



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

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Executive Summary

Audit of Emergency Shelters – Part 2: Hotel Operations

Our audit of emergency shelter operations, which are overseen by the City's Shelter, Support, and Housing Administration (SSHA) Division was conducted in several parts or phases. While we began our audit in early 2020, this 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.

This report addresses the City's use of hotels to provide emergency shelter. Our audit work in this area was completed just prior to the onset of the Omicron variant. We paused work to finalize our report until after this wave had passed. In the meantime, we provided our preliminary findings and recommendations to the General Manager of SSHA in order for prompt action to be taken with respect to our recommendations.

This report reflects the results of our audit work completed in 2021 updated for any actions that the Division has been able to take since that time.

Hotels are used to supplement shelter bed capacity

The City contracts with hotel providers across the Greater Toronto Area for rooms and other services to supplement its shelter bed capacity. Prior to the COVID-19 pandemic, the City's emergency shelter system included approximately 700 hotel rooms primarily assigned to family and refugee clients experiencing homelessness.

City significantly expanded hotel use to address COVID-19 distancing requirements in shelters

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 sites¹. 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.

¹ Shelters provide temporary accommodation and related support services that assist people to move into housing. Shelters require commitments from clients, such as working with a case manager on a housing plan or employment strategy. In comparison, the City's respite sites have lower barriers to service, making them more accessible to people who may not otherwise access conventional shelter services. 24-Hour respite sites provide essential services to individuals experiencing homelessness in an environment that prioritizes ease of access to safe indoor space. Services provided at respite sites include resting spaces, meals and service referrals

SSHA and community agencies worked together to respond to the pandemic

SSHA's [2020 Annual Report](#) highlights that at the start of 2020,

*"SSHA and homelessness service organizations were expecting to open a handful of new shelters and respite sites. By March 17, 2020, SSHA had launched its three-tier response to COVID-19 for people experiencing homelessness, which included the need to achieve physical distancing in the shelter system. **SSHA and community partners opened 42 temporary sites and created close to 2,300 spaces in community centres and hotels. 31 of these sites were opened in the first 90 days of the pandemic.** Homelessness service organizations began running these sites, growing their staff complements to assume the operation of the new sites and working under very tight timelines. City staff were also redeployed to run sites – around 190 non-frontline SSHA staff and 545 City staff from other divisions."*

Over 2,900 rooms across 29 hotel locations in March 2022

As at March 9, 2022, the shelter system included over 3,900 people staying in 2,900 rooms across 29 hotel locations. These locations are summarized in Exhibit 1.

We recognize the challenges SSHA faced in managing emergency shelter operations across an expanded number of locations and facilities during the COVID-19 pandemic. SSHA needed to implement changes and increase the number of shelter locations at an unprecedented pace in order to protect client safety and, as described by SSHA, to mitigate the loss of lives. This was a situation never faced before by SSHA.

Pandemic resulted in significant challenges

In addition to identifying additional space for physical distancing, challenges included identifying partners and staff to operate programming in those spaces and ensuring availability of services. The COVID-19 pandemic presented significant challenges for SSHA in preventing and controlling the spread of infection among staff working in the emergency shelter system and clients experiencing homelessness staying there.

\$320M was spent on shelter operations at hotels in 2021

In 2021, approximately \$320 million was spent on shelter operations at hotels, including about \$118 million for hotel rooms and \$29 million for meals. The remainder covered community agency wraparound services and other costs of shelter services delivered at hotels.

SSHA will likely continue to use hotels as a temporary housing solution

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. This report will help SSHA to prepare now for that future possibility, should it arise.

Strong contract management stretches funding further to help more people access emergency shelters and permanent housing solutions

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. With this focus on making sure no dollar 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.

Our key findings are summarized below.

A. Strengthening Contract Management Stretches Funding Further

SSHA and CREM negotiated lower prices for rooms and meals after the start of the pandemic

With the on-set of the pandemic, SSHA worked quickly to negotiate the emergency expansion of contracted capacity with existing hotel groups which were previously selected through a Request for Proposal (RFP) process. The renegotiated and expanded contracts significantly increased the capacity available to address physical distancing requirements, as it more than doubled the volume of hotel rooms available and yielded lower daily rates for rooms and meals from what was originally contracted in August 2019.

The amended contracts negotiated by SSHA brought daily rates more in line with the room and meal rates that the Corporate Real Estate Management (CREM) Division was helping to negotiate for new shelter locations and hotels where the City had no previous agreement. As a result, SSHA avoided having to pay approximately \$7 million for rooms used at existing pre-pandemic hotels from April 2020 through August 2021².

Contract management and enforcement of contract terms need strengthening

While these efforts to reduce costs are recognized, we found SSHA's contract management and enforcement of contract terms need significant strengthening.

Paying more attention to contract management has been a recurring theme in many of our audits of City divisions, agencies, and corporations. The Auditor General's January 2020 report, "*Previous Audit Reports – Common Themes and Issues*", highlights that one recurring issue found across the City is the need to strengthen oversight and accountability for effective contract management³.

² We note that while SSHA avoided paying the higher rate on rooms used, at the same time SSHA paid for unused rooms as detailed in Section A.1 of this report

³ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU5.3>

SSHA, like other divisions, needs to make sure they are managing to the express terms of the contract

SSHA, like other City divisions, needs a stronger internal control framework to effectively manage its contracts. In the Auditor General's 2021 Report "*Getting to the Root of the Issues: A Follow-Up to the 2019 Tree Maintenance Services Audit*", we also highlighted that the City should put in place additional supports and greater accountability City-wide for effective monitoring and management of significant outsourced contracts.

We recognize that SSHA staff were, and continue to be, faced with significant personal and public pressure during the pandemic. This is even more reason why it is important to have strong contract management processes in place, so that new processes and controls do not need to be developed and implemented during times of uncertainty and change. Alternatively, recognizing that SSHA needs to be focused on its core services of supporting a particularly vulnerable population during emergencies, protocols can be set up to leverage financial, contract management and business operations support and expertise from other divisions.

Audit highlights an opportunity to transfer responsibility for hotel contracting to CREM so SSHA can focus on core service delivery for people experiencing homelessness

While we provide details on areas where SSHA's management of hotel contracts needs greater attention, what our findings really highlight is that SSHA may need more support from other City divisions. During the pandemic, CREM started providing support to SSHA by identifying hotels that could be used to provide emergency shelter accommodations and negotiating new contracts – this is one of CREM's areas of expertise.

Transferring responsibility for negotiating and managing the remainder of SSHA's hotel contracts to CREM could free up SSHA staff to focus on their core services of helping people experiencing homelessness move along the housing continuum and access stable housing and support services. This is an opportunity for the City to work as one, to better set SSHA and their clients up for success.

Charges Were Not in Accordance with the Express Terms of Contract

Examples of areas needing greater attention

Some staff who process invoice payments were not familiar with the contracts or whether a particular charge should apply. Some staff were processing what they thought or assumed was appropriate based on what they had always paid rather than applying the express terms of the agreement, including:

- an extra three per cent "DMF" charge applied to contracted room rates even though the contracts are clear that the contracted prices are inclusive of all associated costs and that the City shall not be responsible for any additional costs
- an extra "Facility Surcharge" applied on meal invoices, even though contracted prices are inclusive of all associated costs and the City was already being charged for use of dining rooms at contracted rates

- charges for vacant and unused rooms that were not set out in the “pay per use” contract and subsequent amendments to contracts were explicit that the City was not to be charged for vacant rooms. To be clear, these are rooms that are not at the COVID-19 isolation and recovery hotel. Management indicated that these issues arose from the need to expedite expanding use of hotel rooms due to the pandemic and were not a significant issue with the pre-pandemic refugee program

Contracts were in place in 2019, before the pandemic started – pre-pandemic the City was already being charged incorrectly

We recognize that our audit occurred during the pandemic; however, some of the contracts we reviewed were already in place before the pandemic. More specifically, the contracts where we found the City paying for charges that were not in accordance with the express terms of contract were established through an RFP process issued at the end of 2018⁴ and effective August 2019. These incorrect amounts were being charged even before the pandemic.

City paid more than \$13M over 2 years for charges that were not in accordance with the express terms of contract – enough to pay for about 52,000 room nights, meals and wraparound support services for an entire year

The City paid more than \$13 million plus HST for charges that were not in accordance with the express terms of the contract:

Description of charges not in accordance with the express terms of contract, from August 2019 through August 2021 on the current contract	Amount
a. Extra 3% "DMF" charge on room invoice*	\$2.40 million
b. Extra "Facility Surcharge" on meal invoice ^{5*}	\$5.30 million
c. Charges for vacant rooms when the contract does not specify that vacant rooms are to be paid for	\$5.40 million
d. Other charges not in accordance with contract	\$0.10 million
Amount Overcharged	\$13.20 million
HST	\$ 1.72 million
Total	\$14.92 million

*SSHA paid additional amounts to those noted in this table for the time period preceding August 2019. For example, we found that SSHA was paying for some of these charges (i.e. 3% charge on room invoice) as far back as 2017. We have not quantified the full impact of similar charges related to past contracts.

We note that \$13.2 million is enough to pay for about 52,000 shelter room nights or equivalently 140 rooms to shelter people experiencing homelessness, including meals and wraparound support services for an entire year⁶.

⁴ The contracts we reviewed are different and much stronger, than the informal "room block" arrangements that SSHA had in place on an "emergency" basis for the refugee program. Still, these 2019 contracts pre-date the pandemic. We also note that another Request for Proposal (RFP) was recently conducted in 2021 to again add to the roster of hotels already under contract from 2019 under similar terms as the 2019 contracts

⁵ Dining rooms are separately charged

⁶ A March 2022 staff report indicated that “the costs of providing emergency shelter by using temporary hotels has more than doubled in the past two years, from \$110 per night on average to more than \$250 per night.” [Agenda Item History - 2022.EC28.9 \(toronto.ca\)](#)

Some extra charges not in accordance with contract

SSHA has indicated that the pandemic did not leave management with a lot of opportunity to review contracts upon receipt of invoices and they were limited in their time to iron out details from past agreements. Still as noted above, the City was being charged for some of these amounts as far back as 2017, well before the pandemic. It is noteworthy, that questions about some of these charges were raised previously by the media.

Actions taken by SSHA to begin addressing audit findings

Our audit work in this area was largely completed by late 2021, just prior to the onset of the Omicron variant. In December 2021, SSHA began to take action on our findings and recommendations. In April 2022, we followed up with SSHA Management to find out what action had been taken on our audit findings to recover these charges.

SSHA Management advised that they discussed the DMF, printer and gratuity fees with the hotel operator. After the discussion SSHA Management emailed the hotel operator confirming the details of their discussion. As a result,

- The hotel operator has stopped charging “DMF” on room invoices for all hotels beginning January 2022. The hotel operator agreed to refund “DMF” for a three-month period from April 15 to July 15, 2021 as credits against future invoices over time. We note that as of April 22, 2022, no credits for any previous DMF charges have been posted in the City’s financial system.
- After SSHA Management’s discussion and email, SSHA staff then asked the hotel operator to “*change the facilities charge to read gratuity charge on current and future invoices*”. The hotel operator is now charging this “gratuity” at 12 per cent (compared to the Facility Surcharge which had been applied at a rate of 15 per cent of meal invoices). We note that this does not change that the City has been charged a Facility Surcharge, an extra charge not in accordance with the express terms of the contract and that gratuities⁷ are also not contemplated in the contract. As of April 22, 2022, we have seen no evidence of an effort yet to recover the “Facility Surcharge” paid through December 2021.
- We note that the vacant room charges do not appear to have been discussed and that the City continues to pay for vacant room charges even when the contract does not specify that vacant rooms are to be paid for.

⁷ Gratuities are also not charged on the flat rate meal charges at hotels where CREM negotiated the leases

Higher room and meal rates at some hotels

We note that SSHA Management did not obtain advice from Legal Services regarding the recovery of charges that were not in accordance with the express terms of contract before discussing the contractual issues with the hotel operator. SSHA obtained legal advice regarding the “DMF” and “Facility Surcharge” after we made inquiries on the status of recoveries.

We also noted that for 2022 SSHA has started to pay a higher room rate and/or meal rate at some of these hotels⁸. SSHA Management’s discussion regarding room and meal rates occurred at, or around, the same time the recovery of previous charges was discussed. Legal Services’ advice was not obtained before SSHA conducted these discussions. Management advised that renegotiation of new rates was key to maintaining service continuity and to addressing inflation.

Opportunities to reduce costs related to optional charges

SSHA should also review opportunities for reducing costs associated with “optional” charges by providing more cost-effective options for addressing the operational requirements of community agencies operating shelter programs in hotels. For example,

City paid \$840,000 for storage space

- Hotel banquet space was used to store belongings left behind by clients after being discharged from the hotel. The City paid an estimated \$840,000 for storage space from August 2019 to August 2021 at one hotel. We found conference and meeting rooms were being used in a similar manner at other hotels but did not quantify the full financial impact as part of this audit. While SSHA has advised that onsite storage of client belongings is required and that there will be some cost associated with storing belongings, there are likely more cost-effective options.

City paid \$68,000 for printers

- The City paid approximately \$68,000 for agencies to use between two and four hotel-provided printers over the course of two years. There are likely more cost-effective options for providing printers for shelter operators to use while on-site at a hotel. We understand the hotel operator has indicated to SSHA that printer charges will be refunded or credited back to the City.

Every dollar matters for improving outcomes for people experiencing homelessness

Every dollar matters when it means more funds can be used directly towards making sure there are enough emergency shelter beds in the winter months or more funding can be redirected towards creating additional permanent housing to address homelessness.

⁸ Where applicable, the increased room and/or meal rates went into effect at different times at different hotels. While these rate increases have been reflected on invoices, they have not yet been reflected in an amending agreement to the contract

B. Leveraging Data to Identify Opportunities to Stretch Funding Further

SSHA's primary concern was the immediate need for additional emergency shelter locations

With the onset of the COVID-19 pandemic, SSHA's primary concern was to bring online, as quickly as possible, additional temporary emergency shelter locations to allow for physical distancing to support the health and safety of its clients.

Reasons for vacancy loss

SSHA has advised that quickly expanding capacity and implementing public health measures was the primary consideration and management acknowledges that there was some vacancy loss that resulted because of:

- The time needed to safely relocate and occupy a hotel with clients – transfer of clients was challenging as infection outbreaks began and transportation options to be able to relocate groups of clients were declining
- The significant growth in labour force needed to staff and assume operations at new locations
- COVID-19 infection prevention and control considerations

City spent an estimated \$2-3M on vacant rooms in leased hotels

As a consequence of the challenges facing the shelter system, we estimate that the City paid in the range of \$2-3 million⁹ for rooms that went unused at the start of leases while new programs were ramping up, as well as for a variety of other operational reasons.

SSHA should develop targeted strategies to better identify available capacity hotels for people experiencing homelessness

We recognize the extreme pressures that SSHA faced during the pandemic and the challenges of making decisions in constantly evolving circumstances. A lesson learned from our review of the City's expanded use of hotels, is that going forward, SSHA should enhance its use of data to develop targeted strategies to help reduce vacant hotel rooms in the system from going unused and to look for way to make more space in hotels available as client rooms. Every dollar matters and so does every additional room that can be made available for clients to sleep in. 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. This in turn will result in better services and outcomes for people experiencing homelessness.

⁹ This estimate is based on the period from April 2020 to May 2021 and excludes approximately \$1.9 million paid for unused rooms in the leased isolation hotel at the beginning of the pandemic, as well as an estimated \$1 million paid for unused rooms related to periods of COVID-19 outbreaks at hotels, where SSHA may have closed the hotels to new admissions

For example, during the week of January 25, 2022, we found that the City had paid for about 1,705 rooms at leased hotels (the red line), as shown in Figure 1. SSHA’s Shelter Management Information System (SMIS) data for that week indicates that the hotels only had client capacity of around 1,380 rooms and that these 1,380 rooms were at or near full occupancy (the blue line and green shaded area).

This means about 325 of the rooms that were leased were not made available for clients to sleep in.

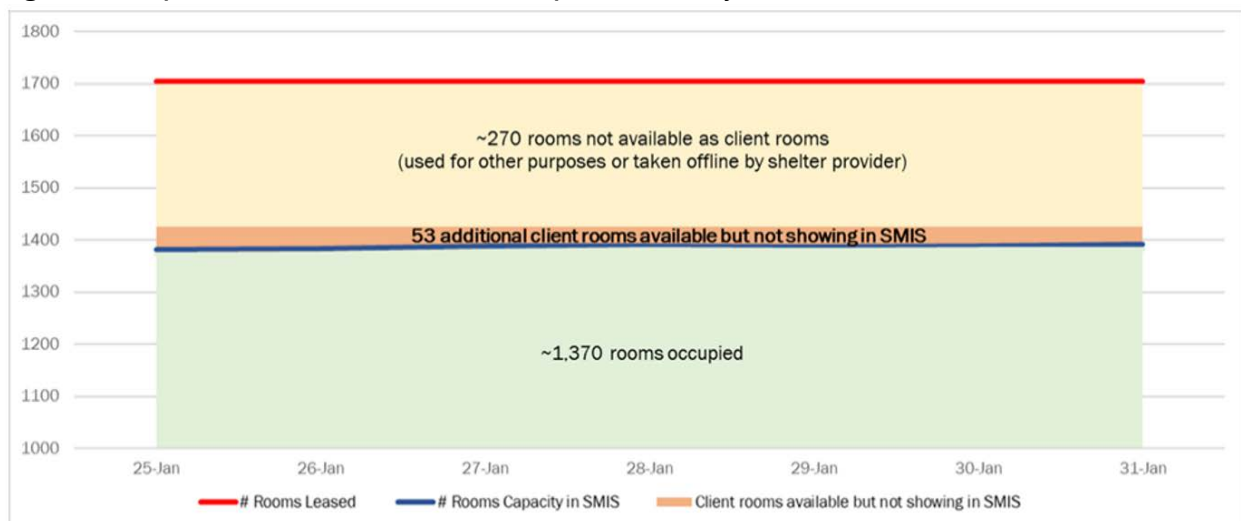
16% of leased rooms are used for other purposes

- Management advised that about 270 rooms were used for other purposes such as staff offices, space for health, mental health and harm reduction services as well as counselling, client programming space, and storage; or, the rooms were taken offline due to damage, housekeeping, pest control, or other reasons (the yellow shaded area). That means that 16 per cent of rooms in these hotels were not available to provide a space for people experiencing homelessness to sleep. Identifying how these rooms were used was difficult because this information is not included in SMIS. Tracking and monitoring data on leased capacity that is not used as client rooms can help to identify opportunities and strategies to make more space in hotels available as rooms for more clients, especially in cold weather.

53 client rooms available during extreme cold weather did not show as such in SMIS

- We noted that there were about 53 to 60 rooms that should have been available for clients but did not show as available capacity in SMIS, in a week that the City was under an Extreme Cold Weather Alert (the orange shaded area).

Figure 1: Comparison of Rooms Leased vs. Occupied for January 25 - 31, 2022



Strategies to help identify and manage available capacity

To effectively leverage shelter system data, SSHA should make sure the following strategies are in place:

- Identify leased capacity that has not been made available as client rooms and track rooms used for other purposes (such as office space, storage, or programming) – this data can be used to identify where SMIS capacity needs to be updated and to evaluate possible alternatives for rooms used for other purposes to increase available capacity for clients, particularly in cold weather months
- Identify clusters of available rooms / beds which go unused – this data can be used to identify where SSHA should focus on bringing rooms online more quickly or to make rooms available to a broader client group
- Prioritize use of rooms at leased facilities and leverage pay-per-use hotels where flexibility is needed

These strategies can reduce vacancies and increase the optimal use of rooms in the shelter system, in turn, helping free up funding which can be used towards creating more permanent housing solutions to address homelessness. This is in keeping with SSHA's goal to "pivot to housing" as highlighted in their 2020 Annual Report.

SSHA continues to improve the quality of data it tracks

We expect that as SSHA continues to improve the quality of data it tracks that additional insights can be gained about areas for continuous improvement on the use of data to develop targeted strategies that will stretch the value of every shelter dollar.

C. Building Confidence in the Safety of the Shelter System

Like other congregate living settings, shelter locations continued to experience outbreaks throughout the COVID-19 pandemic

Throughout the COVID-19 pandemic, community organizations raised concerns to the City about the health and safety of the people experiencing homelessness.

Despite efforts by SSHA to quickly expand the number of shelter locations to increase physical distancing and to provide guidance to shelter operators about infection prevention and control procedures to be implemented across the shelter system, shelter locations continued to experience outbreaks similar to other congregate living settings.

The resurgence of cases in the shelter system followed each wave in the broader community, but often with greater risks and impacts because of the vulnerable population living in shelters.

Community groups and encampment residents raised concerns about safety of shelters at the outset of the pandemic

A survey of 72 encampment residents¹⁰ completed by SSHA in March 2021 asked why they chose not to access a shelter. The respondents reported concerns about COVID-19 and feeling safer outside as reasons for not coming into a shelter. Ensuring safety measures are in place at shelters, including hotels, is important for clients to have confidence in entering the shelter system.

SSHA has a responsibility for ongoing monitoring and reinforcement of IPAC measures implemented by its contracted service providers

As the Service Manager, SSHA has a responsibility to do everything it can to protect the vulnerable populations living in the City's shelter system from COVID-19. Doing so entails working under the guidance of Toronto Public Health. An important responsibility of SSHA, as Service Manager, is to provide clear guidance on expected infection prevention and control (IPAC) measures to the many agency partners and hotel operators that work with SSHA to deliver essential emergency shelter services. Furthermore, in its oversight capacity, SSHA is responsible for ongoing monitoring and reinforcement of proper practices, especially during times of uncertainty.

Need to remain vigilant in implementing IPAC measures in shelters

While we understand that the City has done and continues to do many positive things in relation to dealing with the pandemic, this report highlights that SSHA and its shelter providers need to remain vigilant in implementing IPAC measures at all times, and not just during a pandemic, especially when serving a particularly vulnerable population.

Independent consultant performed inspections of IPAC measures at shelters in May 2021

In response to the third wave of the COVID-19 pandemic and a resurgence of outbreaks in the broader community and in the shelter system, the City hired a third-party IPAC consultant to complete site inspections at hotels and shelters. Reviews started May 11, 2021. In June 2021, the responsibility for inspecting IPAC measures at hotels was transferred to the SSHA quality assurance team with the continued support of the third-party consultant.

Need for IPAC improvements identified more than one year after start of pandemic

During the initial inspections, the consultant found deficiencies across several emergency shelter locations, including hotels. The IPAC specialist indicated that the challenges identified are common across most congregate living settings that have implemented their IPAC programs from provincial guidance documents. The following list provides a few highlights of areas that needed to be addressed:

¹⁰ [COVID-19 Response Update: Protecting People Experiencing Homelessness and Ensuring the Safety of the Shelter System \(toronto.ca\)](#)

- Need for ongoing IPAC education for staff with a focus on hand hygiene
- Improper use of personal protective equipment by staff
- Inconsistent daily screening
- Absent or incorrect use of masks
- Limited access to ABHR (Alcohol-Based Hand Rub) on residential floors
- Absence of maximum occupancy signage or markings for designated seating

Publicly posting the results of independent IPAC inspections improves transparency and will help quell public concerns about the safety of shelters during a pandemic.

Conclusion

We recognize that there were many challenges that came with responding to the COVID-19 pandemic. A broader assessment on the City's response to the pandemic is included in our Audit Work Plan for the coming year.

Going forward, implementing the 15 recommendations in this report can help strengthen SSHA's oversight and management of hotel operations by putting in place a stronger internal control framework to effectively manage its contracts; by leveraging data to continuously improve the coordinated and cost-effective use of available hotel space; and by building confidence in the safety of the shelter system.

The dollars add up, and any savings by implementing these recommendations can be used towards providing more shelter beds, when needed, and to building more permanent and longer-term housing solutions that lead to better outcomes for those experiencing homelessness.

We would like to express our appreciation for the co-operation and assistance we received from management and staff of the Shelter, Support and Housing Administration Division, as well as the Medical Officer of Health, Dr. Eileen de Villa and her team at Toronto Public Health.

We would also like to express our appreciation to the community agencies for their cooperation during this audit. Lastly, we want to acknowledge the commitment and dedication of the staff of both SSHA and external agencies in continuing to deliver emergency shelter services in Toronto during the pandemic.

Background

Even prior to the pandemic SSHA contracted with hotels to supplement shelters

The City's Shelter, Support and Housing Administration (SSHA) Division contracts with various hotels across the city to have flexibility to expand or contract its shelter capacity. At some hotels, SSHA directly operates the shelter program while at others, the City contracts community agencies to operate the programs to provide services on its behalf. City staff or community agencies provide wraparound shelter services which may include:

- meals and laundry
- access to harm reduction and mental and physical health supports
- counsellors/case managers who work with clients to develop permanent housing plans
- assessments and referrals to other community services, as needed

Shelter system included about 700 hotel rooms pre-pandemic

Prior to the COVID-19 pandemic, the emergency shelter system included approximately 700 hotel rooms procured, contracted, and managed by SSHA. These hotel programs were generally focused on families and refugees.

Number of hotel rooms increased significantly during the pandemic

With the onset of the COVID-19 pandemic, the need for increased physical distancing meant that the number of people sleeping in existing shelters and respites needed to be reduced to meet physical distancing requirements.

CREM assisted by negotiating leases for new hotel locations

As a component of its emergency response, SSHA received approval from the City's Senior Leadership Team to activate hotel rooms to support physical distancing, isolation and recovery needs within the shelter system.

The Corporate Real Estate Management (CREM) Division assisted the City's response to COVID-19 by identifying potential locations for temporary accommodations for shelter clients. CREM negotiated new leases with hotels on a non-competitive, emergency basis on behalf of SSHA. Due to the pandemic, the City's normal engagement process of notifying and working with the community before a shelter opened did not occur.

SSHA negotiated with existing suppliers to add capacity

At the same time, SSHA negotiated the emergency expansion of contracted capacity with existing hotel groups which were previously selected through a 2018 Request for Proposal process. SSHA is responsible for contract management of both newly leased hotels and existing “pay per use” and “fixed price” hotel contracts which were expanded.

As of March 2022, City has around 2,900 hotel rooms used for emergency shelter

As of March 9, 2022, the shelter system included over 3,900 people staying in 2,900 rooms across 29 hotel locations. These locations are summarized in Exhibit 1. One of these hotels was designated as a hospital and has been used for isolation as well as recovery for people experiencing homelessness who had COVID-19 symptoms or had tested positive for COVID-19.

SSHA accountable for overseeing all emergency shelter operations

As Service Manager, SSHA is ultimately accountable and responsible for overseeing all emergency shelter operations including those operating in hotels. SSHA is also responsible to have appropriate processes for monitoring contracted services to ensure they are provided in accordance with Toronto Shelter Standards¹¹ and the agreements. Having strong contract management practices in place will allow the City to stretch its limited funding further and support more people in need of services.

In 2021, approximately \$320 million was spent on shelter operations at hotels, including about \$118 million for hotel rooms and \$29 million for meals. The remainder covered community agency wraparound services and other costs of shelter services delivered at hotels.

SMIS is used to identify available beds across the shelter system

SSHA's Shelter Management Information System (SMIS) is used to collect, store and retrieve client information and to manage admissions and discharges from shelter beds. SSHA central intake staff use SMIS to identify available beds across the system in real-time and to direct individuals and families experiencing homelessness to a location (including hotels) where they can access shelter services. All City-funded shelters must use SMIS.

Important that SMIS data is accurate and current

On-site program staff are supposed to update SMIS based on client activity. Staff are expected to enter data in the system to manage admissions, transfers and discharges from shelter beds at their respective shelter locations. SMIS information is used to determine whether a program has space to accept new clients, perform bed checks, review hotel invoices against occupancy, and analyze shelter trends. Therefore, it is important that the data and information is accurate and current.

¹¹ <https://www.toronto.ca/community-people/community-partners/emergency-shelter-operators/toronto-shelter-standards/>

Audit Results

This section of the report contains the findings from our audit work, followed by specific recommendations.

A. Strengthening Contract Management Stretches Funding Further

Contract management is a key theme in multiple Auditor General reports

The need to improve contract management practices has been a recurring theme in previously issued Auditor General reports, across many of the City's divisions, agencies, and corporations. The Auditor General's January 2020 report, *"Previous Audit Reports – Common Themes and Issues"*, highlights that one recurring issue found across the City is the need to strengthen oversight and accountability for effective contract management¹².

Staff need to pay attention to applying the express terms of the contract

As with other City contracts we have audited, including tree maintenance contracts and winter maintenance contracts, applying the express terms of the contract is an area where all divisions need to pay more attention.

We recognize that SSHA staff were faced with significant personal and public pressure during the pandemic. This is even more reason why it is important to have strong contract management processes already in place, so that new processes and controls do not need to be developed and implemented during times of uncertainty and change.

Standard contract management practices

Typical contract management practices that we expected SSHA to already have in place included:

- fair and competitive procurement processes
- standard contracts with clearly defined terms and conditions to protect the City's interests
- staff knowledgeable of key contract terms and an understanding of how to enforce compliance
- strong invoice verification procedures to ensure payments are in accordance with express terms of contract
- three-way matching to confirm services have been properly delivered before making payment

¹² <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU5.3>

Improving contract management is key

We found that, as with other divisions in the City, SSHA needs a stronger internal control framework and a questioning mind to effectively manage its hotel contracts. Improving contract management is key to making sure the limited funding available is stretched to serve as many shelter clients as possible.

Contracts are in place to protect the City's interests

Both the hotel contracts negotiated by CREM and those negotiated by SSHA make clear that the contract should be administered based solely on terms set out in the formal agreements. SSHA staff should not use verbal discussions or emails between staff and the hotel operator to alter the terms set forth in the contract. During an emergency, where changes to terms are to be negotiated and agreed upon through informal communications, these changes should be properly authorized and confirmed through formal amendments to the contracts, even if it means doing so after the fact.

These terms of agreement are vital to protecting the City's interests.

Where SSHA Management and staff are administering the contracts in ways that do not follow the contract terms, this increases the risk that the City is invoiced for amounts outside of the contracted terms, and that SSHA staff proceed to pay for these charges.

Audit highlights an opportunity to transfer responsibility for hotel contracting to CREM so SSHA can focus on core service delivery for people experiencing homelessness

While we provide details on areas where SSHA's negotiation and management of hotel contracts needs greater attention, what our findings really highlight is that SSHA may need more support from other City divisions. During the pandemic, CREM started providing support to SSHA by identifying hotels that could be used to provide emergency shelter accommodations and negotiating new contracts – this is CREM's area of expertise.

Transferring responsibility for negotiating and managing the remainder of SSHA's hotel contracts to CREM, can free up SSHA staff to focus on their core services of helping people experiencing homelessness move along the housing continuum and access stable housing and support services. This is an opportunity for the City to work as one, to better set SSHA and their clients up for success.

This is consistent with the centralized, whole-of-government approach to the City-wide Real Estate transformation¹³, where CREM is designated as a single point of service for centralized real estate service delivery. SSHA would work with CREM to identify the hotel requirements, but CREM would be responsible for negotiating the best rates and managing the hotel service agreements / leases including verifying invoices are consistent with the negotiated terms.

¹³ [City-wide Real Estate - Next Phase of Implementation \(toronto.ca\)](https://www.toronto.ca/city-government/real-estate/city-wide-real-estate-transformation/)

A.1. Stop Paying More Than Required by Contracts

\$13M in charges that were not in accordance with the express terms of contract

We reviewed the contracts and a sample of invoices for all 13 hotels where SSHA purchased rooms and services on a pay-per-use basis during the period covered by our audit. We found that six hotels belonging to the same hotel group¹⁴ invoiced the City more than \$13 million plus HST over approximately two years, for charges that were not in accordance with the express terms of the contract. This is summarized in Table 1.

Table 1: Charges not in Accordance with the Express Terms of Contract, from August 2019 through August 2021 on the Current Contract

Description	Amount
a. Extra 3% "DMF" charge on room invoice*	\$2.40 million
b. Extra "Facility Surcharge" on meal invoice ^{15*}	\$5.30 million
c. Charges for vacant rooms when the contract does not specify that vacant rooms are to be paid for	\$5.40 million
d. Other charges not in accordance with contract	\$0.10 million
Sub-total	\$13.20 million
HST	\$1.72 million
Total	\$14.92 million

Additional amounts to those noted in this table for the time period preceding August 2019

**SSHA paid additional amounts to those noted in this table for the time period preceding August 2019. For example, we found that SSHA was paying for some of these charges (i.e. 3% charge on room invoice) as far back as 2017. We have not quantified the full impact of similar charges related to past contracts.*

We note that \$13.2 million is enough to pay for about 52,000 shelter room nights or equivalently over 140 rooms to shelter people experiencing homelessness, including meals and wraparound support services for an entire year¹⁶.

Our observations on these charges are described in further detail in the sections that follow.

¹⁴ In 2020, over 85 per cent of all room rents at "pay-per-use" hotels were for these six hotels.

¹⁵ Dining rooms are separately charged

¹⁶ A March 2022 staff report indicated that "the costs of providing emergency shelter by using temporary hotels has more than doubled in the past two years, from \$110 per night on average to more than \$250 per night." [Agenda Item History - 2022.EC28.9 \(toronto.ca\)](#)

a) Extra 3% "DMF" charge on room invoices

"DMF" often refers to a Destination Marketing Fee collected by some hotels

The acronym DMF – and amount – coincides with a fee commonly found in the hotel industry. In Ontario, destination marketing programs or other tourism fees are *voluntary*, industry-led initiatives as a means of supporting regional tourism marketing development.

Prior to April 2018, some hotels in Toronto voluntarily participated in the program and collected a three per cent Destination Marketing Fee from its customers. This fee was remitted to the Greater Toronto Hotel Association¹⁷ and used to promote regional tourism. In Toronto, the Destination Marketing Fee program stopped after April 2018 when City Council enacted the Municipal Accommodation Tax. The City does not pay Municipal Accommodation Tax on hotel rooms used to provide emergency shelter.

Extra 3% "DMF" charge on room invoices of 6 hotels

For six hotels belonging to the same hotel group, we found that the City was being charged an extra three per cent "DMF" on room invoices (as shown in Figure 2). The extra three per cent charge has been consistently applied since the start of the current contracts in August 2019 and was also applied by some of these hotels prior to August 2019 under previous contracts. These charges are not related to the pandemic.


These hotels were not part of the GTHA Destination Marketing Fee program

During our audit, we confirmed these six hotels were not a part of the Destination Marketing Fee program administered by the Greater Toronto Hotel Association (GTHA).

Figure 2: Excerpts of an Actual Hotel Invoice Showing "DMF 3%" Charge

Item #	Description	Rooms	Rate	Nights	Price	
	Rooms MAY 11 , 2020	25	\$ 114.00	1	\$ 2,850.00	
	Rooms MAY 12 , 2020	26	\$ 114.00	1	\$ 2,964.00	
	Rooms MAY 13-31 , 2020	51	\$ 114.00	19	\$ 110,466.00	
	Meeting Room/Breakout room MAY 11-31,2020	2	\$ 350.00	21	\$ 14,700.00	
...						
					Invoice Subtotal	\$ 130,980.00
					DMF 3%	\$ 3,488.40
					HST on DMF	\$ 453.49
					HST 13% on Rooms	\$ 17,027.40
					Total	\$ 151,949.29

Extra 3% "DMF" charged on room invoices



¹⁷ <https://www.gtha.com/destination-marketing-program>

City should not have been charged "DMF"

As summarized in Table 2, the hotel operator charged and the City has paid about \$2.4 million during the current contract period, and an additional \$0.6 million for similar charges in prior contract periods.

\$3M + HST paid for "DMF" charges on room invoices that are not specified in the contract

Table 2: Summary of extra 3% "DMF" charged on room invoices

Period	Amount
Current contract: August 1, 2019 – August 31, 2021, charged as "DMF"	\$2.4 million
Prior contract periods: pre-August 1, 2019, charged as "DMF"	\$0.6 million
Prior contract periods: pre-August 1, 2019, charged as "Marketing Service Fee"	\$50,000
<i>Amount charged</i>	\$3.1 million
<i>HST</i>	\$0.4 million
<i>Total charged</i>	\$3.5 million

Note: On more current invoices this 3% additional charge was labelled "DMF". On some earlier invoices this charge was labelled "Marketing Service Fee".

SSHA staff referred to the DMF as a standard industry charge

When we asked SSHA staff why they paid these additional fees, they stated that the fee was a standard hotel charge in the industry.

The contracts clearly state the price (i.e., the room rate) is all-inclusive except for taxes. "DMF" is not a tax and should not have been paid.

Hotel operator implied that the DMF was a "tax"¹⁸

We understand that in a prior contract period (2017), SSHA staff responsible for administering the contract asked the hotel operator why "we are being charged DMF 3%. What is this for? We were advised by your accounting unit that this is included in our agreement but I don't see this can you advise where this charge is indicate in our agreement?"

The hotel operator responded [emphasis added]: "As per the agreement the contracted rate is [rate] plus applicable taxes. **Our taxes are: 13% HST; 3% DMF, which is a Marketing fee** charged to all our guest rooms and it is subject to 13% HST."

¹⁸ The Ontario Ministry of Heritage, Sport, Tourism, and Culture Industries makes clear that Destination Marketing Programs or other tourism fees are not legislated by the government and the funds collected do not go to government. Businesses collecting fees are responsible for ensuring that these fees are not misrepresented as taxes. http://www.mtc.gov.on.ca/en/invest/destination_marketing.shtml

SSHA staff also referred to the DMF as a “tourism tax”

It appears that in July 2019, SSHA senior management again questioned the charge. SSHA staff responsible for administering the contract indicated to management that [emphasis added] “DMF (Destination Marketing Fee) is a *tourism tax* charged on the rooms only at 3%”. The City continued to make payments to the hotel operator for this charge, even though the City had already enacted the Municipal Accommodation Tax and the voluntary Destination Marketing Program in Toronto had stopped.

Hotel operator stated that the 3% fee was not part of Destination Marketing Program when questioned by the Auditor General

When we asked the hotel operator’s Vice President of Operations if the 3% DMF charge was part of the Destination Marketing Program, he informed us that “*it has nothing to do with the Destination Marketing Program.*”

When asked if these fees were part of the Greater Toronto Hotel Association’s Destination Marketing Program and whether these fees were remitted to the GTHA, he responded “No” to both questions.

Hotel operator advised the Auditor General that the DMF was a “Direct Management Fee”

The hotel operator advised us on two separate instances that this was a “Direct Management Fee” charge “to over-see the day to day operations in the hotel and support.” He explained that this was to cover HR issues, health and safety issues, fire department and related issues, legal issues, union issues, and building related issues.

Contracted room rate includes all associated costs and fees

SSHA’s contracts clearly state and restate in several areas that prices are inclusive of all associated costs. No additional costs are to be charged. Furthermore, the contracts also state that the price does not change regardless of whether the hotels have increased their cost of occupancy or cost of services.

The hotel operator's Vice President of Operations also stated that the DMF was to help pay for things that were destroyed by patrons like a brass cart. Yet, the contract has provisions that cover damaged property which will be paid for if proof of damage is provided to the City within 48 hours.

City should seek recovery of 3% “DMF” and other similar additional charges

The City has continuously paid the three per cent additional fee (under different names) charged by this hotel operator for over two years. The City should assess the amount that has been paid to date and take action to recover all amounts paid as far back as possible, including any payments that predate the current contracts.

Our audit work in this area was largely completed by late 2021, just prior to the onset of the Omicron variant. In December 2021, SSHA began to take action on our findings and recommendations. In April 2022, we followed up with SSHA Management to find out what action had been taken on our audit findings to recover these charges.

SSHA Management advised that they discussed the matter with the hotel operator and that:

Hotel Operator stopped charging “DMF” in 2022

- Effective January 2022, the hotel operator has ceased charging “DMF” on room invoices across all locations.

SSHA Management is working to recover “DMF” charged since April 2021

- The hotel operator agreed to refund approximately \$381,000 in DMF charges plus HST for the three-month period from April 15 to July 15, 2021 as credits against future invoices over time. As of April 22, 2022, no credits for any previous DMF charges have been received.

SSHA did not involve Legal Services in negotiations to recover charges that were not according to the express terms of the contract

SSHA Management does not appear to have pursued recovery of DMF charged for periods outside of this three-month timeframe and did not involve Legal Services in the recovery of these charges as recommended by the Auditor General. SSHA Management advised that the reason they had not pursued full recovery of past charges was that they were in the midst of negotiations for future hotel use and they thought that at the time they “*weren’t even really in a position to do anything else*” and that there were too many people relying on the shelter spaces. SSHA sought legal advice on these charges and the express terms of the contract after we made inquiries on the status of recoveries in April 2022 – four months after receiving our initial audit findings and recommendations.

We note that SSHA Management discussed the DMF recovery with the hotel operator at around the same time as a room rate increase, from \$114 to \$129 per night. In January 2022, the hotel operator began charging SSHA this increased rate on two hotels (i.e., 418 rooms). This is equivalent to an extra \$188,000 on top of the over \$1.4 million the City was already paying for these rooms each month (or an extra \$2.2 million on the over \$17 million charged for one year).

b) Extra “Facility Surcharge” on Meal Invoices

SSHA provides meals for its shelter clients

SSHA provides meal services for its shelter clients through agreements with various suppliers. In some locations, this is provided by the hotel operator directly, while in others, the City contracts with a caterer.

An extra “Facility Surcharge” was charged on meal invoices

On most of the hotels operated by the hotel group noted in the previous example, we found a “Facility Surcharge” applied to meal invoices (as shown in Figure 3). The term implies the surcharge is for use of the facilities. However, the City is already separately charged on its room invoices for any dining facility used to provide meal service at rates established in the contract (as shown in Figure 4).

\$5M + HST paid for a "Facility Surcharge" that was not specified in the contract

We estimate that the hotel charged, and the City paid, approximately \$5.3 million plus HST for the "Facility Surcharge" on meal invoices since the start of the current contracts (from August 2019 through August 2021).

Figure 3: Excerpts of an Actual Hotel Invoice Showing 15% "Facility Surcharge"

Item #	Description	Numbers	Rate		Price
	Meal Charges DEC 1-15 (4338 Total guests 15 days)	4338	33.00	1	\$ 143,154.00
...					
				Invoice Subtotal	\$ 143,154.00
				Facility Surcharge	\$ 21,473.10
					\$ 164,627.10
				HST 13%	\$ 21,401.52
				Total	\$ 186,028.62

Extra "Facility Surcharge" on meal invoices

Figure 4: Example of Actual Hotel Invoice Showing Dining Room Charge at Room Rates Set out in the Contract

Item #	Description	Rooms	Rate	Nights	Price	
	Dining Room DEC 1-15, 2020			750.00	15	\$ 11,250.00

Dining Room is charged separately on room invoices



Photograph 1: Example of Dining Room Used to Serve Meals as Observed During August 2021 Site Visit

Flat rate meal price is to be inclusive of all associated costs

As shown in Figure 5, the hotels are to charge a lump sum price inclusive of all associated costs – meaning the "Facility Surcharge" added to meal invoices was not in accordance with the express terms of the contracts. The amending agreement executed during the pandemic, as shown in Figure 6, does not change this requirement.

Figure 5: Excerpt from Contract Showing Pricing is Inclusive of All Associated Costs

6.2 For the duration of the Term of this Agreement, the City shall be charged the rates outlined in Schedule "C" Price Detail Form of this Agreement regardless of whether the Hotels increase their cost of occupancy or cost of services.

Contracted rates apply regardless of whether Hotels increase their cost of occupancy or cost of services

PRICE DETAIL FORM

All Services, including additional and optional services offered (e.g., Wi-Fi, Pet Fees, Long Distance Calls, Parking, Pay Per View, Room Service, Etc.) will be paid in accordance with the following rates. Prices submitted below shall be inclusive of all costs excluding applicable taxes for term of any resulting Agreement. For instructions on completing this form, see section 5.3, subsection 4

Price Detail Form must be submitted in the same or similar format as below and must contain the following information at a minimum.

PROPOSER'S NAME: [REDACTED]

Item No.	Description	Lump Sum Proposed Price (Inclusive of All Associated Costs excluding taxes)
Core Services – Describe complimentary services, if applicable:		
1	Daily Room Rate – 1 Double or Queen Size Beds	\$ 129.00
2	Daily Room Rate – 2 Double or Queen Size Beds	\$ 129.00
3	Monthly Room Rate - 1 Double or Queen Size Beds	\$ 3870.00
4	Monthly Room Rate – 2 Double or Queen Size Beds	\$ 3870.00
Additional Services Offered:		
5	Daily Rate for office space	\$ 150.00
6	Monthly Rate for office space	\$ 4500.00
7	Daily Rate for Programming Room	\$ 150.00
8	Monthly Rate for Programming Room	\$ 4500.00
9	Daily Rate for Banquet Space (if applicable)	\$ 750.00
10	Monthly Rate for Banquet Space (if applicable)	\$ 22,500.00
11	Flat Rate for Meal Plan per person (if applicable) 3 years old and older. Provide sample menu and describe service style	\$ 42.00 /per person BUFFET STYLE
Optional and/or Additional Pricing (see section 5.3, Subsection 4C)		

Lump sum price is inclusive of all associated costs

Figure 6: Excerpt from Amending Agreement between City and Vendor

4. Schedule "C", Price Detail Form, of the Original Agreement is amended by deleting item numbers 1-2 in the "Core Services" section and deleting item number 11 in the "Additional Services" section, and replacing them as follows; and adding a new item number 16 in the "Optional and/or Additional Pricing" section of the Price Detail Form as follows:

1	Daily Room Rate – 1 Double or Queen Size Beds	\$114.00
---	---	----------

2	Daily Room Rate – 2 Double or Queen Size Beds	\$114.00
11	Flat Rate for Meal Plan per person	\$33.00
16	Daily Room Rate - One Bedroom Suite with one or two beds and a living room and pull out sofa beds	\$114.00

City should seek recovery of "Facility Surcharge"

Given that there is no express term in the contract to pay a "Facility Surcharge", SSHA should assess what has been paid to date and take action to recover all amounts paid as far back as possible.

As mentioned earlier, our audit work in this area was largely completed by late 2021, just prior to the onset of the Omicron variant. At the time, we recommended SSHA consult Legal Services when initiating negotiations or informal verbal or written changes to terms of agreements. In April 2022, we followed up with SSHA Management to find out what action had been taken on our audit findings to recover these charges.

"Facility Surcharge" now charged as "12% Grats" on 2022 invoices

SSHA Management advised that they thought *"this was the industry standard or practice that's been engaged in the past, and that's why we continued to do it"* and that they thought because *"for over four years, we've been paying it, that probably creates an expectation"* to keep paying it.

- Management discussed the "Facility Surcharge" on meal invoices with the operator. After this discussion, SSHA staff then asked the hotel operator to *"change the facilities charge to read gratuity charge on current and future invoices"*. The hotel operator is now charging this "gratuity" at 12 per cent (compared to the Facility Surcharge which had been applied at a rate of 15 per cent of meal invoices).
- At the same time, an increase to the meal rates was discussed. We note that in 2022¹⁹, meal rates on invoices increased from \$33 to \$38 per day plus "12% Grats".

¹⁹ The effective date of rate changes varied amongst the hotels. While these rate increases have been reflected on invoices, they have not yet been reflected in an amending agreement to the contract

This does not change that the City has been charged a Facility Surcharge, an extra charge not in accordance with the express terms of the contract. We reiterate that our reading of the contract (excerpted in Figure 5 and Figure 6) is that the “flat rate for meal plan” price on the Price Detail Form is inclusive of all costs, and that neither a “Facility Surcharge” or “Gratuity” / “Grats” should be applied.

We also note that at leased hotels, where contracts are negotiated by CREM, no “Facility Surcharge” or gratuities are added to the invoice.

SSHA Management did not consult Legal Services about express terms related to meal charges before negotiating contract changes

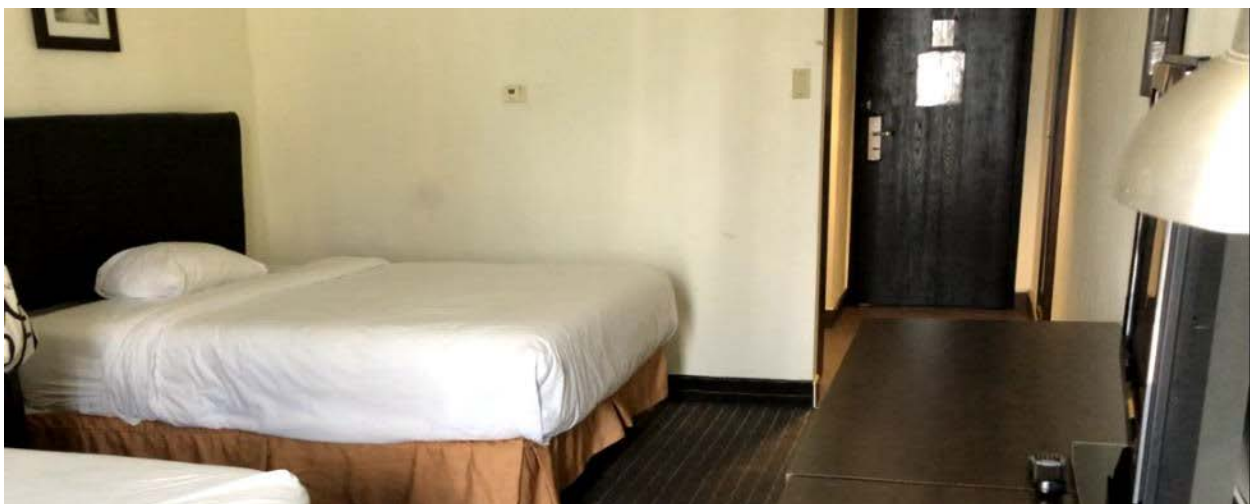
As of April 22, 2022, we have seen no evidence of any effort yet to recover the “Facility Surcharge” paid through December 2021. We note that SSHA Management did not seek advice from Legal Services regarding the recovery of these charges before discussing them with the hotel operator. SSHA sought legal advice after we made inquiries on the status of recoveries.

c) Significant charges for vacant rooms that were not to be charged, per the contract

Hotel operator charged the City for vacant unused rooms on pay-per-use contracts

We found that the same hotel operator as in previous examples charged the City for unused or vacant rooms, which was not in accordance with the contract. The current agreements with the hotel operator are pay-per-use agreements, meaning that the hotel operator should only charge the City for the actual number of rooms being used.

There is no requirement in the original contracts (effective August 1, 2019) for the City to pay for vacant rooms unless the City has made a reservation for a block of rooms, relevant examples which are noted below.



Photograph 2: Example of Vacant Client Room Observed at August 2021 Site Visit

SSHA reserved a block of rooms at Hotel A at the start of the pandemic and paid for the unused rooms in this block

In March 2020, in anticipation of a need for hotel rooms due to the pandemic, SSHA requested the hotel operator to reserve a block of around 300 rooms at one hotel (Hotel A). From March 12, 2020 to April 15, 2020, the City paid \$980,000²⁰ for unused rooms SSHA had reserved at Hotel A.

Hotel operator agreed to stop charging for vacant rooms in April 2020

A subsequent amending agreement dated April 20, 2020 specifically and explicitly required the hotel operator to suspend all vacant room charges at four hotels listed in the amendment.

In August 2020, City agreed to pay for vacant rooms at Hotel B, the isolation hotel only – no other hotels were included in the amending agreement

In late August 2020, SSHA entered into another amending agreement allowing the hotel operator to charge a prescribed rate (i.e. \$57 per room night²¹) for vacant rooms, but only at one of its hotels (Hotel B) which was being used as the COVID-19 isolation hotel for people experiencing homelessness. This charge was only applicable for the period from September 1, 2020 to April 30, 2021. This was later extended to August 2022 through subsequent amendments. The City paid \$1.9 million²² for vacant rooms at Hotel B, from September 2020 to August 2021, in accordance with the amending agreement.

\$5M + HST paid for unused vacant rooms at (non-isolation) pay-per-use hotels

However, we found the hotel operator continued to charge for unused and vacant rooms at three other (non-isolation) pay-per-use hotels. The City paid approximately \$5.4 million²³ plus HST for these rooms for the period from April 2020 to August 2021:

- At Hotel C and Hotel D, we observed that the hotel operator charged the City the full room rate of \$114 per room night for vacant rooms from April 2020 to August 2020 even though vacant rooms should not have been charged at all. These charges were not separately identified on the invoices. The City received a partial credit of about \$524,000 in August 2020²⁴.
- From August 2020 through June 2021, Hotels C and D then continued to charge the City for vacant rooms at \$57 per room per night, half the regular room rate. These vacant room charges are clearly noted on the invoices.

²⁰ We did not include this amount in our total cost of unused rooms but are providing this information for transparency and so that SSHA can consider this for future improvements

²¹ Vacant room rate is half the regular room rate

²² We did not include this amount in our total cost of unused rooms but are providing this information for transparency and so that SSHA can consider this for future improvements

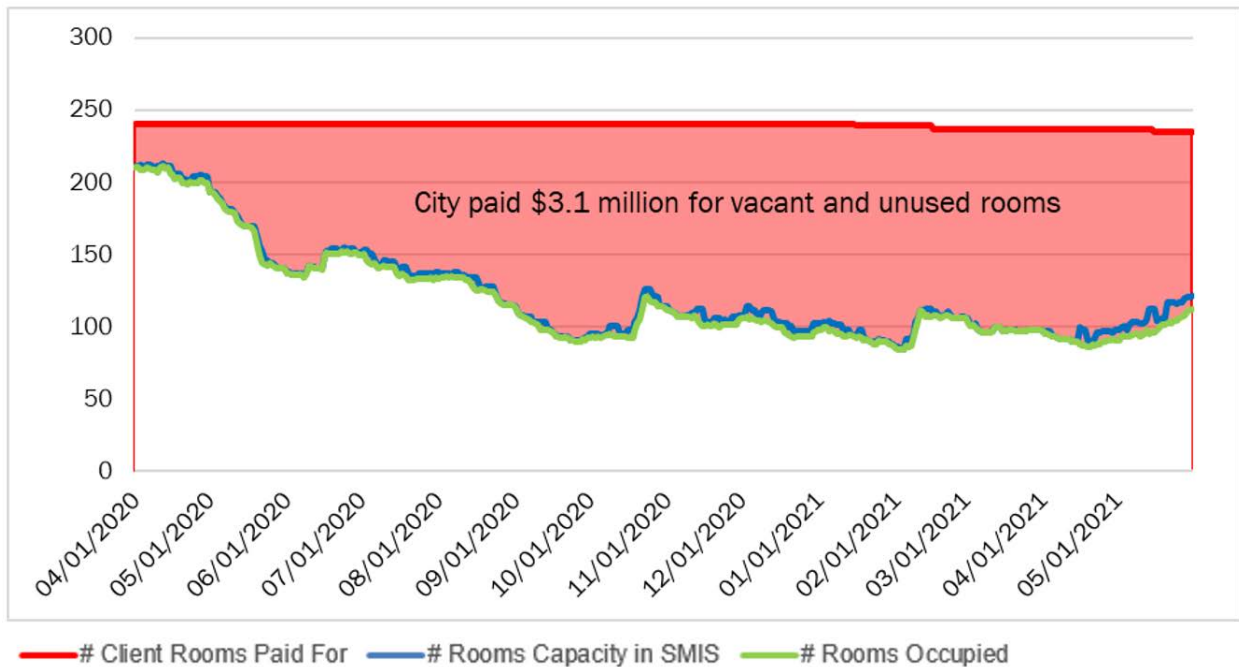
²³ Net of \$524,000 credit received in August 2020

²⁴ Estimated charge is based on the number of rooms invoiced less the number of occupied client rooms per SMIS and rooms being used by City / community partners. Although the hotel operator provided the City a partial credit of approximately \$524,000, we were unable to independently reconcile the amount credited to actual occupancy and vacancy data in SSHA's SMIS system. Based on an initial review of SMIS occupancy data, it is our view that the City should have been credited a much higher amount

- In June 2021, SSHA staff sent an email to the vendor saying SSHA would pay the full regular room rate for all vacant rooms at Hotel C and Hotel D going forward. Subsequently, in July 2021, the hotel operator began charging for vacant rooms at the full regular room rate (\$114 per room night) again.
- The hotel operator also appears to have charged for vacant rooms at another hotel (Hotel E) without identifying on the invoice that it was doing so. Based on occupancy data in SMIS, we estimate that the hotel operator charged the City \$399,000 for over 3,300 room nights that were not occupied during the period from April 2020 to May 2021²⁵.

Figure 7 illustrates, as an example, the rooms charged and actual rooms occupied at Hotel D.

Figure 7: Total Client Rooms Charged at Pay-Per-Use Hotel D Versus Rooms Used



²⁵ Estimated charge is based on the number of rooms invoiced less the number of occupied client rooms per SMIS and rooms being used by City / community partners

Reasons given for vacant and unused rooms

SSHA Management has indicated that unused rooms may have arisen because they wanted to be very careful with mixing families with single adults who may have different health and service needs. In addition, throughout 2020 and 2021 SSHA followed Toronto Public Health direction to restrict new admissions to hotels in outbreak status. Still, we reiterate that these are **pay-per-use hotel** contracts, meaning that under the contract, the City only needed to pay for rooms used and should not have been charged for vacant rooms.

No action has been taken on vacant rooms charges

Our audit work in this area was largely completed by late 2021 and SSHA were provided with the results and the recommendations. This was just prior to the onset of the Omicron variant. In April 2022, we followed up with SSHA Management to find out what action had been taken on our audit findings to recover these charges. As of April 22, 2022, we have seen no evidence of any effort yet to stop paying for vacant rooms or to recover vacant room charges paid through December 2021.

SSHA continue to pay for vacant rooms, and at a higher negotiated rate for 2022

SSHA continues to pay for vacant room charges. Furthermore, with the recently negotiated room rate increase, from \$114 to \$129 per night for two hotel locations (Hotel C and Hotel D), the City continues to pay for vacant and unused rooms at this higher rate.

SSHA Management did not consult Legal Services about express terms related to vacant rooms before negotiating room rate changes

We note that though we recommended SSHA to consult with Legal Service to review the express terms of the contracts and to communicate to the hotel operator to stop invoicing for charges not in compliance with the express terms of the contracts, as of April 22, 2022, SSHA Management had not yet sought the advice of Legal Services regarding the recovery of vacant room charges at non-isolation hotels. Management advised that they would talk to their *“partner providers first, and see what if anything their opinion was on this; and, then come back and see if they disagreed.”*

We do note that in January through March 2022 that these hotels were operating at or near full capacity based on SMIS capacity and occupancy data as well as per the hotel invoices.

The City should assess the total amount of vacant rooms that it has paid to date and take action to recover all amounts paid that are not in accordance with the express terms of contract for as far back as possible.

Terms are clear that agreement in force prevails

Even in a state of emergency, it is our view that, wherever possible, SSHA should administer contracts according to the terms which were put in place to protect the City. Specifically, as shown in Figure 8, the City has contract terms that include the following:

- The agreement supersedes all other agreements, oral or in writing
- No City employee is authorized to orally alter any portion of the agreement
- City is not bound by any written representation whatsoever concerning the agreement unless executed by the person designated and authorized by the agreement
- No deviation from agreement unless confirmed in a written and express amendment to the agreement
- Agreement shall not be amended except by written agreement executed

Staff who are not authorized to change contracts should be following the express terms of the contract, especially where the contract makes very clear who is to authorize contract changes and that those changes are to be properly authorized.

Agreement should not be amended except by written agreement executed by both parties

Figure 8: Excerpts from current contracts effective August 1, 2019

1.3.2 It is agreed by the parties that this Agreement supersedes all other agreements between the parties, oral or in writing, relating to the subject matter of this Agreement and that there are no representations or undertakings apart from this Agreement and the entire agreement is contained in this Agreement and shall be binding upon the parties to it and upon their heirs, executors, administrators and successors and any authorised assigns, and cannot be waived or varied by any oral representation or undertaking.

1.3.3 In the event of a conflict or inconsistency in any provisions in the Agreement: (a) the main body of the Agreement shall govern over the Schedules to the Agreement and (b) the RFP shall govern over the Proposal.

12. AGREEMENT IN WRITING

No verbal arrangement or agreement relating to the Services will be of any force or effect unless it is in writing and signed by duly authorized representative(s) of the City. The parties shall not be bound by any oral communication or representation whatsoever, including but not limited to any instruction, amendment or clarification of this Agreement or any of the documents comprising this Agreement, or any representation, information, advice, inference or suggestion, from any person (including but not limited to an elected official, employee, agent, independent consultant or any other person acting on the behalf of or at the direction of the City or other representative of the City) concerning this Agreement, any of the documents comprising this Agreement, or any other matter concerning this Agreement. Where in this Agreement a reference is made to the express written agreement, approval or consent of the City or the General Manager, it shall be understood that the City or General Manager shall not be deemed or construed to have agreed to any stipulation, specification, exclusion, limitation or other term or condition that deviates from a provision set out in this Agreement, unless that deviation is expressly confirmed in a written and express amendment to this Agreement.

No officer, employee, representative or agent of the City is authorized to orally alter any portion of this Agreement. The City shall not be bound by any written representation whatsoever concerning this Agreement unless executed by the person designated and authorized in accordance with this Agreement

or in accordance with a direction or authorization of City Council. The Vendor releases and waives all claims whatsoever in negligence, in equity or otherwise with respect to any oral or unauthorized representations or communications.

19. GENERAL PROVISIONS

19.1 This Agreement, shall not be amended except by written agreement executed by both Parties.

SSHA Management engaged in informal discussions to pay for vacant rooms at Hotels C and D that did not reflect the terms of the contract

In the case of the vacant room charges, it appears that SSHA Management engaged in informal verbal and email discussions – that were not consistent with the contracted terms – to pay the hotel operator amounts for vacant rooms at Hotels C and D. These actions, which did not adhere to practices the City has in place to protect its interests, could result in charges that were not according to the contract.

Similar issues were identified in a 2017 Internal Audit

It is concerning that SSHA Management and staff were making decisions to potentially change contract terms outside of proper contracting practices, especially since this issue was raised before by the City's Internal Audit Division in a review of SSHA's Hotel/Motel Services Contract Management in 2017. Internal Audit found informal verbal discussions occurred with hotels that could potentially result in the City paying for rooms that were not in use.

Contract terms should not be changed unless they are signed off by the General Manager or designate, with the authority to bind the City outside the contract executed by the SSHA General Manager and approved by the City Solicitor as to form. Regardless, Legal Services should be consulted before agreeing to changes and SSHA Management and staff should follow proper contracting practices by incorporating any approved changes in amending agreements. We note that even after recommending, in late 2021, that SSHA consult Legal Services when initiating negotiations or informal verbal or written changes to terms of agreements, that SSHA Management continued without doing so into 2022.

d) Other charges not in accordance with contract

Rooms charged at different rate than contracted

We found, at the same group of hotels as in previous examples, that the hotel operator was charging for rooms at rates that differed from the contracted rate. For example,

Charging double the applicable rate for rooms

- Two hotels were charging the City double the contracted rate for 1-bedroom suites. In invoices we reviewed covering a three-month period from January 1 to March 31, 2021, these two hotels charged the City an extra \$120,000 beyond the rate specified in the express terms of contract. There may be further overcharges outside of our sample period and/or at other hotels. Where SSHA does not obtain and review the detailed room breakdown to support the invoices, they will not be able to identify whether rooms are appropriately being charged in accordance with contracted rates.



Photograph 3: Example of a Suite Observed During August 2021 Site Visit

City should consider whether office or regular room rates prevail

- One hotel was charging for seven to ten offices at \$150 per day. While this rate matches the agreement, on-site program staff advised that the rooms charged at \$150 are regular guest rooms. These rooms should have been subject to the regular guest room rate of \$114. In invoices we reviewed from August 2019 to August 2021, we found that the City paid an extra \$167,000 for guest rooms used by staff as offices. The City should review these charges to determine whether office or regular room rates should prevail. This issue may be present at other hotels that have separate rates for rooms and offices.



Photograph 4: Example of a Client Room Used as an Office as Observed During August 2021 Site Visit

City should consider what rates apply

- A hotel we visited charged for 9 to 10 "Meeting room/breakout rooms" at \$350 per day. The contract only has rates for office spaces and programming rooms at \$150 per day, and banquet spaces at \$750 per day. During our site visit, we observed that the size of these 10 rooms varied, and it was unclear which rooms were considered office spaces, programming rooms, or banquet spaces and which contracted rate was applicable. Regardless, the rooms are being charged at rates that are not in accordance with the contract. To ensure the City is being charged and pays the correct rate for rooms or space used, the City contract should include a detailed floor plan or room listing that matches the contract item (e.g. office, programming room, banquet space, etc.) to the actual space or location in the hotel.



Photograph 5: Example of a Meeting Room Charged at \$350/Day as Observed During August 2021 Site Visit



Photograph 6: Example of a Meeting Room Used for Storage Charged at \$350/Day as Observed During August 2021 Site Visit

A.2. Implement Appropriate Invoice Verification and Payment Authorization Procedures

During our audit, we observed that invoices were generally reviewed by on-site program staff (City or community agencies) before being authorized for payment by SSHA program support staff. Charges outside contracted terms may have been processed for payment because:

On-site staff reviewing invoices are not familiar with contract terms

- On-site program staff reviewing invoices (and particularly community agencies) are not familiar with or privy to the terms of the contract between the City and the hotel.

Staff authorizing payments knew vendor added extra charges

- SSHA staff authorizing the payments were aware that the vendor added extra charges but were processing them based on what they felt was reasonable or customary as opposed to what was specified in the contract.

Support for rooms invoiced varied

- The level of detail in the supporting documentation attached to invoices varied by location, and the extent to which program staff obtained and reviewed the supporting detail before SSHA staff processed the invoice for payment also varied.

Staff reviewing invoices and authorizing payment need to be knowledgeable about contract terms

SSHA Management is accountable for making sure that staff responsible for authorizing payments know what to look for when reviewing invoices for payment. This includes making sure staff are knowledgeable about contract terms and maintain a questioning mindset to enquire about and challenge charges by vendors which are not in line with contract terms.

Payments should not be based on staff discretion

Policies and procedures to clearly communicate the different roles and responsibilities of on-site program staff and SSHA program support staff, as well as the required steps for the respective staff to effectively review and approve invoices for payment were inadequate. Consequently, we found, as we have in many other prior City contract audits, that in the absence of clear direction on how to verify charges, staff use their discretion in paying what they think or assume is appropriate rather than following the express contract terms or written policies and procedures.

Number of rooms and meals invoiced should be verified against SSHA source records

Verifying invoices to supporting records is a critical element of effective contract management and a key control in the City's established process for paying invoices and containing costs. For hotel contracts where charges are to be based on actual rooms used, this means:

- verifying that the number of room nights charged on the invoice match to SSHA and/or the supporting community agency's records such as SMIS occupancy data or bed logs
- verifying the rates charged for each room night matches the rates agreed upon in the contract

Number of rooms invoiced do not agree to SMIS occupancy

Although the invoices had been processed for payment, in many cases we found that there was insufficient evidence to support that the number of room nights charged on the invoice were reconciled to SMIS or other supporting source records (like bed count logs or hotel room registries). For example, for Hotel E discussed previously, we did not observe any supporting documentation accompanying the paid invoice for the number of actual rooms used – we found the number of rooms invoiced did not match room occupancy in SMIS.

SSHA should implement a process for comparing invoiced rooms to occupied rooms in SMIS

SSHA needs to strengthen its verification procedures to include clear direction for City and community agency staff to reconcile invoice charges with actual occupancy in SMIS and to identify and resolve any differences. An automated process for comparing invoiced rooms to occupied rooms in SMIS and flagging exceptions may result in a more efficient, risk-based invoice verification process. However, the effectiveness of any exception reporting process is dependent on the quality and reliability of SMIS occupancy data.

SSHA should look for more cost-effective ways for addressing operational requirements

SSHA should review additional charges to see if there are more cost-effective options for addressing the operational requirements of community agencies who operate shelter programs in hotels. We found that some community agencies may have made operational decisions, unaware of the associated costs to the City because they are not privy to contracts between the City and hotel operators.

City paid \$840,000 for rooms used as storage

- For example, we found that at one hotel, the City was charged \$750/day for each programming / banquet space that the community agency used for storage (shown in the photograph below). There may have been more cost-effective alternatives for storing items left behind by clients no longer staying at the hotel, such as using a mobile office trailer or storing items in external storage containers. From August 2019 to August 2021, we estimate that the City paid \$840,000 for this space. We found conference and meeting rooms were being used in a similar manner at other hotels but did not quantify the full financial impact as part of this audit.



Photograph 7: Example of Programming / Banquet Space Used as Storage and Charged at \$750/day as Observed During August 2021 Site Visit

City paid \$68,000 to use hotel printers for two years

- Another example we found, as shown in Figure 9, was that the City was paying \$30/day for printers used by the community agency. It would have been more economical for the City to purchase and set up the community agency with their own printing equipment. From August 2019 to August 2021 the City paid approximately \$68,000 for the use of two to four printers. We noted that there were community agencies at other hotels that confirmed to us they had their own printers. The hotels did not charge the City additional amounts for printers at those locations. In April 2022, SSHA Management advised that the hotel operator agreed to refund or credit back the amount charged for printers.

Figure 9: Example of \$900 Charge to Use Two Printers for 15 Days

Printing Charges MAR 1-15, 2021	2	\$	30.00	15	\$	900.00
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A.3. Take Action to Manage Costs for Repairing Damage to Hotels

City pays for damage caused by clients but not normal wear and tear

In the hotel contracts negotiated by SSHA, as well as the lease-style hotel contracts negotiated by CREM, the City is explicit that it shall not be responsible for routine maintenance or normal wear and tear. The contracts contain clauses regarding the City's obligations to repair any damage caused by clients. For leased hotels, the City is required to restore the premises to the condition prior to City's use, when the lease ends.

Reporting of damage should be timely and supported by photos

SSHA's contracts require hotels to report any damage to the City within a set timeframe (e.g. 48 hours) after the alleged damage occurs. The hotel is also contractually required to submit documentation, including photos of any damage, prior to payment. If a hotel fails to report damage in accordance with the contract, the City will not be responsible for repairs or payment.

In general, the lease-style contracts with hotels that were negotiated by CREM outline that the City will be responsible for any damage to the hotel or additional costs incurred by the hotel as a result of the City's occupancy of the premises, provided that the hotel immediately reports any damage or costs to the City.

SSHA needs facility assessments to validate whether reported damage result from the City's occupancy of hotels

During our audit, we noted that when SSHA winds down the use of hotels, there is a risk for the City that hotels may include pre-existing facility conditions when reporting damage. To make sure the City is not being charged for normal wear and tear, SSHA will need to have a mechanism in place to assess and validate that any damage reported does not arise from any pre-existing conditions.

SSHA paid for roof repairs allegedly caused by clients' smoking

For example, during this audit we enquired about one invoice which was purportedly related to damage caused by shelter clients. The City was invoiced and paid for repairs to the roof of a hotel. SSHA staff explained that the damage was caused by shelter clients staying at this facility, who were smoking cigarettes in their room and tossed the remains out the window. These landed on a lower roofing area, which the hotel says created a leak that caused a mold issue. SSHA did not have facility condition assessment information to validate that the leak and mold issues were not related to any pre-existing building condition.

SSHA should strengthen invoice review and payment authorization procedures related to damage charges

Given our observations that SSHA needs to strengthen how it reviews charges and enforces the terms of the hotel contracts, we recommended that SSHA take immediate action to strengthen invoice review and payment authorization procedures related to damage charges. This is necessary to ensure there are adequate controls in place to limit the risk that unsupported costs are charged to the City when hotel operations wind down.

Key controls to limit damage costs

For this reason, we recommended that SSHA enforce the following requirements:

- Obtain and/or review building condition assessments at outset of contract; or, if this was not done, complete an immediate assessment of the facility
- Enforce contracted reporting timelines for damage
- Track all damage reported as they occur and confirm that the damage was caused by the City's occupancy of the hotel
- Obtain supporting evidence for any claims (photos and estimates for repairs)

We also recommended that the City should also put enhanced procedures in place to ensure the cost of repairing damage is reasonable. This may entail the hotel operator providing multiple quotes or the City taking on the responsibility for procuring and contracting for repairs.

Up to five sites planned for decommissioning in 2022 – safeguards need to be in place to ensure cost paid are in accordance with the contracts

In a report considered by City Council on April 6, 2022, “COVID-19 Shelter Transition and Relocation Plan Update”²⁶, SSHA indicated that as part of its transition plan, up to five temporary sites will be decommissioned, with further planned in 2023. SSHA and CREM are developing a comprehensive framework to support restoration negotiations with the owners of the hotel sites. SSHA hired an external consultant to develop estimates for required restoration costs. Given the potentially significant costs involved in remediation work, it is important that safeguards as outlined above are in place and that damage outside of normal wear and tear are validated in a timely manner.

As hotel contracts come to an end, we may review this area further in the future.

Recommendations:

- 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.**

²⁶ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EC28.9>

3. 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.**

B. Leveraging Data to Identify Opportunities to Stretch Funding Further

SSHA focus was on expanding capacity and they accepted vacancy loss because of the focus on safety

Over the years, Council had directed and re-affirmed that the General Manager of SSHA respond on an urgent basis whenever shelter occupancy rises above 90 per cent capacity, so that people experiencing homelessness are not turned away. Management emphasized to us that during the pandemic expanded capacity was a primary consideration. SSHA acknowledged that, as a consequence of this, there was some vacancy loss that resulted because of the:

- time needed to safely relocate and fill a hotel with clients – transfer of clients was challenging as outbreaks began and transportation services were declining
- significant growth in labour force needed to staff and assume operations at all the new locations – agencies needed time to recruit more staff during a stay-at-home order and other subsequent public health restrictions
- COVID-19 infection prevention and control considerations, including active outbreak management at hotels

SSHA has a responsibility to manage shelter capacity in an economical and effective way

While recognizing SSHA’s priorities during the pandemic, it is still important to also recognize the City’s responsibilities for making sure that funding to purchase space in hotels or other facilities is managed in an economical and effective way. To do so, SSHA needs to:

- Have accurate and current data on shelter capacity, availability and occupancy
- Minimize the time frame in which rooms / beds are unavailable for use
- Ensure facilities turn over rooms / beds promptly for the next person and that on-site City or community agency program staff promptly update SMIS
- Prioritize assignments of clients to leased facilities before using pay-per-use facilities
- Have the flexibility to adjust the supply of rooms / beds based on accurate real time information (and leveraging pay-per-use contracts to do so)

Effectively managing capacity stretches funding further and can keep people from being unnecessarily turned away

Access to real-time accurate information supports the ability to make decisions based on data. Good data allows for strategic management of the facilities portfolio in a manner that minimizes costs. But this is not just about managing costs – this is about making sure that SSHA has the best data available for where there is a bed available in the shelter system – so that no person needing somewhere safe and warm to sleep is unnecessarily turned away when there may in fact be a bed available.

SSHA is working to implement a data-driven strategy

SSHA is working to implement a data-driven strategy. In 2021, the Division started publishing a Shelter System Flow data dashboard in addition to the daily shelter and overnight service usage reports it was already releasing.

SSHA should leverage data to develop targeted strategies to help with the management of vacant hotel rooms

During our audit, we analyzed SMIS data to help identify opportunities for SSHA to continue improving the quality and use of its SMIS data. A lesson learned from our review of the expanded hotel program is that, going forward, SSHA should leverage data to develop targeted strategies to help with the management of vacant hotel rooms.

Getting the right data in place to be able to focus on available capacity within the system is one way SSHA can continuously improve Shelter System Flow data to be able to better target resources, and improve system coordination and outcomes for people experiencing homelessness.

The following are opportunities for SSHA to stretch funding further and reduce the risk that individuals or families needing shelter are turned away:

1. Identify leased capacity that has not been made available as client rooms and track rooms used for other purposes (such as office space, storage, or programming) – this data can be used to identify where SMIS capacity needs to be updated and to evaluate possible alternatives for rooms used for other purposes to increase available capacity for clients, particularly in cold weather months
2. Identify clusters of available rooms / beds which go unused – this data can be used to identify where SSHA should focus on bringing rooms online more quickly or to make rooms available to a broader client group
3. Prioritize use of rooms at leased facilities and leverage pay-per-use hotels where flexibility is needed

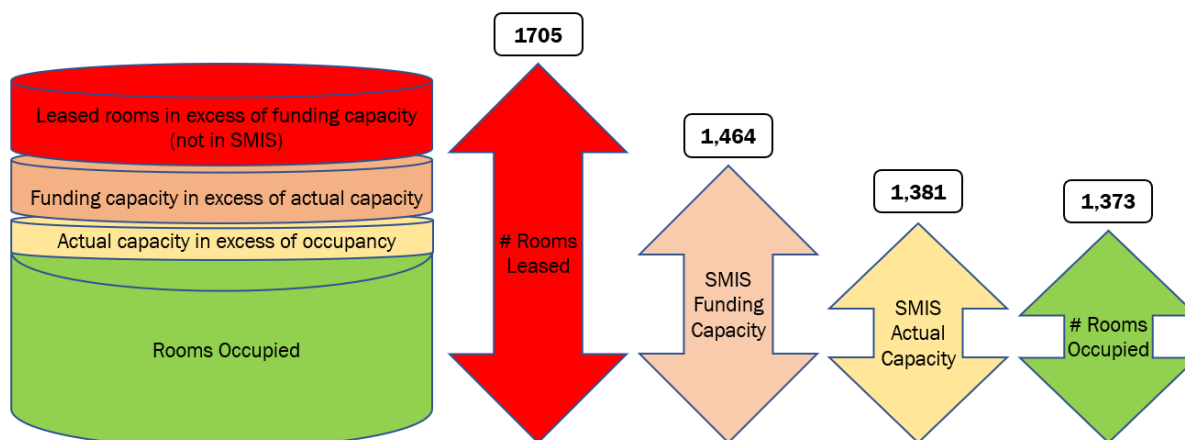
We discuss each of these areas in greater detail in the sections that follow.

B.1. Identify Leased Capacity That Has Not Been Made Available as Client Rooms

SMIS shows hotels are nearly fully occupied when this is not actually the case

We found that, at some hotels, the City leases and pays for significantly more rooms than are available for clients to sleep in. SMIS data only reflects the rooms that are made available for clients. For example, Figure 10 illustrates that while the City had leased and paid for 1,705 rooms (in red), according to SSHA's daily shelter occupancy data only 1,381 rooms were available for client occupancy (in yellow) on January 25, 2022.

Figure 10: Comparison of Leased Spaces and SMIS Capacity and Occupancy Data for January 25, 2022



Notes (as per definitions used by SSHA for its Daily Shelter Occupancy data set²⁷):

1. **Leased Capacity** represents the number of rooms leased. These are the rooms the City paid for in accordance with agreements between the City and the hotels/landlords. This information is not recorded in SMIS and is not included in SSHA's Daily Shelter Occupancy data set.
2. **Funding Capacity** is the number of client rooms that a program is intended to provide, as recorded in SMIS
3. **Actual Capacity** is the number of rooms in service and showing as available for occupancy in SMIS. There are a number of reasons why rooms may be temporarily out of service, including outbreaks, maintenance, repairs, renovations, or pest control. Actual Capacity is the Funding Capacity after adjusting for rooms temporarily out of service.
4. **Occupied rooms** is the number of rooms occupied at a given program, as recorded in SMIS.

Reliable data is needed to adjust the number of hotel rooms the City is purchasing to meet demand

We also found that SMIS does not accurately reflect the actual number of hotel rooms available as client rooms, it may cause SSHA intake staff to believe that a location is full when in fact there are rooms available to house more individuals and families experiencing homelessness, who may not have a safe or warm place to sleep.

For example, during the week of January 25-31, 2022, there was an existing Extreme Cold Weather Alert (declared by the Medical Officer of Health on January 17, 2022).

²⁷ [Daily Shelter & Overnight Service Occupancy & Capacity - City of Toronto Open Data Portal](#)

Figure 11 shows the City purchased and paid for about 1,705 rooms at leased hotels (the red line). SMIS data for that week indicates that the hotels only had client capacity of around 1,380 (the blue line). This is the capacity information that Central Intake uses to direct people needing shelter to available rooms. SMIS data gives the appearance that the leased hotel locations were at or near full occupancy (the green shaded area).

This means about 325 of the rooms that were leased were not made available for clients to sleep in.

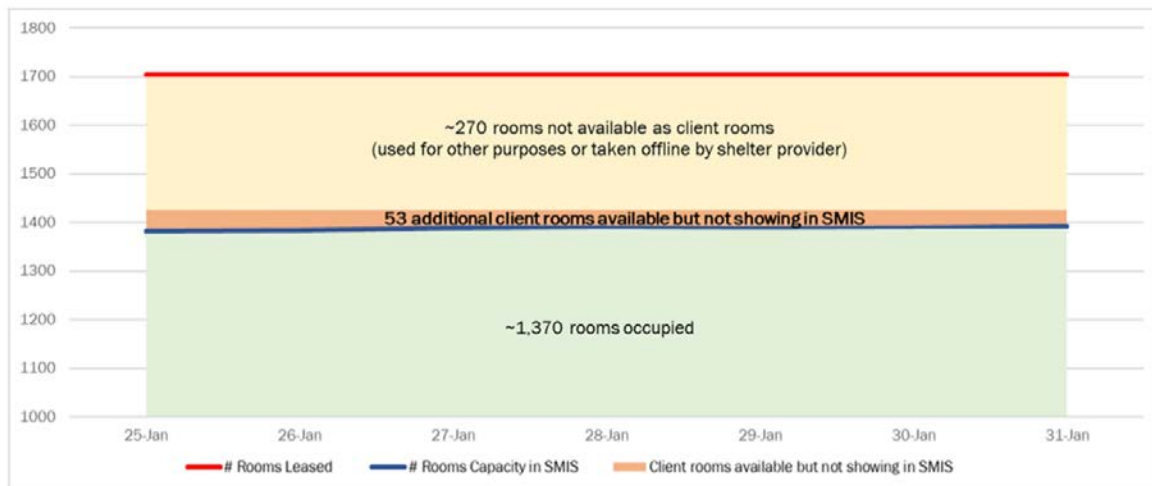
16% of leased rooms are used for other purposes

- Management advised that about 270 rooms were used for other purposes such as staff offices, space for health, mental health and harm reduction services as well as counselling, client programming space, and storage; or, the rooms were taken offline due to damage, housekeeping, pest control, or other reasons (the yellow shaded area). That means that 16 per cent²⁸ of rooms in these hotels were not available to provide a space for people experiencing homelessness to sleep. Identifying how these rooms were used was difficult because this information is not included in SMIS. Tracking and monitoring data on leased capacity that is not used as client rooms can help to identify opportunities and strategies to make more space in hotels available as rooms for more clients, especially in cold weather.

53 client rooms available during extreme cold weather did not show as such in SMIS

- We noted that there were about 53 to 60 rooms that should have been available for clients but did not show as available capacity in SMIS, in a week that the City was under an Extreme Cold Weather Alert (the orange shaded area).

Figure 11: Comparison of Rooms Leased vs. Occupied for January 25-31, 2022*



* The numbers on this graph are approximate because on any given day within the week the numbers may fluctuate slightly. These numbers are based on data in SMIS and information provided by SSHA Management.

²⁸ In general, for hotels we reviewed, only 5-10% of rooms purchased were not available for client use



Example of beds at a City Warming Center



Example of a bed in a vacant hotel room

Reliable data enables SSHA to assess the demand for shelter beds and any need to open up more rooms

It is important for management to have reliable data on the actual capacity and occupancy across the shelter system. Reliable data enables SSHA 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.

SSHA needs the right data to make decisions and to design strategies for bringing rooms online as quickly as possible – especially in cold weather months

While there may be reasons why some rooms purchased are not made available for occupancy, it is important to have this data available in order to make decisions and to design strategies for bringing those rooms online as quickly as possible to meet the demand for shelter beds / rooms for people experiencing homelessness to sleep. This is particularly critical when the temperatures in the City drop below freezing during the winter months.

Ombudsman's report found SSHA staff were relying on outdated capacity information

In March 2018, Ombudsman Toronto released a report on the Ombudsman's *"Enquiry into the City of Toronto's Winter Respite Services"* during the 2017-2018 winter season²⁹. In her report, the Ombudsman found that staff at the City's Central Intake call centre relied on outdated information about capacity of its Winter Respite sites.

Risk that people are turned away when data is not accurate or up-to-date

While the Ombudsman's observations related to respite sites are not quite the same as what we observed for shelter hotels, the need for SSHA to make sure it maintains accurate and up-to-date information on available capacity is. Where SMIS does not accurately reflect available capacity, there is a risk that people experiencing homelessness will be unnecessarily turned away because the system shows no available rooms.

²⁹ [Ombudsman Toronto Report Enquiry into the City of Toronto's Winter Respite Services](#)

Shelter space was unavailable for over 17,000 calls

Central Intake statistics indicate there were more than 17,000 calls, received between November 3, 2020 to September 9, 2021, that did not result in a referral because shelter space appeared to be unavailable at that particular time of the day/night or did not meet their needs at the time of their call. We note that this does not mean that all the beds spread across all shelter locations (including hotels) were at capacity when they called. It may be that a client called looking for a specific type of space and there were no beds available at the moment of the call specific to the request, but bed availability could change later that same day.

B.2. Identify Clusters of Available Rooms / Beds Which Go Unused

Emergency shelter portfolio has pay-per-use and leased facilities

As noted previously, many of the hotels used for emergency shelters before the pandemic were pay-per-use hotel contracts that enabled SSHA the flexibility to expand or contract its shelter capacity as needed. With the onset of the COVID-19 pandemic, the City negotiated lease-style arrangements for additional hotels across the city to address reduced capacity and increased physical distancing requirements in existing shelters and respites. These arrangements differed from existing contracts in that the City contracted and paid for a fixed number of rooms regardless of whether the rooms were occupied or not. Additionally, some of these agreements allowed the City the option to increase the number of rooms leased as needed.

City was holding blocks of rooms for specific types of client groups

During our audit, we found that the City was holding blocks of rooms for specific types of client groups at hotels contracted under lease-style arrangements based on SSHA's estimates of what the demand might be for these rooms.

For extended periods of time, the number of rooms held exceeded the demand

However, our analysis of SMIS occupancy data indicates that, for extended periods of time, the number of rooms held exceeded the demand or need for these rooms, resulting in a significant number of unused rooms.

For example,

- During the pandemic some leased hotels were reserved specifically for people living in one of several encampments in City parks. We estimate the City paid over \$2 million for vacant and unused rooms at two such leased hotels from September 2020 to May 2021. SSHA Management advised that a significant portion of this vacancy loss is associated with the operational complexities of ramping up operations for new locations and programs to ensure sufficient indoor shelter beds are available for people experiencing homelessness, and outbreaks at the hotels where SSHA restricted new admissions to the location as per direction from Toronto Public Health. We also recognize that there are a variety of reasons people living in encampments decided not to take rooms in the hotels. However, a more cost-effective approach is for rooms for specific client groups to be held in smaller blocks or for shorter periods of time.



45 The Esplanade leased by the City of Toronto to create physical distancing.

Source: [45 The Esplanade - City of Toronto](#)

- At the start of the pandemic, SSHA and its partners launched the COVID-19 isolation and recovery program for people experiencing homelessness. Two dedicated hotel sites were opened to mitigate the spread of COVID-19 in the shelter system and provide a space to recover for those who contracted COVID-19. The first isolation site was a pay-per-use hotel until August 2020, and then, as noted in Section A.1 of the report, SSHA agreed to pay for vacant rooms at the facility from September 2020 onwards. The second isolation site was leased and the City paid for all rooms regardless of whether they were used.

We recognize the significant uncertainty regarding how many people would become COVID-19 positive, be awaiting a test result, have symptoms or potentially be exposed to the virus through contact in the shelter system. There were a significant number of leased rooms that were paid for but remained unused and vacant at one isolation site while at the same time, the City was paying on a per-use basis for rooms being used at the second isolation site. During the period from April 2020 to August 2020³⁰, we estimate that the City could have saved about \$2.5 million had it only used the leased isolation hotel.

Constantly evolving circumstances impacts decision making

We recognize the extreme pressures that SSHA faced during the pandemic and the challenges of making decisions in constantly evolving circumstances. What these examples are meant to highlight is the importance of being able to best leverage the different types of arrangements in place to provide stability for shelter spaces available (lease-type arrangements) and flexibility to expand and contract based on actual demand (pay-per-use arrangements). In some cases, leased hotels may be better used for client groups where the need for rooms is predictable; while pay-per-use rooms may be better used when demand is less certain.

Having reliable and timely data in SMIS can help SSHA to develop targeted strategies to help improve the management of vacant hotel rooms and reduce vacancy loss.

2017 Internal Audit also highlighted costs for vacant rooms

It's also important to note that effective management of vacant rooms is not an issue that arose just because of the pandemic. In 2017, City's Internal Audit Division reviewed SSHA's Hotel/Motel Services Contracts and found that some rooms booked for clients in motels remained vacant. Internal Audit recommended SSHA monitor availability of blocked rooms and make every effort to ensure these rooms have priority usage.

³⁰ The period from April 2020 to August 2020 is before the leased isolation hotel was repurposed for general shelter use and while the hotel operator of the other isolation hotel was only to charge for rooms used

B.3. Prioritize Use of Rooms at Leased Facilities and Leveraging Pay-Per-Use Hotels Where Flexibility is Needed

Use fixed price hotels first and then pay as you go at other hotels, as necessary

The City's portfolio of emergency shelter hotels, as of March 2022, includes 13 pay-per-use hotels and 16 under lease-type arrangements. While SSHA should only incur costs for rooms at the pay-per-use hotels when they are used, the costs for rooms at leased facilities are fixed regardless of use. Therefore, the most cost-effective use of purchased hotel rooms for emergency shelters is to prioritize occupancy at hotels where the City has purchased a block of rooms at a fixed cost under a lease-style arrangement; and, only use rooms at hotels where the City is paying on a per-use basis, as needed.

City spent an estimated \$2-3M on vacant rooms in leased hotels

As a consequence of the challenges facing the shelter system, we estimate that the City paid in the range of \$2-3 million³¹ for rooms that went unused for periods of time after the leases began and many leased rooms remained unused throughout the pandemic for a variety of reasons. At the same time incurring additional costs for rooms at pay-per-use hotels³².

If the City transferred clients from a per-pay-use hotel to use up vacant space in leased hotels, cost savings opportunities may arise and those funds could be used towards providing more shelter beds, when needed, and to building more permanent and longer-term housing solutions that lead to better outcomes for those experiencing homelessness.

Recommendations:

- 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.**

³¹ This estimate is based on the period from April 2020 to May 2021 and excludes approximately \$1.9 million paid for unused rooms in the leased isolation hotel at the beginning of the pandemic, as well as an estimated \$1 million paid for unused rooms related to periods of COVID-19 outbreaks at hotels, where SSHA may have closed the hotels to new admissions

³² For every five fewer pay-per-use rooms used each year because clients are instead assigned to available rooms in hotels leased on a block basis, this can result in an estimated annual saving of \$200,000

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.

C. Building Confidence in the Safety of the Shelter System

People experiencing homelessness are at an increased risk of COVID-19 infection and severe outcomes

According to Public Health Ontario³³:

"People experiencing homelessness are at an increased risk of COVID-19 infection and severe outcomes. Pre-existing conditions, the social determinants of health, living in congregate settings, lack of ability to physically distance, and lack of access to basic sanitation contribute to this risk."

People experiencing homelessness face many challenges

A June 29, 2020 article published in the Canadian Medical Association Journal³⁴ raised many points on the challenges facing people experiencing homelessness including:

"People experiencing homelessness often find it difficult to adhere to public health directives such as physical distancing, isolation and quarantine because of shelter conditions and other challenges."

"Homeless shelters are an ideal environment for transmission of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) because of shared living spaces, crowding, difficulty achieving physical distancing and high population turnover."

"Additionally, the limited availability of services relative to the needs of the population poses major constraints on control efforts, as inadequate resources (e.g., space and personal protective equipment) make enforcing public health protocols extremely difficult at many shelters."

"Individuals experiencing homelessness who do not adhere to advice to self-isolate or quarantine pose a particular challenge."

36 outbreaks at hotels used for emergency shelter

From January 2020 to September 2, 2021 there were a total of 36 outbreaks at hotels used for emergency shelter. There were about 560 COVID-19 cases associated with these outbreaks and one death.

³³ https://www.publichealthontario.ca/-/media/documents/ncov/he/2021/02/covid-19-homelessness-environmental-scan.pdf?sc_lang=en

³⁴ [COVID-19 and people experiencing homelessness: challenges and mitigation strategies | CMAJ](#)

People experiencing homelessness have high rates of positivity compared to the general population

In a March 30, 2021 article published in the Canadian Medical Association Journal's OPEN publication³⁵, the authors reported:

"We conducted 1000 tests for SARS-CoV-2 by mobile outreach testing at 20 shelter locations in Canada's largest city between Apr. 23 and July 23, 2020, during which time the number of new daily cases of COVID-19 in the city dropped from 237 to 31. About half of the tests were done because of a suspected outbreak and half for surveillance, with the former coinciding with higher numbers of new cases in the city. We found that 14% of tests done in an outbreak setting were positive compared with 2% done for surveillance."

"People experiencing homelessness are known to be vulnerable to COVID-19, which was confirmed by our finding of high rates of positivity in shelter residents relative to the general population."

More attention needed on infection prevention and control

While higher rates are expected when people are living in congregate settings, a higher rate also indicates a higher need to focus attention on ensuring proper infection prevention and control.

Toronto Public Health already had in place an Infection Prevention and Control Guide for Homelessness Service Setting prior to the pandemic

Prior to the pandemic, Toronto Public Health already had in place and maintained an [Infection Prevention and Control Guide for Homelessness Service Setting](#) (September 2019). The main purpose of the Guide was to provide information to homelessness service setting providers and workers on Infection Prevention and Control (IPAC) principles³⁶. We were advised by SSHA Management that this guidance document serves as SSHA's manual for IPAC. The goal is that providers and workers will use and adapt the recommendations from this resource to incorporate IPAC in daily operations to protect clients and other workers.

Fundamental IPAC practices are relevant during the pandemic

Although the IPAC manual predates the pandemic, certain fundamental IPAC practices have not changed significantly. These include the following:

- hand hygiene
- safely putting on and taking off personal protective equipment
- covering a cough
- enhanced cleaning protocol

³⁵ [Factors associated with SARS-CoV-2 positivity in 20 homeless shelters in Toronto, Canada, from April to July 2020: a repeated cross-sectional study | CMAJ Open](#)

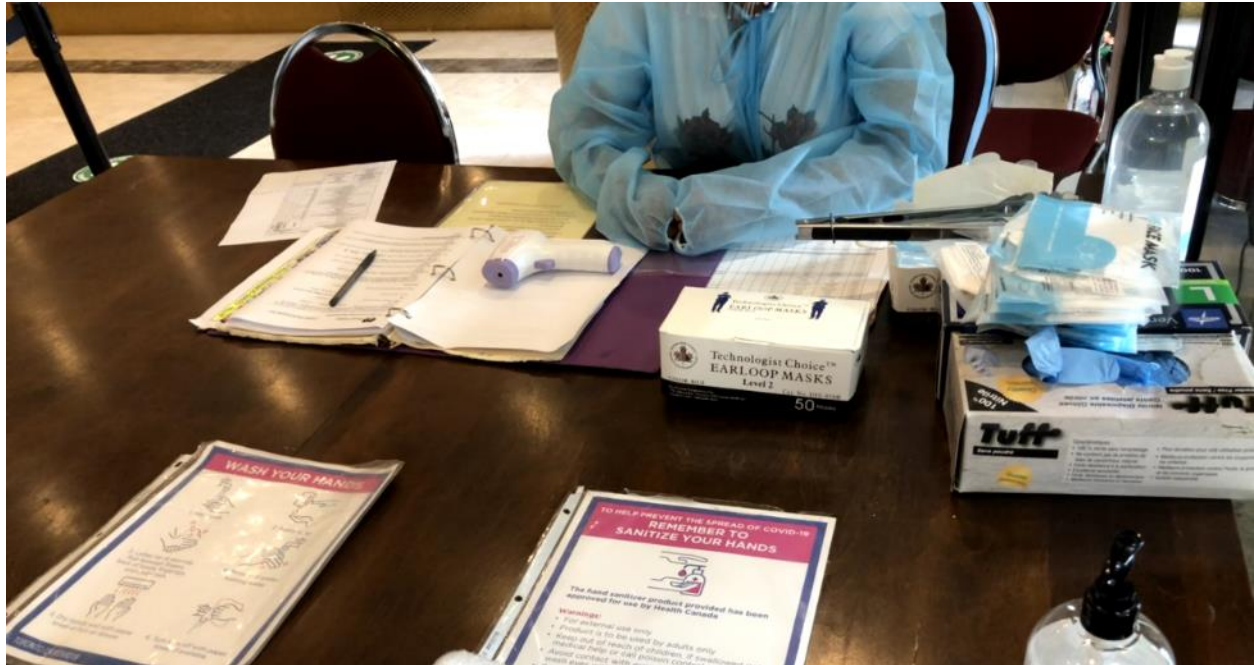
³⁶ IPAC is the use of evidence-based practices that when applied consistently, can reduce the risk of the spread of harmful viruses and bacteria

Guidance was communicated throughout the pandemic as new information became available

As new information became available during the pandemic, SSHA continuously communicated it to the shelter sector by way of webinars, memos and frequently asked questions. The Division also shared Toronto Public Health and Ministry of Health guidance, resources and information, as well as SSHA's revised IPAC-related Directives.

Clients need to be confident of safety measures

Ensuring safety measures are in place at shelters and at hotels is important for clients to have confidence in entering the shelter system.



Photograph 8: Example of Screening Area Observed During August 2021 Site Visit

C. 1. Monitor Infection Prevention and Control Plans of Agencies Delivering Services

Shelter providers were required to have infection control policies in place even before the pandemic

The Toronto Shelter Standards require shelter providers to have IPAC policies and procedures to prevent or reduce the risk of transmission of communicable diseases. Even before the pandemic, The Standards included requirements for shelter providers to:

- provide personal protective equipment, supplies and the necessary training to staff in order to effectively implement all communicable disease control policies and procedures
- promote frequent handwashing among staff and clients to reduce the spread of communicable diseases
- provide alcohol-based hand sanitizer that contains at least 70% alcohol to supplement handwashing in high contact areas
- provide staff with training and information about communicable diseases and infection control
- regularly monitor Toronto Public Health updates and provide educational updates or training to staff on the above topics

SSHA and its providers need to update IPAC policies and procedures

At the time of our review, the pandemic had been going on for over 18 months. We requested a sample of the IPAC policies (approved by their respective boards) from four out of the 15 agencies contracted by SSHA to operate the hotel as an emergency shelter. Two of the agencies had current policies which included COVID-19, while the other two had policies that had not been revised since 2017 and 1994.

SSHA is accountable for overseeing agencies delivering services at shelters and hotels. SSHA should be monitoring that agency IPAC plans are kept up-to-date and are implemented.

C. 2. Ensure a Sustained Approach to Infection Prevention and Control at Shelters

SSHA provided many updates to City Council and the public

Throughout the pandemic, SSHA staff provided many updates to City Council and the public regarding the measures being taken by the Division. In September 2020, SSHA reported that it maintained enhanced infection prevention and control processes by, among other things:

- Funding shelters, 24-hour respites, and drop-in community agencies to support increased IPAC activities, and purchasing specialized cleaning supplies.
- Providing guidance, training and communication materials throughout the pandemic to ensure increased capacity to implement these IPAC measures.

- Developing an IPAC checklist to verify measures were in place through site visits. Additional measures requiring further support and return visits to verify mitigation were reported to be in place or underway.
- Using a Toronto Public Health pre-exposure checklist and assigning dedicated staff to work with each provider to ensure preparedness, answer questions and provide individualized support to each site.
- Providing direction on mandatory face coverings for clients and personal protective equipment (PPE) for staff. All shelter staff were required to wear medical masks in the workplace for the duration of their shifts. The Directive required clients to wear non-medical masks or face coverings in all indoor common areas of shelter and respite sites.

SSHA noted that overall, *"Through the experiences of the first wave, providers consistently shared that having access to in-person IPAC expertise was the most beneficial to increase the capacity of their staff to provide services in a way that maintains good IPAC approaches."*



Photograph 9A and 9B: Examples of PPE Observed During August 2021 Site Visit

Additional support to ensure IPAC measures implemented in the City's shelter system assigned in May 2021

On May 3, 2021, in accordance with the *COVID-19 Encampment Response Team Interim Governance and Resourcing Plan*, the City Manager appointed Deputy Fire Chief Jim Jessop as the interim leader of the encampment response team and the inter-divisional encampment team on a temporary full-time basis. Deputy Chief Jessop's assigned scope of work included the following:

- Directly support the application of IPAC processes in shelters in order to minimize the risks of COVID-19 transmission and to maintain effective shelter operations during the third wave of the COVID-19 pandemic.
- Support and drive the shelter and encampment vaccination program and make every reasonable effort to successfully vaccinate this population as a top public health priority.
- Establish a Quality Assurance role in SSHA focusing on IPAC compliance across City-operated and partner-operated shelters and facilities.

Deputy Chief Jessop's role was to work with SSHA staff, as well as Toronto Public Health, to provide additional support and resources to ensure IPAC measures already established in these settings were being followed and, where necessary, improved upon.

IPAC specialist hired to inspect hotels and shelters in May 2021

To better understand the IPAC situation at hotels and shelters, an IPAC consultant was hired to complete site inspections at hotels and shelters. The reviews started on May 11, 2021.

168 recommendations to be addressed at these hotels

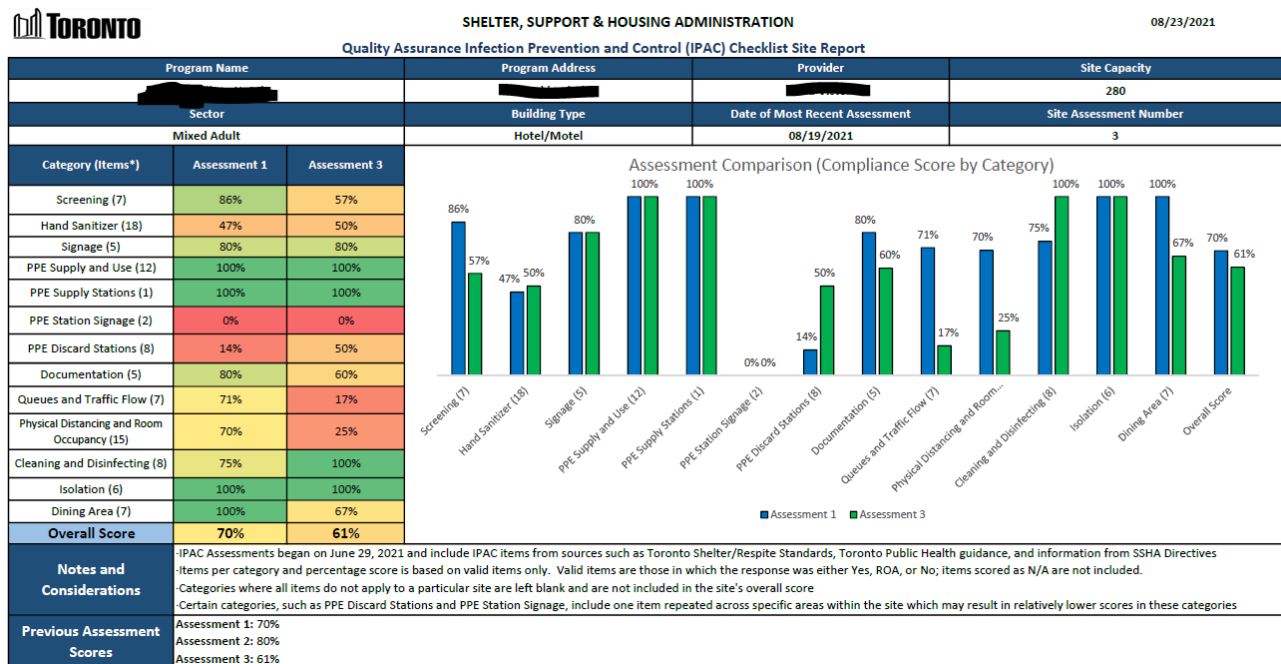
The IPAC consultant initially visited nine hotels and issued thirteen reports containing a total of 168 recommendations. Many of the recommendations were the same across several locations. The results of these IPAC reviews are an indication that IPAC measures needed improvement. The results are concerning because they occurred more than one year into the pandemic and identified a number of areas the Division needed to work on.

The IPAC consultant noted that the challenges identified are common across most congregate living settings that have implemented their IPAC programs from provincial guidance documents. SSHA's work with the IPAC consultant continues and they are providing training at all sites to remedy the issues identified.

Responsibility for inspecting IPAC measures at hotels was transferred to the SSHA

After the initial visits by the IPAC consultant, the responsibility for inspecting IPAC measures at hotels was transferred to the SSHA Management team in June 2021 with the continued support of the third-party consultant. SSHA's Quality Assurance Unit developed IPAC checklists and completed site inspections to reinforce good IPAC practices. Figure 12 summarizes the results after a third assessment at one of the hotel locations and the heat map colours indicate that while there were some areas where operators were following IPAC guidelines (in green), there were other areas that still required improvement (in yellow, orange, and red).

Figure 12: IPAC Hotel Site Visit Report by SSHA's Quality Assurance Unit



Outbreaks occur when staff are not focusing on the right things

These inspections highlighted and identified what is happening on the ground and what issues SSHA needed to be focused on correcting. While SSHA staff and community agencies continue to work hard throughout the pandemic to provide shelter to those experiencing homelessness, the results indicate that they were not always effectively implementing what needed to be done from an IPAC standpoint. Continuous monitoring of IPAC is needed. Initial training of shelter providers may not have been enough, or they may need additional ongoing reinforcement. On-the-ground independent observation by those that specialize in the field, in addition to ongoing education / training and access to expertise in real-time, is key to ensuring the right measures are being practiced correctly.

Improper PPE use, need for consistent screening, incorrect use of masks, limited access to hand sanitizer

Some of the areas the IPAC specialist indicated needed attention included:

- A need for ongoing IPAC education for staff
- A sustained focus on hand hygiene
- Improper PPE use by staff, indicating more infection prevention and control training is required
- Daily screening of all clients and staff must be consistently followed to assess for COVID-19 symptoms or risk factors
- Educating and training staff on appropriate and safe use of the right cleaning products for disinfection
- Incorrect use of masks
- Limited access to ABHR (Alcohol-Based Hand Rub) on residential floors
- Absence of maximum occupancy signage or markings for designated seating

These are just a sample of observations noted and made by the IPAC specialist's initial site inspections in May 2021.

While SSHA has reported multiple times to City Council and the public on measures taken since the start of the pandemic to ensure the safety of the shelter system, the IPAC inspections point to the need to do more.

Independent assessments and transparent reporting of IPAC measures being implemented is needed to build trust and confidence

To help build lasting trust and confidence in the safety of the City's shelter settings, the City should make sure the following is in place on a go-forward basis:

1. Up-to-date IPAC policies, procedures, and processes for staff, sustained IPAC education and on-site training of existing staff, and a process to ensure IPAC orientation / education / training for new staff
2. Regular independent third-party IPAC specialist assessments including follow-up to verify corrections have been made
3. Transparent reporting to City Council regarding the general areas where improvement is needed and demonstrating that corrective action is being taken

Periodic oversight, review and/or reporting by the Medical Officer of Health on these matters can provide added comfort that SSHA is doing everything possible to protect people staying in shelters.

These measures are important not only during the current COVID-19 pandemic, but also for the future to help prevent the spread of any new infections in shelters and higher risk congregate settings.

SSHA should make sure the IPAC consultant's recommendations are implemented

Undertaking these measures will provide shelter clients greater assurance that SSHA staff and their service providers are correctly adhering to IPAC protocols. Where deficiencies are identified, an action plan can be put in place to make sure that they are promptly addressed. We are making our recommendations in order to make sure the IPAC consultant's original recommendations are implemented, as well as to ensure a sustained approach to ensure these improvements and processes / practices are kept in place going forward.

SSHA plans to continue working with the IPAC consultant in 2022

SSHA advised us that it has extended its contract with the IPAC consultant to ensure that IPAC practices continue to be prioritized and supported across the system. The proposed work in 2022 will continue to build on the foundation started in 2021, with the focus on in-person infection control practice assessments and education across the 100+ shelter locations in scope. SSHA advised that as of May 8, 2022, nearly 2,500 staff have received IPAC training and 110 IPAC shelter assessments were completed.

Recommendation:

- 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 shelter 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.**

D. Assessing Whether HST Applies to Hotels When Used for Emergency Shelter

1.76% in HST costs after rebates

The City currently pays, as it does with other goods and services, a 13% Harmonized Sales Tax (HST) on the vast majority of its hotel room and meal costs. Out of this, the City claims rebates for a large portion of the 13% HST paid. The net cost to the City for HST is 1.76% of the cost charged for goods and services.

Estimated net \$1.76M annual cost

SSHA information shows that, in 2020, the City paid approximately \$100 million in rental and meal costs for hotel services. The City paid about \$13 million in HST on these charges, which after rebates has a net cost of \$1.76 million to the City.

HST costs for emergency shelter services may be exempt under the Excise Tax Act

The *Excise Tax Act* provides a list of supplies that are exempt from HST, which includes provisions for accommodation. The City's Accounting Services Division advised us that the City's shelter room and meal costs may be exempt from HST. Furthermore, if the City has in fact paid HST on arrangements that may be considered tax exempt, a rebate is possible for tax paid in the past two years, net of any rebate already claimed.

Certain hotels exempt the City from HST

We noted that most hotels used for emergency shelter were applying HST except for two hotels which did not apply this tax on their charges. We inquired with them and they advised that as the City was continuously renting their rooms for prolonged periods of time, these rooms were considered exempt from HST.

City should assess whether costs are taxable and work with operators to apply it consistently and accurately

The City has a longstanding history of using hotels to supplement its shelter capacity, and it should perform its own independent analysis to determine the applicability of HST to its use of hotels for emergency shelter. SSHA staff have made inquiries in the past but there was no clear resolution on the matter, and inconsistent practices prevail.

Recommendation:

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.**

Conclusion

We recognize that there were many challenges that came with responding to the COVID-19 pandemic. Nonetheless, SSHA had contracted with hotels for many years before the pandemic and will likely continue to do so in the future.

The pandemic highlights the importance of having key controls in place from the beginning of contracts so that when emergencies arise, the City can rely on the controls to ensure they are managing public funds to ensure every dollar is used wisely, but also that every room that can be made available is made available to those needing it most. The dollars add up, and rooms are needed. Any savings can be used to support more clients.

Implementing the 15 recommendations in this report will achieve immediate savings for the City. Strengthening SSHA's oversight and management of shelter contracts and focusing on making sure no dollar goes to waste, means 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.

Audit Objectives, Scope and Methodology

Auditor General's 2019 Audit Work Plan

The Auditor General's 2019 Audit Work Plan included a review of emergency shelter services administered by the Shelter, Support and Housing Administration (SSHA) Division. While we began our audit in early 2020, this 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.

Audit Objectives

The purpose of this audit was to review the City's use of hotels (and other similar premises) to provide temporary emergency shelter. SSHA's traditional use of hotels for emergency shelter has been in place for many years. New shelter locations were added due to the need for increased physical distancing across the shelter system during the pandemic.

This audit aimed to answer the following questions:

- Is SSHA adequately monitoring to make sure that payments for contracted homelessness services provided at hotels are as per the contract terms?
- Is SSHA effectively managing contracts for homelessness services at hotels in a manner that minimizes costs to the City?
- Is SSHA exercising sufficient oversight of infection prevention and control measures implemented at hotels through the COVID-19 pandemic?

A separate report focuses on the support provided to people experiencing homelessness in the broader emergency shelter system by reviewing the outcomes achieved by the program, such as success in accessing and remaining in stable housing.

Methodology and Scope

Our audit methodology included the following:

- Review of relevant staff reports to City Council
- Interviews with City staff, hotel operators, community agency staff, clients in hotels and people living at encampments
- Site visits to three hotels
- Review of records in the City's financial information system
- Analysis of data from the Shelter Management Information System

- Review of procurement documents, contracts, and other records for all 13 pay-per-use hotels and a sample of 10 lease contracts purposefully selected based on higher lease costs
- Examination of a sample of three invoices and other supporting documentation for payments for each pay-per-use hotel selected, with further review of invoices for hotels where exceptions were noted including all invoices for the six hotels noted in section A.1 of this report
- SSHA and Toronto Public Health guidance and directives regarding infection prevention and control measures in shelters
- Review of third-party IPAC specialist inspection results for nine hotels or similar facilities

The audit addresses contracted hotel and other similar spaces used to deliver homelessness services for the years 2018 through 2021 and covers activities before and during the pandemic. We did not assess the quality of space or services provided by hotel operators.

Limitations

The Shelters Management Information System (SMIS) is used by SSHA for central reporting on the number of shelter clients, as well as for intake, admission and discharge of emergency shelter beds. We relied on SMIS data to conduct our audit. During this audit, we observed some issues with the reliability of the data in SMIS (e.g., SMIS reported capacity does not match the purchased capacity according to the hotel contracts and invoices). We have noted these issues in our audit findings.

The findings in this report rely, in part, on testimonial evidence (interviews). Government auditing standards require that we assess the objectivity, credibility, and reliability of testimonial evidence. We did so by conducting corroborative interviews of multiple people and reviewing documents and records to help verify, support, or challenge the testimonial evidence. During this audit, we encountered inconsistencies which raised questions regarding some of the testimonial evidence provided. Consequently, additional work on certain matters arising from this audit is ongoing and, depending on the outcome, may be reported upon separately in the future either to the Audit Committee or through a letter to the City Manager.

Compliance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit 1: Emergency Shelter Hotel Facilities

Pay-per-use Hotels

	Location	Operated by	Nightly Service Users*
1	77 Ryerson Avenue	SSHA	71
2	445 Rexdale Boulevard	Christie Ossington Neighbourhood Centre	153
3	2035 Kennedy Road	Kennedy House Homes First Society	350
4	185 Yorkland Boulevard	Fred Victor	272
5	Confidential – Recovery site	SSHA	n/a
6	50 Estate Drive	Salvation Army	129
7	4674 Kingston Road	SSHA	38
8	4584 Kingston Road	SSHA	46
9	55 Hallcrown Place	COSTI	254
10	3600 Steeles Avenue West	SSHA	73
11	1677 Wilson Avenue	SSHA	203
12	76 Church Street	SSHA	49
13	22 Metropolitan Road	Homes First Society	83

*Service Users as of March 9, 2022

Leased / Room Block Hotels

	Location Name	Operated by	Leased number of rooms
14	1684 Queen Street East	YWCA	50
15	45 The Esplanade	Homes First Society	254
16	65 Dundas Street East	Dixon Hall	285
17	335 Jarvis Street	Good Shepherd Refuge Social Ministries	50
18	92 Peter Street	Covenant House Native Child & Family Services of Toronto YMCA Eva's Initiative	208
19	30 Norfinch Drive	Salvation Army	163
20	56 Yonge Street	Dixon Hall	56
21	14 Roncesvalles Avenue	Christie Ossington Neighbourhood Centre	43
22	4540 Kingston Road	SSHA	20
23	808 Mt Pleasant Road	SSHA	109
24	26 Gerrard Street East	Street Haven at the Crossroads	39
25	556 Sherbourne Street	St. Simon's	39
26	60 York Street	Homes First Society & Dixon Hall	194
27	20 Milner Business Court	SSHA	120
28**	165 Grange Avenue	Sojourn House	75
29**	376 Dundas Street East	Council Fire	25

**Locations with special arrangements

Source: Information included in the tables above was compiled from various sources, including the Division's Shelter Management Information System and staff reports

**Appendix 1: Management's Response to the Auditor General's Report
Entitled: Part 2 of the Audit of Emergency Shelters: Lessons Learned from
Hotel Operations**

Recommendation 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

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: Management agrees with this recommendation. SSHA, in consultation with the Controller, will update internal controls to manage hotel contracts. In the short-term, Corporate Real Estate Management (CREM) will share its best practices on invoice payment procedures and on contract management for contracts related to the facility and real-estate agreements, for SSHA to implement. In the medium-term and as soon as possible, CREM will take over the RFP, contract management, and invoice payment processes, and work with SSHA to ensure that rooms are available as required.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: Management agrees with this recommendation. Since the start of the pandemic, Toronto has implemented the most comprehensive response to COVID-19 for people experiencing homelessness in Canada. The City opened 48 temporary physical distancing sites to meet Ontario Ministry of Health guidelines for physical distancing in congregate living settings. As a result of the rapid response required to respond to the pandemic, hotel leases were urgently established. In the medium-term and as soon as possible, CREM will take over the RFP, contract management, and invoice payment processes, and work with SSHA to ensure that rooms are available as required.

In responding to COVID-19, when assistance was needed to quickly negotiate new leases for temporary sites, CREM provided valuable support and expertise to SSHA.

The support CREM provided allowed SSHA, during a time of great uncertainty, to focus on the (often changing) operational requirements and needs to support clients experiencing homelessness in the shelter system.

Recognizing the service and expertise CREM would provide to other hotel contracts currently procured and managed by SSHA, by transferring these functions to CREM, SSHA could sustain its focus to delivering on the initiatives and actions of our Homelessness Solutions Service Plan and, most importantly, on continuing to provide high quality service to clients experiencing homelessness in Toronto.

In collaboration with CREM, SSHA will transition, as soon as possible, the largest of these contracts. The transition to CREM, with support from Legal Services, includes the following actions recommended by the AG: a review of existing contracts, along with negotiations, managing any recovery of past amounts, and all other new terms.

Going forward, and aligning with the already underway City-wide real estate transformation, SSHA will work with CREM to plan and identify requirement for hotel space. As identified in the report by the AG, leveraging the expertise provided by each division will ensure effective use of City resources.

Recommendation 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.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

Management agrees with this recommendation.

SSHA will consult with the City Solicitor to review the express terms of the hotel contracts and determine where any items may be being changed outside the terms of the contract.

Where charges are found that may be outside of the terms of the agreement with the City, SSHA will consult with the City Solicitor on appropriate options.

In the medium-term and as soon as possible, CREM will take over the RFP, contract management, and invoice payment processes, and work with SSHA to ensure that rooms are available as required.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: Management agrees with the recommendation. SSHA will consult with the City Solicitor and Controller to determine, under the existing terms of the agreement with the City, where any of the charges identified in the recommendation may not be permitted by the agreements. If it is determined that charges may not be permitted by the agreements, SSHA will consult with the City Solicitor and Controller on appropriate options available.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: Management agrees with this recommendation. CREM will share its best practices on invoice payment procedures related to the facility and real-estate agreements, for SSHA to implement in the short term. In the medium-term and as soon as possible, CREM will take over the RFP, contract management, and invoice payment processes, and work with SSHA to ensure that rooms are available as required.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: Management agrees with this recommendation. SSHA is reviewing existing hotel agreements and terms of the price schedule attached to each, and will consult with the City Solicitor to determine if changes are recommended for future agreements. If changes are recommended, CREM, with input from SSHA and based on emerging operational needs, will seek to update future agreements accordingly. In the short-term CREM will share its best practices on invoice payment procedures and on contract management for contracts related to the facility and real-estate agreements, for SSHA to implement. In the medium-term and as soon as possible, CREM will take over the RFP, contract management, and invoice payment processes, and work with SSHA to ensure that rooms are available as required.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: Management agrees with this recommendation. Although every effort is made to ensure costs that are not for the primary purpose of providing shelter are minimized, SSHA will further explore opportunities to minimize costs, where applicable, while still ensuring effective delivery of shelter services and related supports to clients. SSHA will review existing hotel agreements and terms of the price schedule attached to each to determine if any changes are recommended for future agreements. If changes are recommended, CREM and SSHA will seek to update future agreements accordingly.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: <p>Management agrees with this recommendation.</p> <p>Prior to the pandemic, Toronto was facing significant demand for homeless services due to various factors, including a lack of affordable housing options. The COVID-19 pandemic, combined with the opioid overdose crisis, has further magnified the issue of homelessness and the urgent need to work together for permanent housing solutions to protect the health and well-being of this vulnerable population.</p> <p>On April 6, 2022, Council adopted EC28.9 COVID-19 Shelter Relocation and Transition Plan. Timelines to decommission any of the COVID-19 hotel response sites will depend on the availability of new affordable and supportive housing developments, ongoing demand for shelter services and future changes to physical distancing public health guidance for congregate living settings.</p> <p>Although demand for space is difficult to quantify, SSHA will review its current operating practices in consultation with CREM. In the medium-term and as soon as possible, CREM will take over the RFP, contract management, and invoice payment processes, and work with SSHA to ensure that rooms are available as required. In addition, under the city-wide real estate model, CREM, in consultation with City Legal and SSHA and PMMD, will lead the development, release and award of future RFPs for shelter hotel use.</p>

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

- c. 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.**
- d. 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.**

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: <p>Management agrees with this recommendation.</p> <p>SSHA, in consultation with CREM and the City Solicitor, will review charges and repairs for damages to ensure they are in accordance with the existing terms of the applicable real estate agreement and/or operating or service agreement with the City.</p> <p>If it is determined that charges may not be permitted by the applicable agreement, CREM and SSHA, as appropriate, will consult with the City Solicitor and Controller on appropriate options available.</p>

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: <p>Management agrees with this recommendation.</p> <p>Corporate Real Estate Management (CREM) agrees that it is well positioned to review the 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 shelters should they fall under CREMs core competencies as a real estate service provider and using the city-wide real estate lens.</p> <p>In the short-term, CREM will work with SSHA to identify locations, services and agreements where CREM can provide support and share expertise and standards in support of SSHA's ongoing oversight of emergency hotels.</p> <p>In the medium-term and as soon as possible, CREM will take over the RFP, contract management, and invoice payment processes, and work with SSHA to ensure that rooms are available as required.</p>

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: <p>Management agrees with this recommendation.</p> <p>For almost two years, through the tireless commitment of our community partners across the homelessness sector and by city staff, swift and decisive action has been taken to mobilize what has been an unprecedented pandemic response to protect Toronto's most vulnerable people. The need to cohort specific groups and reduce movement of clients between programs to reduce the spread of COVID-19 was an important consideration in the development of temporary response programs.</p> <p>Looking ahead, we recognize there are opportunities to improve and do things differently.</p> <p>SSHA will build on existing processes and explore opportunities to further prioritize occupancy of leased facilities, including through improvements to our Shelter Management Information System (SMIS) by Q4 2022 to allow for improvements to the room-based view of occupancy and capacity and improve our ability to assess the effective use of space across the system.</p>

Recommendation 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.

<p>Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree</p>
<p>Comments/Action Plan/Time Frame:</p> <p>Management agrees with this recommendation.</p> <p>The COVID-19 pandemic necessitated a dramatic shift in shelter and overnight service delivery, particularly in the sector providing service to singles. In developing the Shelter Management Information System (SMIS), beds remained the focus of capacity control rather than rooms. Also, SMIS does not have the capability to capture a reason as to why a bed is not available for use.</p> <p>As identified in the Homelessness Solutions Service Plan (adopted in November 2021 by Council), over the next three years, SSHA is transitioning SMIS into a Homelessness Management Information System (HMIS), which will allow it to support a broader range of programs and improve the flow of information between programs.</p> <p>By Q4 2022, SSHA will make improvements to SMIS/HMIS that allow improved room-based view of occupancy and capacity, and provide the functionality that allows shelter providers to document why a room is not available (and when it will be back in service).</p>

Recommendation 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.

<p>Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree</p>
<p>Comments/Action Plan/Time Frame:</p> <p>Management agrees with this recommendation.</p> <p>Prior to the pandemic, Toronto was facing significant demand for homeless services due to various factors, including a lack of affordable housing options. The COVID-19 pandemic, combined with the opioid overdose crisis, has further magnified the issue of homelessness and the urgent need to work together for permanent housing solutions to protect the health and well-being of this vulnerable population.</p> <p>On April 6, 2022, Council adopted EC28.9 COVID-19 Shelter Relocation and Transition Plan This report makes recommendations for a phased approach to transition over the next 24 months. This approach includes six core components of work which are currently underway and form the basis of Phase 1 of the transition workplan in 2022, including development of a decommissioning plan for more sites in 2023, based on learning from the first phase and monitoring of key indicators</p> <p>As noted in the Homelessness Solutions Service Plan, SSHA is transitioning SMIS into a Homelessness Management Information System (HMIS) to allow for improved room-based view of occupancy and capacity and improve our ability to assess the effective use of space.</p> <p>Based on the short and long-term needs identified by SSHA, CREM will identify the most cost effective real estate tools to support the demand and address future RFPs.</p>

Recommendation 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 shelter 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 or 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

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: Management agrees with this recommendation. Currently, SSHA provides written guidance to contracted service providers in relation to: on-site screening, when testing is required, and how to report positive cases to Toronto Public Health. Additionally, information is available on the City's website and frequently updated, including information on how TPH works with shelters . SSHA is working with an external independent IPAC consultant who, as of May 2022, has conducted 74 IPAC assessments at shelter sites. Additionally, SSHA Quality Assurance staff have been shadowing the consultant for on-site visits and training, and have conducted ongoing quality assurance compliance checks. SSHA is updating the existing IPAC plan, in partnership with Practice Health Check, which includes guidance specific to congregate settings and effectively managing outbreaks. The updated manual is currently with Toronto Public Health (TPH) for review, as changes in guidance for congregate living settings have recently been made by the province. Additionally, in January 2022, SSHA worked with Practice Health Check and contributed to implement isolation in situ guidelines. SSHA will report annually through to the Economic and Community Development Committee as part of the SSHA Infrastructure Report on IPAC areas that need improvement as well as enhancements to the IPAC program across the shelter system.

Recommendation 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 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.**

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: Management agrees with the recommendation. SSHA will consult with Accounting Services and the City Solicitor to determine if the application of HST charges, as identified in the recommendation, are allowable or exempt. If it is determined that charges are exempt, CREM and SSHA will consult with Accounting Services and the City Solicitor on appropriate options, which may include taking action to recover part or all of any respective amounts paid. SSHA will work with Accounting Services and the City Solicitor to complete a review and assessment to identify options by Q3 2022.

**AUDITOR
GENERAL**

TORONTO