



City of Hamilton Report for Information

To: Chair and Members
Audit, Finance and Administration Committee

Date: May 1, 2025

Report No: AUD25004

Subject/Title: Accounts Payable Special Investigation:
CityHousing Hamilton Investigation Summary
(Fraud and Waste Report #73367)

Ward(s) Affected: City Wide

Recommendations

- a) That report AUD25004 respecting Accounts Payable Special Investigation: CityHousing Hamilton Investigation Summary (Fraud and Waste Report #73367) **BE RECEIVED** for information.

Key Facts

- A special investigation was conducted to investigate an alleged fraudulent payment of over \$552,000 from March 2024.
- One of the CHH's vendors was victim of a Business Email Compromise Fraud.
- The special investigation found process weaknesses and impacts from the February 2024 cyber security incident as major factors.
- Ultimately CityHousing Hamilton (CHH) incurred losses of over \$552,000 due to fraudulent activity, with \$417,000 recovered to date.
- The OAG notes that this is third incident of this nature at the City of Hamilton and its boards and agencies.
- OAG made recommendations to the CHH Board of Directors to address the investigation findings.

Financial Considerations

Not applicable.

Background

This matter was initially reported to the Office of the Auditor General in March 2024.

A police report was filed in late March 2024 by CityHousing Hamilton, thus requiring the OAG to inform Council of the matter. Confidential Report AUD24003 (Auditor General Reporting of Serious Matters to Council (Case #73367)) went to the Audit, Finance and Administration Committee in April 2024. The CHH CEO handled communications with the CHH Board of Directors.

Analysis

As a result of a Serious Matter reported to the Audit, Finance, and Administration Committee in April 2024 (Confidential Report AUD24003), the Office of the Auditor General (OAG) engaged investigative and forensic accounting specialists, Delta Consulting Group Canada Ltd. (Delta Consulting), to conduct an investigation on behalf of the Office of the Auditor General.

The purpose of this special investigation was to investigate an alleged fraudulent payment of over \$552,000 processed by the CityHousing Hamilton's (CHH) Accounts Payable group in late March 2024. The OAG also requested that Delta Consulting provide the OAG with recommendations based on their investigation findings in order to improve processes.

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

The special investigation found weaknesses in the manual processes that were in place for finance and accounts payable due to the impacts of the cyber security incident and ultimately CHH incurred losses of over \$552,000 due to fraudulent activity.

A formal report, attached as Appendix "A" to Report AUD25004, summarizes the control weaknesses uncovered in the above investigation and contains the Office of the Auditor General's observations, recommendations and CityHousing Hamilton's management responses and planned course of action to those recommendations.

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

Management responses were received for all recommendations. Overall, CHH management agreed with six of the seven recommendations and are implementing an alternative action for the seventh recommendation. We requested that the CHH Board of Directors direct staff to report back on their progress on management response implementation to the Board of Directors in November 2025.

Alternatives

Not applicable

Relationship to Council Strategic Priorities

3. Responsiveness & Transparency
 - 3.3. Build a high performing public service
 - 3.4. Modernize City systems

Previous Reports Submitted

- Confidential AUD24003 Auditor General Reporting of Serious Matters to Council (Case #73367)

Consultation

CityHousing Hamilton: CEO's Office, CHH Legal Counsel.

City of Hamilton: Financial Services Division, Legal and Risk Management Services Division.

Appendix "A" to Report AUD25004 includes responses from the CEO at CityHousing Hamilton.

Appendices and Schedules Attached

Appendix A: Accounts Payable Special Investigation: CityHousing Hamilton Investigation Summary (Fraud and Waste Report #73367)

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