



AUDIT, FINANCE AND ADMINISTRATION COMMITTEE REPORT 24-021

9:30 a.m.

November 21, 2024

Council Chambers

Hamilton City Hall

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

Also

Present: Councillor C. Cassar

THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:

1. **Volunteer Advisory Committee Review (CM23025(a)) (City Wide) (Outstanding Business List) (Item 8.1)**
 - (b) That staff report back with a plan to disband the following Advisory Committees and that their members be thanked by Council for their service to the community:
 - (i) Committee Against Racism;
 - (ii) Food Advisory Committee;
 - (iii) Immigrants and Refugees Advisory Committee; and,
 - (iv) Mundialization Advisory Committee.
2. **Fraud and Waste Annual Report (AUD24006) (City Wide) (Item 8.2)**

That Appendices "A", "B", and "C" to Audit, Finance and Administration Committee Report 24-021, be received.
3. **Auditor General Reporting of Serious Matters to Council (Case #78878) (AUD24007) (City Wide) (Item 9.1)**

That Report AUD24006, respecting Auditor General Reporting of Serious Matters to Council (Case #78878), be received.

4. Stormwater Asset Management – Investigation of Recent Sewage Leaks Audit (PW24071) (City Wide) (Item 10.1)

That Report PW24071, respecting Stormwater Asset Management – Investigation of Recent Sewage Leaks Audit, be received.

5. 2025 City Enrichment Fund Advance Payments (CM24007) (City Wide) (Item 10.2)

- (a) That, effective January 1, 2025, advance payments from the City Enrichment Fund be provided to the organizations as specified in Appendix “D” of Audit, Finance and Administration Committee Report 24021; and
- (b) That any outstanding arrears owed to the City of Hamilton by these organizations, as detailed in Appendix “D” of Audit, Finance and Administration Committee Report 24021, be deducted from the approved City Enrichment Fund grants, including any advance payments, until the debt is fully satisfied, prior to issuing the remaining approved funds to that organization.

6. 2025 Temporary Borrowing and Interim Tax Levy By-laws (FCS24049) (City Wide) (Item 10.3)

- (a) That Appendix “A” attached to Report FCS24049, “By-law to Authorize the Temporary Borrowing of Monies to Meet Current Expenditures Pending Receipt of Current Revenues for 2025”, be enacted; and
- (b) That Appendix “B” attached to Report FCS24049, “By-law to Authorize an Interim Tax Levy for 2025”, be enacted.

7. Governance Review Sub-Committee Report 24-002 (October 31, 2024) (Item 10.4)

(a) Governance Workplan (City Wide) (CC24001) (Item 10.1)

That Report CC24001, respecting Governance Workplan, be received.

(b) 2025 Council and Committee Schedule of Meetings (FCS24062) (Added Item 10.2)

- (i) That the 2025 Committee and Council Schedule of Meetings, as presented in Appendix “E” of Audit, Finance and Administration Committee Report 24021, be approved; and
- (ii) That the necessary amendment to the Procedural By-law, By-law 21-021, respecting the Committee and Council Schedule of Meetings, be prepared and presented for Council consideration.

8. Proposed Changes to Schedule B: Fees, Gifts and Hospitality of the Code of Conduct for Employees Policy (HUR24011) (Item 10.5)

- (a) That the Audit, Finance and Administration Committee approve the proposed changes to Schedule B: Fees, Gifts and Hospitality within the Code of Conduct for Employees Policy, as outlined in Appendix “F” of Audit, Finance and Administration Committee Report 24021. The recommended amendments to Schedule B include the following:
- (i) That the terms ‘gifts’ and ‘hospitality’ within the policy be defined as separate items, with different and distinct criteria for each;
 - (ii) That the different nominal amounts referenced in the Schedule be eliminated, in favour of one consistent amount (\$50);
 - (iii) That the amendments to the Schedule that clarifies the criteria for when employees can accept hospitality be accepted;
 - (iv) That any gifts over \$50 received by employees will be returned, or given to charity, or shared with other employees;
 - (v) That gifts of alcohol cannot be accepted;
 - (vi) That hospitality offered to employees that exceed \$50 in value will require approval by the General Manager; and
 - (vii) That employees be required to track the acceptance of gifts and hospitality, and should the amount exceed \$200 annually, submit a disclosure form by end of calendar year.

9. Inclusion of Studies in the 2024 Development Charges By-law (FCS24051) (City Wide) (Added Item 10.6(a))

That Appendix "A" attached to Report FCS24051 respecting a By-Law to Amend By-Law 24-072, Respecting Development Charges on Lands within the City of Hamilton, which has been prepared in a form satisfactory to the City Solicitor, be passed and enacted.

10. Review of the Council Codes of Conduct at Other Municipalities Respecting Limiting or Prohibiting the Accepting of Gifts for Elected Officials (FCS24057) (City Wide) (Outstanding Business List Item) (Added Item 10.7)

That Report FCS24057, respecting Review of the Council Codes of Conduct at Other Municipalities Respecting Limiting or Prohibiting the Accepting of Gifts for Elected Officials, be received.

FOR INFORMATION:

(a) CHANGES TO THE AGENDA (Item 2)

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

6. DELEGATION REQUESTS

- 6.1 Ian Borsuk, Environment Hamilton, respecting Item 8.1 Volunteer Advisory Committee Review (for today's meeting)

10. DISCUSSION ITEMS

- 10.6(a) Inclusion of Studies in the 2024 Development Charges By-law (FCS24051) (City Wide)
- 10.7 Review of the Council Codes of Conduct at Other Municipalities Respecting Limiting or Prohibiting the Accepting of Gifts for Elected Officials (FCS24057) (City Wide) (Outstanding Business List Item)

13. GENERAL INFORMATION / OTHER BUSINESS

13.1 Amendments to Outstanding Business List

- 13.1.a.d Amendment to the Council Code of Conduct Policy (HUR23009)

Added June 1, 2023
Subsection (b) addressed as Item 10.7 on today's agenda

CHANGES TO THE ORDER OF THE AGENDA

Item 10.7, Review of the Council Codes of Conduct at Other Municipalities Respecting Limiting or Prohibiting the Accepting of Gifts for Elected Officials, will be moved up on the agenda to be considered immediately following Item 10.5, as the two reports are related.

The agenda for the November 21, 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 Previous Meeting (Item 4.1)

The Minutes of the November 7, 2024 meeting, were approved, as presented.

(d) DELEGATION REQUESTS (Item 6)

(i) Ian Borsuk, Environment Hamilton, respecting Item 8.1 Volunteer Advisory Committee Review (Item 6.1)

The Delegation Request from Ian Borsuk, Environment Hamilton, respecting Item 8.1 Volunteer Advisory Committee Review, was approved for today's meeting.

(e) DELEGATIONS (Item 7)

(i) Ian Borsuk, Environment Hamilton, respecting Item 8.1 Volunteer Advisory Committee Review (Added Item 7.1)

Ian Borsuk, Environment Hamilton, addressed Committee respecting Item 8.1 Volunteer Advisory Committee Review.

The Delegation from Ian Borsuk, Environment Hamilton, respecting Item 8.1 Volunteer Advisory Committee Review, was received.

(f) STAFF PRESENTATIONS (Item 8)

(i) Volunteer Advisory Committee Review (CM23025(a)) (City Wide) (Outstanding Business List) (Item 8.1)

(1) Rebecca Banky, Project Manager, Community Inclusion and Equity, addressed Committee respecting Volunteer Advisory Committee Review, with the aid of a presentation.

The presentation from Rebecca Banky, Project Manager, Community Inclusion and Equity, respecting Volunteer Advisory Committee Review, was received.

(2) (a) That, based on municipal best practices, a new civic engagement model be applied that uses community liaison groups of volunteers, with each Division reporting back within one year, and that the:

(i) Tourism and Culture Division staff report back to the General Issues Committee on the creation of a community liaison group to replace the Arts Advisory Committee to recommend activities for the stabilization and strengthening of the arts community, monitor and

assist with the implementation of the Arts Awards Program and Public Art Program, and inform Council of issues and achievements in the Hamilton arts community and acts as a point of contact for members of the arts community regarding issues affecting the arts community; and that the 2024 approved budget currently assigned to the Arts Advisory Committee be transferred to this Division to support this working group;

- (ii) Climate Change Initiatives Division staff report back to the General Issues Committee on the creation of a community liaison group to replace the Climate Change Advisory Committee to provide advice to Council and City staff on the prioritization, implementation, and monitoring of Hamilton's Climate Action Strategy, through an equitable, inclusive, and climate justice lens, that responds to the perspectives and needs of all, while transitioning to a prosperous, healthy and vibrant net-zero greenhouse gas community that is a national leader in climate adaptation; and that the 2024 approved budget currently assigned to the Climate Change Advisory Committee be transferred to this Division to support this working group;
- (iii) Active Transportation and Mobility Division staff report back to the Public Works Committee on the further development of the Division's Mobility Lab, a community liaison group, to also replace the Hamilton Cycling Committee, expanding their mandate to encourage residents to cycle and monitor the implementation of the Hamilton Cycling Master Plan; and that the 2024 approved budget currently assigned to the Hamilton Cycling Committee be transferred to this Division to support this working group;
- (iv) Indigenous Relations Division staff report back to the Emergency and Community Services Committee on the creation of a community liaison group to replace the Hamilton Indigenous Advisory Committee to honour and engage Indigenous residents in the pursuit of the City's vision by providing advice and recommendations that enhance the wellbeing of Indigenous people; and that the 2024 approved budget currently assigned to the Hamilton Indigenous Advisory Committee be transferred to this Division to support this working group;

- (v) Heritage Resource Management Division staff report back to the Emergency and Community Services Committee on the creation of a community liaison group to replace the Hamilton Veterans Committee to oversee the planning and delivery of military remembrance and commemoration activities on behalf of the City; and that the 2024 approved budget currently assigned to the Hamilton Veterans Committee be transferred to this Division to support this working group;
- (vi) Children's & Community Services Division staff report back to the Audit, Finance and Administration Committee on the creation of a community liaison group to replace the Hamilton Women and Gender Equity Advisory Committee to provide input with respect to the issues of women, non-binary individuals and gender diverse people; and that the 2024 approved budget currently assigned to the Hamilton Women and Gender Equity Advisory Committee be transferred to this Division to support this working group;
- (vii) Housing Secretariat staff, in partnership with Housing Services Divisions staff report back to the General Issues Committee on the further development of a community liaison group to also replace the Housing and Homelessness Advisory Committee, expanding their mandate to work to address the needs of citizens within the community for whom barriers exist to accessing safe, suitable, and affordable housing, including the supports needed to enable citizens to obtain and retain their homes; and that the 2024 approved budget currently assigned to the Housing and Homelessness Committee be transferred to this Division to support this working group;
- (viii) Environmental Services Division staff report back to the Public Works Committee on the creation of a community liaison group to replace the Keep Hamilton Clean and Green Committee to beautify our community, promote environmental stewardship, and prevent litter, illegal dumping and graffiti; and that the 2024 approved budget currently assigned to the Keep Hamilton Clean and Green Committee be transferred to this Division to support this working group;
- (ix) Children's & Community Services staff report back to the Emergency and Community Services Committee on the creation of a community liaison group to replace

the LGBTQ Advisory Committee to eliminate barriers experienced by LGBTQ communities by giving voice to the perspectives of LGBTQ individuals and evaluating the City on its related efforts; and that the 2024 approved budget currently assigned to the LGBTQ Advisory Committee be transferred to this Division to support this working group;

- (x) Lodges Division staff report back to the Emergency and Community Services Committee on the creation of a community liaison group to replace the Seniors Advisory Committee to organize the Senior of the Year Awards and to be a credible communication vehicle regarding the quality of life for all older persons in the City; and that the 2024 approved budget currently assigned to the Seniors Advisory Committee be transferred to this Division to support this working group; and
- (xi) Reserve budgets remaining from Advisory Committees transitioning to working groups be transferred to the Tax Stabilization reserve;
- (b) That the following Advisory Committees be disbanded, and their members thanked by Council for their service to the community:
 - (i) Committee Against Racism;
 - (ii) Food Advisory Committee;
 - (iii) Immigrants and Refugees Advisory Committee; and,
 - (iv) Mundialization Advisory Committee;
- (c) That staff be directed to review the Accessibility Committee for Persons with Disabilities for alignment with the City's new civic engagement model and community liaison groups;
- (d) That staff in the Office of the City Clerk, in consultation with the City Manager's Office, develop and host a robust and mandatory training program for staff supporting community liaison groups, inclusive of:
 - (i) Civic engagement best practices in alignment with the City's Public Engagement Policy and Framework;
 - (ii) Legislative policies and procedural requirements for meetings; and,

- (iii) Decorum and behavioural expectations including an explanation of the role of the City's Integrity Commissioner;
 - (e) That staff in the City Manager's Office be directed to work with the Integrity Commissioner and Clerks Office to develop and host a training program for members of community liaison groups on expectations, liabilities, and project plans.
- (3) Subsection (a)(xi) was **amended** as follows:
- (xi) Reserve budgets remaining from Advisory Committees transitioning to working groups be transferred to the Tax Stabilization reserve **and that the transfer from the Hamilton Veterans Committee reserve of \$49,058 be committed for future investments for Remembrance Day services and youth-specific education regarding Veterans and Remembrance.**

The following referral was DEFEATED.

- (4) That Report CM23025(a), **as Amended**, be referred to staff for report back to the Audit, Finance and Administration Committee in Q1 2025 with options for a future model for volunteer advisory committees that better delineate the roles and responsibilities of those committees respecting support for citywide events and advice given directly to Council, that ensure that advisory committees continue to be citizen led and have a direct connection to Council through which to offer their advice.
- (5) Subsection (b) was **amended** as follows:
- (b) **Staff was directed to report back with a plan to disband** the following Advisory Committees ~~be disbanded~~, and their members thanked by Council for their service to the community:
 - (i) Committee Against Racism;
 - (ii) Food Advisory Committee;
 - (iii) Immigrants and Refugees Advisory Committee; and,
 - (iv) Mundialization Advisory Committee.

Subsection (b) of Report CM23025(a), respecting the Volunteer Advisory Committee Review (City Wide) (Outstanding Business List) (Item 8.1), **As Amended**, was voted on separately.

For the disposition of subsection (b) of Report CM23025(a), respecting the Volunteer Advisory Committee Review (City Wide) (Outstanding Business List) (Item 8.1), **As Amended**, refer to Item 1.

The motion to approve the balance of Report CM23025(a), **As Amended**, was DEFEATED.

(ii) Fraud and Waste Annual Report (AUD24006) (City Wide) (Item 8.2)

Charles Brown, Auditor General, and Brigitte Minard, Deputy Auditor General, addressed Committee respecting Fraud and Waste Annual Report, with the aid of a presentation.

The presentation from Charles Brown, Auditor General, and Brigitte Minard, Deputy Auditor General, respecting Fraud and Waste Annual Report, was received.

For further disposition of this matter, refer to Item 2.

(g) GENERAL INFORMATION / OTHER BUSINESS (Item 13)

(i) Amendments to the Outstanding Business List (Item 13.1)

The following amendments to the Outstanding Business List, were approved:

(1) Items Considered Complete and To Be Removed

- (a) Stormwater Asset Management – Investigation of Recent Sewage Leaks Audit**

Added November 16, 2023
Addressed as Item 10.1 on today's agenda

- (b) Review of the City of Hamilton Volunteer Advisory Committees**

Added September 7, 2023
Addressed as Item 8.1 on today's agenda

- (c) Amendment to Code of Conduct Policy (HUR23009)**

Added Jun 1, 2023
Subsection (a) addressed as Item 10.5 on today's agenda

- (d) Amendment to the Council Code of Conduct Policy (HUR23009)**

Added June 1, 2023
Subsection (b) addressed as Item 10.7 on today's agenda

(h) ADJOURNMENT (Item 15)

There being no further business, the Audit, Finance and Administration Committee, was adjourned at 12:47 p.m.

Respectfully submitted,

Councillor Tammy Hwang, Chair
Audit, Finance and Administration
Committee

Tamara Bates
Legislative Coordinator
Office of the City Clerk

FRAUD AND WASTE ANNUAL REPORT

July 1, 2023 to June 30, 2024



November 21, 2024

Charles Brown, CPA, CA
Auditor General

Office of the Auditor General
City of Hamilton



Hamilton

OFFICE OF THE
AUDITOR GENERAL

Contents

	Page
Summary and Commentary	3
About the Fraud and Waste Hotline	5
Alignment to the 2016-2025 Strategic Plan	6
Alignment to 2023-2026 Council Priorities	6
Introduction	6
Fraud and Waste Hotline Program	7
Anonymity of the Fraud and Waste Hotline	8
Role of the Auditor General	8
Report Sources	8
Overview	9
Historical Volume	10
Work Volume	11
Reports	11
Employee Reports	12
Reports from the Public	12
Anonymous Reports	12
Whistleblower Disclosure	13
Report Categories	14
Prior Year Reports	15
Substantiation	15
Loss or Waste/ Mismanagement Substantiated	17
Disciplinary Action	17
Recoveries and Impact	18
Report Outcomes	18
Report Examples - Introduction	19
Report Examples	20 - 26
Other Report Examples	26 - 29
Conclusion	29

Summary and Commentary

This year’s Fraud and Waste Annual Report reflects the fifth year of activity of the hotline since it was launched in July 2019. It provides a summary of the complaints received, the investigations launched, and the results and actions that took place related to allegations of fraud and government waste.

During the first year, July 2019 to June 2020, the volume of reports received by the Office of the Auditor General (OAG) exceeded initial expectations, with 85 reports being received. For the second year, July 2020 to June 2021, the volume of activity continued to exceed expectations with 80 reports received. For the third year, the volume increased significantly with 107 reports received, and in the fourth year, 159 reports were received.

In this fifth year, volume remained high, with 127 reports being received, a decrease from the previous year, but still the second highest volume ever. During the first three months of the sixth year of implementation there were 44 complaints reported. Clearly, the hotline continues to be well used.

With 127 complaints received in the most recent reporting year we have noted that 46% come from self-identified employees and 54% from the public. While most of the complaints we receive are dealt with through referral and report back, a significant number (13), involved investigation by our Office. Overall the substantiation rate of complaints received was 33%. We also continued to follow the approach of the previous year by making it a practice to initiate spontaneous system or process audits in response to issues that could have systemic repercussions. In that regard we performed audits of Corporate Real Estate – Leases and Licensing Audit (AUD24005), and we are in the final stages of report writing for an audit of DARTS Payments Administration Audit that is expected to be reported to the Audit, Finance, and Administration Committee in the coming months. Three Payment Process Reviews have been completed in response to some of the larger fraudulent incidents and a report is to be issued in early 2024. And finally, an audit of Freedom of Information processes is also in the audit fieldwork stage, as some hotline reports were received regarding this topic.

The purpose of the hotline and ensuing investigation of complaints is to ensure honesty, integrity and accountability in the operations of the City. One of the significant benefits is that it affords an opportunity to identify systemic problems, themes or emerging issues that can be considered by City management in their operations and Council in their governance.

An item to note is that for losses substantiated, there were more losses due to fraud rather than waste for the second time since the launch for the Fraud and Waste Hotline. This is due, primarily, to a new, and significant issue that came to prominence during this reporting period - cyberfraud, specifically, business email compromise fraud. This occurs when a fraudster infiltrates and impersonates a vendor for the purpose of diverting payments made by the City to their illicit bank accounts. There was one such matter in the previous reporting period with losses

of about \$52,000 where the Police have laid charges since our last Annual Report, and there have since been two new cases of fraud that the City and its Agencies have fallen victim to and where large losses have been substantiated. These two incidents combined for losses of over \$826,000. The total of these three incidents is about \$878,000. These types of investigation are time-consuming and involve complex legal procedures where time is of the essence. One of the instances involved a fraud of \$552,000. As part of the investigation response, OAG enlisted the assistance of the City's Legal Services Division in tracing the funds and through court orders \$417,000 of the \$552,000 was successfully frozen.

In addition to the above examples of cyberfraud, there were multiple other attempts of payroll phishing schemes and attempts to breach the City's payment systems. This is all in addition to the ongoing recovery efforts by the City of Hamilton after being hit by a major ransomware attack in February of 2024. In 2021, the Office of the Auditor General completed an extensive Cyber Security Audit (AUD21004) and made 29 recommendations to management. Our Office was planning a follow-up to ascertain the progress made on those recommendations when the cyber incident took place. In light of the incident, our plan is to initiate a series of reviews to check in on management's progress in implementing the OAG's recommendations, as well as any recommendations provided by the cybersecurity consultants who have been assisting the City in its recovery efforts, and as necessary make additional recommendations as the circumstances of the incident become more clear.

Employee Benefits Fraud continues to be an ongoing issue, although the number of reports has declined. There was a total of three reports made involving current or former City employees, and their dependents. Due to findings of prior investigations, the Office of the Auditor General (OAG) considers this to be a continuing area of high-risk for the organization, and the OAG has serious concerns about the organization's current profile of fraud risk pertaining to benefits claims.

One issue that OAG is bringing forward for the fourth year in a row is the apparent difficulty that management experiences in properly dealing with conflict of interest (COI) situations that arise with employees of the City. Since the hotline was implemented, the OAG has investigated no fewer than 25 instances (more if reports where conflict of interest is one of several topics being looked into are considered) where either the disclosure process or the related mitigation of the conflict of interest has been an issue. Conflicts of interests continue to be one of the most persistent, serious, and time-consuming types of complaints received and investigated by the OAG. The OAG does note that a new version of the Code of Conduct for Employees was approved by Council in 2023, and the reporting process for COI's was revamped, but these issues persist. Accordingly, we recommend that senior leadership continue its review of its current process to rationalize and improve the effectiveness with which conflicts of interest are both disclosed and mitigated, and most importantly to increase awareness amongst employees of the importance of proper disclosure of potential conflicts. In this year's report our Office makes specific mention of enhancing guidance surrounding potential conflicts of interest of vendors.

In addition to the recurring theme of conflict of interest policies and processes, we again cite recurring issues with the veracity of the City's contract management processes. In a previous audit of the Griftnire Arena project (AUD22004) we noted needed improvements, and some of those same issues in the lack of vigorous contract oversight have been evident in some of the cases, both in contracted services, and in transfer payments made to third parties.

About the Fraud and Waste Hotline

The Fraud and Waste Hotline provides City of Hamilton employees, contractors, vendors, and members of the public a convenient, confidential, and anonymous way to report suspicion or proof of wrongdoing. Wrongdoing is defined as any activity that could be illegal, dishonest, wasteful, or violates a City of Hamilton policy.



Fraud encompasses any array of irregularities and illegal acts characterized by intentional deception.



Waste involves taxpayers not receiving reasonable value for money in connection with any government funded activities, due to mismanagement or an inappropriate or careless act or omission by those with control over or access to government resources.



Whistleblower By-law No. 19-181 is intended to help uncover serious wrongdoing at the City, by bringing it to the attention of management and the Auditor General or their designate, and to ensure it is addressed appropriately, including by means of an investigation where required. The City of Hamilton has had a Whistleblower By-law in force since 2010 (previously By-law No. 09-227).

The Fraud and Waste Hotline enables the City of Hamilton to operate with a high level of honesty and integrity. The Fraud and Waste Hotline is managed by the Office of the Auditor General (OAG), an independent and objective office accountable to Council.

The Office of the Auditor General reviews and assesses every Hotline report to ensure it was made in good faith and if necessary, launch an investigation. The Office of the Auditor General conducts an objective and impartial assessment of each report, regardless of the alleged wrongdoer's position, title, length of service, or relationship with the City.

Alignment to the 2016-2025 Strategic Plan

The Fraud and Waste Report supports the following City strategic objectives:

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.

Alignment to 2023-2026 Council Priorities

The Fraud and Waste Report supports the following Council priorities:

Responsiveness & Transparency

Government plays an important role in people’s lives through the provision of vital services, programs and support systems. To fulfill those responsibilities, City Hall must continue to develop its approach to public engagement, respond effectively and efficiently to public need and feedback, and communicate its approach in an accessible and transparent manner.

Outcome 3: Build a high performing public service

Introduction

This is the Fraud and Waste Annual Report on fraud, waste and whistleblower matters at the City of Hamilton and includes information about the activities of the Fraud and Waste Hotline.

It highlights the reports that have been communicated to the Office of the Auditor General from July 2023 to June 2024. It does not represent an overall picture of fraud, waste, or other wrongdoing across the City of Hamilton.

Fraud and Waste Hotline Program

Hotline made permanent in March 2023

The Fraud and Waste Hotline was established to help protect City of Hamilton assets and reduce losses. Since its launch in July 2019, the cumulative total of actual and potential losses investigated is approximately \$3,635,000, with about \$47,400 recovered via repayments/restitution/asset recovery. Effective March 2023, City Council made the Fraud and Waste Hotline a permanent program. Additionally, the Fraud and Waste Hotline provides the following benefits that cannot be quantified:

- Deterring fraud, waste, and wrongdoing,
- Strengthening internal controls and mitigation of risks,
- Improving policies and standard operating procedures,
- Building a culture of accountability,
- Better value in service delivery through increasing operational efficiencies,

Hotline report data can also be used to identify trends, manage risks, make results-oriented recommendations to management, and inform future audits for the Office of the Auditor General work plan, along with spontaneous audits for high-risk areas.

No dedicated Fraud and Waste team

The Office of the Auditor General operates the Fraud and Waste program in addition to their other audit assignments. The Office of the Auditor General are a team of professionals who collectively possess the expertise to assess a broad range of reports and conduct investigative work into allegations ranging from simple to complex. When required, the Office of the Auditor General engages outside experts to assist on complex investigations or specialty work due to the small size of the team. Investigation costs are recovered from the home department, per the Fraud Policy and Protocol.

Independent oversight

The Office of the Auditor General also provides independent oversight of management-led investigations by reviewing the adequacy of work performed and evaluating mitigation plans to protect City of Hamilton assets, reduce the risk of future losses, and prevent and deter future fraud, waste, or wrongdoing.

Anonymity of the Fraud and Waste Hotline

Fraud and Waste Hotline intake is independently operated by a third party, Whistleblower Security Inc. (a Case IQ company). Whistleblower Security Inc. provides IntegrityCounts, a Certified Ethics Reporting System, which is a confidential way to report important information and ethical misconduct. Providing any personal information, such as your name, is optional. For any person willing to identify themselves, their information will remain confidential and will not be disclosed unless the Auditor General is compelled to do so by law.

The Office of the Auditor General may have questions or require additional information about a reported incident and will communicate using the Fraud and Waste Hotline anonymous messaging system.

All participants in a fraud and waste investigation are required to keep the investigation details and results confidential.

Role of the Auditor General

The City of Hamilton has appointed the Auditor General as an Auditor General under the Municipal Act (via By-law No. 19-180, and previously No. 12-073) since 2012. This position has the responsibility to assist City Council in holding itself and its administrators accountable for stewardship over public funds and value for money in City operations. This responsibility is fulfilled by completing audits, operating the Fraud and Waste Hotline and conducting investigations as required.

Report Sources

Reports in good faith are made in one of the following ways:



Online at hamilton.ca/fraud



Email to cityofhamilton@integritycounts.ca



Phone 1-888-390-0393



Mail to PO Box 91880, West Vancouver, BC, V7V 4S4



Fax to 1-844-785-069

Overview

44 Reports
Directly Received by the
Office of the Auditor
General (Proxy)

27 Proxy Reports Sent by
City Staff, Management,
HR, Finance, Council
Members

46% of Reporters
Self-Identified as an
Employee

54% of Reporters were
non-Employees

Investigations Launched
13
(12 Current Year Reports,
1 Carryforward Report from
Prior Reporting Year)

\$2.35M Loss or
Waste/Mismanagement
Substantiated

(\$3.64M since
Hotline launch)

Number of Reports

127

Number of Reports Since Hotline Launch

558

Number of Reports by Source

54



Online

37



Email

36



Phone/
In Person

0



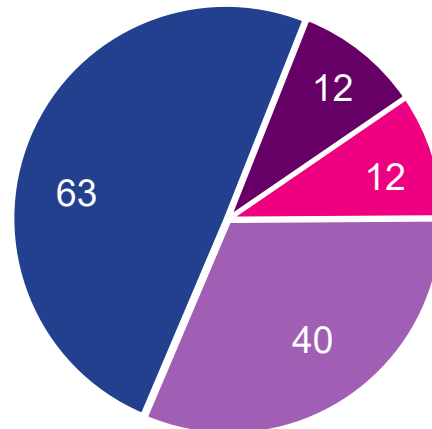
Mail

0



Fax

Report Types July 1, 2023 to June 30, 2024



- Referral – Response Required – 63
- Referral – No Response Required – 12
- Investigations Launched (Current Year) - 12
- No Response Required/ Out of Jurisdiction/ Not Enough Information – 40

Investigation Type

2



Fraud

6



Waste

1



Combined Fraud and
Waste/Mismanagement

4

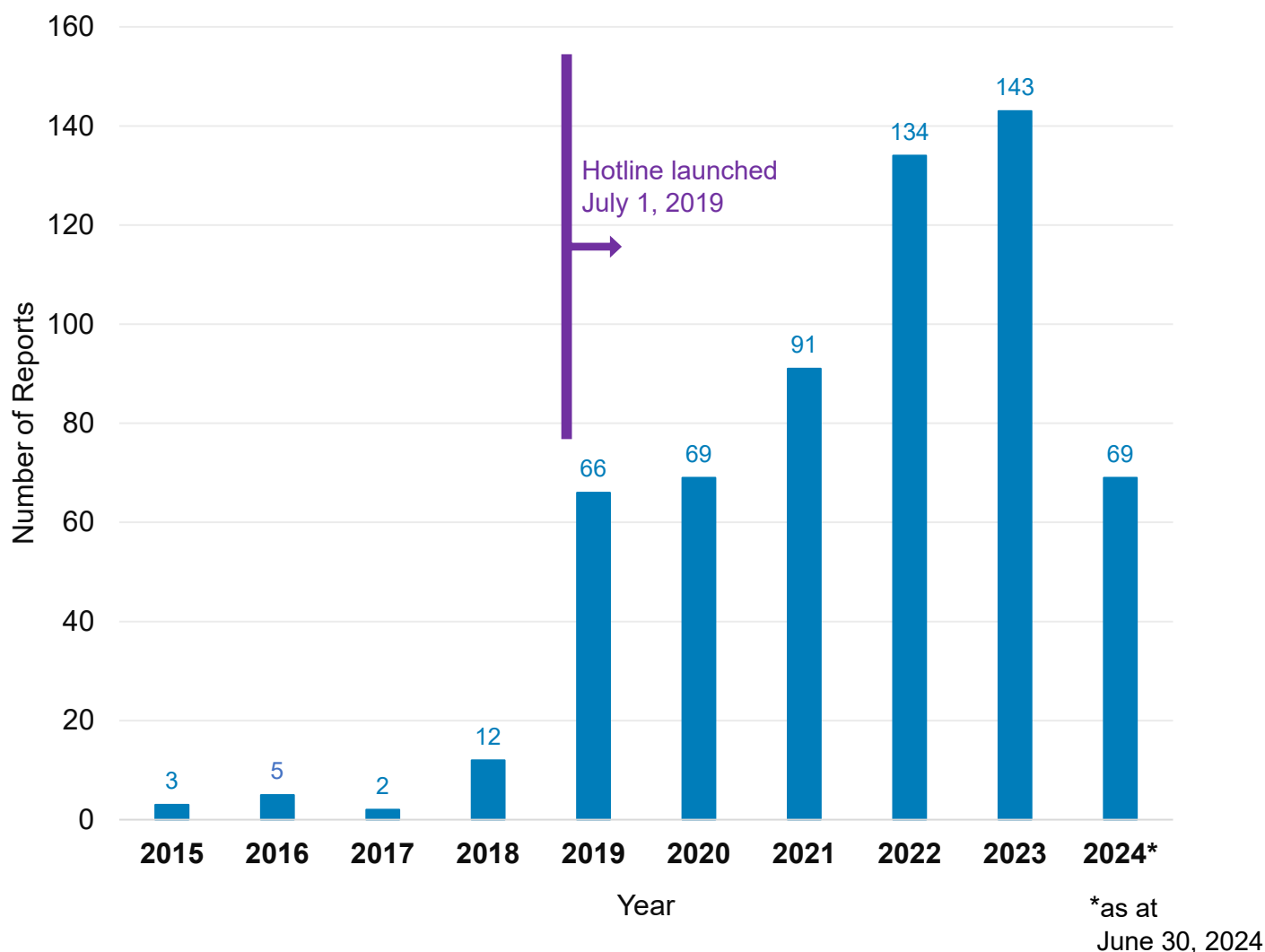


Whistleblower

Historical Volume

This chart depicts the number of fraud, waste, and whistleblower reports from 2015 to June 2024. Between 2018 to 2023, the Office of the Auditor General saw a large increase in reports since the Fraud and Waste Hotline was announced in late 2018 and launched in July 2019. This trend continued into the first half of 2024.

City of Hamilton Fraud, Waste, and Whistleblower Report Volume January 1, 2015 to June 30, 2024



Work Volume

A total of 127 reports were assessed by the Office of the Auditor General in the twelve-month period between July 1, 2023 to June 30, 2024.

There are no staff dedicated solely to the Fraud and Waste Hotline. Existing Office of the Auditor General staff complete assessments and investigations, with some limited usage of external specialty expertise for investigations that require additional support.

In total, about 3,940 hours were spent on Fraud and Waste Hotline administration, assessment, investigations and reporting during this 12-month period. This is approximately equivalent to 2.2 frontline Office of the Auditor General FTEs annually (excluding management’s time spent on hotline matters). Another way of looking at this, is that the effort is similar to having completed four to five audits of modest scope and complexity. When the Office of the Auditor General is fully staffed, there are a total of five frontline OAG employees. There have been significant vacancy and recruiting challenges experienced during this reporting period. It is estimated that management spends between 30-50% of their time on Fraud and Waste matters, depending on the active number of files at any given point in time. Compared to the prior year, a slightly increased amount of time was spent on Fraud and Waste Hotline matters (prior reporting period was 2.0 FTEs), however this nevertheless had a serious impact as the Office of the Auditor General had at least one of five frontline FTE positions vacant during this reporting period. The amount of time spent on Hotline matters has been significant in each 12-month reporting period since Hotline’s launch.

Reports

From July 2023 to June 2024, a total of 127 reports were received and assessed.

Of the 127 reports received, 83 (65%) reports were received via the third-party hotline operation. Another 44 (35%) reports were received directly by the Office of the Auditor General and were entered as a proxy into the case management system that is provided as part of the IntegrityCounts service contract. Of the 44 proxy reports received directly by the OAG, 27 were made by City staff and management, and 17 items were received directly from residents.

For reports received regarding Ontario Works (OW) and Housing Services social services matters, these were referred to OW and Housing Services for assessment and investigation. The investigations were handled by OW/Housing Services, not the Office of the Auditor General. The substantiation status is reported to the OAG for the tracking of aggregate statistics. The OAG reserves the right to investigate any matter which is not found to be satisfactorily investigated. In this reporting period, there was an uptick in the volume of

hotlines cases received by the OAG team relating to OW that were substantiated and actioned by the OW team.

Employee Reports

Fifty-nine (59) of these 127 reports were reported by City of Hamilton employees (46% vs 48% in the prior year). Thirty (30) of the 59 employee reports were made anonymously (51% vs 44% prior year). The remaining 29 reports were employees that identified themselves. Many of these 29 reports where the employee identified themselves were employees working in HR, Finance, and Management where they had an awareness of the Fraud Policy and Protocol and of their responsibility to report matters to the Office of the Auditor General as part of their job duties.

The Office of the Auditor General continues to encourage employees and management to submit reports and thanks all those that submitted reports for this reporting period, and for their cooperation during report assessments and investigations.

Reports from the Public

All reports received from the public were assessed and investigated as appropriate. The Office of the Auditor General continues to encourage members of the public to submit reports and thanks all those that submitted reports for this reporting period and for providing additional information as requested.

Anonymous Reports

When a report is made anonymously, it automatically does not qualify as a whistleblower disclosure per the Whistleblower By-law, although it may meet the definition of serious wrongdoing. The vast majority of the reports the Office of the Auditor General received do not qualify as a whistleblower matter due to the fact that they come from residents or employees that wish to remain anonymous. In fact, a sizeable proportion of employee reports (30 of 59) do not qualify as a whistleblower disclosure because of anonymity. Overall, 65 of the 127 (51%) reports received for the current 12-month reporting period were anonymous.

It should be noted that anonymous reports are able to be effectively assessed and investigated if the Reporter provides a sufficient level of information. The OAG is able to communicate with an anonymous reporter in the case management system, as long as the Reporter chooses to enable this feature and periodically returns to the online system for exchange of messages. City of Hamilton employees continue to prefer making anonymous reports to the Hotline. While anonymity is not necessarily a constraint to the Office of the Auditor General investigations, the ability to dialogue with a Reporter through the IntegrityCounts online messaging system has proven effective in assisting with investigations.

Whistleblower Disclosure

By-law 19-181 (Whistleblower By-law), Section 19 - Responsibility of the Auditor General 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.

There was no activity for the first half of the reporting period, July to December 2023. A semi-annual report was not prepared due to impacts from the cyber security incident.

There were four qualifying Whistleblower disclosures in the second half of the reporting period from January 2024 to June 2024.



Reports Involving Whistleblower

0

4

July to December 2023

January to June 2024

For the first item, the report category is Multiple Categories Applicable (Conflict of Interest and Employee Misconduct). The outcome is pending as the investigation is ongoing.

For the second item, the report category is Multiple Categories Applicable (Conflict of Interest and Employee Time Theft and/or Misconduct). The outcome is substantiated, and the employee resigned prior to the conclusion of the investigation.

For the third item, the report category is Multiple Categories Applicable (Conflict of Interest and Employee Time Theft and/or Misconduct). The outcome is pending as the investigation is ongoing.

For the fourth item, the report category is Multiple Categories Applicable (Conflict of Interest and Waste/Mismanagement). The outcome is pending as the investigation is ongoing.

Report Categories

A wide variety of reports were received by the Office of the Auditor General for the 12-months covered in this reporting period. The most common report categories were the following:

Top Report Categories July 1, 2023 to June 30, 2024

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

Having the top report category be “Social Services – Fraud/Wrongdoing” is indicative there are concerns that eligible individuals are in receipt of the available support and services. The second most common report category is service complaint/concern, the OAG ensures appropriate referrals are made back to City departments, or the resident is provided with contact details for the Ontario Ombudsman.

Prior Year Reports

Thirty-five open reports were reported at the time the 2022-2023 Fraud and Waste Annual Report was issued. The assessments and investigations were completed by the Office of the Auditor General with the following outcomes: 3 were substantiated, 3 were partially substantiated, 6 were unsubstantiated, 9 had a status "Not Applicable", and 14 are in progress or have an outcome pending.

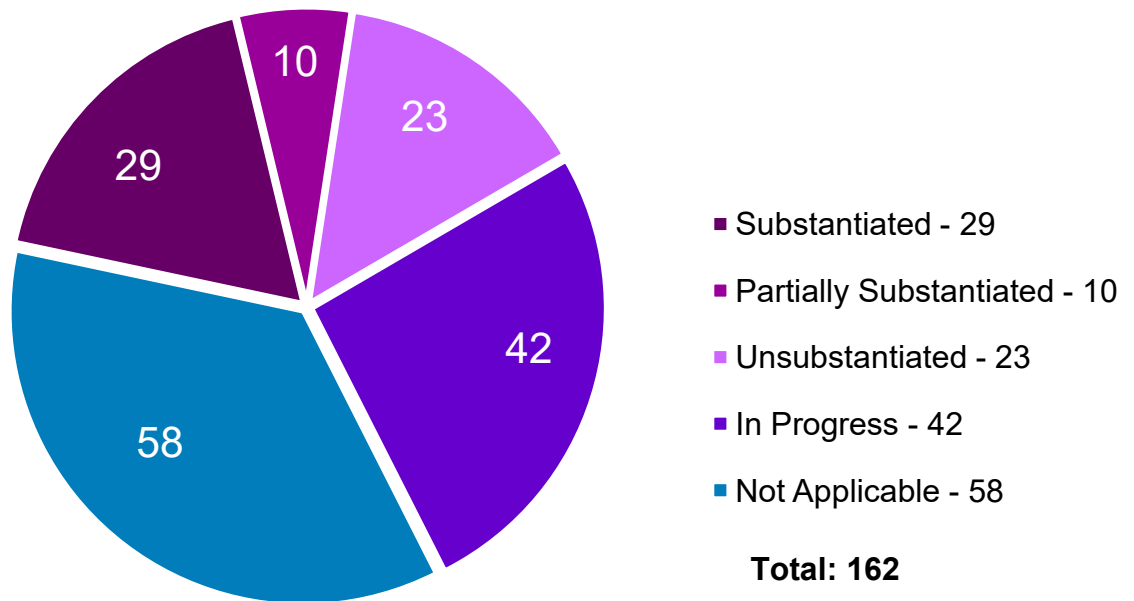
The most common reason for the 14 reports being in progress or having an outcome pending are that an audit is in progress, with results expected to be reported in 2025, employees being on leave so the outcome remains as pending, or the OAG is waiting on management to provide information. Outcomes are included in the section above for reports that were closed during the current reporting period. The City of Hamilton's ransomware attack in February 2024 also delayed the investigation and closure of many reports as files were inaccessible for several months and some still remain inaccessible and/or unrecoverable.

Substantiation

One way of summarizing outcomes is to report on the volume of reports that were substantiated, that is the number of reports where the allegation(s) were found to have merit and were able to be proven by reviewing evidence or with findings from interviews.

Of the reports received from July 2023 to June 2024 (plus any carryforward reports from prior years) the following is a summary of substantiated status. A substantiation result is not applicable (N/A) if a report was out of jurisdiction, the assessment result was that no action was to be taken, or if the report was to be referred elsewhere with no response required.

Volume of Reports Substantiated



**Substantiation
Rate
33%**

Typically, a result is "pending" if the report is still in process of being assessed and/or investigated. Overall the current substantiation rate including carryforward reports from the previous reporting period (both substantiated and partially substantiated) is 33%.

The City of Hamilton's substantiation rate for the prior reporting period was 31%. For comparative purposes, in the City of Toronto Auditor General's 2023 Annual Report on the Fraud and Waste Hotline, 21% of complaints from 2023 that were investigated were substantiated in whole or in part. In the City of Ottawa's 2022 Report on the Fraud and Waste Hotline, 46% of reports closed in 2023 were substantiated. The substantiation rate will vary annually, depending on the mix of reports received by the OAG and the number of reports in progress at the end of reporting period, which have their substantiation rate counted in the reporting period that the work is completed and the report is closed.

Loss or Waste/ Mismanagement Substantiated

\$3.64M

**Loss or Waste/
Mismanagement
Substantiated
Since Hotline
Launch**

It is difficult to measure or substantiate a precise cost of fraud and waste. Incidents sometimes remain undetected for long periods of time. It is also challenging at times to determine the entire time period that a fraud or waste was occurring, which makes it hard to quantify losses.

As at October 31, 2024, the amount of confirmed loss or waste substantiated by the Office of the Auditor General since the last Annual Report was issued was \$2,348,000. Of this amount, \$863,000 was fraud and \$1,485,000 was waste. Since the launch of the Hotline cumulatively \$3,635,000 of loss or waste has been substantiated. Of this amount \$1,083,600 was fraud, \$2,494,400 was waste, and for \$57,000 a category could not be determined.



\$2.35M

\$863K - Fraud

\$1.485M – Waste/Mismanagement

Disciplinary Action

The Office of the Auditor General is not responsible for disciplinary actions (including terminations). Investigation results are shared with Management and Human Resources. The Office of the Auditor General is informed of terminations and disciplinary actions, and this information is tracked and compiled for reporting purposes. The number of disciplinary and other actions will vary from year to year. This number is not controlled by the OAG and is reported for information purposes only.

As at the date of report publication, the following disciplinary actions related to investigations had been confirmed by the Office of the Auditor General:

- 5 Terminations,
- 10 Other Actions Taken (includes 2 employee resignations, 3 discipline issued, 1 retirement, 1 non-disciplinary letter, 2 verbal warnings, and 1 repayment letter).

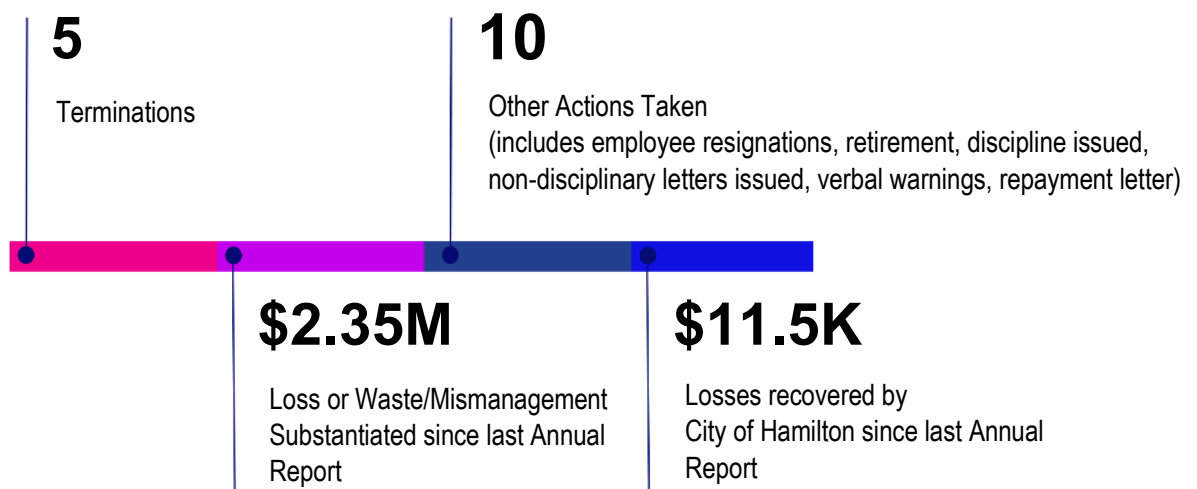
Recoveries and Impact

As at October 31, 2024, the City of Hamilton recovered about \$11,500 of losses since the last Annual Report was issued. Cumulative recoveries since the hotline's launch are \$47,400.

The impact of fraud and waste to an organization goes well beyond financial impact. There are also non-financial impacts such as impact to reputation, impact to other staff working in an affected area. The level of effort to investigate allegations of fraud and waste are quite high.

Sometimes there is a time lag for the completion of an investigation and calculating the losses. As there are 44 open reports at report issuance, there may be additional losses and recoveries that will be reported in the next Fraud and Waste Annual Report.

Report Outcomes



Report Examples

Introduction

To provide more information about the type of reports that the Office of the Auditor General receives and assesses, several report examples are provided in pages 20 - 29 of this annual report.

The reports included here provide examples of:

- fraud,
- waste/mismanagement; and,
- combined fraud and waste/mismanagement reports.

Auditor General Reporting Serious Matters to Council

All items qualifying as a "Serious Matter" per the "Auditor General Reporting of Serious Matters to Council Policy" for the reporting period have been previously reported to Council. There were four items that qualified under this Policy in the 2023-2024 Fraud and Waste Report time period and they were all presented to Council.

1. AUD23014 Auditor General Reporting of Serious Matters to Council (Case #56207 Employee Benefits Fraud).
2. AUD24002 Auditor General Reporting of Serious Matters to Council (Case #71958 Business Email Compromise Fraud #2).
3. AUD24003 Auditor General Reporting of Serious Matters to Council (Case #73367 Business Email Compromise Fraud #3).
4. AUD24004 Auditor General Reporting of Serious Matters to Council (Case #74254 Vehicle Theft).

Report Examples

Manager Working Another Job (“Moonlighting”) When Scheduled to Work at City of Hamilton

It was alleged that a City of Hamilton manager was working at another job and there were concerns about how the manager could complete their City of Hamilton duties along with the duties of this additional position.

The OAG investigated and confirmed via publicly available sources that the employee did hold an appointment with another government organization and found a high volume of work activity at this additional government organization for select periods of time.

Some of the work activity at the other government organization, when compared to the manager’s City of Hamilton schedule, provided evidence that the manager was working for the other government organization during City business hours.

The OAG made two requests to interview the manager for this investigation. The employee ultimately never responded to the OAG’s requests and instead submitted their resignation from the City.

Based on available evidence that the former manager was working another job when scheduled to work at the City of Hamilton, 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 focused on standard lease-out arrangements where the City is the landlord. The OAG concluded that there is significant room for improvement in governance and administration of leases and licences.

Administration

- Inefficient and error-prone,
- Opportunities being missed,
- Responsibilities are dispersed between multiple parties and multiple tools,
- Procedures, roles, and criteria are not adequate.

Governance

- Delegations of authority not addressed.

Systems and Data

- Current system is vulnerable to changes being made to information without any trace of the source or timing of the change,
- Information is not complete or current,
- Information is inconsistent across systems,
- None of the lease and licence systems integrate with corporate financial systems,
- Lack of proactive reporting procedures / practices / tools.

Below Market Rental Rates

- Transparency and accountability are lacking in processes,
- Lack of rent increases.

Collections

- Inadequate process to ensure full collection and restoration of arrears in a timely manner,
- Accumulated arrears, rental losses, and revenues that are unlikely to be fully collected estimated to be about \$1.2 million.

The Office of the Auditor General's Report AUD24005 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. Management agreed with all 35 recommendations and provided responses for each recommendation.

Employee Breach of Trust Allegations - Update

In the 2022-23 Fraud and Waste Report we reported that the OAG received information about a (now former) City employee who was a Plans Examiner that had been charged with two counts of breach of trust. The charges followed a Police investigation.

Per our review of court documents, two charges were laid against a City employee. Both charges were: "being an official with the City of Hamilton, a Plans Examiner did commit Fraud in connection with the duties of his office by entering false information on City of Hamilton documentation and depriving the City of Hamilton fees owed to it contrary to Section 122 of the Criminal Code".

These charges were stayed in Fall of 2024. The former employee was terminated earlier in 2024 due to their conviction on a drug-related charge as part of the Project Skyfall investigation.

A full investigation by the OAG has begun, as ultimately the OAG is looking to understand the full extent of what happened, how it happened, and what lessons, if any, can be learned. OAG work is resuming now that the criminal trial has concluded.

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 matter.

The HR investigation found that work records did not match what was observed by management. Ultimately 12 instances of time theft by falsifying work service records as substantiated. HR informed the OAG that employee was issued discipline.

False Benefit Claims

HR informed the OAG that they investigated three employees for false benefit claims and informed the OAG of the result as follows:

- An employee was found to have filed false claim submissions (93 in all) totalling over \$14,300. Based on available information, it is the OAG's understanding that over 70% of this amount was received back from the employee. The employee resigned before the investigation could be concluded by HR.
- An employee was found to have filed false claim submissions. The total of the false claims was about \$990. HR informed the OAG that the employee was terminated and that the full amount was recovered from the former employee.
- An employee was found to have filed false claim submissions totalling about \$6,600. HR informed the OAG that the employee was terminated. It is unknown to the OAG if any funds have been recovered.

As a result of these issues OAG included an audit of Employee Benefits Administration on its 2023-2026 Term of Council Audit Workplan, it is planned to be an audit of the processes used to administer benefits claims and protect against fraud.

City Targeted by Imposter Vendor Scam - Again

OAG received notification from City Finance staff of a situation whereby someone posed as an existing vendor to the City – a vendor that was owed substantial monies. The imposter vendor contacted the City to change the banking details of the legitimate vendor. As a result of a misstep in applying the City's existing procedures for such requests, the banking information was changed, and over \$274,000 was paid into a new bank account as directed by

the imposter. The legitimate vendor subsequently contacted the City wondering where their payments were, which led to further enquiries that revealed the diverted funds.

The OAG engaged a forensic investigative firm to assist in looking into the matter, and to report the exact circumstances of the diverting of funds. The OAG also reported the incident to the police and will be making recommendations for process improvement in its final report to management. This particular incident occurred prior to the City's ransomware attack in late February 2024.

This is similar to a situation that the OAG reported in last year's Fraud and Waste Annual Report and Report AUD24001.

The OAG is currently finalizing the investigative report for this matter.

City Agency Targeted by Imposter Vendor Scam

OAG received notification from a City Agency's Finance staff of a situation whereby someone posed as an existing vendor to the City Agency – a vendor that was owed substantial monies. The imposter vendor contacted the City Agency to change the banking details of the legitimate vendor. The banking information was changed, and over \$552,000 was paid into a new bank account as directed by the imposter. The legitimate vendor subsequently contacted the City wondering where their payment was, which led to further enquiries that revealed the diverted payment.

This particular incident occurred after the City's ransomware attack in late February 2024, and this matter was made even worse because the invoice to be paid was for about \$137,000, but due to human error and manual workaround processes in place due to ransomware attack, the amount paid to the imposter vendor was the incorrect, higher amount of \$552,000, and a different, legitimate vendor was underpaid by about \$415,000.

Further complicating things, the legitimate vendor had emailed the City Agency over a week prior to the fraud warning the Agency that they had experienced a security breach and were notifying the Agency that their banking information has not changed and to urgently contact them if there are any suspicious requests for fund transfers to difference banks. Notwithstanding the warning, the funds were electronically transferred to the imposter vendor's bank account.

The OAG engaged a forensic investigative firm to assist in looking into the matter, and to report the exact circumstances of the diverting of funds. The OAG also reported the incident to the police and will be making recommendations for process improvement in its final report to management. As part of its investigation response OAG enlisted the assistance of the City's Legal Services in tracing the funds and through a court order \$417,000 of the \$552,000 was successfully frozen.

The OAG is currently finalizing the investigative report to management for this matter.

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 with respect to a contract relating roadway maintenance, essentially that the City was not adhering to the terms of the contract.

The vendor claimed that for two weeks their equipment sat idle while another vendor was being assigned work. The vendor's understanding through the Tender award process was that there was a defined work assignment process for all of the multiple, successful bidders. It was the vendor's opinion that the City was not adhering to the contract terms.

A preliminary assessment by the OAG substantiated the allegation of unfairness in how the contract was administered, shown by discovering that the work was assigned using an inaccurate assignment list. The OAG referred the issue to management for resolution and recommended that they work with Legal Services and the contractor to determine the appropriate actions. 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.

Our investigation into the matter found the duplicate payments were made due to human error in the manual payment process and also due to a lack of review. In addition, the financial system was found be lacking the needed built-in controls to identify and reject transactions that have all the same attributes except for one. The total amount of the duplicated payments is over \$18,400.

The OAG issued an urgent memo to management requesting immediate action be taken to recover the duplicate payments and to further review transactions processed in this manual process. 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 complaint about a City Trail Capital Project, on behalf of a group of residents. The complaint was that the contractor did not finish, nor cleanup from, their work, leaving residents without a path for walking, running, and other healthy activities.

The report alleged that two months following the scheduled completion of work, the trail was still closed, and the worksite was left untidy, and that the contractor was not fulfilling their contractual requirements of being onsite.

The OAG found that the project would take about four months to complete, by the time the OAG received the complaint, it was six months from when the contractor started the work. Further investigation substantiated other aspects of the complaint; indeed, the project was delayed, and the contractor was not attending the site daily. Trees and stones had not been removed from the site.

Procurement documents and project documentation revealed certain aspects, such as change orders, documented quantity and monetary changes, but 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 found there were several opportunities to improve processes. The OAG made four recommendations to management that focused on improvements to contract management processes and practices. Management replied with an action plan to implement all four recommendations.

DARTS Billing Issues

In November 2023, the Accessible Transit Service (ATS) 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, and were therefore overpaid. ATS believed that this may have been occurring as far back as the beginning of the contract in 2012.

A preliminary assessment by the Office of the Auditor General (OAG) prompted an audit of overpayments made to DARTS for support persons, orientation interviews, and special events.

OAG concluded that payments made to DARTS from 2018-2023 for this type of ride were more than \$115,000 higher than they should have been and that the estimated 12-year total of overpayments ranged between \$232,000 and \$310,000.

The full Audit Report will be released by the OAG in December 2024, and it includes seven recommendations to management.

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 Reporter alleged the information provided to Council requesting their approval was misleading as there is allegedly insufficient funding to support the positions.

The OAG's investigation concluded that there was no business case prepared that analyzed the long-term impact converting the temporary positions to permanent in the request for Council approval. The OAG also found that the existing corporate policy does not provide guidelines or expectations for the level of sophistication and analysis required to support changes in staff complement.

However, we did conclude that the seven positions are currently fully funded and will continue to be fully funded provided that the Province continues the funding at the current level and continues with at least the same percentage allocation for program administration costs.

The OAG finds the allegation to be partially substantiated due to the policy gap and lack of a robust business case.

Other Report Examples

Although the Office of the Auditor General may find some reports not to be substantiated, there are reports that show significant control weaknesses. Some unsubstantiated examples are also provided for insight into the varying outcomes that can occur when cases are assessed and investigated.

.....

Alleged Vendor (Consultant) Conflict of Interest

The OAG received a report from a citizen concerned about the potential conflict of interest of a consulting firm. The firm was working on an important project for the City, while at the same time representing a developer that was taking a position on a different matter that was adversarial to that of the City. Ultimately, OAG concluded that the 2 matters were unrelated, with each having little bearing on the other.

However, our research did lead us to the conclusion that the City has very little substantive guidance on what constitutes conflict of interest on the part of a vendor, including the situations and criteria for identifying those that would require disclosure and/or involve unacceptably high risk.

In discussions with Procurement Division we learned that they are working on a Vendor Code of Conduct. Accordingly, we made a recommendation that they consider more detailed definition and guidance on vendor conflict of interest as part of that exercise.

Handoff of Package

We received an anonymous report alleging possible fraud and embezzlement. In the parking lot of a local retailer, the Reporter saw a City-branded vehicle and a person wearing an orange safety shirt transferring a white box to a person who pulled up in a truck and placed it in the back of the truck. The allegation was that City property was being released to a private citizen without permission.

The OAG referred the allegation to management for investigation. Management was able to verify that the Reporter saw one employee providing another employee with supplies needed for the next day's work. The employee in the City vehicle picked up a box of supplies and met with the employee on route to their project to save staff time for the other City. The report was found to be unsubstantiated.

Unproductive Road Work Allegations

The OAG received a report alleging that some road repair work performed by the City staff was unproductive and more staff and machinery resources were being used than was necessary and was a waste.

We reviewed the matter and concluded that the allegation was unsubstantiated, however we made recommendations for improvement to management. We found that the repair methodology used was based on the concept of economies of scale, which enabled a higher volume of work to be completed each day.

Various Intrusion Attempts to City Payment Systems

In today's digital economy, online payment systems have become essential for City services. However, cybercriminals target online payment portals hoping to test stolen credit card numbers, make unauthorized purchases, or gain access to payment systems for larger-scale fraud operations.

These fraudulent activities typically involve criminals using automated tools to attempt multiple transactions in rapid succession, often using stolen or generated credit card numbers. Their goal is to identify valid card numbers that can then be used for larger unauthorized purchases or sold on illegal marketplaces.

In the past year, more than 1,240 attempts to make suspicious payments through the City's payment pages were reported to OAG. The attempts were usually part of multiple transactions in rapid succession, for low dollar amounts.

The City's protective measures helped safeguard public resources and maintain trust and confidence in our digital services by successfully blocking 99.5% of the attempts. Collaboration and support from Information Technology and Finance contributed to the Customer Service Division's successful blocking of these attempts.

Multiple Payroll Phishing Attempts

"Payroll Phishing" is a form of fraud where criminals attempt to redirect employee paychecks by manipulating payroll and human resources systems. These attacks target an organization's Human Resources department, attempting to exploit their access to employee payment information and payroll systems.

In a typical payroll phishing attempt, fraudsters impersonate employees through fake or compromised email accounts, requesting changes to direct deposit information. These attacks use carefully crafted emails to appear legitimate. The criminals' goal is to redirect salary payments to fraudulent bank accounts before their deception can be detected.

The OAG was informed of three payroll phishing attempts in the current reporting period; all three attempts sent directly to the email address of the Executive Director of Human Resources (HR), claiming to be an employee and requesting a change in direct deposit banking information.

HR reported the emails to the OAG and successfully verified that each attempt was a 'phish' through direct confirmation with the three City employees.

Unsubstantiated Allegation of Recruitment Irregularity

The OAG received an anonymous report alleging that a senior level position was awarded without due process. Working with Human Resources to obtain more information about this particular recruitment competition and following a review of the City's "Request to Post and Fill a Vacancy Policy", the OAG was able to conclude that there was no policy violation and therefore considered the allegation unsubstantiated.

Allegation of International Travel While Receiving Ontario Works

Concerns were reported to the Office of the Auditor General about an individual in receipt of Ontario Works income support and who was also allegedly travelling internationally. The OAG referred this report to the Ontario Works Division who provided the OAG with the Ontario Works Policy 9.2 Absence from Ontario, which outlines the directives for travelling out of Ontario for a period of time.

"A person who is absent from Ontario for a period greater than seven days is not eligible for assistance unless the absence is approved by the Administrator as necessary for reasons of health or exceptional circumstances."

Ultimately the allegations were found to be unsubstantiated.

Allegation of Social Housing Subletting

The OAG received concerns about potential subletting of a social housing unit. The matter was referred to Housing Services who reported back to the Office of the Auditor General the concerns were unsubstantiated.

Allegation of Wrongful Eviction at a Social Housing Property

Allegations that a tenant was wrongfully evicted from a social housing property was reported to the Office of the Auditor General. The OAG referred the matter to Housing Services who informed the OAG the tenant was over \$20,000 in rental arrears and that the proper process for terminating a tenancy was applied. The report was found to be unsubstantiated.

Conclusion

The Fraud and Waste Hotline was launched in July 2019 as a pilot program and was made permanent by Council in March 2023. Overall, the first five years of the Fraud and Waste Hotline operation have seen a high volume reports assessed and investigations launched as appropriate. Over 550 reports have been assessed and investigated.

Without a Fraud and Waste Hotline in place, it is likely that many of these reports would not have been received by the Office of the Auditor General and wrongdoing involving City resources may have continued and the scale of fraud and waste would have remained undisclosed and not publicly reported. Generally speaking, it indicates Hamiltonians and employees alike share the commitment in protecting the City of Hamilton's revenue, property, information and other assets and resources from fraud, waste and other wrongdoing.



Charles Brown CPA, CA
Auditor General

Brigitte Minard CPA, CA, CIA, CGAP, CFE
Deputy Auditor General

Lyn Guo CMA (US), CIA
Senior Audit and Investigations Specialist

Rajni Deshpande CPA (NH), CIA, CFSA
Senior Audit and Investigations Specialist

Dennis Guy
Senior Audit and Investigations Specialist

Cindy Purnomo Stuive IAP
Audit Coordinator

Domenic Pellegrini CPA, CMA, CIA
(Retired) Senior Audit and Investigations Specialist

Phone: 905-546-2424 ext. 2257

Email: auditorgeneral@hamilton.ca

Website: hamilton.ca/audit



SPEAK UP – Reporting Fraud and Waste

Online: Hamilton.ca/fraud

Phone: 1-888-390-0393

Mail: PO Box 91880, West Vancouver, BC V7V 4S4

Email: cityofhamilton@integritycounts.ca

Fax: 1-844-785-0699

Copies of our audit reports are available at: hamilton.ca/audit

Alternate report formats available upon request.

FRAUD AND WASTE ANNUAL REPORT

July 1, 2023 to June 30, 2024

Total Reports

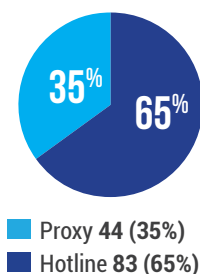
Current Reporting Year	127
Prior Year Carryforward	35
Reports Since Hotline Launch	558

Number of Reports by Source

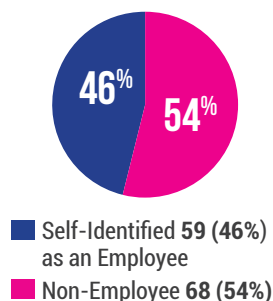


Investigations Launched by Office of the Auditor General	13
Current Reporting Year Reports	12
Carryforward Reports from Prior Reporting Year	1

Reports Directly Received by the Office of the Auditor General (Proxy)



Employee Reports



**Overall
Substantiation
Rate
33%**

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

Report Types

Referral – Response Required	63
Referral – No Action Required	12
No Response Required / Not Enough Information / Out of Jurisdiction	40
Investigations Launched (Current Reports)	12

Investigation Type (launched in current reporting year)



Loss or Waste Substantiated	\$2,348,000
Recovery/Restitution	\$11,500
Loss or Waste Substantiated since Hotline Launch	\$3,635,000
Recovery/Restitution since Hotline Launch	\$47,400

Office of the Auditor General Recommendations to Management

Fraud and Waste Hotline Period: July 1, 2023 to June 30, 2024

Theme	Recommendations	Summary
Real Estate – Leases and Licensing	35	Addresses 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.
Code of Conduct - Conflict of Interest	5	Progress towards establishing a tone-at-the top that clearly communicates that conflicts of interests are not acceptable and in conjunction with the new controls, will help establish a culture of accountability.
Code of Conduct - Conflict of Interest	2	Potential policy development for engaging employees as consultants. Develop enhanced conflict of interest guidance for employees accepting outside employment (“moonlighting”).
Financial Reporting/Budgeting (i.e. Inventory Management)	1	Inventory management and proper reporting of assets.
Administration of Employee Benefits	18	Strengthen policies, procedures, and oversight for the administration and detection of employee benefits fraud.
Stormwater Asset Management – Investigation of Recent Sewage Leaks	5	Opportunities for continuous improvement.
Conflict of Interest, Code of Conduct, Financial Reporting/Budgeting	15	Enhance property security and establish clear roles and responsibilities with segregation of duties at a City agency.
Safety	4	Maintain compliance with legislation and specifications requirements.

Theme	Recommendations	Summary
Cash Handling	4	Strengthen cash handling at a City agency.
Contract Management	1	Policy administration of hired contractors.
Continuous Improvement	2	Improve frequency of site assessments and communication to residents.
Contract Management	4	Improve oversight of projects and contracts.
Code of Conduct – Conflict of Interest	2	Disclosure of Code of Conduct Conflict of Interest. Improve guidance and clarify definition of Conflict of Interest for Vendors as part of the Vendor Code of Conduct.
Financial Reporting/Budget (i.e. Billing Administration)	6	Update contract and improve data collected for invoicing. Develop guidance and standards for business cases related to increasing staff complement.

Theme	Total Number of Recommendations
Administration of Benefits	18
Cash Handling	4
Code of Conduct - Conflict of Interest	24
Continuous Improvement	2
Contract Management	5
Financial Reporting/Budgeting (e.g. Inventory Management, Billing Administration)	6
Real Estate - Leases and Licensing	36
Safety	4
Stormwater Asset Management – Investigation of Recent Sewage Leaks	5
Total Recommendations	104

City Enrichment Fund Requiring Advance Payments in 2025

Organization	Advance Payment Schedule for 2025	# of Payments (advance)	2024 Approved Annual Budget	2025 Advance Payment Amount (Monthly)	2025 Advance Payment Amount (5 Payments)
Art Gallery of Hamilton	1st of each month	5	\$1,000,000.00	\$83,333.33	\$416,666.67
Theatre Aquarius	1st of each month	5	\$270,375.00	\$22,531.25	\$112,656.25
Hamilton Philharmonic Orchestra	1st of each month	5	\$216,300.00	\$18,025.00	\$90,125.00
Brott Music Festival	1st of each month	5	\$154,500.00	\$12,875.00	\$64,375.00
Total			\$1,641,175.00	\$136,764.58	\$683,822.92

January 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1 NEW YEAR'S DAY	2 No Meetings	3	4
5	6	7	8	9	10	11
12	13 PHC – 9:30 a.m. PWC – 1:30 p.m.	14 PC – 9:30 a.m.	15 GIC – 9:30 a.m.	16 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	17	18
19	20	21	22 COUNCIL 9:30 a.m.	23	24	25
26	27	28	29	30	31	

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC = Public Health Committee~~**All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor**

February 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3 PHC – 9:30 a.m. PWC – 1:30 p.m.	4 PC – 9:30 a.m.	5 GIC – 9:30 a.m.	6 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	7	8
9	10	11	12 COUNCIL 9:30 a.m.	13	14	15
16	17 FAMILY DAY	18	19	20	21	22
23	24 PHC – 9:30 a.m. PWC – 1:30 p.m.	25 PC – 9:30 a.m.	26 GIC – 9:30 a.m.	27 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	28	

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC~~ = ~~Public Health Committee~~All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor

March 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5 COUNCIL 9:30 a.m.	6	7	8
9	10 MARCH BREAK	11	12	13	14	15
16	17 PHC – 9:30 a.m. PWC – 1:30 p.m.	18 PC – 9:30 a.m.	19 GIC – 9:30 a.m.	20 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	21	22
23	24	25	26 COUNCIL 9:30 a.m.	27	28	29
30	31					

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC = Public Health Committee~~All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor

April 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
6	7 PHC – 9:30 a.m. PWC – 1:30 p.m.	8 PC – 9:30 a.m.	9 GIC – 9:30 a.m.	10 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	11	12
13	14	15	16 COUNCIL 9:30 a.m.	17	18 GOOD FRIDAY	19
20	21 EASTER MONDAY	22	23	24	25	26
27	28 PHC – 9:30 a.m. PWC – 1:30 p.m.	29 PC – 9:30 a.m.	30 GIC – 9:30 a.m.			

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC~~ = ~~Public Health Committee~~**All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor**

May 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	2	3
4	5	6	7 COUNCIL 9:30 a.m.	8	9	10
11	12	13	14	15	16	17
18	19 VICTORIA DAY	20 PHC – 9:30 a.m. PWC – 1:30 p.m.	21 GIC – 9:30 a.m.	22 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	23 PC – 9:30 a.m.	24
25	26	27	28 COUNCIL 9:30 a.m.	29	30	31

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC~~ = ~~Public Health Committee~~All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor

June 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9 PHC – 9:30 a.m. PWC – 1:30 p.m.	10 PC – 9:30 a.m.	11 GIC – 9:30 a.m.	12 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	13	14
15	16	17	18 COUNCIL 9:30 a.m.	19	20	21
22	23	24	25	26	27	28
29	30					

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC = Public Health Committee~~**All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor**

July 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 CANADA DAY	2	3	4	5
6	7 PHC – 9:30 a.m. PWC – 1:30 p.m.	8 PC – 9:30 a.m.	9 GIC – 9:30 a.m.	10 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	11	12
13	14	15	16 COUNCIL 9:30 a.m.	17	18	19
20	21	22	23	24	25	26
27	28 PHC – 9:30 a.m. PWC – 1:30 p.m.	29 PC – 9:30 a.m.	30 GIC – 9:30 a.m.	31 AFAC – 9:30 a.m. ECSC – 1:30 p.m.		

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC~~ = ~~Public Health Committee~~**All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor**

August 2024

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4 CIVIC HOLIDAY	5	6 COUNCIL 9:30 a.m.	7	8	9
10	11	12	13	14	15	16
17 AMO 2025	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

PHC = Public Health Committee

All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor

September 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1 LABOUR DAY	2	3	4	5	6
7	8 PHC – 9:30 a.m. PWC – 1:30 p.m.	9 PC – 9:30 a.m.	10 GIC – 9:30 a.m.	11 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	12	13
14	15	16	17 COUNCIL 9:30 a.m.	18	19	20
21	22	23	24	25	26	27
28	29 PHC – 9:30 a.m. PWC – 1:30 p.m.	30 PC – 9:30 a.m.				

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC~~ = ~~Public Health Committee~~**All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor**

October 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1 GIC – 9:30 a.m.	2 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	3	4
5	6	7	8 COUNCIL 9:30 a.m.	9	10	11
12	13 THANKSGIVING	14	15	16	17	18
19	20 PHC – 9:30 a.m. PWC – 1:30 p.m.	21 PC – 9:30 a.m.	22 GIC – 9:30 a.m.	23 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	24	25
26	27	28	29 COUNCIL 9:30 a.m.	30	31	

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC~~ = ~~Public Health Committee~~All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor

November 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7	8
9	10 PHC – 9:30 a.m. PWC – 1:30 p.m.	11 REMEMBRANCE DAY	12 GIC – 9:30 a.m.	13 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	14 PC – 9:30 a.m.	15
16	17	18	19 COUNCIL 9:30 a.m.	20	21	22
23	24	25	26	27	28	29
30						

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

PHC = Public Health Committee**All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor**

December 2025

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1 PHC – 9:30 a.m. PWC – 1:30 p.m.	2 PC – 9:30 a.m.	3 GIC – 9:30 a.m.	4 AFAC – 9:30 a.m. ECSC – 1:30 p.m.	5	6
7	8	9	10 COUNCIL 9:30 a.m.	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25 CHRISTMAS DAY	26 BOXING DAY	27
28	29 SHUT DOWN	30 SHUT DOWN	31 NEW YEARS EVE			

GIC = General Issues Committee of the Whole

AFAC = Audit, Finance & Administration Committee

PWC = Public Works Committee

ECSC = Emergency & Community Services Committee

PC = Planning Committee

~~PHC~~ = ~~Public Health Committee~~All meetings will be in the Council Chambers, Hamilton City Hall, 2nd Floor

Proposed Changes to the Code of Conduct for Employees, Schedule B: Fees, Gifts and Hospitality

Section	Current Text of Schedule B	Proposed Changes	Considerations
Purpose	The City requires employees to perform their professional duties and responsibilities with fairness, impartiality, and transparency. The purpose of this Schedule is to outline the City's expectations for employees who are offered fees and both pecuniary and non-pecuniary gifts, and/or hospitality from outside individuals or organizations in relation to their position with the City.	No Changes.	
Definitions			
Disclosure of Gifts and Hospitality Form	The form employees complete to identify a benefit (fee, gift, or hospitality) they received from an outside individual or organization in the course of their professional duties and responsibilities. A form must be completed for fees, gifts and hospitality valued over \$25 to ensure transparency and accountability. Instructions for completion of the Disclosure Form are included with the form.	The form employees complete to identify a benefit (fee, gift, or hospitality) they received from an outside organization or individual in the course of their professional duties and responsibilities. Instructions for completion of the Disclosure Form (link) are included with the form.	Keep text that defines what the form is. Delete text that says how it is to be used and move to terms and conditions.
Fee	An amount of money that is paid for work conducted.	An amount of money that is paid for work conducted for an outside organization or individual, for example, a speaking engagement.	Text added for additional clarity.
Gift	A benefit of any kind, not only pecuniary in nature, including but not limited to gifts, gift	A benefit of any kind, not only pecuniary in nature, including but not limited to gifts, gift certificates, gift	'Significant social relationship' added to be consistent with the

Section	Current Text of Schedule B	Proposed Changes	Considerations
Hospitality	<p>certificates, gift cards, discounts, favours, tickets, passes (zero-value or otherwise), or assistance and/or opportunities given to an employee(s) or a member of their family from an outside organization or individual.</p> <p>Any hospitality event or activity, including but not limited to meals, tickets to sporting events, theatre tickets, tickets to other forms of entertainment, passes (zero-value or otherwise) golf game fees, etc. given to an employee, their family member, or significant social relationship from an outside organization or individual.</p>	<p>cards, discounts, favours, tickets, passes (zero-value or otherwise), or assistance and/or opportunities given to an employee(s), a member of their family, or a significant social relationship from an outside organization or individual.</p> <p>No changes</p>	<p>current definition of Hospitality and with other Code of Conduct schedules.</p>
Pecuniary Interest	<p>Relates to matters involving a real or potential financial gain or loss to the employee, their family members, their significant social relationships, or to the businesses and/or organizations to which they belong.</p>	<p>No changes</p>	
Non-Pecuniary Interest	<p>Relates to matters involving a real or potential gain or loss that is not monetary in nature to the employee, their family members, their significant social relationships, or to the businesses and/or organizations to which they belong. This may include, but is not limited to, a social benefit, political advantage, professional advancement, preferential treatment, access to benefits not available to the public, etc.</p>	<p>No changes</p>	

Section	Current Text of Schedule B	Proposed Changes	Considerations
Terms and Conditions Pecuniary and Non-Pecuniary Gifts and Hospitality	<p>1. Employees may not solicit or accept any pecuniary or non-pecuniary gifts or hospitality that could influence, or be perceived to influence, the performance of their professional duties and responsibilities from outside individuals or organizations that:</p> <p>(a) are applying for, or are in receipt of, services from the City, (b) do business with, or want to do business with, the City, unless the benefit is available to all members of the public or are available on a discounted basis to all City employees, e.g., discounted cell phone package, automobile insurance.</p>	No changes.	
Exceptions Gifts or Hospitality Valued at \$25 or Under	<p>2. An employee may accept a nominal gift or hospitality with a value of \$25, or under (for example, lunch, dinner, coffee, a business portfolio, a plant, promotional materials, pen, mug, etc. from a conference, trade show, etc.) provided that:</p> <p>(a) it is in in the context of a business meeting or interaction, or in the context of a recognized charitable event; and</p>	<p>2. Gifts of a nominal value that do not exceed \$50 in value may be accepted in the following circumstances, as long as there is no real or perceived conflict of interest:</p> <p>a. Promotional items, such as a mug, pens, business portfolios, magnets, etc. from a conference, trade show, etc.</p>	<p>The proposed changes separate gifts and hospitality into two distinct sections with different criteria. Many municipalities do this and have similar criteria to what is proposed here.</p> <p>The proposed new value is \$50, instead of under \$25, \$25-\$100, over \$100. This is more straight</p>

Section	Current Text of Schedule B	Proposed Changes	Considerations
	<p>(b) it is an infrequent occurrence; and (c) it legitimately serves a business purpose; and (d) it is part of the employee's professional duties and job responsibilities; and (e) the gift or hospitality is not an attempt to seek special favours or advantages from the employee or the City.</p> <p>3. Employees are not required to disclose receipt of such gifts or hospitality provided they meet the criteria above, unless the total value exceeds \$200 in a calendar year. If the value exceeds \$200, employees must inform their Manager/Director, complete a Disclosure of Gifts and Hospitality Form and submit it to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca).</p>	<p>b. Items presented to persons participating in public functions as guest speakers, panelists, etc. such as flowers, plaques, picture frames, pens, chocolates, travel mugs, water bottles, gift card, etc.</p> <p>c. Token exchanges as part of protocol, for example, from a visiting international delegation, a cultural group, a charitable organization, etc.</p> <p>d. Gifts of courtesy or thanks which are shared within the Department or donated to charity, such as seasonal gift baskets, flowers, gift cards, etc.</p> <p>3. Any gifts that exceed \$50 should be returned to the sender with an acknowledgement and with reference to the Code of Conduct. Any gifts that cannot be reasonably returned should be donated to charity, auctioned off to employees with the proceeds going to charity, or shared with all employees within the Department.</p> <p>4. Gifts of alcohol (e.g., bottles of wine or liquor) cannot be accepted regardless of their value.</p> <p>5. Gifts received by an employee on behalf of the City where the gift is intended to become the property of the City and/or the gift commemorates or records a significant event, place, or individual (such as a commemorative</p>	<p>forward and hopefully easier for employees to follow.</p> <p>Some municipalities identify a dollar value while others indicate “a nominal value” only. We thought it best to set some parameters and propose \$50.</p> <p>New requirement to return gifts exceeding \$50, to give to charity, or to share amongst all employees in Department – avoid perception of influence over one employee. Consistent with what some other municipalities are doing.</p> <p>New stipulation to explicitly preclude gifts of alcohol.</p> <p>This text is in the current policy, it is just moved up in the policy to be under the Gifts section.</p>

Section	Current Text of Schedule B	Proposed Changes	Considerations
		plaque) are excluded from this Schedule.	Reference to completing a disclosure form is deleted here but moved to a new section below “Tracking and Disclosure of Gifts and Hospitality”.
Gifts or Hospitality Valued at Over \$25 and under \$100	4. An employee may accept a gift or hospitality valued at over \$25 and under \$100 provided that: (a) it is in in the context of a business meeting or interaction, or in the context of a recognized charitable event; and (b) it is an infrequent occurrence; and (c) it legitimately serves a business purpose; and (d) it is part of the employee’s professional duties and job responsibilities; and (e) the gift or hospitality is not an attempt to seek special favours or advantages from the employee or the City. 5. To ensure transparency, following the receipt of gifts and hospitality valued at over \$25 and under \$100, employees must report the occurrence to their Manager/Director and complete a Disclosure of Gifts and Hospitality Form and submit it to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca).	Deleted	Explanation as above.
Gifts or Hospitality Valued at \$100 or More	6. In almost all cases, employees are not permitted to accept a gift or hospitality valued at \$100 or more.	Deleted	Explanation as above.

Section	Current Text of Schedule B	Proposed Changes	Considerations
	<p>7. In exceptional circumstances it may be acceptable for an employee to accept a gift or hospitality that is valued at \$100 or more, provided that it is:</p> <p>(a) it is in in the context of a business meeting or interaction, or in the context of a recognized charitable event; and</p> <p>(b) it is an exceptional occurrence; and</p> <p>(c) it legitimately serves a business purpose; and</p> <p>(d) it is part of the employee's professional duties and job responsibilities; and</p> <p>(e) the gift or hospitality is not an attempt to seek special favours or advantages from the employee or the City.</p> <p>8. The employee must seek approval from the General Manager to keep the gift or hospitality and complete the Disclosure of Gifts and Hospitality Form. The Form must be submitted to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca).</p>		
Participation in Hospitality Events as Part of Employee Professional Duties and Job Responsibilities	<p>9. Some management and professional staff are required, as a part of their business responsibilities for the City, to participate in hospitality events that may be more frequent or that may involve a higher monetary value than the guideline above.</p>	<p>6. Some employees are required to participate in hospitality activities as part of their job duties and responsibilities for the City.</p>	<p>Text reworded to simplify.</p>

Section	Current Text of Schedule B	Proposed Changes	Considerations
Hospitality	<p>10. This is permitted provided that:</p> <p>(a) it is in in the context of a business meeting or interaction whereby the doner is present, or in the context of a recognized charitable event; and</p> <p>(b) it legitimately serves a business purpose; and</p> <p>(c) it is part of the employee’s professional duties and job responsibilities; and</p> <p>(d) the gift or hospitality is not an attempt to seek special favours or advantages from the employee or the City.</p>	<p>7. This is permitted for these employees provided that:</p> <p>(a) The value of the hospitality does not exceed \$50; and</p> <p>(b) There is no real or perceived conflict of interest, and</p> <p>(c) It is in in the context of a business meeting or interaction whereby the doner is present, or in the context of a recognized charitable event; and</p> <p>(d) It is an infrequent occurrence; and</p> <p>(e) It legitimately serves a business purpose; and</p> <p>(f) It is part of the employee’s professional duties and job responsibilities; and</p> <p>(g) The hospitality is not an attempt to seek special favours or advantages from the employee or the City.</p> <p>8. In limited circumstances, employees may participate in hospitality activities that exceed \$50, as long as the conditions in 7 (b)-(g) are met, and employees have approval from their General Manager <u>prior to the activity</u>.</p>	<p>Proposed text includes adding the \$50 dollar value limit for hospitality (a), as well as a condition that receipt of the hospitality does not lead to a conflict of interest (b).</p> <p>Also, the addition of (d) regarding an infrequent occurrence – to prevent a pattern that could be perceived as a conflict.</p> <p>The other conditions remain the same.</p> <p>Addition of circumstances where hospitality over \$50 may be permitted. Conditions in 10. (now 7.) must still be met and prior approval by the General Manager is required.</p>

Section	Current Text of Schedule B	Proposed Changes	Considerations
	<p>11. Employees are not required to disclose receipt of such gifts or hospitality provided they meet the criteria above, unless the total value exceeds \$200 in a calendar year. If the value exceeds \$200, employees must inform their Manager/Director, complete a Disclosure of Gifts and Hospitality Form and submit it to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca).</p> <p>12. Accepting free admission from the seminar or conference organizers for the balance of a seminar or conference where the activity is taking place is not a violation of this Policy. However, the employee must report this to their Manager/Director and complete a Disclosure of Gifts and Hospitality Form to be submitted to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca).</p>	<p>Moved to below</p> <p>9. Accepting free admission for the balance of a seminar, conference, etc. is permitted when the employee is fulfilling a work responsibility, for example, as a presenter, keynote speaker, etc. However, the employee must receive approval from their General Manager prior to the event and complete a Disclosure of Gifts and Hospitality Form to be submitted to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca).</p>	<p>Clarification that the seminar, conference, etc. is part of the employee's work responsibilities.</p> <p>Employees must receive approval from their General Manager, not just inform their Manager/Director.</p>
Gifts Given to the City	<p>Gifts received by an employee on behalf of the City where the gift is intended by the giver to become the property of the City and/or the gift commemorates or records a significant event, place, or individual (such as, without being limited to, a commemorative plaque) are excluded from this Schedule.</p>	<p>Moved up to 5. above.</p>	

Section	Current Text of Schedule B	Proposed Changes	Considerations
Tracking and Disclosure of Gifts and Hospitality	Employees are not required to disclose receipt of such gifts or hospitality provided they meet the criteria above, unless the total value exceeds \$200 in a calendar year. If the value exceeds \$200, employees must inform their Manager/Director, complete a Disclosure of Gifts and Hospitality Form and submit it to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca).	<p>10. Employees are required to track receipt of any gifts or hospitality outlined above using the Personal Gifts and Hospitality Form (we will create this form).</p> <p>11. When the total value of gifts and/or hospitality exceeds \$200 in a calendar year, employees must complete a Disclosure of Gifts and Hospitality Form (link) and submit it to their General Manager and to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca). All forms must be submitted upon completion or, at the latest, by December 31 each calendar year.</p> <p>12. Human Resources will provide an annual report of employee-received gifts and hospitality that exceed a total of \$200 to the respective General Managers and to the Executive Director of Human Resources.</p>	<p>New requirement for employees to track their receipt of gifts and hospitality.</p> <p>\$200 value is in the current policy. Employees would be required to submit the form to their General Manager (not just inform their manager). The date for submission of the form is new.</p> <p>Proposing a new reporting requirement for Human Resources.</p>
Fees	<p>14. Employees will not accept a fee for activities, information, services, etc. that relate directly to their professional duties and job responsibilities or that relate indirectly by virtue of their employment with the City. This includes, but is not limited to, fees for:</p> <p>(a) Public speaking engagements, such as a public radio/television broadcast, web site broadcast or conference to which he or she was</p>	<p>No changes</p> <p>No changes.</p>	

Section	Current Text of Schedule B	Proposed Changes	Considerations
	<p>invited as a direct result of his or her position as an employee,</p> <p>(b) Publications where the employee writes or publishes articles or books in any print or online publications, including journals and newsletters, if such article or book directly relates to the employee's position as a City employee or uses insider information about the City.</p> <p>(c) Witness fees for taking part in a court, tribunal, or other adjudicative process to which he or she was requested to attend as a direct result of his or her position as an employee.</p> <p>15. Accepting fees to cover expenses not reimbursed by the City for an activity, such as a speaking engagement, publication, witness statement, during normal working hours or at any time where the employee is representing the City, is permitted, e.g., parking, accommodation, meals. The employee must report these fees to their Manager/Director and complete a Disclosure of Gifts and Hospitality Form to be submitted to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca) prior to the activity.</p> <p>16. Seminar or conference admissions where the employee is a presenter, keynote speaking, etc. are permitted. The admission must still be reported on the Disclosure of Gifts and Hospitality Form and submitted to Human Resources (codeofconduct@hamilton.ca).</p>	<p>No changes</p> <p>Maintained but moved up to #9 above in the policy.</p>	

Section	Current Text of Schedule B	Proposed Changes	Considerations
	<p>17. Employees may charge or accept a fee for activities such as speaking engagements, publications, etc. during their time off work (e.g., vacation time) providing such employees are not representing or purporting to represent the City. Employees must notify their Manager/Director regarding participation in these events and ensure no conflict exists as outlined in Schedule D – Outside Employment and Activities.</p> <p>18. Requests for exceptions related to Fees for public engagements, publications and witness fees will be dealt with on a case-by-case and must be approved by a General Manager in consultation with Human Resources. Completion of a Disclosure of Gifts and Hospitality Form is required and is to be submitted to Human Resources via the Code of Conduct email (codeofconduct@hamilton.ca).</p>	<p>No changes</p> <p>No changes.</p>	