



## City of Hamilton Report for Consideration

**To:** Chair and Members  
Audit, Finance and Administration Committee

**Date:** May 22, 2025

**Report No:** AUD25005

**Subject/Title:** Accounts Payable Special Investigation #2  
(Fraud and Waste Report #71958)

**Ward(s) Affected:** City Wide

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### Recommendations

- 1) That the Management Responses as detailed in Appendix “A” to Report AUD25005 **BE APPROVED**; and
- 2) That the General Manager of Finance and Corporate Services **BE DIRECTED** to implement the management responses (attached as Appendix “A” to Report AUD25005) and report back to the Audit, Finance and Administration Committee by November 2025 on the nature and status of actions taken in response to the special investigation report.

### Key Facts

- A special investigation was conducted to investigate alleged fraudulent payments of over \$274,000 from late 2023 to early 2024.
- One of the City’s vendors was victim of a Business Email Compromise Fraud.
- The special investigation found process weaknesses and an instance where standard operating procedures were not adhered to.
- Ultimately the City incurred unrecoverable losses of over \$274,000 due to fraudulent activity.
- The OAG notes that this is second incident of this nature, it is similar to Report AUD24001.
- OAG repeats its recommendations from Report AUD24001, and is making some additional recommendations.

## Financial Considerations

None.

## Background

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

A police report was filed in mid-February 2024, thus requiring the OAG to inform Council of the matter. Confidential Report AUD24002 (Auditor General Reporting of Serious Matters to Council (Case #71958) went to the Audit, Finance and Administration Committee in late February 2024.

## Analysis

As a result of a Serious Matter reported to the Audit, Finance, and Administration Committee in February 2024 (Confidential Report AUD24002), 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 alleged fraudulent payments of over \$274,000 processed by the City's Accounts Payable Section from late 2023 to early 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 involved, and the fact that the special investigation findings are process focused and are 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 process weaknesses and an instance where standard operating procedures were not adhered to, and ultimately the City incurred losses of over \$274,000 due to fraudulent activity.

A formal report, attached as Appendix "A" to Report AUD25005, summarizes the control weaknesses uncovered in the above investigation and contains the Office of the Auditor General's observations, recommendations and management's responses and planned course of action to those recommendations.

Overall, OAG has made four new recommendations and repeats the previous six recommendations to improve and controls within the Accounts Payable processes, with a focus on vendor information changes. One recommendation was made to improve the City of Hamilton's Fraud Policy and Protocol.

Management responses were received for all ten recommendations. Overall management agrees with all of the recommendations. We are requesting that Council direct staff to

report back on their progress on management response implementation to the Audit, Finance and Administration Committee 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

- [Report AUD25004, Accounts Payable Special Investigation: CityHousing Hamilton Investigation Summary \(Fraud and Waste Report #73367\)](#)
- Confidential Report AUD24002, Auditor General Reporting of Serious Matters to Council (Case #71958)
- [Report AUD24001, Accounts Payable Special Investigation \(Fraud and Waste Report #65357\)](#)

## Consultation

Appendix “A” to Report AUD25005 includes responses from management responsible for overseeing the Accounts Payable process in the Financial Services Division in the Corporate Services Department.

The Legal and Risk Management Services Divisions in the Corporate Services Department were consulted during this special investigation.

## Appendices and Schedules Attached

Appendix “A” to Report AUD25005 – Accounts Payable Special Investigation #2: Summary, Recommendations, and Management Responses.

### Prepared by:

Brigitte Minard, Deputy Auditor General  
Office of the Auditor General

Charles Brown, Auditor General  
Office of the Auditor General

Delta Consulting Group Canada Ltd.

### Submitted and recommended by:

Charles Brown, CPA, CA  
Auditor General  
Office of the Auditor General