




Hamilton

**CITY OF HAMILTON
OFFICE OF THE CITY AUDITOR**

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	November 18, 2021
SUBJECT/REPORT NO:	Fraud and Waste Annual Report (AUD21011) (City Wide)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY:	Charles Brown, CPA, CA City Auditor Office of the City Auditor
SIGNATURE:	

RECOMMENDATION

- (a) That the Senior Leadership Team consider revising the process for disclosure and mitigation of Conflicts of Interest as required per the Code of Conduct for Employees and report back to the Audit, Finance and Administration Committee by June 2022; and
- (b) That the Fraud and Waste Hotline pilot program be extended through to April 30, 2022 using the existing Council-approved funding allotment (Report AUD18007); and
- (c) That Appendices “A” and “B” to Report AUD21011 be received.

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.

EXECUTIVE SUMMARY

This report is the Annual Report of Fraud and Waste activity and includes the reporting period of July 1, 2020 to June 30, 2021. A total of 80 reports were received and assessed by the Office of the City Auditor OCA during this reporting period. Twenty-four investigations were launched by the OCA, and there was an overall substantiation rate of 32%.

A detailed report containing the types of reports received, investigations opened, and report examples can be found in Appendix “A” to Report AUD21011.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: None. The Fraud and Waste Hotline pilot program extension requested can be accommodated within the funds previously approved by Council.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND

By-law 19-181 (Whistleblower By-law), Section 19 – Responsibility of the City Auditor requires reporting to Council semi-annually, in the aggregate, on the number, nature and outcome of disclosures of serious wrongdoing made under this By-law.

On June 27, 2018, Council directed the City Auditor to implement a Fraud and Waste Hotline with intake performed by an independent third party as part of a three-year pilot project. The City’s Fraud and Waste Hotline launched in July 2019.

The contract with the third-party vendor that provides intake services and case management software began in early May 2019, as some setup, preparation and training time was required in advance of the July 2019 launch, and expires in early May 2022.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Whistleblower By-law No. 19-181

To Appoint the City Auditor as an Auditor General under Section 223.19 of the *Municipal Act, 2001* By-law No. 19-180

RELEVANT CONSULTATION

Human Resources was consulted as required during the assessment and investigation of Fraud and Waste Hotline reports.

Management was informed of reports relating to their area of responsibility.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

This report is the Annual Report of Fraud and Waste activity and includes the reporting period of July 1, 2020 to June 30, 2021, meeting the 2020 year-end reporting requirement for whistleblower disclosures and the 2021 mid-year reporting requirement for whistleblower disclosures.

Since the Fraud and Waste Hotline launch, there has been an increased level of awareness by employees and management to report fraud, waste and whistleblower matters to the Office of the City Auditor. The Office of the City Auditor would like to acknowledge the reports submitted by employees and management, along with the assistance provided to complete assessments and investigations. Reporting these matters so they can be assessed and investigated increases the City of Hamilton's transparency and accountability.

A detailed report containing the types of reports received, investigations opened, and report examples can be found in Appendix "A" to Report AUD21011. This report does not represent an overall picture of fraud, waste or other wrongdoing at the City of Hamilton as there may be items that were not reported to the Office of the City Auditor or items that remain undetected.

An infographic summarizing the activity can be found in Appendix "B" to Report AUD21011.

The Office of the City Auditor would like to thank members of the public that submitted reports and for providing additional information as requested by the Office of the City Auditor.

Future Reporting

The City of Hamilton's Whistleblower By-law (19-181) has a semi-annual reporting requirement. Information about the number, nature and volume of whistleblower disclosures for the first six months of 2021 are included in this report. The next status report for whistleblower disclosures for the final six months of 2021 (July to December) will be issued in early 2022.

The next Fraud and Waste Annual Report will cover the 12-month period July 2021 to June 2022 and is planned to be issued in early 2023 due to the October 2022 Municipal Elections.

Request to Extend Fraud and Waste Hotline Pilot Program

The Office of the City Auditor recommends that Council approve the extension of the Fraud and Waste Hotline pilot program through to April 30, 2023. The rationale for this is that the current vendor contract expires in early May 2022. An extension would be required to extend the contract to provide a full three-year pilot program through to the end of June 2022. Furthermore, Municipal Elections are scheduled in October 2022 across the Province of Ontario. Typically, the next Fraud and Waste Annual Report would be issued in October or November 2022. Due to Municipal Elections, it is prudent for the reporting to be deferred until January 2023, subsequent to the inauguration of the new Council in December 2022. This would provide the Office of the City Auditor time to perform a comprehensive evaluation of the Fraud and Waste Pilot Program and to report back to the Audit, Finance and Administration Committee with the OCA's recommendations. Having a contract in place through to April 30, 2023 would provide sufficient time to either enter negotiations with the existing vendor or to complete a competitive procurement process if a permanent program is approved or to provide adequate time to wind-down operations of the pilot program if the Fraud and Waste Hotline program is directed to cease operations.

The Office of the City Auditor has been in touch with the existing vendor. Competitive pricing can be obtained for a one-year extension and is able to be funded within the existing Council-approved funds (\$94,500, 3 years at \$30,000 per year, plus \$4,500 for initial setup costs) for the Fraud and Waste Pilot Program. The pricing obtained by the OCA in the competitive Request for Proposal procurement in early 2019 resulted in annual pricing below what was approved by Council.

The Office of the City Auditor would complete a Policy 11 (contract extension) if Council approves the extended timeline for the Pilot Program. The extension, if approved, would have a seamless transition, with zero negative impact to the users of the Fraud and Waste Hotline, since the existing vendor would continue to provide uninterrupted service.

ALTERNATIVES FOR CONSIDERATION

Not applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community

Our People and Performance

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

HOW TO SUBMIT A REPORT

The Fraud and Waste Hotline is available for the public, employees, and vendors that do business with the City of Hamilton.



The Fraud and Waste Hotline accepts reports through the following methods:

- **Online:** hamilton.ca/fraud
- **Email:** cityofhamilton@integritycounts.ca
- **Phone:** 1-888-390-0393
- **Mail:** PO Box 91880, West Vancouver, BC V7V 4S4
- **Fax:** 1-844-785-0699

SUBJECT: Fraud and Waste Annual Report (AUD21011) (City Wide) - Page 6 of 6

If any reports are received directly by the Office of the City Auditor by telephone, email, fax, mail, or the web-based suggestions form (hamilton.ca/audit) these complaints will be entered directly into the Hotline case management system and assessed similar to any other report.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report AUD21011 – Fraud and Waste Annual Report

Appendix “B” to Report AUD21011 – Fraud and Waste Annual Report Infographic