



AUDIT, FINANCE AND ADMINISTRATION COMMITTEE REPORT 24-004

9:30 a.m.
February 22, 2024
Council Chambers
Hamilton City Hall

Present: Councillors T. Hwang (Chair), J. Beattie, B. Clark, C. Kroetsch, M. Spadafora, M. Tadeson, and A. Wilson

Absent with

Regrets: Councillor M. Wilson – Personal

Also

Present: Mayor Horwath
Councillors C. Cassar, J.P. Danko, T. McMeekin and N. Nann

THE AUDIT, FINANCE AND ADMINISTRATION COMMITTEE PRESENTS REPORT 24-004 AND RESPECTFULLY RECOMMENDS:

1. **Accounts Payable Special Investigation (Fraud and Waste Report #65357) (AUD24001) (Item 8.1)**
 - (a) That the Management Responses as detailed in Appendix “A” to Audit, Finance and Administration Report 24-004, 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 Audit, Finance and Administration Report 24-004) 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.

2. **CONSENT ITEMS (Items 9.1 and 9.2)**

That the following Consent Items, be received:

- (a) Grants Sub-Committee - Clerk's Report (February 12, 2024) (Item 9.1)
- (b) City Enrichment Fund Community Consultation Update (GRA23003(c)) (City Wide) (Item 9.2)

3. 2024 Development Charges Background Study and By-law Update - Open House Feedback (FCS23103(a)) (Item 10.1)

That Report FCS23103(a), respecting 2024 Development Charges Background Study and By-law Update - Open House Feedback, be received.

4. 2023 City Enrichment Fund Update (GRA24001) (City Wide) (Item 11.1)

That the overall 2023 City Enrichment Fund surplus (Appendix "B" to Audit, Finance and Administration Report 24-004), in the amount of \$134,710 be transferred to the City Enrichment Fund Reserve # 112230.

5. Auditor General Reporting of Serious Matters to Council (Case #71958) (AUD24002) (Item 15.1)

- (a) That Report AUD24002, respecting Auditor General Reporting of Serious Matters to Council (Case #71958), be received; and,
- (b) That Report AUD24002, respecting Auditor General Reporting of Serious Matters to Council (Case #71958), remain confidential.

6. Corporate Services Department Organizational Structure Changes (FCS24015) (City Wide) (Added Item 15.2)

- (a) That the direction provided to staff in closed session, be approved; and,
- (b) That Report FCS24015 and Appendices, respecting Corporate Services Department Organizational Structure Changes, remain confidential until approved by Council.

FOR INFORMATION:

(a) CHANGES TO THE AGENDA (Item 2)

The Committee Clerk advised of the following changes to the agenda:

10. PUBLIC MEETINGS

- 10.1(a) Registered Delegations
 - 10.1(a)(d) Toni Wodzicki, Broccolini Real Estate Group
 - 10.1(a)(e) Steve Malovic, Flamborough Power Centre / iConnect Community
 - 10.1(a)(f) Julie Sergi, Realtors Association of Hamilton Burlington
 - 10.1(a)(g) Shwaan Hutton, Development Collective
 - 10.1(a)(h) Adam Lambros, Panattoni

- 10.1(a)(i) Steven Dejonckheere, Slate Asset Management
- 10.1(a)(j) Peter Appleton
- 10.1(a)(k) Greg Dunnett, Hamilton Chamber of Commerce
- 10.1(a)(l) Don McLean, Hamilton 350 Committee
- 10.1(a)(m) Robert Howe, Goodmans LLP
- 10.1(a)(n) Karl Andrus, Hamilton Community Benefits Network
- 10.1(a)(o) Ian Borsuk, Environment Hamilton
- 10.1(a)(p) Don Robertson

- 10.1(b) Written Submissions
 - 10.1(b)(b) Andrew Eldebs, Cachet Developments (Binbrook) Inc.
 - 10.1(b)(c) Steven Dejonckheere, Slate Asset Management
 - 10.1(b)(d) Ryan Millar, Emblem
 - 10.1(b)(e) Peter Banting
 - 10.1(b)(f) Cathy McPherson
 - 10.1(b)(g) Elizabeth and Les Birchall
 - 10.1(b)(h) Lida Holt
 - 10.1(b)(i) Victoria Koch
 - 10.1(b)(j) Lara Stewart
 - 10.1(b)(k) Kris Gadjanski
 - 10.1(b)(l) Theresa McCuaig and Family
 - 10.1(b)(m) Christina Salamon
 - 10.1(b)(n) Gord and Angie McNulty
 - 10.1(b)(o) Rachelle Letain
 - 10.1(b)(p) Jeffrey Sindall
 - 10.1(b)(q) Cheryl Tigchelaar
 - 10.1(b)(r) Kira McDermid
 - 10.1(b)(s) Lois Corey
 - 10.1(b)(t) Carolyn VanHoevelaak
 - 10.1(b)(u) Patrick Denninger, Denninger's
 - 10.1(b)(v) Marie Covert
 - 10.1(b)(w) Nancy Chater
 - 10.1(b)(x) Caroline Neufeld
 - 10.1(b)(y) Ruth Frager
 - 10.1(b)(z) Robert Wakulat, Courage Co-Lab Inc.
 - 10.1(b)(aa) Alan Leela and Shamil Jiwani, Vantage Developments
 - 10.1(b)(ab) Emil Jadanski
 - 10.1(b)(ac) Melissa "Molly" Heppner
 - 10.1(b)(ad) Allyn Walsh
 - 10.1(b)(ae) Jan W. Jansen
 - 10.1(b)(af) Katie West
 - 10.1(b)(ag) Erica Hall

10.1(b)(ah)	Laurianne Munezero
10.1(b)(ai)	Ron Ballentine
10.1(b)(aj)	Suzanne Cooper
10.1(b)(ak)	Laurel Imeson
10.1(b)(al)	Justin Mamone and Paul Brown, Paul Brown & Associates
10.1(b)(am)	Susan Wortman
10.1(b)(an)	Melissa Smith
10.1(b)(ao)	Julie Richer
10.1(b)(ap)	Michael Krasic, Coletara Development
10.1(b)(aq)	David Lloyd
10.1(b)(ar)	Marwan Zahra, Belmont Equity Partners
10.1(b)(as)	Kim Beckman and Shwaan Hutton, Development Collective
10.1(b)(at)	Nonni Iler
10.1(b)(au)	Elizabeth Knight
10.1(b)(av)	Aarthi Thaya, Rice Group
10.1(b)(aw)	Sue Markey
10.1(b)(ax)	Rick Johnson
10.1(b)(ay)	Aaron Collina, Movengo Corporation
10.1(b)(az)	Gabriel DeSantis, DeSantis Homes
10.1(b)(ba)	Daniel Guizzetti, Empire Communities
10.1(b)(bb)	Marcus Gagliardi, Cachet Homes
10.1(b)(bc)	John B. Corbett, Corbett Land Strategies Inc.

15. PRIVATE AND CONFIDENTIAL

15.2 Corporate Services Department Organizational Structure Changes (FCS24015) (City Wide)

CHANGES TO THE ORDER OF THE AGENDA

That Item 11.1 respecting the 2023 City Enrichment Fund Update (GRA24001) (City Wide), be moved up on the agenda, to be considered immediately following Item 9.2, City Enrichment Fund Community Consultation Update (GRA23003(c)) (City Wide)

The agenda for the February 22, 2024 Audit, Finance and Administration Committee meeting, was approved, as amended.

(b) DECLARATIONS OF INTEREST (Item 3)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 4)

(i) Approval of Minutes of the Previous Meeting (Item 4.1)

The Minutes of the February 8, 2024 meeting, were approved, as presented.

(d) STAFF PRESENTATIONS (Item 8)

(i) Accounts Payable Special Investigation (Fraud and Waste Report #65357) (AUD24001) (Item 8.1)

Brigitte Minard, Deputy Auditor General, and Ken Froese and Grace Lau, Delta Consulting, addressed Committee respecting the Accounts Payable Special Investigation (Fraud and Waste Report #65357) (AUD24001), with the aid of a presentation.

The presentation from Brigitte Minard, Deputy Auditor General, and Ken Froese and Grace Lau, Delta Consulting, respecting the Accounts Payable Special Investigation (Fraud and Waste Report #65357) (AUD24001), was received.

For further disposition of this matter, refer to Item 1.

(e) PUBLIC MEETINGS (Item 10)

(i) 2024 Development Charges Background Study and By-law Update - Open House Feedback (FCS23103(a)) (Item 10.1)

The Chair advised that pursuant to Section 12 of the *Development Charges Act, 1997*, the public meeting respecting Item 10.1 is being held to present and obtain public input on the City's proposed 2024 Development Charges Background Study and By-law Update - Open House Feedback. The Chair further advised that notice of the public meeting was published in the Hamilton Spectator on January 17, 2024 and on the City's website, inviting interested parties to make representations at today's meeting. Any person in attendance was able make representation.

Gary Scandlan and Erik Karvinen, Watson and Associates, addressed Committee respecting the 2024 Development Charges Background Study and By-law Update - Open House Feedback, with the aid of a presentation.

The presentation from Gary Scandlan and Erik Karvinen, Watson and Associates, respecting the 2024 Development Charges Background Study and By-law Update - Open House Feedback, was received.

(ii) Registered Delegations (Item 10.1(a))

The following Registered Delegations addressed the Committee respecting the 2024 Development Charges Background Study and By-law Update - Open House Feedback:

- (a) Michelle Diplock, West End Home Builders Association (Item 10.1(a)(a))
- (b) Veronica Green, Slate Asset Management (Item 10.1(a)(b))
- (c) Alan Leela, Vantage Developments (Item 10.1(a)(c))
- (d) Steve Malovic, Flamborough Power Centre / iConnect Community (Added Item 10.1(a)(e))
- (e) Julie Sergi, Realtors Association of Hamilton Burlington (Added Item 10.1(a)(f))
- (f) Shwaan Hutton, Development Collective (Added Item 10.1(a)(g))
- (g) Adam Lambros, Panattoni (Added Item 10.1(a)(h))
- (h) Steven Dejonckheere, Slate Asset Management (Added Item 10.1(a)(i))
- (i) Peter Appleton (Added Item 10.1(a)(j))
- (j) Greg Dunnett, Hamilton Chamber of Commerce (Added Item 10.1(a)(k))
- (k) Don McLean, Hamilton 350 Committee (Added Item 10.1(a)(l))
- (l) Robert Howe, Goodmans LLP (Added Item 10.1(a)(m))
- (m) Karl Andrus, Hamilton Community Benefits Network (Added Item 10.1(a)(n))
- (n) Ian Borsuk, Environment Hamilton (Added Item 10.1(a)(o))
- (o) Don Robertson (Added Item 10.1(a)(p))
- (p) Toni Wodzicki, Broccolini Real Estate Group (Added Item 10.1(a)(d))

(iii) Non-Registered Delegations (Added Item 10.1(a)(q))

The following Non-Registered Delegates addressed the Committee respecting the 2024 Development Charges Background Study and By-law Update - Open House Feedback:

- (a) James Webb (Added Item 10.1(a)(q))

The following Registered and Non-Registered Delegations respecting the 2024 Development Charges Background Study and By-law Update - Open House Feedback, were received:

- (a) Michelle Diplock, West End Home Builders Association (Item 10.1(a)(a))
- (b) Veronica Green, Slate Asset Management (Item 10.1(a)(b))
- (c) Alan Leela, Vantage Developments (Item 10.1(a)(c))
- (d) Steve Malovic, Flamborough Power Centre / iConnect Community (Added Item 10.1(a)(e))

- (e) Julie Sergi, Realtors Association of Hamilton Burlington (Added Item 10.1(a)(f))
- (f) Shwaan Hutton, Development Collective (Added Item 10.1(a)(g))
- (g) Adam Lambros, Panattoni (Added Item 10.1(a)(h))
- (h) Steven Dejonckheere, Slate Asset Management (Added Item 10.1(a)(i))
- (i) Peter Appleton (Added Item 10.1(a)(j))
- (j) Greg Dunnett, Hamilton Chamber of Commerce (Added Item 10.1(a)(k))
- (k) Don McLean, Hamilton 350 Committee (Added Item 10.1(a)(l))
- (l) Robert Howe, Goodmans LLP (Added Item 10.1(a)(m))
- (m) Karl Andrus, Hamilton Community Benefits Network (Added Item 10.1(a)(n))
- (n) Ian Borsuk, Environment Hamilton (Added Item 10.1(a)(o))
- (o) Don Robertson (Added Item 10.1(a)(p))
- (p) Toni Wodzicki, Broccolini Real Estate Group (Added Item 10.1(a)(d))
- (q) James Webb (Added Item 10.1(a)(q))

(iv) Written Submissions (Item 10.1(b))

The following Written Submissions respecting the 2024 Development Charges Background Study and By-law Update - Open House Feedback, were received:

- (a) Brandon Donnelly and Veronica Green, Slate Asset Management (Item 10.1(b)(a))
- (b) Andrew Eldebs, Cachet Developments (Binbrook) Inc. (Added Item 10.1(b)(b))
- (c) Steven Dejonckheere, Slate Asset Management (Added Item 10.1(b)(c))
- (d) Ryan Millar, Emblem (Added Item 10.1(b)(d))
- (e) Peter Banting (Added Item 10.1(b)(e))
- (f) Cathy McPherson (Added Item 10.1(b)(f))

- (g) Elizabeth and Les Birchall (Added Item 10.1(b)(g))
- (h) Lida Holt (Added Item 10.1(b)(h))
- (i) Victoria Koch (Added Item 10.1(b)(i))
- (j) Lara Stewart (Added Item 10.1(b)(j))
- (k) Kris Gadjanski (Added Item 10.1(b)(k))
- (l) Theresa McCuaig and Family (Added Item 10.1(b)(l))
- (m) Christina Salamon (Added Item 10.1(b)(m))
- (n) Gord and Angie McNulty (Added Item 10.1(b)(n))
- (o) Rachelle Letain (Added Item 10.1(b)(o))
- (p) Jeffrey Sindall (Added Item 10.1(b)(p))
- (q) Cheryl Tigchelaar (Added Item 10.1(b)(q))
- (r) Kira McDermid (Added Item 10.1(b)(r))
- (s) Lois Corey (Added Item 10.1(b)(s))
- (t) Carolyn VanHoevelaak (Added Item 10.1(b)(t))
- (u) Patrick Denninger, Denninger's (Added item 10.1(b)(u))
- (v) Marie Covert (Added Item 10.1(b)(v))
- (w) Nancy Chater (Added Item 10.1(b)(w))
- (x) Caroline Neufeld (Added Item 10.1(b)(x))
- (y) Ruth Frager (Added Item 10.1(b)(y))
- (z) Robert Wakulat, Courage Co-Lab Inc. (Added Item 10.1(b)(z))
- (aa) Alan Leela and Shamil Jiwani, Vantage Developments (Added Item 10.1(b)(aa))
- (ab) Emil Jadanski (Added Item 10.1(b)(ab))
- (ac) Melissa "Molly" Heppner (Added Item 10.1(b)(ac))
- (ad) Allyn Walsh (Added Item 10.1(b)(ad))

- (ae) Jan W. Jansen (Added Item 10.1(b)(ae))
- (af) Katie West (Added Item 10.1(b)(af))
- (ag) Erica Hall (Added Item 10.1(b)(ag))
- (ah) Laurianne Munezero (Added Item 10.1(b)(ah))
- (ai) Ron Ballentine (Added Item 10.1(b)(ai))
- (aj) Suzanne Cooper (Added Item 10.1(b)(aj))
- (ak) Laurel Imeson (Added Item 10.1(b)(ak))
- (al) Justin Mamone and Paul Brown, Paul Brown & Associates (Added Item 10.1(b)(al))
- (am) Susan Wortman (Added Item 10.1(b)(am))
- (an) Melissa Smith (Added Item 10.1(b)(an))
- (ao) Julie Richer (Added Item 10.1(b)(ao))
- (ap) Michael Krasic, Coletara Development (Added Item 10.1(b)(ap))
- (aq) David Lloyd (Added Item 10.1(b)(aq))
- (ar) Marwan Zahra, Belmont Equity Partners (Added Item 10.1(b)(ar))
- (as) Kim Beckman and Shwaan Hutton, Development Collective (Added Item 10.1(b)(as))
- (at) Nonni Iler (Added Item 10.1(b)(at))
- (au) Elizabeth Knight (Added Item 10.1(b)(au))
- (av) Aarthi Thaya, Rice Group (Added Item 10.1(b)(av))
- (aw) Sue Markey (Added Item 10.1(b)(aw))
- (ax) Rick Johnson (Added Item 10.1(b)(ax))
- (ay) Aaron Collina, Movengo Corporation (Added Item 10.1(b)(ay))
- (az) Gabriel DeSantis, DeSantis Homes (Added Item 10.1(b)(az))
- (ba) Daniel Guizzetti, Empire Communities (Added Item 10.1(b)(ba))

- (bb) Marcus Gagliardi, Cachet Homes (Added Item 10.1(b)(bb))
- (bc) John B. Corbett, Corbett Land Strategies Inc. (Added Item 10.1(b)(bc))

The public meeting was closed.

For further disposition of this matter, refer to Item 3.

The Audit, Finance and Administration Committee recessed from 2:57 p.m. to 3:30 p.m.

(f) PRIVATE AND CONFIDENTIAL (Item 15)

The Audit, Finance and Administration Committee moved into Closed Session, pursuant to Section 9.3, Sub-sections (a), (b) and (f) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-sections (a), (b) and (f) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to the security of the property of the City or a local board; personal matters about an identifiable individual, including City or local board employees and advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

(i) Auditor General Reporting of Serious Matters to Council (Case #71958) (AUD24002) (Item 15.1)

For further disposition of this matter, refer to Item 5.

(iii) Corporate Services Department Organizational Structure Changes (FCS24015) (City Wide) (Added Item 15.2)

For further disposition of this matter, refer to Item 6.

(g) ADJOURNMENT (Item 15)

There being no further business, the Audit, Finance and Administration Committee, was adjourned at 5:18 p.m.

Respectfully submitted,

Councillor Tammy Hwang, Chair
Audit, Finance and Administration
Committee

Tamara Bates
Legislative Coordinator
Office of the City Clerk

Accounts Payable Special Investigation (Fraud and Waste Report #65357)

Investigation Summary,
Recommendations, and
Management Responses



February 22, 2024

Brigitte Minard, Deputy Auditor General
Delta Consulting Group Canada Ltd.

Management Responses Provided by:
Financial Services Division, Corporate Services Department



Hamilton
OFFICE OF THE
AUDITOR GENERAL

Investigation Summary

The City of Hamilton received an email request from a person, posing as a vendor, to change the vendor’s banking information for payments (known as Electronic Fund Transfers, or EFTs). After some exchange of emails, and obtaining the required forms and documentation, the vendor’s banking information was changed and a payment of over \$52,000 was made to the imposter vendor’s new bank account. The legitimate vendor subsequently inquired as to why they had not received payment which led to the discovery of the fraud.

Accounts Payable informed the Office of the Auditor General (OAG) of the incident, and the OAG reported the matter to the Hamilton Police Service. A “Serious Matter” Report was then provided to Council in late May 2023 (AUD23007). The OAG engaged Delta Consulting Group Canada Ltd. (Delta Consulting) to complete an investigation on behalf of the Office of the Auditor General.

The investigation found that the vendor did not have any connections with the fraudulent transactions, and in fact had fallen victim to a “Business Email Compromise” scam.

A business email compromise (BEC) scam is a type of cybercrime where attackers gain access to and/or make use of a company’s email system. The main components include:

- **Unauthorized access:** Attackers may obtain access to the target’s email system, either by stealing login credentials or using other methods.
- **Impersonation:** Once the attacker is inside, they study communication patterns and identify key people.
- **Social Engineering:** The attacker then uses the information obtained to impersonate trusted individuals in the company and send fraudulent emails that seem legitimate.
- **Deceptive Requests:** The fraudulent email contains a request to do something that is “urgent” (e.g. transfer money) or make changes to banking information.
- **Financial Loss:** The target may not detect the scam and may comply with the request. If changes to banking information were made, payment is sent to the attacker’s bank account.

Source: ChatGPT, personal communication, December 18, 2023, search term: “explain business email compromise scam in plain language”, edited and summarized by Office of the Auditor General.

The investigation included the use of a Norwich Order which is a court order that compels a third party to produce evidence in its possession – in this case a bank that was in receipt of funds allegedly procured by fraud. This allowed deposit and banking

transaction details to be obtained. The funds were ultimately traced to a bank account in another city, and we determined that the funds were quickly moved out of that account. The Hamilton Police Service were provided with this information for use in their investigation, and the OAG, with the assistance of Delta Consulting, set out to identify how procedures could be improved to prevent future occurrences, and to minimize such risk. This report summarizes our findings and conclusions.

Six recommendations have been made, the observations and corresponding recommendations are included below:

1. Authorized Vendor Personnel for Vendor Information Change

Observation

We were advised by the Accounts Payable staff that anyone from the vendor organization (for example, receptionists) can initiate a vendor information change.

Recommendation 1

That the City's Accounts Payable department keep an updated profile of vendor information, including authorized signatories and vendor contact information. Only the vendor's authorized signatory should be permitted to initiate a vendor information change.

Management Response

Agree.

The current procedure requires new vendors to have their contact information set up in the City's Accounts Payable vendor file. The Accounts Payable department does not currently track vendor authorized signatories. Accounts Payable staff will work with Procurement and Legal Services to seek their input on how to effectively manage vendor authorized signatories.

In the interim, Accounts Payable staff will contact the individual who signed the electronic fund transfer change form using the vendor information on file. This is the individual who states, "I have the authority to bind the vendor". Staff will verify the individual is a senior level staff person such as an owner, controller, director, etc. Staff will also have them verbally confirm other information (old banking information, last payment details, HST number, etc.).

A more enhanced audit tracking process is being developed that will track all vendor changes. A second reviewer will verify processes were followed and information changed was accurately updated.

Accounts Payable staff are currently scanning the municipal sector to see what processes are currently in place for vendor information changes. Staff are looking to see how they manage authorized signatories and what technology they leverage for their processes.

The City's Information Technology division will review current procedures to look for risk points and/or opportunities where information technology equipment could be leveraged to enhance our internal processes, as well as reviewing best practices in the municipal sector.

Estimated Completion: Q2 2024.

2. Vendor Communications on Information Change

Observation

Accounts Payable staff called the telephone number disclosed on the Electronic Funds Transfer (EFT) Form and sent an email to the requestor's email address for the requestor to call back for confirmation procedures. This information was inconsistent with the vendor profile.

Recommendation 2

That Accounts Payable staff use only contact information on the City's vendor profile or vendor invoices (independent of the completed EFT Form) to communicate and confirm vendor information changes. Additionally, we recommend that Accounts Payable staff avoid replying directly to the email request but rather initiate a new email communication with the vendor using the contact information on file.

Management Response

Agree.

The current procedure requires an independent confirmation of all changes by verbally contacting the vendor using the vendor information on file. Accounts Payable staff were retrained on procedures in quarter 2 of 2023.

Accounts Payable staff will work with Procurement and Legal Services to seek their input on how to effectively manage vendor authorized signatories.

In the interim, Accounts Payable staff will contact the individual who signed the electronic fund transfer change form using the vendor information on file. This is the individual who states, "I have the authority to bind the vendor". Staff will verify the individual is a senior level staff person such as an owner, controller, director, etc. Staff will also have them verbally confirm other information (old banking information, last payment details, HST number, etc.).

Procedures will be updated directing staff to initiate a new email communication with the vendor using the contact information on file when dealing with any vendor information changes. All changes still require a verbal confirmation using the vendor number on file.

Expected Completion: Q2 2024.

3. Confirmation Procedures of Vendor Information Change

Observation

Accounts Payable staff are required to verbally confirm vendor information changes with the vendor. This is an appropriate procedure if conducted properly.

Recommendation 3

That Accounts Payable staff confirm the identity of the requestor before proceeding with any vendor information change – only an authorized signatory should be permitted to initiate vendor information changes. For example, Accounts Payable staff may ask questions to have the vendor's authorized signatory verify vendor profile information on file, such as its old bank account number, prior vendor payment history or prior invoices.

Management Response

Agree.

Accounts Payable staff verify requestor information by verbally contacting vendor using vendor information on file. The current procedure has been updated to require vendors to confirm old bank account information and/or last payment details. An audit report for vendor change is reviewed by the Manager of Accounts Payable daily.

Accounts Payable staff will work with Procurement and Legal Services to seek their input on how to effectively manage vendor authorized signatories.

In the interim, Accounts Payable staff will contact the individual who signed the electronic fund transfer change form using the vendor information on file. This is the individual who states, "I have the authority to bind the vendor". Staff will verify the

individual is a senior level staff person such as an owner, controller, director, etc. Staff will also have them verbally confirm other information (old banking information, last payment details, HST number, etc.).

A more enhanced audit tracking process is being developed that will track all vendor changes. A second reviewer will verify processes were followed and information changed was accurately updated.

Accounts Payable staff are currently scanning the municipal sector to see what processes are currently in place for vendor information changes. Staff are looking to see how they manage authorized signatories and what technology they leverage for their processes.

The City's Information Technology Division will review our current procedures to look for risk points and/or opportunities where information technology equipment could be leveraged to enhance our processes, as well as reviewing best practices in the municipal sector.

Estimated Completion: Q2 2024.

4. Information Required on the EFT Form

Observation

The EFT Form did not require the requestor to provide vendor's old bank account information.

Recommendation 4

That the EFT Form be amended to include the vendor's old bank account information and/or last payment information to deter a scammer from submitting the request without the required information.

Management Response

Agree.

The EFT form has been updated. Vendor is required to provide old banking information and/or last payment details, as well as other additional information.

Completed Q1 2024.

5. Review of Information on the Void Cheque

Observation

The Accounts Payable department requested a copy of a void cheque from the new bank account. However, details of the void cheque were modified by the scammer and the Accounts Payable staff did not independently verify the banking information. For example, the transit branch number was inconsistent with the disclosed branch location.

Recommendation 5

That Accounts Payable staff familiarize themselves with a standard void cheque and independently verify banking information such as transit branch number and address of the branch, and ensure it is consistent with other vendor information in the circumstances (for example, locations of operations etc.).

Management Response

Agree.

Accounts Payable staff are required to verify transit branch number and address of branch using vendor information on file to ensure it is consistent with vendor information. Accounts Payable staff require the vendor to verify old bank account and/or last payment details. Accounts Payable staff verbally verify changes with the vendor using the vendor information on file. Staff were retrained on verifying banking information in quarter 2 of 2023. Staff are continuing to be updated on procedural changes. The Manager of Accounts Payable reviews the audit report for vendor changes daily.

A more enhanced audit tracking process is being developed that will track all vendor changes. A second reviewer will verify processes were followed and information changed was accurately updated.

Estimated Completion: Q2 2024.

6. Training of Accounts Payable Staff

Observation

The Hamilton Police Service advised that business email compromise is a common tool used by scammers to phish or lure fraudulent payments. In this case, the scammer

hacked into the vendor's email account or set up an identical email account address in order to request payments be made to a fraudulent bank account.

Recommendation 6

That all Accounts Payable staff dealing with vendor information change and payments processing receive training on risks related to business email compromise and the need to independently verify vendor information change or requested payments to avoid further losses to the City.

Management Response

Agree.

Accounts Payable procedure has been updated. Upon receipt of an EFT change request, Accounts Payable staff verify old banking information and/or last payment details provided by vendor. The Accounts Payable staff verbally confirm the requested change with the vendor using the vendor information on file. The Manager of Accounts Payable reviews the audit report for vendor changes daily.

Accounts Payable procedural training took place in quarter 2 of 2023. Additional fraud prevention training was also conducted with Accounts Payable staff and was extended to city wide employees. Training session topics included impacts of fraud, fraud detection and fraud prevention. Training took place in quarter 2 of 2023. Staff are continuing to be updated on procedural changes.

Staff will look to develop a training schedule for staff to be retrained on vendor information changes annually or more frequently if procedures change.

Estimated Completion: Q1 2024.

2023 City Enrichment Fund Summary

Category	Total Applications Received	2023 Approved Budget	2023 Total Approved Funding	2023 Total Payment	Variance (Approved Funding vs Payment)
Agriculture	17	\$ 154,924	\$ 121,863	\$ 115,452	\$ 6,411
Arts	75	\$ 2,994,020	\$ 3,007,662	\$ 3,005,412	\$ 2,250
Communities, Culture and Heritage (CCH)	62	\$ 613,492	\$ 476,852	\$ 419,148	\$ 57,704
Community Services	116	\$ 2,338,944	\$ 2,452,455	\$ 2,452,455	\$ -
Environment	16	\$ 158,198	\$ 213,479	\$ 213,479	\$ -
Sport and Active Lifestyles	46	\$ 265,832	\$ 253,107	\$ 246,282	\$ 6,825
Digital *	5	\$ 75,000	\$ 75,000	\$ 33,809	\$ 41,191
Appeals *	76	\$ 687,492	\$ 687,492	\$ 687,492	
Total Traditional Grant Program Areas	413	\$ 7,287,902	\$ 7,287,910	\$ 7,173,529	\$ 114,381
CEF Administration		\$ 50,000	\$ 50,000	\$ 29,671	\$ 20,329
Total City Enrichment Fund	413	\$ 7,337,902	\$ 7,337,910	\$ 7,203,200	\$ 134,710

*Funded from CEF Reserve