

# TORONTO STAFF REPORT

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June 20, 2004

To: Audit Committee

From: Auditor General

Subject: Hostel Operations Review – Community and Neighbourhood Services

Purpose:

To report the results of the review of hostel operations and the status of implementation of the recommendations included in the Auditor General's March 2001 report on Hostel Vacancy and Bed Rates.

Financial Implications and Impact Statement:

The adoption of certain recommendations contained in this report will strengthen internal controls and result in efficiencies, cost savings and additional revenue. It is anticipated that potential additional annual revenue in the range of \$550,000 to \$1,000,000 primarily from increased provincial subsidies, could be generated. The extent of future cost savings is not determinable at this time.

Recommendations:

It is recommended that:

- (1) the Commissioner, Community and Neighbourhood Services, report to City Council with proposed provincial subsidy options and recommended changes to the current funding arrangements for the City's shelter system. Such a report:
  - (a) clearly articulate the need for a funding model which has as its objectives:
    - (i) the need to provide incentives for shelter operators to transition the homeless to permanent long-term accommodation; and
    - (ii) the need to provide a measure of financial stability to shelter operators; and

- (b) include funding alternatives, including the short-term and long-term financial implications under each option; and
  - (c) along with any recommendations which City Council may have, form the basis of future negotiations with the Province of Ontario;
- (2) the Commissioner, Community and Neighbourhood Services, in consultation with the General Managers of Shelter, Housing and Support and Homes for the Aged Divisions, conduct a comprehensive review of those individuals who are long-term hostel residents with a view to:
- (a) identifying the appropriate level of support and accommodation for these residents;
  - (b) evaluating the financial impact on subsidies available from the Province in regard to the reallocation of long-term hostel residents to other programs;
  - (c) identifying the appropriate facility, such as rental housing, supportive housing, long-term care or special care facility, that is available to accommodate these individuals;
  - (d) identifying the availability of beds at those facilities; and
  - (e) developing a transition plan for the transfer of long-term hostel residents to those facilities;
- (3) the Commissioner, Community and Neighbourhood Services, establish formal policies and procedures for the ongoing transfer of hostel residents to other appropriate permanent housing facilities, including the placement of those individuals on the waiting lists of such facilities;
- (4) the Commissioner, Community and Neighbourhood Services, ensure that the recommendations in this report, particularly with respect to the financial-related controls are addressed in the development of the Shelter Management Information System. In addition, consideration be given to accelerating the implementation of the Shelter Management Information System;
- (5) the Commissioner, Community and Neighbourhood Services, establish a process to claim provincial subsidy for the personal needs allowance provided in kind to individuals. In addition, appropriate steps should be taken to negotiate a retroactive subsidy claim for prior years where possible;
- (6) the Commissioner, Community and Neighbourhood Services, establish centralized policies and procedures regarding the issuance of personal needs allowance to individuals either in cash or in kind. The policy should specify eligibility criteria for the receipt of personal needs allowance in cash or in kind, the rate to be paid in cash, the maximum

value of personal needs items to be provided, and general administration guidelines for issuance of the allowance;

- (7) the Commissioner, Community and Neighbourhood Services, establish standard procedures for all City-operated and purchased service shelters for the identification and reporting of information on individuals who have lived on a First Nations Reserve during the 12 months prior to their admission to the shelter. Subsidy claims, including those for prior years, be prepared taking this information into account;
- (8) the Commissioner, Community and Neighbourhood Services, review the food and personal needs allowance rates paid to families accommodated in the shelters and motels, in comparison to the level of support provided to similar families receiving social assistance in the community, with a view to determining whether any adjustment to the shelter rates is warranted;
- (9) the Commissioner, Community and Neighbourhood Services, give priority to the development of a performance measurement framework that includes performance indicators to evaluate the effectiveness of support programs, particularly with respect to case management and counselling provided by the Hostel Services Unit, as well as the reporting requirements on the results of such evaluations;
- (10) the Commissioner, Community and Neighbourhood Services, develop file documentation standards in order to adequately document and monitor the level of support services provided to individuals serviced by the emergency shelter system;
- (11) the Commissioner, Community and Neighbourhood Services, review the arrangement between the City and St. Michael's Hospital Foundation regarding the disbursement of donated funds for Seaton House programs, with a view to ensuring that:
  - (a) the City receives all the funds that it is entitled to; and
  - (b) for any new program that will be funded from the donated funds, all capital and operating costs and related funding are taken into consideration and receive the appropriate approvals prior to the implementation of such program;
- (12) the Commissioner, Community and Neighbourhood Services, report to City Council as requested on the health care activities at Seaton House. In addition, the Commissioner review the current arrangement with those physicians providing medical services to the Seaton House infirmary program, with a view to:
  - (a) determining the level of medical services that should be provided by the physicians for hostel clients at the infirmary clinics;
  - (b) determining the physician fee that should be paid by the City for each type of service which should be consistently applied to all physicians;

- (c) ensuring that the City does not pay for medical services that should be covered by OHIP; and
  - (d) preparing a formal agreement with the physicians, in consultation with the City Solicitor, stipulating the terms and conditions for the provision of medical services under the infirmary program;
- (13) the Commissioner, Community and Neighbourhood Services, develop financial criteria and specific financial guidelines to be consistently applied in determining per diem rates for any community agency requesting to operate an emergency shelter;
- (14) the Commissioner, Community and Neighbourhood Services, seek Council authority annually:
- (a) to set the per diem rates and maximum bed capacity for each purchased service shelter operated by a community agency on behalf of the City; and
  - (b) to execute the purchased service agreements with the community agency on behalf of the City;
- (15) the Commissioner, Community and Neighbourhood Services, review the standard purchased service agreements with community agencies for the provision of shelter services and establish a policy requiring that:
- (a) the maximum contract value, including per diem and personal needs allowance payments, be specified in the agreement; and
  - (b) any amendment to the financial terms of the agreement such as in-year changes to the per diem rates be made only in exceptional circumstances and after a written justification of the change, together with the financial impact of the change, is approved by an authorized official. Such changes to be reported to Council annually;
- (16) the Commissioner, Community and Neighbourhood Services, in consultation with the City Solicitor, review the current agreements with motel operators for the provision of rooms for families in need of emergency shelter, with a view to:
- (a) updating all existing contracts with motel operators;
  - (b) developing standard agreements, and where possible ensuring that the terms and conditions contained in these agreements provide adequate flexibility and protection to the City considering the emergency nature of Hostel operations; and
  - (c) ensuring that the agreements, including amendments to the agreements, are signed by the appropriate City official within their signing authority;

- (17) the Commissioner, Community and Neighbourhood Services, review the Out of the Cold Program, with a view to:
  - (a) evaluating the costs and benefits of the program;
  - (b) reporting to the Community and Neighbourhood Services Committee, together with a recommendation on the future direction of the program both in the short-term and the long-term based on the evaluation; and
  - (c) in the interim, provide clear direction as to how the program fits into the overall City shelter system, including:
    - (i) the City's role in the provision of the support services by the agency running the program; and
    - (ii) the City's role in the provision of emergency shelter services by the participating community organizations, particularly with respect to the applicability of the City's Shelter Standards to these organizations;
- (18) the Commissioner, Community and Neighbourhood Services, assess the reliability of the financial information in the Hostel Utilization System currently used by the City-operated shelters and ensure that any information that is required to be carried forward to the new Shelter Management Information System, currently under development, is complete and accurate;
- (19) the Commissioner, Community and Neighbourhood Services, establish standardized policies and procedures for the administration and control of funds in all City-operated shelters, particularly with respect to the following:
  - (a) administration and reporting of imprest cash funds and client savings accounts;
  - (b) preparation of bank reconciliations, ensuring that proper bank reconciliations are prepared monthly for all bank accounts maintained by the City-operated shelters. Such reconciliations be reviewed and approved in writing by an authorized supervisory official who is independent of the cash handling and cash recording functions; and
  - (c) assignment of responsibilities including those of supervisory staff, ensuring that there is adequate segregation of duties whenever possible and practical;
- (20) the Commissioner, Community and Neighbourhood Services, in consultation with the Treasurer and Chief Financial Officer, establish trust accounts for client savings administered by each City-operated shelter and further that these trust accounts be recorded in the City's accounting system. All interest earned on such accounts be proportionately credited to each individual account;

- (21) the Commissioner, Community and Neighbourhood Services, develop policies and procedures which establish clear accountability and responsibility for the payment verification process, including an appropriate level of supervisory control and approval. Such policies ensure that payments are made only for goods and services received in accordance with costs contained in duly approved contracts;
- (22) the Commissioner, Community and Neighbourhood Services, review the payments made for medical supplies in order to determine why the City is being billed for supplies in excess of contract amounts. Where circumstances dictate, all overpayments be recovered from the supplier;
- (23) the Commissioner, Community and Neighbourhood Services, in consultation with the Chief Administrative Officer, consider the benefits of utilizing the services of the Internal Audit Division in the following:
  - (a) development of internal control procedures particularly with respect to funds management and payment controls;
  - (b) implementation of the Shelter Management Information System; and
  - (c) implementation of the quality assurance program;
- (24) the Commissioner, Community and Neighbourhood Services, develop a policy that clearly establishes standard rates for maintenance fees for emergency shelter users. Such a policy determine at what income levels maintenance fees become due. The policy be applied consistently to both City-operated and purchased service shelters. Internal controls commensurate with the level of fees collected be established; and
- (25) the Commissioner, Community and Neighbourhood Services, report back to the Audit Committee by July 2005 on the status of implementation of each of the recommendations contained in this report.

Background:

The Auditor General's Audit Work Plan included a review of hostel operations. This review does not include an evaluation of any other City operated program relating to the homeless.

The terms of reference relating to the review were forwarded to the Audit Committee. This review also includes a follow-up of the action taken by Hostel Services to address the recommendations included in the Auditor General's March 2001 report on Hostel Vacancy and Bed Rates.

Audit Objectives and Scope

The overall objective of this review was to assess the administration of the City of Toronto's hostel system in providing emergency shelter services to the homeless in Toronto, with a view to

identifying opportunities for operational efficiencies, improved controls, cost savings and increased revenues.

The audit included a review of the following areas:

- admission and discharge procedures;
- support programs to assist the homeless in obtaining permanent or alternative housing;
- data collection and analysis used in calculating occupancy levels;
- financial controls over disbursements and subsidy claims;
- procurement process, including the administration of contracts with suppliers of goods and services;
- rate-setting process and billing procedures for purchased hostel services;
- status of implementation of the City's new Shelter Standards, which provide operating guidelines for all shelters administered by the City;
- procedures to ensure all City-operated hostels and external hostel service providers are operating in accordance with established standards and policies; and
- benchmarking of costs and best practices with other jurisdictions, where applicable.

Our audit work included the following:

- review of the Ontario Works Act, 1997 and respective regulations and directives;
- review of other legislation;
- review of relevant policies and procedures;
- interviews with senior management and staff from various divisions of the Community and Neighbourhood Services Department;
- interviews with senior management and staff from community agencies and motel operators providing hostel services, the provincial Ministry of Community and Social Services, the Toronto Disaster Relief Committee and the Ontario Hostels Association;
- review of various management and other reports to City Council, including the Multi-Year Shelter Strategy for the City of Toronto (June 2002) and the Toronto Shelter Standards Report (November 2002);
- review of financial documents and records;

- site visits to the five City-operated hostels and 11 shelters operated by community agencies under purchased service agreements;
- review of audit reports addressing homelessness in other municipalities including the following:
  - City of New York, New York
  - City and County of San Francisco, California
  - County of Los Angeles, California
- review of relevant information on hostel operations in other Ontario municipalities including the following:
  - the Regional Municipalities of Peel, Durham, Halton, Waterloo and York
  - the Cities of Ottawa, Hamilton, London, Peterborough, Sudbury and Windsor
  - County of Simcoe

The review focused on the operations of each of the five City-operated hostels and 11 shelters operated by community agencies and motel operators under purchased service agreements.

We also conducted a follow-up review of the status of implementation of the recommendations contained in our report on Hostel Vacancy and Bed Rates issued in March 2001. A summary of audit recommendations, management responses, and current status of the implementation of the recommendations is included in Appendix 7: Follow-up Review: Hostel Vacancy and Bed Rates, March 2001.

A summary of significant audit observations resulting from this review is provided below, followed by a detailed commentary on each of the areas covered under this review.

Management's response to each of the recommendations contained in this report is provided in Appendix 8: Management's Response.

Significant Audit Observations:

- The City's share of the costs for administration of the hostels program since 2000 is as follows:

2000	\$29,194,000
2001	\$28,433,000
2002	\$34,629,000
2003	\$40,015,000

Central to the future financial viability of the hostels program is a requirement for a revised funding arrangement with the Province of Ontario. The City's share of the costs to administer the hostels program are increasing while the Province of Ontario's share for the most part remains constant. The current funding arrangement with the Province of



Ontario for hostel services is based on a set daily rate, which in turn is based on bed occupancy. Funding is received only for occupied beds. This funding arrangement has two inherent problems. First of all, it does not recognize the fixed costs to operate a shelter, such as costs relating to rent, utilities and staffing. Secondly, there is no financial incentive to shelter operators to place the homeless in alternative housing. In these circumstances, if a bed remains unoccupied the operator will not receive any subsidy. Consequently, there is a need to review the current funding arrangement with the Province to ensure that the limitations of this arrangement are addressed and that the future viability of the program is secure. Based on our discussions with management, we have been advised that this particular issue is a high priority and is currently the subject of a request for proposal for consulting services in connection with a review of funding options.

- The mandate of the Hostels Unit is to provide temporary shelter to the homeless. Over the years, however, the emergency shelter system has become the permanent home for a significant number of hard to house individuals. Meeting the requirements of these individuals through the hostels program reduces the beds available for those with shorter-term needs. There is a need to evaluate whether housing long-term hostel residents in other programs, such as Homes for the Aged and Supportive Housing, would be more appropriate than being faced with the possibility of having to expand the emergency shelter program. Funding concerns and implications are an important consideration in any future deliberation of this issue.
- There is currently no centralized administrative information system to support the emergency shelter system. While the development of a Shelter Management Information System is a priority of the Unit, the full implementation of the system is not planned until 2006. In our view, the limitations currently inherent in the existing system suggest that the timing of the implementation of the system should be accelerated. The absence of such a system hinders the ability to determine bed availability at any one time and makes it difficult to determine whether an individual has already registered in another shelter. This results in the reduced availability of beds, has the potential to overstate occupancy statistics and ultimately may lead to management decisions that are based on incorrect information. The overstatement of bed occupancy levels has also led to duplicate payments being made to purchased service shelter operators. We estimate these duplicate payments at approximately \$270,000, based on available data.
- The City provides personal needs allowance to individuals in cash and in kind (i.e., personal needs items such as soap, shampoo, etc. are given directly to residents). Although, provincial directives allow the City to claim up to \$112 per month for personal needs provided either in cash or in kind, only cash payments are currently claimed for subsidy. There is an opportunity to claim provincial subsidy for in-kind personal needs allowances. It is estimated that additional net subsidy revenue in the range of \$536,000 to \$991,000 could be claimed for 2003 alone. Consideration be given to the filing of retroactive claims.

- The City receives 100 per cent provincial funding up to the maximum per diem rate of \$38.00 for individuals who have lived on a First Nations Reserve during the last 12 months. However, there is not an adequate screening process at the shelters to identify and report such individuals. Failure to properly identify these individuals results in a loss in provincial funding of \$7.60 per bed night. It is difficult to determine the actual loss, but it is estimated that if this client sector in 2003 were to remain at the same level as previous years, the subsidy loss would have been at least \$36,000 when comparing 2003 to 2002 and more than \$100,000 using 2001 as a comparison. If possible retroactive subsidy claims be submitted to the Province.
- Families in two City-operated family shelters and in motels are not provided with meals but are paid a food allowance. The rates for food allowance, combined with the personal needs allowance paid to a family of three or more persons are higher than amounts paid under the Ontario Works assistance program by as much as 20 per cent to 60 per cent. While we are not questioning the level of support under either program, this inconsistency is brought to management's attention for further consideration and evaluation.
- In a report to the Community Services Committee in 2003, staff estimated the costs for support programs to clients in the emergency shelter system at approximately \$19 million. Of the estimated total costs of \$19 million for non-mandatory support programs, over \$10.3 million (54 per cent) was provided by the Province and \$8.7 million (46 per cent) by the City. There are no performance measures in place to assess the effectiveness of the support programs and services administered by the Hostels Services Unit.
- The City receives provincial funding for hostel services at 80 per cent of actual costs per bed night to a maximum cost of \$38.00. For purchased service hostels, the City paid a per diem rate ranging from \$15.00 to \$75.00 in 2003. While there are a number of factors considered when setting per diem rates, there are no standard written financial guidelines for determining appropriate rates. Per diem rates currently in use for external shelter providers were essentially based on verbal negotiations. Documentation supporting decisions on the rates charged to external service providers is not adequate or is not available.
- Purchased service agreements with external providers specify per diem rates to be paid. The agreements do not include the maximum value of the agreement, which ranges from \$54,000 to \$3,000,000. Even though it has been a long-standing practice for the Commissioner of Community and Neighbourhood Services to sign these contracts on behalf of the City, the Commissioner does not have the authority to sign agreements with a value in excess of his authority of \$500,000.
- Increases to the per diem rates for purchased services facilities are occasionally made during the year without a formal amendment to the contract. In one instance, the per diem rates were increased three times during the year, resulting in additional retroactive payments of \$139,000. In this particular case, the cumulative effect of the adjustments to

the per diems represented an increase of 46 per cent and resulted in an annualized increase of \$480,000.

- The City has agreements with various motel operators to provide accommodation to families in need of emergency shelter. Some of these agreements were made with the previous Municipality of Metropolitan Toronto and have expired as long ago as 1996, but have been continued under the same terms and conditions. There is a need to revisit these agreements.
- A review of payments made to motel operators identified that Goods and Services Taxes were not calculated properly. This error has resulted in lost GST rebates due to the City. City staff has been advised and action has been taken to recover approximately \$30,000. City staff has also been requested to review all other areas within the City to ensure that rebates are claimed accordingly.
- A previous agreement with a motel operator located outside Toronto stipulated that the motel reserve a block of 54 rooms for use by the City, including a provision that the City pay for unoccupied rooms at \$40 per room per night. A review of the invoices submitted by the motel operator indicated that the City paid approximately \$56,000 in 2001, \$415,000 in 2002 and \$382,000 in 2003 for unoccupied rooms, representing 5 per cent, 34 per cent and 36 per cent of the total payments to the operator in the respective years. While we appreciate the difficulty in forecasting room requirements any agreement with motel operators should provide sufficient flexibility to ensure that payments for unoccupied rooms are minimised.
- City-operated hostels use an information system for both client and financial information. The system was developed and implemented in 1995, with various enhancements throughout the years, but no user manuals or adequate training have been provided to the users. As a result, a number of features available in the system to facilitate the reconciliation of financial information are not utilized properly and consistently at the shelters.
- City-operated hostels provide financial services to residents by administering savings accounts. This service is intended to assist them in developing the skills to manage their finances and to encourage saving for their eventual transition into the community. In this regard, however, there are inadequate controls to ensure that all funds are accounted for and, in particular, regular bank reconciliations are not prepared. In addition, in certain shelters, these funds are not recorded in the City's accounting records or deposited in a separate trust bank account.
- The City provides medical services to residents of Seaton House under an arrangement with several physicians associated with St. Michael's Hospital. Under a draft agreement that has not yet been executed by either party, the City pays physicians a fee for medical services not covered by the Ontario Health Insurance Plan. However, certain physicians are paid at rates higher than the rates stipulated in the draft agreement.

- In 2001 and 2002, a Toronto-based Service Club donated a total of \$350,000, through St. Michael's Hospital Foundation, towards the capital costs of an infirmary unit at Seaton House. However, there is no written agreement between the City and St. Michael's Hospital regarding the administration and disbursement of these funds. While there had been no explicit Council approval for the establishment of the infirmary, operating costs are approved as part of the operating budget process. We understand that the unspent funds of approximately \$225,000 at the end of 2003 may be used to establish a dental clinic at Seaton House. While the capital costs of setting up such a clinic are being provided by an external source, all operating costs are the responsibility of the City. The long-term financial implications for such a project should be considered and properly approved. In addition, this program should be reviewed in conjunction with similar programs offered by Public Health.
- There are inadequate verification procedures for invoices processed for payment, particularly for medical supplies. For example, medical supplies were billed at unit prices on average 50 per cent higher than the contracted rates.
- Individuals residing at two City-operated shelters who receive income from sources such as Canada Pension or disability benefits are charged a maintenance fee towards the costs of accommodation. However, there are no centralized policies or specific directives for the determination of maintenance fees.

Comments:

The mandate of the Shelter, Housing and Support Division of the Community and Neighbourhood Services Department is to provide temporary shelter and support to homeless people while creating and maintaining permanent housing solutions. The Hostel Services Unit, under the Shelter, Housing and Support Division is responsible for the provision of emergency shelter services to homeless individuals and families in the City of Toronto.

Since our report on the Hostel Vacancy and Bed Rates in March 2001, Hostel Services has taken a number of steps to address the recommendations made in the March 2001 review. A detailed response on the actions taken by the Hostel Services Unit regarding each of the six recommendations, the current status of implementation, and reference to specific further recommendations, are provided in Appendix 7: Follow-up Review: Hostel Vacancy and Bed Rates, March 2001.

The Hostel Services Unit has also undergone a number of organizational changes within the last year, including the retirement of the former Director of Hostel Services, the re-organization of certain management positions within the Unit and the hiring of the new Director of Hostel Services and two new managers. With the staffing changes, the Hostel Services Unit is undertaking a review of its business processes and has been developing new procedures or improving existing ones on an ongoing basis. This report will assist the new staff in the Unit as it moves forward in this process.

Certain of the major initiatives undertaken by Hostel Services included the following:

- Development of the new Shelter Standards, which were approved by Council in November 2002;
- Establishment of a Quality Assurance Program to assess the level of compliance with the new Shelter Standards at both City-operated and purchased service facilities and to identify areas for improvement;
- Development of the Municipal Shelter By-law, which was adopted by Council in February 2003; and
- Development of the Shelter Management Information System, a project approved by Council in September 2003.

The development of the new Shelter Standards was a consultative process that involved a number of community stakeholders. The new Shelter Standards were developed to provide shelter operators and residents with a clear set of expectations and guidelines for the provision of shelter services in Toronto. All emergency and transitional shelters funded or directly operated by the City of Toronto are required to adhere to the Shelter Standards.

The Hostel Services Unit is also in the process of establishing a risk-based quality assurance program to assess the level of compliance with the standards and identify areas for improvement. Implementation of the new Shelter Standards was expected to begin in January 2003 and completed in one year with Hostel Services providing assistance and training to shelter operators. At the time of this report, the quality assurance program has just been implemented.

In 2003, Council adopted the Municipal Shelter By-law, regulating the establishment of new municipal shelters in the City of Toronto.

Another key initiative, still in the planning stages, is the development of the Shelter Management Information System that will support a variety of operational and planning functions and improve the Division's ability to manage the administration and operations of shelter services in the City. The planning and analysis phase is expected to be completed by October 2004, the first of a three-phase development and implementation process to be completed by April 2005, and the balance to be implemented by April 2006.

#### Legislative Authority

The provision of emergency hostel services is a discretionary service under the Ontario Works Act (1997), which defines it as the provision of board, lodging and personal needs to homeless persons on a short-term and infrequent basis.

### Emergency Shelter Bed Capacity

The Hostel Services Unit administers an emergency shelter system through a mixed service delivery model consisting of five shelters directly operated by City staff and 54 hostels operated by 37 community agencies under purchased service agreements. In addition, a flexible number of beds are available under purchased service agreements with four motels to provide overflow capacity for families. There are also a number of seasonal beds provided through the Out of the Cold Program and at the Fort York Armoury during the winter months. In addition, the existing shelters provide overflow capacity during extreme weather alerts with the use of cots or mats.

In its role as the consolidated municipal service manager, the Unit administers all per diem payments to third-party providers, manages purchase of service contracts, monitors occupancy levels and sets service standards.

The emergency shelter system is segregated into five individual group sectors: men, women, co-ed, youth and families. In 2003, the emergency shelter system provided a total bed capacity of approximately 5,300 beds. A detailed breakdown of the bed capacity and occupancy rates in the emergency shelter system is provided in Appendix 1: Emergency Shelter System – 2003 Bed Capacity and Annual Occupancy Rate.

### Funding for Emergency Shelters

The Ontario Works Act (1997) and related regulations and directives stipulate that the Province provide funding for emergency shelters at 80 per cent of the actual costs to operate a facility up to a maximum per diem rate of \$38.00 for each occupied bed. This amounts to provincial funding of \$30.40 per bed night with the City being responsible for the remaining \$7.60 per bed night. More importantly, the City is responsible for 100 per cent of the costs in excess of the \$38.00 provincial cap.

A breakdown of the 2003 costs of the emergency shelter system and the related funding is provided in Appendix 2: Hostel Services Unit – Summary of Revenue and Expenditure. The table and graph in Appendix 2 illustrate that while the City's gross cost of providing emergency shelter services is increasing, the related subsidy from the Province has remained at a relatively constant level. This results in an increasing net cost to the City. While the Province announced an increase of three per cent in the per diem rates as of July 1, 2004, this will not have a significant impact on the City's net operating costs.

Currently, the funding model for emergency hostel services is based on bed occupancy. In other words, funding is received only when a bed is occupied. This funding arrangement has two inherent problems. Firstly, it does not recognize the fixed costs to operate a shelter such as rent, utilities and staff. Secondly, it does not support the overall objective of ensuring that individuals do not stay at the shelters for a longer-term since shelter operators lose revenue by placing clients in permanent housing.

In addition, with the exception of the known occupancy trends related to seasonal variations, the emergency nature of hostel service makes it difficult to accurately predict operational fluctuations. Consequently, the funding model does not provide financial stability to the shelter operator. The sustainability of the existing provincial funding formula has been raised in a report to Council dated October 24, 2002, when the new Shelter Standards were approved. That report also indicated that the Shelter, Housing, and Support Division would be reviewing the current funding model and would report back to the Community Services Committee on the results of the review, including alternative funding options, by the fall of 2003. The preparation of that report was deferred pending the completion of the Auditor General's review of hostel operations.

Nevertheless it is important that the report be prepared in order to ensure that the identified concerns with the current provincial funding arrangement are addressed as soon as possible. We understand that a request for consulting services in connection with this matter is due to be issued shortly.

**Recommendation:**

1. The Commissioner, Community and Neighbourhood Services, report to City Council with proposed provincial subsidy options and recommended changes to the current funding arrangements for the City's shelter system. Such a report:
  - (a) clearly articulate the need for a funding model which has as its objectives:
    - (i) the need to provide incentives for shelter operators to transition the homeless to permanent long-term accommodation; and
    - (ii) the need to provide a measure of financial stability to shelter operators; and
  - (b) include funding alternatives, including the short-term and long-term financial implications under each option; and
  - (c) along with any recommendations which City Council may have, form the basis of future negotiations with the Province of Ontario.

**Long-term Use of the Emergency Shelters**

The City's Shelter Standards indicate that there is no standard length of stay in the emergency shelter system and that an individual's length of stay is based on specific circumstances and determined on a case by case basis. An analysis of the cumulative stay of all individuals at the City-operated emergency shelters as at December 31, 2002 is provided in Appendix 3: Emergency Shelter System – Analysis of Clients' Cumulative Stay. The analysis indicates that a significant number of residents in single adult shelters use the shelters for extended periods of time. Approximately 42 per cent of the residents use the shelter facilities for less than one year while the balance (58 per cent) are in shelter facilities for more than one year. In actual fact, the average stay for 26 per cent of the residents is over three years. In addition, in the family

shelters, those families using the shelters for a cumulative stay of more than one year is in the range of 11 per cent.

A number of factors contribute to these statistics including:

- the lack of available and affordable permanent housing facilities;
- the shortage of beds in other facilities or special care programs under the responsibility of other levels of government such as mental health care facilities and shelters for abused women;
- the inability of other permanent housing facilities to cope with an individual's behavioural problems or other issues such as addiction or mental health; and
- a general resistance by individuals to move to another facility, particularly when they have become accustomed to their current location and environment.

Discussions with Hostel Services staff and a review of a sample of files for long-term hostel residents confirmed that the majority of these individuals have a mental health illness, an addiction, or both. It is questionable whether certain of these individuals will ever be able to live independently without some form of support. In some cases, individuals have been referred to other long-term care facilities, only to be returned to the shelter usually due to behavioural problems. In other cases, individuals were reluctant to leave the hostel and as a result, alternative accommodation has not been pursued. In addition, the individuals must agree to the placement in other facilities before they can be placed on the waiting list of such facilities.

The City administers several permanent housing programs within the Community and Neighbourhood Services Department that could potentially accommodate certain of the long-term clients currently in the emergency shelter system. For example, the Hostel Services Unit of Shelter, Housing and Support Division administers the Habitat program, a form of supportive housing consisting of boarding homes for persons with mental health problems. The Social Housing Unit of Shelter, Housing and Support Division administers various housing programs for individuals who are able to live independently with community supports, including some transitional housing units that are also able to accommodate clients with mental health problems. The Homes for the Aged Division operates City-owned long-term care facilities that provide nursing care and other health-related services, as well as supports to private facilities that provide some level of nursing care but with less stringent rules than long-term care facilities.

The various housing programs cited above are governed by different provincial legislation and have different funding arrangements through different ministries of the provincial government. A summary of these programs is provided in Appendix 4: Summary of Housing Programs Administered by the City of Toronto. As illustrated in the table, there is a general cap on the provincial funding for the various housing programs, except for emergency shelters. For the emergency shelter program, the Province will provide funding for an unlimited number of beds subject only to a cap on the per diem amount. Consequently, the general tendency has been to expand the emergency shelter program when there is a demand for more beds merely because



that is where funding is available rather than it being the most appropriate program for any specific individual.

Based on our discussions with senior management of both Shelter, Housing and Support and the Homes for the Aged Division, opportunities exist for a number of long-term clients in the emergency shelter system to be placed at permanent facilities administered by the Homes for the Aged Division. However, further discussions and negotiations with provincial officials are required to determine the level of service and funding possible within the legislation, before any arrangements can be made.

In 2002, Council adopted the Multi-Year Shelter Strategy for the City of Toronto, which was developed by Hostel Services to provide a long-term direction for the emergency shelter system. Although a recommendation to expand the emergency shelter system was not approved by Council at that time, the Multi-Year Shelter Strategy for the City of Toronto suggested that the emergency shelter system be expanded by adding approximately 300 beds annually over the next several years.

In our view, a number of permanent housing alternatives for long-term clients should be explored prior to considering any further expansion of the emergency shelter system. While we recognize that continuing pressure also exists for additional beds in other housing programs, it is important to determine whether expansion in these programs would be more appropriate rather than using the emergency shelter system to absorb the shortfall in these other programs. Alternatively, where an existing shelter is deemed an appropriate provider for certain services normally provided under another program, designating such shelter as an extension of that program may be an option.

Finding alternative permanent housing for long-term clients currently in the emergency shelter system would make available additional emergency shelter beds that could be used by individuals truly needing emergency shelter. In addition, it would ease the ongoing pressure to expand the emergency shelter system.

#### Recommendations:

2. The Commissioner, Community and Neighbourhood Services, in consultation with the General Managers of Shelter, Housing and Support and Homes for the Aged Divisions, conduct a comprehensive review of those individuals who are long-term hostel residents with a view to:
  - (a) identifying the appropriate level of support and accommodation for these residents;
  - (b) evaluating the financial impact on subsidies available from the Province in regard to the reallocation of long-term hostel residents to other programs;

- (c) identifying the appropriate facility, such as rental housing, supportive housing, long-term care or special care facility, that is available to accommodate these individuals;
  - (d) identifying the availability of beds at those facilities; and
  - (e) developing a transition plan for the transfer of long-term hostel residents to those facilities.
3. The Commissioner, Community and Neighbourhood Services, establish formal policies and procedures for the ongoing transfer of hostel residents to other appropriate permanent housing facilities, including the placement of those individuals on the waiting lists of such facilities.

#### Intake, Admission and Discharge

The intake function serves as a screening process to determine whether a person in need of emergency shelter can be accommodated in that facility or in another more suitable shelter. Currently, the intake function is not centralized for the single adults and youth sectors but is centralized for families in need of emergency shelter.

There is currently no centralized information system to support the emergency shelter system. Each shelter maintains its own client database in various formats. Information concerning bed availability is presently only available by calling each of the 54 shelters. In addition, the gathering and compiling of client information for billing and statistical purposes is a labour-intensive process requiring the use of various manual forms. The process is time consuming and prone to error.

The lack of a centralized information system makes it extremely difficult to determine if at the time of admission into an emergency shelter, a client has already registered at another shelter. An analysis of available 2002 data found that approximately 6,300 bed nights or 0.8 per cent of total bed night occupancy were for individuals who were registered in more than one shelter on the same night. This resulted in a duplicate payment of the per diem for those individuals on those dates, estimated at a gross cost of approximately \$270,000 based on the 2002 actual average per diem rate of \$42.93 for purchased service shelters. In addition, the registration of an individual in more than one location reduces the number of beds available for others and overstates the bed occupancy rate which could lead the City to add beds to the system when they are not actually needed.

To effectively administer an emergency shelter system of over 5,300 beds, it is important to have easy access to information concerning the availability of beds in the system at any time. In certain cases, where individuals are mostly transient it is often difficult to track whether individuals leaving the shelter system have found permanent housing or have simply re-entered the system at another shelter.

In 2003, Council approved a \$3.6 million project for the development of a centralized Shelter Management Information System. The project is a joint venture between the City and the Federal Government with the capital cost of the project to be shared by the federal government to the level of approximately \$1.4 million. The system is expected to significantly improve operations and reporting in the emergency shelter system, as well as improve co-ordination of access into the shelters.

It was noted that Shelter, Housing and Support staff has undertaken efforts to ensure that the development of the Shelter Management Information System comply with the City's Corporate Information and Technology standards. The development process included input and involvement from staff of various City divisions including Information and Technology, Corporate Access and Privacy, and Internal Audit. At the time of this report, the Hostel Services Unit had completed a business process review in preparation for the issuance of a request for proposal for the project. It is anticipated, however, that full implementation of the Shelter Management Information System will not take place until 2006. Given the limitations inherent in the existing processes, the implementation of this system should be accelerated.

Recommendation:

4. The Commissioner, Community and Neighbourhood Services, ensure that the recommendations in this report, particularly with respect to the financial-related controls are addressed in the development of the Shelter Management Information System. In addition, consideration be given to accelerating the implementation of the Shelter Management Information System.

Personal Needs Allowance

Provincial directives stipulate that where an emergency shelter provides personal needs items and/or money to residents in addition to board and lodging, the basic per diem rate of \$38.00 may be increased up to \$41.70, if necessary, to cover these costs. Further, the costs of providing personal needs to individuals either in cash or in kind are not to exceed \$112.00 per month.

The City's Shelter Standards state that "shelters must, at a minimum, have a supply of soap, shampoo, shaving products and feminine hygiene products for emergency use by residents. Shelters may continue to provide these products throughout a resident's stay or, if residents have an income source, may require residents to purchase these supplies."

The City has been claiming subsidy only for the actual personal needs allowance paid in cash. In 2003, the City paid approximately \$2.6 million in cash to clients in personal needs allowances. Based on this information, it appears as if personal needs allowances are paid in cash on only 57 per cent of the total bed nights. Clients who were not paid a cash allowance include those who leave the shelter prior to the distribution date; are receiving other income and therefore not eligible for the allowance; or are residing in temporary shelters that do not provide a cash personal needs allowance.

We have not determined the amount of in-kind personal needs provided to residents. However, there is an opportunity for the City to claim additional subsidy for the cost, (up to a maximum of \$3.70 per bed night) of personal items provided to residents who were not paid in cash but may have been provided personal needs items. It is estimated that additional net subsidy revenue in the range of \$536,000 to \$991,000 could potentially be claimed, assuming 70 per cent to 80 per cent of the total bed nights were for clients who were provided and eligible for personal needs allowance. We have discussed this matter with officials from the Province, who have indicated to us that they are prepared to provide subsidy on personal needs items supplied to residents in accordance with Provincial legislation.

The Hostel Services Unit has issued general guidelines to all shelter operators regarding the issuance of personal needs allowance in cash, including the rate that should be paid and client eligibility requirements. In addition, each of the five City-operated hostels has also developed its own policies and procedures regarding the payment of personal needs allowance which are not consistent.

For example, two City-operated shelters pay the personal needs allowance in advance, contrary to the general guidelines, while the other three shelters pay the allowance in arrears. In one City-operated family shelter, the personal needs allowance is paid at a different rate than the others. In addition, this shelter also pays the personal needs allowance to families with income, contrary to the general guidelines.

There is a need to establish centralized policies and procedures regarding the payment of personal needs allowance in cash or in kind which should be applied consistently in all shelters.

#### Recommendations:

5. The Commissioner, Community and Neighbourhood Services, establish a process to claim provincial subsidy for the personal needs allowance provided in kind to individuals. In addition, appropriate steps should be taken to negotiate a retroactive subsidy claim for prior years where possible.
6. The Commissioner, Community and Neighbourhood Services, establish centralized policies and procedures regarding the issuance of personal needs allowance to individuals either in cash or in kind. The policy should specify eligibility criteria for the receipt of personal needs allowance in cash or in kind, the rate to be paid in cash, the maximum value of personal needs items to be provided, and general administration guidelines for issuance of the allowance.

#### Hostel Residents from a First Nations Reserve

For hostel residents who have lived on a First Nations Reserve during the last 12 months prior to admission to a shelter, the City receives 100 per cent provincial funding up to the maximum per diem cap, or an additional \$7.60 per bed night when compared to the normal 80 per cent funding level. In order for the City to claim the 100 per cent provincial subsidy, it is necessary that such

individuals be identified at the time of admission. The failure to identify these individuals results in lost subsidy revenue to the City.

It was noted that there is lack of adequate effort by shelter operators to identify individuals who have lived on a First Nations Reserve during the last 12 months prior to admission to the shelter. There also appears to be lack of understanding by both staff at City operated shelters and purchased service shelters of the significance of this information. During our visits to certain hostels, which deal primarily with an aboriginal client group, we noted that there were no procedures in place to verify whether the individuals has lived on a First Nations Reserve during the last 12 months and therefore this information is not reported to the City.

A review of the annual subsidy claims to the Province indicated that the total days identified for individuals who have lived on a First Nations Reserve during the last 12 months were 10,500, 7,800 and 2,900 for 2001, 2002 and 2003 respectively. While it is difficult to determine the actual figure, it is estimated that even if this client sector in 2003 were to remain at the same percentage as in the previous year, the understatement would represent a subsidy revenue loss of at least \$36,000 when comparing 2003 to 2002 and more than \$100,000 using 2001 as a comparison. The actual loss is likely higher as certain shelters have never reported this information.

#### Recommendation:

7. The Commissioner, Community and Neighbourhood Services, establish standard procedures for all City-operated and purchased service shelters for the identification and reporting of information on individuals who have lived on a First Nations Reserve during the 12 months prior to their admission to the shelter. Subsidy claims, including those for prior years, be prepared taking this information into account.

#### Food and Other Allowance

Families accommodated through City-operated shelters or private motels where meals are not provided are paid a food allowance. The food allowance, together with the personal needs allowance, is paid to families weekly based on rates that have been in effect since 1992.

The primary objective of the shelter system is to assist transient residents into permanent housing, which could require them to exist in the community using the social assistance benefits offered under the Ontario Works Act, 1997. Given that such benefits enable families to leave the shelter system, we conducted a comparative analysis between the financial arrangements under the benefits offered in the shelter system and the social assistance benefits provided under Ontario Works. The analysis as shown in Appendix 5: 2003 Monthly Financial Allowances, was prepared for three client groups: a single person, a single parent with one child, and a two-parent family with two children. In addition to the food and personal needs allowance provided to the clients, the analysis also considered the child tax benefits received by families as well as the costs for food and shelter in an attempt to present a relatively fair comparison under two differing systems.

In applying the rates used by Hostel Services, a family of four with two adults and two children (one under 12 and one over 12) would receive an average monthly food and personal needs allowance of \$928, while a similar family living in the community would receive a similar allowance of \$612 under Ontario Works.

With respect to child tax benefits, an amount equivalent to the National Child Benefit Supplement is deducted from the Ontario Works assistance to families living in the community, while no such adjustment is made to a family living in a shelter. Shelter staff explains that the families in the shelter are encouraged to save these amounts to assist them with the first and last month rent when they move into the community. However, it should be noted that Ontario Works assistance also provides start-up funds for the same purpose.

The comparative analysis in Appendix 5 illustrates that in Toronto, families living in shelters have a financial advantage when compared to families receiving assistance in the community. Hostel Services staff attribute the higher rates for personal needs and food allowance to the fact that there was a 21.6 per cent reduction in provincial social benefits in 1995, whereas no such adjustment was made to the allowance issued by the City-operated shelters.

Therefore, although there are many factors encouraging families to leave the shelter system, the information in Appendix 5 clearly indicates that there is a significant financial advantage for families living in a shelter when compared to a family living in the community and receiving Ontario Works assistance. While we are not questioning the level of support under either program, this matter merits further consideration and evaluation.

Recommendation:

8. The Commissioner, Community and Neighbourhood Services, review the food and personal needs allowance rates paid to families accommodated in the shelters and motels, in comparison to the level of support provided to similar families receiving social assistance in the community, with a view to determining whether any adjustment to the shelter rates is warranted.

Support Services

The City's Shelter Standards stipulate that all shelters must provide the following minimum support services for residents:

- assistance in obtaining appropriate housing;
- assistance in obtaining financial benefits if eligible;
- referrals to appropriate services or resources; and
- assistance in obtaining clothing and transportation.

Some emergency shelters are able to provide this support directly, others make use of community organizations and still others use a combination of both.

The Ministry of Community and Social Services provides funding to municipalities to address the issue of homelessness through a number of programs. In addition to providing a per diem funding for hostel beds for emergency shelter, the Province also funds a number of other community support programs.

While these community-based homelessness programs are administered by a separate service unit in the Shelter Housing and Support Division, they share certain common objectives with Hostel Services. In fact, some community agencies receive funding to operate a hostel and additional funding to implement a community-based support services program. The Housing and Homelessness Supports and Initiatives Unit in Shelter Housing and Support Division is the unit responsible for the administration of the community-based programs and was the first unit to implement a performance measurement framework in the division.

The performance measurement framework sets strategic direction and the long, medium, and short-term objectives, as well as defining the performance indicators and outputs to measure and evaluate the services provided. Hostel Services is the next unit in the division scheduled to develop a similar performance measurement framework. Hostel Services staff has indicated, however, that certain constraints such as staff turnover and Council's hiring freeze have impeded the development of this framework.

In addition to the minimum supports required by the Shelter Standards, a Hostel Redirect program was introduced by the provincial government in 1999, with a goal to reduce emergency hostel use. This program designated certain counsellor positions to deal strictly with housing issues. These housing/community workers assist residents with their housing needs and support them to re-establish themselves in the community.

While shelters provide a number of support services to residents, there is lack of documentation standards for tracking such services. Our review of a sample of files of long-term hostel users found that while there was some documentation regarding health-related issues, most files did not have documentation on the plans for the client to obtain permanent housing. Hostel Services staff reported, however, that there are many interactions with clients that are not necessarily documented.

The staff in the emergency shelters work with residents to develop their capacity to live independently. This is done by providing life skills training, budgeting assistance, community integration, family re-unification, peer support and education. However, in certain cases where there is a history of mental health problems, addiction or both, it is questionable whether these individuals will ever be able to live independently. These individuals require more support than the standard hostel resident. Hostel Services have responded to this need by providing a number of specialized and support programs such as on-site medical services and a harm reduction program designed to reduce the harm associated with substance use.

In a report to the Community Services Committee in March 2003, Hostel Services staff estimated the annual costs for support programs to clients in the emergency shelter system to be approximately \$19 million. Of this amount, \$10.3 million was provided by the Province and \$8.7 million by the City.

It should be noted that all support programs are primarily designed to assist clients to move from the emergency shelter system to other appropriate permanent facilities. However, there is lack of overall monitoring and co-ordination of these support services provided to individuals in the emergency shelter system. There are presently no performance measures in place to assess the effectiveness of the support programs, particularly with respect to case management and counselling provided by the Hostel Services Unit. The challenge for Hostel Services will be to develop objectives for emergency shelter services along with the appropriate performance indicators.

Recommendations:

9. The Commissioner, Community and Neighbourhood Services, give priority to the development of a performance measurement framework that includes performance indicators to evaluate the effectiveness of support programs, particularly with respect to case management and counselling provided by the Hostel Services Unit, as well as the reporting requirements on the results of such evaluations.
10. The Commissioner, Community and Neighbourhood Services, develop file documentation standards in order to adequately document and monitor the level of support services provided to individuals serviced by the emergency shelter system.

Infirmiry Services – Seaton House

Seaton House is the oldest, largest and the most diversified in its program structure of all hostels in Toronto. Seaton House has developed eight specific programs of which half are available at the main facility. The main facility accommodates 530 men. Four other programs are available at satellite locations that accommodate another 228 men.

Over the years, Seaton House has informally collaborated with a group of physicians associated with St. Michael's Hospital for the provision of medical services. The partnership between the City and St. Michael's Hospital led to the establishment of the Infirmiry at Seaton House.

The capital cost to create the Infirmiry was funded by a donation from a Toronto-based Service Club. The total amount of the donation was \$350,000, which was received in two stages in 2001 and 2002 and is being administered by the St. Michael's Hospital Foundation. At the time of our review, there was no formal agreement with the Foundation regarding the disbursement of these funds. Hostel Services staff indicated that the donation was made in response to a joint proposal to the Service Club from the City and St. Michael's Hospital Foundation. Although there was no explicit Council approval for this project, the ongoing operating costs were included in the budget approved by Council. Hostel Services staff explained that Seaton House has been providing medical services on site for several years, but the arrangement with the physicians is now being formalized with the establishment of the infirmiry unit. The physicians providing medical services at Seaton House have since formed a group known as St. Michael's Family Medicine Associates.



The requisition for the provision of medical services at Seaton House specified that “Shelter, Housing and Support will report out to Council on the health care activities at Seaton House funded under this agreement in early 2004 and seek authority at that time for the continuation of the partnership.” At the time of this report, such an evaluation has not been conducted and the agreement had not been extended. However, medical services continue to be provided at Seaton House under the same arrangements.

A partnership agreement has been drafted between St. Michael’s Family Medicine Associates and the City of Toronto regarding the provision of medical services at Seaton House. The draft agreement, which covers the period June 1, 2003 to December 31, 2003, provides for the payment of a fee of \$120 per physician per visit, up to a maximum total contract value of \$153,000, mainly for services not covered by OHIP. These services include physician services for clients not covered by OHIP, on-call medical support and training to Seaton House staff, and discharge planning and case co-ordination for clients released from the hospital to Seaton House. While the draft agreement was never signed, a purchase order has been issued for the provision of medical services based on this agreement.

Physicians associated with St. Michael’s Hospital run primary health care clinics at the Seaton House infirmary three times a week. Physicians bill OHIP for the primary health care services provided to the hostel residents and also bill the City for the per visit fee. In addition, our review of payments to physicians providing the services found that certain doctors are paid \$250 each visit, more than double the rate stipulated in the agreement. Seaton House management indicate to us that this is a continuation of a previous informal arrangement with specific doctors who choose not to bill OHIP and are consequently paid the higher rate. This arrangement exists even though most of the residents served by these doctors are long-term residents and are most likely entitled to Provincial health care coverage. As a consequence, the City may be paying for medical services which should be covered under the Ontario health plan.

The review of payments for physician fees also indicated that the City pays for the services of certain physicians for consulting services as acting medical director at \$60 per hour and for clinical responsibilities at \$30 per hour. These rates were not stipulated in the agreement.

Recommendations:

11. The Commissioner, Community and Neighbourhood Services, review the arrangement between the City and St. Michael’s Hospital Foundation regarding the disbursement of donated funds for Seaton House programs, with a view to ensuring that:
  - (a) the City receives all the funds that it is entitled to; and
  - (b) for any new program that will be funded from the donated funds, all capital and operating costs and related funding are taken into consideration and receive the appropriate approvals prior to the implementation of such program.

12. The Commissioner, Community and Neighbourhood Services, report to City Council as requested on the health care activities at Seaton House. In addition, the Commissioner to review the current arrangement with those physicians providing medical services to the Seaton House infirmary program, with a view to:
- (a) determining the level of medical services that should be provided by the physicians for hostel clients at the infirmary clinics;
  - (b) determining the physician fee that should be paid by the City for each type of service which should be consistently applied to all physicians;
  - (c) ensuring that the City does not pay for medical services that should be covered by OHIP; and
  - (d) preparing a formal agreement with the physicians, in consultation with the City Solicitor, stipulating the terms and conditions for the provision of medical services under the infirmary program.

#### Purchased Service Shelters

The City has entered into purchased service agreements with 37 community agencies that operate 54 emergency shelters in the City of Toronto. Each agreement specifies the level of service to be provided by the shelter, the per diem rate the City will pay for the service, and the maximum number of beds the City will fund. Although the agreements contain identical terms and conditions with respect to the service to be provided, the per diems set with to each shelter are generally different.

The evolution of the current per diem rates contained in various contracts has been the result of negotiations with the community agencies. Based on our discussions with the former Director of Hostel Services, who was instrumental in the negotiations with the community agencies, several factors had been taken into consideration when setting the per diem rates including:

- the agency's ability to generate funds through fundraising activities;
- the level of funding received by the agency under other related programs;
- the maximum bed capacity of the shelter;
- the level of occupancy and maintenance costs of the shelter, depending on whether the facility is owned or rented by the agency or operates in a City-owned property; and
- the specialization of services provided by the shelter.

The per diem rates paid by the City for purchased service hostels range from as low as \$15.00 to as high as \$75.00, with a weighted average of approximately \$44.00. A summary of the per diem rates is shown in Appendix 6: Emergency Shelter System – 2003 Per Diem Rates. In many cases, the former Director of Hostel Services exercised his own initiative in maintaining as many beds as possible within the emergency shelter system. However, the limitation with the process

has been the lack of objective criteria in the determining per diem rates or amending such rates. In addition, although the per diem rates and bed capacity are stipulated in the purchased service agreements, the maximum contract value, which ranges from \$54,000 to \$3,000,000 is not a part of the contract.

Generally, the purchased service agreements with community agencies are signed by the Commissioner of Community and Neighbourhood Services. However, in consultation with City staff including Legal Services, it appears that there is no authority for the Commissioner of Community and Neighbourhood Services to bind the City by signing the purchased service agreements having a total contract value of more than \$500,000. In order to address this issue, there is a need for Hostel Services to seek Council authority to enable the Commissioner to execute these purchased service agreements on behalf of the City.

In one of the agencies reviewed, a request was made to the City for additional funding to cover an operating deficit of over \$100,000 in 2002. The agency claimed that the contractually agreed upon per diem rate was inadequate to fund its operations. While Hostel Services staff denied the request for one-time funding, the 2003 per diem rates were increased three times in 2003 resulting in retroactive payments of approximately \$140,000. The ongoing budget pressure created by the per diem adjustment resulted in an annual increase of \$480,000 (per diem increase from \$35.55 to \$52.00, for 80 beds) for this agency and increased the annual contract value to over \$1.5 million. It was also noted that while the agency's 2002 financial statements did show an operating deficit, the deficit was attributable to a children services' program which was also run by the agency. There was no evidence that the source of the deficit was taken into consideration when granting the additional funding.

In order to clearly identify the impact of contract changes, there is also a need to include a financial impact analysis for any changes in the contract terms. For example, although the actual dollar value of a per diem adjustment may appear insignificant for a portion of the year, the annual financial impact could be significant. In addition, any increases to the per diem rates or number of funded beds add to the annual operating budget pressures of the City.

As part of the 2004 Operating Budget process, Hostel Services introduced a new process for evaluating and determining the level of funding of those community agencies that operate a hostel. The new process requires community agencies to complete a Funding Submission proposal which gathers a substantial amount of information concerning the hostel operation and requires a business case submission for all increased funding requests.

During our site visits to 11 purchased service hostels, we have been advised by each of the hostel operators that the per diem rates have historically been and continue to be insufficient to fund their operations. The hostels reviewed were receiving per diems that range from a low of \$27.50 for adult men to a high of \$72.48 for youth.

In reviewing other jurisdictions in Ontario, many jurisdictions were found to apply the provincial standard per diem rate of \$38.00 in purchasing hostel services from community agencies. However, it should be noted that costs are relative to the level of services provided. We have

been unable to obtain adequate information to provide a meaningful comparison of the level of service provided at the various purchased service shelters in other jurisdictions.

Recommendations:

13. The Commissioner, Community and Neighbourhood Services, develop financial criteria and specific financial guidelines to be consistently applied in determining per diem rates for any community agency requesting to operate an emergency shelter.
14. The Commissioner, Community and Neighbourhood Services, seek Council authority annually:
  - (a) to set the per diem rates and maximum bed capacity for each purchased service shelter operated by a community agency on behalf of the City; and
  - (b) to execute the purchased service agreements with the community agency on behalf of the City.
15. The Commissioner, Community and Neighbourhood Services, review the standard purchased service agreements with community agencies for the provision of shelter services and establish a policy requiring that:
  - (a) the maximum contract value, including per diem and personal needs allowance payments, be specified in the agreement; and
  - (b) any amendment to the financial terms of the agreement such as in-year changes to the per diem rates be made only in exceptional circumstances and after a written justification of the change, together with the financial impact of the change, is approved by an authorized official. Such changes to be reported to Council annually.

Motel Accommodation for Families

The City provides emergency shelter to families at three directly-operated shelters and seven purchased service shelters. There is ongoing pressure, however, to accommodate more families than the capacity available at these family shelters. The strategy adopted by the City, similar to other jurisdictions in Ontario for addressing the demand for additional capacity for families, is through agreements with motel operators for the use of their facilities.

Each contract between the City and a motel operator specifies unique terms and conditions. The motel provider may contract with the City to use the entire motel facility, a block of reserved rooms, or only when rooms are available. These different types of contracts provide flexibility in the Hostel program by creating access to additional beds when necessary.

In reviewing existing contracts with motel providers, we noted that the contracts were established in June 1996 with the former Municipality of Metropolitan Toronto for a term of one

year. Although there was no continuing extension provision in the contracts, the services provided by the motels and the payments made by the City continue under the same terms and conditions as the original 1996 contract. This issue was raised in our 2001 review of Hostel Vacancy and Bed Rates and continues to be outstanding.

In addition to the 1996 contracts, we identified a contract relating to the use of a motel facility located in St. Catharines, Ontario. This contract was signed in 2000, and was terminated upon its expiry in December 2003. The use of a motel located in St. Catharines was based on the fact that an appropriate facility was not available in the Toronto area. The terms of the contract reserved a block of 54 rooms to be used by the City of Toronto. The City was required to pay for these rooms at the standard rates set for all other contracted motels. The contract also included a provision that required the City to pay for unoccupied rooms at the rate of \$40 per room per night. A review of the total payments to this motel operator found that the City paid approximately \$56,000 in 2001, \$415,000 in 2002 and \$382,000 in 2003 for unoccupied rooms. The amounts paid in 2001 represent four unoccupied rooms per night. The increase in the payment for unoccupied rooms in 2002 and 2003 (representing 28 and 26 unoccupied rooms per night respectively) reflects the significant reduction in demand for this type of hostel facility during those years.

We have discussed this matter with Hostel Services staff who attributes the reduction in demand mainly to the changes in immigration policies after the terrorist attacks in the USA of September 11, 2001. We have been advised that after September 11 2001 the change in immigration policies significantly reduced the arrival of refugee families to Canada and consequently the Toronto area.

We appreciate the difficulty in forecasting the demand for accommodation for hostel facilities and acknowledge the need that there has to be a certain degree of flexibility in being able to provide short-term accommodation on an emergency basis. On the other hand, there has to be a certain degree of flexibility in the negotiation of a contract which commits the City to pay for unoccupied rooms. Prior to signing such contracts in future it is important that such issues are considered even to the extent of paying only a certain percentage of the agreed upon rate for unoccupied rooms.

The review of payments to motel operators also found that the information used to process payments did not adequately itemize the taxable amounts in order to calculate appropriate GST rebates. As a result, processing errors were made in calculating the GST rebate due to the City. We have advised staff in the Finance Department and in Hostel Services regarding this matter. Recoveries of GST of approximately \$30,000 have been processed for the last four years.

**Recommendation:**

16. The Commissioner, Community and Neighbourhood Services, in consultation with the City Solicitor, review the current agreements with motel operators for the provision of rooms for families in need of emergency shelter, with a view to:
  - (a) updating all existing contracts with motel operators;

- (b) developing standard agreements, and where possible ensuring that the terms and conditions contained in these agreements provide adequate flexibility and protection to the City considering the emergency nature of Hostel operations; and
- (c) ensuring that the agreements, including amendments to the agreements, are signed by the appropriate City official within their signing authority.

### Out of the Cold Program

Under the Out of the Cold Program, various community organizations provide food and shelter to the homeless on an emergency basis during the winter months, generally one night a week for each individual organization. The City provides funding to a non-profit agency to support the participating organizations by providing staff and services such as safety and security, caretaking and laundry services, transportation, and co-ordination of referrals to other services. This program has undergone three administration changes during the last two years due to financial and administrative problems experienced by two of the agencies previously responsible for the program.

In 2002, Hostel Services hired a consultant to conduct a review of the agency running the program at the time, the Out of the Cold Resource Centre. The review revealed significant deficiencies in the administration of the program. The agency formed a crisis management team to address the issues raised in the review and requested the opportunity to restructure the organization. In early 2003, the Out of the Cold Resource Centre filed for bankruptcy.

A new agency, Homeless Support Services Inc., comprising of four of the former members of the previous agency was formed. The Hostel Services Unit subsequently entered into a new agreement with this agency, with a list of financial and management oversight conditions to be followed. A mid-term review was conducted of this agency in 2003 and, again, administrative deficiencies were identified.

Consequently, Hostel Services began a search for another agency to continue the Out of the Cold Program for the 2003/2004 winter season. Hostel Services staff indicated that six potential agencies were invited to submit a proposal, but only one agency, Dixon Hall, responded which was then awarded the contract.

The City entered into an agreement with Dixon Hall in December 2003 for the provision of support and resource services to the Out of the Cold sites, which covers a period from September 1, 2003 to May 31, 2004. The agreement stipulated that the per diem payment will be based on monthly variable rate for a maximum funding of \$996,668 for the period November 1, 2003 and April 30, 2004, and based on the daily average of actual occupancy between a minimum of 110 beds up to a maximum of 135 beds, with monthly payments not exceed \$166,112. Using these figures, the effective per diem rate for the service would range from \$45 to \$56, assuming a 90 per cent daily occupancy.

In actual fact, City paid the current agency the full amount of \$996,668 for the period November 1, 2003 to April 30, 2004. The total occupancy reported for the same period totalled 14,678. This translates into an effective per diem rate of \$67.90. In addition, the City paid \$71,000 to the agency to cover start-up costs at the start of the program. Given the fact that the costs for basic food and lodging is provided by the various community organizations, the costs to provide the support and resource services to these organizations and the individuals they serve are extremely high.

As part of the agreement with the current agency, a consultant was hired to evaluate the program through a consultative process involving City and agency staff, as well representatives from the various community organizations. The review was focused mainly on how the program was administered, but did not include an evaluation of the costs of the program. One of the issues identified pertained to the lack of clarity on how the Out of the Cold program fits into the overall City shelter system and the need to explore the future direction of this program, including the possibility of phasing it out.

**Recommendation:**

17. The Commissioner, Community and Neighbourhood Services, review the Out of the Cold Program, with a view to:
  - (a) evaluating the costs and benefits of the program;
  - (b) reporting to the Community and Neighbourhood Services Committee, together with a recommendation on the future direction of the program both in the short-term and the long-term based on the evaluation; and
  - (c) in the interim, provide clear direction as to how the program fits into the overall City shelter system, including:
    - (i) the City's role in the provision of the support services by the agency running the program; and
    - (ii) the City's role in the provision of emergency shelter services by the participating community organizations, particularly with respect to the applicability of the City's Shelter Standards to these organizations.

**Hostel Utilization System**

The City-operated shelters use the Hostel Utilization System as an administrative tool for maintaining client information and processing financial transactions. The Hostel Utilization System was developed by an external consulting company in mid-1990 with the objective, for the most part, to automate the administrative processes. The system has since been customized for each City-operated shelter, turning it into several stand-alone versions of the original system. Consequently, any upgrades or changes to the system are generally not cost-effective, as changes have to be made for each shelter individually.

The system tracks client admissions and discharges and bed occupancy. The system has also automated certain of the financial activities in the shelters such as the issuance of personal need allowances and food allowances, as well as the management of client savings accounts, including account reconciliations. However, the built-in controls in the Hostel Utilization System are not adequate to ensure the integrity of financial data maintained in the system. Some of the key fields are not protected from unauthorized changes. Further, no user manuals existed nor adequate training provided to staff to enable them to use the system efficiently and effectively. As a result, a number of features available in the system to facilitate the reconciliation of financial information are not utilized properly and consistently.

Given that a new shelter management information system is currently being developed, major changes to the Hostel Utilization System are likely not warranted. However, there is a need to assess the reliability of the financial information in the system to ensure that any information carried forward to the new system is complete and accurate.

**Recommendation:**

18. The Commissioner, Community and Neighbourhood Services, assess the reliability of the financial information in the Hostel Utilization System currently used by the City-operated shelters and ensure that any information that is required to be carried forward to the new Shelter Management Information System, currently under development, is complete and accurate.

**Funds Management and Control**

In reviewing the financial operations at each of the City-operated shelters, we noted a number of areas in which internal financial controls could be strengthened and where accounting systems and procedures need to be established or improved.

Each of the five City-operated shelters is provided an imprest fund ranging from \$5,000 to \$70,000 primarily for the issuance of personal needs allowance and, in the case of family shelters, food allowance. In addition, the City-operated shelters administer client savings accounts. There are no centralized policies and procedures to guide staff in the financial administration of imprest funds, disbursements to clients and client savings accounts managed by the City-operated shelters.

In one shelter, client savings accounts are maintained in a separate bank account, while in other shelters, client savings accounts are combined with the shelters' imprest funds. Although the client savings accounts are deposited in City bank accounts, these funds are not recorded in the City's accounting records even though for all intents and purposes they represent trust funds. In actual fact, they are similar to resident funds operated by Home for the Aged staff, which are currently classified as trust funds. According to the Hostel Utilization System, the total amount of client savings can range from \$20 to around \$5,000 and each shelter is administering cumulative funds in the range of \$5,000 to \$200,000.



At the City-operated shelters, there is inadequate segregation of staff duties. For example, the Shift Leader position is responsible for cash disbursements and receipts, including administration of client savings accounts, cheque preparation and signing, and also has full system access to client personal and financial information.

Although each City-operated shelter is required to submit bank reconciliations to the Finance Division, some shelters do not provide them and have not been compelled to do so. In some shelters, bank reconciliations are not properly completed or only partially completed.

A proper bank reconciliation process including the independent review of the bank reconciliation would serve as a compensating control, where there are internal weaknesses such as inadequate segregation of duties or inadequate system controls. Given the lack of proper reconciliation procedures at certain shelters, there is a risk that funds could be misappropriated and that this could go undetected.

There is a need to establish formal policies and procedures regarding funds administration and control with respect to imprest funds and client savings accounts, and the preparation of bank reconciliations.

#### Recommendations:

19. The Commissioner, Community and Neighbourhood Services, establish standardized policies and procedures for the administration and control of funds in all City-operated shelters, particularly with respect to the following:
  - (a) administration and reporting of imprest cash funds and client savings accounts;
  - (b) preparation of bank reconciliations, ensuring that proper bank reconciliations are prepared monthly for all bank accounts maintained by the City-operated shelters. Such reconciliations be reviewed and approved in writing by an authorized supervisory official who is independent of the cash handling and cash recording functions; and
  - (c) assignment of responsibilities including those of supervisory staff, ensuring that there is adequate segregation of duties whenever possible and practical.
20. The Commissioner, Community and Neighbourhood Services, in consultation with the Treasurer and Chief Financial Officer, establish trust accounts for client savings administered by each City-operated shelter and further that these trust accounts be recorded in the City's accounting system. All interest earned on such accounts be proportionately credited to each individual account.

#### Payment Controls

A review of certain contracts and payments for goods and services related to the infirmary and harm reduction programs indicated that there is inadequate verification of the invoices prior to

payment processing. There are no procedures in place to verify the quantities of goods received and to agree the prices on the invoices to the contract rates. We found instances where the prices paid for medical supplies, for example, were on average 50 per cent higher than the quoted prices in the contract. While the amounts involved were not significant, it is important that adequate procedures are in place to ensure that payments are made in accordance with the provisions contained in each contract.

Recommendations:

21. The Commissioner, Community and Neighbourhood Services, develop policies and procedures which establish clear accountability and responsibility for the payment verification process, including an appropriate level of supervisory control and approval. Such policies ensure that payments are made only for goods and services received in accordance with costs contained in duly approved contracts.
22. The Commissioner, Community and Neighbourhood Services, review the payments made for medical supplies in order to determine why the City is being billed for supplies in excess of contract amounts. Where circumstances dictate, all overpayments be recovered from the supplier.
23. The Commissioner, Community and Neighbourhood Services, in consultation with the Chief Administrative Officer, consider the benefits of utilizing the services of the Internal Audit Division in the following:
  - (a) development of internal control procedures particularly with respect to funds management and payment controls;
  - (b) implementation of the Shelter Management Information System; and
  - (c) implementation of the quality assurance program.

Maintenance Fees

Clients residing at two City-operated shelters for single men and women and who are receiving income such as Canada Pension or disability benefits are assessed a maintenance fee towards the costs of their board and lodging. This policy was last reviewed in 1995.

There is no centralized formal policy regarding the assessment of maintenance fees, but rather, each shelter has developed its own guidelines. In addition, there are no specific policies for setting maintenance fee rates. Staff discretion is often exercised when determining the amount of maintenance fee assessed residents.

Recommendation:

24. The Commissioner, Community and Neighbourhood Services, develop a policy that clearly establishes standard rates for maintenance fees for emergency shelter users. Such a policy determine at what income levels maintenance fees become due. The policy be applied consistently to both City-operated and purchased service shelters. Internal controls commensurate with the level of fees collected be established.

Conclusions:

A review of hostel operations was conducted as part of the Auditor General's annual Audit Work Plan. The review focused on the administration of the emergency shelter system by the Hostel Services Unit, Shelter, Housing and Support Division of Community Neighbourhood Services Department. This report outlines areas where improvements could be made that would result in operational efficiencies, cost savings and potential additional revenue.

The Hostel Services Unit has undergone organizational and senior staffing changes during the last year and is undertaking a review of its business processes and developing new procedures or improving existing ones on an ongoing basis. Therefore, certain recommendations included in this report may already be addressed or in the process of being addressed.

Certain of the major issues identified in our review pertain to the long-term use of the emergency shelter system, the limitations of the current funding model and the lack of adequate and consistent financial administration policies and procedures.

It is estimated that there is a potential for the recovery of an additional \$550,000 to \$1,000,000 in annual subsidy revenue based on the implementation of certain recommendations in this report.

The potential for the recovery of this subsidy has been discussed with Provincial staff who indicate that, pending their review of detailed information, the recommendations contained in this report relating to additional subsidy claims, appear to represent legitimate claims in accordance with Provincial legislation.

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Jeffrey Griffiths  
Auditor General

List of Attachments:

- Appendix 1 Emergency Shelter System – 2003 Bed Capacity and Annual Occupancy Rate
- Appendix 2 Hostel Services Unit - Summary of Revenue and Expenditure
- Appendix 3 Emergency Shelter System – Analysis of Clients' Cumulative Stay
- Appendix 4 Summary of Housing Programs Administered by the City of Toronto
- Appendix 5 2003 Monthly Financial Allowances
- Appendix 6 Emergency Shelter System – 2003 Per Diem Rates
- Appendix 7 Follow-up Review: Hostel Vacancy and Bed Rates, March 2001
- Appendix 8 Management Response to the Auditor General's Review of Hostel Services, November 2004

APPENDIX 1

EMERGENCY SHELTER SYSTEM  
2003 Bed Capacity and Average Occupancy Rate

	City- Operated Shelters	Purchased Service Shelters	Motels <sup>1</sup>	Permanent Bed Capacity	Average Occupancy Rate <sup>2</sup>	Extreme Weather Alert	Out of the Cold <sup>3</sup>	TOTAL SHELTER CAPACITY
Adult Men	756	911	-	1,667	95%	49	9	1,725
Adult Women	120	493	-	613	93%	12	-	625
Adult Co-ed	-	451	-	451	94%	29	133	613
Youth	-	586	-	586	85%	10	12	608
	876	2,441	-	3,317	92%	100	154	3,571
Families	500	442	790	1,732	84%	-	-	1,732
Total	1,376	2,883	790	5,049	90%	100	154	5,303

Source: 2003 Hostel Summary, Hostel Services Division.

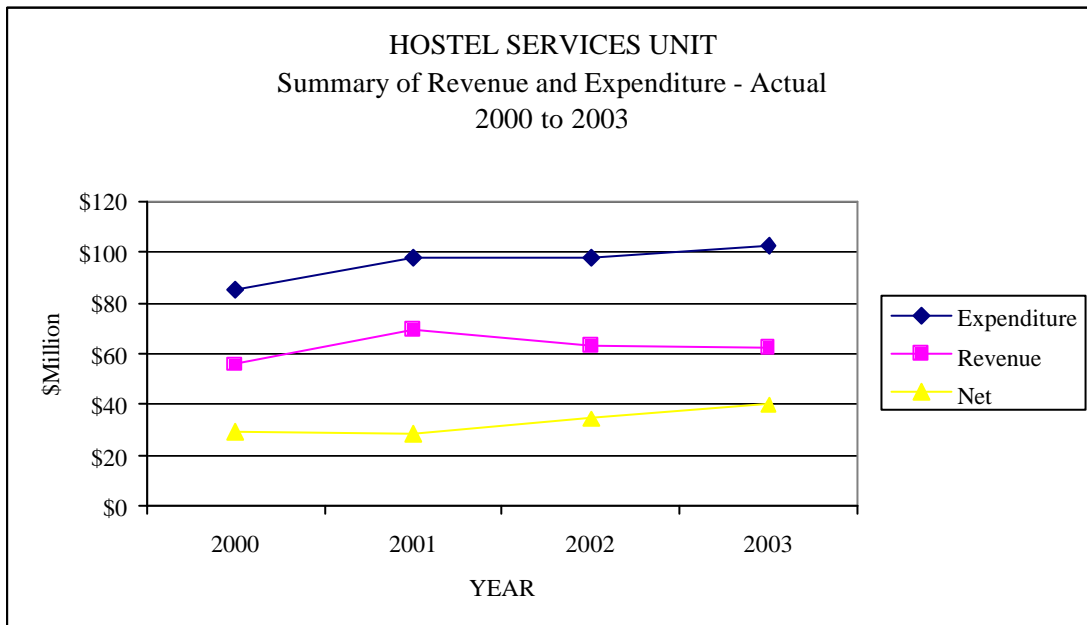
<sup>1</sup> Includes capacity through contracts with motel operators.

<sup>2</sup> Average occupancy rate is calculated based on total actual occupancy and bed capacity for the year.

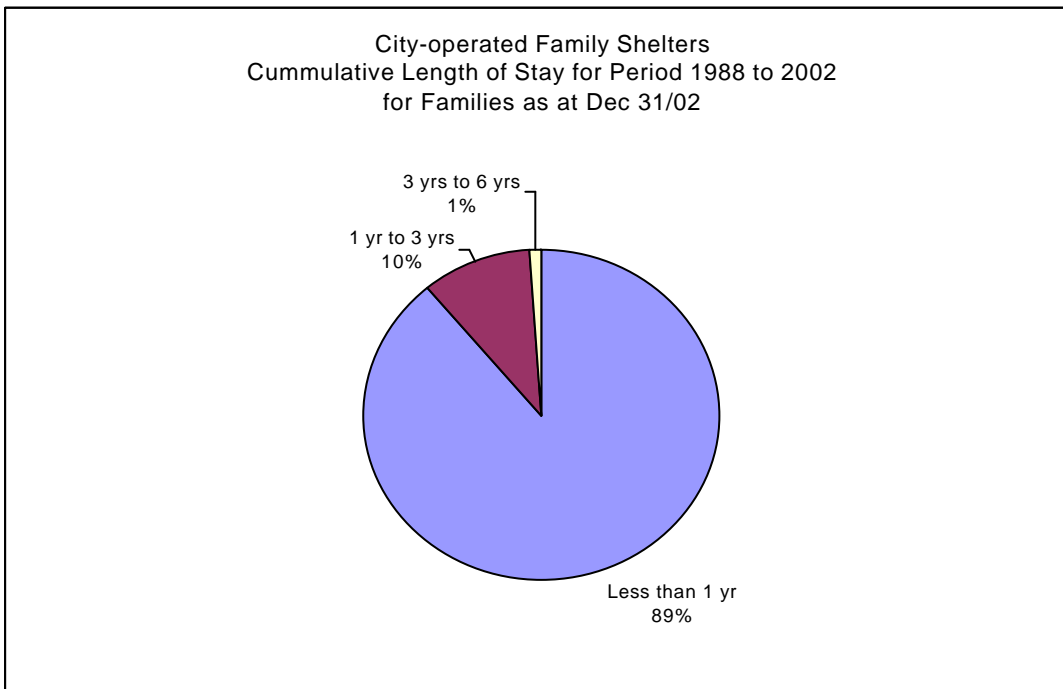
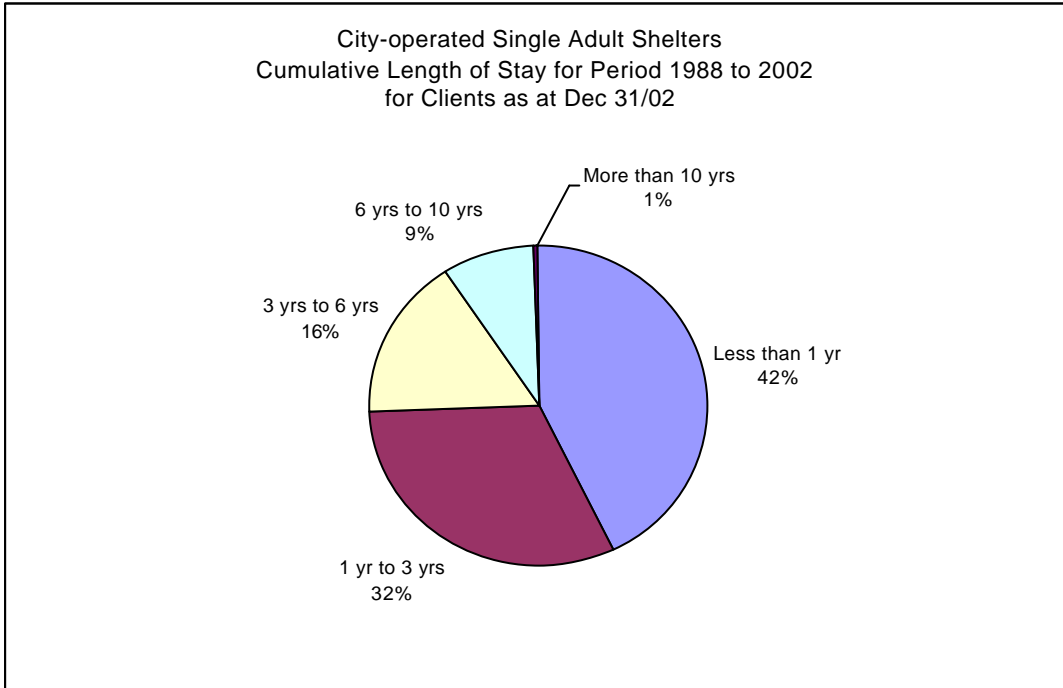
<sup>3</sup> Bed capacity for the Out of the Cold Program is calculated based on a nightly average.

**HOSTELS SERVICES UNIT**  
 Summary of Revenue and Expenditure – Budget and Actual  
 2001 to 2003

Year	Expenditure		Revenue		Net Expenditure	
	Budget	Actual	Budget	Actual	Budget	Actual
	\$000		\$000		\$000	
2000	94,451	84,893	63,250	55,699	31,201	29,194
2001	97,501	97,618	65,342	69,184	32,159	28,433
2002	115,142	97,791	77,283	63,162	37,859	34,629
2003	118,384	102,285	77,556	62,270	40,828	40,015



**EMERGENCY SHELTER SYSTEM**  
Analysis of Clients' Cumulative Stay at City-operated Shelters  
As at December 31, 2002



**SUMMARY OF HOUSING PROGRAMS  
ADMINISTERED BY THE CITY OF TORONTO  
2003 Average Per Diem Cost**

Housing Program	Community and Neighbourhood Services Division	Legislation	Provincial Ministry	Average Per Diem Cost to Taxpayer		Provincial Funding Cap	
				Gross	Net City	Rate	Total \$
Long-Term Care <sup>1</sup>	Homes for the Aged	Long-term Care Act, 1994	Health and Long-Term Care	\$141.99	\$18.71	Yes	Yes
Supportive Housing <sup>2</sup>	Homes for the Aged	Long-term Care Act, 1994	Health and Long-Term Care	\$25.04	-	Yes	Yes
Alternative Housing <sup>3</sup>	Shelter, Housing and Support	Social Housing Reform Act, 2000	Municipal Affairs and Housing	\$28.10	\$28.10	Yes	Yes
Rent Supplement <sup>4</sup>	Shelter, Housing and Support	Social Housing Reform Act, 2000	Municipal Affairs and Housing	\$28.09	\$28.09	Yes	Yes
Emergency Shelter <sup>5</sup>	Shelter, Housing and Support	Ontario Works Act, 1997	Community and Social Services	\$52.45	22.05	Yes	No
Habitat Program <sup>6</sup>	Shelter, Housing and Support	Long-term Care Act, 1994	Health and Long-Term Care	\$28.12	4.42	Yes	Yes

Sources: Homes for the Aged Division  
Shelter, Housing and Support Division

NOTE: The per diem cost shown on this table represents the cost of providing the service under that program. It does not include the cost of other services that may be provided to individuals under other programs such as social assistance or disability pensions.

<sup>1</sup> Long-term care provides accommodation, food, nursing care and other support services.

<sup>2</sup> Supportive housing provides support services only to individuals residing in private homes.

<sup>3</sup> Alternative housing provides accommodation in subsidized housing units. Support services are provided under other programs. The cost represents the average per unit cost.

<sup>4</sup> Rent supplement provides financial support only to individuals residing in the community. Support services are provided under other programs. The cost represents the average per unit cost, ranging from bachelor to 4-bedroom apartments.

<sup>5</sup> Emergency shelter provides a bed, meals and support services.

<sup>6</sup> Habitat program provides financial support to accommodate individuals with mental health issues in boarding homes. Support services are provided under other programs.

2003 MONTHLY FINANCIAL ALLOWANCES

	Client Living in a City-operated Shelter			Client Living in the Community Receiving Ontario Works Assistance <sup>1</sup>		
	Single Person	Single-Parent Family with one child <sup>2</sup>	Two-Parent Family with two children <sup>3</sup>	Single Person	Single-Parent Family with one child <sup>2</sup>	Two-Parent Family with two children <sup>3</sup>
<b>FINANCIAL ALLOWANCE</b>						
Personal Needs and Food Allowance	\$113.75 <sup>4</sup>	\$461.00	\$928.00	\$195.00	\$446.00	\$612.00
Shelter Allowance	-	-	-	325.00	511.00	602.00
Child Tax Benefit <sup>5</sup>	-	97.42	194.84	-	97.42	194.84
National Child Benefit Supplement (NCBS) <sup>5</sup>	-	121.91	226.41	-	121.91	226.41
Less: NCBS Clawback	-	-	-	-	(121.91)	(226.41)
<b>Total Financial Allowance</b>	<b>113.75</b>	<b>680.33</b>	<b>1,349.25</b>	<b>520.00</b>	<b>1,054.42</b>	<b>1,408.84</b>
<b>COST OF SHELTER AND FOOD</b>						
Average Rent Paid by Ontario Works Client <sup>6</sup>	-	-	-	500.00	894.00	1,055.00
Nutritious Food Basket <sup>7</sup>	-	181.55	511.98	156.92	181.55	511.98
<b>Total Shelter and Food Costs</b>	<b>-</b>	<b>181.55</b>	<b>511.98</b>	<b>656.92</b>	<b>1,075.55</b>	<b>1,566.98</b>
<b>NET ALLOWANCE FOR OTHER PERSONAL NEEDS</b>						
<b>Funds Available for Other Personal Needs</b>	<b>\$113.75</b>	<b>\$498.78</b>	<b>\$837.27</b>	<b>(\$136.92)</b>	<b>(\$21.13)</b>	<b>(\$158.14)</b>

<sup>1</sup> Ontario Works Act, 1997 provides a basic financial allowance for food and personal needs.

<sup>2</sup> One child under 12 years of age

<sup>3</sup> One child over 12 years and another under 12 years of age

<sup>4</sup> Average monthly Personal Needs Allowance at \$3.75 per day. No food allowance is provided to single persons as the meals are provided by the shelter.

<sup>5</sup> Canada Child Tax Benefit Rates effective July 2003

<sup>6</sup> Average Rent, Social Services Division (*to be updated*)

<sup>7</sup> Cost of Nutritious Food Basket in Toronto - 2003, Toronto Public Health



EMERGENCY SHELTER SYSTEM  
2003 PER DIEM RATES

Per Diem Rates	No. of shelters	Total Capacity	% of Total	Client Group
<u>Purchased Service Shelters<sup>1</sup></u>				
\$70.00 - 75.00	2	50	1.7	Women, Youth
\$55.60 - 63.50	4	123	4.3	Women, Youth
\$52.00	23	1,056	36.6	All
\$39.15 - \$47.70	11	851	29.5	All
	40	2,080	72.1	
\$30.00 - \$36.25	6	386	13.4	Men, Women
\$23.45 - \$27.60	3	391	13.6	Men, Co-ed
\$15.00 - \$16.00	2	26	0.9	Men, Women
	11	803	27.9	
\$43.29	51	2,883	100.0	
<u>City-Operated Shelters and Motels<sup>2</sup></u>				
\$133.25	1	120		Women
\$80.57	1	756		Men
\$74.49	1	190		Families
\$45.35	1	400		Families
\$39.93	1	700		Families
\$69.48 <sup>3</sup>	5	2,166		

Source: Hostel Services Unit

<sup>1</sup> Contracted per diem rates paid to community agencies operating the shelters under a service agreement. Excludes seasonal shelters.

<sup>2</sup> Calculated based on direct operating costs (net of maintenance fees) and actual lodging nights.

<sup>3</sup> Total average per diem rate includes an allocation of the cost for Central Family Intake for the family sector.

APPENDIX 7

FOLLOW-UP REVIEW: HOSTEL VACANCY AND BED RATES, MARCH 2001  
Status of Implementation as at March 2004

No.	Audit Recommendations	Management's Response	Implemented	Further Audit Recommendation
1.	The Commissioner, Community and Neighbourhood Services, review the reservation policy of all shelters with a view to maintaining a balance between maximizing bed space usage and providing assurance that a bed space will be available to a client who is registered in a shelter;	<ul style="list-style-type: none"> <li>• Hostel Standards Review: Shelter Access Issues and Audit (October 2001 to May 2002) conducted in response to Audit report of March 2001.</li> <li>• Developed new Shelter Standards approved by Council in November 2002 that addresses these issues by clearly establishing policies related to Bed Registration (see Shelter Standards – page 12).</li> </ul>	Yes	None.
2.	The Commissioner, Community and Neighbourhood Services, provide all shelters with a clear definition of an occupied bed for the purposes of reporting the daily occupancy data and establishing the number of bed spaces eligible for the per diem fee to be paid by the City;	<ul style="list-style-type: none"> <li>• The new Shelter Standards approved by Council in November 2002 include a definition of an occupied bed for the purpose of reporting the daily occupancy. (See Shelter Standards – page 12) The Shelter Standards also require shelter operators to establish a set time for bed counts between 2:00 am and 4:00 am to ensure consistency and accuracy in reporting.</li> <li>• The service agreement for purchase of service agencies establishes the number of eligible beds for per diem payment. Internal policy and financial controls ensure that shelters cannot be paid in excess of the number of beds eligible for payment established in the service agreement.</li> </ul>	Yes	None.
3.	The Commissioner, Community and Neighbourhood Services, enhance the agency review officers' site visits to the shelters to include random verification checks of the per diem billings and occupancy data submitted by the shelters;	<ul style="list-style-type: none"> <li>• As per the Council directive, shelters are required to implement the new Shelter Standards by the end of 2003. Hostel Services is currently developing a quality assurance program to measure compliance to the shelter standards in all directly-operated and purchase of service shelters. The quality assurance program will include a review of financial and administrative systems as well as a random bed audit to monitor the ways in which occupied beds are counted and reported.</li> </ul>	Ongoing.	See recommendation #24.

No.	Audit Recommendations	Management's Response	Implemented	Further Audit Recommendation
		<ul style="list-style-type: none"> <li>• The review process will commence in the first quarter 2004 and a report will be submitted to Community Services Committee regarding the quality assurance review in mid 2004. Hostel Services has also hired a dedicated quality assurance staff person to co-ordinate the development and implementation of the quality assurance program. Agency Review Officers are actively participating in the quality assurance program development and will be an integral part of the formal review process.</li> <li>• The function/role of the ARO is clearly defined in the new Shelter Standards (pg. 5). Hostel Services is also in the process of documenting its ARO business practices which will clearly outline the frequency and expectations of site visits and the role of the AROs in that process.</li> </ul>		
4.	The Commissioner, Community and Neighbourhood Services, ensure that the bed space capacity used in calculating occupancy rates is calculated properly when new bed spaces are added into the emergency shelter system;	<ul style="list-style-type: none"> <li>• In response to the March 2001 Audit Report, Hostel Services implemented a new policy to ensure that shelter capacity of new shelters was calculated properly. Shelter capacity is based on actual capacity weighted by the number of days of occupied beds reported. Notes are maintained on all statistical reports outlining the calculation to ensure data integrity.</li> </ul>	Yes	None.
5.	The Commissioner, Community and Neighbourhood Services, in consultation with City Legal, review the need to update the service agreements with service providers that were previously made with the former Municipality of Metropolitan Toronto; and the	<ul style="list-style-type: none"> <li>• The review and development of the new service agreement for purchase of service agencies is underway and will be completed in spring 2004. The review process to update the service agreements includes input from Finance and Administration, Legal, Hostel Services Staff, shelter operators as well as the Auditor General's office.</li> </ul> <p>The new service agreement will be sent in advance to all providers. Hostel Services staff will be holding a special information session for Executive Directors and their Board of Directors to review the new agreement.</p>	Ongoing.	See recommendation #16.

No.	Audit Recommendations	Management's Response	Implemented	Further Audit Recommendation
6.	<p>The Commissioner, Community and Neighbourhood Services, ensure that timely and accurate hostel bed vacancy information is available and accessible to agencies or individuals in need of this information. Opportunities may exist to coordinate the process with Street Helpline, a program of Community Information Toronto.</p>	<ul style="list-style-type: none"> <li>• Hostel Services, in partnership with the Federal Government, has launched the process to develop an integrated, web-based information technology system for all city-operated and purchase of service shelters. A review with shelter operators will commence in the next month to confirm the system requirements. A Request for Proposals will be released in spring 2004.</li> <li>• Information and data from all directly operated and purchase of service shelters will be integrated into one common system. In addition to enabling occupancy information to be available on-line, the Shelter Management Information System will support a variety of operational, planning, reporting, financial and administrative functions. These include:               <ul style="list-style-type: none"> <li>- automate fiscal and administrative control functions to assist individual shelters and Hostel Services validate billings and payments</li> <li>- support the quality assurance program by enhancing program evaluation, benchmarking, and monitoring client/program outcomes</li> <li>- support the new Shelter Standards by integrating tracking mechanisms regarding occupied bed, service restrictions and referrals</li> <li>- automate manual work practices such as applications for assistance, processing billings claims and administration of personal needs allowance in shelters</li> <li>- improve effectiveness and efficiencies of day to day shelter management operations</li> <li>- current statistical information will improve day-to-day decision making, program planning, use of resources and policy development at both the micro and macro level</li> </ul> </li> <li>• The development of the Shelter Management Information System will be completed in three phases:</li> <li>• Phase One will include intake, admission, discharge, occupancy</li> </ul>	Ongoing.	See recommendation #4.

No.	Audit Recommendations	Management's Response	Implemented	Further Audit Recommendation
		<p>information, automation of forms and financial processing. It is expected to be implemented by spring of 2005</p> <ul style="list-style-type: none"><li>• Phase Two includes case management to support assessment, case planning, goal setting, referrals, and monitoring of resident case plans. It is expected to be implemented by the winter of 2005</li><li>• Phase Three includes property management to automate maintenance schedules and support capital reserve planning and staff management to track staff training and scheduling. It is expected to be implemented by the spring of 2006</li></ul>		

**Management Response to the Auditor General’s Review of Hostel Services  
November 2004  
Shelter, Housing and Support Division, Community and Neighbourhood Services**

<b>Recommendation</b>	<b>Response</b>
<p>1) The Commissioner, Community and Neighbourhood Services report to City Council with proposed provincial subsidy options and recommended changes to the current funding arrangements for the City’s shelter system. Such a report:</p> <p>(a) clearly articulate the need for a funding model which has as its objectives:</p> <p style="padding-left: 20px;">(i) the need to provide incentives for shelter operators to transition the homeless to permanent long term accommodation; and</p> <p style="padding-left: 20px;">(ii) the need to provide a measure of financial stability to shelter operators; and</p> <p>(b) include funding alternatives, including the short-term and long-term financial implications of each option.</p> <p>(c) along with any recommendation which City Council may have, form the basis of future negotiations with the Province of Ontario;</p>	<p>1) Agreed.</p> <p>Since the late 90’s when per-diems began to exceed the Provincial cap Community and Neighbourhood Services Department has been advocating to Provincial staff regarding this issue. Advocacy has also taken place at the political level.</p> <p>In July of 2004 the Province introduced a 3% increase to the per-diem that raised the cap to \$39.15, however this still falls well short of the projected average 2004 per-diem of approximately \$55 and does not even cover the costs of food and lodging estimated at \$44.64 in 2003.</p> <p>Shelter, Housing and Support has budget available for a review of the funding model. Staff anticipate that the review would make recommendations regarding a funding model that would:</p> <ul style="list-style-type: none"> <li>- assist in moving clients from the shelter to the most appropriate form of housing</li> <li>- assist in stabilizing the financial situation of individual shelters including the possibility of multi-year funding</li> <li>- provide maximum flexibility to the City in developing shelter services</li> <li>- provide the ability to expand and shrink the shelter system depending on demand</li> <li>- consider the use of incentives/performance based funding.</li> </ul> <p>Any system of incentives must ensure that the client is placed in the most appropriate form of housing, not simply in the first unit that becomes available. The use of incentives will be included for consideration as part of the funding model review.</p>

<b>Recommendation</b>	<b>Response</b>
<p>2) the Commissioner, Community and Neighbourhood Services, in consultation with the General Managers of Shelter, Housing and Support and Homes for the Aged Divisions, conduct a comprehensive review of those individuals who are long-term hostel residents with a view to:</p> <p>(a) identifying the appropriate level of support and accommodation for these residents;</p> <p>(b) evaluating the financial impact on subsidies available from the Province in regard to the reallocation of long-term hostel residents to other programs;</p> <p>(c) identifying the appropriate facility, such as rental housing, supportive housing, long-term care or special care facility, that is available to accommodate these individuals;</p> <p>(d) identifying the availability of beds at those facilities; and</p> <p>(e) developing a transition plan for the transfer of long-term hostel residents to those facilities;</p>	<p>2) Agreed.</p> <p>Virtually all the policies regarding placement of clients in the long-term care and subsidized permanent housing system are set by the provincial government. For many years staff have been reporting to Council and to the provincial and federal governments that inadequate funding and policy decisions by other orders of government has, over the years, changed the profile of people staying in shelters and increased lengths of stay, particularly in the single adult sector. Until fairly recently the long-term care system was inaccessible to clients in shelters and there was no affordable housing construction taking place. Additionally, in both the long-term care and affordable housing sectors, there were and are waiting lists for service.</p> <p>Staff agree, however, that additional work can be done between systems to ensure that clients have access to the most appropriate level of supports and form of housing. Placement of shelter clients in appropriate long-term care or permanent housing settings will free up shelter beds and allow the system to operate more efficiently. Discussions are already taking place with the Homes for the Aged, Toronto Community Housing Corporation and the Ministry of Health and Long Term Care regarding this issue.</p> <p>Previous experience would suggest that if people in shelters are able to access long-term care or social housing beds more rapidly than people on existing waiting lists in the community there might be a rise in shelter use. Perceptions of “queue jumping” will also arise.</p> <p>A centrally coordinated review of files of all long-term residents would require additional short term staffing.</p>

<b>Recommendation</b>	<b>Response</b>
<p>3) the Commissioner, Community and Neighbourhood Services, establish formal policies and procedures for the ongoing transfer of hostel residents to other appropriate permanent housing facilities, including the placement of those individuals on the waiting lists of such facilities;</p>	<p>3) Agreed in principle. See response to recommendation 2.</p> <p>The City has developed a case management model for its directly operated shelters that includes housing placement as part of the activities. This model will be implemented in 2005. Further details on policies and procedures on the transfer of hostel residents to other appropriate facilities/housing will also be considered in the next review of the hostel standards.</p>
<p>4) the Commissioner, Community and Neighbourhood Services, ensure that the recommendations in this report, particularly with respect to the financial-related controls are addressed in the development of the Shelter Management Information System. In addition, consideration be given to accelerating the implementation of the Shelter Management Information System;</p>	<p>4) Staff agree that the inclusion of appropriate financial management controls in the Shelter Management Information System (SMIS) is key. SMIS is an information and administration system for the shelter system that will contain certain financial and occupancy functions.</p> <p>Internal Audit is already involved as part of the project management team and has had an opportunity to review all the business cases developed for the SMIS RFP. Community and Neighbourhood Services and Shelter, Housing and Support finance staff are involved on the SMIS steering committee.</p> <p>The development of the Shelter Management Information System (SMIS) is cost-shared with the federal government and is impacted by a contracted funding schedule. The timelines for the project are already ambitious and it is probably not feasible to accelerate the development schedule any further.</p>



<b>Recommendation</b>	<b>Response</b>
5) the Commissioner, Community and Neighbourhood Services, establish a process to claim provincial subsidy for the personal needs allowance provided in kind to individuals. In addition, appropriate steps should be taken to negotiate a retroactive subsidy claim for prior years where possible;	5) Agreed in principle.  Staff will meet with the Province regarding this issue and clarify eligibility for in-kind personal needs allowance payments, and discuss the possibility of retro-active payment. An appropriate process will be developed for claiming the subsidy if it is agreed to by the Province.
6) the Commissioner, Community and Neighbourhood Services, establish centralized policies and procedures regarding the issuance of personal needs allowance to individuals either in cash or in kind. The policy should specify eligibility criteria for the receipt of personal needs allowance in cash or in kind, the rate to be paid in cash, the maximum value of personal needs items to be provided, and general administration guidelines for issuance of the allowance;	6) Agreed.  As noted in the Auditor General's Report there are a number of number of policies and directives already in place regarding the issuance of personal needs allowance. Staff will review these in light of the recommendations in this report. Shelter, Housing and Support and Community and Neighbourhood Services finance staff are currently working with Hostel Services on the documentation of financial business processes. The issuance of PNA is included as part of this documentation.

<b>Recommendation</b>	<b>Response</b>
<p>7) the Commissioner, Community and Neighbourhood Services, establish standard procedures for all City-operated and purchased service shelters for the identification and reporting of information on individuals who have lived on a First Nations Reserve during the 12 months prior to their admission to the shelter. Subsidy claims, including those for prior years, be prepared taking this information into account</p>	<p>7) Agreed.</p> <p>Guidelines were distributed to agencies regarding this issue in October of 2003. Staff will work with Financial Administration staff to set in place a process to capture IWS (Indian Welfare Services) subsidy claims appropriately, including prior years.</p> <p>Tracking of IWS claims will also be addressed through SMIS.</p>
<p>8) the Commissioner, Community and Neighbourhood Services, review the food and personal needs allowance rates paid to families accommodated in the shelters and motels in comparison to the level of support provided to similar families receiving social assistance in the community, with a view to determining whether any adjustment to the shelter rates is warranted;</p>	<p>8) Agreed.</p> <p>Staff will review all rates taking into consideration the fact that there are program issues that restrict where and how families in the shelters can buy food. For example, they cannot buy in bulk as they have no capacity to store food, in certain cases they may only have a microwave available for cooking and they do not have a wide choice of shopping venues. All of this means that there are economies that can be achieved by families living independently in the community that cannot easily be achieved by shelter clients.</p> <p>Staff will also consider the current Council position on the adequacy of Ontario Works rates when reviewing rates for food and personal needs allowances.</p>

<b>Recommendation</b>	<b>Response</b>
<p>9) the Commissioner, Community and Neighbourhood Services, give priority to the development of a performance measurement framework that includes performance indicators to evaluate the effectiveness of support programs particularly with respect to case management and counselling provided by the Hostel Services Unit, as well as the reporting requirements on the results of such evaluations;</p>	<p>9) Agreed.</p> <p>Performance measurement is an important part of system management. As noted in the Auditor General's report, a performance management initiative is already in place in Shelter, Housing and Support and one program within Hostels, the Redirection of Emergency Hostel Funding is already part of this initiative. Hostel Services was identified as the next area for the expansion of the performance management initiative within the Division, however, a lack of staff resources due to the hiring freeze has delayed this.</p> <p>Staff have already started looking at the possible components to be considered in evaluating support in shelters. The implementation of the case management model as noted earlier will assist in developing performance measures for the hostel system. In developing performance measures it will be important to consider the fact that the City is not the sole funder of these activities in the shelter system.</p>

<b>Recommendation</b>	<b>Response</b>
10) the Commissioner, Community and Neighbourhood Services, develop file documentation standards in order to adequately document and monitor the level of support services provided to individuals serviced by the emergency shelter system;	10) Agreed.  Documentation standards can be developed as part of the case management service model being introduced in 2005. New staff at shelters are already required to attend training which includes information on file documentation. Information on documentation standards can be added to this training. File documentation will also be addressed through the next review of the shelter standards.
11) the Commissioner, Community and Neighbourhood Services, review the arrangement between the City and St. Michael's Hospital Foundation regarding the disbursement of donated funds for Seaton House programs, with a view to ensuring that:  (a) the City receives all the funds that it is entitled to; and  (b) for any new program that will be funded from the donated funds, all capital and operating costs and related funding are taken into consideration and receive the appropriate approvals prior to the implementation of such program;	11) Agreed.  Staff will review the disbursement of funds from the St. Michael's Hospital Foundation and will work with CNS and Corporate finance to establish policies and procedures regarding third party donations.

<b>Recommendation</b>	<b>Response</b>
<p>12) the Commissioner, Community and Neighbourhood Services, report to City Council as requested on the health care activities at Seaton House. In addition, the Commissioner be requested to review the current arrangement with those physicians providing medical services to the Seaton House infirmary program, with a view to:</p> <p>(a) determining the level of medical services that should be provided by the physicians for hostel clients at the infirmary clinics;</p> <p>(b) determining the physician fee that should be paid by the City for each type of service which should be consistently applied to all physicians;</p> <p>(c) ensuring that the City does not pay for medical services that should be covered by OHIP; and</p> <p>(d) preparing a formal agreement with the physicians, in consultation with the City Solicitor, stipulating the terms and conditions for the provision of medical services under the infirmary program;</p>	<p>12) Staff reported out to Council in September of 2004 regarding medical services at Seaton House.</p> <p>The Infirmary program at Seaton House provides both shelter and health care services. As such, defining the border between the two services is difficult</p> <p>The program has been designed to maximize and coordinate services to the client thus being more financially efficient.</p> <p>Staff are currently in discussions with the Ministry of Health and Long Term Care (MOHLTC) regarding the funding of health care services in the infirmary and are hopeful that physician funding will be covered by the MOHLTC in the future. Should this not happen, staff will re-review recommendations 12 a) b) c) and d).</p>

<b>Recommendation</b>	<b>Response</b>
<p>13) the Commissioner, Community and Neighbourhood Services, develop financial criteria and specific financial guidelines to be consistently applied in determining per diem rates for any community agency requesting to operate an emergency shelter;</p>	<p>13) Agreed.</p> <p>Staff will be reporting out to Community Services Committee regarding per-diem rates and will provide a timetable for the development of financial criteria and guidelines.</p> <p>Rationalization of per-diem rates may lead to higher per-diems than those currently being paid or to program closures.</p>
<p>14) the Commissioner, Community and Neighbourhood Services, seek Council authority annually:</p> <p>(a) to set the per diem rates and maximum bed capacity for each purchased service shelter operated by a community agency on behalf of the City; and</p> <p>(b) to execute the purchased service agreements with the community agency on behalf of the City;</p>	<p>14) Agreed.</p> <p>Since prior to amalgamation the Commissioner has been signing the annual purchase of service agreement. Staff agree that explicit Council authority for the bed capacity, per-diem levels and signing of these agreements should be obtained.</p>

<b>Recommendation</b>	<b>Response</b>
<p>15) the Commissioner, Community and Neighbourhood Services, review the standard purchased service agreements with community agencies for the provision of shelter services and establish a policy requiring that:</p> <p>(a) the maximum contract value, including per diem and personal needs allowance payments, be specified in the agreement; and</p> <p>(b) any amendment to the financial terms of the agreement such as in-year changes to the per diem rates be made only in exceptional circumstances and after a written justification of the change, together with the financial impact of the change, is approved by an authorized official. Such changes to be reported to Council annually;</p>	<p>15) Agreed.</p> <p>A new purchase of service agreement was introduced in 2004 after a review with legal services.</p> <p>Maximum contract values were not included in the new contract design, however this can be reviewed with finance and legal staff for possible inclusion in future contracts. Controls are in place to review and authorize the monthly expenditures.</p> <p>Staff have implemented a policy for documenting financial adjustments including sign off. This issue will be addressed in the report to Community Services Committee regarding per-diem rates. This report will include information on who may sign off on in year per-diem adjustments.</p>

<b>Recommendation</b>	<b>Response</b>
<p>16) the Commissioner, Community and Neighbourhood Services, in consultation with the City Solicitor, review the current agreements with motel operators for the provision of rooms for families in need of emergency shelter, with a view to:</p> <p>(a) updating all existing contracts with motel operators;</p> <p>(b) developing standard agreements, and where possible ensuring that the terms and conditions contained in these agreements provide adequate flexibility and protection to the City considering the emergency nature of Hostel operations; and</p> <p>(c) ensuring that the agreements, including amendments to the agreements, are signed by the appropriate City official within their signing authority;</p>	<p>16) Agreed.</p> <p>Shelter, Housing and Support staff and legal staff are already in the process of updating the model contracts. Comments from the Auditor General will be taken into consideration in finalizing the documents.</p> <p>The agreement with the motel operator in St. Catherine's was put in place in 2000 when demand for family shelter significantly outstripped available permanent beds in the City. Much of this was due to high demand from refugee claimants entering the country. Staff had no reason, based on an analysis of service trends, to believe that demand would go down in successive years and could not have predicted either the events of September 11, 2001, the imposition of federal visa restrictions nor the impact that these actions would have on the family shelter system. Also, at that time there was significant pressure from the community and from the Scarborough Councillors not to further expand the use of motels in Scarborough.</p> <p>Staff agree that these events have clearly illustrated that greater flexibility in motel contracts and in duration of contracts was required. This is being considered in the review and updating of the contract. The City no longer pays to retain motel beds for possible use, nor does it have any contracts with motels outside the City.</p>



<b>Recommendation</b>	<b>Response</b>
<p>17) the Commissioner, Community and Neighbourhood Services, review the Out of the Cold Program, with a view to:</p> <ul style="list-style-type: none"><li data-bbox="268 501 746 562">(a) evaluating the costs and benefits of the program;</li><li data-bbox="268 600 746 864">(b) reporting to the Community and Neighbourhood Services Committee, together with a recommendation on the future direction of the program both in the short-term and the long-term based on the evaluation; and</li><li data-bbox="268 902 746 1541">(c) in the interim, provide clear direction as to how the program fits into the overall City shelter system, including:<ul style="list-style-type: none"><li data-bbox="363 1070 746 1205">(i) the City's role in the provision of the support services by the agency running the program; and</li><li data-bbox="363 1238 746 1541">(ii) the City's role in the provision of emergency shelter services by the participating community organizations, particularly with respect to the applicability of the City's Shelter Standards to these organizations;</li></ul></li></ul>	<p>17) Agreed.</p> <p>As noted in the Auditor General's comments, significant changes have been made to the Out of the Cold (OOC) program over the last two years to enhance service delivery and to increase accountability. The review noted in the Auditor General's report is considered by staff to be the first phase of a full review of the OOC program. Staff anticipate that they will report back to Council in early 2006 on the OOC program and future directions for the program.</p>

<b>Recommendation</b>	<b>Response</b>
<p>18) the Commissioner, Community and Neighbourhood Services, assess the reliability of the financial information in the Hostel Utilization System that is used by the City-operated shelters and ensure that any information required to be carried forward to the new Shelter Management Information System, currently under development, is complete and accurate;</p>	<p>18) Agreed.</p> <p>Shelter, Housing and Support and CNS finance staff have already embarked on the process of verifying financial data currently stored in the Hostel Utilization System.</p>
<p>19) The Commissioner, Community and Neighbourhood Services, establish standardized policies and procedures for the administration and control of funds in all City-operated shelters. The manual should address the following:</p> <p>(a) administration and reporting of imprest cash funds and client savings accounts;</p> <p>(b) preparation of bank reconciliations, ensuring that proper bank reconciliations are prepared monthly for all bank accounts maintained by the City-operated shelters. Such reconciliations be reviewed and approved in writing by an authorized supervisory official who is independent of the cash handling and cash recording functions; and</p> <p>(c) assignment of responsibilities including those of supervisory staff, ensuring that there is adequate segregation of duties whenever possible and practical.</p>	<p>19) The Shelter, Housing and Support Division released a Financial Administration Manual in June of 2004. This document is now being reviewed specifically in relation to Hostel Services. SH &amp; S and CNS finance staff are currently completing their review and will be setting up any additional internal controls, processes and policies for Hostel Services that are warranted based on the Auditor General's report. Internal Audit staff will be consulted for a review and comment on the draft procedures prior to finalization.</p> <p>Once procedures are developed, a review of the staff resource requirements in relation to the policies/procedures will need to be completed as no directly operated shelter currently has financial support staff on site.</p> <p>It should be noted that segregation of duties and internal controls are more challenging in human service programs that operate 24/7 where some financial transactions continue on evenings and weekends when there is no administrative support staff and only one management staff on site.</p>

<b>Recommendation</b>	<b>Response</b>
<p>20) the Commissioner, Community and Neighbourhood Services, in consultation with the Treasurer and Chief Financial Officer, establish trust accounts for client savings administered by each City-operated shelter and further that these trust accounts be recorded in the City's accounting system. All interest earned on such accounts be proportionately credited to each individual account;</p>	<p>20) Agreed in principle.</p> <p>Staff will review this recommendation with CNS and Corporate finance to discuss feasibility and resource issues related to this recommendation.</p>
<p>21) the Commissioner, Community and Neighbourhood Services, develop policies and procedures which establish clear accountability and responsibility for the payment verification process, including an appropriate level of supervisory control and approval. Such policies ensure that payments are made only for goods and services received in accordance with costs contained in duly approved contracts;</p>	<p>21) Agreed.</p> <p>Shelter, Housing and Support staff have formed a purchasing work group to review these issues. The development of polices will have to take into account the fact that directly operated shelters do not have the financial or administrative staff to review itemized invoices, and the fact that sites would not see certain contracts, for example, the purchase of pens or photocopy paper, which are done under omnibus City purchasing and procurement contracts.</p> <p>The Payment Process Improvement Project (PPIP) initiated by Corporate Finance will help to review the payment process of invoices for each contract.</p> <p>The issuance of Contract Release Orders and the Contact Management process should also assist in addressing this issue.</p>

<b>Recommendation</b>	<b>Response</b>
<p>22) the Commissioner, Community and Neighbourhood Services, review the payments made for medical supplies in order to determine why the City is being billed for supplies in excess of contract amounts. Where circumstances dictate, all overpayments be recovered from the supplier;</p>	<p>22) Agreed.</p> <p>While the materiality of this problem is small, staff have already instituted random reviews of invoices for medical supplies to determine where excess billings are taking place.</p> <p>The PPIP initiative and Control Release Orders process will ensure the accuracy of billing and payments for future invoices.</p>
<p>23) the Commissioner, Community and Neighbourhood Services, in consultation with the Chief Administrative Officer, consider the benefits of utilizing the services of the Internal Audit Unit in the following:</p> <ul style="list-style-type: none"> <li>(a) development of internal control procedures particularly with respect to funds management and payment controls;</li> <li>(b) implementation of the Shelter Management Information System; and</li> <li>(c) implementation of the quality assurance program; and</li> </ul>	<p>23) Agreed.</p> <p>As noted in the response to Recommendation 19 staff will request the assistance of the Internal Audit Unit in reviewing the update to the Financial Administration Manual. Also as noted in the response to recommendation 19, Internal Audit is already involved in the SMIS project. Staff will speak with Internal Audit staff regarding their possible involvement in some stages of the QA process.</p>

<b>Recommendation</b>	<b>Response</b>
24) the Commissioner, Community and Neighbourhood Services, develop a policy that clearly establishes standard rates for maintenance fees for emergency shelter users. Such a policy determine at what income levels maintenance fees become due. The policy be applied consistently to both City-operated and purchased service shelters. Internal controls commensurate with the level of fees collected be established.	24) Agreed.  Staff of Shelter, Housing and Support are currently working with Legal Services to review this issue. Additional resources will be required in the short term to develop policies and rates.  It should be noted that any decisions regarding maintenance fees would have to be considered in relation to any new Landlord Tenant legislation being introduced by the Province.
25) the Commissioner, Community and Neighbourhood Services report back to the Audit Committee in July of 2005 on the status of implementation of each of the recommendations contained in the report.	25) Agreed.