

Improving the Effectiveness of the Basement Flooding Protection Subsidy Program

Date: October 13, 2017

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

This report provides results of the Auditor General's review of the administration and oversight of the Basement Flooding Protection Subsidy Program managed by the Toronto Water Division. More specifically, we assessed the design and objectives of the program, compliance with program eligibility requirements, and controls over payment processing.

Through the Basement Flooding Protection Subsidy Program, the City is assisting homeowners to take action to reduce the risk of basement flooding on their private property by offering eligible homeowners a financial subsidy of up to \$3,400 per property to install flood protection devices. The Subsidy Program has been available to homeowners for over ten years. As of December 2016, over \$36.5 million in subsidies have been paid to approximately seven per cent of eligible homeowners across the City.

We found that Toronto Water is effectively administering the Program. This audit report contains eight recommendations to help the City continue to improve controls, administration and performance monitoring of the Subsidy Program. Implementation of these recommendations will also lay the foundation for the Program to achieve its objectives in the short and long term.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the General Manager, Toronto Water, to periodically review:
 - a. The Basement Flooding Protection Subsidy Program's objectives, intended outcomes and the value of the Program

- b. How long the Subsidy Program should continue to be made available to the public and whether the funds and administrative resources should be repurposed to fund other areas of high priority for Toronto Water
 - c. Whether potential changes to the subsidy amount and the eligibility conditions are required
2. City Council request the General Manager, Toronto Water, to establish Program milestones and performance measures based on the level of subsidy awareness achieved or expected timelines for phasing out the Subsidy Program as stages of infrastructure projects are completed.
3. City Council request the General Manager, Toronto Water, to periodically track and analyze data on reported basement flooding incidents against data related to the Basement Flooding Protection Subsidy Program to:
 - a. Identify whether homeowners directly impacted by basement flooding are participating in the Subsidy Program
 - b. Assess if the Subsidy Program has played a worthwhile and effective role in preventing basement flooding in the City
 - c. Determine recurring trends, emerging issues and training needs
4. City Council request the General Manager, Toronto Water, to establish an ongoing quality control process to identify and correct errors and omissions including system-based controls to validate data entry and protect key fields in the Residential Database.
5. City Council request the General Manager, Toronto Water, to evaluate the costs and benefits of implementing an online application process for the Basement Flooding Protection Subsidy Program and maintaining electronic copies of subsidy application documentation in the Database.
6. City Council request the General Manager, Toronto Water, to review and clarify certain eligibility conditions of the Basement Flooding Protection Subsidy Program and assessment processes and ensure staff are appropriately trained on any revisions.
7. City Council request the General Manager, Toronto Water, to establish a reasonable timeframe for applicants to submit outstanding information and deny Basement Flooding Protection Subsidy Program applications not meeting this requirement.
8. City Council request the General Manager, Toronto Water, to:
 - a. Implement a risk-based approach to selecting sump pump installations for internal verification by Toronto Water staff
 - b. Evaluate the benefits of requesting all homeowners to submit photographs with their Basement Flooding Protection Subsidy Program applications

FINANCIAL IMPACT

The financial impact of the recommendations in this report is not determinable at this time.

DECISION HISTORY

The Auditor General's 2017 Audit Work Plan included an audit of basement flooding subsidies and contract management. The City of Toronto is working to address the adverse effects of storm water through a multi-year program to improve the City's sewer system and overland drainage routes. These aspects of the Basement Flooding Protection Program have not been included within the scope of this audit. Instead, infrastructure improvements will be considered as part of future audits of significant infrastructure construction projects. This audit focused on the administration of the Basement Flooding Protection Subsidy Program, including eligibility requirements and payments made to homeowners.

COMMENTS

Toronto is experiencing more severe storms, with more rain falling over a short period of time. Severe storms increase the pressure on the sewer systems and overland drainage routes such as roads, local rivers and streams. While the City is working to make improvements to the system of underground pipes, sewers and catch basins, these improvements alone cannot completely protect a home from basement flooding. When basements flood, it has a large impact on homeowners and City resources. Reducing basement flooding requires an investment from both the City and the homeowner.

While Toronto Water is effectively managing the day-to-day administration and processing of subsidy applications, this report contains eight recommendations to help the City continue to improve controls, administration and program objectives of the Subsidy Program. Implementation of these recommendations will lay the foundation for the Program to achieve its objectives in the short and long term.

The Auditor General has issued a separate letter to management detailing other less significant issues that came to our attention during the audit.

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SIGNATURE

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Auditor General

ATTACHMENTS

Attachment 1: Improving the Effectiveness of the Basement Flooding Protection
Subsidy Program