

CITY OF HAMILTON

**CITY MANAGER'S OFFICE
Audit Services Division**

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: January 17, 2013	
SUBJECT/REPORT NO: Follow Up of Audit Report 2011-05 - OW - Overpayments to Active Clients (AUD13002) (City Wide)	
SUBMITTED BY: Ann Pekaruk Director, Audit Services City Manager's Office	PREPARED BY: Ann Pekaruk 905-546-2424 x4469
SIGNATURE:	

RECOMMENDATION

That Report AUD13002, respecting the follow up of Audit Report 2011-05, OW – Overpayments to Active Clients, be received.

EXECUTIVE SUMMARY

Audit Report 2011-05, OW - Overpayments to Active Clients, was originally issued in September, 2011 and management action plans with implementation timelines were included in the Report. In October, 2012, Internal Audit conducted a follow up exercise to determine that appropriate and timely actions had been taken. Of the two recommendations that management agreed to in the original Report, one has been completed and one alternative has been implemented. Staff originally disagreed with the one recommendation in the Addendum so no further follow up work was carried out.

Alternatives for Consideration – Not Applicable

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

Audit Report 2011-05, OW - Overpayments to Active Clients, was originally issued in September, 2011. The Report and Addendum provided three recommendations identifying areas for improvement with staff review of temporary uncollectible overpayments and recordkeeping.

It is normal practice for Internal Audit to conduct follow up reviews within a 12-18 month period following issuance of the original report in order to determine whether action plans committed to by department management have been implemented.

POLICY IMPLICATIONS

- ◆ Ontario Works Act, 1997
- ◆ Ontario Works Policy Directives – 9.3 Recovery of Overpayments, 2009

RELEVANT CONSULTATION

The results of the follow up were provided to management responsible for the administration and operations of OW, Benefit Eligibility, Community Services Department.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The report attached as Appendix “A” to Report AUD13002 contains the first three columns as originally reported in Report 2011-05 along with an added fourth column indicating Internal Audit’s comments as a result of the follow up work. The original Addendum section containing the one disagreed recommendation does not contain any follow up comments.

The one recommendation that was fully implemented pertains to reassessment of any new or transferred applicants that have overpayments and adding appropriate notes in SDMT.

A suitable alternative was implemented for the review of temporary uncollectible overpayments every two years by the Case Managers.

There was no follow up pertaining to one recommendation with which management had originally disagreed.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Not applicable.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- ◆ Delivery of municipal services and management of capital assets/liabilities in a sustainable, innovative and cost effective manner

Social Development

- ◆ Residents in need have access to adequate support services.

Healthy Community

- ◆ Adequate access to food, water, shelter and income, safety, work, recreation and support for all (Human Services).

APPENDICES / SCHEDULES

Appendix "A" to Report AUD13002.

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**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2011-05
OVERPAYMENTS TO ACTIVE ONTARIO WORKS CLIENTS
FOLLOW UP**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MARCH 2012)
1.	<p><u>Temporary Uncollectible Overpayments</u> An overpayment is changed to temporary uncollectible and an explanation is placed in SDMT notes when it is determined that the client cannot or should not repay the amount owing through a deduction from their monthly OW entitlement. Situations such as a client being in the midst of bankruptcy proceedings or where collection of a portion of the overpayment may prejudice a criminal case or an appeal of the overpayment may result in such categorization.</p> <p>In addition, temporary uncollectible accounts are not reviewed on a regular basis to verify the client's current status still supports the temporary uncollectible rating. This may reduce the opportunity to again seek repayment.</p>	<p>That any SDMT temporary uncollectible notes in client files for new and transferred applicants with the City be reviewed for current status and appropriate changes and notes be made in SDMT.</p> <p>That temporary uncollectible overpayments be reviewed every two (2) years during regular entitlement updates (Consolidated Verification Process (CVP)) and detailed notes to this effect be recorded in SDMT.</p>	<p>Agreed. Temporary uncollectible overpayments will be reviewed for all new applicants. Implementation scheduled for November 2011.</p> <p>Agreed. The Consolidated Verification Process will include the review of all temporary uncollectible overpayment accounts. Implementation scheduled for November 2011.</p>	<p>Completed. Temporary uncollectible overpayments are being reviewed for new and transferred applicants.</p> <p>Alternative Implemented. The procedure has been changed so that temporary uncollectible overpayments are now reviewed by the Case Managers every two years. Test samples of SDMT temporary uncollectible overpayment notes indicate that this review is being carried out and documented.</p>

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2011-05
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ADDENDUM

The following item was noted during the course of the audit. Although it does not present an internal control deficiency, it is indicated in this Addendum so management is aware of the issue and can address it appropriately.

Writing Off of Overpayments

1. Ministry Directive #9.3 states that an annual write off of active overpayments should be conducted if the individual overpayment value is \$2.50 or less or the debtor (i.e. the recipient) has had his/her overpayment debt discharged in a bankruptcy proceeding. Analysis of the overpayments that have been made temporary uncollectible indicates that fifty-nine (59) clients have overpayment values of \$2.50 or less.

It is recommended:

That, in keeping with the Ministry's Directive, temporary uncollectible amounts with a value of \$2.50 or less be written off. The exercise of writing off active overpayments of \$2.50 or less should be conducted on an annual basis.

Management Response:

Disagreed. Even though the OW Directive 9.3 gives the Administrator the authority to write off active overpayments of \$2.50 on an annual basis and to write off temporary uncollectible overpayments with a value of \$2.50 for active clients, the process of writing off debts is only administrative in nature and does not imply the debt is forgiven or that recovery can never be made. If opportunities to recover amounts owed improve, then collection efforts may resume. The benefits gained would not offset the resources required to identify and write off overpayments and subsequently re-activate overpayments should collection opportunities materialize.

Follow Up Comment:

Disagreed. Management originally disagreed. No further follow up was performed.