



**CITY OF HAMILTON**  
**CITY MANAGER'S OFFICE**  
**Audit Services Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	September 11, 2017
<b>SUBJECT/REPORT NO:</b>	Audit Report 2017-03 CityHousing Hamilton Review - Purchasing & Payment System (AUD17024) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Charles Brown CPA, CA, CPA (Illinois) 905-546-2424 x 4469
<b>SUBMITTED BY:</b>	Charles Brown CPA, CA, CPA (Illinois) Director, Audit Services, City Manager's Office
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the Management Action Plans as detailed in Appendix "A" of Report AUD17024 be approved; and,
- (b) That the Chief Executive Officer (CEO) of CityHousing Hamilton be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "A" to Report AUD17024) be implemented.

**EXECUTIVE SUMMARY**

The 2016-2018 Audit Services work plan approved by Council included a review of CityHousing Hamilton (CHH). CHH is the third largest municipally controlled housing provider in Ontario. It has a 2017 annual operating budget of \$72.3M. Although CHH is a standalone corporation, its Board of Directors is subordinate to City Council – five members of its nine member board are City Councillors.

The objective of this review was to assess the appropriateness and effectiveness of CHH's procurement and payment processes to ensure that sound financial management and value for money are being achieved.

The results of the review are presented in a formal Audit Report (2017-03) containing observations, recommendations, and management responses. Audit Report 2017-03 is attached as Appendix "A" to Report AUD17024).

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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.*

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: The implementation of the recommendations may produce some savings. However, the amount cannot be reasonably estimated at this time.

Staffing: None.

Legal: None.

## **HISTORICAL BACKGROUND**

The review was scheduled as part of the 2016-18 Internal Audit Work plan approved by Council. The review's fieldwork started in early March 2017 and was completed by the end of April 2017. The results of this review are attached as Appendix "A" to Report AUD17024.

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

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

- The Declaration and Direction of the Sole Shareholder - the City of Hamilton is the sole legal and beneficial shareholder of CHH.

## **RELEVANT CONSULTATION**

Appendix "A" to Report AUD17024 includes action plans which reflect the responses of CHH management.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The objective of this review was to assess the appropriateness and effectiveness of CHH's procurement and payment processes. This included:

- Evaluating the adequacy of policies and procedures for ensuring due regard for economy, efficiency, and effectiveness;
- Determining the level of compliance with existing policies and directives;
- Evaluating the extent to which controls over procurement and related expenditures processes are operating effectively; and,
- Identifying areas for improvement as appropriate.

During the review, several opportunities for improvement were identified. Among the findings noted in Appendix "A" of Report AUD17024 are:

- Frequent non-compliance with CHH's procurement policies related to award approval authorities, quotation or tender requirements, rotation of vendors, and the collection of short form tender fees.

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- Absence of documentation to adequately support the procurement process as it relates to bids/quotes invited and received, award approvals, general conditions, change orders, and emergency situations.
- Insufficient control over the sale of solicitation documents and cash handling.
- Procurements made using the incorrect method.
- Significant limitations were noted with the contract management IT system.
- Significant spending without a competitive process.
- Opportunities to combine procurements for more efficient administration.
- In some cases, lack of segregation of duties that allows the same person to perform all elements of procurement from solicitation to payment.

A total of 24 recommendations were made. Management and staff agreed with 22, suggested an alternative for one, and disagreed with another. The implementation of some recommendations is expected by the end of 2017; however, other recommendations are more difficult to address and are not likely to be completed before 2019. Specific action plans can be found in the attached Audit Report (Appendix “A” to Report AUD17024).

Audit Services conducted this review in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that Audit Services plan and perform the review to obtain sufficient, appropriate evidence to support the findings and conclusions based on the review objectives. Audit Services believes that the work performed provides a reasonable basis for the review findings and conclusions.

#### **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 AUD17024.