
For Information

REPORT TITLE: Emergency Shelter Operations Contract Management Audit

FROM: Michelle Morris, Director, Enterprise Risk & Audit Services

OBJECTIVE

To inform the Audit and Risk Committee of the results of the Emergency Shelter Operations Contract Management audit.

REPORT HIGHLIGHTS

- The Region of Peel offers emergency shelter services that are managed and operated by third party service providers.
 - There is one contract for the operation of the three emergency shelters; Cawthra Road Shelter, Peel Family Shelter and Wilkinson Road Shelter.
 - The audit focused on assessing whether management has effective controls, processes, and procedures to assess that the shelter operator is performing the services according to the contract.
 - Effective contract management controls are not in place to monitor that the shelter operator is performing services in accordance with the contract.
 - Effective controls are in place to help ensure that the Fire Safety Systems are inspected annually by a professional and there is an approved fire safety plan.
 - Management has developed action plans and timelines to address the risks identified in this report. The action plans to fully address four of the six audit observations have been implemented by management.
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DISCUSSION

1. Background

The 2019 Enterprise Audit Services Risk Based Work Plan included the Housing Services Emergency Shelter Operations Contract Management Audit. The Region of Peel (The Region) provides support to people who are homeless or at risk of homelessness. Emergency shelters are an integral part of the continuum of housing services that include homelessness prevention, transitional support, subsidized housing, rent supplements, supported and supportive housing, and outreach services.

The Region funds the operation of five emergency shelters in Brampton and Mississauga as listed below:

Emergency Shelter Operations Contract Management Audit

	Shelters	Location
1	Peel Family Shelter	1767 Dundas St. East, Mississauga
2	Cawthra Shelter	2500 Cawthra Road, Mississauga
3	Wilkinson Shelter	15 Wilkinson Road, Brampton
4	Our Place Peel	3579 Dixie Road, Mississauga
5	Brampton Queen Street Youth Shelter	3458 Queen St. East, Brampton

The services at the shelters include providing people experiencing homelessness with personal support services consisting of basic needs supports and access to housing support services. The services are designed to assist residents with finding permanent housing in the community and to refer clients to the supports needed to remain stably housed.

The Housing Services Division administers shelter assistance through agreements with community agencies. The agreements with the community agencies are competitively procured. The contract agreement with the shelter operators sets out contractual obligations for both the Region and for the shelter operators including specific Emergency Shelter Standards. The Standards stipulate the policies, procedures and protocols for the shelter operators to administrate and operate the emergency shelters. The contract to operate the Peel Family Shelter, Cawthra Shelter and Wilkinson Shelter was awarded to The Salvation Army effective January 2014.

In 2018, the Region spent approximately \$9,846,000 for emergency shelter services at the Cawthra, Peel Family, and Wilkinson shelters. In the same year, the shelters served almost 3,380 clients.

2. Audit Objective

The objective of this audit was to determine if there are effective contract management controls in place, related specifically to:

- Compliance Review and Reports
- Staffing at the Shelters
- Fire Safety and Evacuation Plan
- Case Management Services
- Vendor Performance
- Shelter Overflow Cost Reconciliation

The audit scope focused on the contract awarded to The Salvation Army for the operation of the Cawthra Road Shelter, Peel Family Shelter and Wilkinson Road Shelter. Further the scope included records for the period January 2017 to July 2019.

This audit was conducted in conformance with *the International Standards for the Professional Practice of Internal Auditing*.

3. Audit Observations and Management Response

The Director, Housing Services (Contract Owner) does not have effective contract management controls and oversight in place to monitor and assess that the Shelter Operator is providing the services in accordance with the contract agreement with the Region of Peel.

Emergency Shelter Operations Contract Management Audit

Effective processes are in place for overseeing that the required annual professional inspections of the Fire Safety Systems are carried out as required by the Emergency Shelter Standards. Further, effective processes are in place to oversee that the fire safety and evacuation plan is in place and approved by the area municipal fire department.

In order to reduce risks, there is a need to specifically develop and strengthen controls in the areas noted below.

a) Compliance Review and Reports

The Contract Owner has a responsibility to conduct compliance reviews and reports of the shelters to assess that the Shelter Operator is in compliance with the standards set out in the Emergency Shelter Standards and the contract agreement.

There is need for the Contract Owner to develop processes to conduct compliance reviews and oversight such as:

- Quarterly compliance checklist covering over 30 requirements of the Emergency Shelter Standards and the contract agreement
- Annual Third Party Compliance Audit Report
- Annual review of current certificates of Insurance Coverage and Work Safety and Insurance Board coverage for the Shelter Operator

Without compliance reviews and reports, there is the high risk (see Appendix I - Risk Profile) that the Contract Owner may not be aware if the Shelter Operator is complying with the requirements of the contract agreement and the Emergency Shelter Standards.

Management Response

Management has implemented some action plans to address the risk identified. The Director, Housing Services has developed processes to conduct compliance reviews and oversight. The Contract Owner has carried out compliance audits for the three shelters in the fourth quarter of 2019.

Further, an agency narrative has been developed that documents and allows the contract owner to assess vendor performance concerns coming out of the quarterly reviews, case management oversight and other oversight activities. Additionally, processes have been put in place to review current certificates of Insurance Coverage and Work Safety and Insurance Board coverage for the Shelter Operator.

Enterprise Audit Services has verified that these action plans are implemented.

The Director of Housing Services will develop a process to receive the Annual Third Party Compliance Audit Report as required by the contract agreement. This process is expected to be in place by July 31, 2020.

b) Staffing at the Shelters

The Contract Owner should regularly oversee that, in accordance with the Emergency Shelter Standards, the Shelter Operator has processes to ensure that all staff and volunteers providing care and support to residents:

Emergency Shelter Operations Contract Management Audit

- Have a suitable level of education and/or experience in working with vulnerable people and/or people with mental illness
- Have Police Reference Checks at the time of hire
- Receive training upon commencing employment for the shelter procedures, code of conduct and emergency shelter standards

There is a need for the Contract Owner to develop a process to monitor that the Shelter Operator is following the required hiring and onboarding practices set out in the Emergency Shelter Standards.

There is a high risk that without monitoring of the staffing requirements, the Contract Owner may not be aware if shelter staff have the appropriate experience, skills, and training to properly meet the complex needs of the shelter residents.

Management Response

Management has implemented an action plan to address the risk. The Director, Housing Services has developed and implemented a process to ensure the Shelter Operator complies with the required hiring and on-boarding practices in the Emergency Shelter Standards. Enterprise Audit Services has verified that the action plan is implemented.

c) Fire Safety and Evacuation Plan

According to the Emergency Shelter Standards, the Contract Owner has a responsibility in conjunction with the Shelter Operator to ensure that the fire safety and evacuation plan is tested on a random basis twice a year. The Ontario Fire Code also requires a test of the fire safety and evacuation plan to be conducted at least once every twelve months.

There is a need for the Contract Owner to have a process in place to monitor and oversight that the fire safety/evacuation plan is tested on a random basis twice a year as required by the Emergency Shelter Standards and to verify compliance with the Ontario Fire Code.

There is a high risk that without a process in place to monitor and oversight that the required annual tests of the fire safety and evacuation plan have been conducted, the Contract Owner may not know if shelter staff are prepared to carry out the emergency procedures in the case of a fire or actual emergency requiring evacuation. Furthermore, there is the high risk that there is non-compliance with the Ontario Fire Code.

Management Response

The Director, Housing Services will develop a process to verify that tests have been performed randomly twice per year as planned to ensure compliance with Emergency Shelter Standards and the Ontario Fire Code. Shelter staff training will also include emergency procedures such as fire drills and evacuation, which will be tracked through the new hire training reporting process. This will be completed by April 30, 2020.

Emergency Shelter Operations Contract Management Audit

d) Case Management Services

Shelter staff are required to identify the needs of the shelter residents and develop case plans containing priorities, goals and timelines, recognizing the individual needs of each shelter resident. The Contract Owner is responsible to monitor that the Shelter Operator is effectively performing the case management practices as outlined in the Emergency Shelter Standards.

There is a need for the Contract Owner to have a formal, documented process in place to monitor that the Shelter Operator is effectively performing the case management practices as required by the Emergency Shelter Standards. There is currently an informal process in place to monitor case management practices. This includes the Contract Owner reviewing the length of stay report for residents who have been at the shelter for a longer period of time and meeting with the Shelter Operator to discuss concerns with specific case plans.

Without formal processes in place to monitor and track case management and concerns raised over specific case plans with the Shelter Operator, there is a medium risk that longer term residents may not receive appropriate case management to achieve self-sufficiency, integration and progress towards independent living.

Management Response

Management has implemented an action plan to address the risk. A formal process for documenting and discussing concerns raised with the Shelter Operator has been developed and implemented. This involves monthly check-ins to ensure effective case management in moving clients, specifically those who are longer-term, towards self-sufficient independent living. Enterprise Audit Services has verified that the action plan is implemented.

e) Vendor Performance

As required by the contract agreement, the Contract Owner should establish performance measurements on the services provided by the Shelter Operator. In order to determine the satisfactory performance on services provided by the Shelter Operator, the Contract Owner should have a process in place to monitor and measure the performance of the Shelter Operator.

There is a need for the Contract Owner to establish a process to set measurable performance indicators, including the vacancy rates at the shelters, the frequent use of services and the annual satisfactory survey reports of participants as stipulated in the contract agreement.

Without undertaking proper evaluation of the performance of the Shelter Operator, there is the medium risk that the Contract Owner may not be able to assess the effective use of the shelters and the services provided. Further, the Contract Owner may extend the contract agreement for optional periods without sufficient information to support decision-making.

Emergency Shelter Operations Contract Management Audit

Management Response

Management has implemented an action plan to address the risk. The Director, Housing Services is maintaining an agency narrative to house all information on performance concerns coming out of the quarterly reviews, financial reviews, survey results and how well case management efforts are going. Enterprise Audit Services has verified that the action plan is implemented.

f) Shelter Overflow Cost Reconciliation

When the shelters have reached full capacity, the shelter operator is permitted to use hotels to accommodate individuals requiring emergency shelter. Invoices supporting costs for the hotels for residents' stay are provided by the Shelter Operator to the Region for payment.

In order to verify the accuracy of the additional costs, the Contract Owner should have a formal, documented process in place to reconcile the costs with the number of people sent to the hotels. As part of the audit testing, invoices were not reviewed, and no conclusions can be made related to potential overpayments or the likelihood of fraud.

Without proper controls in place to reconcile the costs with the number of residents that were sent to the hotels, there is the medium risk that the Region may pay for costs not incurred.

Management Response

Management has implemented an action plan to address the risk. The Director, Housing Services has created a spreadsheet to verify overflow costs reporting from the Shelter Operator. Enterprise Audit Services has verified that the action plan is implemented.

4. Additional Management Response

The Commissioner, Human Services has indicated that the below noted changes, while not affecting the findings of this audit, once fully implemented will improve the administration and operations of the emergency shelters. The two changes are:

- Responsibility for homelessness programs and services, including administration of the emergency shelters contracts, was transferred from the Community Access (Ontario Works) division to the Housing Services division, in 2019, to better align it with the outcomes of the Peel Housing and Homelessness Plan.
- A review was initiated of the Human Services Integrated Business Services division in 2019. The division had been responsible for contract development for the emergency shelters operation contracts. The review recommended that responsibility for contract development be transferred to the Housing Services division and that transfer will be implemented in 2020 (subject to the resumption of "normal" operations).

Emergency Shelter Operations Contract Management Audit

CONCLUSION

Effective contract management controls are not in place to monitor that the Shelter Operator is performing services in accordance with the contract agreement. Effective controls are in place to help ensure the Fire Safety Systems are inspected annually by a professional and there is an approved fire safety plan in place.

Management has developed action plans to address the audit observations noted in this report. Enterprise Audit Services has reviewed the action plans and feels comfortable they will address the risks noted during the audit. The action plans related to fully address four of the six audit observations have been implemented by management. Enterprise Audit Services will follow up on the status of management action plan implementation for Annual Third Party Compliance Audit Report and the Fire Safety and Evacuation Plan and report back to the Audit and Risk Committee as part of the semi-annual follow up process.

APPENDICES

Appendix I – Risk Profile

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, Ext. 4247, michelle.morris@peelregion.ca.

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