



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

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	February 16, 2023
<b>SUBJECT/REPORT NO:</b>	Fraud and Waste Annual Report (AUD23003) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Charles Brown, CPA, CA (905) 546-2424 Ext. 4469 Brigitte Minard, CPA, CA, CIA, CGAP (905) 546-2424 Ext. 3107 Cindy Purnomo Stuive (905) 546-2424 Ext. 2257
<b>SUBMITTED BY:</b>	Charles Brown, CPA, CA City Auditor Office of the City Auditor
<b>SIGNATURE:</b>	

### RECOMMENDATION

- (a) That the Fraud and Waste Hotline pilot program be extended through to July 31, 2023 using the existing Council-approved funding allotment (Report AUD18007); and
- (b) That Appendices “A” and “B” to Report AUD23003 be received.

### EXECUTIVE SUMMARY

This report is the Annual Report of Fraud and Waste activity and includes the reporting period of July 1, 2021 to June 30, 2022. A total of 107 reports were received and assessed by the Office of the City Auditor OCA during this reporting period. Twenty-two investigations were launched by the OCA, and there was an overall substantiation rate of 32%.

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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.

A detailed report containing the types of reports received, investigations opened, and report examples can be found in Appendix "A" to Report AUD23003.

**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. A request for a final decision on the pilot program will be made in March 2023.

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. Council granted an extension through to April 30, 2023, using existing funding so that this annual report and a hotline evaluation report could be presented to Council in Q1 2023 (was delayed from being reported in Q4 2022 due to the municipal election).

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 currently expires on May 9, 2023.

A request to extend the pilot through to July 31, 2023 is being requested so that a full fourth year of the pilot can be completed, along with some time to either complete a procurement if the hotline is made permanent, or wind up operations if the pilot concludes and the hotline is not made permanent. This extension is able to be accommodated within the original hotline budget that was approved by Council.

## **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, 2021 to June 30, 2022. The 2021 year-end reporting requirement for whistleblower disclosures was fulfilled with Report AUD22003 (April 2022) and this report fulfils the 2022 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 AUD23003. 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 AUD23003.

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 2022 are included in this report. The 2022 year-end reporting requirement will be met with the next Semi-Annual Fraud and Waste Report, which is expected to be presented in March or April 2023.

## **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 July 31, 2023. The rationale for this is that the current vendor contract expires on May 9, 2023. An extension would be required to extend the contract to provide the OCA the ability to take the Pilot Program evaluation to AF&A in March 2023. Regardless of Council's decision, having a contract in place through to July 31, 2023 would provide sufficient time to either complete 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 current vendor. We are currently exploring an extension – this would be 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 and subsequent extension 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](http://hamilton.ca/fraud)
- **Email:** [cityofhamilton@integritycounts.ca](mailto:cityofhamilton@integritycounts.ca)
- **Phone:** 1-888-390-0393
- **Mail:** PO Box 91880, West Vancouver, BC V7V 4S4
- **Fax:** 1-844-785-0699

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](http://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 AUD23003 – Fraud and Waste Annual Report

Appendix “B” to Report AUD23003 – Fraud and Waste Annual Report Infographic