



AUDIT, FINANCE & ADMINISTRATION COMMITTEE

REPORT 15-007

9:30 a.m.

Monday, June 22, 2015

Council Chambers

Hamilton City Hall

71 Main Street West

Present: Councillors M. Pearson (Chair), A. Johnson (Vice-Chair),
A. VanderBeek, C. Collins, B. Johnson L. Ferguson, R. Pasuta

THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 15-007 AND RESPECTFULLY RECOMMENDS:

1. Development Charges Status Report as of December 31, 2014 (FCS15047) (City Wide) (Item 5.1)

That Report FCS15047 respecting Development Charges Status Report as of December 31, 2014, be forwarded to the Ministry of Municipal Affairs and Housing.

2. Audited Statements for the Hamilton Waterfront Trust for the year ended December 31, 2014 (Item 5.2)

That the Audited Statements respecting the Hamilton Waterfront Trust for the year ended December 31, 2014, be received.

3. Municipal Tax Competitiveness Study - 2014 (FCS15042) (City Wide) (Item 5.3)

That Report FCS15042 respecting Municipal Tax Competitiveness Study - 2014, be received.

4. Audit Report 2015-04 – Public Works – Hamilton Water – Water Supply Compliance/Conformance Review (AUD15022) (City Wide) (Item 8.1)

- (a) That the Management Action Plans as detailed in Appendix “A” to Audit, Finance & Administration Report 15-007 be approved; and
 - (b) That the General Manager of Public Works be directed to instruct the appropriate staff to have the Management Action Plans, attached as Appendix “A” to Audit, Finance & Administration Report 15-007, be implemented.
- 5. Audit Report 2014-12 – Planning & Economic Development – By-law Enforcement– (AUD15020) (City Wide) (Item 8.2)**
- (a) That the Management Action Plans as detailed in Appendix “B” to Audit, Finance & Administration Report 15-007 be approved; and
 - (b) That the General Manager of Planning and Economic Development be directed to instruct the appropriate staff to have the Management Action Plans, attached as Appendix “B” to Audit, Finance & Administration Report 15-007, be implemented.
- 6. Corporate Culture, Value and Ethics (CM15008) (City Wide) (Item 8.3)**
- That Report CM15008 respecting Corporate Culture, Value and Ethics, be received.

FOR THE INFORMATION OF COUNCIL:

(a) CHANGES TO THE AGENDA (Item 1)

None.

The Agenda for the June 22, 2015 meeting of the Audit, Finance and Administration Committee was approved, as presented.

(b) DECLARATIONS OF INTEREST (Item 2)

None.

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

(i) June 8, 2015

The Minutes of the June 8, 2015 Audit, Finance and Administration Committee meeting, were approved, as presented.

(d) NOTICES OF MOTION (Item 10)

Councillor A. Johnson introduced the following Notice of Motion:

(i) Amendments to the *Municipal Act, 2001* respecting Land Transfer Taxation Powers (Item 10.1)

WHEREAS, there is a possibility that the Province of Ontario will grant to the City of Hamilton and/or other municipalities not included in the *City of Toronto Act, 2006*, land transfer taxation power through amendments to the *Municipal Act, 2001*;

THEREFORE BE IT RESOLVED:

That the General Manager of Finance and Corporate Services be directed to report back to the Audit, Finance & Administration Committee respecting potential advantages and potential disadvantages related to the City of Hamilton having land transfer taxation power.

(e) ADJOURNMENT (Item 13)

There being no further business, the Audit, Finance and Administration Committee adjourned at 10:24 a.m.

Respectfully submitted,

Councillor M. Pearson, Chair
Audit, Finance and Administration Committee

Denis Farr
Legislative Coordinator,
Office of the City Clerk

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2015-04
WATER SUPPLY COMPLIANCE/CONFORMANCE REVIEW
PUBLIC WORKS**

Background

It is the responsibility of the Hamilton Water Division (HW) to ensure that clean, safe and reliable drinking water is supplied to all of the City's residents. There are a total of five drinking water systems for the City:

- Hamilton Woodward (including Fifty Road)
- Carlisle
- Greensville
- Lynden
- Freelton

Drinking water is a highly regulated operation and is monitored and inspected regularly by the Provincial Ministry of Environment and Climate Change (MOECC), external auditors, as well as internally by Hamilton Water. The inspection and audit process includes the following activities:

Compliance Activities

Compliance auditing is carried out to determine whether an organization is operating according to applicable legal, regulatory and other requirements. If identified, compliance audit findings are issued to indicate that a legal requirement (e.g. Federal, Provincial & Municipal Acts and Regulations) was not met.

Compliance activities include:

- The MOECC performs inspections on all drinking water systems every year (March to February) for water plant operations compliance. An inspection report is provided for each drinking water system.
- The Annual Summary Report required by Schedule 22 of Ontario Regulation 170/03-Drinking Water Systems (O. Reg. 170/03) (Summary Report for Municipalities) is submitted for Council's information as the Owner of the Drinking Water System every year.
- The Annual Water Quality Report required by Section 11 of O. Reg. 170/03 (Annual Report) is prepared by the City of Hamilton Environmental Lab (CHEL). The report is to be made available to the public by February 28th of each year.
- CHEL is licensed by the MOECC and is inspected two to three times per year by the MOECC.

Conformance Activities

Drinking Water Quality Management System (DWQMS) audits are conducted to evaluate the effectiveness of the DWQMS (i.e. meeting the requirements of the Provincial Drinking Water Quality Management Standard). If identified, conformance findings are issued to indicate that a requirement of the Standard was not met.

Conformance activities include:

- The external auditor, SAI Global, performs quality audits as follows:
 - An off-site documentation audit every year; and
 - An on-site verification audit every 3 years.
- Internal audits conducted by Hamilton Water Internal Auditors and led by the Compliance and Regulations Section from Hamilton Water are performed every year to evaluate conformance with the 21 elements of the Standard.
- There is a Top Management Review held once a year to review the suitability, adequacy and effectiveness of the DWQMS.
- The DWQMS Operational Plan Summary Report explains how the 21 elements of the Standard are addressed by the City of Hamilton. It also includes the signing of the Commitment and Endorsement by the Owner of the Drinking Water Systems (City Council).
- The CHEL is an accredited lab and is audited every two years by the Canadian Association for Laboratory Accreditation (CALA).

Compliance/Conformance Review

Audit Services reviewed all relevant reports relating to the audits/inspections described above, checked the current status of all non-compliance/non-conformance items that required action and verified that any identified areas of non-compliance/non-conformance are being remediated within the required timeline.

The findings were as follows:

Compliance Activities

- Hamilton Water provided evidence that all compliance requirements were met.

Conformance Activities

- An internal audit was performed by Hamilton Water Internal Auditors, led by the Compliance and Regulations Section in Hamilton Water in 2014. Findings from the internal audit had an action required date of March 1, 2015.
 - As at March 18, 2015, 10 of the 56 findings have been closed, 22 of the 56 findings are waiting approval, and the remaining 24 of the 56 findings still remain open.

Further follow up is required for the open findings. This was due to the level of effort required to remediate the open findings and a large volume of frozen water pipes in February 2015 which was a top priority for Hamilton Water. Therefore the remediation of outstanding findings has been delayed.

- The 2015 DWQMS Operational Plan Summary Report is still pending sign-off from the recently elected City Council after they received the required Standard of Care training.

The remainder of the reviewed reports either had zero non-compliance/non-conformance items or any non-compliance/non-conformance items were remediated in a timely manner and no further follow up was required.

Summary

Given the large volume of audit and inspection reports that were reviewed, there was a very low volume of non-compliance/non-conformance items detected. All outstanding items are currently being addressed by management.

It is recommended:

That the Hamilton Water Division continue to follow up with the 24 open findings from the 2014 DWQMS Conformance Internal Audit led by the Compliance and Regulations Section.

Management Response

Agreed. Hamilton Water continues to focus on the closure of the open findings from the 2014 DWQMS Internal Audit. Copies of the closed findings will be submitted to Audit Services within 18 months of the 2015-04 audit closing.

That the Hamilton Water Division ensure that the 2015 version of the DWQMS is signed off by the recently elected City Council.

Management Response

Agreed. Hamilton Water prepared the attached DWQMS Operational Plan Summary Report for Council that will be presented at the Public Works Committee on June 15th and to Council on June 24th for their review and endorsement. A copy of the DWQMS Operational Plan Summary Report Commitment and Endorsement page will be provided to Audit Services once signed by the Mayor, City Clerk (on behalf of Council), General Manager, Public Works and the Director of Hamilton Water.

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2014-12
PLANNING AND ECONOMIC DEVELOPMENT
MUNICIPAL LAW ENFORCEMENT (MLE) – BY-LAW ENFORCEMENT**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Systems Inefficiencies</u></p> <p>MLE Officers currently use two systems to record By-law related complaint and investigation information - Hansen for Yard Maintenance and AMANDA for Property Standards, Heat and Vital Services. The AMANDA system provides more detailed information relating to the investigation and links action request folders, violation folders and court folders back to the property. Throughout the audit, the following disadvantages were noted in using the Hansen system in comparison to AMANDA:</p> <ul style="list-style-type: none"> • There is no to-do list for each Officer. Each day, the Officer must do a search for outstanding calls assigned to them and assign themselves all new calls relating to their area; • User fees are not automated and cannot be reported from the system but are manually compiled; • No standard documentation templates were observed within Hansen; • It is difficult to upload multiple attachments, so the attachment feature was not being utilized; and • There are no workflows to standardize tasks. Officers manually input log codes and notes for investigations. 	<p>That MLE management review the feasibility of using only the AMANDA system or any other department wide software to record all information relating to By-Law complaints and investigations and meet the needs of staff efficiently.</p>	<p>Agreed. MLE management will forward the recommendation to the departmental AMANDA team for additional consideration. Expected completion: Q2, 2016.</p>

**PLANNING AND ECONOMIC DEVELOPMENT
MLE – BY-LAW ENFORCEMENT
MARCH 2015**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
	<p><u>Systems Inefficiencies (Cont.'d)</u> When Officers use more than one system, the risk of information not being appropriately documented and retained is increased. The continued use of Hansen increases the risk of investigations not being acted upon or followed up in a timely manner due to the difficulties in being aware of outstanding work.</p> <p>In addition, the risk of fees not being appropriately charged to property owners increases due to the manual nature of the process.</p>		

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MLE – BY-LAW ENFORCEMENT
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2.	<p><u>Timing of Action</u> By-Law complaints are not being consistently followed up by Officers in a timely manner. A review of complaints received identified:</p> <ul style="list-style-type: none"> • No action was taken on two of 10 Yard Maintenance service requests reviewed; • Initial action on five of 10 Yard Maintenance service requests reviewed occurred beyond the expected 7 business days; and • No action was taken to follow up on one Vital Services Invoking Notice to ensure that utility services were not shut off. Lack of action may impact the health and safety of tenants. <p>When complaints and Orders to Comply (OTC's) are not followed up in a timely manner, By-Laws are not being appropriately enforced to maintain a healthy and safe community. This may diminish the quality of service being provided to the public.</p> <p>In addition, the status of investigations and tasks in AMANDA and Hansen are not being consistently updated. Twelve investigations were identified with incorrect statuses. This will create difficulties when reviewing outstanding investigations if files have not been appropriately closed or resolved when completed by the Officer.</p>	<p>That Supervisors perform regular reviews of employee to-do lists and unassigned tasks to ensure that there are no outstanding items for follow up beyond expected timeframes.</p> <p>That the status of investigations and tasks be reviewed by Supervisors periodically for accuracy of their classification.</p>	<p>Agreed. Current workload of Supervisors does not provide adequate resources to properly review caseloads regularly.</p> <p>Staff will be requesting additional resources in the 2016 budget process. Expected completion: Q2, 2015.</p> <p>Agreed. Given the amount of time required to review the status of investigations and tasks, this would take the Supervisor away from critical operational duties.</p> <p>Staff will be requesting additional resources in the 2016 budget process. Expected completion: Q2, 2015.</p>

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3.	<p><u>Investigation Documentation</u></p> <p>Officers perform investigations to determine if a violation of a By-Law has occurred. Investigation steps are to be documented in the Officer's notebook and the AMANDA or Hansen system. A review of 25 sampled investigations identified:</p> <ul style="list-style-type: none"> • Two occurrences of investigation photos not being date stamped; • Five occurrences of violations with no retained photos for the site visit; • Four occurrences of photos not being uploaded to AMANDA; • Four occurrences of photos showing that a site visit occurred with no corresponding notes in the system; and • Four occurrences of violations not being appropriately input into AMANDA. <p>Investigations are not being adequately documented. Inconsistencies and variations in notebook documentation amongst Officers were observed. Some Officers record all activities and correspondence relating to investigations throughout the day in their notebook while others only record information relating to site visits with additional correspondence documented directly in the system.</p>	<p>That the Notebook Policy and Procedure be expanded to clearly identify documentation requirements.</p>	<p>Agreed. Staff have met with Legal Services to discuss information collected and a Policy and Procedure revision has been completed.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
	<p><u>Investigation Documentation (Cont.'d)</u> Supervisors are not performing and documenting quarterly checks of Officer notebooks as required by the Notebook Policy and Procedure. In addition, regular reviews of Officer investigations are not being performed.</p> <p>When regular reviews of investigations and system and notebook documentation are not performed, the risk of inadequate or inconsistent information being retained to support investigations increases. This could be problematic if these cases are taken to court and appropriate evidence is not available/conflicting.</p>	<p>That Supervisors regularly (at least quarterly) review a sample of investigations to ensure they have been appropriately documented. This review should include Officer notebooks, photos and information being recorded and attached in the AMANDA or Hansen systems.</p> <p>That a log be created to track investigation reviews by the Supervisor, including applicable comments, to ensure appropriate follow up occurs.</p>	<p>Agreed. Current workload of Supervisors does not provide adequate resources to properly review caseloads regularly.</p> <p>Staff will be requesting additional resources in the 2016 budget process. Expected completion: Q2, 2015.</p> <p>Agreed. Current workload of Supervisors does not provide adequate resources to properly review caseloads regularly.</p> <p>Staff will be requesting additional resources in the 2016 budget process. Expected completion: Q2, 2015.</p>

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4.	<p><u>Notebook Retention</u></p> <p>Officer notebooks are not being retained in accordance with the Notebook Policy and Procedure, which states that full and completed notebooks must be turned in to the Supervisor for safe storage.</p> <p>Completed notebooks were observed as being retained by individual Officers in unsecured locations. This increases the risk of notebooks being lost or misplaced. In addition, upon turnover of staff, appropriate evidence relating to ongoing investigations may be lost.</p>	<p>That all completed notebooks be stored in a secure location in accordance with the Notebook Policy and Procedure. A sign in/out log should be created for all notebooks removed from this location.</p>	<p>Agreed. The Manager and Supervisors will be given direction to ensure that all staff follow the Notebook Policy and Procedure. Expected completion: Q2, 2015.</p>

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5.	<p><u>Fees and Charges</u></p> <p>Fees are charged for inspections resulting in non-compliance with City By-Laws, in accordance with the Approved User Fee and Charges By-Law and the Fee for Inspection and Contractor Fees Policy and Procedure. In nine of 51 files reviewed, incorrect fees were charged. Supervisors do not review the fees charged for accuracy.</p> <p>Fees occur at various stages based on the history and number of violations for the property. The stage of the fee is not being recorded in the Hansen or AMANDA system when it is levied. This makes it more time consuming for Officers reviewing a property history to determine the level of the charge.</p> <p>When fees are not appropriately charged and documented in the system, the risk of fees for future violations being inaccurate is increased as the timing and amount of the charge is dependent on the property's history. This may result in lost revenues for the City.</p>	<p>That Supervisors review a sample of fees charged each month to verify their accuracy and follow up with the appropriate Officer when discrepancies are identified.</p> <p>That Officers record the stage that the fee was charged at and the amount in the Hansen or AMANDA system.</p>	<p>Agreed. This monitoring will be incorporated into the duties of the contract services supervisory position. Completed in May 2015.</p> <p>Agreed. The Policies and Procedures are being updated to reflect this recommendation. Expected completion: Q2, 2015.</p>

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6.	<p><u>Contractor Work</u> Documentation relating to contractor work initiated by the City to provide compliance with By-Laws is not consistently being retained. A review of work initiated by the City identified:</p> <ul style="list-style-type: none"> • Picture templates of work to be completed (sent to contractors) are not consistently retained in AMANDA; • Contractor quotes are not being uploaded to AMANDA and are not consistently retained; • All information relating to work to be performed on Yard Maintenance files is being retained on the network drive and is not uploaded to Hansen; • Evidence of supervisory approval for work being awarded to the contractor with the lowest bid is not being consistently retained; • The process for verifying that the contractor work has been completed is inconsistent and documentation is not consistently retained; and • Quotes were not received for work that was upgraded due to special circumstances in two of ten instances. 	<p>That all documentation relating to contractor work be retained in the AMANDA or Hansen folder.</p> <p>That a tasks listing be created in AMANDA/Hansen that requires a signoff by the Supervisor that the quotes have been reviewed and work awarded to the lowest bidder and a signoff by the Officer that contractor work has been verified as completed.</p> <p>That quotes be obtained for all work not included in the predetermined contract amounts before being initiated.</p>	<p>Agreed. Staff will be developing a new process to capture this information and a subsequent policy and procedure. Expected completion: Q1, 2016.</p> <p>Agreed. The new contract will no longer use the quote system. Rather, a straight unit pricing system will be implemented, which will provide better control and consistency for enforcement. Expected completion: Q2, 2015.</p> <p>No Longer Applicable. MLE has eliminated the quoting process with contractors, effective May 2015. The contract system described above is now utilized.</p>

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	<p><u>Contractor Work (Cont.'d)</u> When information relating to contractor work and evidence of supervisory review is not available due to inconsistent retention, it cannot be verified that work was appropriately awarded to Contractors and completed.</p> <p>In addition, when quotes are not received from contractors in advance of work being performed, the risk of the City being overbilled increases.</p>		

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7.	<p><u>Provincial Offence Notice (PON)</u></p> <p>It is expected that a PON be issued on the third By-Law violation in the year (Property Standards) or season (Yard Maintenance/Heat). Officers use their discretion when issuing PONs prior to the third violation.</p> <p>Two of 51 investigations sampled had a third violation occurring with no PON being issued. MLE indicated that it is in the process of changing the expectation to have Officers issue PONs at the time of the second violation.</p> <p>When PONs are not issued until the third violation and only fees are charged for inspections resulting from non-compliance with City By-Laws, there is less incentive for owners to comply and less revenue generated from PONs.</p> <p>Further, PONs and user fees are not consistently tracked in the AMANDA system making it difficult to determine which violations specifically resulted in the issuance of PONs.</p>	<p>That MLE implement the issuance of PONs at the time of the second violation for the same offence in the year/season. If a PON is not issued, the reason should be adequately documented. This should be verified when performing the investigation reviews (see recommendation #3).</p> <p>That all violations resulting in PONs have a Court folder in the AMANDA system with the PON and fee amount recorded and linked to the violation.</p>	<p>Agreed. Supervisory staff will be developing a Policy and Procedure which will require that staff make every reasonable attempt to serve a PON on the second occurrence.</p> <p>For extenuating situations, the Officer may request a review by the Supervisor with approvals from the Director or Manager for any deviation from this standard operating practice. This authority will not be permitted to be delegated below the manager's level. Expected completion: Q4, 2015.</p> <p>Agreed. A folder will be added to the Amanda upgrade team list. Expected completion: Q4, 2015.</p>

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8.	<p><u>System Access</u></p> <p>Information relating to By-Law enforcement complaints and investigations is stored in the AMANDA or Hansen systems.</p> <p>A review of system access listings identified: users that do not require access to the system based on their job duties, staff that are no longer employed with MLE and individuals unknown to MLE that have been granted access to AMANDA and Hansen complaint and investigation information. It was also noted that access to these systems is not regularly reviewed by management.</p> <p>When unnecessary individuals have the ability to access MLE records, there is the risk of information being used or modified inappropriately.</p>	<p>That the Hansen and AMANDA MLE Section user access listings be generated and reviewed regularly (at least annually) to ensure that only appropriate staff have access to MLE records.</p>	<p>Agreed. User access listings will be reviewed annually. Expected Completion: Q1, 2016.</p>

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9.	<p><u>Policies and Procedures</u></p> <p>Several procedures regarding enforcement of various By-Laws and operational processes have been documented. However, they have not been reviewed or updated in a timely manner as evidenced by dates of 2009 to 2013. In addition, the Fee for Inspection and Contractor Fees Policy and Procedure indicates the incorrect timeframe for reviewing the history on the property.</p> <p>When formal procedures are lacking or are out of date, employees use personal understanding and experience to carry out processes which could result in incorrect, incomplete or inconsistent application. It would also be problematic and inefficient for a successor to commence his/her duties within a short period of time.</p> <p>MLE has identified new policies and procedures to be created and amendments to existing policies and procedures on their 2015 Work Plan.</p>	<p>That procedures be updated or newly created as per the 2015 work plan. All procedures should be reviewed annually by management and updated as required, bearing evidence of such review (sign-off).</p>	<p>Agreed. Policies & Procedures will be updated. This item will be included in the Manager's Annual Workplan. Expected Completion: Q1, 2016.</p>