



**Office of the Auditor General**

**Review of Emergency Shelter Program – Use of a  
Specific Hotel**

**Tabled at Audit Committee  
July 4, 2019**



**Table of Contents**

Executive summary ..... 1

    Purpose..... 1

    Background and rationale ..... 1

    Findings ..... 2

    Conclusion ..... 3

    Recommendations and responses..... 4

Detailed report..... 9

    Review of Emergency Shelter Program – Use of a Specific Hotel ..... 9

    Introduction ..... 9

    Background and context ..... 9

    Recent changes ..... 12

    Response to demand ..... 12

    Objective and scope of the review ..... 13

    Approach and methodology ..... 14

    Review observations and recommendations..... 15

### **Acknowledgements**

The team responsible for this review, comprised of Chantal Amyot, Abhishek Gangwal and Louise Proulx from the Office of the Auditor General (OAG) under the supervision of Ed Miner, Deputy Auditor General and the direction of Ken Hughes, Auditor General, would like to thank those individuals who contributed to this project, and particularly, those who provided insights and comments as part of this review.

Original signed by:

Auditor General

## Executive summary

### Purpose

In response to concerns brought to the attention of the Office of the Auditor General (OAG) related to the City's use of certain properties for temporary emergency shelter accommodations, the OAG initiated this review. The purpose of our review was to assess the concerns raised and to assess compliance with applicable legislation, by-laws, policies and procedures.

### Background and rationale

The City's Housing Services Branch ("Housing Services") funds community agencies that, in turn, help people who experience homelessness and those at risk of becoming homeless. Services include providing emergency shelter and helping those who are in emergency shelters, or are unsheltered, to find appropriate housing. If all the shelters are full, the City has arrangements for offsite placement. Offsite placement is primarily used for families and includes accommodations such as hotels, motels and some limited use of post-secondary residences. Hotels, motels and post-secondary residences are intended to be used as temporary placements.

Management has indicated that the City has seen increased demand for emergency housing in the last few years for a number of reasons including a decreasing vacancy rate, rising rents, an increase in immigration from outside Canada and migration from other cities/provinces in Canada. As the City's existing shelter accommodations have been unable to meet this increased demand, the use of offsite placements has grown. In 2018, City spending on hotels/motels for emergency shelter was \$9.3 million, a 29 per cent increase from 2017. In 2018, on the average night there were 219 families in offsite placements. This is up from 181 families in 2017 and 92 families in 2016.

In 2018, concerns were brought to the attention of the OAG relating to the City's use of certain residential properties provided by a specific provider of emergency shelter accommodations (referred to below as the *specific hotel provider*). In 2018, payments to this specific hotel provider were 41 per cent of the total amount paid to all hotels/motels under this program. In response to the allegations, the OAG initiated a review of the emergency shelter program focussed primarily on the use of this specific hotel provider.

## Findings

- While the City does have a medium to long term strategy and has implemented a number of measures to both reduce the demand for and increase the supply of emergency shelter spaces, particularly for families, further efforts are needed as the use of motels and hotels continued to grow in 2018.
- The current agreement with the specific hotel provider is not fully in accordance with the requirements of the City's Delegation of Authority (DOA) By-law. Similar to the agreements with other providers, it does not include clauses for insurance and workplace safety, as required under the DOA By-law.
- The City's agreements with hotel providers do not include a "right-to-audit" clause. A right-to-audit clause could be beneficial as it facilitates access to the vendor's personnel, records and supporting documentation. It also provides the City a right to conduct audits and examine vendors' performance of services.
- We observed no bias towards selection of the specific hotel provider in the hotel placement process. Each household or family was dealt with on a case-by-case basis and was placed depending on their specific needs and hotel availability.
- The rates charged by the specific hotel provider for hotel rooms were competitive when compared to the City's agreed rates with similar hotels. The specific hotel provider is the City's only provider that also offers other residential properties (e.g. apartments). As per the agreement, the specific hotel provider charges the same rates for these other residential properties as for hotel rooms. There is no provision in the agreement for discounted rates for long-term stays.
- Given that most families stayed in these apartments for more than one month, the cost to the City was significantly higher (roughly \$3,000 per month) than the average monthly market rates for similar apartments. However, such rates are generally only available after committing to a lease. We discussed with Housing Services the possibility of the City entering into long-term leases to rent a block of apartments at market rates. Housing Services management have decided not to use this option due to implications of the Landlord and Tenant Board Rules and the Residential Tenancies Act and due to the fact, they do not want to take any additional rental stock off the market for temporary accommodation.
- City staff monitored households on a regular basis to ensure that they were staying in the accommodations to which they were assigned by the City. However, there were exceptions. The specific hotel provider needed to undertake necessary renovations to specific units that were occupied by households placed by the City.

These units were covered under the Letter of Agreement (LOA). Housing Services approved the temporary transfer of four households to non-LOA addresses. Without the City's knowledge, the specific hotel provider moved other households to other non-approved properties that it owned. When City staff became aware, they quickly intervened and the families were moved back into approved properties. We also found the specific hotel provider undertook some of the renovations/modifications without a building permit.

- There was a solid invoice verification process in place to ensure that the amounts paid to the specific hotel provider are for authorized individuals and for authorized durations. However, we noted the following inconsistencies between Housing Services current payment process and the City's Purchasing Card Policies and Procedures:
  - The purchasing card assigned to one employee was being used by another employee to authorize spending.
  - Purchasing card charges were regularly split in order to stay under the card's \$100,000 transaction limit.
  - The Financial Services Unit did not review the purchasing card reconciliations prepared by Housing Services.
- The City's agreement with the specific hotel provider identified eight residential properties in addition to the hotel. We observed that:
  - One property listed in the agreement had undergone modification work without a required building permit.
  - Two properties listed on the agreement appeared to have had additions or modifications that may not comply with the Building Code and/or Zoning By-laws. Building Code Services staff indicated that they would need to inspect the properties to assess compliance.
- The current arrangements with the City for use of the specific hotel provider's non-hotel properties suggest a possible commercial use; however, property taxes on these properties are being calculated based on residential use.

## Conclusion

While the City does have a medium to long term strategy and has implemented a number of measures to both reduce the demand for and increase the supply of emergency shelter spaces, particularly for families, further efforts are needed to

determine if procuring additional non-profit or permanent city-owned shelter accommodations is justified. Further, while the City is not required to use a request for proposal process for hotel/motel accommodations, using one could provide additional cost savings, particularly for long-term stays.

While there were some instances when families were moved to non-approved properties, overall Housing Services has processes and practices in place to ensure that households are placed in approved properties using an open, transparent, fair, and cost-effective process. We also found processes in place to ensure that the terms and conditions of the executed agreements are being adhered to and that payments made to the specific hotel provider are for authorized individuals and durations. However, the gaps between Housing Services' current payment process and the City's Purchasing Card Policies and Procedure need to be addressed.

Lastly, more involvement of Building Code Services staff could improve compliance on the part of the specific hotel provider and potentially other providers.

## **Recommendations and responses**

### **Recommendation #1**

That the City determine if the cost of projected medium to long term shelter demand, particularly for families, justifies procuring additional non-profit or permanent City-owned shelter accommodations.

#### **Management response:**

Management agrees with this recommendation.

Management will complete a business case to determine the capital and operating costs of procuring additional temporary shelter capacity, particularly for families, with the non-profit sector and/or a permanent City-owned facility. This will be completed by Q4 2019.

### **Recommendation #2**

That the City add a "Right to Audit" clause in the revised Letter of Agreement template before executing the revised Letters of Agreement with new and existing suppliers.

**Management response:**

Management agrees with this recommendation.

The Letter of Agreement template was revised in April 2019 to include a “Right to Audit” clause. This updated Letter of Agreement will be used for all new suppliers. Housing Services is in the process of having the updated Letter of Agreement signed by all existing suppliers. This recommendation will be implemented by Q3 2019.

**Recommendation #3**

That the City adopt a business case approach to evaluate alternatives for long-term hotel/motel/apartment stays which may include:

- Discounted rates for extended stays
- Use of a competitive bidding process, such as a formal Request for Proposals, to add to its list of available hotels

**Management response:**

Management agrees with this recommendation.

Housing Services will conduct a formal Request for Offer for offsite services in Q3 2019, with new agreements in place by Q4 2019.

**Recommendation #4**

That where possible the City enter into a Letter of Agreement with each hotel used on a regular basis so that the responsibilities of all parties are well defined and communicated.

**Management response:**

Management agrees with this recommendation and it has been implemented.

Management enters into a Letter of Agreement with each hotel used on a regular basis so that the responsibilities of all parties are well defined and communicated. In specific instances, a non-Letter of Agreement hotel has been used to manage capacity needs or to meet the unique needs of a household, including for accessibility, urgent safety or to extend a household who was originally placed for an emergency, like a fire or flood. Currently, Housing Services has Letter of Agreements with all hotels that are used on a regular basis. Management considers this recommendation complete.

**Recommendation #5**

That the City ensure all non-hotel/motel properties being used for temporary accommodations are listed in a Letter of Agreement and that before adding properties to a Letter of Agreement, Building Services conducts an inspection and confirms that the properties are not in violation of building regulations and by-laws and that there are no outstanding compliance orders.

**Management response:**

Management agrees with this recommendation.

Although Housing Services does not expect to add or enter into any new agreements for temporary accommodation with non-hotel properties, if management were to do so, Housing Services will request that Building Code Services undertake a compliance summary report providing information regarding the status of issued building permits and inspections and any outstanding orders/complaints as they relate to the Ontario Building Code, Zoning By-law and Property Standards By-law.

Management is updating its current Letter of Agreement with the only provider who has non-hotel/motel properties and will ensure that all non-hotel/motel properties being used for temporary accommodations are listed on the Letter of Agreement. This will be completed by Q2 2019.

**Recommendation #6**

That the City comply with the Purchasing Card Policy and Procedures when using a Purchasing Card to pay hotel providers' invoices.

**Management response:**

Management agrees with this recommendation.

Housing Services has amended its practices to ensure that spending is authorized by the cardholder and not a designate. In addition, the monthly transaction card limits have been increased in accordance with the Purchasing Card Policy.

Housing Services and the Financial Services Unit will work with Supply Services to document the approval of the alternate payment reconciliation process for hotel provider invoices in accordance with the Purchasing Card Policy. This will be completed by Q4 2019.

**Recommendation #7**

That the City's Housing Services coordinate with the City's Building Code Services to assess if all the properties listed on the Letter of Agreement comply with the Ontario Building Code and Zoning By-laws.

**Management response:**

Management agrees with this recommendation and work has been initiated.

Building Code Services will assess if all non-hotel properties listed on the Letter of Agreement are compliant with the Ontario Building Code and Zoning By-laws by Q3 2019.

As of June 1, 2019, Housing Services is no longer using any of the addresses identified in this review as having had or potentially having undergone modifications, work, renovations or changes without the required building permit or that may not be in compliance with the Ontario Building Code and Zoning By-law.

**Recommendation #8**

That the City request that MPAC review the tax class for each of the non-hotel properties listed on the Letter of Agreement with the specific hotel provider to ensure it is accurate.

**Management response:**

Management agrees with this recommendation and it has been implemented.

Staff have requested that MPAC review the tax classification for each of the properties listed in the Letter of Agreement.

**Recommendation #9**

That the City verify compliance with the Ontario Building Code and Zoning By-laws, before entering into or amending Letters of Agreement to add additional non-hotel properties.

**Management response:**

Management agrees with this recommendation and it has been implemented.

Effective immediately, if Housing Services enters into or amends agreements to add additional non-hotel properties with any provider, they will work with the appropriate Service Area to verify compliance with the Ontario Building Code, the Zoning By-laws, the Property Standards By-law and the Fire Code prior to signing the Letter of Agreement.

Although management does not plan on entering into new agreements for additional non-hotel properties, Housing Services' current Procurement Protocol: Offsite Services Process, has been amended to include this requirement. Management considers this recommendation complete.

## Detailed report

# Review of Emergency Shelter Program – Use of a Specific Hotel

## Introduction

The Review of Emergency Shelter Program – Use of a Specific Hotel is a project that was undertaken by the Office of the Auditor General (OAG) in response to information that was communicated to the OAG in July 2018.

## Background and context

In 2018, concerns were brought to the attention of the OAG relating to allegations surrounding the City's use of certain properties owned by a specific hotel provider (referred to below as the *specific hotel provider*) for temporary emergency shelter accommodations. Based on these concerns and reports made to the Fraud and Waste Hotline, the OAG initiated this review.

The City's Housing Services Branch ("Housing Services") funds community agencies that, in turn, help people who experience homelessness and those at risk of becoming homeless. This collaborative effort has developed into a system of services that ranges from the prevention of homelessness to helping people find permanent housing. Services include providing emergency shelter and helping those who are in emergency shelters, or are unsheltered, to find appropriate housing.

There are a variety of reasons, which may lead an individual to need emergency shelter. Depending on circumstances, individuals requiring emergency shelter may be single or be part of a family unit. Family units can range in size. The size of a household, as well as other factors, will impact the type of dwelling or shelter that is suitable. Individuals may be provided temporary emergency accommodation in community shelters, in family shelters or overflow/offsite options, including motels.

The City subsidizes approximately 950 permanent shelter spaces in one City-operated family shelter and funds eight agency-operated community shelters. The City also provides emergency shelter in overflow/offsite facilities as needed. Households accommodated at the City's Family Shelter or in overflow accommodations receive case management services and are referred to social and health services as needed.

Each household within the family shelter system is assigned a City housing support worker to help them find affordable, permanent housing. If all the shelters are full, the City has arrangements for offsite placement. These offsite placements include accommodations such as hotels, motels and some limited use of post-secondary residences. Emergency shelters, hotels, motels and post-secondary residences are intended to be used as temporary placements. The table below provides a summary of hotels/motels that the City used for temporary offsite accommodations from 2015 to 2018.

Table 1: Statistics for hotels, motels and post-secondary institutions used for temporary offsite accommodations for past four years

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Amount paid to all hotels, motels and post-secondary institutions in millions (\$)	\$3.7	\$4.3	\$7.2	\$9.3
Amounts paid to specific hotel provider in millions (\$)	\$1.4	\$1.5	\$2.5	\$3.8
Percentage of total amount paid to specific hotel provider	38%	35%	35%	41%
Number of hotels, motels and post-secondary institutions used	18	17	21	18
Number of hotels/motels used without agreements	6	4	6	3
Highest amount paid to a hotel/motel used without an agreement	\$174,000	\$9,400	\$360,000	\$910,000

Agreements with these hotels and motels are entered into under the City's Delegation of Authority By-law (No. 2016-369)<sup>1</sup> which includes an authorization for the Community and Social Services Department (CSSD) to approve, amend, extend and execute service agreements.

The agreements that Housing Services signs with hotel providers are used as needed and cover all placed households. They remain in place over the duration of the agreement and there is no need to sign a new agreement every time a household is placed. The agreements outline the terms, conditions and expectations of the City in relation to the services to be provided.

All agreements signed in 2016 and beyond automatically renew after the initial term of one year unless one of the parties provides written notice of intent not to renew or if there is a change in rates. Housing Services has long-standing agreements with the majority of these hotel/motel operators. In the spring of 2017, an internal working group of Housing Services staff was struck to reach out to additional hotels/motels, within a certain price point, to increase capacity. The City was facing an unprecedented, significant and sustained demand for family shelter placement at that time, primarily due to migration from other parts of Canada and immigration including refugee claimants arriving from the United States. Some nights there was limited to no capacity within the City's permanent shelter capacity for families.

In 2018, 7,937 unique people (singles, couples, families) used an overnight emergency shelter in Ottawa at some point during the year. This was up 6.5% from 7,453 people in 2017. The growth in the use of offsite hotels/motels however is driven more by the growth in the number of families. On an average night in 2018, 219 families were in offsite placements, up 21% from 2017 (181 families). The number of families each night in 2017 already represented an increase of 97% from 2016 (92 families). The average length of stay for families was 123 nights in 2018, virtually unchanged from 124 nights in 2017.

Of the total amount paid to hotels/motels, one hotel provider, the subject of the Fraud and Waste reports, was paid \$2,544,838 in 2017 and \$3,752,740 in 2018. The latest agreement with this specific hotel provider, dated June 28, 2017, refers to the provision

---

<sup>1</sup> Subsequent to signing the LOA, the By-law No. 2016-369 has been revised, however, there was no change to the authorization for the Community and Social Services Department to approve, amend, extend and execute service agreements. The most recent version of the By-law is 2018-397.

of accommodations at a number of locations including a hotel/motel and apartments and houses.

## **Recent changes**

Prior to 2019, the City operated two City-owned family shelters, the Carling Family Shelter and the Forward Family Shelter. In November 2018, the City decided to close the Forward Family Shelter as the building needed extensive repairs to address structural issues. Housing Services mandate is to provide a safe, accessible, and adequate environment for families experiencing homelessness and the age/condition of the Forward shelter required Housing Services to stop operating out of this location. The 14 families who were accommodated at the Forward Family Shelter at that time were transitioned to other housing accommodations and February 8, 2019 was City staff's last shift at the shelter.

## **Response to demand**

While we have not verified the details, Housing Services management indicates that they have taken the following actions in response to the demand:

- Moved capital funding to operating funding to create additional rent supplements and housing allowances for families in the shelter system.
- Offered tiered housing allowances, a portable subsidy to help with choice and affordability in the private market to all households within the family shelter system since 2016.
- Provided capital and operating funding for a new 20 room transitional housing facility for homeless families effective December 2018.
- Reached out, via an internal working group to local businesses in 2017 and 2018 to determine if they would be willing to provide temporary accommodations on an as needed basis. Under the provisions of By-law 2018-397, there is no requirement to solicit service providers using a competitive bidding process.
- Currently negotiating with a sector partner to expand temporary housing capacity for families.
- Undertaken additional promotion and marketing of housing allowance options to families in the shelter system.
- Continued to promote the rent supplement program to private market landlords to encourage take-up.

- Changed local priority rules so that all families or singles with a local priority status of “homeless” are automatically considered for all rent geared to income (RGI) housing suitable to their family size, versus only select communities.
- Enforced family shelter guidelines, which require families to take their first offer of rent geared to income housing.
- Increased the number of contracted Housing Search and Stabilization Workers from three to four to increase housing supports for families receiving placement services.

## Objective and scope of the review

The overall objective of this review is to assess the concerns raised with the OAG and provide a fact-based account of the circumstances surrounding the use of a specific hotel for the provision of temporary emergency shelter accommodations and to assess compliance with applicable legislation, by-laws, policies, and procedures.

The period in scope was from January 1, 2017 to December 31, 2018. Our review included the following criteria, which was developed based on information obtained from planning interviews, document review, and research:

<b>1. Governance</b>	
1.1	Management has developed a medium to long-term strategy to respond to the demand for emergency shelter that decreases the reliance on hotels and motels for overflow.
<b>2. Procurement</b>	
2.1	The City’s agreement with the specific hotel provider complies with relevant by-laws, policies and procedures.
2.2	The process for adding a new hotel provider to provide temporary accommodations is based on an open, transparent, fair, and cost- effective process.
2.3	The process for selecting a particular hotel provider to place a household in the temporary accommodations is based on an open, transparent, fair, and cost- effective process.

<b>3. Contract administration/Vendor performance management</b>	
3.1	The City has processes in place to provide reasonable assurance that the providers of the temporary accommodations are adhering to the terms and conditions of the executed agreements.
3.2	The City is monitoring shelter clients on a regular basis to ensure that the clients are staying in accommodations approved in advance by the City.
<b>4. Purchasing (payment for services)</b>	
4.1	The City has adequate controls in place to ensure that amounts paid to the specific hotel provider are for authorized individuals.
4.2	The City's process for paying for the temporary accommodations complies with the City's policies and procedures.
<b>5. Provider's building compliance</b>	
5.1	Properties leased or owned by the specific hotel provider that have been renovated and/or converted comply with the City's building and renovation requirements and relevant legislation.
5.2	Properties leased or owned by the specific hotel provider and being used to temporarily accommodate households comply with the City's zoning requirements based on the use of the property.
5.3	The tax class assigned to a property leased or owned by the specific hotel provider is accurate based on the zoning and current use of the property so that the City is collecting the correct tax revenues.

## Approach and methodology

The approach to this review was to obtain the facts surrounding the use of a specific hotel for the provision of temporary emergency shelter accommodations. The review included the following activities:

- Interviews with staff members involved in the administration of emergency shelter program;
- Interviews with other City personnel as deemed necessary;

- Reviewed relevant by-laws, policies and procedures, and other reference material;
- Examined records such as case files, client records, correspondence, agreements, invoices, municipal records;
- Interviewed staff from other municipalities to obtain an understanding of their approach for responding to emergency shelter demand; and
- Other review procedures as deemed necessary for purposes of concluding on the review objectives.

We initiated planning activities in December 2018 and completed our fieldwork in April 2019.

## **Review observations and recommendations**

### **Review objective #1:**

Assess the City's medium to long-term strategy to address the increased demand for emergency housing.

#### **1.1 Medium to long-term strategy**

Similar to other municipalities in Ontario, the City has seen increased demand for emergency housing in the last few years for a number of reasons including: decreasing vacancy rates, increasing average market rents, a loss of existing private market rental units, a lower turnover of community housing stock, and a loss of larger bedroom count units. In addition, there has been a significant increase in requests for placement as the result of migration from other parts of Canada and from increased immigration, including refugee claimants from the United States. The City's existing permanent bed capacity for families has been unable to meet this increased demand and as a result, the City has increased its use of motels and hotels to provide for temporary accommodations as emergency shelters.

As such, in our review, we expected to find that the City has developed a medium to long-term strategy to respond to this increased demand for emergency shelter.

Based on our review of Management's Strategy and Plan, we found that Housing Services Management does have a medium-long term strategy to respond to the increased demand for emergency shelter. A re-refresh of its 10 Year Housing and Homelessness Plan (2014-2024) is currently underway (due to the Province by December 31, 2019) and it includes the City's strategy. Further, the City is currently

negotiating with a community partner organization to expand capacity to reduce reliance on motels and hotels. Management hopes that this potentially expanded capacity could be in place by 2020.

We also spoke with three other Ontario municipalities (Toronto, Peel Region and Hamilton) to compare their processes and identify opportunities where the City could gain from their experiences and practices. Two of the three municipalities stated that part of their long-medium term strategy was to reduce hotel use by increasing capacity within their non-hotel shelter system.

The City has also implemented a number of measures to both reduce the demand for and increase the supply of emergency shelter spaces, particularly for families. Even with these, however, further efforts are needed as the number of shelter nights and use of motels and hotels has grown in 2018 from 2017.

### **Recommendation #1**

That the City determine if the cost of projected medium to long term shelter demand, particularly for families, justifies procuring additional non-profit or permanent City-owned shelter accommodations.

### **Management response:**

Management agrees with this recommendation.

Management will complete a business case to determine the capital and operating costs of procuring additional temporary shelter capacity, particularly for families, with the non-profit sector and/or a permanent City-owned facility. This will be completed by Q4 2019.

### **Review objective #2:**

Assess if the City's Procurement process is open, transparent, fair, cost-effective and in compliance with relevant by-laws.

#### **2.1 Letters of Agreement**

The City's Delegation of Authority (DOA) By-law permits Housing Services to enter into agreements for procuring hotels rooms as temporary accommodations and specifies a number of provisions that are to be included in those agreements. These provisions relate to insurance, termination, work place safety and indemnification.

A Letter of Agreement (LOA) is executed between the City and a hotel provider after the hotel provider meets the City's requirements and agrees to provide rooms as temporary accommodation for emergency shelter purposes. Since the LOA specifies the key provisions as well as responsibilities of both parties under the agreement, it needs to be executed in accordance with the provisions of the City's DOA By-law.

As such, our review expected to see that the LOA signed with the specific hotel provider complies with all the requirements of the DOA By-law. However, we found that the LOA with the hotel providers did not include clauses for Insurance and Workplace Safety, as required by DOA By-law. The City's Legal Services group revised the standard LOA template in February 2019 and it now includes provisions for workplace safety and insurance. However, existing suppliers have not yet signed the new version of the agreement. Accordingly, the current agreement in effect with the specific hotel provider under review was not fully in accordance with the requirements of the DOA By-law.

City Housing staff state that they intend to have the revised LOA executed with all new and existing suppliers.

We also noted that, even though it is not a requirement under the DOA By-law, the new LOA template does not include a "Right to Audit" clause. A Right to Audit clause could be beneficial to the City as it facilitates access to the vendor's personnel, records and supporting documentation. It also provides the City a right to conduct audits to examine vendor's performance of the services.

We also compared the current LOA of the specific hotel provider under review with the LOAs of two other hotel providers to assess whether there were any significant differences between the LOAs. We found no significant differences.

### **Recommendation #2**

That the City add a "Right to Audit" clause in the revised Letter of Agreement template before executing the revised Letters of Agreement with new and existing suppliers.

### **Management response:**

Management agrees with this recommendation.

The Letter of Agreement template was revised in April 2019 to include a "Right to Audit" clause. This updated Letter of Agreement will be used for all new suppliers. Housing Services is in the process of having the updated Letter of Agreement signed by all existing suppliers. This recommendation will be implemented by Q3 2019.

## **2.2 Process for adding a new hotel provider**

The City currently has agreements with a number of hotels to supply rooms for temporary accommodations. We expected to find that the City's current process of adding new hotel providers was open, transparent, fair and cost-effective. We also expected that the rates being charged by the specific hotel provider would be cost effective for all of its accommodation types. Lastly, we expected any lobbying by the specific hotel provider would comply with the City's lobbyist rules.

The process for adding new hotels to the City's list of hotel providers was not based on a competitive bidding process. The City has long-standing agreements with many of the current hotels/motels in use. The Housing Services team put together a hotel working group in 2017 to address potential capacity issues as a result of increased requests for placement that began in the fall of 2016 and the anticipated lack of hotel availability due to Ottawa 150. The hotel working group developed a hotel procurement process to add new hotels and had reached out to various hotels and post-secondary institutions within the Ottawa area. This working group ceased in mid-2017. Housing Services continued to reach out to other hotels using the processes and tools developed by the working group in order to expand capacity in early and late 2018.

After being contacted, interested hotels, which met the City's requirements, which included a rate range, were added to the City's list of hotel providers and new LOAs were executed with them. The City continues to use these hotels for emergency shelter purposes in addition to the specific hotel provider. Additionally, some hotels agreed to provide temporary accommodations to the City, but would not sign a LOA. Staff indicate that this was due to various reasons including the requirement for a deposit by some hotels and the City's need for rooms for long-term stays without specific checkout dates.

While the City did not use a Request for Proposal (RFP) process with competitive bidding to procure hotels for emergency shelter accommodations, it was not required to do so under its DOA By-law. However, we found that one of the three municipalities that we consulted had used an RFP process to directly procure hotels. Another of the municipalities used an RFP process to engage a service provider to oversee the municipality's placement services including securing hotels. As well, we support competitive bidding in general as a process that provides value for money and transparency. In this case, we do recognize that there may be challenges in obtaining participation from hotel operators who may be unaccustomed to the process and prior outreach by the City has indicated that there are only a limited number of hotels/motels that are interested in providing this service on behalf of the City.

We found that the rates charged by the specific hotel provider for hotel rooms were competitive when compared to the LOA rates for similar hotels.

The specific hotel provider charges the City the same daily rate for residential apartments (and other residential properties) as for its hotel rooms (\$109 per night). Given that most families stayed in these properties for more than one month, the cost of these apartments to the City was significantly higher (approx. \$3,000 per month) than average monthly market rates for similar apartments. Based on the information published by various organizations<sup>2</sup>, we found that after committing to a one-year lease, monthly rents were approximately \$827 for a bachelor apartment and \$1,507 for a three-bedroom apartment. There was no provision in the LOA for discounted rates for long-term stays.

The cost of these apartment rooms however can be lower than the alternative cost of hotel rooms. In case of larger families, they would often otherwise occupy more than one room in a hotel, each of which would be charged to the City. As well, City staff indicate that as the apartments have kitchens, they are preferred by many families, particularly those with young children. None of the three other municipalities that we contacted uses apartments or other residential properties for emergency shelter overflow purposes.

We discussed with Housing Services about the possibility of the City entering into long-term leases for renting a block of apartments at market rates. Housing Services Management have decided not to use this option due to implications of the Landlord and Tenant Board Rules and the Residential Tenancies Act. In addition, Housing Services does not want to enter into agreements that would take additional private rental units off the market.

If the owner(s) of the specific hotel provider or individuals representing them ***communicated with a member of Council or City staff to influence a decision on a governmental matter***, they would be expected to comply with Lobbyist Registry By-law. This would include registering the lobbying with the City's Lobbyist Registry. We performed a limited search on the Lobbyist Registry and confirmed that lobbying activities were registered related to the specific hotel. The nature of our work would not

---

<sup>2</sup> Average compiled based on information from the Alliance to End Homelessness Ottawa, Canadian Rental Housing Index and Canada Mortgage and Housing Corporation.

have revealed if there were additional lobbying activities that were not recorded in the Lobbyist Registry.

### **Recommendation #3**

That the City adopt a business case approach to evaluate alternatives for long-term hotel/motel/apartment stays which may include:

- Discounted rates for extended stays
- Use of a competitive bidding process, such as a formal Request for Proposals, to add to its list of available hotels

### **Management response:**

Management agrees with this recommendation.

Housing Services will conduct a formal Request for Offer for offsite services in Q3 2019, with new agreements in place by Q4 2019.

### **2.3 Process for selecting a particular hotel**

Housing Services maintains a list of shelters as well as hotels that have agreed to provide temporary overflow accommodations as emergency shelter. City shelter support workers update this list with room availability information by calling hotels and community shelters on a daily basis. The availability information is then sent to City caseworkers and used when placing households when the Carling Family Shelter or space with contracted partners is full. This list is not used to determine availability at the community shelters single men and women. These organizations have their own assessment and intake process. Single men and women are generally diverted to these organizations for placement.

City caseworkers assess the needs of each household and select an appropriate room. Many factors affect the choice of a particular hotel room including availability dates, location, family circumstances, size of family, size of the room, special needs, etc.

Our review expected to find that the process for selecting a particular hotel provider to place a household in the temporary accommodations is based on an open, transparent, fair, and cost-effective process.

During our review, we observed that when space was available, City-owned or community shelters were properly given priority over hotels when placing households. We did not observe any bias towards selection of a particular hotel provider. Each

household or family was dealt on a case-by-case basis and were placed depending on their specific needs and hotel availability.

As noted, the process to track availability of rooms at hotels was manual. In our conversations with other municipalities, we were told that Toronto and Peel Region have systems to track the availability of beds at various hotels on a real-time basis. Toronto uses the *Shelter Management Information System* and Peel Region uses the *Housing Transformation Initiative*. Each of these two municipalities has engaged community organizations (COSTI in Toronto and the Salvation Army in Peel Region) to assist them in updating vacancy information at the hotels. These organizations also provide client oversight services at offsite locations on behalf these municipalities.

Unlike some other municipalities, the City does not have agreements to occupy all rooms in a motel/hotel and the City does not contract with community agencies to oversee offsite services. The City's LOA does not require it to pay for a specified number of rooms nor does it require hotels/motels to set aside a specified number of rooms for the City.

City Housing Branch managers explained that the availability of beds at various shelters is already tracked through the Federal Homeless Individuals and Families Information System (HIFIS) and that the tracking the availability of beds at the smaller shelters and hotels does not take much time as it only involves making a few telephone calls. Based on this, introducing a new system to record the results of these calls would appear to be unnecessary. The option of outsourcing offsite client oversight to a non-profit organization is also beyond the scope of this review.

### **Review objective #3:**

Assess if the City monitors services provided by hotels to ensure they are in accordance with the executed contracts and only approved hotels are used for placements.

#### **3.1 Terms and Conditions of the executed agreements**

The LOA sets out the responsibilities of each hotel provider, which includes providing minimum amenities to the households in each room. Amenities included a functional microwave, mini refrigerator, weekly housekeeping and linen services, soap, shampoo and continental breakfast, when this a service offered by the hotel. In addition, the LOA requires that each hotel provider have a pest control management process in place.

As such, our review expected to find that the City has processes in place to ensure that providers of the temporary accommodations are providing the amenities set out in the executed agreements.

Before establishing an LOA with a hotel, a designated staff and a member of the Housing Services management team visit the hotel and conduct interviews with the owner to confirm that the hotel has the required amenities. The pre-LOA hotel visits were recorded in reports, which included photographs of rooms, amenities etc. and the reports were reviewed by Housing Services management.

Additionally, as part of case management, caseworkers and the Offsite supervisor visited the hotels and properties confirming that the amenities were being provided as per the LOA. The visits by caseworkers were recorded in a Case Log maintained with the case files. Caseworkers also followed-up with households on a regular basis through phone calls if they had special needs as part of delivering ongoing case management and housing supports.

Upon receiving a complaint from either a household or the hotel staff, the Offsite supervisor visits the hotel to address the issues. The Offsite supervisor and caseworkers stated that issues related to the specific hotel have been promptly acted upon by the hotel owner and other City groups such as Ottawa Public Health and By-Law Services were engaged as required.

Staff said that most of the complaints received from the households at the specific hotel, and apartments, related to pest infestation, rats, cockroaches, and roof leakage. In these cases, Ottawa Public Health and By-Law Services staff were engaged and the hotel owner was asked to take remediation actions. Sometimes this included providing pest control reports once issues were addressed. There were complaints from various hotel owners about resident behavior. Usually in these cases, the City tried to support the family to maintain their placement or moved the families to other hotels, contracted partners or the Carling Family Shelter depending on the circumstances.

Caseworkers and the Offsite supervisor stated that the level of service to households is different at offsite hotels than at the City owned or community shelters. Generally, the shelters provide more services, resources and support to the households due to the 24/7 onsite staffing at a shelter. However, they also stated that families with children tended to prefer the apartments provided by the specified hotel as the apartments include full kitchens.

### **3.2 Approval of accommodations**

To ensure that households or families in need of emergency accommodation receive the specified level of service and support during their stay within the City's emergency system, the City has pre-approved arrangements with various community shelters and hotels.

As such, our review expected to see that the locations used by caseworkers for placement were approved in advance by the City.

We observed that while the City monitors households on a regular basis to ensure that they remained in the accommodations that they were placed in, there were exceptions. There were instances when the specific hotel provider undertook renovations and repairs to pre-approved properties that were covered under the Letter of Agreement. When this occurred, the shelter clients in these units were moved by the hotel owner to other non-approved properties owned by the same hotel owner. Sometimes when this occurred, the City was notified in advance and approved the temporary transfer. However, there were also instances when the same hotel owner moved households without prior approval. When staff became aware, they quickly intervened and the families were moved to approved properties. The City did not pay for the nights that the families spent in the non-approved properties.

Some properties owned by the specific hotel provider that were not part of the LOA and that were used for emergency shelter purposes had undergone renovations or modifications. We confirmed that some of these renovations or modifications were undertaken without a building permit.

As described above in the Background and Context section there were also a few hotels used that did not have a corresponding LOA (6 hotels in 2017, 3 hotels in 2018). However, Housing Services management had approved the use of these hotels.

#### **Recommendation #4**

That where possible the City enter into a Letter of Agreement with each hotel used on a regular basis so that the responsibilities of all parties are well defined and communicated.

#### **Management response:**

Management agrees with this recommendation and it has been implemented.

Management enters into a Letter of Agreement with each hotel used on a regular basis so that the responsibilities of all parties are well defined and communicated. In specific

instances, a non-Letter of Agreement hotel has been used to manage capacity needs or to meet the unique needs of a household, including for accessibility, urgent safety or to extend a household who was originally placed for an emergency, like a fire or flood. Currently, Housing Services has Letter of Agreements with all hotels that are used on a regular basis. Management considers this recommendation complete.

### **Recommendation #5**

That the City ensure all non-hotel/motel properties being used for temporary accommodations are listed in a Letter of Agreement and that before adding properties to a Letter of Agreement, Building Services conducts an inspection and confirms that the properties are not in violation of building regulations and by-laws and that there are no outstanding compliance orders.

#### **Management response:**

Management agrees with this recommendation.

Although Housing Services does not expect to add or enter into any new agreements for temporary accommodation with non-hotel properties, if management were to do so, Housing Services will request that Building Code Services undertake a compliance summary report providing information regarding the status of issued building permits and inspections and any outstanding orders/complaints as they relate to the Ontario Building Code, Zoning By-law and Property Standards By-law.

Management is updating its current Letter of Agreement with the only provider who has non-hotel/motel properties and will ensure that all non-hotel/motel properties being used for temporary accommodations are listed on the Letter of Agreement. This will be completed by Q2 2019.

### **Review objective #4:**

Assess if the amounts paid to the specific hotel provider were for authorized individuals and that the payment process complies with policies and procedures.

#### **4.1 Invoices and case files**

Each time a household is placed in, or checks out of the City's emergency shelter system, caseworkers record this information into the Federal HIFIS database. Thus, a record of each household within the emergency shelter system including their dates of stay is maintained in the HIFIS database. The caseworkers also record this information in the case files they maintain for each household or case. At the end of the each

month, hotels send invoices to the City, which contain the names of the households, the room numbers, check-in and check-out dates and the rates charged.

As such, our review expected to find that the City has a process in place to validate that the hotel invoices were accurate and that the information on the invoices matched with the HIFIS database and LOA.

We found that, there was a solid invoice verification process in place. A housing services staff member who is not a caseworker reviews monthly invoices for accuracy and agrees the information for each household on the invoice with the information in the HIFIS database. The rates charged on the invoices are agreed to the LOA. Any discrepancies noted during this review process are resolved with the hotel and invoices are corrected before payments are made.

We tested a sample of 2017 and 2018 invoices from the specific hotel provider. We found that the information on these invoices agreed with the names of the household, check-in and checkout dates in the HIFIS database as well as with the information in the case files maintained by caseworkers. The rates charged by the specific hotel provider also agreed with the LOA.

Further, we also noted that copies of key documents such as the household's identity documents, personal information, hotel placement confirmations, requests for special accommodations, etc. related to each case were in the case files.

#### **4.2 Procurement Policies and Procedures**

The City's Housing Services group uses a City credit card (referred to as a Purchasing Card) to make payments to the hotels. Therefore, the payment process needs to comply with the City's Purchasing Card Policy and Procedures. Complying with the City's Purchase Card Policy and Procedures is important as it provides the City assurance that payments are legitimate and appropriately recorded in the financial system.

Additionally, to ensure that individual transactions charged to a procurement card have been authorized, were supported by the proof of purchase and comply with the related City Policy and Procedures, an independent reviewer is required to verify each transaction<sup>3</sup>. The card user lists all their transaction during the month on a reconciliation form and provides the form with the supporting documentation to a Financial Services Unit. Staff in the Financial Services Unit are to review the reconciliation for compliance,

---

<sup>3</sup> An exception to this requirement is available if an alternate process has been approved by the Chief Procurement Officer. At the time of our audit, no such applicable alternate process had been approved.

evidence their review and forward the documentation to the Purchasing Card Administrator in the Supply Services group.

As such, our review expected to see that the payments process complies with the City's purchasing card policy and procedures and that an independent reviewer confirms on a monthly basis that payments charged on the procurement card were authorized.

We found a number of problems with the process for paying for shelter hotels:

- The purchasing card assigned to one employee was being used by another designated employee to authorize spending. The Purchasing Card policy states: *“Cardholders must never share their physical purchasing card, or the purchasing card number, with other employees”*.
- The Purchasing Card payments were regularly being split in order to stay under the \$100,000 transaction limit for the card. The Purchasing Card procedures states: *“a purchase is not to be split into two or more separate receipts to bypass the transaction dollar limit.”*
- Staff in the Financial Services Unit (FSU) stated that they do not perform a review of the reconciliations prepared by Housing Services. The reconciliations of the payments were date-stamped by the FSU without review and forwarded to the Purchasing Card Administrator in the Supply Services group. However, the Purchasing Card Procedures states: *“The FSU verifies each statement for accuracy, completeness, authorization and audit trail, and compliance to relevant corporate policies and procedures.”*

### **Recommendation #6**

That the City comply with the Purchasing Card Policy and Procedures when using a Purchasing Card to pay hotel providers' invoices.

### **Management response:**

Management agrees with this recommendation.

Housing Services has amended its practices to ensure that spending is authorized by the cardholder and not a designate. In addition, the monthly transaction card limits have been increased in accordance with the Purchasing Card Policy.

Housing Services and the Financial Services Unit will work with Supply Services to document the approval of the alternate payment reconciliation process for hotel provider invoices in accordance with the Purchasing Card Policy. This will be completed by Q4 2019.

## **Review objective #5:**

Assess if the residential properties for which the City has an LOA in place with the specific hotel provider comply with applicable Building regulations and by-laws.

### **5.0 Building compliance**

The City has an LOA with the specific hotel provider to provide specified residential apartments and other residential properties as temporary accommodations for emergency shelter purposes.

For the safety and security of the households and families being placed in these residential properties, we believe that the City should ensure that these properties comply with the applicable Building Code regulations. Building Code regulations and By-laws provide for the minimum standards for all buildings.

Some of the residential properties listed in the LOA have had renovations and modifications over time, which required inspections and appropriate permits from the City to ensure that these modifications were done in accordance with relevant Building Code regulations and By-laws.

As such, our review expected to see that the residential properties, other than the hotel, for which the City has signed an LOA with the specific hotel provider, comply with applicable Building Code regulations and By-laws.

There were eight residential properties, other than the hotel, listed on the LOA with the specific hotel provider. We found that:

- One property listed on LOA has undergone modification work without a required building permit.
- Two properties listed on LOA, appear to have had additions or changes, which may not be in compliance with the Building Code or Zoning By-laws. However, Building Code Services staff indicate that they would need to inspect the properties to confirm this, as they require more information about the interiors of these buildings in order to make a determination.
- All other residential properties listed on LOA had required permits.

All properties in Ontario are assigned to a property class or classes for property taxation purposes by the Municipal Property Assessment Corporation (MPAC). The tax classification of a property is one of the factors that determines the amount of property taxes due to the Municipality.

If a residential property is used for a business or commercial purposes, it could result in a change of property class. Property taxes for commercial properties are generally higher than those for similarly valued residential properties.

As such, we expected to see that the City has determined if MPAC's tax classifications for the properties listed on the LOA with the specific hotel provider are reasonable based on its knowledge of their current use.

The current arrangements with the City for use of the non-hotel properties suggest a possible commercial use. However, some of the properties have a residential tax class assigned to them and property taxes are being calculated based on this class.

**Recommendation #7**

That the City's Housing Services coordinate with the City's Building Code Services to assess if all the properties listed on the Letter of Agreement comply with the Ontario Building Code and Zoning By-laws.

**Management response:**

Management agrees with this recommendation and work has been initiated.

Building Code Services will assess if all non-hotel properties listed on the Letter of Agreement are compliant with the Ontario Building Code and Zoning By-laws by Q3 2019.

As of June 1, 2019, Housing Services is no longer using any of the addresses identified in this review as having had or potentially having undergone modifications, work, renovations or changes without the required building permit or that may not be in compliance with the Ontario Building Code and Zoning By-law.

**Recommendation #8**

That the City request that MPAC review the tax class for each of the non-hotel properties listed on the Letter of Agreement with the specific hotel provider to ensure it is accurate.

**Management response:**

Management agrees with this recommendation and it has been implemented.

Staff have requested that MPAC review the tax classification for each of the properties listed in the Letter of Agreement.

**Recommendation #9**

That the City verify compliance with the Ontario Building Code and Zoning By-laws, before entering into or amending Letters of Agreement to add additional non-hotel properties.

**Management response:**

Management agrees with this recommendation and it has been implemented.

Effective immediately, if Housing Services enters into or amends agreements to add additional non-hotel properties with any provider, they will work with the appropriate Service Area to verify compliance with the Ontario Building Code, the Zoning By-laws, the Property Standards By-law and the Fire Code prior to signing the Letter of Agreement.

Although management does not plan on entering into new agreements for additional non-hotel properties, Housing Services' current Procurement Protocol: Offsite Services Process, has been amended to include this requirement. Management considers this recommendation complete.