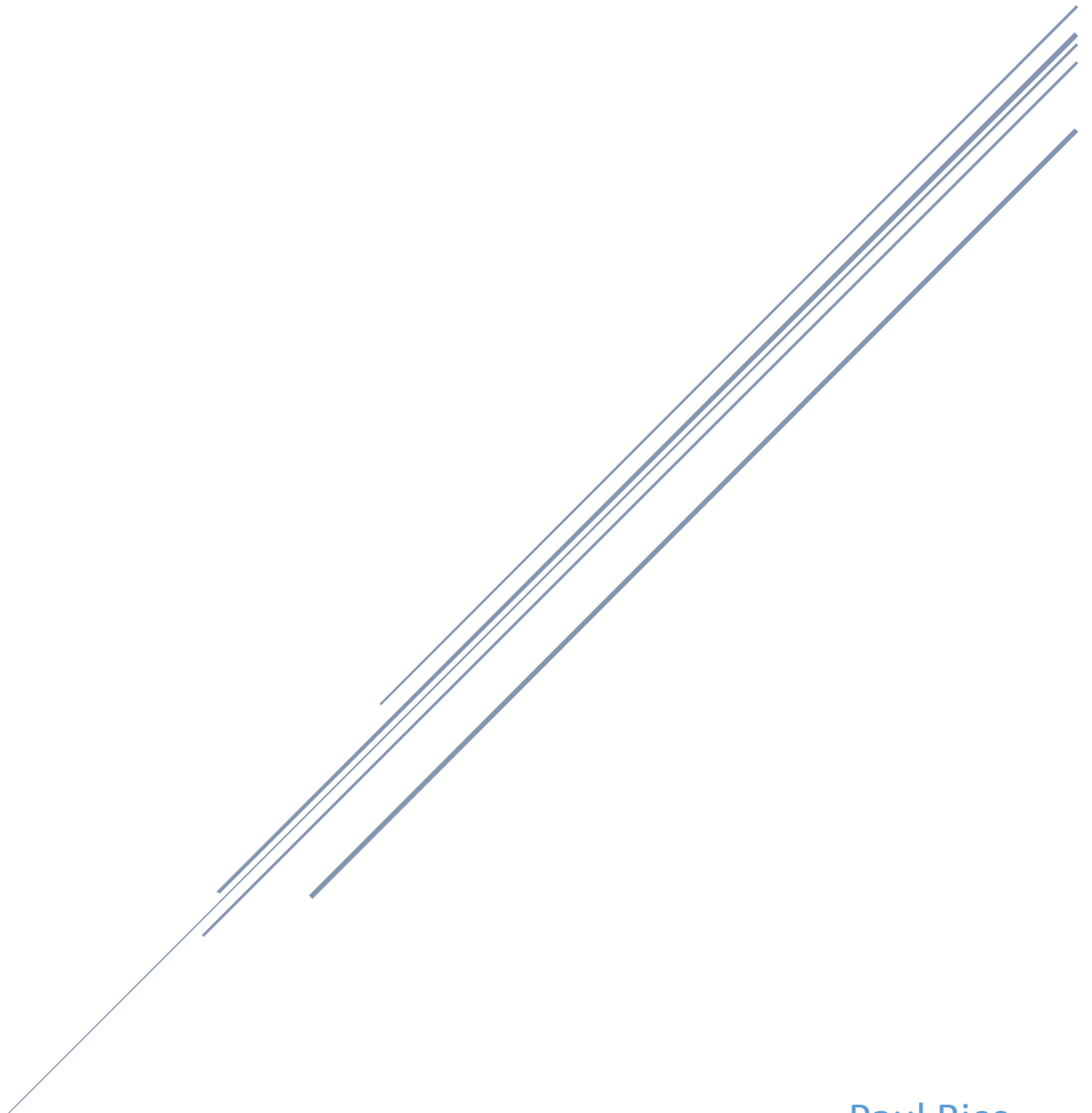


MCK HOUSING ASSESSMENT FINAL REPORT

Presented to Chief and Council – April 1st 2019



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Executive Financial Officer

Housing Assessment Final Report

I. Executive Summary

In June 2018, the MCK Housing Department became aware of the possibility of fraudulent activity within the Department and eventually a decision was taken for the Executive Financial Officer (EFO) to assume oversight of the Housing Department and conduct an assessment. The Housing Assessment began in July 2018 and has progressed to the point where conclusions can be drawn from the information gathered and analyzed. The current situation is a result of alleged fraud on the part of the Social Housing Administrator (SHA) and poor management practices of the MCK Housing Department for the better part of a decade, from 2008-2018.

The Housing Assessment was a Financial, Operational and Strategic review and report. While the Assessment was on-going, the Housing Department was lacking staff and needed interim management and staff to manage the day to day and improve operations moving forward. Keeping the department functioning was a sub goal of the assessment as files and data needed to be accessed and reviewed when contacting clients. The Objectives of the Housing Assessment are to:

- Reconcile client accounts as of March 31st 2018
- Contact all clients of the Housing Department to understand their experiences
- Find Interim Management for the Housing Department
- Restore confidence in the Housing Department and the MCK

The purpose of the report is to provide Chief and Council and ultimately, the community, with a clear picture of what transpired in Housing since from 2008 to the present that led us to the current recommendations. This includes:

- Operational review of how business was conducted by the Housing Department
- Reconciliation of all client accounts and contact with all clients
- Independent Forensic Assistance to support the findings and actions taken
- The recommendation of improved controls for housing payments and cash controls for the entire MCK

The housing assessment was a combined effort of the various internal and external individuals under the oversight of the EFO. An independent forensic accountant was hired to review the database of housing files. An independent lawyer was hired to meet and interview clients who felt they were a victim of misappropriation of funds. Finally, an independent financial accountant was hired to revamp financial controls, beginning with accounts receivable and cash payments. An independent accounting firm was hired to review the process taken to reconcile accounts/determine if fraud occurred and the affidavit process was concluded with an MCK lawyer. The clients were also provided the opportunity to contact psychological support services to discuss these issues if required.

Efforts to contact clients of the department were complicated by numerous factors including incomplete client files, out of date loan files as well as contact information. This lack of information caused significant delays to the housing assessment. In order to rectify this, each client needed to be contacted and provided relevant housing information. This was done via public releases, registered letters as well as phone calls to each client.

Financial Findings

The first independent report confirmed the initial assessment hypothesis with respect to financial amounts. Specifically, the missing payments were predominantly associated with clients who were directed to work with the SHA in case management and paid in cash. Case management included clients who were considered in arrears and who had a mortgage through the RLF or those who lived in the multi dwelling units. Some small amounts were also missing from RTE or HOPE clients for security deposits.

At the time of the first independent report \$145,000 could be confirmed as the amount of the alleged fraud. The interviews also revealed deeper issues in the management of the department and interactions with clients. A complete reconciliation of accounts began as clients were contacted in order to complete the process. Absent a complete set of receipts this was the best method to differentiate between delinquent accounts and defrauded accounts.

Following months of analysis and contact with clients the financial impact of the fraud is approximately \$695,000 as of March 31st, 2019. This figure may still increase as not all clients have yet come forward and we are still working to differentiate delinquent accounts from those that were defrauded. See below a summary of this process and findings;

- **How we determined fraud amounts (process confirmed from two forensic accountants)**
 - *Trend Analysis from 2008-18*
 - *Worked with SHA in case management*
 - *Receipts in SHA office*
 - *Did an interview and in process for affidavit*

- **Multi Dwelling**
 - *9 former clients - \$110K*
 - *10 current clients - \$160K*

- **Mortgages** - 22 clients, at least \$425K in mortgage payments

The complete breakdown of clients and amounts can be seen in the attached excel spreadsheets.

Operational Findings

The Housing Department and its previous structure, while attempting to meet clients needs to a degree, required significant review and development from a policy, procedural/operational, and staffing perspective. Over the last ten years, areas of housing were mismanaged or ignored to the detriment of the clients.

The Housing Department states in some of its policies, that "Case Management" is used however there is no governing policy covering this operational function nor does it have any operational procedures relating to this function. Essentially, "Case Management" was left to the SHA who was unsupervised and not held accountable.

The Housing Department had many of its procedures documented however some tasks are not documented; further it has been some time since these procedures have been reviewed.

The procedures for the Housing Department meetings were reviewed, there is documented proof the meetings happen monthly, however, upon review of the meeting minutes, it was noticed that items are listed as completed but no report on the given subject matter is attached to the report. Reporting on delinquent accounts was not evident.

Strategic Findings

Based on the evidence recovered once the fraud was discovered the Housing Department has proven incapable of managing client relationships and financial accounts. The department needs to be restructured with a focus on client needs. The Financial and Administrative work of the department must be restructured in order to focus on client needs. See below the status of recommendations from the interim report of September 2018;

Recommendations Update

- Restructure Finance Department (**Approved and in process**)
 - o Create independent authority for Finance (**complete**)
 - o Revamp financial controls (**document review and work plan complete**)
 - o Limit cash points and cash transactions (**complete**)
 - o Revised accounts receivable (AR) policy (**Draft under review**)
 - o Accounting staff shuffle and restructure (**Complete and ready to be implemented**)

- Restructure Housing Department operations (**Approved and in process**)
 - o Focus on clients (**In process**)
 - o Update contracts and client contacts (**Ongoing process**)
 - o Meet with clients and resolve their account issues on a case by case basis (**Ongoing process**)
 - o Separate social and financial functions (**Complete**)
 - o Revise policy and procedure (**In process, will hire consultants to complete**)
 - o Create an analyst position (**revised as part of restructuring approved by CC**)
 - o Create a rental unit manager position (**revised as part of restructuring approved by CC**)

- Strategically shift to a social focus (**In process**)
 - o Inspect all rental units (**complete**)
 - o Update and repair the rental units (**Budget approved by CC**)
 - o Build more rental and subsidized rental units (**Planning in process**)
 - o Expand on home repair loans (**Approved by FAO launches April 1 2019**)
 - o Exit the Mortgage Market (**Maintain status quo for 2019, review for 2020**)
 - o Refinance Revolving Loan Fund (RLF) mortgages (**Begins April 1 2019**)
 - o Refinance larger housing projects to meet demands of the current market (**In process**)