

Presentation to the Audit Committee  
on June 6, 2022  
Agenda Item AU12.2

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

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**TORONTO**

# Presentation Overview

- Background and Audit Objectives
- Key Audit Findings and Recommendations
- Conclusion

# Audit Objectives

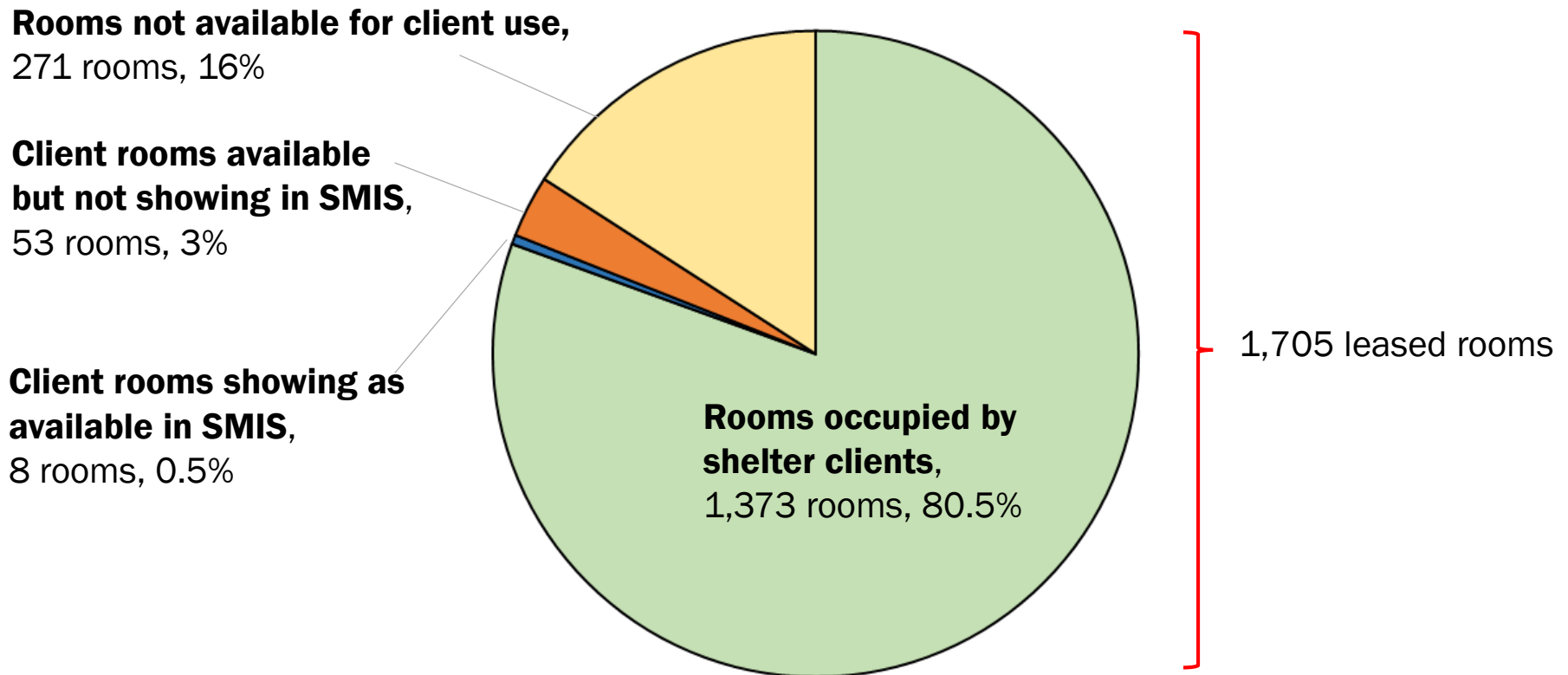
- Are **shelter hotel contracts adequately monitored** and paid in accordance with the contract terms?
- Are contracts at shelter hotels **effectively managed**?
- Is there sufficient **oversight of infection prevention and control measures** at hotels through the COVID-19 pandemic?

# Main Areas For Improvement

1. Leverage data to get more value (SMIS\*)
2. Build confidence in the safety of the shelter system
3. Strengthen contract management

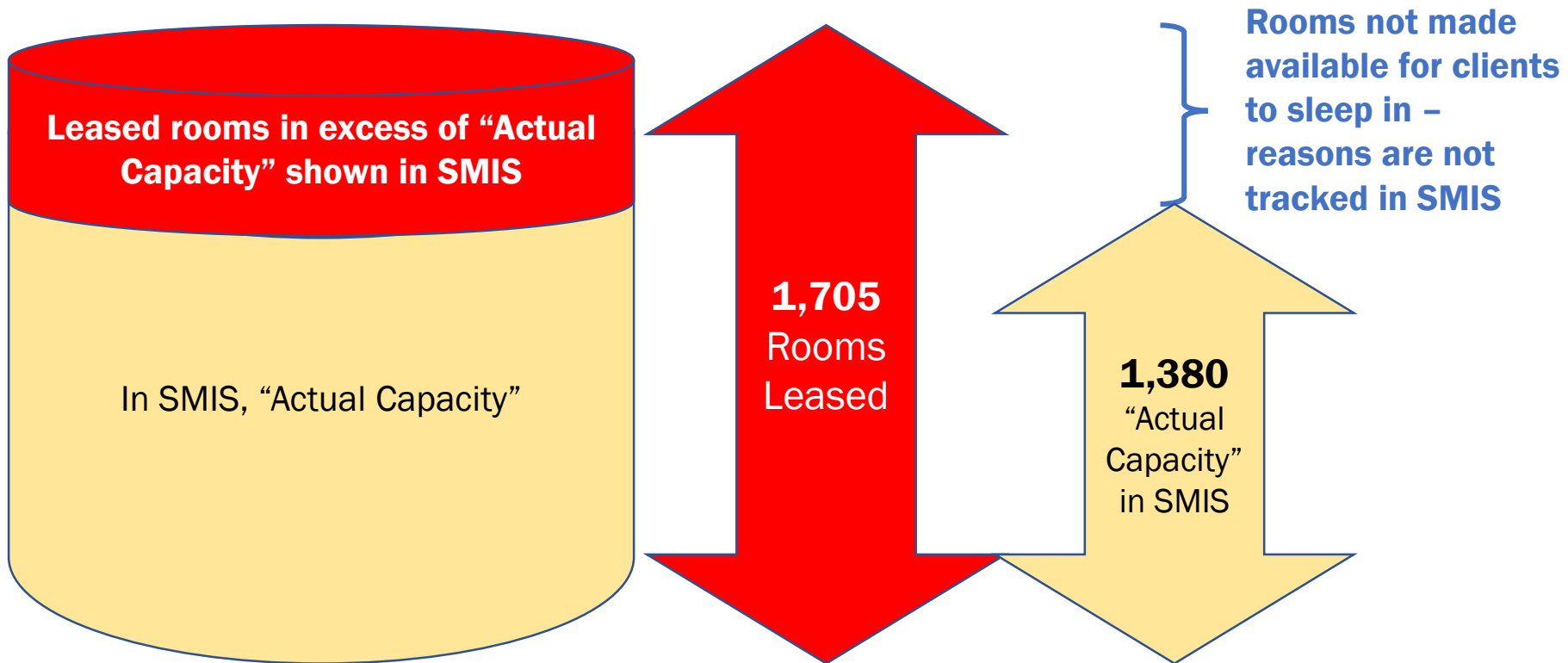
\* Shelter Management Information System (SMIS)

# 1. Leverage Data to Get More Value



Note: These numbers are based on data in SMIS for January 25, 2022 and information provided by SSHA Management

# Leased capacity is not tracked in SMIS



# 1. Leverage Data to Get More Value

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1. Identify leased capacity that has not been made available as client rooms
2. Identify clusters of available rooms / beds which go unused
3. Fill up rooms in leased hotels first, wherever possible. Expand or contract use at pay-per-use hotels, when required by demand

*Continue to enhance system to support ability to leverage data*



## 2. Build Confidence in the Shelter System

In February 2021, Public Health Ontario reported that

***"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."***



# 2. Build Confidence in the Shelter System



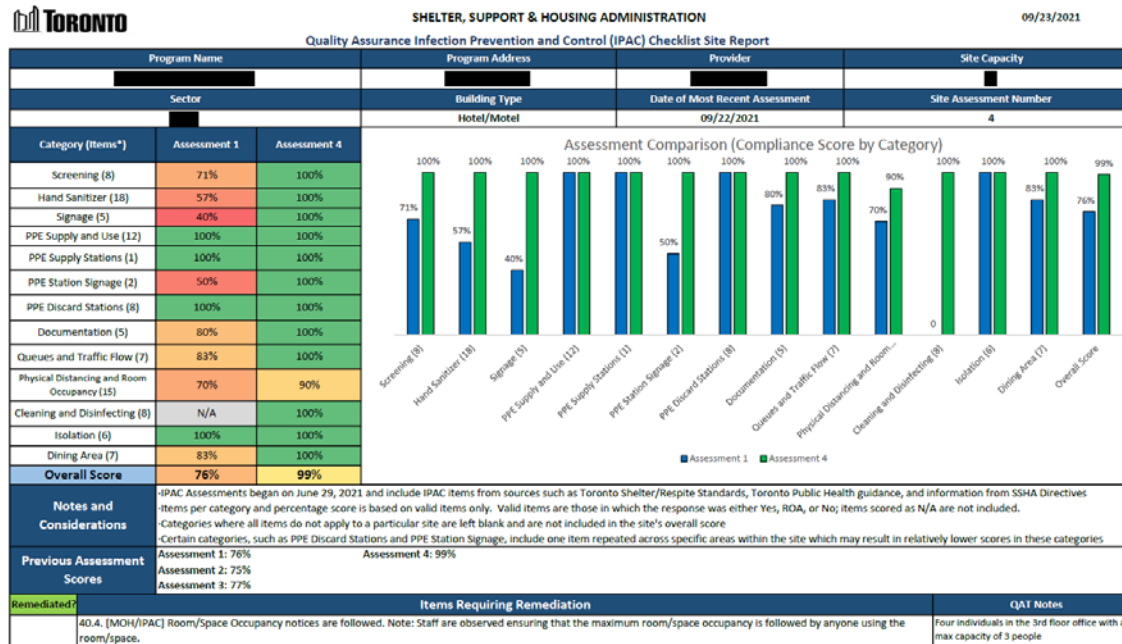
**IPAC specialist**



**Independent assessments**



**Transparency by posting results**

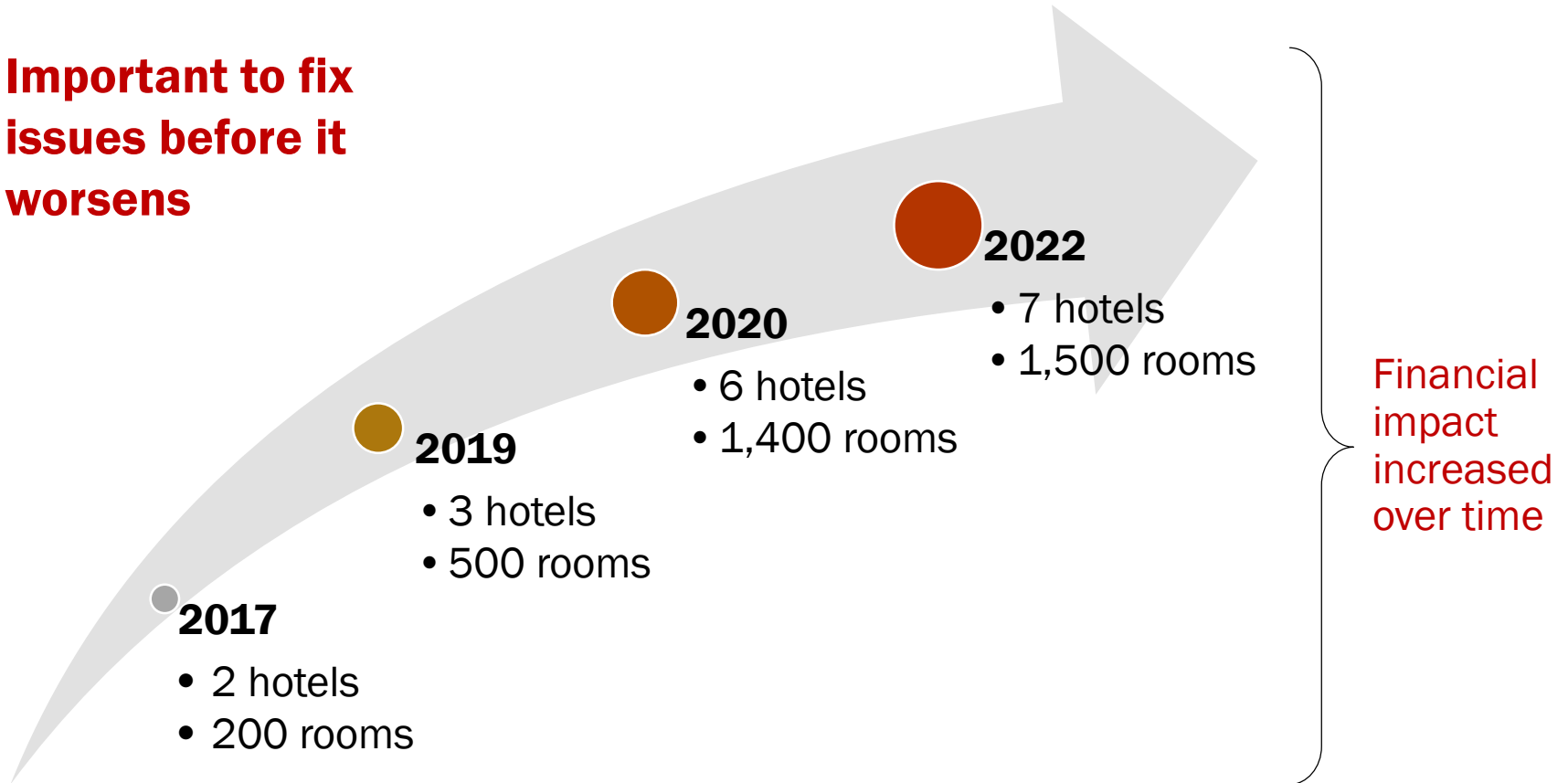


# 3. Strengthen Contract Management

- Staff reviewing invoices and authorizing payment need to be knowledgeable about contract terms
- Payments should not be based on staff discretion
- City should pay according to the express terms of the contract – This is an area where all divisions should pay attention

# 3. Strengthen Contract Management

**Important to fix issues before it worsens**



**APPENDIX D  
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.

PROPONENT'S NAME: [REDACTED]

Rate Type		Lump Sum Proposed Price (Inclusive of All Associated Costs excluding taxes)
Item No.	Description	
<b>Core Services – Describe complimentary services, if applicable:</b>		
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
<b>Additional Services Offered:</b>		
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	BUFFET STYLE \$ 42.00/per person

**Contract states that price is inclusive of all costs**

# What is the “DMF”?

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

Extra 3% “DMF” charged on room invoices

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

Is it a:

- “Destination Marketing Fee”?
- “Direct Management Fee”?

***The contract states that prices are inclusive of all costs excluding applicable taxes***





# Vacant Room Charges

## Agreement (August 2019)

- Original terms with all-inclusive rates for rooms and meals

## Amending Agreement 1 (April 2020)

- Decrease in all-inclusive rates for rooms and meals
- Suspend all vacant room charges

## Amending Agreement 2, 3 (April 2020 and June 2020)

- Designation of COVID Isolation Hotel

## Amending Agreement 4 (August 2020)

- Addition of vacant room rate for COVID Isolation Hotel only

## Amending Agreement 5 (August 2021)

- No rate changes

Invoice For: DEC 16-31, 2020

Item #	Description	Rate	Price
OCC CITY	Room DEC 16-31, 2020 ( 566 TOTAL 16 DAYS)	566	\$ 64,524.00
VAC CITY	Room DEC 16-31, 2020 (138 TOTAL 16 DAYS)	138	7,866.00

Charge for vacant rooms

# Charges Not In Accordance With Contract Aug 2019 – Aug 2021\*

Description	Amount
a. 3% "DMF" charge on room invoices	\$2.40 million
b. "Facility Surcharge" on meal invoices	\$5.30 million
c. Charges for vacant rooms	\$5.40 million
d. Other charges	\$0.10 million
<b><i>Sub-total</i></b>	<b><i>\$13.20</i></b> million
<i>HST</i>	\$1.72 million
<b><i>Total</i></b>	<b><i>\$14.92</i></b> million

\*Additional amounts were paid for the time periods before August 2019 and after August 2021



# Actions Taken

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## Audit observation

## April 2022

a. "DMF" charge on room invoices

- Charges stopped in 2022
- Hotel agreed to \$381,000 refund for April 15 – July 15, 2021

b. "Facility Surcharge" on meal invoices

- Extra charges continue but now called a "Gratuity" or "Grats"

c. Charges for vacant rooms

- Charges continue

Legal Services advice on charges is recommended

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# Opportunities to reduce costs by providing more cost-effective options

For example,

- \$840,000 for space at one hotel to store belongings left behind. This is happening at other hotels.



- \$68,000 to use two to four printers

# 3. Strengthen Contract Management

- Developing a robust internal control framework to manage contracts
- Paying in accordance to express terms of contract
- Recovering amounts overpaid
- As quickly as possible transferring responsibility for hotel facility contracts to CREM
  - RFP
  - Negotiation
  - Invoice Verification

# Conclusion

- Implementing the 15 recommendations will help:
  - 1. Leverage data** to continuously improve the coordinated and cost-effective use of available hotel space
  - 2. Build confidence** in the safety of the shelter system
  - 3. Strengthen oversight** and management of hotel operations by putting in place a stronger internal control framework to effectively manage contracts
- Management has agreed to all 15 recommendations

# Thank you

We express appreciation for the cooperation and assistance we received from

- SSHA management and staff
- Community agencies
- Medical Officer of Health, Dr. Eileen de Villa, and her team at Toronto Public Health

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