



**STAFF REPORT
ACTION REQUIRED**

Review of Affordable Housing Project at 2350 Finch Avenue West

Date:	June 23, 2008
To:	Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

We conducted a review of the Affordable Housing Project at 2350 Finch Avenue West at the request of City Council made at its meeting of June 19, 20 and 21, 2007. The request to carry out this review was supported by a significant majority of Council members, and accordingly the Auditor General included this review in his 2007 Audit Work Plan.

The objectives of this review were to determine how the project was awarded, why the project significantly exceeded initial cost estimates and finally, whether contractor payments were adequately supported and authorized.

The housing project at 2350 Finch Avenue West was one of the first projects initiated under the City's Let's Build Program. The problems encountered in the early years of the Program on this project, and other projects highlighted the need for changes to policies and procedures. As a result, the Affordable Housing Office developed new policies and procedures and incorporated changes in processes for initiating and managing affordable housing projects. Due to the fact that changes have already been made in the way projects of this nature are managed, our recommendations are limited to those areas where we feel additional improvements need to be made. These recommendations will further improve processes for selecting and monitoring affordable housing developments.

This report identifies problems encountered on this particular housing project. One of the fundamental issues and concerns in relation to the management of the project was the lack of a competitive process by the project owner, the Ghana Amansie Multicultural Association of Toronto (the Group) in the award of certain contracts. Without such a process, there is no assurance that the project was developed at the lowest possible cost.

The results of our review are outlined in the attached report dated May 28, 2008 and includes information available at that time. Subsequent to the completion of our report, the Deputy City Manager responsible for the Affordable Housing Office, in a June 2, 2008 report to the Affordable Housing Committee, has requested an additional grant of \$1.7 million to meet additional completion and operating expenses on the project. These costs are in addition to those included in our report.

The June 2008 report also requested authority to transfer the project from the Group to the Toronto Community Housing Corporation. In the event that the project is transferred to Toronto Community Housing Corporation, the City may be exempt from Goods and Services Tax payments and eligible for a refund of any Goods and Services Tax amounts not previously rebated to the Group. This is an issue that requires further review by the Deputy City Manager responsible for the Affordable Housing Office.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Deputy City Manager responsible for the Affordable Housing Office coordinate with the City Solicitor to ensure City contracts with proponents developing affordable housing projects provide that:
 - adequate controls are followed in hiring of contractors and consultants;
 - contracts include standard performance bonds and warranties; and
 - proponents prepare business case justifications for actions that deviate from the normal business practices, such as awarding a contract to the bidder other than the lowest bidder.
2. The Deputy City Manager responsible for the Affordable Housing Office develop procedures to monitor the controls exercised by proponents responsible for developing affordable housing projects.

FINANCIAL IMPACT

The implementation of recommendations in this report will improve management controls over management of affordable housing projects. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

DECISION HISTORY

This review was included in the Auditor General's 2007 Annual Work Plan at the request of Council.

COMMENTS

The Auditor General's report entitled "Review of Affordable Housing Project at 2350 Finch Avenue West" is attached as Appendix 1. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

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SIGNATURE

Jeffrey Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Review of Affordable Housing Project at 2350 Finch Avenue West, May 28, 2008

Appendix 2: Management's Response to the Auditor General's Review of Affordable Housing Project at 2350 Finch Avenue West, May 28, 2008