




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

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	February 22, 2024
<b>SUBJECT/REPORT NO:</b>	Accounts Payable Special Investigation (Fraud and Waste Report #65357) (AUD24001) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Brigitte Minard CPA, CA, CIA, CGAP, CFE (905) 546-2424 Ext. 3107 Delta Consulting Group Canada Ltd.
<b>SUBMITTED BY:</b>	Charles Brown, CPA, CA Auditor General Office of the Auditor General
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the Management Responses as detailed in Appendix “A” to Report AUD24001 be approved; and
- (b) That the General Manager of Finance and Corporate Services be directed to implement the management responses (attached as Appendix “A” to Report AUD24001) and report back to the Audit, Finance and Administration Committee by August 2024 on the nature and status of actions taken in response to the special investigation report.

**EXECUTIVE SUMMARY**

As a result of a Serious Matter reported to the Audit, Finance, and Administration Committee in May 2023 (Confidential Report AUD23007), the Office of the Auditor General (OAG) engaged investigative and forensic accounting specialists, Delta Consulting Group Canada Ltd. (Delta Consulting), to conduct an investigation on behalf of the Office of the Auditor General.

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.

The special investigation found process weaknesses and an instance where standard operating procedures were not adhered to, and ultimately the City incurred losses of over \$52,000 due to fraudulent activity.

A formal report, attached as Appendix “A” to Report AUD24001, summarizes the control weaknesses uncovered in the above investigation and contains the Office of the Auditor General’s observations, recommendations and management’s responses and planned course of action to those recommendations.

Overall, OAG has made recommendations to improve and controls within the Accounts Payable processes, with a focus on vendor information changes.

**Alternatives for Consideration – Not Applicable**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: None.

Staffing: None.

Legal: None.

**HISTORICAL BACKGROUND**

This matter was initially reported to the Office of the Auditor General (OAG) in early May 2023.

A police report was filed in early May 2023, thus requiring the OAG to inform Council of the matter. Confidential Report AUD23007 (Auditor General Reporting of Serious Matters to Council (Case #65357) went to the Audit, Finance and Administration Committee in late May 2023.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

None.

**RELEVANT CONSULTATION**

Appendix “A” to Report AUD24001 includes responses from management responsible for overseeing the Accounts Payable process in the Financial Services Division in the Corporate Services Department.

The Legal and Risk Management Services Divisions in the Corporate Services Department were consulted during this special investigation.

### **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The purpose of this special investigation was to investigate an alleged fraudulent payment of over \$52,000 processed by the City's Accounts Payable Section in late April 2023. The OAG also requested that Delta Consulting provide the OAG with recommendations based on their investigation findings in order to improve processes.

Due to the fact that the special investigation findings are process focused and are similar in nature to audit recommendations, the OAG has decided to provide a high-level summary of the investigation and share the recommendations and management responses publicly, as an audit report would be shared.

The summary of investigation findings, recommendations and management responses can be found at Appendix "A" to Report AUD24001. The OAG made six recommendations to strengthen controls over vendor information changes.

Management responses were received for all recommendations. Overall management agrees with the six recommendations. We are requesting that Council direct staff to report back on their progress on management response implementation to the Audit, Finance and Administration Committee in August 2024.

### **ALTERNATIVES FOR CONSIDERATION**

Not Applicable

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

#### **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 AUD24001 – Accounts Payable Special Investigation: Summary, Recommendations, and Management Responses