SUBJECT: Audit Report 2005-08 - Social Housing Funding Streams (CM05039) (City Wide)

RECOMMENDATION:

That Report CM05039 respecting Audit Report 2005-08, Social Housing Funding Streams, be received.

Ann Pekaruk  
Director, Audit Services  
City Manager's Office

EXECUTIVE SUMMARY:

Council approved the 2005 Internal Audit work plan which included a review of the controls and processes over the funding streams from the Provincial/Federal governments for Social Housing. The results of the audit are included in a formal audit report containing observations, recommendations and management responses, attached as Appendix “A”.

BACKGROUND:

Since 2001, the City has assumed the administration of several thousand housing units from the Province of Ontario. Over the past few years, Internal Audit has reviewed the rental revenue stream and accounts payable process through the Yardi system. In 2004, a review of the controls and processes over the funding streams from the Provincial/Federal governments was proposed. Time constraints did not allow this audit to be completed until this year.
ANALYSIS/RATIONALE:

The report attached as Appendix “A” contains the observations, recommendations and management responses resulting from Internal Audit’s review of the social housing funding streams.

The main areas for improvement in the audit report centre around: (1) the need to receive additional information from the Ministry of Municipal Affairs and Housing (MAH) and verify its accuracy and completeness in the calculation of funds granted; and (2) monitoring the Strong Communities Program in terms of actual units and expenditures compared to funding received from the Province.

Staff have agreed to take appropriate action to implement both of the recommendations. Specific management action plans can be found in the actual report attached.

ALTERNATIVES FOR CONSIDERATION:

Not applicable

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial
Without the provision of detailed information, there is the risk that they may be errors or inconsistencies in the funds allocations which may go undetected.

Staffing
None

Legal
None

POLICIES AFFECTING PROPOSAL:

None

RELEVANT CONSULTATION:

The attached report includes management action plans which reflect the responses of management and staff responsible for the social housing funding streams (i.e. the Housing Division of the Public Health and Community Services Department).
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make
choices that create value across all three bottom lines, moving us closer to our vision for a sustainable
community, and Provincial interests.

Evaluate the implications of your recommendations by indicating and completing the sections below.
Consider both short-term and long-term implications.

Community Well-Being is enhanced. ☑ Yes ☐ No

The City Council’s strategic commitment to “A Great City in Which to Live” by supporting
people in need and providing quality services that residents can rely on to support the
community’s quality of life is upheld by funding made available by the Province/Federal
governments for social housing projects.

Environmental Well-Being is enhanced. ☑ Yes ☐ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

The City Council’s strategic commitment to “Best Practices – Best Value” under “A City
That Spends Wisely and Invests Strategically” is addressed through audits and reviews
and their subsequent follow up to ensure controls are in place to protect the assets of
the City and promote efficient, effective and economic services and programs.

Obtaining appropriate funding to support social housing helps to cover the expenditures
incurred to upkeep various projects.

Does the option you are recommending create value across all three bottom lines?
☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance
public servants?
☐ Yes ☑ No

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Attachment – Appendix “A”
# OBSERVATIONS OF EXISTING SYSTEM | RECOMMENDATION FOR STRENGTHENING SYSTEM | MANAGEMENT ACTION PLAN
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1. The Province through the Ministry of Municipal Affairs and Housing (MAH) annually announces the level of Social Housing funding to be granted to the various Service Managers in Ontario. The funds are issued according to the timetable set in the Social Housing Reform Act, 2000, section 134(1). However, the MAH does not provide adequate details to confirm the funding amount granted. Since there are 47 different Service Managers across Ontario and the apportionment of the funds is broken down into 11 different items, there exists the risk that there may be errors or inconsistencies in the fund allocations which may go undetected or be questioned as unfair without the provision of adequate detail.

Further, the MAH withholds approximately $5.6 million per year from the total funding granted above towards the retirement of 53 public housing debentures with 50 year terms and maturity dates ranging from 2006 to 2026. However, it was not possible to confirm the accuracy of the debenture payments withholdings since the Ministry ignored multiple requests by Internal Audit to provide information on a sample of the debentures chosen. Given that many of the debentures are more than 40 years old and since electronic calculations were not common at the time that the debentures were issued, human errors were more likely and may have continued undetected. The likelihood of errors is compounded by the fact that each of the 53 debentures is impacted by separate agreements with CMHC and OHC with different interest rates and annual payments.

In 2004, the Ministry withheld about $900K from the funding granted above for Projects in Difficulty (PID), social housing projects that have not yet been downloaded to the Service Manager because of problems with the project. The Ministry holds back funding from the Service Managers to offset the Local Service Costs (LSR) associated with these projects. This PID holdback impacts in two ways: those projects that were previously administered by the Province where the LSRs exceed the PID holdback and the difference is billable to the City; and those that were federally administered prior to 1999, where the LSR incurred may be paid by withholding funds without an invoice to the City. The PID holdback has been in place since the projects were first transferred in 2001 and the minimal information issued have made it impossible to verify the accuracy of the calculations. Very little detail, if any at all, made the verification of the accuracy of the amounts withheld impossible.

That Social Housing Administration, together with Service Managers across Ontario, lobby the Ministry to provide a basis for the calculation of the funding received (i.e. copies of the outstanding debentures, PID holdback details, etc.).

Agreed. Staff will attend committees, such as the Ontario Municipal Social Services Advocacy Committee and the Housing Managers Service Network and communicate with other service managers and agencies, e.g. Social Housing Services Corporation, on these issues to jointly lobby the Province for more specific information on outstanding debentures and PIDS.

The PIDS will be transferred to the City for direct administration and funding effective March 1, 2006.
## OBSERVATIONS OF EXISTING SYSTEM

With the Strong Communities Rent Supplement Program, the MAH provides funding so that Service Managers may help households requiring assistance with rental payments. Funding is provided based on the Program Take Up Plans submitted by the Service Manager. One of the requirements of the program is that the Service Manager must provide information on the actual units and expenditures for regular and supportive (MOHLTC and MCSS) programs. A review of the Service Manager’s records indicates that, to date, monitoring of the program is inadequate. Actual program units and expenditures are not being compared to planned units and expenditures (the Program Take Up Plan). Part of the guidelines stipulated by the Ministry indicate that when actual expenditures are less than the expenditures indicated in the Program Take Up Plan, the funds flowed to the Service Manager may be reduced. Without adequate monitoring, the City will not know whether this is going to occur nor will they know the dollar impact. The total dollar funding granted by the Ministry for this program was $1.7 million in 2005. Calculations by Internal Audit of actual results from January to June, 2005, show accumulated expenditures that are approximately $192.6K under the estimates for the same time period.

## RECOMMENDATION FOR STRENGTHENING SYSTEM

That Social Housing Administration implement a program to continuously monitor the Strong Communities Program in terms of the actual number of units and expenditures for both the regular and supportive component of the program as compared against the estimates.

## MANAGEMENT ACTION PLAN

Agreed. Staff have created aspread sheet in Excel to continuously monitor the Strong Communities Program in terms of the actual number of units and expenditures. At the moment, staff are using Excel and Yardi software systems (Ministry requirement) but have booked training in Yardi specifically for the Rent Supplement Program. It is expected that eventually all information will be contained in Yardi which will be a more effective and efficient method of tracking units and expenditures.