

**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2012-12  
HOUSING SERVICES – RENT SUPPLEMENT PROGRAMS  
FOLLOW UP**

#	OBSERVATION OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (MAY 2014)
1.	<p><u>Business Procedures</u></p> <p>There is no business procedure manual for Rent Supplement Programs.</p> <p>Without appropriate guidelines and expectations, it may be difficult for management to evaluate staff performance effectively. If there is staff turnover, new staff do not have consistent, written guidelines to reference.</p>	<p>That management develop, approve and implement a business manual for administrative procedures in the Rent Supplement Programs. These documents should be reviewed on a regular basis (annually) and be revised, as required.</p> <p>Key areas that need to be addressed include:</p> <ul style="list-style-type: none"> <li>• Tenant placement</li> <li>• Income verification and rent calculation</li> <li>• Payment processing</li> <li>• Operational reviews</li> <li>• Tenant file documentation requirements</li> </ul>	<p>Agreed. Management has started the process of developing an operations manual. Thus far, the sections for Program Guidelines, Tenant Placement and Income Verification and Rent Calculation are complete. The rest of the operations manual will progress toward a completion date of December 31, 2013.</p>	<p>Initiated. Housing Services has begun to develop and document procedures in an operations manual for the key areas identified. Documents have yet to be finalized and approved by management. In addition, a number of these documented procedures have not been implemented.</p>

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2.	<p><u>Tenant Rent Calculation Process</u></p> <p>Rent-geared-to-income (RGI) calculations are complex due to the many regulations for income inclusions and exclusions per the Housing Services Act (HSA). The current method used to document income inclusions and exclusions was found not to provide adequate rationale to support the RGI calculations. A manual, unstructured form is used for documenting tenant RGI calculations.</p> <p>Many rental calculations include additional charges or reductions due to utilities and services as required by the HSA. All files reviewed (15) did not provide adequate support for amounts that increased or reduced tenant rents.</p>	<p>That standards for documenting income inclusions and exclusions and utility charges be developed, approved and implemented.</p> <p>That a standardized electronic form or template be developed and used for RGI calculations.</p>	<p>Agreed. As part of the operations manual development, there is a section on RGI calculation. This section has now been completed and includes sections on income verification, RGI calculation and step-by-step checklist on the process.</p> <p>Agreed. A standardized electronic (Excel spreadsheet) has been developed in-house using the "Household Income and Asset Review" template developed by the Ontario Non-Profit Housing Association. This template is now being used by the supplement clerks to calculate RGI rents. A template and file path will be included in the operations manual noted above.</p>	<p>In Progress. Standards for documenting income inclusions and exclusions have been developed and implemented but have not yet been approved by management.</p> <p>A Property Listing indicating utility charges is being used to support calculations. However, this listing differs from the standards included in the operations manual.</p> <p>Completed. Standardized electronic Rent Geared to Income Calculator templates have been developed and are being used for RGI calculations.</p>



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3.	<u>Tenant Follow up (Cont'd.)</u>	That additional follow up action be taken if the required documentation is not provided by the tenant.	Agreed. A procedure will be developed to include remedies available to the Service Manager where there is a failure to comply. This will be included in the operations manual by May 31, 2013.	Initiated. The operations manual includes actions to be taken when deadlines for submitting required documentation are not met by the tenant. This procedure has not yet been approved by management. With enforcement letters not being tracked (see observation #3b), it is difficult to determine when follow up action is required.

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4.	<p><u>Building Information</u>  The Housing Services Act specifies which utilities and services are to be included in tenant rental amounts. When a housing unit provides utilities and services that differ from the standard utilities and services, additional amounts are added to or deducted from a tenant's basic monthly rent.</p> <p>Housing units vary widely as to which utilities and services are included in their basic market rent. There is currently no centralized listing for program staff to use as a reference tool which details the utilities and services that are provided in each unit. Such a listing should be used by staff during the RGI rental calculation process to ensure that calculations are being completed accurately.</p>	<p>That a centralized listing be created (and updated regularly) to detail the utilities and services offered at individual housing units in the rent supplement programs.</p> <p>That such a listing be used by staff to support the RGI calculation process.</p>	<p>Agreed. A centralized listing of all current housing providers which would include unit size, market rent, other amenities and the utilities included in the rent will be prepared. This list will be updated as new landlords enter the program. It will also be updated on an annual basis. It will be completed and included in the operations manual by April 30, 2013.</p> <p>Agreed. The listing will be utilized to support the RGI calculations.</p>	<p>In Progress. A Utility Listing that documents the utilities and services offered at individual housing units has been included in the operations manual. Rent Supplement Clerks have developed a separate Property Listing of total utility allowance / charge amounts by the number of bedrooms in particular units. Discrepancies between the two listings were identified during testing.</p> <p>In Progress. The Property Listing described above is used to support the RGI calculation process. Sample testing of three utility charges identified one charge not appropriately supported by the listing.</p>

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5.	<p><u>Housing Provider Contract</u></p> <p>Ontario Community Housing Assistance Program (OCHAP) is a rent supplement program that provides RGI assistance. Funds are given to the non-profit housing providers that administer the program under the authority of a Service Manager Delegation Agreement (SMDA).</p> <p>One housing provider has not signed a (SMDA) or a Rent Supplement Agreement (RSA) with the City. This housing provider has never entered into a signed agreement with the City since the City became the Service Manager in 2001. Per City staff, this housing provider has indicated that no agreement will be signed because the agreement's requirements restrict the ability to fulfill its mandate of serving its specific client community.</p> <p>Per the most recent operational review completed by the City, this Housing Provider was not in compliance with Provincial legislation for the placement of tenants. The Access to Housing waitlist is not utilized by this Housing Provider.</p>	<p>That all housing providers under OCHAP be required to sign a SMDA and a RSA (and comply with all requirements in the agreements) in order to continue receiving rent supplement funding.</p>	<p>Alternative to be considered. This particular facility offers all levels of care. There is no signed contract as its management feels it would infringe upon its mandate to house a specific client group and it would have to use the centralized wait list for social housing for its applicants. Under the former SHRA and now the RSA, the City of Hamilton can use exceptional circumstances to opt out of the centralized wait list. For historical purposes (the contract was originally signed by the Province of Ontario in the 1990's), this has been deemed an exceptional circumstance. An amended contract will be scripted and signed by both parties by June 30, 2013 (an extra month has been given to ensure time for a Board meeting).</p>	<p>Not Completed. A policy has been drafted that requires the Housing Services Division to develop a framework to be approved by Council for the consideration of an application from a housing provider with a mandate to serve a specific client community in accordance with the Housing Services the Act and Human Rights Code. The development of such a framework has not yet begun.</p> <p>The one housing provider identified in the original audit still has not signed a SDMA or RSA with the City.</p>

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6.	<p><u>Rent Supplement Agreements (All Programs)</u>  Four of ten OCHAP RSAs and nine of ten Commercial &amp; Strong Communities RSAs were found to have time lags of at least one month between the effective date of the agreement and the date that the agreement was signed.</p> <p>Two of the Commercial and Strong Communities RSAs noted above expired in December 2011 and still had not been renewed when testing was completed December 2012.</p> <p>The City has increased its legal risk and financial exposure without valid agreements in place.</p>	<p>That the City work collaboratively with housing providers and landlords to sign RSAs in a timely manner, within a specified timeframe that is determined by management.</p>	<p>Agreed. A policy and procedure will be developed that states that the renewal process will begin 60 days prior to the expiration of the current agreement and stored as part of the manual. The renewal schedule will be compiled by June 30, 2013 and kept in a central location with a follow-up protocol which will make use of the task function in Outlook. Term length for each agreement will vary so that, in the future, all agreements will expire on the same date, at which time and going forward, the agreements will have a standard 5 year term. All OCHAP agreements are now current and there is only 1 Strong Communities agreement outstanding. It is anticipated to be signed and on file by March 31, 2013.</p>	<p>Not Completed. A renewal schedule for tracking RSAs to ensure that agreements are signed in a timely manner has not yet been developed. For example, all three OCHAP agreements reviewed expired in December 2013 and renewal contracts had not yet been sent for renewal (as of May 2014).</p>

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6.	<u>Rent Supplement Agreements (All Programs) (Cont'd.)</u>	That, after working collaboratively with a housing provider, the City withhold payments if a RSA is not signed.	Agreed. The policy above will include any remedies available to the Service Manager with regards to non-compliance.	Initiated. A business practice has been drafted that states it is preferable that the City continue paying the subsidy to avoid tenant eviction and when the unit is vacated, it will no longer be used in the program, thus ending any payments through attrition. However, this is a draft document that does not yet show evidence of management approval for this practice.

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7.	<p><u>ODSP Shelter Allowances and RGI Amounts</u></p> <p>The Housing Services Act specifies the monthly tenant rent amount based on the size of the benefit unit (a benefit unit is a person and all of his/her dependents that receive financial assistance). Staff complete annual RGI calculations that determine the rent that should be paid by the tenant as per the Act.</p> <p>Some rent supplement tenants have an income source from ODSP (Ontario Disability Support Program) that includes an amount for shelter. In 10 of 11 ODSP files reviewed, the shelter allowance received under ODSP was more than the rent paid by the rent supplement tenant. ODSP clients are required to report their actual shelter costs to their ODSP caseworkers.</p> <p>Management was not able to explain why the ODSP shelter amounts were more than the rent actually paid by RGI tenants.</p>	<p>That the Housing Services Division and the Employment and Income Support Division work together to investigate why ODSP shelter allowances vary from the rent actually paid by RGI tenants who are ODSP clients. Any errors or discrepancies should be corrected.</p>	<p>Not applicable/Alternative to be considered. The current provincial system has restricted the ability to share tenant information with the Ontario Works and ODSP Programs. Housing Services staff were informed that accessing tenant information through the provincial information system for social assistance (SDMT) was in contravention of Privacy Legislation.</p> <p>As an alternative, the Housing Services Division and the Employment and Income Support Division will work together to investigate a solution to this issue through possibly a signed consent on the tenant's file. A resolution to this issue will be in place by March 31, 2014.</p>	<p>No Longer Applicable. Inquiry about and the sharing of personal tenant information between the Housing Services Division and Ontario Works or the Ontario Disability Support Program is not permitted. A review of a Provincial communication that was received by the Ontario Works Employment and Income Support Division confirmed this directive.</p>

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8.	<p><u>Operational Review Follow Up</u></p> <p>When the City delegates Service Manager responsibilities to a housing provider (via a SMDA), operational reviews are performed periodically by the Housing Services Division staff to verify that the housing provider is fulfilling the requirements of the agreement and is properly administering the rent supplement programs (i.e. tenant income verification, RGI calculations, filling vacancies appropriately).</p> <p>Two out of the eight instances examined identified situations in which appropriate follow up actions were not taken by the Housing Services Division after deficiencies were noted during an operational review of a housing provider (i.e. evidence of corrective actions taken were not included the operational review file).</p>	<p>That staff create a tracking spreadsheet for outstanding operational review deficiencies, perform regular follow up procedures and document the actions taken.</p>	<p>Agreed. A standard spreadsheet will be developed by April 30, 2013 and kept at a central location, detailing the results of the reviews along with any anticipated remedial actions and due dates. This file will be reviewed on a monthly basis to ensure compliance and remedial actions are taken, where appropriate.</p>	<p>Initiated. An Operational Review Results and Action Summary spreadsheet has been created. However, it is not being used to track deficiencies, perform follow up procedures or document actions taken.</p>

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9.	<p><u>Review of Rental Adjustments</u>  Rental adjustments can occur when a tenant's rent has increased or decreased and an adjustment for prior applicable periods is required or when a unit becomes vacant.</p> <p>Adjustments are not currently reviewed as part of the monthly payment process. Given that these payments are not for regular rent supplement payments, monthly review of rental adjustments is a good internal control. A report identifying adjustments cannot be generated from the Yardi computer application but this data is available by modifying a report that is currently utilized by staff.</p>	<p>That a monthly summary of rental adjustments be prepared from existing data.</p> <p>That management review the listing of adjustments as part of the monthly payment process. A review of supporting documentation (i.e. the tenant file) should be performed for unusual items.</p>	<p>Agreed. A file is currently being created during the monthly payment process. It details the landlord, tenant and adjustment amount.</p> <p>Agreed. The file note above is being reviewed and signed by the Rent Supplement/Tenant Relations Officer. It will be included as part of the monthly supplement payment authorization file.</p>	<p>Not Completed. A monthly summary of rental adjustments is not being prepared from existing data.</p> <p>Not Completed. As a summary of adjustments is not being prepared, adjustments are not reviewed as part of the monthly payment process.</p>