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# Homeless and Eviction Prevention Fund Internal Audit

September 24, 2007

## ***Letter of Transmittal***

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**Date:** September 24, 2007

**SUBJECT: Review of the Homeless and Eviction Prevention (HEP) Fund**

Employment, Immigration and Industry has completed its review of the benefits (a randomly selected sample using a statistically valid process) issued under the HEP Fund directives for the review period of May 11 to July 16, 2007. The purpose of the review was to provide assurance that methods used to determine client eligibility and entitlements were in compliance with HEP Fund directives, including applicable Income Support policies and procedures.

Generally, the results of the review indicated that HEP Fund benefits were issued in accordance with the Fund directives, policies, and procedures. We noted that there needs to be some improvement in the documentation on some files to comply with the substantiation requirements specified in the directives. In the attached report, we have included recommendations along with management comments which should assist in improving policy and procedures.

We would like to thank Delivery Services staff for their assistance and the cooperation extended to us during the course of this review. Please do not hesitate to contact me if you require additional information.

*Original signed by*

Chief Financial Officer  
Employment, Immigration, and Industry

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## REVIEW OF HOMELESS AND EVICTION PREVENTION FUND

### Background

The Government of Alberta through Municipal Affairs and Housing (MAH) introduced the Homeless and Eviction Prevention (HEP) Fund in response to the recommendations of the Alberta Affordable Housing Task Force.

Employment, Immigration and Industry (EII) began delivering the program on behalf of MAH on May 11, 2007. The program was designed to assist Albertans at risk of losing their homes due to rent increases as well as those who require benefit support in establishing a residence.

Minister Evans asked the department's internal auditors to undertake a review of the administration of the fund to ensure proper accountability. The Terms of Reference for the review are attached as Appendix A. Information on the program description, policy, objectives, scope, and the criteria for the review are contained in the Terms of Reference.

### Sampling Methodology

The review was conducted by the Employment, Immigration, and Industry Internal Audit team and examined a randomly selected, statistically valid provincial sample of payments made from the HEP Fund during the period May 11 to July 16, 2007. The sample size was determined using the Attribute Sampling Program to ensure the results were accurate with a 95% confidence level. This program determines the minimum sample size necessary to provide the required level of assurance that internal controls are operating effectively. During this period, payments from the HEP Fund totalled \$4,866,406 for 5,880 clients for an average of \$827 per client. A review sample of 239 (Northwest - 11; Northeast - 4; Edmonton - 83; Central - 14; Calgary - 103; South - 24) clients consisted of 393 payments totalling \$197,781, for an average of \$828 per client. Benefit payments were provided for the following purposes:

Rental arrears	191 (49%)
Damage deposits	78 (20%)
First month's rent	73 (19%)
Utility arrears	37 (9%)
Moving costs	14 (4%)

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## **Additional Review Work**

### **Data cross match for Municipal Affairs and Housing (MAH) Rental Supplement Clients to EII Income Support and HEP Fund Clients**

During the course of the review, the audit team was able to match data for individuals who had accessed the Direct Rent Supplement Program through MAH with the HEP Fund client base. The MAH database consisted of 591 individuals who received benefits from the Direct Rent Supplement Program during the period from June to August, 2007. This data was matched to the equivalent information in LISA and CCD (EII's electronic file maintenance systems) to identify duplicate or overlapping benefits between the two programs.

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## OBSERVATIONS

### **Review of processes and management controls in place to administer the HEP Fund.**

The review found no duplicate HEP Fund payments processed for the 591 clients identified as receiving benefits under the MAH Direct Rent Supplement program. As well, workers' comments entered into LISA (the department's electronic file maintenance system) notes indicated there were referrals to the MAH Local Housing Authority when ongoing benefits were required. This indicates the clients' benefits were coordinated between the HEP Fund and the MAH program.

The administration and processing of the HEP Fund has had a major impact on the workloads of staff responsible for delivering the program, as well as on administrative staff, supervisors, and worksite management. This is not unexpected when a program is implemented quickly to respond to a societal need.

Communication of HEP Fund policies and processes to program delivery staff appears to have been somewhat inconsistent and unclear, especially in the early stages of the administration of the program. Initially there was some confusion among workers as to benefits clients were eligible for and the degree of substantiation required for those benefits.

The HEP Fund directives and policies do not indicate how the department is to recover funds that are incorrectly issued due to administrative errors.

### **Management Response:**

*It was critical for government to quickly develop a mechanism to assist Albertans at risk of losing their homes due to rent increases. As with any program of this nature, the early days of implementation were those where the nuances contained in the policy directives were still being communicated to staff.*

*Our front-line personnel are well trained and experienced and have been empowered to use their discretion regarding documentation requirements in responding swiftly to meet the needs of Albertans.*

*With several months of experience administering this program on behalf of Municipal Affairs and Housing, we have been better able to articulate and clarify the program directives and procedures.*

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**Review the administration of the HEP Fund to ensure compliance with program directives, policies, and procedures regarding client's eligibility and entitlements.**

Of the 239 files reviewed from all regions of the province, 171 files (72%) were processed in accordance with program directives, policies, and procedures. The documentation (eviction notices, tenancy agreements, notices of arrears, clients' bank statements, etc.) in these files and staff comments entered into LISA were sufficiently detailed to support the HEP Fund benefits issued.

In the remaining 68 files the following observations were noted:

- There were 51 files, totalling \$50,462 where there was incomplete documentation detailing the client's situation for the auditor to confirm that the client qualified for benefits from the HEP Fund.
- There were 14 files where benefits issued from the HEP Fund were incorrectly determined resulting in overpayments totalling \$6,357. Included in this group was one case where \$3,923 (62% of total overpayments) was incorrectly issued to cover mortgage arrears. This occurred within 10 days of the start of the program which suggests the worker may have inadvertently applied the Income Support policy which allows shelter benefits to be applied to mortgage arrears.
- Three files totalling \$5525 were identified by the audit team for supervisor review and possible referral to the Investigation and Review Branch. It was noted that two other files (\$2524) of the 171 files processed correctly had already been referred to the Investigation and Review Branch prior to the commencement of the audit.

**Management Response:**

*In the majority of the 51 cases, there had been prior involvement in the department's income support program, which allowed staff to issue benefits based partially on their past experience with that individual or family and their particular circumstances.*

*Further, management notes that this lack of documentation does not indicate the decision to issue benefits was in error. The 51 files were reviewed with the auditors and management is confident staff members are making sound decisions. However, recovery efforts are underway in those rare instances where benefits were issued inappropriately. Management agrees that there is a need to take steps to ensure documentation requirements are more consistently implemented.*

*As staff gained experience with the HEP Fund, they became more familiar with the program and its administrative requirements. We are confident that our regularly scheduled semi-annual internal audits will find an even better compliance with program directives, policies, and procedures.*

## RECOMMENDATIONS

1. The department must ensure that adequate documentation, as required by HEP Fund directives, is obtained to support the benefits issued and that the documentation is placed on file (e.g. evidence on file to support reason for moving, rental arrears, utility arrears, and evidence of the client's lack of resources).

**Management Response:**

*Agreed. Worksite managers and staff will review the documentation requirements as outlined in the HEP Fund policy directives.*

2. The department should issue an update to the May 11, 2007 directives to clarify how benefits should be coordinated between Income Support and HEP Fund benefits. Clearer procedures are required to allow the delivery staff to confidently determine which of the two programs should be used to assist the client.

**Management Response:**

*Agreed. New directives and procedures were issued on September 4, 2007 and on September 19, 2007 clarifying how benefits between Income Support and the HEP Fund are to be coordinated. Further guidelines are being developed in consultation with EII delivery staff and the Assured Income for the Severely Handicapped program.*

3. The department should conduct random checks on client accommodation to mitigate the potential for fraud (e.g. contacting the landlord). Applicants should be advised of this possibility during the application process. This would be consistent with current Income Support procedures.

**Management Response:**

*Agreed. Random accommodation checks are already being coordinated in Calgary and Edmonton. These random reviews will continue.*

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4. Similar to the current practice of issuing third party payments to utility companies for utility arrears, utility deposits, and reconnection fees, the department should issue third party payments to landlords when clients request funding for rental arrears.

**Management Response:**

*Agreed where there has been evidence of client financial mismanagement. In the vast majority of instances, clients use the benefits issued to them for the purposes for which they are intended. However, third party payments to landlords are being implemented where there has been evidence of past mismanagement in order to ensure the funds are being used for their intended purpose to prevent homelessness.*

5. The department should implement monthly data matching of clients receiving HEP Fund benefits and individuals receiving the Direct Rent Supplement Program benefits from MAH to ensure there is no duplicate issuing of benefits.

**Management Response:**

*Agreed. This has been done manually and we are currently in the process of developing an electronic comparison of benefits issued to clients in the two programs to identify possible instances of duplicate payments.*

6. The department should not rely on its Income Support recovery policy, but instead develop a separate recovery policy for HEP Fund overpayments.

**Management Response:**

*Agreed. A separate recovery policy for the HEP Fund will be considered as one of the options to address recovering these benefits when used inappropriately.*

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**Appendix 1**

**Terms of Reference**  
**for**  
**the review of the**  
**Homeless and Eviction Prevention Fund**

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## **1. Background**

The Government of Alberta, through Municipal Affairs and Housing, introduced the Homeless and Eviction Prevention Fund (HEPF) in response to the recommendations of the Alberta Affordable Housing Task Force. Alberta Employment Immigration and Industry (AEII) began delivering the program on May 11, 2007. The program is designed to assist Albertans at risk of losing their homes due to rent increases and to assist those who require assistance in establishing a residence.

On July 17, 2007 Global News aired a story alleging that the HEPF was being abused by individuals presenting inadequate and fraudulent documentation for rent increases, eviction notices, and utility arrears, and that AEII staff were not taking sufficient steps to verify the authenticity of the claims. On July 18, 2007, Minister Evans asked the department's internal auditors to undertake a review of the administration of the fund to ensure accountability for the program's procedures.

## **2. Program Description**

The Homeless and Eviction Prevention Fund (HEPF) is designed to assist Albertans with limited resources who are at risk of losing their homes due to rent increases and to assist those who require assistance in establishing a residence. The authority to determine eligibility and to provide benefits under the HEPF is provided under the Income Supports, Health and Training Benefits Regulation.

### **Policy:**

Staff have discretion in determining eligibility based upon the policy, procedures and principles of the HEPF and on the person's circumstances, as outlined in the Directives H&E Fund-2007-001, IS-2007-006, IS-ETW/NETW-2007-013, and LIS-2007-002.

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### 3. Objectives and Scope

The objectives of the review are to:

- Review the process and management controls in place to administer the HEPF;
- Review the administration of the HEPF to ensure compliance with program directives, policies and procedures regarding clients' eligibility and entitlements;
- Propose improvements to program policies and procedures, where applicable.

The review will not include:

- Any investigation of HEPF cases being conducted by the Investigation and Review units in Delivery Services, based on referrals from the worksites.
- An examination of systems that are outside the Department (e.g. IMAGIS). HEPF benefit entitlements are determined by, and processed through, the LISA system. The Department obtains adequate assurance of the systems and financial controls in LISA during the semi annual internal audits of Income Support payments.

The criteria for this review are to ensure policies and procedures have been correctly applied, including:

- An appropriate process is in place to assess clients for program eligibility;
- Clients have substantiated their entitlement to the benefits in accordance with the policy directive;
- Benefits are coded correctly;
- LISA (Local Income Support Application) information agrees with file documentation.

The following directives and policy will be used:

- Homeless and Eviction Prevention Fund Directives

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The review will cover worksite activities and benefits issued from May 11, 2007 to July 16, 2007, including an assessment of both paper and systems files. In addition the review will also include interviews with management and staff. A provincial sample of 239 HEPF clients will be randomly selected for the review, using a statistically valid process.

An assessment will be made following the initial review of file samples to determine if changes are needed to the sample size and/or steps in the review process.

Confirmation for all findings will be obtained from the appropriate worksite and from the program area for clarification of intent.

A final report will be made available to the public.

#### **4. Freedom of Information and Protection of Privacy Act Extract**

Under section 26 of the Freedom of Information and Protection of Privacy Act, the head of a public body may refuse to disclose to an applicant information relating to

- i. testing or auditing procedures or techniques;
- ii. details of specific tests to be given or audits to be conducted; or
- iii. Standardized tests used by a public body, including intelligence tests, if disclosure could reasonably be expected to prejudice the use or results of particular tests or audits.

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## 5. Timelines

July 19 to 20, 2007	Obtain transaction data, client data, benefits provided information
July 23 to 27, 2007	Develop Terms of Reference, Audit Program, and Audit Plan
July 30 to August 17, 2007	Field work; identify trends based on interim findings; implement changes in audit strategy such as increasing sample size
August 20 to 24, 2007	Obtain worksite and management responses to audit findings. Prepare analysis and draft report
August 27 to 30, 2007	Draft report and recommendations .
August 31, 2007	Provide draft report to stakeholders for comment
September 4 to 14, 2007	Additional follow up as required
September 24, 2007	Final Report

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## **6. Contacts**

### **SPONSORS:**

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S. Williams, Assistant Deputy Minister, Workforce Supports

### **FINANCE AND ADMINISTRATION:**

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