



Notice

Number: 07-05

APPLICABLE TO:**DATE: May 22, 2007**

<input checked="" type="checkbox"/>	Municipal & Private Non Profit
<input checked="" type="checkbox"/>	Co-operatives
<input checked="" type="checkbox"/>	Federal Non Profits
<input type="checkbox"/>	OCHAP/CSHP
<input type="checkbox"/>	Rent Supplement

<input checked="" type="checkbox"/>	Mandatory
<input type="checkbox"/>	For Information

SUBJECT: Revisions to Niagara Regional Housing's Operational Review Process

Background

In 2003, Niagara Regional Housing (NRH) introduced and initiated an operational review process (*NRH Notice 03-15*). Reviews were established on a 4 year cyclical basis with interim reviews at the mid-point of the cycle. The review process allowed for regular assessment of a housing provider's operations for compliance to the Social Housing Reform Act 2000 (*SHRA*), and for the establishment of monitoring and reporting systems. The process also allowed NRH to identify issues and trends for training and education purposes.

After 5 years of conducting operational reviews, NRH has concluded that the existing operational review process needed to be revised. A prime component of the responsibilities legislated to NRH is to recognize, analyze and take action to prevent or mitigate risk – a threat that may impact on an organization's ability to meet its objectives.

The operational review process has been revised to allow for earlier detection of serious issues, including financial mismanagement and/or fraud, as well as place a greater role and emphasis on board governance and accountability.

Overview of the Revised Operational Review Process

Review Categories, Rating & Frequency of Review

A housing provider's operations are divided into 6 categories of review – Governance, Financial, Management, Tenant/Member Relations, Capital Asset Management, and Non-Shelter (if applicable). Each of these categories are reviewed and rated. The rating scale is from 1 (major financial risk) to 5 (full compliance). The rating for each category dictates the frequency of review of that specific category. Refer to *Chart 1* below for details.

Chart 1

Rating	Description	Review	Board Survey
4.0 to 5.0	Housing Provider is in full compliance with all social housing legislation and NRH requirements, or Housing Provider is in compliance, with a few exceptions. The areas of non-compliance may not have an impact on the financial viability of the organization, but still require correction by the Board.	Every 4 years	Every 2 years
2.0 to 3.9	Some financial concerns are noted, or significant financial risks are identified. Financial viability of organization may be at risk if problems are not resolved. Housing Provider Board is required to comply with NRH directions and take action to correct/resolve problem to ensure the financial viability of organization is not jeopardized.	Every 2 years	Every 2 years
1.0 to 1.9	Major financial risks are identified. Housing Provider is in immediate risk of suffering major financial loss and becoming a PID (Project In Difficulty). Immediate action from the Board is necessary with ongoing NRH monitoring to ensure financial loss is minimized and to stabilize provider. Failure to correct deficiencies could result in the application of remedies under section 116 of the SHRA 2000.	Annually	Every 2 years

For example, categories that are rated between 2.0 and 3.9 will be reviewed every two years while categories that have a rating between 4.0 and 5.0 will be reviewed every 4 years.

Capital Asset Management

There will also be a greater emphasis on capital asset management. Our review process will involve an assessment of the provider's physical assets by NRH's Capital Works Manager and a review of the provider's short-term and long-term capital plan in relation to their reserve funds. An inspection of the major physical components and units with typical problems (*if required*), will be undertaken during the review.

Review Phases

Pre-Review

The revised operational review process includes a pre-review phase. The pre-review phase will allow for preliminary analysis and initial verification regarding waitlist management, as well as allow lead time for a survey to be completed and returned by board members that will identify specific areas of concern. The pre-review phase will reduce the time required on-site.

Approximately 4 – 6 weeks prior to the on-site visit, the housing provider will be required to submit the following:

- Listing of current board members and their addresses;
- Unit Listing Report: indicating unit #, name, current rent/housing charge and move-in date; and,
- Current Year Vacancy Report: showing the month by month vacancy by unit number.

Phase I - Regular Review

If there are no major concerns identified in the pre-review phase and/or there are no concerns with the provider in general, the on-site review will initially follow a Phase I - Regular Review and will include, but not be limited to:

- Tracing and verifying all units' rents/housing charges from a random 3 month period (from deposit to household ledger);
- Verifying all large, consistent, and/or payments to individuals in all discretionary accounts (administration, maintenance and capital);
- Reviewing minutes of meetings to ensure board governance and confirm that appropriate internal controls are in place;
- Reviewing a minimum of 25% of household files to ensure compliance with legislation (i.e., waiting list rules and rent-geared-to-income calculations);
- Reviewing capital assets and short term requirements; and,
- Reviewing arrears and actions taken to date.

Phase II - Investigative

If significant concerns, such as serious financial mismanagement and/or fraud, are identified, the review will proceed to Phase II – Investigative. This phase will include tracing and verifying all applicable accounts in the provider's books, as well as gathering all applicable supporting documentation.

An Action Plan will be developed by NRH that will detail the remedies to be implemented. Remedies will be specific to the situation and be reasonable to the circumstances. An action plan may also include interviews, police involvement and/or a forensic audit. The Action Plan will include specific directions to be implemented by the provider board. The objective is to ensure legislative compliance and financial viability.

If the provider board fails to comply with the Action Plan, the review will proceed to Phase III.

Phase III – Provincial Involvement

At this stage, legislated remedies available to NRH, as Service Manager, will be pursued and may include: discontinuing or suspending funding; performing any of the duties of the provider; appointing a Receiver or Receiver/Manager; and/or removing some or all of the directors and appointing one or more individuals as directors. The Provincial Risk Management Centre will be involved at this stage.

Effective Date

The new operational review process takes effect immediately.

Service Manager's Role

NRH will conduct operational reviews using this new process. All housing providers will be reviewed under the new process by March 2009.

Housing Provider's Role

Housing provider boards should ensure:

- That staff are made aware of the revisions to NRH's operational review process;
- That staff gather together all required documentation prior to the review and be available for the period of time that NRH staff are onsite; and,
- That maintenance staff are made available during the assessment of the physical assets and that appropriate notice has been provided to households for units that will be inspected during the review.

As part of the operational review process, housing providers are required to maintain a ***Unit Listing & Vacancy Report***. If providers do not currently maintain these types of reports, they are required to develop and/or begin tracking this information for NRH review purposes.

If you have any questions regarding NRH's revised operational review procedures, please contact your Housing Administrator at 905-682-9201.

Lora Beckwith, General Manager