



Office of the
Auditor General
City of Hamilton

Report AUD25003

Transfer Payments and Grants Audit



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Significance of Transfer Payments

Transfer Payments
Received

\$511.7 Million

Transfer Payments
Paid Out

\$201.1 Million

Source: 2022 audited financial statements, the most recently available statements.

What Is A Transfer Payment?

Transfer payments are a mechanism to fund activities that benefit the public and are designed to achieve public policy objectives. Transfer payments are transfers of money to individuals, external organizations or to other governments for which the Ontario government does not:

- Receive goods or services directly in return, as would occur in a purchase or sales transaction.
- Expect to be repaid in the future, as would be expected in a loan; or
- Expect a direct financial return, as would be expected in an investment.

A transfer payment belongs to one of the three categories:

- Time-limited payments.
- Ongoing payments.
- Support payments.

- City of Hamilton does not have an official definition of Grant.
- A Grant is a form of unconditional transfer payment, and grants are payments made to an individual or organization based on eligibility and entitlement criteria.
- Grants are a subset of Transfer Payments.

Total Grants
Paid Out
\$20.4 Million

Source: Note 16 Government Transfers of City of Hamilton Financial Report 2022.

To assess whether the City has adequate systems and controls in place to support effective and accountable delivery of its transfer payment and grant programs.

- **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?



Principles of the Province's Transfer Payment Accountability Directive

- **Accountability**
- **Value for money**
- **Risk-based approach**
- **Fairness, integrity and transparency**
- **Focus on outcomes**
- **Common processes**
- **Information sharing**
- **Communication**



- Researched Federal and Provincial policies, directives and best practices for transfer payment administration.
- Reviewed City of Hamilton Procurement By-law, Divisional SOPs, funding agreements, as available.
- Interviewed staff.
- Reviewed available data, metrics, and performance measures, as applicable.
- Performed analysis.

- City of Hamilton does not have a corporate policy for transfer payment governance and administration.
- Individual program areas administer the incoming and outgoing transfer payments.
 - Either based on the agreement with the Provincial or Federal government, or the legislation that governs the program.

- City of Hamilton does not have a corporate grant administration policy.
- Some grant programs follow a handbook and have an agreement.
- Some grant programs do not have any formally documented standard operating procedures.

Transfer Payments

- Children's Services - Wage Enhancement Grant (WEG) and General Operating Grant (GOG)
- Housing Services - Reaching Home (RH) program
- Economic Development - Starter Company Plus in Small Business Enterprise Centre (SBEC) program

Grant Programs

- Hamilton Water - Protective Plumbing Program (3P)
- Recreation - Operating Grants
- Government and Community Relations - City Enrichment Fund (CEF)

Corporate governance review and the findings from programs sampled informed the audit findings. Five themes emerged:

- Policies and directives,
- Roles and responsibilities,
- Risk-based fund recipient performance monitoring,
- IT system for fund management,
- Reporting on outcomes.

There are no documented policies or guidelines specific to the City-wide administration and oversight of transfer payment and grant programs.

A lack of directives and requirements for:

- Risk-based fund recipient management.
- Clear eligibility criteria and transparent evaluation process.
- Funding agreements consistent with City expectations and protecting City interests.
- Mechanisms to validate funds were used as intended.
- Reporting on the outcomes achieved.

We found unclear /undefined roles and responsibilities in:

- Administration of Transfer Payments and grants,
- Oversight of service delivery,
- Reporting on the outcomes,
- Funding agreement /contract management.

Audit Finding – Risk-based Fund Recipient Performance Monitoring

Case example findings included:

- Fund recipient risk profile not established to inform proportionate recipient performance monitoring.
- No consistent practices across the organization in fund performance monitoring.
- There is no mechanism to validate grant funds are used as intended.
- Some grants were disbursed year over year without reviewing whether it is optimal option, whether it still meets the City's objectives.
- Expired funding agreements.



Manual process for tracking and managing transfer payment and grant funds, without a central system.

- No documented naming and numbering convention in setting up grants and transfer payments in the financial system.
- Extraction of data for audit planning required significant staff manipulation.
 - OAG has data confidence concerns
- Built-in controls / functionality of the financial system not fully explored, risking duplicate payments not being prevented, or identified.

- Intended outcomes for transfer payment and grant programs are either:
 - Not established
 - Not adequately established
- Funding outcomes are not consistently monitored or reported upon regularly.

- Overall, six recommendations were made to Management.
 - Management agreed with all recommendations.
- Management is currently working on more detailed management action plans.
- OAG is recommending that Council directs Management to report back with a status update by December 2025.



THANK YOU