




Hamilton

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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	January 16, 2025
SUBJECT/REPORT NO:	Audit of Contract Payments to DARTS (AUD25001)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY:	Brigitte Minard CPA, CA, CIA, CGAP, CFE Acting Auditor General Office of the Auditor General
SIGNATURE:	

RECOMMENDATION

- (a) That Audit Report titled “Audit of Contract Payments to DARTS”, attached as Appendix “A” to Report AUD25001 be received;
- (b) That the management responses, as detailed in Appendix “A” to Report AUD25001 be approved; and
- (c) That the General Manager of Public Works be directed to implement the management responses (contained in Appendix “A” to Report AUD25001) and report back to Audit, Finance and Administration Committee by December 31, 2025, on the nature and status of actions taken in response to the audit report.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

REPORT HIGHLIGHTS

- The Office of the Auditor General (OAG) performed an audit of payments made to DARTS for “forgone fares” (free trips) as defined in the Master Operating Agreement (MOA).
- For the 12-year period 2012-2023 OAG estimates that DARTS was overpaid by \$230,000-\$263,000 for special event subsidies.
- The OAG finds that there is room for improvement in the administration of data with respect to subsidized special event trips including, oversight, process control, quality assurance and contract terms and conditions.
- The OAG made four (4) recommendations to address the audit findings.
- Management agreed with and provided management responses for all four (4) recommendations.

EXECUTIVE SUMMARY

As a result of a concern reported to the Fraud and Waste Hotline, the Office of the Auditor General (OAG) conducted an audit of DARTS compliance with the Master Operating Agreement (MOA) specifically regarding payment by the City of forgone fares (subsidized rides), as outlined in the MOA.

The MOA states the specific types of rides that DARTS does not have to collect fares for; the City reimburses DARTS for these forgone fares. These rides coincide with the HSR’s conventional transit service fares for events such as “Ticket-to-Ride” program whereby ticket holders can ride to a Hamilton Tiger Cats home game by showing their game ticket.

Overpayment of a subsidized fare occurs when the City reimburses a fare that DARTS should have collected from the passenger(s) they were transporting. Payments are made monthly based on DARTS’ reporting of the number of rides defined as “forgone fares” in the MOA.

The audit process found that overpayments to DARTS over a 12-year period (2012-2023) are estimated to be in the range of \$230,000-\$263,000.

A formal report, attached as Appendix “A” to Report AUD25001, summarizes the details of the overpayments by ride type, how the overpayments occurred, process weaknesses, the Office of the Auditor General’s recommendations, and management’s responses and planned course of action to those recommendations.

Overall, the OAG has made recommendations to improve oversight of the relationship with DARTS, improve custody and control of City assets, and improve process controls and agreement terms and conditions to ensure adherence to the intended objectives of delivering accessible transit.

Alternatives for Consideration – Not Applicable

PREVIOUS REPORTS SUBMITTED: The OAG has completed several audits of Accessible Transportation Services and/or DARTS in recent years.

- Accessible Transportation Services (ATS) Eligibility Audit (AUD20009)
- Accessible Transit Services: DARTS Fleet Management and Vehicle Safety Audit (Report #50695) (AUD22007)
- City Auditor Reporting of Serious Matters to Council (Case #58061 Taxi Scrips) (AUD22009)

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND

The Office of the Auditor General (OAG) has audited various aspects of HSR / ATS operations over the years; however, OAG has not specifically audited forgone payments.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Master Operating Agreement (MOA) 2012-2017 between the City of Hamilton and Disabled and Aged Regional Transit Services (DARTS).

RELEVANT CONSULTATION

Appendix “A” to Report AUD25001 includes responses from management in the Transit Division responsible for the administration of the MOA with DARTS, including reimbursement of forgone fares.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The overall audit objective was to assess whether the Transit Division (HSR / ATS) was overpaying subsidies for forgone fares (free trips), and if so, to determine the amount, nature, and cause of the overpayments.

The concern was brought to the Office of the Auditor General (OAG) via the Fraud and Waste Hotline. The OAG undertook a preliminary assessment which substantiated the concern, leading the OAG to initiate a comprehensive audit of contract payments made to DARTS in the past 12 years.

While the audit revealed that both over- and under-payments have been made in the past, the OAG's recommendations focus on improvements to oversight of the MOA and relationship with DARTS including process control improvements. The Report summarizing our findings can be found in Appendix "A" to Report AUD25001.

ALTERNATIVES FOR CONSIDERATION

Not applicable.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report AUD25001 – Audit of Contract Payments to DARTS.