




Hamilton

INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	December 1, 2022
SUBJECT/REPORT NO:	City Auditor Reporting of Serious Matters to Council (Case #58061 Taxi Scrips) (AUD22009) (City Wide)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY:	Charles Brown City Auditor Office of the City Auditor
SIGNATURE:	

COUNCIL DIRECTION

On June 24, 2020, Council directed the City Auditor to implement a policy on Reporting of Serious Matters to Council. The policy outlines specific situations that require the City Auditor to make a report to Audit, Finance and Administration Committee in order to proactively inform Council about serious matters uncovered through investigations launched under the Fraud, Waste and Whistleblower process or in the course of audits or other engagements.

INFORMATION

This Information Report contains information about allegations of fraud, waste and/or misuse in the provision of accessible transit services for the City of Hamilton within the City's Taxi Scrips Program. Upon further investigation by the Office of the City Auditor, additional risks and concerns have been identified.

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.

HISTORICAL BACKGROUND

On June 24, 2020, Council directed the City Auditor to implement a policy on City Auditor Reporting of Serious Matters to Council. Under this policy, timely disclosure to Council is called for in situations that:

- Pose a security threat (e.g. cybersecurity exposure) to the organization's information systems/hardware/software applications or involves major privacy breach
- Threaten public safety
- Involve potential fraud over \$100,000
- Could have a significant adverse impact on the City's vulnerable populations
- Result in investigation by OCA and referral to the Police
- In the judgement of the City Auditor are deemed to be of a significant risk to the Corporation.

This report of a serious matter is the eighth serious matter reported that implements this policy. The criterion being applied is: the matter was referred to the Hamilton Police Service.

INFORMATION REPORT SUMMARY

This Information Report contains information about allegations of misuse of Taxi Scrips.

In late September 2022, Transit Management reported to the OCA that they had received information alleging that taxi scrips were being inappropriately used in non-eligible transactions, in contravention of program requirements. It was alleged in the report that taxi scrip coupons are being acquired by third parties and used as barter in illegitimate exchange transactions and by parties that are not eligible to be subsidized. Reports indicate that taxi scrips which may not have been acquired through legitimate ride offerings could nevertheless be used at certain gas stations for fuel purchases, and later submitted by the contracted cab companies for full nominal value redemption by the City.

The matter was reported by the Transit Division to the Hamilton Police Service in late September 2022 for investigation. The Office of the City Auditor (OCA) decided to review the Program's current administrative and financial controls, and processes to determine if there are any weaknesses that would allow exploitation of the Program in the manner suggested by these reports.

The purpose of this information report is to notify Council that this matter has been reported to Hamilton Police Service, and to provide the OCA's conclusions with respect to its review of controls.

How the Taxi Scrips Program Works

Accessible Transit Services (ATS) clients, previously assessed as being eligible for accessible transit services, may choose to participate in the Taxi Scrip Program and therefore receive subsidized taxi rides using "taxi scrips" issued by the City. Taxi scrips are printed coupons that indicate nominal values of exchange in various denominations including \$1, \$2 and \$5.

The Taxi Scrip Program is offered in addition to the services that the City contracts with DARTS to provide. Taxi scrips enable passengers to receive a 40% discount when traveling with participating taxi companies, because they allow registered clients the ability to purchase a scrips booklet with \$40 nominal value for \$24. To ensure a fair distribution of subsidy, clients can purchase up to a maximum of 3 booklets per month.

Booklets may be purchased via telephone or in person at the following locations: HSR Customer Service Counter at the GO Station, City Hall and the Municipal Service Centres. All forms of payment are accepted – cash, cheque, money order, debit and credit.

The Taxi Scrip Program has been operational since before amalgamation. The City of Hamilton is not required to offer the Taxi Scrip Program, nor are clients required to use it - rather it is a discretionary service offering.

Accessible transit clients use the taxi scrips in the purchase of cab services from the two participating cab companies. Coupons do not expire and if not used, are refundable **directly to the City** at their paid-for value (\$24).

Clients choosing to participate in the Taxi Scrip Program must go to the Hamilton GO Centre for an ATS photo ID card. The Customer Care Representative prepares the photo ID card and records the Passenger's name and client number in the Taxi Scrip database.

To arrange a ride, the Passenger contacts the participating companies to have a cab dispatched. Currently two cab companies participate in the Program.

Office of the City Auditor Analysis

OCA conducted a review of the strength of controls used to administer the taxi scrips and to ensure they were being used as intended. In its review OCA determined the outstanding value of Taxi Scrips, documented and assessed current business practices, the requirements of agreements with the taxi companies participating in the Program. The results of our analysis and associated to determine the City's potential exposure misuse or exploitation as alleged in reports to ATS.

We assessed a sample of taxi scrips that were redeemed in June 2022 (over 1,650 items, about 17% of the month's volume).

Per the City's contract, there are certain requirements for what information needs to be included on a taxi scrip when it is redeemed:

1. Passenger Number
2. Date of trip
3. Time of Trip
4. Cab Number
5. Pick Up Location
6. Drop Off Location
7. Number of wheelchair passengers
8. Number of passengers

We found significant non-compliance in the sample that was reviewed, only 3% of items sampled were found to be in compliance with the contractual requirements.

Figure 1 – Sample Copy of Taxi Scrip in \$2 Denomination



Overall Findings

We completed our review as described above. Based on this analysis, OCA concluded that weaknesses do exist in current practices and administration that would allow exploitation of the Program in the manner suggested by these reports. This is evidenced by the fact that the compliance rates are drastically low, and there is so much missing information from the redeemed taxi scrips that ongoing compliance assessment and monitoring for illicit activity as described in the complaint is not feasible. We used our research to identify areas for improvement in the administration of the Taxi Scrips Program.

Next Steps

A management memo has been issued to the Public Works Department-Transit Division with recommendations to improve the Taxi Scrips Program, with a response back to the OCA requested.

The OCA made recommendations to:

- 1) Amend processes to be reasonably assured of adherence with requirements set out in the contracts with taxi companies, including provision for a higher level of monitoring for compliance.
- 2) Consider, research and/or develop options for a more efficient and cost-effective delivery of the taxi scrip program.
- 3) Improve data management so that information on taxi scrip activity and compliance is more readily available for analysis and is actionable on a timely basis.

The OCA will liaise, as and when requested by the Hamilton Police Services, on this matter.

A summary of this matter and the outcome of the work overseen by the OCA will be included in the relevant Fraud and Waste Annual Report, which will be presented in Q4 2023 for the 12-month period of July 2022 to June 2023.

APPENDICES AND SCHEDULES ATTACHED

None.