




Hamilton

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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	December 5, 2019
SUBJECT/REPORT NO:	Supplementary Audit Report - Housing Services Division: Capital (AUD19004(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY:	Charles Brown, CPA, CA, CPA (Illinois) City Auditor Office of the City Auditor
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the Management Responses as detailed in Report AUD19004(a) be approved; and,
- (b) That the General Manager of Healthy and Safe Communities be directed to instruct the appropriate staff to have the Management Responses implemented.

EXECUTIVE SUMMARY

The Audit, Finance and Administration Committee on July 11 requested that the Office of the City Auditor perform additional review for certain projects included in the original audit where invoices had not been received.

This report details the results of that invoice review and makes two new audit recommendations and includes the associated management response.

Alternatives for Consideration – Not Applicable

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: None

Staffing: None

Legal: None

HISTORICAL BACKGROUND

On July 11, 2019, at the Audit, Finance and Administration Committee meeting, the committee members requested the City Auditor to complete additional review relating to the Social Housing Improvement Program (SHIP) that was included as part of the audit scope for Audit Report AUD19004 Housing Services Division: Capital.

This additional review consisted of more detailed investigation of the ten projects under the SHIP project where no invoices had been received by the Housing Services Division as of August 2018. As per the provincial guidelines, repairs should have commenced within three months of the date of funding commitment, which was December 2016. Without invoices or any other evidence, the OCA could not determine if repairs had initiated as per provincial guidelines in Report AUD19004. This report, AUD19004(a), contains the results of the additional review.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

This report includes management responses provided by the management responsible for the administration of the Capital Funding within the Housing Services Division.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Overview

The Office of the City Auditor completed an audit of the Housing Division as part of the 2016-2018 audit work plan approved by Council. The audit fieldwork was completed in Q4 2018 and the results of this audit were reported to Council on in July 11, 2019 in Report AUD19004.

The scope of the audit reviewed capital funding within the Social Housing program. The audit comprised of operational and compliance testing of the following areas:

- Social Housing Apartment Retrofit Program (SHARP) - \$7.1 million over 2 years
- Social Housing Improvement Program (SHIP) - \$11 million over 2 years
- High-level value for money review of the management tool, called the Asset Planner

On July 11, 2019, members of the Audit, Finance and Administration Committee requested the Office of City Auditor to review the ten projects under the SHIP project where no invoices had been received by the Housing Services Division as of August 2018.

According to Provincial guidelines, all projects should have commenced by March 2017 (within three months of the date of funding commitment, which was December 2016).

Analysis

The City Auditor confirmed that as of August 2019, the purchase orders for all projects reviewed in the original audit had been closed. The City Auditor reviewed the invoicing process, including specifically when the project invoices were received by the Housing Services Division from the Service Providers.

It was noted that for the projects belonging to CityHousing, the underlying invoices were not provided to Housing Services Division for payment until after August 2018. CityHousing Hamilton used their own cash flow to pay the contractor invoices and did not request funding from the Housing Services Division until a later date. For three of the projects, CityHousing Hamilton did not receive invoices from the contractors within three months of the funding commitment date – the projects may have commenced within three months however there was no evidence to verify this.

There was one other Service Provider that was allocated funding for a project in the SHIP program which was based on completion of other projects. This project also did not commence as per Provincial guidelines.

Detailed Invoice Review Not Performed

The Office of the City Auditor performed a walkthrough of the invoices and the associated review process with the Housing Services Division and could not reconcile the invoices to the underlying purchase orders. Due to resource constraints and the bulk of invoices being received simultaneously, the Housing Services Division only performed a high-level review of the invoices. A detailed invoice review was not performed.

Additional Recommendations

The Office of the City Auditor (OCA) is making two new audit recommendations now that the invoices have been received by the Housing Services Division and the OCA has been able to complete this review.

Additional Recommendation #1:

It is recommended that the Housing Services Division enhance and strengthen the review of invoices prior to payment. The Housing Services Division should put in a process to ensure that Service Providers comply with Provincial guidelines relating to program initiation and completion timelines.

It was also noted that the Housing Services Division did not verify or document if the projects were completed. The submission of invoices from CityHousing was the only validation that the project was complete. Office of the City Auditor believes the Housing Services Division should have a systematic process, for example a checklist and documented evidence, that commitments are met.

Additional Recommendation #2:

It is recommended that the Housing Services Division develop a process and internal control to ensure that the funding is used for projects as intended; and that the Housing Services Division visibly inspect the projects where possible or get documented evidence from CityHousing Hamilton regarding project completion.

The current system of invoice submission, approval and documentation from CityHousing Hamilton requires improvement. For example, we found contractor invoices totalling \$66,000 for a purchase order of \$27,000. CityHousing was using the same contractor for multiple projects and submitting all invoices instead of separating it per project or per purchase order. This made it difficult for the Housing Services Division to decipher how much of the invoice costs was towards the specific project or purchase order. CityHousing should simplify their invoice submissions for transparency purposes and provide invoices to Housing Services Division as per the payment schedule. This would help to make the overall process more efficient.

Management Response

Housing Services agrees that tighter controls are needed to ensure Service Providers are complying with program guidelines. We have improved the process for the Canada Ontario Community Housing Initiative (COCHI) capital funding and now document project status at milestones. If a project misses a milestone, steps to get the project on track will be documented.

Housing Services agrees that invoices should more clearly match the funded project. Expectations will be communicated to successful proponents and will be followed.

Housing Services will revise its approach to monitoring capital funding to include a final site visit. The approach will exclude projects of very low dollar value.

ALTERNATIVES FOR CONSIDERATION

Not applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Our People and Performance

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

APPENDICES AND SCHEDULES ATTACHED

None.