SUBJECT: Follow Up of Audit Report 2005-08 – Social Housing Funding Streams (CM07022) (City Wide)

RECOMMENDATION:

That Report CM07022 respecting the follow up of Audit Report 2005-08, Social Housing Funding Streams, be received.

EXECUTIVE SUMMARY:

Audit report 2005-08, Social Housing Funding Streams, was originally issued in February, 2006 and management action plans with implementation dates were included in the report. In May, 2007, Internal Audit followed up the report to determine that appropriate and timely actions had been taken. Regarding the implementation of the two (2) recommendations made in the original report, one (1) is incomplete and one (1) is in progress.

BACKGROUND:

Audit report 2005-08, Social Housing Funding Streams, was originally issued in February, 2006. The report indicated two (2) recommendations: (i) the need to receive additional information from the Ministry of Municipal Affairs in order to support the accuracy and completeness of the calculation of funds granted; and (ii) monitoring of the Strong Communities Program in terms of actual units and expenditures compared to the estimates on which funding received from the Province is based.
BACKGROUND (Continued):

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 actions plans committed to by departmental management have been implemented. In May, 2007, Internal Audit followed up the report to confirm appropriate and timely actions had been taken.

ANALYSIS/RATIONALE:

The report attached as Appendix “A” to Report CM07022 contains the first three (3) columns as originally reported in Audit Report 2005-08 along with an added fourth column indicating Internal Audit’s follow up comments.

The first recommendation was dealt with in two parts: a portion of this recommendation is no longer applicable due to the Provincial transfer of Projects in Difficulty to the City’s administration. The other component of the first recommendation (i.e. details of debentures) is incomplete. The second recommendation is in progress. Staff are working with the external support company to remedy the difficulties they encountered during the uploading of the Rent Supplement Program into Yardi.

ALTERNATIVES FOR CONSIDERATION:

Not applicable.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial
Differences in the funding and actual expenditures in the Strong Communities Rent Supplement Program may be used by the Ministry of Municipal Affairs and Housing to offset future funding.

Staffing
None.

Legal
None.

POLICIES AFFECTING PROPOSAL:

None.

RELEVANT CONSULTATION:

The results of the follow up were discussed with the staff responsible for the administration of the Social Housing funding streams (Housing Division of the 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.

Community Well-Being is enhanced.  ☑ Yes  ☐ No

City Council’s goal of “A Great City in Which to Live” and its commitment to providing quality community 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

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
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<th>OBSERVATIONS OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
<th>FOLLOW UP (May 2007)</th>
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<td>1.</td>
<td>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.</td>
<td>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.).</td>
<td>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 PID’s.</td>
<td>For debenture details: Incomplete. Discussions at past Committee meetings centred on operational issues and policy initiatives. However, the Program Manager intends to raise the issue of more detailed debenture information at a future meeting. For PID holdback details: No longer applicable. The PID’s were all transferred to the City for direct administration in March, 2006, resulting in greater local control and oversight and no holdbacks from the Province.</td>
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<td>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.</td>
<td>That Social Housing Administration implement a program to continuously monitor the Strong Communities Program in terms of the actual number units and expenditures for both the regular and supportive component of the program as compared against the estimates.</td>
<td>Agreed. Staff have created a spreadsheet 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.</td>
<td>In progress. The reporting module for the Rent Supplement Program was uploaded into Yardi but encountered difficulties with the completeness of the information and staff are working with the outside support company to remedy the problem. In the meantime, the Excel spreadsheet referred to in the original Management Action Plan is still being used to monitor units and expenditures under this Program. In 2006, the division received $1,921,307 in funding and actual expenditures amounted to $1,914,730. This resulted in an excess of $6,577 which still may be used by the Ministry to reduce future funding.</td>
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