AUD20008.

Management agreed with all 11 recommendations and provided management responses for implementation. The implementation of the management responses is anticipated to be completed by Q2 2021.

### **ALTERNATIVES FOR CONSIDERATION**

Not applicable.

### **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

#### **Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

### **APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report AUD20008 – Audit Report 2020-04

Appendix “B” to Report AUD20008 – Recommendations and Management Responses

Appendix “C” to Report AUD20008 – Follow Up to Audit Report 2013-17

Appendix “D” to Report AUD20008 – Fraud & Waste Investigation – Case 2020-28312 Control Weaknesses Related to Specialized Copper Wire

Private and Confidential Appendix “E” to Report AUD20008 – Security Observations, Recommendations and Management Responses.



**Audit Report 2020-04  
Transportation Operations Inventory Audit**

**November 5, 2020**

**Office of the City Auditor  
Amy Bodner, Performance Auditor  
Charles Brown, City Auditor**

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## Executive Summary

Transportation Operations management contacted the Office of the City Auditor (OCA) in May 2020 with concerns about suspected misappropriation of copper wire inventory.

As a result, the City Auditor chose to carry out an audit of inventory processes to identify gaps that expose Transportation Operations to the risk of fraud. In addition, the City Auditor chose to follow up on nine recommendations brought forward by the OCA during a similar inventory audit conducted in 2013. The City Auditor has brought forward 22 new recommendations to strengthen controls and increase process efficiencies related to inventory. Management in Transportation Operations and Business Initiatives agreed with 19 of the recommendations and partially agreed with the remaining three recommendations. Action plan completion dates range from Q4 2020 to Q4 2022.

## Introduction and Background

In May 2020, the OCA was notified by management in Transportation Operations and Business Initiatives of suspected misappropriation of copper wire inventory. After a site visit and preliminary discussions with management about their concerns, the OCA decided to carry out two concurrent assignments:

1. An investigation into the discrepancies surrounding copper wire; and
2. A high-level audit of Transportation Operations and Business Initiatives inventory processes as well as following up on all recommendations brought forward during a more detailed, controls-based audit related to inventory conducted in 2013.

This report contains the results of the inventory audit. The investigation into the copper wire discrepancies are presented under separate cover in Appendix "D" to Report AUD20008.

The City of Hamilton, in accordance with its obligation to ensure that it is providing efficient and fair delivery of City services, has appointed an Auditor General, known as the City Auditor, who is the leader of the OCA. The City Auditor receives reports of actual or suspected fraud from management as outlined in the City's *Fraud Policy and Protocol* which affords discretion to the City Auditor to investigate matters which may from time to time involve related audits of processes that are not on the Audit Workplan. This audit was carried out under that authority and is intended to provide Council with the OCA's findings and conclusions regarding potential weaknesses in City processes.

## Key Terms

**Business Initiatives:** Section within the Transportation Operations & Maintenance Division responsible in part for business services, which includes ordering, receiving and distributing inventory, managing the stockroom, and data entry. Traffic Operations Clerks are a part of this section.

**Hansen:** System currently used by Business Initiatives to record inventory movement, enter work orders and track project costs (labour and materials). Hansen will be replaced with a new Enterprise Asset Management system in early 2021. Infor is the company that provides both the Hansen and Enterprise Asset Management systems.

**Obsolete Inventory:** Materials that are out of date and no longer used.

**Primary Inventory:** Refers to materials stored in the stockroom within the Traffic Operations Centre. Several safeguards are in place to protect these items, such as restricted access, tracking the movement of inventory and performing both cycle and year-end inventory counts.

**Secondary Inventory:** Refers to materials stored in work vehicles and in several areas throughout the Traffic Operations Centre which are accessible by all employees. There are no safeguards in place to protect these items or monitor use.

**Segregation of Duties:** Concept of having more than one person complete a task or set of transactions in order to prevent fraud and error.

**Transportation Operations:** Section within the Transportation Operations & Maintenance Division responsible for the design, installation, operation and maintenance of traffic signs, roadway safety devices, traffic signals, pavement markings, street lighting and roadway safety. Staff in these areas utilize inventory to carry out their daily work assignments.

## Audit Objective

The overall objective of this audit was to determine the adequacy of processes and controls in place which are designed to safeguard inventory and detect inappropriate inventory usage, loss or misappropriation.

## **Audit Scope**

The scope of work included processes related to the ordering, receiving, handling, distribution and return of inventory used by Transportation Operations and Business Initiatives at the Traffic Operations Centre. The audit also included looking at access to and security of inventory, inventory counts, strategic planning and inventory management.

The scope of work did not include tools, batteries, gloves, personal protective equipment, clothing and other items meant to support staff in performing their duties.

Management began to store inventory at another City facility after audit fieldwork concluded. As a result, the scope of work did not include inventory locations other than the Traffic Operations Centre.

## **What We Did**

- 1) Gained an understanding of administrative and operational processes associated with inventory at the Traffic Operations Centre.
- 2) Assessed processes and controls in place for safeguarding inventory. This work included documenting processes, performing process reviews and identifying controls in place.
- 3) Performed follow up audit work on all recommendations brought forward in Audit Report 2013-17 – Public Works – Traffic Inventory (AUD14017).

## **How We Did It**

- Reviewed applicable policies, procedures and reports.
- Interviewed various personnel and other City employees.
- Documented pertinent processes in a narrative.
- Examined electronic and paper documents, reports and transactions, as needed to understand inventory-related processes.
- Observed relevant processes and handling of inventory.

## Findings

### Roles, Responsibilities, Accountability & Ownership

One common theme identified throughout most interviews was the lack of clarity around the roles people play with respect to inventory management and processes, and who is ultimately responsible and accountable for certain functions. There is a systemic lack of collective ownership over inventory, which has created silos within Transportation Operations and Business Initiatives, a breakdown in communication and a lack of initiative to fix widely-known problems. Even though employees are passionate about their job and highly motivated to carry out their daily work activities, this is often at the expense of building awareness and understanding of each other's individual contributions to inventory management. In many circumstances, employees' desire to make things better is low due to unsuccessful or unrecognized past attempts to make positive change.

The following are interview comments that illustrate this theme:

- Operations gets work done. All things inventory belongs to the Clerks.
- I know we have stuff here that we're never going to use – I don't know how to get rid of it and I don't know who to go to.
- When I tell someone about obsolete goods, process improvements or material/vendor issues, nothing happens.
- Supervisors expect stock to be there even though they don't communicate what materials are needed for upcoming projects and they don't look up inventory quantities in Hansen or learn how to use the system.
- Operations management is responsible for making sure stock is available for their people to do their work. (This may involve bypassing normal inventory processes such as ordering stock themselves.)
- I wouldn't think about telling the stockroom I was ordering stuff or how much room I'd need.
- Subject matter experts who create inventory specifications for new contracts don't consult with maintenance staff to brainstorm pain points – some new parts just won't work with existing infrastructure or the ability to order spare parts isn't included in the contract.

- We're not consulted far enough in advance by other City groups when we're involved in their projects, which makes it hard to make sure enough inventory is on hand when we need it.
- Opportunities exist for more team work. We are reactive. We should start planning our work and communicating our inventory needs to the Clerks in advance so materials can be ordered and be here when we need it.
- Everyone is responsible and has a role to play. Inventory is one piece of the puzzle to finish projects – our approach toward inventory and each other can help or hinder achieving that goal.

Transportation Operations and Business Initiatives, like many other areas in the City, have experienced a fair amount of retirement, turnover and transition in the past couple of years. This, compounded by the fact that many inventory-related processes are not documented, may have contributed to the amount of uncertainty and frustration expressed by staff.

Organizational culture has a profound impact on the control environment – it sets the stage for the integrity, ethical beliefs and competencies of its people. People carry out the processes which embody the internal controls required to safeguard inventory. Transportation Operations and Business Initiatives have an opportunity to strengthen the inventory control environment by building more clarity, understanding and collaboration into daily activities.

### **Inventory Management – Primary Versus Secondary Inventory**

Transportation Operations and Business Initiatives classify their stock as either primary or secondary inventory.

Primary inventory refers to materials housed in the stockroom located inside the Traffic Operations Centre. Several safeguards are in place to protect primary inventory, such as restricted access, tracking the movement of inventory and performing both cycle and year-end inventory counts. Approximately 40% or \$1.7 million is in primary inventory.

Secondary inventory refers to materials housed in work vehicles and several areas throughout the Traffic Operations Centre, such as the parking lot, outside compound, outside loading dock, outside rear yard, inside cage, garage, signal shop, machine shop and print shop. These areas are accessible by all employees and not monitored by the Traffic Operations Clerks or operational management. Materials taken from secondary inventory are not recorded – these items are captured on employees' Daily Activity Sheets only when the materials are used to complete a work assignment. There are no internal controls over secondary inventory to prevent misuse or misappropriation of goods. Approximately 60% or \$2.5 million is in secondary inventory.

There are no clear guidelines or criteria as to what is classified as primary or secondary inventory. It is assumed that inventory susceptible to misuse or misappropriation would be stored in the stockroom due to having restricted access and a higher level of control compared to secondary inventory. During a facility walkthrough, the OCA identified the following items and questioned whether their storage location was reasonable:

- A significant amount of copper wire is in the garage (a secondary location). The OCA investigated management's concerns that copper wire was being misappropriated. Due to its scrap value, this item would be considered higher risk, and should either be stored in the stockroom or additional controls should be implemented to monitor use while in secondary inventory.
- Manufactured signs awaiting pick up are stored in primary inventory. These items are low risk and could be housed in a secondary location.
- Completed controller cabinets are stored in the garage (a secondary location). Situations have occurred where staff have taken parts from completed cabinets for their own projects, making the cabinets inoperable. Additional security and controls afforded by the stockroom would have prevented this from occurring.
- A round pole is stored in the stockroom while a bolt pole is stored outside in the compound. Each pole is identical, apart that a round pole has threads to attach it to another structure while a bolt pole has holes to bolt it to the ground. Staff indicated that a round pole is more fragile due to the threads; hence it is stored inside. This item does not require the added control afforded by the stockroom.

Approximately \$2.5 million of inventory is housed in secondary locations – this is a significant amount of inventory with very little oversight and no internal controls. Even though secondary inventory reduces the time it takes for staff to get materials, there must be a balance between ease of access, risk of misuse/misappropriation and level of control.

### **Inventory Management – Items Not Recorded in Inventory**

Traffic cameras, radios and other items purchased with capital budget dollars are stored in the stockroom for security purposes; however, these items are not recorded or tracked by the Traffic Operations Clerks in Hansen. Project Managers insisted these items not be recorded in Hansen to allow the full cost to be charged to the capital budget in the year of purchase, not as items are used.

Although a reason exists as to why this practice exists, not tracking or recording capital purchases increases the risk that items may be misplaced, misused or misappropriated without anyone knowing. In addition, it is unclear who would be responsible if these items were lost, damaged or stolen. In some cases, these are high value items – management valued the traffic cameras and associated materials to be approximately \$1.5 million.

In addition, operational staff in other areas may use Excel spreadsheets or other means to track what is being stored in the stockroom (e.g. radios). This method of inventory management is not efficient considering that Business Initiatives already has a system and staff that monitor inventory.

### **Inventory Management – Classification and Organization of Inventory**

Staff identified several challenges related to how inventory items are classified and organized within the stockroom.

Part numbers for some inventory items are no longer suitable, making it difficult to know whether an item is available and in what quantities. For example:

- Part #7601 was created as a catch-all for infrequently used street signs. Over time, the number of signs in this category has grown exponentially. Separate part numbers were not assigned to existing or new signs that were used more frequently. As a result, it is difficult for Traffic Operations Clerks to know whether a specific sign is in stock.
- The controller for a pedestrian crossover (PXO) is made up of approximately 12 components. Each component has the same part number. If staff require one component to repair a PXO, it is difficult to identify that component and record its use as PXOs are set up in Hansen as a kit rather than by individual component.

The stockroom is not organized in a manner to optimize space, find items quickly and facilitate an inventory count. For example:

- The same item is stored in multiple locations throughout the stockroom.
- Aisles, work benches and other areas are cluttered with items set aside for particular projects, signs waiting to be picked up, inventory needing a storage space, etc. One loading bay is not used because it is blocked with boxes.
- The general layout of the stockroom is segregated between signs and signals. Items are not stored based on frequency of use. Staff explained how time is spent moving skids and boxes around in order to access items.

- An area of the stockroom is used for filing paperwork related to both inventory and operations. Some of these documents date back upwards of 20 years.

It is extremely important for Business Initiatives to optimize the use of available real estate in order to have sufficient stock on hand to meet operational demand, store materials for other groups when the need arises, set aside materials ordered for construction projects, and free up space to store items currently in secondary inventory that require more controlled access.

### **Security**

Physical security measures are in place at the Traffic Operations Centre. However, opportunities exist to improve a variety of security tactics.

Please refer to Private and Confidential Appendix "E" to Report AUD20008 for detailed security audit observations.

### **Obsolete & Excess Inventory**

As standards and technologies change, materials become out dated and may no longer be used by Transportation Operations. Staff are aware of obsolete materials in the stockroom, such as incandescent street light bulbs, that the City will not use again. No one is aware of who to inform or what to do to dispose of obsolete inventory.

In addition, it is unclear who is responsible for identifying and informing the Traffic Operations Clerks when specifications or standards have changed so that unsuitable materials are no longer disbursed from the stockroom.

There are also instances where there is too much or excess inventory. In some cases, staff dispose or scrap these materials to make more room in the stockroom and other areas where inventory is stored.

Without a clear procedure outlining who does what with excess or obsolete goods, there is a risk that materials are thrown out or scrapped incorrectly and the City will lose out on any remaining value associated with these items.

### **Distributing Inventory to Contractors and Other City Employees**

Various contractors, non-Traffic City employees or others may arrive at the Traffic Operations Centre requesting inventory, specialty signs or other items. Traffic Operations Clerks may be provided an email or other documentation in advance

indicating who is arriving to pick up materials. However, this process is inconsistent or not always followed.

Traffic Operations Clerks ask the person to produce a document or email showing what materials are being picked up and authorization to take them. In many cases, individuals do not have this information or even know what materials they are there to retrieve. The Traffic Operations Clerks investigate and call other City staff to try and identify the materials and get approval to release them.

Without a standard process to distribute inventory to outside contractors and other City employees, there is a risk that materials are incorrectly disbursed.

### **Inventory Returned from the Street**

When performing maintenance on traffic signs or signals, staff remove old parts and replace them with new or updated ones. The old parts are returned from the street to the Traffic Operations Centre. Staff bringing back the parts decide whether items are reused, scrapped or brought back into inventory.

Staff indicated that direction was given to scrap all materials returned from the street. The normal practice is to value returning scrap at a nominal value of \$0.01 no matter what its true value as scrap material. Just because materials are assigned an arbitrary value to increase available quantities in Hansen does not mean that these materials are worthless. It would cost the City far more to buy new as compared to reusing an item returned from the street. This practice degrades the ability of the City to realize full value in managing its inventory.

Management identified items in the scrap bins that may be reused or reworked into useable items. Even though staff were told by management during the audit to not throw reusable items into the scrap bins, there is no oversight and no training was provided to staff to ensure this change would be successful.

There is also concern that Transportation Operations or Business Initiatives may not be identifying warranty issues or possible product flaws if there is no record keeping or oversight over disposed materials.

In addition, inconsistencies exist with how materials brought back into inventory are recorded in Hansen. The Manager indicated that materials returned from the street are valued at \$0.01. However, the OCA viewed a Traffic Operations Clerk using a different method, average costing, to value inventory when a transaction was entered. Average costing impacts the value of materials charged out to projects as well as the value of items remaining in inventory.

### **Utilizing Technology to Eliminate Paper**

Transportation Operations and Business Initiatives generates a significant amount of paperwork each day (e.g. vendor order forms, invoices, work orders, daily activity sheets, stock pick tickets, etc.). Capability exists within the current Hansen system to make many processes paperless. Other areas within the City use Hansen to track inventory orders, receipts, packing slips, back orders, payments, contracts and purchase order details electronically. In addition, Hansen has been used by others to issue work orders and for staff to receive work orders and record daily activities (including time and materials) electronically in the field using tablets. There is also the ability to upload photos and barcodes to scan individual inventory items received, disbursed and used into Hansen.

Going paperless will significantly reduce filing storage and create space in the stockroom, reduce the amount of manual data entry and streamline processes for operational staff. There is also an opportunity to build controls into the electronic system to reduce errors, such as warning staff if part numbers or other data is not entered correctly.

### **Year End and Cycle Counts**

Both primary and secondary inventories are counted at the end of the calendar year. In addition, counts of selected items in the stockroom occur throughout the calendar year (otherwise known as cycle counts). Inventory counts are important safeguards to ensure that inventory management is accurate and that goods are not being lost or misappropriated. Opportunities for improvement exist for both cycle and year end counts.

Management indicated that cycle counts occur on a weekly basis. Traffic Operations Clerks explained these counts are carried out when time allows or when discrepancies arise. A review of available cycle count sheets from July 2019 – May 2020 show that these counts occurred on a sporadic basis. In addition, staff select which items are counted. No strategy or criteria exist to determine which inventory items should be counted.

During the cycle count, if staff uncover a discrepancy between what is counted and the quantity shown in Hansen, they investigate to ensure all transactions are accurately recorded in Hansen. If the difference cannot be found, staff make an adjusting entry in Hansen to correct the quantity and a peer reviews the entry to make sure it's accurate. Management does not oversee or approve inventory adjustments entered into Hansen. This creates an opportunity for staff to misappropriate inventory and hide the irregularity through an inventory adjustment.

Management indicated that an inventory count was performed at the end of 2019. The OCA was unable to gain a full understanding of how the count was conducted or the results, because no procedures exist and the employee responsible for overseeing the count retired before the audit began.

Management performed an inventory count in June 2020 in light of their concerns which lead to this audit. Both the OCA and management are uneasy about the accuracy and completeness of the count results due to the following reasons:

- The count was performed by staff who are familiar with the parts relevant to their duties; however, these individuals do not work in the stockroom and have no experience counting inventory. The management team member overseeing the count also had no prior count experience. Training was not provided beforehand.
- No procedures existed describing the count strategy or the how certain items should be counted.
- Inventory on work vehicles and throughout the Traffic Operations Centre was not organized beforehand which made the count difficult.
- After the count, management discovered inventory that should have been counted. Also, items were counted that should not have been counted.
- There is no indication that obsolete items were excluded from the count.
- Counters identified items that were not on the inventory list; however, these items were not recorded on a separate sheet for management's review.

### **Follow Up Audit Results**

The OCA audited the management, administrative and operational processes associated with traffic operations inventory in 2013. Nine recommendations were made to strengthen controls, ensure inventories are adequately safeguarded and accounted for, and raise opportunities for administrative efficiencies and improved management oversight. *Audit Report 2013-17 – Public Works – Traffic Inventory (AUD14017)* was originally issued in June 2014 and management action plans with implementation timelines were included in the Report. The OCA conducted a follow up exercise in the Fall 2015 to determine if appropriate and timely actions had been taken. *Follow Up to Audit 2013-17 Public Works – Traffic Inventory (AUD16007)* was issued in March 2016 with the results of the follow up exercise. At that time, of the nine recommendations made in the original Report, two recommendations were completed, three were in progress and four remained not completed.

In light of the inventory concerns raised, the OCA decided to follow up on all nine recommendations again as part of this current audit. Please refer to Appendix "C" to report AUD20008 for a detailed account of the observations, recommendations and management action plans from the original Report, follow up comments from 2015, and the comments from this year's follow up audit.

As of June 2020, of the nine recommendations made in the original Report, two recommendation is in progress, two recommendations are initiated and five remain not completed. As compared to the 2015 follow up, the status of four recommendations have remained the same, one has improved, while the remaining four regressed.

Overall, management has made progress as compared to the original audit in 2013 with respect to developing a better system to secure and track inventory within the stockroom. However, additional effort is required to address most of the observations.

## **Recommendations**

Please refer to Appendix "B" to Report AUD20008 for a list of Recommendations and the related Management Action Plans that will strengthen controls and increase process efficiencies for inventory. Please refer to Private and Confidential Appendix "E" to Report AUD20008 for a list of recommendations and the related Management Responses that address the audit observations related to security.

## **Conclusion**

The OCA has brought forward several observations and recommendations in order to build upon Transportation Operations' and Business Initiatives' continued efforts to improve how inventory is managed. Transportation Operations and Business Initiatives have an opportunity to undertake transformative change in this area. The OCA is confident that the passion and motivation shown by staff toward their daily work activities can be harnessed to build collective ownership and undertake this courageous change.

The OCA would like to thank Transportation Operations, Business Initiatives and other participants for their openness, enthusiasm and contributions throughout this project. We look forward to following up with management in the future to see the progress of their action plans and their impact on safeguarding the City's inventory.



**Audit Report 2020-04  
Transportation Operations Inventory Audit**

**RECOMMENDATIONS AND MANAGEMENT RESPONSES**

**November 5, 2020**

**Office of the City Auditor  
Amy Bodner, Performance Auditor  
Charles Brown, City Auditor**

## Recommendations

The following 18 recommendations will strengthen controls and increase process efficiencies related to inventory to reduce the risk of loss and misappropriation:

- 1. We recommend that standard operating procedures be created for all inventory-related processes, including the disposal of obsolete and excess inventory (that aligns with *Procurement By-Law No. 17-064*), disbursement of inventory to contractors and other City employees, inventory counts and security footage review. These procedures should apply to all current and future inventory locations. These procedures should include roles, responsibilities, process flow charts, sample documents and clear instructions to assist employees understand what is expected. A change management plan should be created to introduce the new operating procedures, including training and reinforcement with staff. Procedures must be reviewed at least annually and updated (as required). Evidence of the annual review should be documented and retained for audit purposes.**

### Management Response

Agreed. The Transportation Operations & Business Initiatives sections will develop an operational plan to include all components of inventory management. The purpose of this operational plan is to document policies and procedures related to the operation and maintenance of the inventory system.

Anticipated completion date: Q3 2021.

- 2. We recommend that management implement a more robust system of measurement by incorporating performance metrics into the standard operating procedures outlined in Recommendation #1. These metrics should be monitored by management and used to enhance inventory management around obsolescence, shrinkage, waste and scrap values.**

### Management Response

Agreed. The definition of performance metrics will be a key element in the development of the operational plan. The optimization of the new metrics will be monitored through the existing performance measurement methodology via the divisional balanced scorecard and annual reports.

The definition of metrics will be in alignment with the development of standard operating procedures in recommendation #1. The reporting and monitoring of metrics via the divisional scorecard and annual report will be incorporated in the 2022 work plan.

Anticipated completion date: Q4 2021.

- 3. We recommend that management review the job duties and roles performed for all positions to ensure that responsibility and accountability for inventory management is included at appropriate levels and duties are appropriately organized overall. Changes should be reflected in standard operating procedures as well as in job descriptions (as required).**

Management Response

Agreed. The division is reviewing and will modify the organizational structure implementing the changes accordingly. The associated changes to the roles and responsibilities will be outlined in the operational plan and standard operating procedures.

Anticipated completion date: Q1 2021.

- 4. We recommend that Transportation Operations management be provided with read-only access and training to view inventory levels in Hansen and run inventory reports.**

Management Response

Agreed. Business Initiatives will coordinate immediate access to Hansen with revised permission settings and complete require training for Supervisor level and above. Business Initiatives will develop an inventory report schedule for staff reference.

Anticipate completion date: Q4 2020.

5. **We recommend that management undertake initiatives to break down silos between various sections and build a more inclusive, cooperative and collaborative environment. Such activities should focus on building awareness, desire, knowledge, ability and reinforcement to support change.**

Management Response

Agreed. The operational plan will also include the development of a change management plan so that the construction of an operational plan will assist in building awareness and enhance collaboration among cross-functional groups.

Anticipated completion date: 2020-2022.

6. **We recommend that management review the primary and secondary inventory structure and what is stored in each area. Focus should be placed on the level of risk, control and access required when decided which items are stored in primary or secondary inventory.**

Management Response

Agreed. Management will undertake the risk-based assessment of storage and complete a Kaizen event to optimize the inventory structure and breakdown.

Anticipated completion date: Q2 2021.

7. **We recommend that management implement additional controls to monitor higher risk items that remain in secondary inventory. Such controls may include cycle counts, reasonability analyses, utilizing usage-tracking technology (such as vending machines and rope counters), or creating and monitoring additional inventory classifications (such as work vehicles).**

Management Response

Agreed. The definition of control measures required for the secondary inventory will be in alignment with the development of standard operating procedures in recommendation #1.

Anticipated completion date: Q3 2021.

8. **We recommend that management record all non-consumable items as inventory in Hansen. As part of this work, management should consult with Hansen support personnel to determine whether current capital items may be recorded in Hansen for tracking purposes only without charging costs out when materials are used.**

Management Response

Agreed. Management will prioritize the implementation of this recommendation before the end of this calendar year to ensure correct identification and tracking of all non-consumable items. Alternative approaches to Hansen will be investigated and may be adopted for tracking purposes.

Anticipated completion date: Q4 2020.

9. **We recommend that Business Initiatives undertake a Kaizen or Kanban exercise to improve the organization of the stockroom and other secondary locations. Consideration should be given to designating specific areas to segregate and hold materials set aside for specific projects, obsolete goods awaiting disposal and items designated as "do not inventory".**

Management Response

Agreed. We will undertake a Kaizen event or a methodology that results in a stockroom that is clean, uncluttered, safe and well organized.

Anticipated completion date: Q2 2021.

10. **We recommend that Business Initiatives review current part numbers and improve how inventory items are classified. This should include creating individual identifiers for kit components and signage.**

Management Response

Agreed. Business Initiatives will prioritize the implementation of this recommendation to ensure the correct identification and tracking of all existing part numbers before the end of the calendar year.

Anticipated completion date: Q4 2020.

- 11. We recommend that Business Initiatives include a description, picture and location code in Hansen for each part number to assist Traffic Operations Clerks locate items quickly within the warehouse.**

Management Response

Agreed, in part. Business Initiatives will investigate alternative approaches to fulfill the need of an ideal classification and identification of the inventory. Management may not necessarily use the current system Hansen for implementation of this recommendation.

Anticipated completion date: Q2 2021.

- 12. We recommend that management revise the returned materials policy to include more oversight and a more formal process over the reuse and disposal of goods (e.g. storage location, disbursement, etc.). A record should be kept of more significant disposed items which should be reviewed by management to identify possible product issues or warranty opportunities. Training should be provided to staff to build awareness of how items may be reused and recycled. Inappropriate behavior should be reinforced through the performance management process.**

Management Response

Agreed. The development of a returned material policy will be incorporated in the standard operating procedures in recommendation #1.

Anticipated completion date: Q4 2020.

- 13. We recommend that Business Initiatives reach out to Finance and Tangible Capital Assets to determine the best way to value materials returned from the street and how these transactions are recorded in Hansen. The valuation choices in Hansen should be restricted to eliminate possible data entry errors.**

Management Response

Agreed. Business Initiatives will collaborate with Finance to define the best methodology to record system transactions and value materials returned from the street.

Anticipated completion date: Q4 2020.

- 14. We recommend that management explore the feasibility of going paperless or adopting a paper-lite approach in both inventory management and operations. Opportunities should be explored in advance of implementing a new Enterprise Asset Management system in early 2021. A change management plan should be developed to support staff at all levels.**

Management Response

Agreed, in part. Management will adopt a paper-lite approach in accordance with the implementation of the Enterprise Asset Management System.

Anticipated completion date: To be determined – timeframe is dependent on the implementation of the Enterprise Asset Management System.

- 15. We recommend that management develop an inventory count procedure describing the strategy and methodology to be followed for both year end and cycle counts. Management should oversee and monitor staff performance during inventory counts, including observation during the count, review of count documents and performing sample recounts.**

Management Response

Agreed. Business Initiatives will prioritize the implementation of this recommendation to ensure an accurate inventory count procedure is adopted before the end of the calendar year.

Anticipated completion date: Q4 2020.

- 16. We recommend that management create a schedule indicating when cycle counts will occur and what will be counted. Staff should provide the cycle count forms to management at the end of the count for review and approval.**

Management Response

Agreed. Business Initiatives will prioritize the implementation of this recommendation to create a schedule for cycle counts before the end of the calendar year.

Anticipated completion date: Q4 2020.

- 17. We recommend that management implement safeguards for adjusting inventory within the system. One consideration may be for management to review and approve all inventory adjustments on a weekly basis. Management should compare the adjustment to the count form and explanations provided by staff to validate that the adjustment is appropriate. Management should sign and retain the transaction listing, along with supporting documentation, as evidence of their review for future audit purposes.**

Management Response

Agreed. The associated changes to the roles and responsibilities for inventory adjustments will be outlined in the operational plan and standard operating procedures.

Anticipated completion date: Q4 2020.

- 18. We recommend that management recommit to the nine management action plans outlined in the original audit. Management should review the audit observations to understand the issues which led to the audit recommendations and consider implementing alternative action plans (as required) considering the new recommendations brought forward.**

Management Response

Agreed. All outstanding recommendations will be addressed by the Transportation Operations & Business Initiatives sections with the development of an operational plan to include all components of Inventory Management.

The purpose of this operational plan is to document policies and procedures related to the operation and maintenance of the inventory system.

Anticipated completion date: Q3 2021.

Please note that there are four additional recommendations contained in the Private and Confidential Appendix "E" to Report AUD200008. A total of 22 recommendations were made for this audit.

**CITY OF HAMILTON  
 INTERNAL AUDIT REPORT 2013-17  
 PUBLIC WORKS – TRAFFIC INVENTORY  
 FOLLOW UP**

<b>OBSERVATIONS OF EXISTING SYSTEM</b>	<b>RECOMMENDATION FOR STRENGTHENING SYSTEM</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>FOLLOW UP (DECEMBER 2015)</b>	<b>FOLLOW UP (JULY 2020)</b>
<p><b>Inventory Management</b></p> <p>Traffic Operations have a stockroom containing the parts and materials needed by staff. The parts and materials removed from stock by staff are not tracked by the Inventory Clerks. Therefore, it is not possible to reconcile the parts and materials obtained from the stockroom to the parts and materials reported as having been used on the Daily Activity Sheets (DAS) that are completed by staff. These daily records are used to maintain the inventory records in Hansen.</p>	<p>1. That Traffic Operations management develop a system to track parts and materials taken from the stockroom by staff in order that accurate inventory records are maintained.</p>	<p>Agreed. Traffic will develop revised practices and procedures to ensure the inventory is tracked through streamlined processes to ensure the inventory records are accurately maintained.</p> <p>Improvements in parts and materials tracking will require segregation of inventory in a closed off stock room to limit access to inventory. Some additional construction costs will be required to segregate the stock room.</p> <p>The timeline for completion of the recommendation is December 2015.</p>	<p><b>In Progress.</b></p> <p>Management has re-organized the inventory and limited access to the stockroom to an appropriate number of staff.</p> <p>A draft procedure has been developed to track the movement of parts and materials from the stockroom. This procedure is expected to be finalized and implemented by March 2016.</p>	<p><b>Initiated.</b> Although stockroom access is restricted and staff track the movement of stockroom inventory, it is still difficult to reconcile items obtained from the stockroom to those reported as having been used on DAS. Also, no system is in place to track materials taken from secondary inventory. Management should continue to develop their inventory tracking processes to help facilitate reconciliation of inventory signed out and used by staff.</p> <p>The draft procedure developed in December 2015 remains in draft form and does not address the issue observed in the original audit.</p>

**CITY OF HAMILTON  
 INTERNAL AUDIT REPORT 2013-17  
 PUBLIC WORKS – TRAFFIC INVENTORY  
 FOLLOW UP**

<b>OBSERVATIONS OF EXISTING SYSTEM</b>	<b>RECOMMENDATION FOR STRENGTHENING SYSTEM</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>FOLLOW UP (DECEMBER 2015)</b>	<b>FOLLOW UP (JULY 2020)</b>
<p><b>Parts and Materials Orders</b></p> <p>A minimum re-order quantity has not been set for any of the parts and materials in inventory. Management has stated that, generally, three months' worth of supplies is maintained. The Inventory Clerks rely on physical observation and experience to gauge re-order timing.</p> <p>However, due to the large number of parts and materials in the stockroom, the risk exists that some needed parts and materials could run too low before the shortage would be noticed. This could delay some of the work performed by Traffic Operations.</p>	<p>2. That management set minimum re-order quantities for the frequently used parts and materials deemed critical to Traffic Operations.</p> <p>3. That the Inventory Clerks re-order parts and materials using the minimum re-order quantity levels set above.</p>	<p>Agreed. Traffic Staff have already commenced the implementation of the minimum re-order quantities for all parts.</p> <p>Agreed. Inventory Clerks will re-order parts and materials using the minimum re-order quantity levels established in the Hansen system.</p> <p>The implementation of the minimum re-order point will commence no later than September 2014.</p>	<p><b>Completed.</b> Management has developed procedures to calculate the re-order point for parts and materials. The minimum re-order quantities have been calculated for all materials and parts.</p> <p><b>Completed.</b> Management began to use the minimum re-order quantities to place orders in December 2015.</p>	<p><b>In Progress.</b> Minimum re-order quantities are assigned to various inventory items. However, there is no indication that management reviewed or adjusted minimum re-order quantities since December 2015.</p> <p><b>Not Completed.</b> Traffic Operations Clerks use experience and visual inspection to re-order inventory because minimum re-order quantities were not meeting operational needs.</p>

**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2013-17  
PUBLIC WORKS – TRAFFIC INVENTORY  
FOLLOW UP**

<b>OBSERVATIONS OF EXISTING SYSTEM</b>	<b>RECOMMENDATION FOR STRENGTHENING SYSTEM</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>FOLLOW UP (DECEMBER 2015)</b>	<b>FOLLOW UP (JULY 2020)</b>
<p><b>Parts and Materials - Segregation of Duties</b></p> <p>The Inventory Clerk that orders the parts and materials also takes receipt of the order, places it in stock and records it in Hansen. The current process and poor segregation of duties does not mitigate the risk of fraudulent activity.</p>	<p>4. That the Inventory Clerk that places and receives an inventory order be different from the Clerk responsible for stocking and recording the delivery in Hansen.</p>	<p>Agreed. Traffic is working in conjunction with the Finance group to change the workflow system to establish a more defined segregation of duties.</p> <p>This process will be completed by December 2014.</p>	<p><b>In Progress.</b> Draft procedures have been developed with Clerk Dispatchers placing orders for parts and materials, while the Inventory Clerks will stock and record deliveries in Hansen.</p> <p>Procedures need to be finalized and approved. Expected Completion: March 2016.</p>	<p><b>Alternative Initiated.</b></p> <p>The Clerk Dispatcher and Inventory Clerk positions have been combined into a Traffic Operations Clerk. It is possible that the same Clerk may order goods, take receipt of the order, place the goods in stock and record the transaction in Hansen. Although a peer review process has been implemented to ensure the accuracy of Hansen transactions, the risk of misappropriation remains as staff can adjust Hansen inventory quantities or falsify inventory count results. Therefore, additional controls around inventory adjustments and count procedures must be implemented to mitigate the risk associated with inadequate segregation of duties.</p>

**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2013-17  
PUBLIC WORKS – TRAFFIC INVENTORY  
FOLLOW UP**

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (DECEMBER 2015)	FOLLOW UP (JULY 2020)
<p><b>Inventory Manufactured In-House</b></p> <p>The type and quantity of the materials obtained from the stockroom for the in-house manufacture of signs are recorded on a form called the Material Transfer Sheet. The quantities actually used when manufacturing the signs are tracked on a DAS. The amount transferred from the stockroom typically exceeds the amount actually used.</p> <p>Management does not monitor this difference in quantities. The risk is that material may be wasted or the excess misappropriated.</p>	<p>5. That management perform periodic reviews to compare the quantities of materials transferred from the stockroom to the in-house sign shop and the quantities of materials tracked on the DAS. Evidence of such reviews should be maintained.</p>	<p>Agreed. Traffic Operations has commenced a review of our current practices for the consumption of materials used in in-house manufacturing in order to accurately track materials.</p>	<p><b>Not Completed.</b> Sufficient time has not elapsed since the stockroom was re-organized to review and compare the quantity of material transferred from the stockroom to the quantity of material tracked on the DAS. Expected Completion: February 2016.</p>	<p><b>Not Completed.</b> Staff in the sign shop have access to raw materials in the stockroom to manufacture signs. Management has not performed reasonableness analyses to assess whether raw materials are being used in an efficient manner for intended purposes.</p>

**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2013-17  
PUBLIC WORKS – TRAFFIC INVENTORY  
FOLLOW UP**

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (DECEMBER 2015)	FOLLOW UP (JULY 2020)
<p><b>Inventory Manufactured In-House (Cont'd)</b></p> <p>A table that is used to calculate the total cost (including labour, materials and overhead) of various traffic signs that are manufactured in-house has been developed and used to value signs inventory. This table has not been updated since January 2009. Costs have increased over the past five years but are not reflected in the table, resulting in undervaluation of in-house manufactured signs.</p>	<p>6. That Traffic Operations management annually update the table used in costing signs manufactured in-house.</p>	<p>Agreed. Traffic Operations management will update costs on an annual basis beginning in 2014. This process will be completed by December 2014.</p>	<p><b>Not Completed.</b> Management has not updated the table used for costing signs manufactured in-house. Expected Completion: February 2016.</p>	<p><b>In Progress.</b> The table used to cost in-house manufactured signs was last updated in May 2020. However, the Traffic Operations Clerks were unaware that this table was updated. The Clerks continue to use an outdated, printed price list to cost signs manufactured in-house.</p>

**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2013-17  
PUBLIC WORKS – TRAFFIC INVENTORY  
FOLLOW UP**

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (DECEMBER 2015)	FOLLOW UP (JULY 2020)
<p><b>Stock – Year-end Inventory</b></p> <p>Periodic cycle counts have not been performed on fast moving or high value parts and materials as required by internal procedures. Cycle counts can reduce the effort required during the year-end inventory count and identify discrepancies earlier in the year.</p>	<p>7. That management perform cycle counts as required by the internal procedures.</p>	<p>Agreed. Upon the completion of item #1 – Inventory Management (December 2015), cycle counts as required by internal procedures will commence.</p>	<p><b>Not Completed.</b> Cycle counts have not been performed. Management expects to begin performing cycle counts by June 2016.</p>	<p><b>Not Completed.</b> There is no strategy as to which items are counted. Although management expects cycle counts to occur weekly, counts from July 2019-May 2020 occurred on a sporadic basis.</p>

**CITY OF HAMILTON  
 INTERNAL AUDIT REPORT 2013-17  
 PUBLIC WORKS – TRAFFIC INVENTORY  
 FOLLOW UP**

<b>OBSERVATIONS OF EXISTING SYSTEM</b>	<b>RECOMMENDATION FOR STRENGTHENING SYSTEM</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>FOLLOW UP (DECEMBER 2015)</b>	<b>FOLLOW UP (JULY 2020)</b>
<p><b>Physical Inventory Count</b></p> <p>A physical inventory count is conducted in order to verify the existence of inventory items and adjust corresponding records to match the subsequent valuation of those items.</p> <p>A physical inventory count was conducted in November 2013. The count information gathered was manually loaded into a spreadsheet and valued. Comparison of data with records maintained in Hansen originally produced a variance of almost \$127,000 worth of inventory (representing 6.8% of the total Traffic inventory). Further investigation by staff provided instances of errors made in the physical count and in the Hansen records, reducing the variance to approximately \$102,000.</p>	<p>8. That physical inventory taking instructions be reinforced with individuals conducting the counts. Management should ensure the accuracy and completeness of the counts by spot checking count information to/from the item in inventory.</p>	<p>Upon the implementation of Item #1 – Inventory Management (December 2015), the physical inventory count process and cycle count process will be revised to ensure accuracy and completeness of the counts.</p>	<p><b>In Progress.</b></p> <p>Management re-organized the stockroom in the summer of 2015. The stations where the items are inventoried in the stockroom identify the parts and materials with a part number and picture.</p> <p>This will facilitate training the staff taking inventory in December 2015. It will also make it easier when spot checking for accuracy/ completeness.</p> <p>Expected Completion: December 2015.</p>	<p><b>Not Completed.</b> Staff counting inventory in June 2020 were provided insufficient instructions and training on how to count inventory. No comprehensive work instructions exist to assist counters and those responsible for supervising the count. Both management and the OCA identified several issues and errors, calling into question the accuracy and completeness of the count.</p>

**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2013-17  
PUBLIC WORKS – TRAFFIC INVENTORY  
FOLLOW UP**

<b>OBSERVATIONS OF EXISTING SYSTEM</b>	<b>RECOMMENDATION FOR STRENGTHENING SYSTEM</b>	<b>MANAGEMENT ACTION PLAN</b>	<b>FOLLOW UP (DECEMBER 2015)</b>	<b>FOLLOW UP (JULY 2020)</b>
<p><b>Physical Inventory Count (Cont'd)</b></p> <p>Year-end valuation in Hansen produced another value for the inventory and the general ledger was adjusted to match, resulting in a final variance of over \$111,000 (5.5%) from the original updated physical count. Management has indicated that variances of 5% are acceptable.</p> <p>The effectiveness of a physical count as a sound inventory control is lost when the inventory records are not adjusted to the actual count. Differences are carried forward year over year without resolution.</p>	<p>9. That Hansen records be adjusted to match the physical count details as at the time of the count.</p>	<p>Agreed. Hansen records will be adjusted to match the physical count details as at the time of count. This process will be completed by December 2015.</p>	<p><b>Not Completed.</b> The December 2015 inventory will be the first one with the newly re-organized stockroom. Adjustments to Hansen records are expected to be made after the 2015 inventory is taken.</p> <p>Expected Completion: February 2016.</p>	<p><b>Not Completed.</b> Hansen inventory records were not adjusted for the June 2020 count. The OCA was unable to locate all the count documents for the 2019 year-end count; therefore, it is unclear whether adjusting entries were complete or accurate.</p>

**Fraud & Waste Investigation – Case 2020-28312**  
**Control Weaknesses Related to Specialized Copper Wire**

**November 5, 2020**

**Office of the City Auditor**  
**Domenic Pellegrini, Senior Internal Auditor**  
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## **Introduction**

On May 12, 2020, the Director of Transportation Operations & Maintenance alerted the City Auditor of a possible fraud and waste at the Traffic Operations Centre (TOC). Specialized copper wire and some other potentially reusable materials, such as signs in new or nearly-new condition, had been scrapped in dumpsters at this location.

The Director stated in a recent internal review, Management reported that almost 17,000 meters of copper wire was missing (approximate value \$52K). The Director speculated that the scrapped copper wire could be the wire that was missing. The Director wanted to know why the wire had been discarded in dumpsters accessible to City staff; and how such a large quantity of copper wire could be missing. The Director also wanted a current count of the inventory at the Traffic Operations Centre to compare to the December 31<sup>st</sup>, 2019 year end inventory count, and a review of TOC's inventory control process.

This report only focuses on the missing wire. A report on the updated inventory count and the inventory control process can be found as Appendix "A" to Report AUD20008.

## **Preliminary Investigation and Initial Findings**

The Office of the City Auditor (OCA) initiated a preliminary investigation. With the assistance of the Management, the OCA discovered that in January 2020, two Team Leads made the decision to scrap the wire found in the dumpster hopper as part of the outdoor compound clean up at the TOC. Four large spools of rubber sheathed copper wire cable had been stored outside in the TOC compound for a long period of time. As this type of copper wire cable had not been used by TOC for a long time, it was deemed obsolete. When questioned, the two Team Leads indicated that it was the practice at the Traffic Operations Centre to scrap obsolete parts by tossing them into the hoppers. Physical observation of the wooden reels shows that they were weathered, suggesting that they had been exposed to the elements for a long time. This lent to the credibility of the Team Lead's rationale. TOC inventory identifies this type of copper wire as part number TRSG1966. The December 31, 2019 Year End Inventory count describes this part as CABLE: COMM. WITH RUNNER 19 AWG FIGURE 8(6PR). It shows that 2,000 meters of this wire was in inventory at a cost to the City of \$5,049.

In early June 2020, the OCA interviewed the Management who had alerted the Director of missing copper wire. They explained that as of the end of April 2020, there was a discrepancy between Hansen and the physical inventory at the Traffic Operations Centre. This discrepancy was almost 16,800 meters of copper wire. The December 31, 2019 Year End Inventory identifies this wire as three different part numbers:

- TRSG1967 CABLE: 14-4 CONDUCTOR NO RUNNER
- TRSG1970 CABLE: 14-7 CONDUCTOR NO RUNNER; and,
- TRSG1990 CABLE: 14-14 CONDUCTOR NO RUNNER.

The OCA confirmed that the missing 16,800 meters of the three wires represents a dollar loss to the City of approximately \$52K.

On June 10, 2020, the OCA, with the assistance of the Management, performed an inventory count of all the copper wire at the TOC. The review noted that there was about 25,300 meters of various copper wires on site with a combined value of approximately \$61.5K. The most valuable copper wires in inventory were:

- TRSG1967 CABLE 14-4;
- TRSG1970 CABLE 14-7; and
- TRSG1994 CABLE 14-14.

Collectively, these three wire classes represented almost 60% of the dollar value of Traffic's copper wire inventory. TRSG1994 CABLE 14-14 is especially valuable, as its average cost to the City was approximately \$6.73 per meter in 2020.

The system currently used at the TOC accurately tracks the amount and the cost of all copper wire **purchases**. However, copper wire **usage** and the amount **scrapped** are poorly tracked. This makes it difficult to accurately determine the ending copper wire inventory and why copper wire may be missing.

### **Vulnerability #1: Careless Disposal of Copper Wire**

The copper wire that was deemed obsolete, was disposed of in a way that could have been misappropriated as it was tossed into an open dumpster at the TOC. This dumpster is accessible to any City staff, at any given time, as some staff use the gas pump at the TOC to fuel their City vehicles. As noted above, this material was listed in the 2019 Year End Inventory report as part number TRSG1966, 2,000 m of copper wire valued at approximately \$5K. However, the value noted on the inventory report reflects the cost of the item to the City, rather than the scrap value of the item. The two Team Lead's who decided to scrap this wire because it was deemed obsolete did so without giving thought to the potential value of this asset.

## **Recommendations**

It is recommended that the process of disposing of assets be consistent with that outlined in the Procurement Policy section 4.16 (1) the Disposal of Surplus and Obsolete Goods. That is, the Director of the client department shall:

- a) declare a good as surplus or obsolete to the needs of the City before it may be disposed; and,
- b) recommend the appropriate disposal methods, which are cost effective and in the best interest of the City, for the declared surplus or obsolete good.

It is recommended that when disposing of assets containing copper wire, the Traffic Operations Centre Management work together with the Manager of Procurement and the City's Director of Financial Services & Corporate Controller in a manner consistent with Procurement Policy section 4.16 (2) to obtain the best scrap value and/or wholesale value for the item(s) being disposed.

It is recommended that all scrap metals be kept under constant surveillance to guard against theft and to ensure that they are disposed properly.

### **Management Response for this Section**

Agreed. A full review and training on the Procurement Policy is underway. The Transportation Operations and Business Initiatives sections will coordinate with Corporate Security to ensure appropriate disposal methods of copper wire. The definition of a returned material policy will be in alignment with the construction of standard operating procedures in recommendation #1 from Appendix B.

Anticipated completion date: Q4 2020.

### **Vulnerability #2: Inadequate Tracking of Copper Wire Usage**

The amount of copper wire used is not tracked adequately. The copper wire spools known as part numbers TRSG1967, TRSG1970 and TRSG1994, are stored in the garage near the staff trucks. At the start of their work day, the staff pull the length of different copper wires needed from these spools and load it onto their work trucks. The amount of wire taken is neither recorded by these staff nor by the clerical staff as the copper wire spools are not located in the main stockroom.

When the staff finish their job, they complete the Daily Activity Sheet (DAS) and indicate the quantities of materials used. At the end of their shift, the staff return to the Traffic

Operations Centre and discard any scrap copper wire left over from the job into the dumpster, located at the back of the TOC. The staff submits their DAS to the Team Lead. On the DAS, the Team Lead can see the amount of wire reportedly used by the TSS. However, the amount of wire scrapped by the staff is not reported. Therefore, a reconciliation cannot be performed to ensure that the amount of wire loaded onto the truck, corresponds to the amount of wire used on a job and the amount that is scrapped upon return to the TOC location at the end of the shift. In addition, third party contractors working on City projects will sometimes come to the Traffic Operations Centre and pull out lengths of copper wire from the spools in the garage themselves, without TOC staff or management knowing the amount of wire that was taken.

### **Recommendations**

It is recommended that the spools with the copper wire part numbers TRSG1967, RSG1970 and TRSG1994 are stored in a location where they will only be distributed by the clerical staff.

It is recommended that the staff, at the end of their work day, return any waste or unused copper wire to the clerical staff instead of disposing of the wire themselves.

It is recommended that clerical staff maintain a log showing the amount of copper wire pulled off the spools; to whom the wire was issued (including third party contractors); and the amount of wire returned to be scrapped at the end of the day.

It is recommended that Team Leads perform spot checks on a regular basis by comparing the amount of wire issued to the amount of wire used (as indicated on the DAS), and the amount of wire returned for scrap. Management should also investigate whenever the amount of wire issued exceeds the sum of that used and that returned for scrap.

### **Management Response for this Section**

Agreed. Management will undertake the risk-based assessment of storage and complete a Kaizen event to optimize the inventory structure and breakdown. Copper wire stock will be moved into primary stock location as part of the reorganization of the facility.

Anticipated completion date: Q2 2021.

### **Vulnerability #3: Errors Recording Copper Wire Usage in Hansen**

The data entry of copper wire usage into Hansen is prone to errors. Upon receiving the TSS Daily Activity Sheet, the Team Lead reviews and authorizes the DAS. The authorized DAS are forwarded to the clerical staff. The clerical staff enter the activity into Hansen including the amount of wire used. Since this is a manual process, there will sometimes be a difference between the amounts recorded in the DAS and the amounts keyed into Hansen.

The OCA compared the copper wire usage reported on the DAS to what was keyed into Hansen over the past four years (2017 to 2020). The OCA noted that the variance was greatest for copper wire TRSG1994 CABLE 14-14; the most expensive of the three copper wires in this review. In 2019, the usage reported by Daily Activity Sheets was 724 m less than that reported by Hansen. The value of this discrepancy totalled approximately \$4,900.

### **Recommendations**

It is recommended that periodic reconciliations be performed to ensure that the quantities of materials used by staff, as reported on the Daily Activity Sheets, are accurately recorded in Hansen. A record of such reconciliations should be retained for at least three years.

It is recommended that management investigate and implement a method to automate the uploading of the actual quantity of materials used by staff in the field from the Daily Activity Sheets into Hansen.

### **Management Response for this Section**

Agreed. The associated changes to the roles and responsibilities for inventory adjustments will be outlined in the operational plan and standard operating procedures related to inventory adjustment. Staff corporate policy training to be completed in Q4 – 2020, as per recommendation in Vulnerability #1.

Anticipated completion date: Q1 2021.

### **Vulnerability #4: Inadequate Safeguarding of Copper Wire Assets**

The 2019 Year End Inventory report indicated that a total of 14,394 m of copper wire (part numbers TRSG1967, TRSG1970 and TRSG1994,) with a combined value of \$52.6K, was stored in the compound outside of the garage. That is, when the inventory

count was taken in late December 2019, these wires were stored in the outside yard. Here, they would have been accessible to different City staff that use the TOC gas pumps to fuel their City vehicles after regular business hours. When questioned, both management and the clerical staff stated that this type of copper wire has never been stored in the compound outside the garage. However, they could not produce any documentation showing who counted this inventory and where the copper wire was stored while being counted.

The three wire cables have indicators placed at regular intervals on the rubber sheathing covering the copper cable. These indicators show the amount of wire remaining on each spool. It was not possible to validate that these indicators were used to calculate the amount of wire remaining in inventory.

TOC Procedures indicate that periodic cycle counts are usually performed on inventory items with high value or those that cycle in and out of inventory quickly. Yet, despite their high value, part numbers TRSG1967, TRSG1970 and TRSG1994 were not included in the cycle counts in 2019 or 2020.

### **Recommendations**

It is recommended that management re-organize the storage and inventory of all copper wire at the Traffic Operations Centre to ensure that all copper wire is stored in a secure location, safeguarded from potential theft.

It is recommended that periodic cycle counts performed throughout the year include all copper wire and that the indicators on the rubber sheathing be used as a quick way to gauge the amount of wire in inventory.

### **Management Response for this Section**

Agreed. Copper wire stock will be moved into primary stock location as part of the reorganization of the facility. Management will create a schedule for inventory counts.

Anticipated completion dates: Q2 2021 for relocation of copper wire. Q4 2020 for cycle counts (to align with Rec. #19 and 20 in Appendix B).