


Processes to Assess and Manage the Condition of Affordable Housing

Seniors, Community
and Social Services

Report of the Auditor General
November 2024



**Auditor
General**
OF ALBERTA

Shane Getson, MLA
Chair
Standing Committee on Legislative Offices

I am honoured to transmit my *Processes to Assess and Manage the Condition of Affordable Housing* to the Members of the Legislative Assembly of Alberta, under the *Auditor General Act*.



W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General of Alberta

Edmonton, Alberta
November 2024

Contents

Report Highlights	1
Background	2
Detailed Findings and Recommendations	3
Maintain Facility Condition Information	3
Oversight of Maintenance	4
Report Facility Conditions	6
About This Audit	8
Objective and Scope	8
Criteria	8
Audit Responsibilities and Quality Assurance Statement	9

- [Affordable Housing Follow-up](#) (November 2018)
- [Systems to Deliver Affordable Housing Grants](#) (July 2013)

Appointed under Alberta's *Auditor General Act*, the Auditor General is the legislated auditor of the *Consolidated Financial Statements of the Province of Alberta* and most provincial agencies, boards, commissions, and regulated funds. The audits conducted by the Office of the Auditor General report on how government is managing its responsibilities and the province's resources. Through our audit reports, we provide independent assurance to the 87 Members of the Legislative Assembly of Alberta, and the people of Alberta, that public money is properly accounted for and provides value.

Report Highlights

Why We Did This Audit

The Department of Seniors, Community and Social Services owns over 27,000 housing units in 2,800 affordable housing facilities valued at over \$2.3 billion.

Previous ministry annual reports showed declining conditions and over \$1 billion in delayed maintenance.

What We Looked At

We audited the department's processes to assess and manage the condition of its provincially owned affordable housing.



We Found:

The department does:

- not have complete and accurate information on the condition of its housing facilities
- not have a maintenance strategy
- not have documented support for how it prioritizes capital maintenance projects
- monitor completion of capital maintenance projects
- not have performance measures for facility conditions



We Recommend

- The department obtain complete and accurate information on the condition of its housing facilities.
- The department improve its oversight processes by:
 - implementing a maintenance strategy
 - ensuring capital maintenance projects are prioritized consistently with supported rationale
- The department implement performance measures to report on the condition of its housing facilities.

Conclusion

We conclude—based on our audit criteria—that the Department of Seniors, Community and Social Services does not have effective processes to assess and manage the condition of its provincially owned affordable housing facilities.



Why our Findings Matter to Albertans

Vulnerable Albertans who require support to afford housing may be living in deteriorating housing with potential health and safety problems.

Also, deferred maintenance can impact the financial sustainability of the affordable housing program.

Background

The Department of Seniors, Community and Social Services (the department) is responsible for the development and maintenance of affordable housing to ensure Albertans in need have access to safe housing options.¹ The department subsidizes rent in these housing units for tenants who cannot afford market rates.

The purpose of the *Alberta Housing Act* is to enable the efficient provision of a basic level of housing accommodation for persons who because of financial, social or other circumstances require assistance to obtain or maintain housing accommodation. The *Act* requires housing be “suitable and adequate for human habitation,” and adequate is defined in regulation as “not in need of major repair or not lacking necessary services and facilities.”²

The Capital Maintenance and Renewal Program protects the integrity of the housing facilities through planned repair, replacement, and maintenance. The program funds the maintenance of approximately 27,000 affordable housing units in over 2,800 provincially owned facilities operated by third party management housing bodies (operators).

Annually, operators submit to the department a business plan, annual operating budget, and capital maintenance requests to manage these housing facilities. The department reviews and approves the budgets and capital maintenance requests for over 80 operators annually.

In 2020, the minister appointed an Affordable Housing Review Panel to conduct an independent evaluation to ensure Alberta will continue to have a safe, suitable affordable housing system that is financially sustainable. Acting on the panel’s recommendations, in November 2021 the department released *Stronger Foundations – Alberta’s 10 Year Strategy for Affordable Housing*.³ This strategy discusses future changes to the delivery of Alberta’s affordable housing program with a goal of making it “financially sustainable and able to deal with growing demand.”

A vision of the strategy is to provide Albertans “access to safe, affordable housing that meets their needs and promotes quality of life.” To meet this vision, the department needs effective processes to assess and manage the condition of its affordable housing facilities.

The department engaged a consultant to complete a full review of the Capital Maintenance and Renewal Program in 2022–2023. The consultant’s recommendations regarding the management of facility conditions align with the findings from our audit. The department has indicated they are working to implement the consultant’s recommendations.

¹ Housing assets are legally owned by the Alberta Social Housing Corporation (ASHC) which is an agent of the Crown under the *Alberta Housing Act*. Department staff carry out all functions and responsibilities of ASHC therefore we refer to the department in our report acting in their capacity as representatives of ASHC.

² *Social Housing Accommodation Regulation*.

³ Stronger Foundations affordable housing strategy | Alberta.ca

Detailed Findings and Recommendations

Maintain Facility Condition Information

Context

Housing facilities have many components such as roofs, elevators and heating systems that must be assessed and maintained regularly to ensure they are kept in adequate condition and to keep the buildings functional for as long as possible.

Criteria

The department should have processes to keep complete and accurate information on the condition of its affordable housing facilities. The department should:

- identify all housing facilities and components that must be maintained
- regularly collect maintenance information and assess it for completeness and accuracy

Our findings

Key findings

- The department does not have complete and accurate information on housing facility components and their condition.

The department used to receive facility condition assessments from independent experts on the condition of its affordable housing facilities. The assessments provided detailed information, such as the useful life and amount of deferred maintenance, on various facility components.

Assessments were to be completed on a five-year cycle and provided a score called a Facility Condition Index (FCI).⁴ The department previously reported the index scores in its annual reports to categorize facilities as good, fair, or poor condition (see graph on page 7).

The department stopped receiving these independent assessments and index scores in November 2019. We analyzed the index scores in the housing system and found:

- 50 per cent had index scores from assessments completed over 10 years ago
- 22 per cent had index scores from assessments that are five to 10 years old
- 28 per cent of facilities did not have an index score at all

We also looked at a sample of housing facilities in the housing system and found differences between the recorded facility index scores and the underlying assessment reports. We could not obtain explanations for the differences apart from management stating these were all data transfer issues.

The department has not replaced the independent expert assessment process and relies primarily on capital maintenance information provided by housing operators. However, this information is limited because it does not include details on the condition of all facility components and their remaining life.

⁴ FCI is based on a professional assessment of a facility that identifies the cost of deferred major maintenance events and major maintenance events planned in the next five-year period.

NEW Recommendation:
Maintain facility condition information

We recommend that the Department of Seniors, Community and Social Services obtain complete and accurate information on the conditions of its housing facilities.

CONSEQUENCES OF NOT TAKING ACTION

Without complete and accurate information on the state of its housing facilities, the department may not be able to keep the housing in adequate condition. Major maintenance issues may persist, and minor issues may become major and lead to higher repair or replacement costs in the future, creating safety concerns for tenants.

Oversight of Maintenance

Context

The department oversees over 80 different housing operators who manage 2,800 provincially owned housing facilities on behalf of the department. These operators are governed by regulation which stipulates operators shall maintain housing accommodation to adequate conditions and meet the requirements of enactments and applicable bylaws.⁵

To maintain the housing units, each year operators submit capital maintenance project requests to the department. In 2022-2023, operators submitted over 3,400 requests totaling \$333 million. The department prioritized the requests and approved a final Capital Maintenance Renewal list (CMR list) with 215 projects totaling \$31 million.⁶ The department submits the CMR list as part of its annual budget submission to the Ministry of Treasury Board and Finance for funding.

Once project requests are approved, the department monitors the completion of these projects. Management should ensure contractors complete projects on time and cost-effectively, and that the work complies with applicable standards and codes.

Criteria

The department should have processes to oversee that maintenance is being carried out effectively. The department should:

- have a maintenance strategy which includes standards
- prioritize maintenance needs
- monitor that funded maintenance is completed as soon as necessary, and to standards

Our findings

Key findings

The department does:

- not have an overall maintenance strategy which includes standards
- not have support for how it prioritizes capital maintenance projects
- monitor the completion of capital maintenance projects

Lack of maintenance strategy

The department does not have a maintenance strategy that explains to operators what it takes to keep housing facilities in adequate condition, how to comply with standards and code, and how to support the safety and longevity of provincially owned housing facilities. There are no guidebooks or manuals available for operators to reference.

Effective asset management practices start with the development of an overall strategy that includes policies and documents that describe the department's objectives, expectations, and approaches to asset management. The strategy should serve as a roadmap to operators for maintaining building safety and longevity, and can include information on how to:

- identify maintenance requirements—planned, unplanned, and preventative
- identify and comply with standards and codes
- perform inspections—site, suite, regulatory
- manage and document the completion of maintenance activities

⁵ *Management Body Operation and Administration Regulation*, page 19.

⁶ Department indicated it has spent on average \$37 million annually over the last five years on capital maintenance on its facilities.

In response to the Affordable Housing Review Panel’s recommendations, in November 2021, management committed to developing a maintenance strategy for its facilities as part of its approach to improve and expand affordable housing in the province.⁷ However, this has not been completed.

No support for prioritization

To direct funding to the highest priority work, the department reviews and prioritizes capital maintenance projects requested by housing operators. However, we noted the department does not have documented support for how it prioritized the projects.

In 2022–2023, the department implemented Treasury Board and Finance’s mandated process to review, score, and prioritize capital maintenance requests. The methodology includes weighted criteria that consider:

- current condition of the component
- impact if component fails
- health and safety implications
- probable impact on tenants

However, we found management did not apply the weighted criteria to generate a project score for each request submitted by housing operators.

To understand what the list would have looked like using Treasury Board and Finance’s mandated process, we applied the weighted criteria to all the 2022–2023 requests. We found that most of the projects selected by the department for the final capital maintenance project list did not have the highest scores, using the prescribed scoring process.

For example, we calculated that 205 requests had the highest attainable score of 100/100 but found only 56 of these were selected as part of the 215 requests included in the final list sent to Treasury Board and Finance.

Also, when we applied the weighted criteria, we noted projects such as the installation of a fire sprinkler system and a roof replacement that had a weighted priority score of 100 out of 100 were not selected by the department, while a suite renewal project that would have a weighted score of 69 out of 100 was selected.

Management could not provide documentation supporting why higher scoring projects were not selected while lower scoring projects were.

Management told us when prioritizing projects, they consider historical requests from operators, firsthand knowledge they have of the facility, and splitting of available funding among the housing operators. However, management could not provide evidence of these considerations to support the final prioritization decisions.

The department produced multiple iterations of the 2022–2023 capital maintenance project list and each had changing project priority scores with no documented explanation. We understand some changes are expected as the department learns more about the requests. However, we sampled five maintenance projects and found scoring changes were unsupported along each of four key steps in the process. Details are in the table below.

We also compared management’s final CMR list with the list submitted to Treasury Board and Finance and found that more than half had different scores between the lists and no support for the change.

Project Description	Total Priority Score ⁸			
	Original from operator	After department discussion with operator	Final CMR list	CMR list sent to Treasury Board and Finance
1. Suite Renewal	64	61	85	85
2. Suite Renewal	51	51	85	85
3. Heating and Ventilation	76	73	96	85
4. Roofing	72	69	84	85
5. Building Exterior	72	72	88	85

⁷ Stronger Foundations affordable housing strategy—Action 5.3, page 21.

⁸ We followed the methodology prescribed by Treasury Board and Finance and applied the weighting to the criteria scores in the respective listings to derive the total priority score for 2022–2023 capital maintenance project requests.

Monitoring capital maintenance projects

We found the department monitors the completion of capital maintenance work through its contract management processes. To ensure work is done to standards and code, there is a regulatory requirement section in every capital maintenance contract between the department and contractors. The department relies on project managers to attest that the work completed meets contract requirements. We found signed attestation existed for all capital maintenance project samples we tested.

Management also reviews the status of capital maintenance project budgets. They noted timelines and budgets were often not met because of supply chain delays due to the pandemic and extreme weather conditions, and pricing volatility in the construction industry.

NEW Recommendation: Improve oversight processes

We recommend that the Department of Seniors, Community and Social Services improve its oversight processes by:

- implementing an overall maintenance strategy
- ensuring capital maintenance projects are prioritized consistently with supported rationale

CONSEQUENCES OF NOT TAKING ACTION

Without a department maintenance strategy, each operator must independently decide how to identify and manage maintenance needs. This can create inconsistencies in how facilities are maintained and operators may not identify priority maintenance needs to protect the useful life of the facilities and to keep tenants safe.

Also, inconsistent ranking and selecting of projects by the department increase the risk that the highest priority capital maintenance projects are not selected, and facilities fall into disrepair, eventually increasing costs unnecessarily.

Report Facility Conditions

Context

An important element of accountability is measuring and reporting results, typically in the results analysis section of ministry annual reports. Evaluating the impact of maintenance on the condition of housing facilities is fundamental to learning whether the capital maintenance program is working as intended.

Criteria

The department should have processes to measure and report on the condition of its affordable housing facilities. The department should:

- establish facility condition measures and targets
- evaluate results and identify risks
- regularly report to interested parties its ability to deliver safe, provincially owned affordable housing

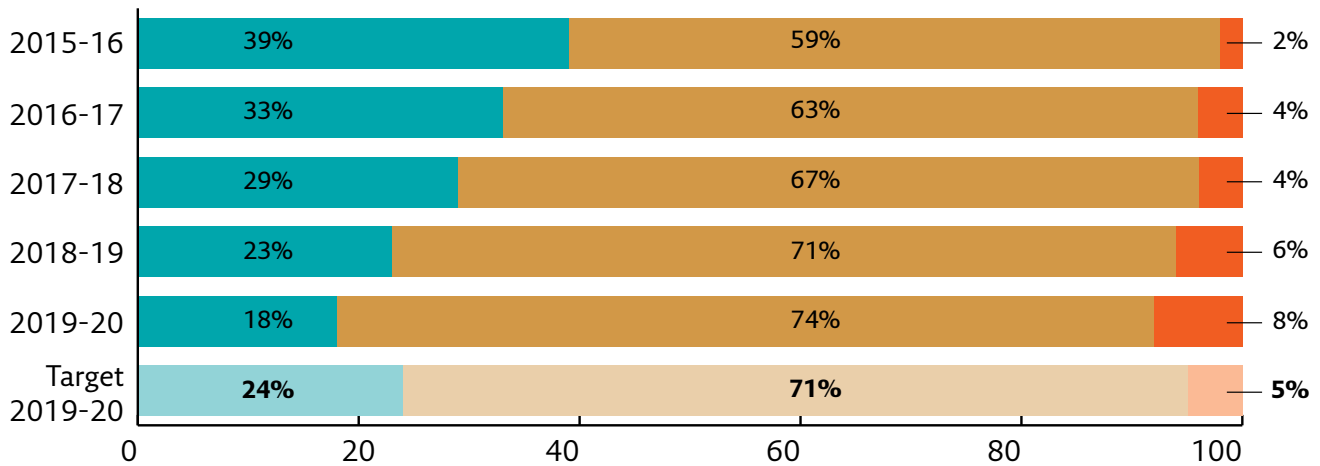
Our findings

Key findings

- The department does not have performance measures for facility conditions.

In 2015–2016, the department began reporting a performance measure related to the condition of its affordable housing based on the Facility Condition Index.

Facility Condition Ratings⁹



Department's Performance Measure Control document:

- **Good Condition**—Adequate for intended use and expected to provide continued service life with average maintenance.
- **Fair Condition**—Aging components are nearing the end of their life cycle and require additional expenditures for renewal or refurbishing.
- **Poor Condition**—Upgrading is required to comply with minimum codes or standards and deterioration has reached the point to where major repairs or replacement are necessary.

This measure identified the proportion of facilities in fair and poor condition were increasing over time. Accompanying the measure, the ministry stated its housing assets had over \$1 billion in deferred maintenance, which accounted for many of the fair and poor ratings.⁹ Deferred maintenance is the practice of postponing maintenance activities.

After 2019-2020, the department stopped reporting this measure. The department is not using any external or internal performance measures that describe housing conditions.

NEW Recommendation: Implement performance measures

We recommend that the Department of Seniors, Community and Social Services implement performance measures to report on the condition of its housing facilities.

CONSEQUENCES OF NOT TAKING ACTION

Neither the department nor Albertans will know the extent of work required to improve or maintain provincially owned affordable housing facilities to ensure Albertans who need support are living in safe and adequately maintained housing.

⁹ Annual Report—Seniors and Housing—2020-2021, page 38 and repeated in 2021-2022, page 38

About This Audit

Objective and Scope

The objective of our audit was to provide assurance that the Department of Seniors, Community and Social Services has processes to effectively assess and manage the condition of provincially owned affordable housing facilities.

Our scope for this audit was limited to examining the department's processes to effectively assess and manage the condition of provincially owned affordable housing facilities. We examined processes that were in place between April 1, 2021 to March 31, 2023.

We:

- examined policies, procedures, and other relevant documentation
- interviewed staff involved in maintenance processes
- met with management to understand their business operations, systems, and perspective of maintenance needs
- examined documents and performed walkthroughs of maintenance processes
- examined performance measure documentation and reporting of results
- performed analytics on data in the housing application system called HOME

We audited how the department applied the government's capital maintenance prioritization methodology, but we did not audit the appropriateness of the methodology itself because Treasury Board and Finance developed it for all ministries to use.

We did not audit the funding review and approval processes of the Ministry of Treasury Board and Finance.

Criteria

We established the criteria based on best practice used in audits in other jurisdictions and from department documentation.

Management of Seniors, Community and Social Services acknowledged the suitability of the audit criteria on July 13, 2023.

Audit Responsibilities and Quality Assurance Statement

Management of Seniors, Community, and Social Services is responsible for processes to effectively assess and manage the condition of provincially owned affordable housing facilities.

Our responsibility is to express an independent conclusion on whether the department has those processes.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out in the CPA Canada Handbook—Assurance. The Office of the Auditor General applies Canadian Standard on Quality Management 1, which requires the Office to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. The office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality, and professional behaviour.



**Auditor
General**
OF ALBERTA

Contact us:

info@oag.ab.ca

780.427.4222

ISSN 1919-4242 (print)

ISSN 1927-9604 (online)

