



Hamilton

OFFICE OF THE  
AUDITOR GENERAL

# FRAUD AND WASTE ANNUAL REPORT

**July 1, 2022 to June 30, 2023**

**Charles Brown - Auditor General  
Brigitte Minard - Deputy Auditor General**

# What is a Fraud and Waste Hotline?

The general public, City staff, and those doing business with the City can report **suspected fraud, waste or wrongdoing involving City resources**.

Confidential and anonymous service

Independently operated by a third party

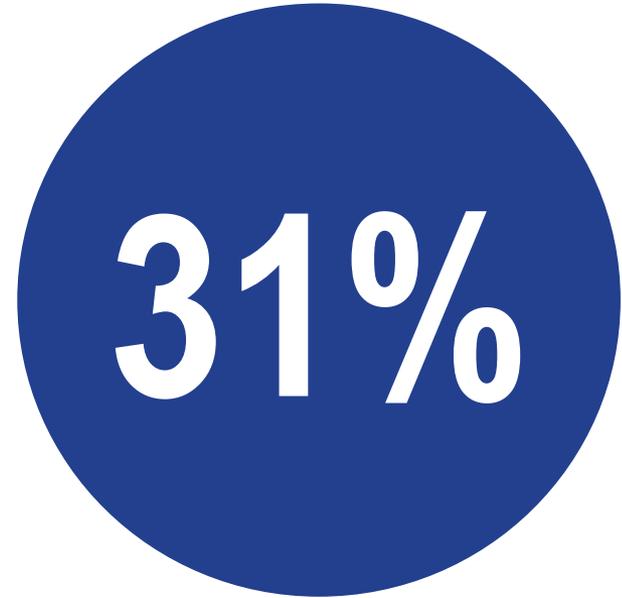
Accessible by phone or online

Available 24 hours a day 7 days a week



**Reports**

Received between  
July 1, 2022 and June 30, 2023

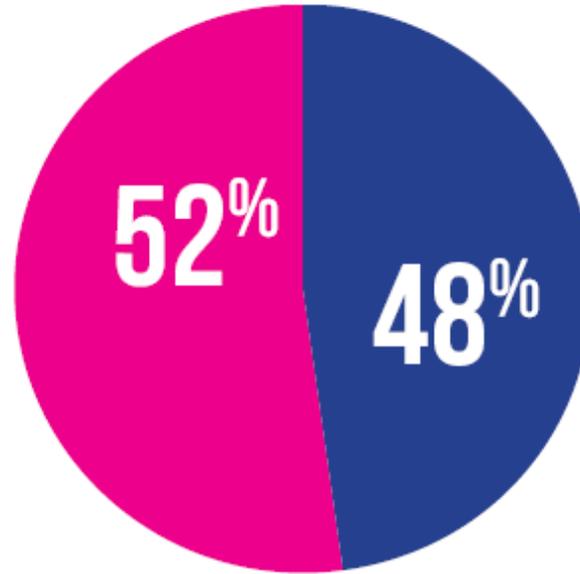


**Substantiation  
Rate**

# Top Report Categories

Multiple Categories Applicable	32
Social Services – Fraud/Wrongdoing	32
Service Complaint/Concern	28
Out of Jurisdiction	19
Time Theft and/or Misconduct	7
Employee Benefits Fraud	6
Conflict of Interest	5
Phishing/Identity Theft	5
Improper Financial Reporting/Budgeting	4
Waste/Mismanagement	4
Theft/Misappropriation	2
Contractor/Vendor Wrongdoing	1
Fraud	1
Public Safety	1
Other Various Categories	12
<b>Total Reports</b>	<b>159</b>

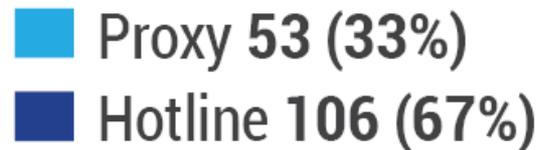
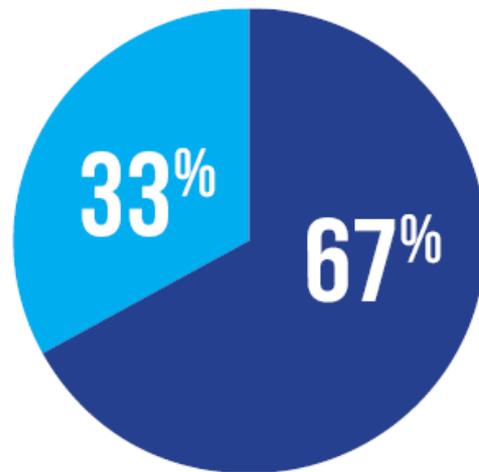
# Statistics - Employee Reports



- Self-Identified 77 (48%)  
as an Employee
- Non-Employee 82 (52%)

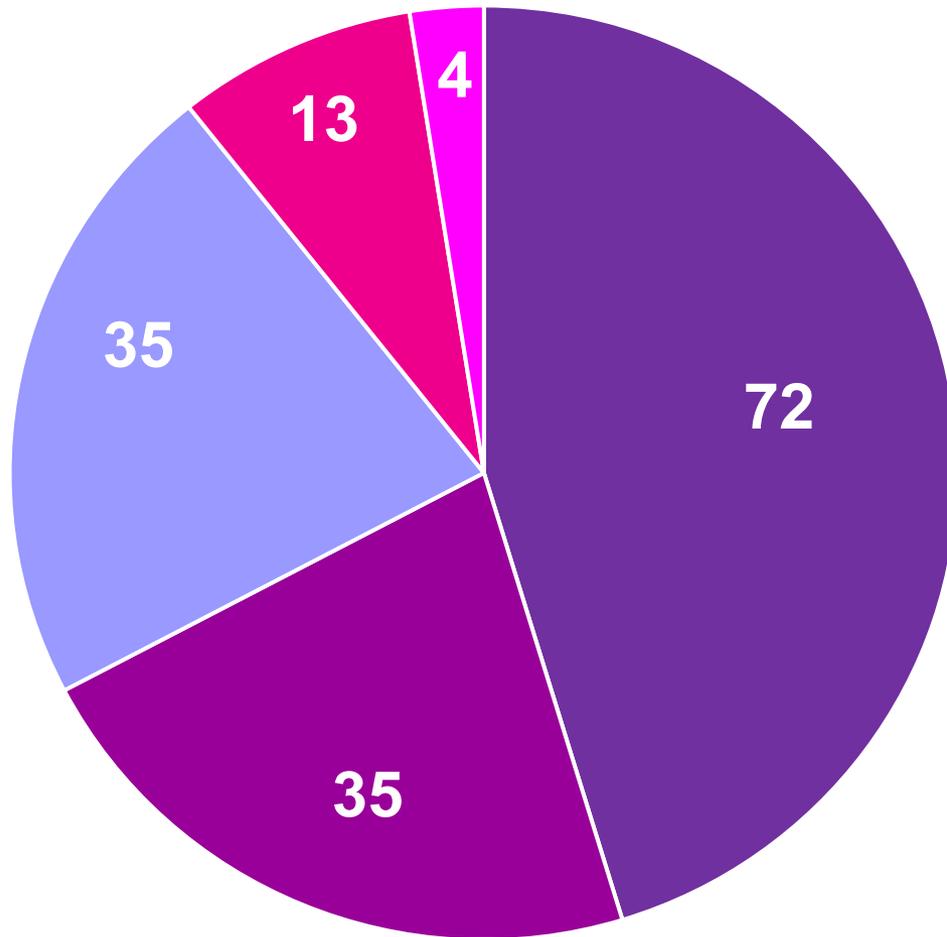
# Statistics - Direct vs. Proxy Reports

Of these 159 reports, 53 were made directly to the OAG, remainder were made using the Hotline service provider.



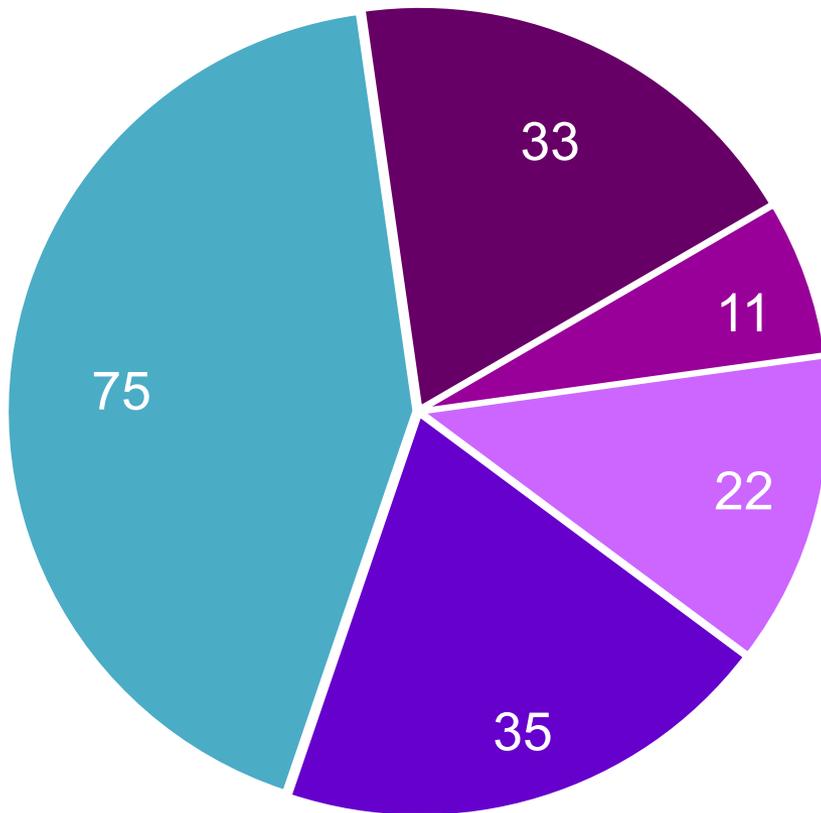
Proxy Reports from  
Management,  
Finance, Human  
Resources –  
**25 of 53**

# What We Did With The Reports



- Referral - Response Required (72)
- Referral - No Action Required (35)
- No Response Required/Out of Jurisdiction/Not Enough Information (35)
- Investigations Launched - Current Year (13)
- In Progress (4)

# Outcomes



- Substantiated - 33
- Partially Substantiated - 11
- Unsubstantiated - 22
- In Progress - 35
- Not Applicable - 75

**Total: 176**

9

Terminations

9

Other Actions Taken (includes employee resignations, retirement and no re-hire condition, non-disciplinary letters and discipline issued)

**\$132K**

Loss or  
Waste/Mismanagement  
Substantiated since last  
Annual Report

**\$2.6K**

Losses recovered by  
City of Hamilton

## Multiple Conflicts of Interest/Social Relationships with a Contractor

- Alleged that a City employee had undisclosed significant social relationship with a contractor and gave them favourable treatment. Overall the allegations of conflicts of interest were substantiated for 3 employees. Findings included staff receiving hospitality, attending social gatherings in a non-business setting. No disclosures were made. Contractor was also found to have been afforded favourable treatment by all 3 staff.

## Employee Breach of Trust Allegations

- The OAG received information about City employee (Plans Examiner) that had been charged with two counts of breach of trust, including allegations that fraud had been committed by “entering false information on City of Hamilton documentation and depriving (the city) of fees owed”. The charges have not been proven in court. The trial began in October 2023 and is expected to resume in March 2024. OAG is looking to understand the full extent of what happened, how it happened, and what lessons, if any, can be learned. OAG work will resume once the criminal trial has concluded.

## Employee Receiving Cash for Use of City Facility

- Alleged that an employee was receiving cash under the table from a user group renting a City Sports Facility. OAG investigated, allegation was substantiated, it is estimated that about \$1,000 to \$1,900 in cash was received over multiple years. Employee was terminated.

## False Benefit Claims

- Four reports were received from HR regarding false claims by 4 employees and their dependents. False claims totalled \$2,700, \$2,600, \$4,600 and \$2,800. The reports were substantiated and there were a variety of outcomes – retirement (not eligible for re-hire), two terminations, and one other disciplinary action.
- 5 employees and 1 former employee investigated for filing false benefits claims for orthotics and compression stockings. The scheme involved collusion with an outside party. Allegations were substantiated for the 6 people, total of false claims was close to \$31,000. Resulted in 4 terminations. Decisions on remaining 2 cases are pending.

## City Targeted by Imposter Vendor Scam

- Someone posing as an existing vendor contacted the City to change the vendor's banking details for electronic deposit. As a result of a misstep in following City procedures over \$52,000 that was owed to the legitimate vendor was transferred to the imposter's bank account. The scam became apparent when the legitimate vendor made enquiries wondering why they hadn't been paid.

## Employee Working Full Time at Two Different Cities

- An anonymous complaint was received about a full-time City employee working full-time at a similar job in another municipality. The now former employee (resigned) admitted to having the two jobs but claimed the duty times did not overlap. OAG requested information to substantiate this claim but after many months it has still not been provided.

## Hiring Former Employees Via Sole Source Procurement

- It was alleged that proper procurement processes were not followed when a sole source contract was awarded to a consulting company that is owned by a recently retired employee. Based on OAG's review of pertinent documentation it was found that current City policies are silent on hiring previous employees as vendors.

## Abuse of Short-Term Disability Benefits

- Human Resources reported to the Office of the Auditor General (OAG) that they conducted two investigations into abuse of Short-Term Disability benefits by City employees. The allegations were substantiated, and Human Resources informed the OAG that the employees resigned.

## Employee Theft and Other Misconduct

- The OAG received a report that an employee allegedly was committing theft of City property and of the general public, along with allegedly operating a Zamboni while under the influence of drugs and alcohol.
- Additionally, a separate incident was reported to the Hamilton Police Service, wherein the same employee was apprehended for pilfering a payment card belonging to a member of the public while they were attending a City facility. The allegations relating to the payment card were substantiated and the employee resigned.

## Conflict of Interest Due to Another Job in the Private Sector

- OAG received information about an employee who while working for the City held a similar position in the same field in the private sector, the duties of which would conflict with their City role. The allegation was substantiated and the employee has resigned from the City.

## Employee Misuse of Corporate Account

- Human Resources reported to the OAG allegations of misuse of a corporate account at a building supply store. The OAG requested that HR investigate the matter. The allegations were substantiated with six fraudulent purchases made for approximately \$1,400. The employee was terminated.

## Personal Use of City Assets

- It was alleged and later substantiated that an employee was living in and/or making personal use of a vacant City-owned housing unit for an extended period without the knowledge or authorization of management. Further, they made unauthorized repairs and other modifications to the unit, at City expense, for their personal use and benefit.
- It was also substantiated for another employee that they were aware of the personal usage of the unit by the employee and did not report it to management. Both employees were terminated.

# Closing Remarks: Auditor General Reflections

## Current Year Themes and Risks

- Substantiated a significant number of false benefit claims.
- Conflicts of interest continue to be a systemic issue.
- Overall high volume of reports, 49% year over year increase.
- Poor contract administration and oversight emerging as a frequent issue.
- Need for continued vigilance with respect to phishing scams.

confidential  
anonymous

# SPEAK UP

Report any wrongdoing



Hamilton

OFFICE OF THE  
AUDITOR GENERAL

**Use the Fraud and Waste Hotline**

**[www.hamilton.ca/Fraud](http://www.hamilton.ca/Fraud)**

**Call Toll Free 24/7**

**1-888-390-0393**

# How to Report



**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