

Part 2 of the Audit of Emergency Shelters: Lessons Learned from Hotel Operations

Date: May 20, 2022
To: Audit Committee
From: Auditor General
Wards: All

SUMMARY

The Auditor General's Annual Work Plan includes a series of audits along the housing continuum. This series of audits is timely as the City continues to move forward with delivering its priority actions identified in the Homelessness Solutions Service Plan and the HousingTO 2020-2030 Action Plan.

Our audit of emergency shelter operations, overseen by the City's Shelter, Support and Housing Administration (SSHA) Division was conducted in several parts.

- This report addresses the City's use of hotels to provide emergency shelter.
- A separate report addresses the City's delivery of housing case management supports at emergency shelters.

SSHA has traditionally contracted with various hotels across the city to supplement its shelter capacity for individuals experiencing homelessness. With the onset of the COVID-19 pandemic there was a need for increased physical distancing, which reduced bed capacity at existing shelter and respite sites. In response, SSHA needed to significantly expand the number of hotel rooms purchased to be able to provide a safe place for people experiencing homelessness to sleep indoors. As at March 9, 2022, the shelter system included over 3,900 people staying in 2,900 rooms across 29 hotel locations.

SSHA will likely continue to use hotels as a temporary housing solution to meet the demand for emergency shelter beds, winter respite, refugee resettlement, or for other emergencies that may arise.

Putting in place the right strategies to effectively oversee and manage hotel operations allows SSHA to stretch the value achieved from each shelter dollar further and to free up more rooms to support those in need.

Implementing the 15 recommendations in the following three main areas can help strengthen SSHA's oversight and management of hotel operations:

- A. Strengthening Contract Management Stretches Funding Further** – SSHA, like other City divisions, needs a stronger internal control framework to effectively manage its contracts. This audit highlights an opportunity to transfer responsibility for hotel contracting to CREM so SSHA can focus on core service delivery.
- B. Leveraging Data to Identify Opportunities to Stretch Funding Further** – Getting the right data in place to be able to focus on available capacity within the system is one way SSHA can continuously improve the coordinated and cost-effective use of available space in the system. Going forward, SSHA should enhance its use of data to develop targeted strategies to help reduce the number of hotel rooms going unused and to look for ways to make more space in hotels available as client rooms.
- C. Building Confidence in the Safety of the Shelter System** – SSHA has a responsibility for ongoing monitoring and reinforcement of IPAC measures implemented by its contracted service providers.

With a focus on making sure no dollar and no room goes to waste, SSHA can provide more emergency shelter spaces or can re-direct more funds towards creating more permanent housing solutions for those experiencing homelessness – solutions that recognize that housing is inherent to the dignity and well-being of a person, that housing is a determinant of health, and that housing is an efficient and cost-effective use of resources.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the General Manager, Shelter, Support and Housing Administration Division, in consultation with the Controller, to develop an internal control framework to effectively manage hotel contracts being used to provide emergency shelter services. Such internal control framework to include the following measures:
 - a. Clear policies and procedures that define the roles and responsibilities for both internal and third-party program staff as well as program support staff who review invoices and authorize payments for hotel shelter services.
 - b. Perform periodic reviews to verify that key contract monitoring and management controls are operating effectively.
2. City Council request the General Manager, Shelter, Support and Housing Administration Division, to consult with the City Solicitor when undertaking negotiations to change existing contract terms and to ensure any changes to terms of agreements follow proper contracting practices, including proper amending of contracts where applicable.

3. City Council request the General Manager, Shelter, Support and Housing Administration Division, in consultation with the City Solicitor, to review the express terms of hotel contracts and to communicate to applicable hotel operators to stop invoicing for charges not in compliance with the express terms of the contracts.

4. City Council request the General Manager, Shelter, Support and Housing Administration Division, in consultation with the Controller and City Solicitor, to assess the amounts charged on invoices and to take action to recover any amounts paid to hotel operators and other service providers that are not in accordance with the express terms of contract, including:

- a. "DMF" and Marketing Service Fees.
- b. "Facility surcharge" and gratuities applied for meal services.
- c. Vacant room charges less any credits received to date.
- d. Any other charges identified that are not in accordance with the express terms of the agreement.

5. City Council request the General Manager, Shelter, Support and Housing Administration Division, to ensure that, going forward, invoices are appropriately reviewed such that payments are only authorized for charges that are in accordance with the express terms of the contract.

6. City Council request the General Manager, Shelter, Support and Housing Administration Division, in consultation with the City Solicitor, to ensure that hotel contracts clearly describe the applicable charges for the services being delivered and clarify if other charges such as gratuities and other surcharges or fees should be excluded from payment where not described in the contract.

7. City Council request the General Manager, Shelter, Support and Housing Administration Division, to clarify for each hotel the applicable rate for each specific space in the hotel (other than client rooms), be it offices, programming rooms, banquet rooms, storage rooms, or other areas.

8. City Council request the General Manager, Shelter, Support and Housing Administration Division, to review all invoice charges in addition to hotel rooms (such as printer fees, storage costs), to see if there are more cost-effective options for addressing the operational requirement needed to operate emergency shelter programs in hotels.

9. City Council request the General Manager Shelter, Support and Housing Administration Division, in consultation with the Corporate Real Estate Management Division, to:

- a. Implement processes to support the Division's ability to enforce the contract requirements related to repairs of any damages caused by the City's occupancy of hotels.

- b. Ensure the appropriate review of charges by hotels for damages prior to authorizing payments to ensure the charges are in accordance with the express terms of contract.

10. City Council request the General Manager, Shelter, Support and Housing Administration (SSHA) Division and the Executive Director, Corporate Real Estate Management (CREM) Division, to review roles and responsibilities for identifying potential locations for emergency shelter programs, procuring and negotiating pay-per-use agreements and room block leases, and managing contracted hotel space used for emergency shelter purposes. Such review to determine how SSHA can best leverage CREM real estate service delivery, wherever possible.

11. City Council request the General Manager, Shelter, Support and Housing Administration Division, to reduce costs associated with vacant and unused rooms by prioritizing assignment of rooms in leased facilities before incurring additional room costs at hotels with more flexible arrangements.

12. City Council request the General Manager, Shelter, Support and Housing Administration Division, to ensure that the Shelter Management Information System accurately reflects contracted room capacity and the rooms available in hotels, including rooms with a recent discharge.

13. City Council request the General Manager, Shelter, Support and Housing Administration Division, to review the cost-effectiveness of the portfolio of contracted hotels, using reliable data to assess the demand for shelter beds and any need to open up more rooms or alternatively reduce the number of rooms the City is purchasing.

14. City Council request the General Manager, Shelter, Support and Housing Administration Division, to ensure the Division:

- a. Keeps the Infection Prevention and Control (IPAC) manual for shelters settings up-to-date and available to all shelter service providers
- b. Monitors shelter service providers' IPAC plans are up-to-date and that IPAC principles and procedures are properly and consistently being implemented at each shelter on an ongoing basis to reduce the risk of spreading any infection in the shelter system
- c. On an ongoing and regular basis, obtains independent assessments of IPAC procedures in place to effectively prevent, detect, and manage outbreaks, in consultation with the Medical Officer of Health or third-party IPAC specialist and works with shelter service providers to remedy areas that may require improvement for each facility and/or agency
- d. Reports transparently to City Council, through the Economic and Community Development Committee, on IPAC areas requiring improvement, including corrective action plans to strengthen IPAC measures in the shelter system

15. City Council request the General Manager, Shelter, Support and Housing Administration Division, in consultation with Accounting Services Division and the City Solicitor, to review and determine the accurate and consistent application of Harmonized Sales Tax (HST) on hotel services when the City is leasing space for emergency shelter on a long-term basis. Such review to include:

- a. Determining if room, meal, or any other relevant services being provided are exempt from HST.
- b. Determining if the City can obtain a recovery or rebate of the HST already paid, should it be determined that the services are exempt.
- c. Providing direction to hotel operators for emergency shelter services on the expected treatment for HST going forward.

FINANCIAL IMPACT

Implementing the recommendations in this report will result in savings for the City by putting a stop to vendor charges not in accordance with the express terms of the contract and with the recovery of past payments. The exact amount of savings cannot be determined at this time.

Putting in place the right strategies to effectively oversee and manage hotel operations allows SSHA to stretch the value achieved from each shelter dollar further and to free up more rooms to support those in need.

DECISION HISTORY

The Auditor General's recent Annual Work Plans have included several audits of different City housing programs along the housing continuum.

Figure 1: Housing Continuum



Past audits have included:

- Moving Forward Together: Opportunities to Address Broader City Priorities in Toronto Community Housing Corporation Revitalizations
[Agenda Item History - 2019.AU2.1 \(toronto.ca\)](#)

- Opening Doors to Stable Housing: An Effective Waiting List and Reduced Vacancy Rates Will Help More People Access Housing
[Agenda Item History - 2019.AU3.14 \(toronto.ca\)](#)
- Safeguarding Rent-Geared-to-Income Assistance: Ensuring Only Eligible People Benefit
[Agenda Item History - 2019.AU4.5 \(toronto.ca\)](#)
- Strengthening Accountability and Outcomes for Affordable Housing: Understanding the Impact of the Affordable Home Ownership Program
[Agenda Item History - 2020.AU6.3 \(toronto.ca\)](#)

The Auditor General's Audit Work Plan included a review of emergency shelter services administered by SSHA. While we initiated our audit in early 2020, the audit was paused several times in recognition of the significant impacts of COVID-19 on emergency shelter operations during the different waves of the pandemic.

COMMENTS

A high level summary of key audit findings are provided in the one-page Audit at a Glance.

The attached audit report provides the Audit Committee and members of Council with the detailed audit results and recommendations together with management's response. Management has agreed to all 15 recommendations.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Part 2 of the Audit of Emergency Shelters: Lessons Learned from Hotel Operations