



City of Hamilton Report for Consideration

To:	Chair and Members Audit, Finance and Administration Committee
Date:	May 1, 2025
Report No:	AUD25003
Subject/Title:	Transfer Payments and Grants Audit
Ward(s) Affected:	City Wide

Recommendations

- 1) That Audit Report titled “Transfer Payment and Grants Audit”, attached as Appendix “A” to Report AUD25003 **BE RECEIVED** for information.
- 2) That the management response, as detailed in Appendix “B” to Report AUD25003 be approved; and
- 3) That the General Manager of Finance and Corporate Services be directed to implement the management response (contained in Appendix “B” to Report AUD25003) and report back to Audit, Finance and Administration Committee by December 2025, on the nature and status of actions taken in response to the audit report.

Key Facts

- The Office of the Auditor General (OAG) performed an audit of transfer payments and grants.
- The City of Hamilton received over \$500 million in incoming transfer payments in and paid out over \$200 million in 2022 (the most recently available audited financial statements)
- The OAG finds that an effective governance structure for transfer payment administration does not exist at the City of Hamilton.

- There is also a lack of corporate level strategic policy and planning to effectively oversee transfer payment and grant programs, ensuring transparency and accountability to the public.
- The OAG made six (6) recommendations to improve the governance and administration of transfer payments and grants.
- Management agreed with all six recommendations and provided one overall management response.

Financial Considerations

None.

Background

This audit was part of the Council-approved Office of the Auditor General Work Plan 2023 to 2026 (Report AUD23012).

Analysis

The City of Hamilton received between \$450 million and \$510 million annually in incoming transfer payments and contributions from upper levels of government in the last 5 years (2018-2022), based on available City records.

The City of Hamilton was also responsible for the management and distribution of about \$200 million in annual outgoing transfer payments and grants in recent years.

Effective governance and administration transfer payment funds requires a governance model that provides leadership, strategic policy guidance for program and service areas that have responsibilities in administering transfer payments.

The audit set out to answer the following questions:

- **Governance** – Are there sufficient structures, tools, and systems in place to ensure that transfer payments are managed effectively, efficiently and consistently across the City?
- **Program Design and Evaluation** – Does the City routinely assess the effectiveness of transfer payment and grant programs?
- **Funding Allocation and Award** – Is due diligence being exercised when conducting budgetary planning and funding assessments to ensure that taxpayer dollars are allocated in an equitable and transparent manner?

- **Monitoring and Oversight** – Are appropriate processes being utilized to ensure that transfer payment and grant recipients remain compliant with program terms, and that funds are used as intended?

We found that an effective governance structure for transfer payment administration does not exist at the City of Hamilton. Additionally, there is a lack of corporate level strategic policy and planning to effectively oversee transfer payment and grant programs, ensuring transparency and accountability to the public.

There is also a distinct lack of policy to provide corporate direction to ensure prudent transfer payment management / administration. The City of Hamilton should have:

- A Funding Agreement template that ensures fund recipients are held accountable for service delivery and protects the interests of the City.
- Clearly defined roles and responsibilities, with respect to transfer payments, particularly for corporate functions, program operations, and vendor oversight.
- Clearly defined funding eligibility criteria.
- Transparent application evaluation processes.
- Risk-based performance monitoring of fund recipients.
- Mechanisms for validating funds spent as intended.
- Data collection, tracking and monitoring for achievement of outcomes as required by funding agreements.
- Effective reporting on outcomes.

In the absence of governance structures and corporate policies, transfer payment administration and management at the City of Hamilton is left to individual program and service areas.

The City of Hamilton provides various grants to external organizations. Even though operational staff believed there was a corporate policy related to grant administration, we found there is not such a policy in existence. While some grant programs have developed a handbook or guidelines, we however, found these programs lack a systematic approach for administering the grant program through its lifecycle that incorporates the following key aspects:

- Intended outcome of a grant designed at launch.
- Clear criteria and evaluation process.
- Monitoring of fund use as intended.
- Reporting on outcomes.
- Effective agreement/contract management.

Any grant program should be able to answer the following questions:

- What outcome(s) does the grant program intend to achieve?
- What is the current status with regards to the intended outcome(s)?
- Were the funds used as intended?

The OAG found that these basic questions were unable to be answered unambiguously by the program areas responsible for the administration of these three grant programs that were sampled as part of this audit.

A formal report, attached as Appendix “A” to Report AUD25003, summarizes the details of the audit findings.

The City of Hamilton is accountable for the effective governance, management and administration of transfers payments and grants, which requires the City establish a governance mechanism to ensure transfer payments achieve the intended outcome. The City also has a responsibility to ensure grant programs are administered prudently and value of the investment is realized.

Overall, the OAG has made recommendations to improve the governance and administration of transfer payments and grants, to close policy gaps and ensure that taxpayers are receiving value for money in transfer payments and grants that the City of Hamilton is accountable for.

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

[Report AUD25001 Audit of Contract Payments to DARTS](#)

[Report AUD22007 Accessible Transit Service: DARTS Fleet Management and Vehicle Safety Audit \(Report #50695\)](#)

[AUD21013 Hamilton Future Fund](#)

[AUD19004\(a\) Supplementary Audit Report – Housing Services Division: Capital](#)

[AUD19004 Housing Services Division – Capital Funding](#)

[AUD13019 Community Partnership Program Grants \(now known as City Enrichment Fund\)](#)

[AUD13016 Housing Services - Rent Supplement Programs](#)

Consultation

Mike Zegarac-General Manager, Finance and Corporate Services

Kirk Weaver-Acting Director Financial Policy, Administration, and Planning

Brian McMullen-Director Financial Policy, Administration, and Planning

Children's and Community Services Division

Housing Services Division

Economic Development Division

Hamilton Water Division

Recreation Division

Government Relations and Community Engagement Division-City Enrichment Fund

Appendices and Schedules Attached

Appendix A: Transfer Payments and Grants Audit Report

Appendix B: Recommendations and Management Responses

Prepared by:

Brigitte Minard, Deputy Auditor General
Office of the Auditor General

Lyn Guo, Senior Audit and Investigations Specialist
Office of the Auditor General

Rajni Deshpande, Senior Audit and Investigations Specialist
Office of the Auditor General

Charles Brown, Auditor General
Office of the Auditor General

Submitted and recommended by:

Charles Brown
Auditor General
Office of the Auditor General