



Hamilton

OFFICE OF THE
AUDITOR GENERAL

FRAUD AND WASTE ANNUAL REPORT

July 1, 2023 to June 30, 2024

**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

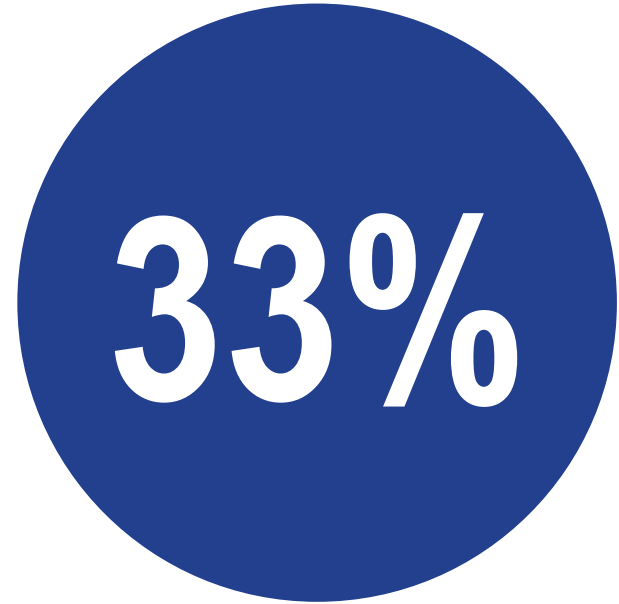
Accessible by phone or online

Available 24 hours a day 7 days a week



Reports

Received between
July 1, 2023 and June 30, 2024

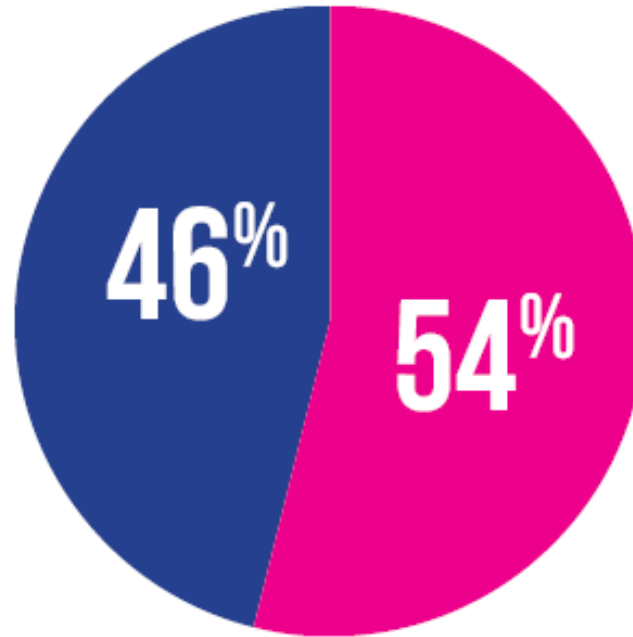


**Substantiation
Rate**

Top Report Categories

Social Services – Fraud/Wrongdoing	21
Service Complaint/Concern	20
Multiple Categories Applicable	18
Conflict of Interest	9
Phishing/Identity Theft	9
Time Theft and/or Misconduct	5
Improper Financial Reporting/Budgeting	5
Employee Benefits Fraud	3
Fraud	3
Contractor/Vendor Wrongdoing	2
Theft/Misappropriation	2
Waste/Mismanagement	2
Other Various Categories	8
Out of Jurisdiction	20
Total Reports	127

Employee Reports

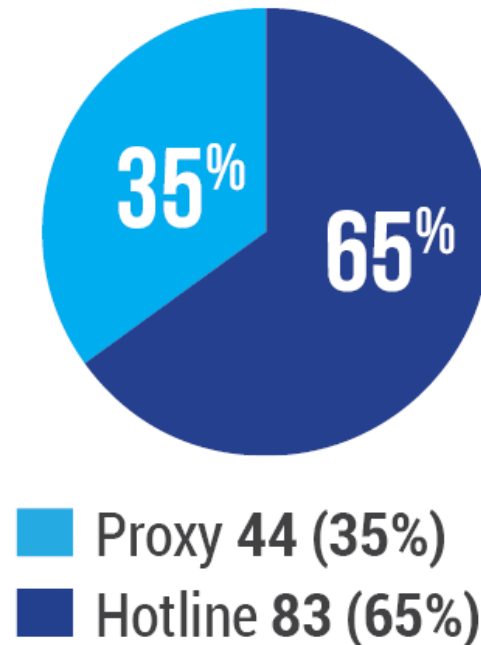


■ Self-Identified **59 (46%)**
as an Employee

■ Non-Employee **68 (54%)**

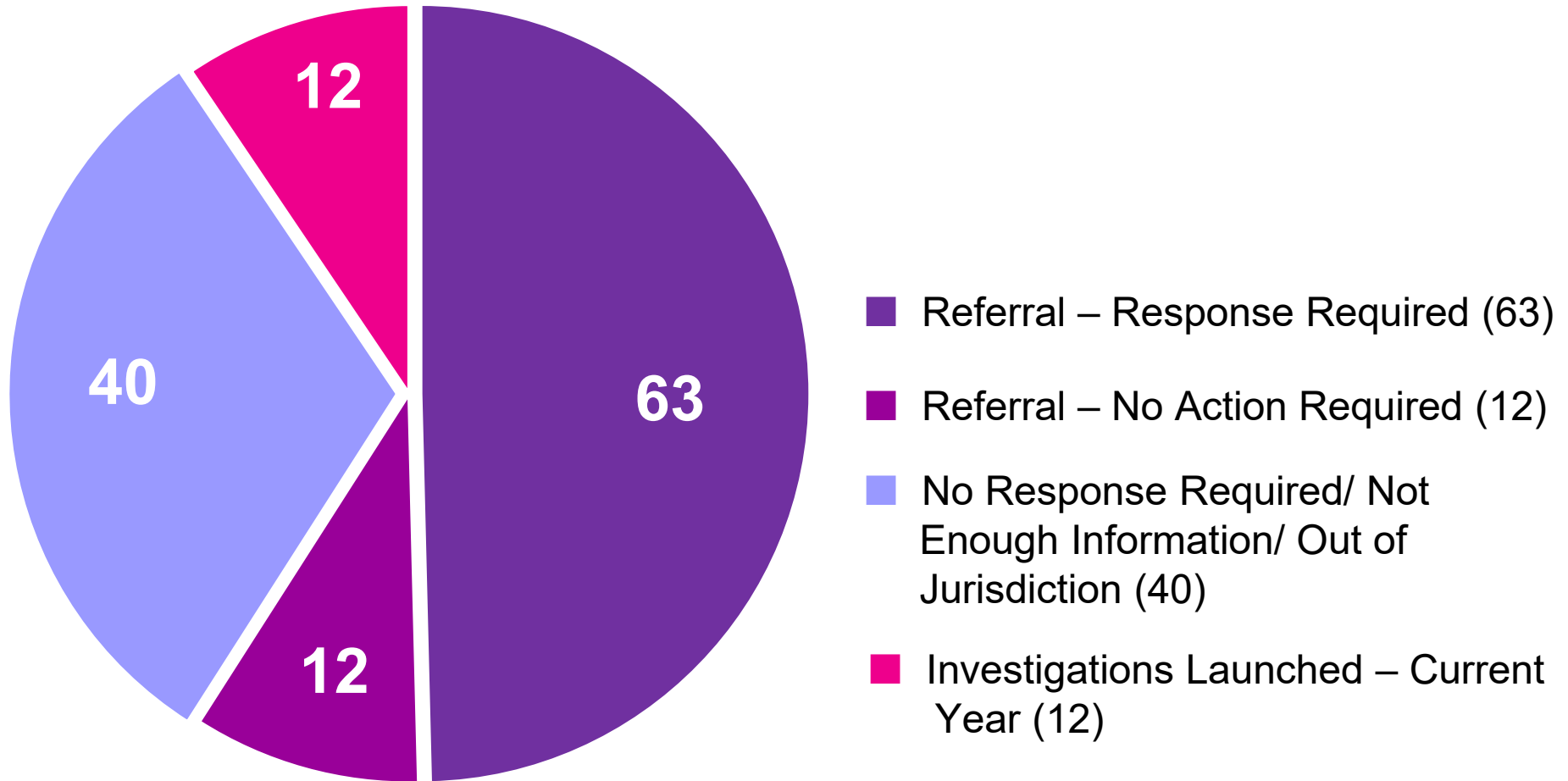
Statistics - Direct vs. Proxy Reports

Of these 127 reports, 44 were made directly to the OAG, remainder were made using the Hotline service provider.

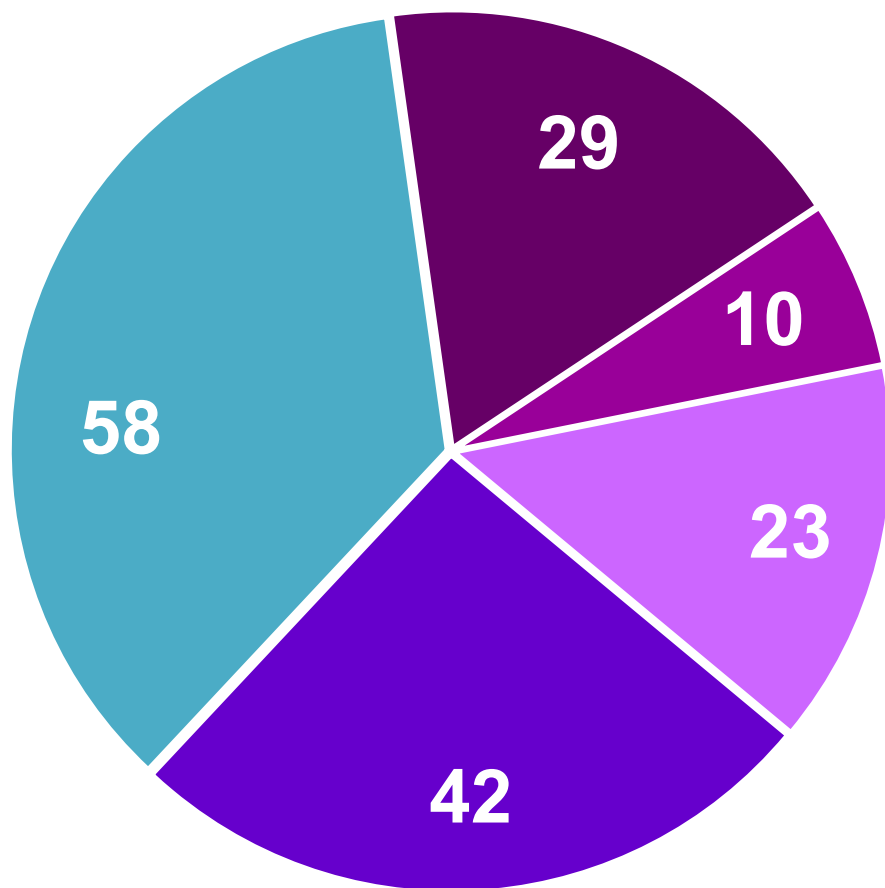


Proxy Reports from Management, Finance, Human Resources – **27 of 44**

What We Did With The Reports



Outcomes



- Substantiated - 29
- Partially Substantiated - 10
- Unsubstantiated - 23
- In Progress - 42
- Not Applicable - 58

Total: 162

5

Terminations

10

Other Actions Taken (includes employee resignations, retirement, discipline issued, non-disciplinary letters issued, verbal warnings, repayment letter)

\$2.35M

Loss or
Waste/Mismanagement
Substantiated since last
Annual Report

\$11.5K

Losses recovered by
City of Hamilton since
last Annual Report

Manager Working Another Job When Scheduled to Work at City of Hamilton

- Alleged that a City employee was working at another job and there were concerns about how the leader could complete their City of Hamilton duties and the duties of this additional position. Two requests were made by the OAG to interview the leader for the investigation. Based on the overwhelming amount of publicly available evidence the OAG concluded that the allegations were ultimately substantiated.

Hotline Tip Led to Real Estate Audit Findings - \$1.2M of Revenue Unlikely to be Fully Collected

- Following the submission of two separate reports to the Fraud and Waste Hotline regarding the administration of leases and licensing in the Corporate Real Estate Office, the Office of the Auditor General (OAG) performed an audit of Corporate Real Estate: Leases and Licences (AUD24005). The audit found numerous issues, but particularly accumulated arrears, rental losses, and revenues that are unlikely to be fully collected estimated to be about \$1.2 million. The audit report made 35 recommendations to address the key audit findings, with a focus on data collection and financial reporting, maximizing and collecting revenues, and related process improvements in the administration of leases and licences.

Employee Time Theft

- Human Resources notified the OAG of allegations that a City employee was committing time theft and that they were found handling personal matters during work time. The OAG requested that HR investigate. The HR investigation found that work records did not match what was observed by management. Twelve instances of time theft by falsifying work service records as substantiated. Per HR, the employee was issued discipline.

False Benefit Claims

- Three reports were received from HR regarding false claims by 3 employees and their dependents. False claims totalled \$14,300, \$990 and \$6,600. The reports were substantiated and there were a variety of outcomes – one resignation before the conclusion of an investigation, and two terminations. Recoveries were made for at least two of the three reports.

City Targeted by Imposter Vendor Scam - Again

- 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 \$274,000 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.

City Agency Targeted by Imposter Vendor Scam

- Someone posing as an existing vendor contacted the City to change the vendor's banking details for electronic deposit. This incident occurred after the City's ransomware attack in late February 2024. Over \$552,000 was transferred to the imposter's bank account. This matter was made even worse because the invoice to be paid was for about \$137,000, but due to human error the amount paid to the imposter vendor was the incorrect, at the higher amount of \$552,000. As part of its investigation response OAG enlisted the assistance of the Legal Services in tracing the funds and through a court order \$417,000 was successfully frozen. The investigation revealed that over a week prior to the fraud, the legitimate vendor had emailed the City Agency with notification that they had experienced a security breach and were warning them not to accept changes to their banking information.

Non-Compliance with Contract Costs City \$22K

- A vendor reported to the OAG with allegations that they were treated unfairly in the assignment of work, essentially that the City was not adhering to the terms of the contract. The OAG substantiated the allegation of unfairness in how the contract was administered, the work was assigned using an inaccurate assignment list. The result was almost \$22,000 was paid to the vendor that reported the matter to the OAG.

Protective Plumbing Program – Several Duplicate Payments Made

- The OAG is preparing the final report for a Transfer Payments and Grants Value for Money Audit (to be released in the near future). During audit testing in the Protective Plumbing Program (3P), the OAG identified 10 duplicate payments made to various grant recipients in 2022. The duplicate payments were made due to human error in the manual payment process and also due to a lack of review. Management reported back to the OAG that no further duplicate payments were found. Collection efforts were being led by Finance and Legal Services.

Alleged Waste in City Trail Capital Works

- The OAG received a report that a City Trail Capital Project and that the contractor did not finish, nor cleanup from, their work, leaving residents without a path for walking, running, and other healthy activities. Procurement documents and project documentation did not document schedule changes. The substantial completion date was more than three months past the date specified in the contract without a formal written amendment to extend or change the contract terms. The OAG made four recommendations to management that focused on improvements to contract management processes and practices.

DARTS Billing Issues

- ATS, the HSR section that manages the City's agreement with DARTS, noticed that DARTS was incorrectly including group booking trips as special events, which are subsidized trips, resulting in overpayment to DARTS by the City. OAG found that overpayments went back to 2012 and are estimated to range between \$232K and \$310K. Full audit report to be released in December 2024.

Stolen City Van

- Corporate Security reported to the OAG that a van was stolen from a City Facility, with suspected employee involvement. The matter was reported to the Police by Corporate Security. The OAG also notified HR. The OAG requested that Corporate Security and HR investigate, however there is no new information to report on this file. Estimated value of the stolen van is over \$13,000.

Insufficient/No Business Case to Justify the Addition of 7 FTEs to City Budget

- The OAG received a report alleging seven temporary staff positions were converted to permanent positions without proper a proper business case and analysis. The seven positions at issue are currently funded by a different level of government.
- The OAG found that no business case, that analyzed the long-term impact converting the temporary positions to permanent in the request for Council approval, was prepared. We concluded that the seven positions are currently fully funded and will continue to be fully funded. The OAG finds the allegation to be partially substantiated due to the policy gap and lack of a robust business case.

Closing Remarks: Auditor General Reflections

Current Year Themes and Risks

- Significant losses due vendor imposter frauds.
- Conflicts of interest continue to be a systemic issue.
- Overall high volume of reports, 2nd highest year ever.
- Poor contract administration and oversight continues to be a frequent issue.
- Need for continued vigilance with respect to cyberfraud and employee benefits fraud.

confidential
anonymous

SPEAK UP

Report any wrongdoing



Hamilton

OFFICE OF THE
AUDITOR GENERAL

Use the Fraud and Waste Hotline

www.hamilton.ca/Fraud

Call Toll Free 24/7

1-888-390-0393

How to Report



Online
hamilton.ca/fraud



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cityofhamilton@integritycounts.ca



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