



Office of the  
Auditor General  
City of Hamilton

# Transfer Payments and Grants Audit

## Recommendations and Management Responses



**May 1, 2025**

Office of the Auditor General

Management Responses provided by Finance and Corporate Services.

## Introduction

The following recommendations aim to help improve the oversight and administration of transfer payments and grant programs in the City. The management response is written by the Corporate Services Department, with input from a Corporate-wide working group comprised of various Directors.

### Recommendation 1

It is recommended that Corporate Finance establish a governance and policy structure that provides strategic guidelines, policies, and standard operating procedures to provide oversight of transfer payments and grants administration across the organization, similar to the Transfer Payment Directive at the Province of Ontario.

The governance structure and related policies should clearly define roles and responsibilities of each party involved in the transfer payment administration. The governance structure should be accompanied with a set of policies, and standard operating procedures, as well as best practices that may contribute to prudent financial management.

### Recommendation 2

That the City of Hamilton publish publicly annual performance reporting of all transfer payments, and the results achieved for Hamiltonians.

This performance reporting should disclose all sources of funding received by organizations from the City of Hamilton, and details of the various funding programs.

### Recommendation 3

It is recommended that Corporate Finance review how transfer payments and grants are recorded in the City's financial system, including the chart of accounts and account set up. This is an excellent opportunity for improvement, as the replacement Enterprise Resource Planning (ERP) system is implemented as part of the cybersecurity incident recovery. This is an opportunity to streamline data extraction and enable accurate financial and performance reporting for transfer payments and grants.

## Recommendation 4

It is recommended that a risk assessment of all transfer payment and grant recipients be conducted, and that the grant recipient risk profiles be regularly updated.

## Recommendation 5

It is recommended that monitoring and evaluation of transfer payment and grant recipient performance be proportionate to recipients’ risk profile; and this monitoring be documented. Monitoring should include verification of money spent as intended and services provided as according to the terms and conditions of the agreement.

## Recommendation 6

It is recommended that risk-based, periodic evaluations of transfer payment and grant programs be completed to determine if they are in alignment with current City of Hamilton Council priorities.

## Management Response (All Recommendations)

### **Agree.**

Staff is in agreement with the direction of all six recommendations. Given that these recommendations have impact to all areas of the organization an implementation plan with corporate wide input will be needed. Staff will work towards the development of a plan to support the successful implementation of these recommendations. This implementation plan, including implementation timelines will be shared with the Office of the Auditor General by Q4 2025.

A cross functional working team has been established to review the results and recommendations of the Transfer Payments and Grants Audit. This team will assist in the development of proper oversight of transfer payments and grants by identifying resources and practices including but not limited to, financial tracking tools, development of documented policies and procedures, staff training, outreach, to ensure the responsible stewardship of taxpayers funding.

It is important to recognize, and include in the implementation plan, the reporting and accountability mechanisms that are already embedded into our funding agreements as a result of receiving provincial and/or federal funding. Some of the recommendations from the audit are already being fulfilled through provincial/federal requirements, and we should be building upon this work to ensure that we aren’t duplicating reporting or other accountability mechanisms.

For example, City Enrichment Fund (CEF) publishes annual results each Q2 through a Council approved report. Impact reporting began in 2022 and has been accelerated beginning with our 2024 funding year in an effort to share the direct and indirect impact of the City’s investment through CEF. As part of the evaluation of all incoming CEF grant requests, each application is assessed for merit, feasibility and financial health. Additionally, all approved grantee’s with outstanding arrears or documents are held pending the satisfactory submission or payment to the City. CEF grant recipients (grantees) are required to submit a final report that provides confirmation of the funded activities and ensures the CEF funding policies and expectations have been met. Final reports include a written component and final budget.

**Expected Completion:** Q4 2025