




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

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	June 2, 2022
<b>SUBJECT/REPORT NO:</b>	Follow Up Audit: Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory (AUD22005) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
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<b>SUBMITTED BY:</b>	Charles Brown City Auditor Office of the City Auditor
<b>SIGNATURE:</b>	

**Discussion of Confidential Appendix “C” to this Report in closed session is subject to the following requirement(s) of the City of Hamilton’s Procedural By-law and the *Ontario Municipal Act, 2001*:**

- The security of the property of the City or a local board

**RATIONALE FOR CONFIDENTIALITY**

Appendix “C” to this report is being considered in Closed Session as it contains information about a Fraud and Waste Investigation and details the circumstances regarding the security of City assets.

## **RATIONALE FOR MAINTAINING CONFIDENTIALITY**

The City Auditor recommends that the Appendix “C” to this Report remain confidential, because in addition to the rationale noted above, the City Auditor in their capacity as an Auditor General for investigations (as approved by Council per Report AUD19005) has a duty of confidentiality as per the *Municipal Act, 2001 Section 223.22*.

## **RECOMMENDATION**

- (a) That Report AUD22005, respecting the follow up of the original recommendations presented in Audit Report AUD20008 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory be received;
- (b) That the General Manager of Public Works be directed to finish the implementation of the Management Responses listed in AUD20008 and that remain incomplete in Appendices “A” and “B” to Report AUD22005 and report back to the Audit, Finance and Administration Committee by May 2023 on the nature and status of actions taken in response to the audit report; and
- (c) That Confidential Appendix “C” to Report AUD22005, respecting the Follow Up Audit: Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory, be received and remain confidential.

## **EXECUTIVE SUMMARY**

Audit Report AUD20008 was originally issued in November 2020 to the Audit, Finance and Administration Committee.

In Q1 2022, the Office of the City Auditor (OCA) conducted a follow up audit to determine if the Management Responses had been implemented as directed by Council.

Of the 17 recommendations as part of the main audit (as originally listed in Appendix “B” in Report AUD20008) eight are complete and nine are in progress. Of the nine recommendations from Audit Report 2013-17 (the “Follow Up” as originally listed in Appendix “C” in Report AUD20008), three are completed, five are in progress, and one is not completed. Of the four recommendations made as part of the Fraud & Waste Investigation (as originally listed in Appendix “D” in Report AUD20008), all four are in

progress. Of the recommendations made as part of the Private and Confidential Appendix “E”, all are complete.

It should be noted that several Standard Operating Procedures (SOPs) were published in 2021 as a result of the audit which included many of the Audit recommendations made, however, more work is needed to ensure full compliance with the procedures.

### **Alternatives for Consideration – Not Applicable**

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

Financial: None.

Staffing: None.

Legal: None.

### **HISTORICAL BACKGROUND**

The Council-approved Office of the City Auditor Work Plan 2019 to 2022 (AUD19007) included work to conduct follow up audits for previously issued audit reports to determine whether action plans committed to by department management have been implemented, and the associated savings realized. As such, a follow-up was performed on AUD20008 in Q1 2022.

Audit Report AUD20008 Transportation Operations Inventory Audit, Fraud & Waste Investigation, and Follow Up to Audit Report 2013-17 – Public Works – Traffic Inventory, was originally issued in November 2020. The Report consisted of new audit work performed in 2020 to help identify gaps that expose inventory to the risk of misuse, loss or misappropriation; a Fraud & Waste Investigation also performed in 2020 resulting in four recommendations; and additional work resulting in a Private and Confidential Appendix with additional recommendations. The follow-up to Audit Report 2013-17 was a review of the progress on the nine original recommendations from the 2013 report. This report also included management responses.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

None.

## **RELEVANT CONSULTATION**

The results of the follow up audit were provided to management responsible for the administration and operations of Public Works - Transportation Operations & Maintenance Division.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

A new Senior Project Manager of Inventory Management (SPM-IM) position was created and filled in 2021 to be an on-site specialist for inventory management. Since this new role has been in place, the Transportation Operations and Maintenance Division has published several Standard Operating Procedures (SOPs) in 2021 as recommended by the audit which addressed the recommendations regarding roles and responsibilities, Key Performance Indicators (KPIs), and detailed instructions on procedures. The SOPs are well-written with good internal controls; however, more work is needed to ensure the procedures are followed and accepted by all teams within the Division, including those with roles and responsibilities outside of the Inventory Management team.

Additionally, the Transportation Operations & Maintenance (TOM) Division is expected to switch over to the Enterprise Asset Management (EAM) from the current inventory system, Infor Hansen, sometime in late 2024 to early 2025. EAM will potentially allow for more and different capabilities than Hansen which may result in different procedures to address remaining management responses to the audit.

## **ALTERNATIVES FOR CONSIDERATION**

Not applicable.

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **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**

Appendix “A” to Report AUD22005 – Follow up Audit Report

Appendix “B” to Report AUD22005 – Follow Up to Fraud and Waste Investigation Case 2020-28312

CONFIDENTIAL Appendix “C” to Report AUD22005 – Follow Up Audit Report for Security Observations