



Hamilton

Office of the City Auditor

REPORT AUD21013



# HAMILTON

## FUTURE FUND

### AUDIT

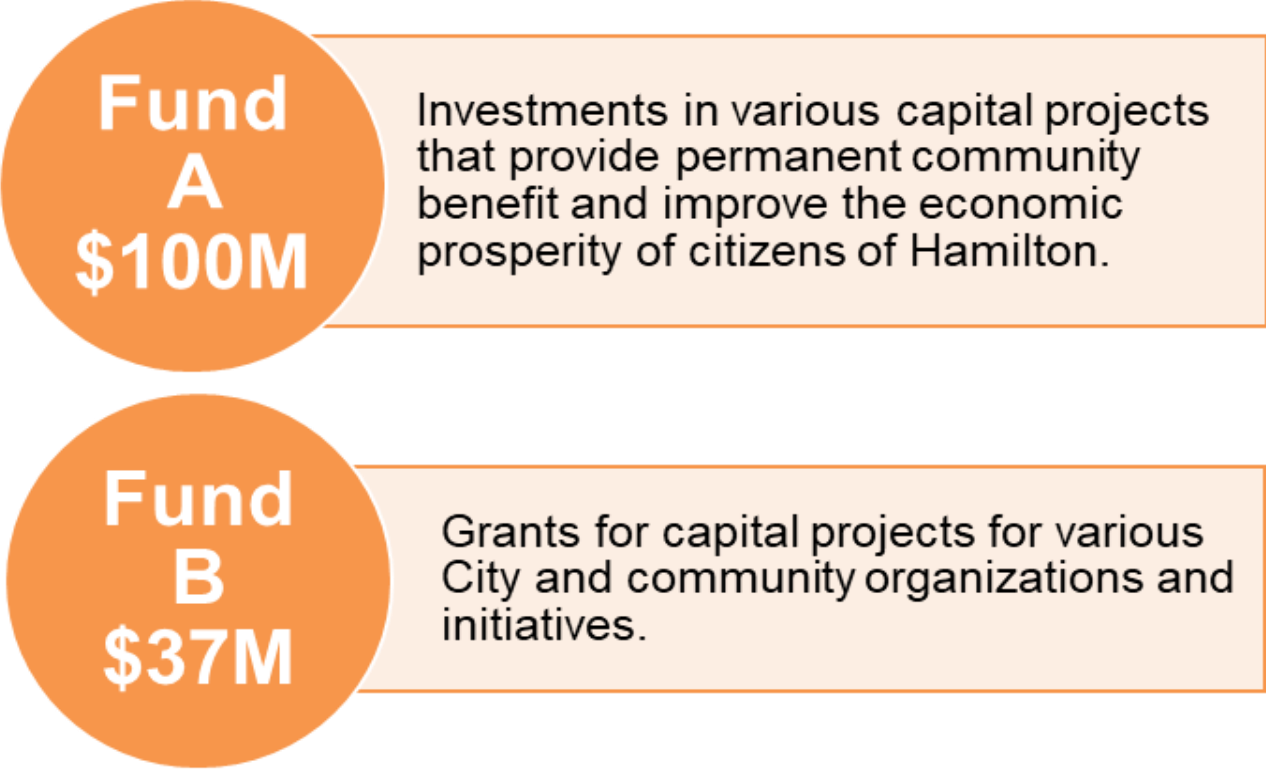
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**City Auditor**

To perform an assessment of the effectiveness of the Hamilton Future Fund, including:

- Fund governance and oversight
- Adequacy of the processes to manage grants and loans
- Sufficiency and transparency of reporting of the fund financial position, including investments, to the Board of Governors and GIC
- Adequacy of performance measures including the outcomes achieved from the HFF grants and loans

# Introduction and Background

The HFF is a reserve fund created in 2002 from the sale of Hamilton Hydro for \$137M. The funds are to be used for various capital projects for both the City of Hamilton and community organizations.



# Introduction and Background

HFF program management includes the process of:

- Determining the strategic direction for use of funds;
- Review of applications and requests for funding, including the evaluation and awarding of loans and grants for capital projects;
- Contract management of loans and grants through the review of progress reporting during and upon completion of projects;
- Investment and financial reporting of the reserve balances; and
- Performance measures to determine if value-for-money was achieved for the funded projects.

## Key Findings and Observations - Overall

- Overall strategy as to the use and nature of fund investments could be improved
- HFF has no terms of reference, even though this was requested by the General Issues Committee
- There is no Fund Administrator (City staff) assigned to ensure that all requirements of the HFF applications, contracts and financial reporting are met
- Roles, responsibilities and accountabilities of City staff are not clearly defined as to how they support the HFF
- Board of Governors does not have a regular meeting schedule, or open funding applications on a defined schedule
- Community consultation for input on HFF project funding has not occurred, as per the HFF's guiding principles
- Management of grants needs to be formalized, including the clarity and consistency of scoring of applications for approval
- Reporting of performance measures and successes of the HFF grant and loan recipients could be improved

## Key Findings and Observations – Future Plans

- Need for comprehensive plan that outlines how the City will use the HFF reserve, for example, over the next five to ten years.
- Formal reports of status and activity have not been tabled since the 2018 calendar year. In the past, regular reporting meant at least annually
- Based on past Fund A investments, funds have mainly been used for internal City projects, rather than for capital projects for external organizations
- Projected reserve balance of Fund A as of December 31, 2019 was \$49M (does not include the value of loans payable back into the fund) It is expected the fund will gradually replenish itself. Fund is expected to grow to \$99.7M by 2028 from investment income/loan repayments.
- Balance in Fund B was about \$1.8M at the end of 2019.

## Key Findings and Observations - Grants

- Limited formalized guidelines and procedures for the management of the Fund B grants in some areas – scoring, compliance, adherence to planned expenditures and outcomes, clarity around the City’s right to audit grant recipients
- HFF grants program records are not centralized; but are maintained in different City departments
- No centralized staff review of the grant documentation for compliance with the applications and processes in order to assist the Board of Governors.
- Application reviews are transparent, and discussed publicly; checklist used by Board members to determine the grant recipients needs a more formal scoring and ranking of the key elements of the application

# Key Findings and Observations – Performance Reporting

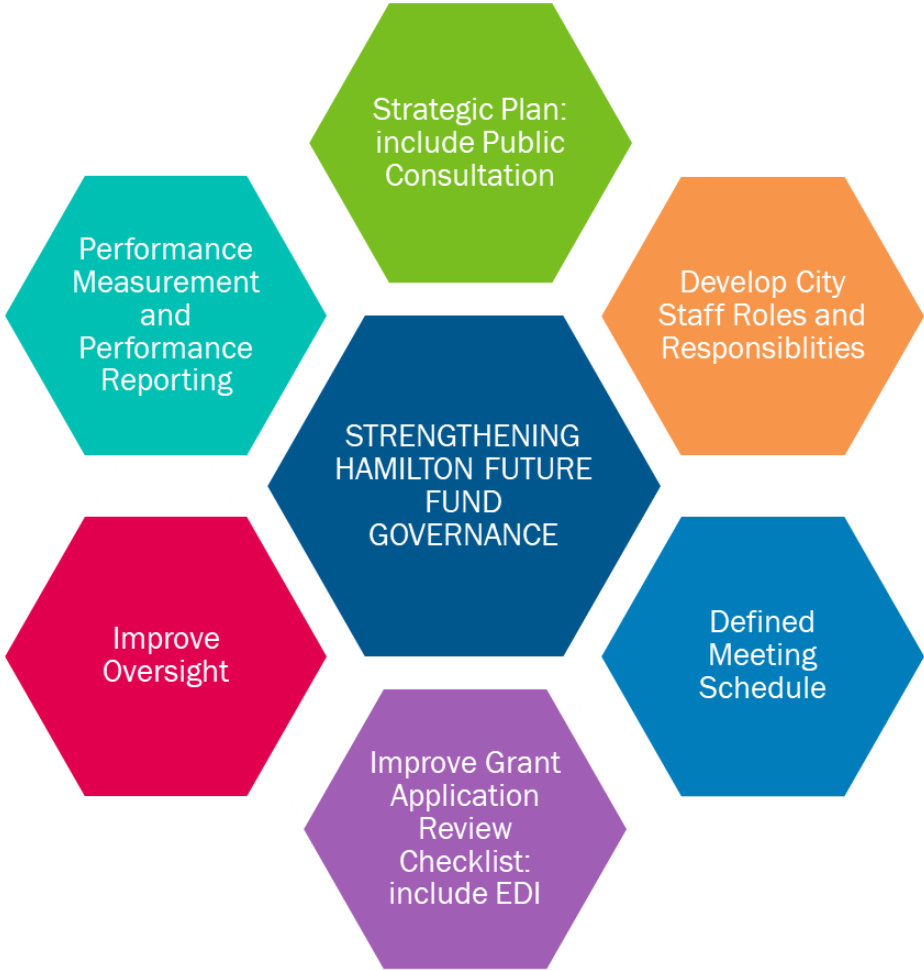
- Program successes and outcomes should be tracked and reported by the HFF Board to the GIC to demonstrate the value of the grant program and the contributions made to the residents of Hamilton. Reporting on outcome measures, however, is not currently required
- Given the infrequent or inconsistent review of progress reports, including financial information; the requirement to return unused funds may not be monitored on a timely basis.
- Need comprehensive performance reporting on the successes and challenges of the funded projects to GIC and Council and has not issued an annual report
- No City staff administrator to follow-up on the status of the projects and review the submission, including the use of funds. As a result, some projects may not report out on a timely basis



Ten recommendations made to strengthen fund governance, including:

- Development of a strategic plan for the use of funds, which incorporates public consultation
- Formalization of the roles of City employees to support the HFF, including a fund administrator
- Improvements in the processes for grant awards
- Monitoring of performance measures (outcomes) for projects receiving funding

# Strengthening Hamilton Future Fund Governance



Management agreed with all 10 of the recommendations.

Comprehensive management action plans are to be provided to the OCA by June 2022.



Hamilton

THANK YOU