



## **The Corporation of the City of London** Housing Administration Process Assessment

Audit Performed: October 2018 – January 2019  
Draft Report Issued: March 2019

# Table of contents

Executive summary	1
Detailed observations and recommendations	5
Appendix 1: Internal Audit Detailed Scope	11
Appendix 2: Internal Audit rating scale	11
Appendix 3: Stakeholder involvement	13
Appendix 4: Audit procedures performed	14

# Executive summary

## Introduction

Internal Audit conducted a Housing Administration Process Assessment as part of the 2017-2018 Internal Audit plan. The City's Housing System is an individual and family centered housing stability approach that is outcome focused and designed to address housing processes in the City of London. Housing Administration is responsible for the administration of social housing projects and programs related to the City's role as the Housing Service Manager. Housing Administration supports the Housing Service Manager oversee social housing providers, and provide them with advice on business operations and requirements and assist with resolving under-performing housing providers.

The purpose and objective of this review was to assess the operational and financial processes and controls within Housing Administration processes. Internal Audit assessed the processes in order to determine whether the practices and controls are designed and are operating effectively, including:

- Reviewed and assessed the City's Housing Administration services governance framework, including monitoring, budgeting, forecasting, and performance metrics;
- Reviewed and assessed the Housing Administration operational review process; and
- Reviewed and assessed Housing Administration's financial processes, guidelines, and relevant controls.

The detailed internal audit scope can be found in **Appendix 1** of this report.

## Key Strengths

**Operational review recommendations:** Housing Administration provides recommendations for each reported finding in order to assist housing providers with determining solutions to remediate or improve operations within the targeted timelines.

**Subsidy payments processing:** Housing Administration maintains effective practices to process subsidy payments to housing providers. Batches are prepared detailing various fields including the accounts and amounts. The batches are reviewed for accuracy and completeness by comparing to the subsidy payment schedule and are authorized via a physical signature.

**Funding deposit confirmation:** Housing Administration maintains effective procedures and controls to confirm provincial and federal funding deposits. A general ledger batch report is reviewed for accuracy and validity and physically signed to authorize the transfer of the funds between the general bank account and Housing Administration program accounts.

**Extraordinary financial request business case guidelines:** Housing Administration has implemented a guideline to assist housing providers in developing a comprehensive business case to make extraordinary financial requests. This guideline outlines the required general information,

including: indication of the type of request, reason for request, considered alternatives, timing, and board resolution endorsing the business case.

### Key observations

Deloitte’s review of Housing Administration practices identified the following five observations:

Priority	High	Medium	Low	Leading Practice
Observations	1	4	0	0

### High priority observations

#### **HPA 1.0: Division resourcing and capacity**

Management has been actively recruiting for up to two years to fill Housing Administration vacancies. The lack of adequate resources has restricted Housing Administration’s ability to complete critical operational responsibilities on a timely basis. Without sufficient staffing of resources, Housing Administration activities and tasks may continue to be delayed resulting in further backlog and potentially inaccurate decision-making.

Dave Purdy, Manager, Housing Services  
November 30, 2019

### Medium priority observations

#### **HPA 2.0: Operational reviews**

Housing Administration has implemented manual operational reviews of housing providers which includes on-site visits and a detailed review of documentation. However, Housing Administration’s existing review schedule is not maintained and the associated risk assessments for some housing providers are outdated due to backlogs. There is a risk that the Service Manager is unaware of housing providers who do not comply with legislative requirements and City expectations.

Dave Purdy, Manager, Housing Services  
December 31, 2019

#### **HPA 3.0: Monitoring Housing Administration performance**

Housing Administration prepares and submits metrics to the Municipal Benchmarking Network (MBN) Canada annually and has defined some measures in the Homeless Prevention and Housing Plan. However, key performance indicators (KPIs) have not been defined and the applicable procedures to gather data, track KPIs and report progress to internal stakeholders has not been formalized. Without KPIs to regularly review and assess performance and plan progress, there is the risk that the City may be unaware of events that could affect Housing Administration objectives and desired outcomes.

Dave Purdy, Manager, Housing Services  
April 30, 2020

#### **HPA 4.0: Extraordinary financial requests**

Housing Administration maintains documentation for the extraordinary financial requests received. However, extraordinary financial request records and systematic evaluation rationale are not maintained and approved financial requests are not monitored. There is risk of insufficient documentation to support the consistency of the approved extraordinary financial requests that may result in future clarification or additional review.

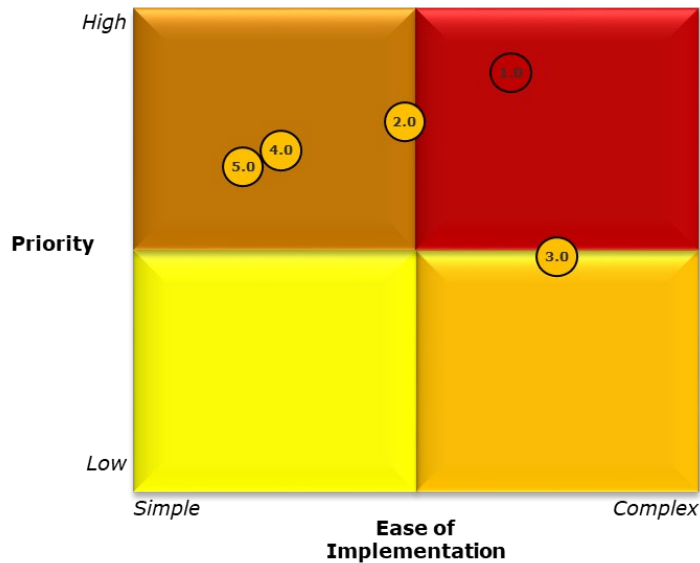
Dave Purdy, Manager, Housing Services  
 August 31, 2019

**HPA 5.0: Standard operating procedures (SOP) and policies**

Internal Audit noted that standard operating procedures (SOPs), guidelines and templates have been documented only for some of the Housing Administration processes and those documented have not been kept current. The lack of documented SOPs could lead to ineffective, inefficient, or duplicated processes. The lack of documented procedures also may restrict new and existing staff from fully understanding relevant processes and controls when undertaking their responsibilities.

Dave Purdy, Manager, Housing Services  
 December 31, 2019

**Priority heat map**



**Conclusion**

Based on our assessment of Housing Administration practices, we noted one high priority observation that has impaired the effectiveness of current processes, and four medium priority observations with the potential to impair the effectiveness of current processes. The issues noted in the report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Management is to provide action plans for the observations noted in the 'Detailed observations and recommendations' section.

The following scale depicts our overall process conclusion as it relates to the scope of areas audited as outlined above:



Description	Definition
A	No or insignificant process control or efficiency weaknesses identified
B	Minor process control or efficiency weaknesses identified
C	Moderate process control or efficiency weaknesses identified
D	Significant control process or efficiency weaknesses identified Impairing the effectiveness of the process

# Detailed observations and recommendations

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<i>Observation 1.0 – Division resourcing and capacity</i>				
<p><b>HPA 1.0 Division resourcing and capability</b>                      Management has been actively recruiting for up to two years to fill Housing Administration vacancies. While Management has reprioritized critical operational requirements, the lack of adequate resources has restricted Housing Administration’s ability to complete other operational responsibilities on a timely basis.</p>	<p><b>HPA 1.0 Division resourcing and capability</b>                      Without sufficient staffing of resources, Housing Administration activities and tasks may continue to be delayed resulting in further backlog and potentially inaccurate decision-making.</p>	<p><b>HPA 1.0 Division resourcing and capability</b>                      Housing Division Management should continue efforts to actively recruit and fill vacant positions. Management could also consider alternative pools of talent, e.g., non-traditional sources, as well as internal transfers or staffing loans from other City divisions that meet the required skillsets.                      Should the above not be achievable the management team should continually review the prioritization of tasks to ensure critical operational responsibilities are completed. Additional areas for management to consider for process revision can be found in HPA 2.0 Operational reviews and HPA 4.0 Extraordinary financial requests.</p>	<p><b>Management agrees</b>                      Housing Administration Management acknowledges the prolonged vacancies for certain specialized Housing Administration positions and the importance of maintaining an adequate head count to complete operational responsibilities on-time. Housing Administration Management has successfully recruited for two positions and remains active in recruiting for the final vacancy. Management will continue to actively consult with Human Resources for alternative approaches to recruitment, such as internal temporary placements, and determine interim and long-term talent solutions.                      Concurrently, Management is performing activities to identify process improvement opportunities and address the backlog of work as described in Management comments and action plan for HPA 2.0 (Operational reviews) and HPA 4.0 (Extraordinary financial requests).</p>	<p>Dave Purdy,                      Manager,                      Housing Services                      November 30, 2019</p>



Observation 2.0 – Operational reviews

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>HPA 2.0 Operational reviews</b>                      Housing Administration has implemented manual operational reviews of housing providers which includes on-site visits and a detailed review of documentation. However, Housing Administration’s existing review schedule is not maintained for prioritization purposes and the associated risk assessments for some housing providers are outdated due to backlogs.</p>	<p><b>HPA 2.0 Operational reviews</b>                      There is risk that the Service Manager is unaware of housing providers who do not comply with legislative requirements and City expectations.</p>	<p><b>HPA 2.0 Operational reviews</b>                      Housing Administration should conduct a review to refresh the operational review schedule and risk matrix summary. Management should implement the following:</p> <ul style="list-style-type: none"> <li>• A planning phase to maximize efficiency of reviews and ensure a steady stream of annual workflow;</li> <li>• Develop and assess an operational review schedule against other required Housing Administration operational activities;</li> <li>• Send out notices to housing providers once planning is complete to maximize advanced notices of upcoming operational reviews; and</li> <li>• Consider mobile technological solutions to reduce manual requirements of the on-site portion of the operational review.</li> </ul> <p>Housing Administration could also consider an assessment to identify alternative approaches to complete</p>	<p><b>Management agrees</b>                      Housing Administration acknowledges that operational review provides valuable enhancement in risk management oversight of social housing providers. While currently in compliance with legislation, Housing Administration Management will be conducting a review of the operational review framework to identify and evaluate process improvement opportunities. Management’s review will focus on the design of the operational review process to determine a long-term solution that is scalable, flexible and targets housing provider risk areas. This work will be done in conjunction of the procedure documentation as described in Management comments and action plan for HPA 5.0.</p> <p>In the near-term, Management has identified a number of high risk components and developed a scheduled plan for 2019 to perform financial reviews for certain housing providers with higher assessed risk.</p>	<p>Dave Purdy,                      Manager,                      Housing Services                      December 31, 2019</p>



operational reviews in a timely manner.

**Observation 3.0 – Monitoring Housing Administration performance**

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>MP HPA 3.0 Monitoring Housing Administration performance</b>                      Housing Administration prepares and submits metrics to the Municipal Benchmarking Network (MBN) Canada annually and has defined some measures in the Homeless Prevention and Housing Plan. However, key performance indicators (KPIs) have not been defined and the applicable procedures to regularly gather and format data, measure performance, track division progress towards desired objectives, and report to internal stakeholders has not been formalized.</p>	<p><b>HPA 3.0 Monitoring Housing Administration performance</b>                      Without KPIs to measure and assess performance and plan progress, there is risk that the City may be unaware of events that could affect Housing Administration objectives and desired outcomes.</p>	<p><b>HPA 3.0 Monitoring Housing Administration performance</b>                      Housing Administration Management should define relevant key performance indicators and develop an oversight dashboard or scorecard to regularly aggregate, measure, assess, and track plan progress.</p>	<p><b>Management agrees</b>                      Housing Administration Management is currently updating the Homeless Prevention and Housing Strategic Plan, which is expected to be completed in the fall of 2019. Included in the strategic plan update will be measurable objectives and goals with defined KPIs to demonstrate outcome progress. In support of ongoing management oversight, Management will also be providing routine KPI reporting to senior management.</p>	<p>Dave Purdy,                      Manager,                      Housing Services                      April 30, 2020</p>

**Observation 4.0 – Extraordinary financial requests**

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>HPA 4.0 Extraordinary financial requests</b>                      Housing Administration maintains documentation for the extraordinary financial requests received. However, extraordinary financial request records and systematic evaluation rationale are not maintained and approved financial requests are not monitored.</p>	<p><b>HPA 4.0 Extraordinary financial requests</b>                      There is risk of insufficient documentation to support the consistency of the approved extraordinary financial requests that may result in future clarification or additional review.</p>	<p><b>HPA 4.0 Extraordinary financial requests</b>                      Housing Administration Management should implement a process to formalize document retention and rationale for decisions made. Items to consider:</p> <ul style="list-style-type: none"> <li>• Evaluation criteria used to evaluate housing provider requests;</li> <li>• Rationale for approvals, denials and/or delays of extraordinary financial requests;</li> <li>• Follow-up communication with housing providers; and,</li> <li>• Supporting evidence that the subject of the request has been completed.</li> </ul>	<p><b>Management agrees</b>                      Housing Administration Management recognizes the need for a documented procedure to internally process extraordinary financial requests systematically. Management will develop and implement a procedure that includes the intake, evaluation criteria, decision-making rationale, and monitoring of extraordinary financial requests from housing providers. Existing housing provider information critical to the evaluation of a request (e.g., capital funding history, etc.) will be incorporated into the evaluation process. As needed, forms and/or templates will be created and maintained to record key activities, rationale, and decisions.                      This work will be done in conjunction of the procedure documentation as described in Management comments and action plan for HPA 5.0.</p>	<p>Dave Purdy,                      Manager,                      Housing Services                      August 31,                      2019</p>

**Observation 5.0 – Housing Division Standard operating procedures (SOP) and policies**

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>MP HPA 5.0 Standard operating procedures (SOP) and policies</b></p> <p>While some standard operating procedures (SOPs), guidelines and templates exist for the Housing Administration processes, they are incomplete or outdated. Processes that have not been formally documented include:</p> <ul style="list-style-type: none"> <li>Operational review of housing providers process;</li> <li>Annual Information Return (AIR) process - budget monitoring and reporting; Extraordinary financial request process; and</li> <li>Records retention maintenance and purging procedure.</li> </ul> <p>In addition, the following policy and procedures have not been periodically updated:</p> <ul style="list-style-type: none"> <li>Capital Reserve Guide;</li> <li>Social Housing Operational Advisory Committee Policy; Social Housing Providers Governance &amp; Administration Policy; and</li> </ul>	<p><b>HPA 5.0 Standard operating procedures (SOP) and policies</b></p> <p>The lack of documented SOPs could lead to ineffective, inefficient, or duplicated processes. The lack of documented procedures may restrict new and existing staff from fully understanding relevant processes and controls when undertaking their responsibilities.</p>	<p><b>HPA 5.0 Standard operating procedures (SOP) and policies</b></p> <p>Housing Administration Management should document relevant SOPs, while also establishing a cycle to regularly review and revise SOP documentation. When preparing to document an SOP and create a review cycle, Housing Administration Management should consider the following:</p> <ul style="list-style-type: none"> <li>Generating and maintaining an inventory of all standard operating procedure documents;</li> <li>Storing all relevant documentation centrally for ease of access using a Corporate approved database (e.g., SharePoint);</li> <li>Documenting an executive summary for each SOP to clearly articulate role responsibility, management oversight, etc.;</li> <li>Utilizing tracked changes within Microsoft Word and version control while also documenting the date of last revision with management approval to record completion of any review and revision;</li> <li>Adopting a schedule with assigned responsibility to regularly review and revise standard operating procedures and guidelines at minimum annually; and</li> </ul>	<p><b>Management agrees</b></p> <p>Housing Administration Management recognizes the importance of documenting and maintaining major processes and policies. Management will document standard operating procedures for Housing Administration key activities. Management will also develop standard operating procedure and policy registries, determine a central location to store all procedure and policy documents, and prepare a schedule to periodically review and revise for effective maintenance.</p>	<p>Dave Purdy, Manager, Housing Services December 31, 2019</p>

- Policies and Procedures Development and Review Policy.

- Adopting a procedure to maintain records beyond the identified time period in the City's retention and purging manual to ensure Housing Administration information is effectively controlled, while identifying opportunities to reduce the use of physical space to store records.

DRAFT

# Appendix 1: Internal Audit detailed scope

Specifically, the internal audit addressed the following areas:

## **Reviewed and assessed the City's Housing services governance framework, including monitoring, budgeting, forecasting, and performance metrics**

- Reviewed and assessed the processes in place to measure and monitor the outcomes of the housing program objectives and how the outcomes are reported to senior administration based on the Municipal Benchmarking Network Canada reporting; and
- Assessed the design of document retention practices including the existence of standard operating procedures and use of tools and resources encouraged by the City (i.e., CityHub).

## **Reviewed and assessed the Housing Administration operational review process**

- Reviewed the operational review framework used to audit housing providers to ensure procedures and controls are designed effectively and are outcome driven;
- Assessed operational review procedures and controls including those related to management approvals, audit schedules, and follow-up and remediation activities for adequacy;
- Evaluated the mix of automated and manual controls executed as part of the operational review framework; and
- Reviewed operational review frameworks of local industry peers to compare and benchmark applicable practices.

## **Reviewed and assessed Housing Administration's financial processes, guidelines, and relevant controls**

- Reviewed and assessed procedures designed for housing providers to make extraordinary financial requests; and
- Reviewed and assessed financial activities in place to oversee transactional and financial reporting activities related to Housing Services.





The following elements were out of scope for the Housing Process Assessment:

- Affordable Housing activities that are delegated to the Housing Development Corporation & Homeless Prevention;
- Assessment of the City's procedures and controls related to the Housing Access Center of the Housing Division;
- Assessment of the City's procedures and controls related to the Subsidy Process in the Housing Division; and
- Review and assessment of any verification of IT systems, interfaces, etc.

# Appendix 2: Internal Audit rating scale

## Individual observation prioritization

Internal Audit has prioritized each observation and recommendation within this report using a three point rating scale. The three point rating scale is as follows:

Description	Definition
 High	Observation is high priority and should be given immediate attention due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
 Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term.
 Low	Observation does not present a significant or medium control risk but should be addressed to either improve internal controls or process efficiency.
 Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

# Appendix 3: Stakeholder involvement

In conducting the assessment, the following management and staff were interviewed to gain an understanding of the City's Housing Administration processes and practices.

<b>Stakeholder</b>	<b>Position</b>
Dave Purdy	Manager, Housing Services
Meng Liu	Manager, Housing Administration and Support
Michael Davis	Housing Program Officer
Tom Tapai	Technical Officer (Retired)
Elizabeth Yih-Hitchison	Financial Officer
Archana Gagnier	Financial Analyst
Barry Heath	Financial Clerk



# Appendix 4: Audit procedures performed

As part of the Housing Process Review the following procedures were performed:

- Conducted a planning meeting with the Managing Director, Housing, Social Services and Dearness Home and Manager, Housing Services;
- Updated and issued a finalized Project Charter and request for information;
- Conducted meetings and interviews with Housing Division management and staff to obtain an understanding of:
  - City's Housing services governance framework, including monitoring, budgeting, forecasting, and performance metrics;
  - Housing Administration operational review practices; and
  - Housing Administration's financial processes and relevant controls;
- Obtained documentation regarding relevant procedures and controls to perform an inspection of:
  - Homeless Prevention and Housing Plan;
  - London Community Housing Strategy;
  - Housing Services Act;
  - Housing Division overview and organization chart;
  - Risk Matrix;
  - Schedule of upcoming operational reviews;
  - Civic Admin – Housing – Mid-year June 2018;
  - Social Housing Budget Monitoring Summary;
  - Annual information return materials (i.e., template, guide, checklist);
  - Example communications with internal and external bodies;
  - Records retention guides (i.e., by-law, records purging, records transferring to storage, etc.);
  - Extraordinary financial request materials (i.e., business case guidelines, tracking);
- Conducted sample testing activities related to management oversight activities, financial reporting, operational reviews, extraordinary financial requests, and finance activities;
- Benchmarked the operational review framework against local peer municipalities of a similar size;
- Drafted preliminary observations and verified observations with management;
- Conducted a closing meeting with key management stakeholders to validate and communicate our findings; and
- Issued this internal audit report with our detailed observations.

# Deloitte.

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