

# Municipal Affairs

## SUMMARY

### DEPARTMENT

#### Matters from the current audit

There are no new recommendations to the Department of Municipal Affairs in this report.

#### Matters from prior audits

The Department of Municipal Affairs has implemented our October 2009 recommendation to improve its management of the disaster recovery program—see below.

### ALBERTA SOCIAL HOUSING CORPORATION

#### Matters from the current audit

We recommend that Alberta Social Housing Corporation review the housing management body cash reserve policy to ensure it is still meeting its objectives—see page 145.

## FINDINGS AND RECOMMENDATIONS

### DEPARTMENT

#### Matters from prior audits

#### Disaster recovery program—implemented

##### Background

The province provides disaster recovery funding to individuals, businesses, First Nations and municipalities. The Alberta Emergency Management Agency coordinates the activities of various departments involved in the government's response to disasters. The agency also acts as a liaison between the province and the federal government.

The province receives applications from municipalities in which a disaster has occurred. For an event to be qualified as a disaster, its damage must be uninsurable, and the event must be extraordinary and widespread. Applications from the municipalities outline the extent of the damages and the initial estimated recovery costs. The agency reviews the applications and engages a contracted firm to assess the reasonableness of the estimated costs. The agency also engages professional engineers to perform environmental assessments. Based on the reports from these contractors, the agency's disaster recovery coordinator further reviews the application for eligibility and files a request for the province to issue an order in council declaring the event a disaster.

The province shares the cost of financial assistance for disaster recovery with the Government of Canada. Under the federal Disaster Financial Assistance Arrangements program, federal reimbursement is based on actual eligible costs incurred to repair the damages. If the eligible expenditures exceed \$1 per capita of the Alberta population—which is approximately 3.7 million—Alberta qualifies for federal reimbursement and can share up to 90 per cent of the eligible costs with the federal government. Under the agreement, the province must apply for federal financial assistance within six months from the end of a disaster.

Once the provincial order in council is in place, and if the cost of repairing the damages exceeds the \$1 per capita threshold, the Minister of Municipal Affairs will request federal assistance from the federal minister of public safety. If the federal government agrees that the event qualifies for assistance, it issues a federal order in council declaring the event a disaster.

In May 2008, a series of rainstorms caused significant damage in a number of municipalities in southern Alberta. At that time, we found that the Minister of Municipal Affairs submitted a letter to the federal Minister of Public Safety on December 15, 2008 requesting disaster assistance. This submission was beyond the prescribed six-month deadline. To meet eligibility criteria for federal assistance, the minister should have sent the request by end of November 2008. Although the letter was late, the federal government accepted the application with no penalty.

### Our audit findings

The department has implemented our 2009 recommendation<sup>1</sup> by setting timelines for key steps for federal funding and periodically assessing and adjusting costs and estimates based on current information.

#### *Set timelines for key steps for federal funding*

In 2012–2013, we noted that management tracked details of the disasters that were eligible for federal assistance. The information included milestones such as the date when the province issued the order in council to declare the disaster, and when federal government issued its order in council. Management set both the guidelines requiring municipalities to submit claims to the department, and its internal guidelines to submit request to federal government within 14 days for any event that meets the eligibility criteria for federal assistance.

Between April 2010 and July 2012, a total of seven disasters were eligible for federal assistance. The eligible costs incurred ranged from \$9 million to \$79 million. We noted that the department submitted requests for federal assistance within the prescribed timeline.

| TOTAL PROJECTED COST<br>(\$ millions) | DISASTER LOCATION            |
|---------------------------------------|------------------------------|
| \$79                                  | 2010 Southern Alberta        |
| \$10                                  | 2011 Spring Southern Alberta |
| \$12                                  | 2011 Southwestern Alberta    |
| \$14                                  | 2011 Northern Alberta        |
| \$10                                  | 2011 Northwest Alberta       |
| \$ 9                                  | 2012 City of Calgary         |
| \$11                                  | 2012 City of Edmonton        |

#### *Periodically assess and adjust costs and estimates based on current information*

In preparing the department's 2012–2013 financial statements, management assessed and adjusted the costs and recovery estimates for previous disasters based on current information. During 2012–2013, management met on multiple occasions to discuss disaster program accruals and revise the disaster program estimates accordingly. Management continues to meet frequently throughout the fiscal year to ensure disaster program estimates are as accurate as possible.

<sup>1</sup> Report of the Auditor General of Alberta—October 2009, no. 34, page 301.

## ALBERTA SOCIAL HOUSING CORPORATION

### Matters from the current audit

#### Reserves to housing management bodies

##### Background

Alberta Social Housing Corporation provides cash reserves to housing management bodies<sup>2</sup> for short-term operational cash flow requirements. As of March 31, 2013, the aggregate amount of the cash reserves held by management bodies was over \$5 million. The reserve for each housing management body is based on the number of housing units. ASHC's current policy is to replenish the reserve amount if the housing management bodies use part of the reserve during the year. ASHC can collect these reserves at any time at the discretion of the Minister.

ASHC requires the housing management bodies to submit audited financial statements each year for its review.

#### **RECOMMENDATION 11: REVIEW HOUSING MANAGEMENT BODY CASH RESERVE POLICY**

We recommend that the Alberta Social Housing Corporation review the housing management body cash reserve policy to determine if the policy continues to meet its objective of providing appropriate short-term operational cash flow requirements to the housing management bodies.

##### Criteria: the standards for our audit

ASHC should review housing management bodies' short-term operational needs before replenishing their cash reserves.

#### **KEY FINDING**

ASHC provides cash reserves to those housing management bodies for their operational cash flow needs even though some of them have surpluses.

##### Our audit findings

We obtained the audited financial statements of about 100 housing management bodies for the most recent two years. We noted that 39 housing management bodies generated surpluses for at least two consecutive years; however, they also received cash reserves from ASHC for their short-term operational needs.

Housing management bodies must have sufficient cash to meet their short-term operational needs. Those that are generating surpluses year over year may not require cash reserves to meet their short-term operational needs.

##### Implications and risks if recommendation not implemented

Funds can be better allocated to other priorities if ASHC does not provide cash reserves to those housing management bodies that have sufficient surpluses to meet their operational needs.

<sup>2</sup> Housing management bodies are established under the *Alberta Housing Act* to provide housing management services and to ensure efficient administration of the housing properties portfolio.

## OUTSTANDING RECOMMENDATIONS

### DEPARTMENT

The following recommendations are outstanding and not yet ready for follow-up audits:

#### **Improve monitoring processes—July 2013, no. 12, p. 90**

We recommend that the Department of Municipal Affairs improve its monitoring processes to ensure affordable housing grant recipients comply with their grant agreements by:

- developing and conducting risk-based monitoring activities
- following procedures and processes when performing monitoring activities

#### **Develop an evaluation system—July 2013, no. 13, p. 92**

We recommend that the Department of Municipal Affairs improve its evaluation processes by:

- developing performance measures and adequate information systems so that the department can better evaluate and report on its affordable housing grant programs
- completing periodic evaluations of its affordable housing grants programs

### ALBERTA SOCIAL HOUSING CORPORATION

The following recommendations are outstanding and not yet ready for follow-up audits:

#### **Seniors care: Effectiveness of Seniors Lodge Program—October 2005, no. 12, p. 66**

We recommend that the Alberta Social Housing Corporation:

- improve the measures it uses to assess the effectiveness of the Seniors Lodge Program
- obtain sufficient information periodically to set the minimum disposable income of seniors used as a basis for seniors lodge rent charges

#### **Seniors care: Determining future needs for Alberta Seniors Lodge Program—October 2005, p. 67**

We recommend that the Alberta Social Housing Corporation improve its processes for identifying the increasing care needs of lodge residents and consider this information in its plans for the Seniors Lodge Program.

Management has identified this recommendation as implemented—to be confirmed with a follow-up audit:

#### **Social housing contracting policy—November 2011, no. 17, p. 120**

We recommend that the Alberta Social Housing Corporation develop a contracting policy for capital additions to its social housing portfolio and strengthen related contract management processes.