

**CITY OF HAMILTON
PERFORMANCE AUDIT REPORT (2015-07)
PROTECTIVE PLUMBING PROGRAM (VALUE FOR MONEY AUDIT)
FOLLOW UP**

AUDIT SERVICES' RECOMMENDATION	MANAGEMENT ACTION PLAN	FOLLOW UP (SEPTEMBER 2017)
<p>1. That Hamilton Water verifies the licensing status of contractors when quotations and invoices are submitted by the property owner.</p>	<p><u>Hamilton Water</u> Disagreed. The purpose of the three quotes is to determine the grant amount. The homeowner may choose any "qualified and licensed" contractor they desire; however the grant amount will be based on the lowest quote. Hamilton Water verifies the licensing status of the contractors at the time of final submission/payment. Staff believe that the increase in time to verify all three contractors for each quote at the time of quote as well as verifying the final contractor's licensing at the time of payment is inefficient and would add very little value. Contractors could be properly licensed at the time of quote but not at the time of payment which is the actual requirement.</p>	<p><u>Hamilton Water</u> Alternative Implemented. The majority of program participants choose a licensed contractor from the Pre-Qualified Contractors List established by Hamilton Water. Staff will verify the licensing status of non-pre-qualified contractors on an individual basis as these payment requests are received.</p>
<p>2. That Hamilton Water and Finance review and revise the loan process to better align responsibilities held by each group. Hamilton Water should verify program requirements and approve distribution of the loan, while Finance should disburse the loan and administer annual loan repayments.</p>	<p><u>Hamilton Water</u> Agreed. Hamilton Water staff are able to update our processes and procedures to reflect this change if Finance is in agreement. Completion date: Q1 2016.</p> <p><u>Finance</u> Agreed. The Protective Plumbing Program (3P) process documentation will be reviewed in conjunction with Hamilton Water staff to better reflect the roles and responsibilities of Finance staff. Completion date: Q1 2016.</p>	<p><u>Hamilton Water & Finance</u> Not Completed. The loan process has not been reviewed as no loans have been issued since the Protective Plumbing Program was revised in July 2016. Management indicated that loan process revisions will be reconsidered in the future if participation in the loan program increases.</p> <p>Expected Completion: Undetermined.</p>

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<p>3. That Finance no longer performs a secondary review of 3P grant documentation for compliance with program requirements and accuracy. Finance should only ensure completion and approval of the payment request form in order to process a payment. Hamilton Water should only send Finance a copy of the payment request form.</p>	<p><u>Hamilton Water</u> Agreed. Hamilton Water staff are able to update our processes and procedures to reflect this change if Finance is in agreement. Completion date: Q1 2016.</p> <p><u>Finance</u> Agreed. The role of Finance should be to review the payment request documentation only for completeness, including verifying the account distribution and signing authority. Completion date: Q1 2016.</p>	<p><u>Hamilton Water</u> Alternative Implemented. Management has created an authorized payment report which is automatically generated by the Hansen system and sent to Finance each day. There is no longer a need to send 3P documentation to Finance.</p> <p><u>Finance</u> Alternative Implemented. A secondary review of 3P grant documentation is no longer performed by Finance. Staff use the Hansen-generated authorized payment report to process payment requests.</p>
<p>4. That Hamilton Water creates a performance measure to monitor how long it takes to process 3P applications against established targets. Management should investigate significant delays and amend internal processes or reallocate internal resources as required.</p>	<p><u>Hamilton Water</u> Agreed (in part). Hamilton Water will develop KPI's to monitor our processing times. The efficiencies in processing will be looked at however; reallocation of resources to this program may or may not be feasible depending on other operational requirements. Completion date: Q2 2016.</p>	<p><u>Hamilton Water</u> No Longer Applicable. Program participants choose a contractor from the Pre-Qualified Contractors List established by Hamilton Water. This has eliminated the 3P application process.</p>

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<p>5. That Hamilton Water and Finance develop a process to measure how long it takes to process a 3P reimbursement and compare actual results to the four to six week target set by management on a monthly basis. Management should work collaboratively to investigate significant delays and amend internal processes or reallocate internal resources as required.</p>	<p><u>Hamilton Water</u> Agreed. Hamilton Water will develop a KPI for our portion of the process and monitor against our targets. Again the reallocation of resources to this program may or may not be feasible depending on other operational requirements. Completion date: Q2 2016.</p> <p><u>Finance</u> Agreed. Staff will work to develop an appropriate KPI. Completion date: Q2 2016.</p>	<p><u>Hamilton Water</u> Completed. Management monitors how long it takes to process and approve a payment request against an established target. A dashboard in the Hansen system shows the number of instances when performance falls within and outside of the target. Management will determine the reason for delays and will work with stakeholders to move the payment request forward.</p> <p><u>Finance</u> Not Completed. Management does not formally monitor how long it takes to process payment requests received from Hamilton Water. If Management finds a cost-effective way to automate the upload of payment information from the Hansen system to the PeopleSoft Finance system as outlined in Recommendation #6, Finance will no longer manually process 3P payments and an indicator to measure performance in this area will no longer be required. Management indicated that based on the outcome of Recommendation #6, if this performance measure remains pertinent, staff will begin to record timeline information to support their assertion that payments are processed by the next available cheque run.</p> <p>Expected Completion: Q2 2018.</p>

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<p>6. That Hamilton Water and Finance investigate the feasibility of generating an approved payment report from the Hansen system that can either be uploaded directly into the PeopleSoft Finance system or used to reduce the volume of manual entry required in the payment process.</p>	<p><u>Hamilton Water</u> Agreed. Hamilton Water will provide the necessary support to pull the appropriate data from Hansen to be used by finance. Overall responsibility for this recommendation should rest with Finance. Completion date: Q2 2016.</p> <p><u>Finance</u> Agreed. Finance will work with Hamilton Water staff to investigate the feasibility of developing an interface between Hansen and PeopleSoft to reduce the volume of manual entry required in the payment process. Completion date: Q4 2016.</p>	<p><u>Hamilton Water</u> Completed. Management has created an authorized payment report which is automatically generated by the Hansen system and sent to Finance each day.</p> <p><u>Finance</u> Not Completed. Staff use the authorized payment report to copy and paste information into a separate Excel spreadsheet which is uploaded into the PeopleSoft Finance system. Management has expressed the desire to investigate whether the process may be automated further, at a reasonable cost, so information flows directly from Hansen to PeopleSoft Finance.</p> <p>Expected Completion: Q2 2018.</p>
<p>7. That Hamilton Water revises the 3P brochure to include the risks associated with property owners accepting three quotes provided by the same contractor.</p>	<p><u>Hamilton Water</u> Agreed (in part). Hamilton Water agrees that some additional communication related to obtaining three quotes would be beneficial. The exact format of that communication will need to be investigated. This may be in the form of a revision to the brochure as suggested or some other form as deemed appropriate by staff. Completion date: Q2 2016.</p>	<p><u>Hamilton Water</u> No Longer Applicable. Program participants choose a contractor from the Pre-Qualified Contractors List established by Hamilton Water. This has eliminated the need for quotations.</p>

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<p>8. That Hamilton Water provides Council with 3P funding options that reduce the maximum grant allocation and/or subsidize a portion of improvement costs. These options should include:</p> <ul style="list-style-type: none"> • A subsidy that is comparable with other municipalities in the range of 50% to 80% of improvement, CCTV inspection and permit costs; and • Retain the loan portion of the program to assist property owners to afford improvement costs no longer covered by the 3P grant. 		<p><u>Hamilton Water</u> Alternative Implemented. Through a competitive process, Hamilton Water compiled a list of contractors that are pre-qualified to perform 3P work at pre-established prices. Under this structure, the City will achieve greater value for money as savings up to \$520,500 or service enhancement to 295 additional properties may be realized.</p>

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<p>9. That Hamilton Water sends a letter to each property that experienced sewer backup in the past that has not participated in 3P. Management should inform property owners of the availability of the program and outline that future compassionate grants may be disallowed to flood-prone properties that have not yet installed a backwater valve.</p>	<p><u>Hamilton Water</u> Disagreed. Letters have already been sent to those property owners who have experienced flooding during storm events where the compassionate grant program was enacted that explains this. Property owners may experience sewer backups related to any number of reasons unrelated to storms. These could include tree roots and other blockages, or may be due to collapsed sewer laterals. In these cases a backwater valve would not solve their issue and may give them a false sense of security. Should there be future storm events where there is significant flooding and Council enacts the compassionate grant program these properties should receive a similar follow up notification.</p> <p><u>Risk Management</u> Agreed. RMS will provide Hamilton Water with a listing of all flood claimants (both liability and compassionate) dating back 10 years. RMS can provide the listing at Hamilton Water's convenience. Completion date: Q1 2016.</p>	<p><u>Hamilton Water</u> Not Applicable. Management disagreed with the original recommendation so no further follow up work was required.</p> <p><u>Risk Management</u> No Longer Applicable. As Hamilton Water disagreed with the original recommendation, this has eliminated the need for Risk Management to provide compassionate grant information for the recommended information letter.</p>

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<p>10. That Hamilton Water measures and monitors the number of properties that experience a sewer backup after a backwater valve is installed. Management should set a threshold that would trigger an investigation or other actions if properties continue to flood after improvements are performed.</p>	<p><u>Hamilton Water</u> Disagreed. Hamilton Water has completed a number of investigations related to properties that have experienced flooding after installing a backwater valve. Staff found that in most cases this is caused by 1 or more of the 3 following issues:</p> <ol style="list-style-type: none"> 1. The backwater valve functions properly and closes during a sewer lateral backup. The homeowner then uses water during this time, or still has a downspout connected causing water to back up from inside the home; 2. Ground water infiltrates the area where the backwater valve was installed and overflows into the basement; and/or 3. Failure to maintain the backwater valve and it becomes stuck open and does not close all the way. Hamilton Water undertakes as a proactive measure each spring to mail out to anyone listed in our records as having installed a backwater valve under the 3P program instructions on how to maintain their backwater valve. In addition Hamilton Water also provides a phone notification utilizing the Automated Notification System (ERMS) reminding them of the need to maintain their backwater valve and where they can get more information. 	<p><u>Hamilton Water</u> Not Applicable. Management disagreed with the original recommendation so no further follow up work was required.</p>

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<p>11. That Hamilton Water and Risk Management develop a Hansen report listing properties that experienced sewer backups that may be used to assess future compassionate grants according to direction provided by City Council.</p>	<p><u>Hamilton Water</u> Agreed. Hamilton Water can provide a report to Risk Management for any properties who have experienced flooding should they decide it is necessary. The primary responsibility for this recommendation should rest with Risk Management to determine if they desire the report and what information is required. Completion date: Q2 2016.</p> <p><u>Risk Management</u> Agreed. RMS will provide Hamilton Water with a listing of all flood claimants (both liability and compassionate) dating back 10 years to be cross referenced against Hansen by Hamilton Water. Completion date: Q1 2016.</p>	<p><u>Hamilton Water</u> Completed. Hansen reports are available listing properties that experienced sewer backups during storm events and those that participated in 3P. This information may be used to assess future compassionate grants. Management has indicated these reports will be amended or new reports will be created if different information needs are communicated by Risk Management.</p> <p><u>Risk Management</u> Not Completed. Direction has yet to be provided to Hamilton Water as to what specific information is required in order to assess future compassionate grants. Management indicated that communication with the external claim adjuster handling compassionate grant assessments and Hamilton Water will occur early next year.</p> <p>Expected Completion: Q1 2018.</p>

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<p>12. That Risk Management provides direction to the external claims adjuster to incorporate flooding information provided by Hamilton Water into future compassionate grant assessments and deny compassionate grants to properties with a history of flooding events that have not undertaken 3P improvements.</p>	<p><u>Risk Management</u> Agreed. Appropriate wording will be incorporated into the Eligibility Criteria for the Residential Municipal Disaster Relief Assistance Program for Basement Flooding. Completion date: Q1 2016.</p>	<p><u>Risk Management</u> Not Completed. Direction has yet to be provided to the external claims adjuster or incorporated into the Eligibility Criteria for the Residential Municipal Disaster Relief Assistance Program for Basement Flooding with respect to denying compassionate grants to properties with a history of sewer flooding events that have not undertaken protective plumbing improvements. Management indicated that communication with the external claim adjuster will occur early next year. Expected Completion: Q1 2018.</p>