



Hamilton

Office of the City Auditor

Water Meter Program Audit and Water Billing Service Transition Project

Recommendations and Management Responses

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**Office of the City Auditor
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Introduction

As a result of the audit completed by BDO Canada LLP on behalf of the Office of the City Auditor, opportunities for improvement were identified and nine recommendations were made (as noted in Appendix “A” to Report AUD23002).

The Office of the City Auditor requested management responses from the Hamilton Water Division in the Public Works Department with input from the Financial Planning, Administration and Policy Division in the Corporate Services Department.

Recommendation 1

The City should perform a job evaluation review of the key administrative and supervisory roles within the Program to validate the appropriateness of competency requirements, job descriptions and compensation level within the organization structure of the program.

Management Response

Agree

Hamilton Water will leverage a consultant to complete a municipal comparison of the Meter Operations organizational structure, job duties, responsibilities and associated compensation. With the results of the municipal comparison City staff will work with Human Resources and Labour Relations specialists in order to make any necessary updates to the organizational structure of the Meter Operations Business Unit which will include, but is not limited to, a review of job titles, responsibilities, duties and compensation.

Responsibility – Hamilton Water

Estimated Completion: Q2 2024

Recommendation 2

The City should review its program policy and procedures framework to address identified gaps, as well as identify opportunities to strengthen the framework and enhance authorities to better meet the needs of the City and support appropriate enforcement action.

Management Response

Agree

1. Consecutive Estimates Policy and other Corporate Finance Billing Policies – review and update as necessary.
Responsibility – Corporate Finance
2. Waterworks By-law – Review opportunity to enforce private property repairs required for meter-related repairs, installations and maintenance activities
Responsibility – Hamilton Water
3. Master/Satellite Program – review program process and evaluate if a new and dedicated procedure is required for this program. If required, create new procedure.
Responsibility – Hamilton Water
4. All program policies and procedure will be updated for accuracy upon completion of the Alectra billing contract.
Responsibility – Corporate Finance and Hamilton Water

Estimated Completion: 1. Q4 2023; 2. Q2 2023; 3. Q4 2023; 4. Q4 2024

Recommendation 3

The City should develop and implement their program performance management regime by ensuring that each key metric has documented baselines, targets, timeframes for measurement and an outline of how/when the metric would be measured, including the applicable data source and accountabilities.

Management Response

Agree

We are in the process of creating automated metrics in a dashboard environment to generate the operational metrics that have been developed and refined over the past 8 months. Now that Meter Operations has 8 months of data to track the operations we are focusing on staffing and training and will then establish meaningful KPIs, including targets and baselines, based on approved and sustainable service levels.

Estimated Completion: Q4 2024

Recommendation 4

The City should ensure that all vendor contracts establish performance management frameworks, including minimum standards, KPIs and performance reporting; and have sufficient contract mechanisms, including corrective actions clauses where performance does not meet minimum standards, to oversee vendor performance. This includes establishing a dedicated and experienced contract manager tasked with the responsibility of managing and overseeing contract and vendor performance.

Management Response

Agree

Alectra Contract (Corporate Finance)

With the support of Kaihen, Corporate Finance is working through procurement and contract negotiations for the vendors that will be providing services when the future billing solution is implemented. The vendor contracts are to include the recommended clauses re minimum standards, KPIs and performance reporting; and ensure there are corrective contract mechanisms where performance does not meet minimum standards. Additionally, Kaihen will be supporting the City as it adopts a Target Operating Model (TOM) for a utility billing organization structure. This will include a dedicated vendor management to oversee vendors' performance.

Responsibility – Corporate Finance

Meter Maintenance Contract (Hamilton Water)

The current contract will be reviewed to ensure that appropriate language is in place to manage performance standards, including minimum reporting standards, KPIs and performance reporting and corrective action clauses. Gaps will be identified and the updated in the next iteration of the contractual documents. Hamilton Water will also review the contract management responsibilities, identifying who is responsible for these tasks, and evaluate if a dedicated and experienced contract manager is required for improved management of this contract.

Responsibility – Hamilton Water

Estimated Completion: Q1 2025

Recommendation 5

The City should implement a regular operational meeting attended by all relevant program stakeholders to ensure consistency and alignment of information and progress to support program oversight and delivery.

Management Response

Disagree

Operational meetings are held between Neptune and Hamilton Water on a weekly basis, as well as Alectra Hamilton Water and Corporate Finance on a biweekly basis. Hamilton Water will continue with these operational meetings with a continual improvement mindset, focusing on efficient process operations, transparent work management (supported by relevant and meaningful metrics and KPIs) and open communication.

As the City moves through the Water Billing Transition project, we will ensure to implement internal stakeholder meetings (Hamilton Water and Corporate Finance) to ensure seamless operation between Meter Reading, Billing and Meter Operations.

City staff are of the opinion that there is no value-added benefit to an “all players” operational meeting (including Alectra, Neptune, Hamilton Water and Corporate Finance). As such, we will continue with the current Operational meeting structure.

Expected Completion: N/A

Office of the City Auditor Comment

As noted in the audit report (Appendix “A” to Report AUD23002):

“the ability to share relevant program information to all key stakeholders involved is limited and the possibility that key information is not being raised to key stakeholders in a timely manner is increased. Moreover, since the contract authority for the Alectra contract rests with City Finance, Hamilton Water is limited at times in their ability to provide oversight of Alectra or to elicit appropriate action/response when issues are raised. Currently there is no mechanism inclusive of all relevant program stakeholders and contractors to discuss key objectives, risks and outcomes for the year as part of the Water Meter Program.”

It is our opinion that these stakeholder meetings would add value and would not be particularly time consuming if a schedule of quarterly meetings (or similar) was utilized.

Recommendation 6

The City should develop a Program KPI to track City inspections of Contractor (Neptune) activities.

Management Response

Agree

KPIs will be developed and tracked to track City inspection of contractor (Neptune) activities.
Responsibility – Hamilton Water

Estimated Completion: Q1 2023

Recommendation 7

The City should develop a report of all intermediate and large meter assets that are currently being estimated at zero consumption to identify, prioritize, and investigate any accounts that are at risk of being improperly billed.

Management Response

Agree

Hamilton Water has created a monthly QA report to identify zero consumption estimates. This monthly report will be shared with Alectra through Corporate Finance for action on the zero consumption estimates until such time that Alectra can recreate their own zero consumption estimates report through CC&B (Alectra reporting estimated for Q2 2023). Alectra will action this report and provide an update on this metric at the monthly operational meeting with Hamilton Water and Corporate Finance. Priority will be given to large and intermediate water meters (greater than 38mm).

Responsibility – Corporate Finance

Estimated Completion: Q1 2023

Recommendation 8

The City should perform follow-up assessments of the effectiveness of implemented corrective and preventative actions on at least an annual basis to ensure they are effectively addressing identified root causes of 2021-22 large billing issues.

Management Response

Agree

The root cause of the 2021-2022 large billing issues has been addressed by updating Meter Operations process and procedures as outlined in the self-declared non-conformance. These procedures have been set for annual review.

Responsibility – Hamilton Water

Estimated Completion: Q4 2023

Recommendation 9

Where possible, the City should examine opportunities to automate the processing and transfer of key data and information from program reporting into the City’s asset management system, which is currently being manually performed by WOCs. Further, the implementation of formalized data validation tools would support accuracy of data and reporting. Opportunities to automate the processing, transfer, and validation of Water Meter Program data into the City’s asset management system should be evaluated as a part of requirements for the procurement of a new billing solution/service provider.

Management Response

Agree

Upon design and implementation of the new CIS billing system (Corporate Finance) and PW EAM (Public Works, Hamilton Water), the City of Hamilton will be prioritizing system integrations and process automations with the intent to automate data transfers, reporting and analytics for both the billing and meter operations programs.

Responsibility – Corporate Finance and Hamilton Water

Estimated Completion: Q1 2025