



# Yukon Housing Corporation

February 2010



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Auditor General of Canada  
Vérificatrice générale du Canada

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To the Honourable Speaker of the Yukon Legislative Assembly:

I have the honour to transmit herewith my report on the Yukon Housing Corporation to the Yukon Legislative Assembly in accordance with the provisions of section 35 of the *Yukon Act*.

*Sheila Fraser*

Sheila Fraser, FCA

OTTAWA, 9 February 2010



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# Yukon Housing Corporation

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## Main Points

### What we examined

The Yukon Housing Corporation is a territorial corporation that was established in 1972 under the *Housing Corporation Act*. The Corporation's responsibilities include providing social housing to low income tenants; lending money to Yukoners to become home owners, repair their homes, or improve the energy efficiency of their homes; and improving accessibility by assisting seniors and people with disabilities to meet their housing needs. It also provides housing for some Government staff outside of Whitehorse.

The Corporation administers and maintains a housing stock of 532 social housing units (original cost of \$32.6 million) in Whitehorse and nine other communities. There are also 147 staff housing units (original cost of \$13.4 million) located in other communities. The Corporation has also issued loans totalling more than \$40.9 million under the Home Ownership and Home Repair Programs.

The federal Economic Action Plan announced in early 2009 is to provide the Corporation with \$51.29 million over two years for social housing construction projects.

We examined whether the Corporation is delivering its social housing, staff housing, and lending programs in accordance with its legislative mandate and its stated policies and procedures. As part of our examination, we looked at the allocation of social housing units, suitability of social and staff housing units (whether the housing unit has the appropriate number of bedrooms for the size and makeup of the resident household), and whether they are being adequately maintained, that is, in need of no major repairs. We also looked at the Corporation's strategic planning, risk management, governance, and performance measurement. Audit work for this report was substantially completed in September 2009.

### Why it's important

The Corporation's key role is to assist Yukoners in need of affordable and adequate housing. Safe, secure, and affordable housing is a significant factor in a community's stability and the social and economic well-being of its residents. Housing needs range from

emergency shelter and housing for the homeless to affordable rental housing and home ownership. A waiting list for social housing exists, particularly in Whitehorse.

The Corporation's housing and lending programs and public housing assets represent a significant ongoing investment by the Government of Yukon in helping to ensure that its residents have reasonable access to affordable housing that is adequate for their needs.

### **What we found**

- The Yukon Housing Corporation has properly assessed applications for social housing using its rating system, in accordance with its policy. However, it has not carried out adequate analysis of the need for and supply of social housing in the territory, particularly in Whitehorse. Further, the Corporation lacks integrated housing strategies, which increases the risk that new housing projects will not address the real needs in the Yukon. Many living in social housing units have more bedrooms than they need. At the same time, there is a shortage of one-bedroom units in Whitehorse, and applicants in the victims-of-violence priority group have waited up to fifteen months for housing. When planning the replacement of its housing stock, the Corporation needs to address the imbalance between the mix of housing in its portfolio and the kinds of units that are needed.
- A 2004 evaluation of the Social Housing Program found that the Corporation's housing units were generally in good condition and client satisfaction was high, but significant upgrades and replacements would be needed over the next ten years due to the age of the housing stock and to health and safety issues. The Corporation has determined that many of its units have aged beyond their expected lives and will have to be replaced. Funding under the federal Economic Action Plan will help to address this, but the large number of housing construction projects to be undertaken in the next two years presents significant risks that the Corporation will need to manage and mitigate.
- Until recently, there was little collaboration among the Corporation, the Public Service Commission, and individual departments to identify future needs for staff housing. The Corporation has recognized that many of its housing units for Government staff are aging and eventually will need to be replaced. However, it currently has no plans to build or acquire additional units. Although the waiting list for staff housing in communities is small, the lack of housing there for key personnel may undermine efforts to recruit and retain staff.



- The Corporation lacks an adequate risk management process. For example, it issued several loans to developers without proper identification and assessment of the risks and strategies to mitigate them. The deficiencies in risk management have led to increased financial exposure of the Corporation. In addition, the reporting of financial and program information to management was not timely, complete, or reliable.

***The Corporation has responded.** The Corporation agrees with all of our recommendations. Its detailed responses follow each recommendation throughout the report.*



## Introduction

### Housing mandate

1. The Yukon Housing Corporation was established in 1972 under the *Housing Corporation Act*. The Corporation provides social housing to low income tenants; lends money to Yukoners to become home owners, repair their homes, or improve the energy efficiency of their homes; and assists seniors and people with disabilities to meet accessibility needs. The intent of the lending programs is to provide financing that is not available through lending institutions or the Canada Mortgage and Housing Corporation (CMHC). The Yukon Housing Corporation also provides staff housing to meet the needs of some Government of Yukon employees outside of Whitehorse.
2. In the Yukon, First Nations who have entered into Final and Self Government Agreements with the Government of Canada are responsible for their own housing. Indian and Northern Affairs Canada (INAC) and the CMHC are working with the remaining First Nations to ensure that those First Nation citizens who reside on land set aside for future self-government have access to adequate and affordable housing. CMHC is responsible for providing new housing units and renovations for several First Nations. Grey Mountain Housing Society, a not-for-profit organization, provides social housing in Whitehorse for First Nations tenants, and it is supported through CMHC funding.

### Organization

3. The Minister for the Yukon Housing Corporation is responsible for administering the *Housing Corporation Act*. The Corporation is defined as a “Government corporation” under the *Corporate Governance Act*. According to the *Corporate Governance Act* and the *Housing Corporation Act*, the Minister and the Corporation negotiate a protocol each year, setting out performance expectations and roles for the Minister, the Board of Directors, and the President. The Board of Directors is appointed by the Government of Yukon’s Executive Council Office and is expected to oversee the Corporation’s activities. The Board’s Financial and Risk Management Committee is expected to oversee the Corporation’s financial affairs. There were 74 employees as of September 2009. The Finance, Systems and Administration; Policy and Communications; and Human Resources staff also provide services to the Yukon Liquor Corporation and Lotteries Yukon.

### Housing programs

**4. Social housing.** The Corporation administers and maintains 532 social housing units (original cost of \$32.6 million) in Whitehorse and nine other communities. Social housing is available only to those making less than a set amount and rent cannot exceed 25 percent of a tenant's gross monthly household income. Those receiving social assistance receive a shelter allowance from the Department of Health and Social Services and use it to pay their rent.

**5.** The Government of Yukon's Commissioner in Executive Council has established local housing advisory boards under the *Housing Corporation Act*, and the Whitehorse Housing Authority was established under the *Housing Development Act*. These local boards make decisions on the allocation of social housing and become involved with tenant evictions and appeals when necessary. Day-to-day operations are handled by managers in Whitehorse and by local community housing offices in the communities.

**6.** Local housing advisory boards review applications and determine an applicant's housing need relative to needs of other applicants on the waiting list. Each approved application must be considered on its own merit, but the local advisory boards must decide which applicants are most in need and allocate units accordingly, based on availability of suitable housing units. The intent is to identify those considered to be in greatest need and to assess and rank them (Exhibit 1). This ranking is done through a standardized point-rating system to ensure that applicants with the greatest need receive the highest point score. Approved applicants are rated and placed on a waiting list according to the number of bedrooms needed. If a vacant unit is ready for occupation, the housing manager can offer it immediately.

**7. Lending programs.** The Corporation offers three types of lending programs: home ownership, repair and upgrade, and housing industry partnering. We selected the largest program of each type for testing. There are six home ownership programs, totalling \$31.8 million in outstanding mortgages in 2009. The largest of these, the Mortgage Financing Program, requires a 2.5 percent down payment on a maximum 30-year amortization with an interest rate calculated at 1 percent below existing market rates. Funding provided through the Mortgage Financing Program is for modest, entry-level first homes that meet the Corporation's standards and guidelines. The Corporation's modesty guidelines restrict the dwelling size and the amenities included.

**Exhibit 1 Social Housing Eligibility Criteria**

Eligibility criteria	
Age	At least 19 years of age or recommended by the Department of Health and Social Services.
Residency	One year of Yukon residency.
Application in good standing	Money must not be owed to the Yukon Housing Corporation or a community partner and applicant must be eligible to have an account with the electric utility.
Verification of income	Income information supplied for all household members age 15 years or older.
Household income limits	Gross household income must be lower than the minimum household income established for Whitehorse (between \$39,000 and \$55,000) and the communities (between \$48,500 and \$63,500).

Source: Adapted from Yukon Housing Corporation's Field Services Manual and Social Housing Priority Point Rating Scale Procedures

**8.** The Corporation also offers four repair and upgrade programs, totalling \$9.1 million in outstanding mortgages in 2009. The largest, the Home Repair Program, provides all Yukon homeowners of titled property with the opportunity to borrow a low-interest loan of up to \$35,000 to repair or upgrade their principal residence. The loan is for repairing building components, improving or modifying the home, upgrading energy efficiency, and addressing overcrowding and accessibility issues.

**9.** The three housing industry partnering programs had total loans outstanding on 31 March 2009 of \$3.6 million. The largest of these programs is the Joint Venture Program, which had \$2.8 million in outstanding loans as at 31 March 2009. The Corporation partners with private sector companies to help them finance housing projects and/or provide technical assistance.

**10. Staff housing.** There are 147 staff housing units (original cost of \$13.4 million) located in the communities outside Whitehorse. The Government's 1994 Staff Accommodation Policy requires the Government of Yukon's Public Service Commission to allocate staff housing to Government employees based on Government and departmental priorities. Under the Policy, the Corporation is responsible for determining what units of accommodation are available and how they will be allocated—for example, to married, single male or single female tenants, for shared occupation, and so on.

### Focus of the audit

11. The purpose of our audit was to determine whether the Corporation has adequately managed its Social Housing, Staff Housing, and various lending programs. We also reviewed whether the Corporation has appropriate processes for strategic planning (including risk management), governance, and performance measurement. The Social Housing and Staff Housing programs are considered “adequately managed” if

- they are being delivered in accordance with the Corporation’s legislative mandate, policies, and procedures;
- housing assets are suitable in serving the changing needs of clients; and
- they are being adequately maintained.

The lending programs are considered adequately managed if they are being delivered in keeping with the Corporation’s legislative mandate, policies, and procedures.

12. We examined the social housing program for the period from 1 April 2007 to 4 September 2009. Our examination of the other programs covered the period from 1 April 2008 to 4 September 2009.

13. More details on the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this report.

## Observations and Recommendations

### Social housing Allocation decisions comply with the rating policy

**Rating system**—Social housing applications are ranked using a point system, based on the applicant’s situation, and placed into one of five priority groups. Four groups have specific conditions: victims of violence, rural seniors relocated for medical reasons, the homeless, and the mobility challenged. The fifth group includes all other applicants, who usually apply due to economic need. In general, victims of violence are ranked as the most critically in need of housing.

14. We expected that the Corporation’s policies for the Social Housing Program would be consistent with its corporate objectives and that the Corporation delivers the program in accordance with its legislation and policies. We examined whether social housing is being allocated in compliance with its policy.

15. We randomly selected 27 applicant files from the database of 384 applicants in Whitehorse from 2007 to 2009. We found that all applications were assessed against the **rating system** properly and in compliance with policy. We also found that the Corporation’s policies for the Social Housing Program are consistent with its corporate objectives.

**The database of applicants for social housing is not complete or accurate**

16. We found that the information in the applicant database was not complete or accurate. Since 2007, the Corporation has been constructing the Applicant and Tenant Online Management System. At the time of the examination, only limited components of the applicant portion of the database were in use. We found that the information in the applicant database was incomplete, and data sets were neither final nor accurate.

17. This resulted in discrepancies between the database and some applicants' files. For example, an applicant's previous tenant history was not yet available in the database and would have to be reviewed in hard copy if needed. Also, the point rating scores summarized in the database in some cases differed from the scores in the applicants' files. However, we found that in the 27 applicant files tested, these differences did not affect the applicants' outcome for receiving housing or being placed on the waiting list.

18. We expected that the Corporation would allocate social housing units to high-priority applicants in a timely manner. During the period of examination, 90 applications for housing were submitted by victims of violence. We found that the applicant database was not complete or sufficiently accurate to allow us to determine the timeliness of allocation. Staff provided information from the database to help calculate wait times for housed applicants, but we were not able to calculate wait times for applicants that were not housed. Our review of wait lists between February and August 2009 indicated that over 50 percent of applicants waiting for a one-bedroom unit, including victims of violence, were waiting between one and three years.

19. **Recommendation.** Upon completion of the Applicant and Tenant Online Management System, the Corporation should ensure that the applicant database for social housing is complete and accurate.

*The Corporation's response.* Agreed. In 24 months, the Corporation will complete the multi-phased Applicant and Tenant Online Management System and ensure that the applicant database for social housing is complete and accurate.

**The Corporation is overdue in undertaking a program evaluation**

20. We looked to see if the Corporation complied with the 1998 social housing agreement with the Canada Mortgage and Housing Corporation (CMHC) that requires the Corporation to evaluate its Social Housing Program at least once every five years. According to the agreement, the evaluation must be completed by October 1st of the fifth year following the previous evaluation.
21. Program evaluation provides information that policy makers can use to enhance, curtail, discontinue, or otherwise modify a program, and the Government of Yukon recognizes the need to evaluate programs.
22. We therefore expected that the Corporation would regularly monitor and evaluate its Social Housing Program. We found that the last evaluation based on the framework and standards required under the agreement with the CMHC was completed in 2004 by consultants on behalf of the Corporation.
23. Tenant surveys were carried out in that evaluation, which found a high level of satisfaction among social housing tenants. The Corporation has since discontinued its own annual tenant satisfaction surveys. We also found that the Corporation does not formally track tenant complaints about their living conditions.
24. By the end of our field work, the Social Housing Program evaluation had not yet commenced. However, we were informed by management that the Corporation has recently entered into a contract for this evaluation to begin.
25. **Recommendation.** The Corporation should ensure that the evaluation required under its agreement with Canada Mortgage and Housing Corporation is completed on a timely basis to help assess the effectiveness of its Social Housing Program. Recommendations stemming from the evaluation should be considered for implementation to help improve the Social Housing Program.

*The Corporation's response.* Agreed. The contract for the evaluation has been awarded and the scheduled completion date is 31 March 2010. The Corporation will consider all recommendations contained in the final report. Options papers will be developed and presented to the Corporation's Board of Directors for their review and consideration within 18 months.



## Maintenance of housing stock

### Inspection standards need to be documented

26. We assessed whether the Corporation adequately maintained its staff and social housing units. An adequately maintained unit does not require, for example, structural repairs to walls, floors, and ceilings or major repairs to plumbing, heating, and electrical wiring.

27. We examined whether the Corporation has put in place and followed adequate practices, procedures, and standards designed to ensure that buildings and housing units are operated and maintained to minimize health and safety risks to tenants.

28. Without proper monitoring of the condition of housing, tenants could end up living in unsafe or unhealthy housing units. In addition, the individual departments may have a harder time recruiting and retaining staff without properly maintained staff housing. An effective maintenance management system would help ensure that the condition of housing units is monitored and that repair and maintenance work is properly prioritized. Specifically, such a system would include the following key components:

- periodic inspection and assessment of building conditions;
- maintenance standards for operating and maintaining major building systems and components;
- priority setting, budgeting, and work scheduling; and
- management reporting on work performance.

29. Our examination of the Corporation's maintenance system included reviewing inspection reports filled out for social and staff housing units. A sample of 28 housing units was randomly selected from the total social and staff housing stock of 679 housing units (532 social housing units and 147 staff housing units). We examined whether annual inspections for the year ending 31 March 2009 were carried out, whether assessments identified major repairs and risks to the health and safety of building occupants, and whether maintenance and repair work was prioritized.

30. Of the 28 social and staff housing units in our sample, 16 were in the communities and 12 were in Whitehorse. We found that the Corporation's technical staff carried out inspections in 2009 for 15 of the 16 units in the communities. The remaining housing unit was scheduled for demolition, so it was not inspected. At the time of our field work, the social housing units in Whitehorse had not yet been inspected. The Corporation has advised us that these inspections were delayed, but that all of them have subsequently been completed.

31. We were advised that when inspections do take place, technical officers are required to identify necessary repairs and enter them into an electronic spreadsheet. While the spreadsheets we reviewed had identified specific repairs, we found no evidence (such as written instructions or checklists) of what exactly had been inspected by the technical officer. Therefore, we could not verify in our sample whether inspections had included the major components—such as the furnace, roof shingles, and hot water tanks—for every unit. In addition, the Corporation does not have any formal standards to help technical staff assess the seriousness of any needed repairs identified. For example, we were told the Corporation’s health and safety standards are derived from the National Building Code of Canada (2005), but the Corporation’s standards to be used for inspections have not been documented.

32. **Recommendation.** The Corporation should document the inspection standards to be applied on its inspections of staff and social housing.

*The Corporation’s response.* Agreed. The Corporation will document the inspection standards, and it will apply them in the inspections of social and staff housing in the fiscal year 2010–11.

#### **A system for reporting inspections and repairs is being implemented**

33. The 2004 evaluation of the Social Housing Program recommended replacing the electronic spreadsheet used by technical staff with a computerized property management program that would include preventative maintenance tasks, condition reports, and schedules for renovations or repairs. The Corporation decided to implement a new electronic maintenance tracking system at the end of fiscal year 2009. Since the system is still being implemented, we could not determine whether it was providing complete, timely, and accurate information for decision making and reporting.

34. The Corporation’s Social Housing Management Plan emphasizes that its housing stock should be brought up to current standards. The Corporation has developed a schedule of priority repair and maintenance projects to be completed on the housing stock during the next fiscal year (or following years for some of the capital upgrades). We found that items rated as high priority would indeed pose health or safety concerns if not repaired.

35. We were able to determine that for those Whitehorse housing units inspected in 2008, repairs that were rated high-priority had been made.

**36. Recommendation.** A checklist or other standardized method should be established and completed as evidence of inspections taking place. Once the new maintenance reporting system is fully implemented, it should be used to ensure that all major components of each housing unit have been inspected and to monitor and prioritize required repairs.

*The Corporation's response.* Agreed. The Corporation has completed the development of a standardized method, which will be used during unit inspections in 2010. The new system will be able to monitor and prioritize required repairs.

### **Aging units require upgrades and replacement**

**37.** The 2004 evaluation report on the Social Housing Program noted high overall client satisfaction and housing units in a good general state of repair. However, it also noted that some social housing units were approaching or had passed the end of their estimated useful life. The report projected that significant upgrades and replacements would be needed over the next ten years due to the age of the housing stock. The Corporation has identified a number of units that also need to be replaced because of health and safety issues.

**38.** To help address social housing needs, one of the two buildings constructed by the Government as part of the 2007 Canada Winter Games Athletes' Village was converted to a seniors' housing complex. Additional projects are slated for construction that will be largely financed by federal housing and economic stimulus funding. For example, a federal plan announced in early 2009 will provide the Corporation with \$51.29 million over two years for social housing construction projects. The Corporation has established a separate capital project branch and hired a project manager and additional staff to manage the additional projects stemming from this federal funding.

### **Home ownership and home repair loan programs**

#### **Lending policy and procedures are not always followed**

**39.** We examined whether the Corporation's lending programs are being delivered in keeping with the Corporation's legislative mandate and policies.

**40.** We expected that the Corporation would have policies as well as loan application and awarding procedures consistent with the home ownership and home repair program objectives. We also expected that the Corporation would comply with its legislation, policies, and

procedures in allocating home ownership and home repair assistance to eligible applicants.

41. These lending programs are intended to help Yukoners become home owners and repair their homes. The intent under Section 33 of the *Housing Corporation Act* is to fill the financing gap if sufficient funds are unavailable through lending institutions or the Canada Mortgage and Housing Corporation. If policies and procedures are not followed, loans may not be provided to those in need, or loans may be provided to those who could secure bank financing rather than applying for financing from the Corporation.

42. We examined a random selection of approved loan applications—9 for home ownership (including 7 for the Mortgage Financing Program) and 21 for home repair loans—that were received by the Corporation between 1 April 2008 and 31 March 2009. We also judgmentally selected 20 home ownership and 13 home repair applications that were declined during this period. We tested the applications against the program eligibility criteria and procedures contained in the Corporation's lending guidelines and **Field Services Manual**.

**Field Services Manual**—The purpose of this manual is to provide policy directives and recommended procedures to guide the Advisory Board and staff in the management of the public housing projects for which they are responsible.

43. Overall, we note that the Corporation has a favourable history in terms of collections and a low rate of defaults on its loans. It also has policies and procedures in place for its lending programs that are generally adhered to. We did not find exceptions to the Corporation's procedures for the 21 approved home repair applications and for the 33 declined loan applications. However, of the 7 approved loan applications under the Mortgage Financing Program, we found the following 4 general deviations from the lending guidelines and *Field Services Manual*:

- To be eligible for the existing home ownership Mortgage Financing Program, an applicant must never have owned a home. While the Corporation may have carried out a land titles search, we found no evidence that it had confirmed that the applicant met this criterion in any of the seven approved Mortgage Financing Program files we examined. This means that the Corporation may be lending to applicants that are ineligible under its policies.
- To be eligible for the existing home ownership Mortgage Financing Program, the applicant must have first been refused financing by a bank. In the seven approved Mortgage Financing Program files we examined, we found no evidence that the applicants had been refused bank financing. Instead, program officers review the applicant's financial situation and decide

whether the applicant was likely to have been refused. Where the Corporation advances loans to bank-eligible applicants, it does not follow its policy, which may lead to decreases in funds available to assist eligible Yukoners who want to become home owners.

- To qualify for a loan under the Mortgage Financing Program, which helps participants buy their first homes, homes must be modest, entry-level properties. The Corporation's guidelines do not specify a market value limit for a "modest" home but only that the maximum area for a purchased or owner-built home is 1,650 square feet. However, none of the seven files we looked at indicated whether the homes met this specification. When the Corporation advances loans to applicants who are financing homes that do not meet the criteria, fewer funds are available to assist eligible Yukoners.
- The Corporation's policy is to obtain independent appraisals for all properties. A property appraisal provides proof of the property's market value and helps ensure that the loan does not exceed it. However, the Corporation is not obtaining independent appraisals of market value for rural properties. As of 31 March 2009, there were \$4.3 million of these loans outstanding. By not obtaining independent appraisals in such instances, the Corporation may be increasing its risk of being overexposed on rural mortgages.

**44. Recommendation.** The Corporation should comply with all of its loan policies and procedures. The Corporation should also modify its processes to require documentation to support its assertion that it is not lending to applicants who are ineligible.

*The Corporation's response.* Agreed. The Corporation's Board of Directors approved policy changes on December 11, 2009 to ensure that the Corporation's lending policies are relevant and up to date. Within 12 months, staff will review existing documents and identify additional documentation that will be utilized during the confirmation of eligibility process.

**45. Recommendation.** The Corporation should obtain market appraisals of rural properties to help ensure that it is not being overexposed on rural mortgages. If such a practice is not considered feasible, the Corporation should consider revising its policy requiring market appraisals for rural properties and consider other means to manage the risks of overexposure on such properties.

***The Corporation's response.** The Corporation notes that it has a good collection record and few defaults on its loans but will review the existing processes to further improve managing the risk of overexposure. Within 12 months, an options paper will be developed and presented to the Corporation's Financial and Risk Management Committee and then to the Board of Directors for their review and consideration.*

#### **Mitigation of risk for joint venture loans needs improvement**

46. We looked at the lending guidelines and the Field Services Manual to determine whether the Corporation has appropriate and complete risk management policies and procedures in place to ensure that its loan portfolio is protected from financial losses.

47. We expected that the Corporation would monitor the risks to its mortgage portfolios. If it should suffer financial losses, it would have less funding available to help Yukoners buy or repair homes.

48. We found that the Corporation has policies and procedures in place to mitigate the risk that mortgage applicants will default on loans. For example, it obtains a credit bureau rating for every applicant and calculates the applicant's ability to make loan payments, using the same method a bank would. There are also policies and procedures in place to protect its security in the properties pertaining to the mortgages it has given out.

49. However, there are other significant risks that the Corporation has not adequately identified or addressed. For example, for three projects entered into in the 2008–09 fiscal year under its Joint Venture Program, it did not adequately assess the viability, profitability, economic outlook, and opportunity costs or mitigate the risks of default on the loan payments:

- In the 2008–09 fiscal year, the Corporation advanced a developer \$1.06 million. By September 2009, about 12 percent of the loan had been repaid. Repayment depends on sales of units. The developer has been unable to complete and sell enough units to repay the advance. It is unknown when further repayment is likely to be made. Moreover, in case of default, the Corporation's loan takes second place to a bank loan that must be repaid first.
- In November 2008, in order for another developer to obtain bank financing, the Corporation purchased four units for \$810,000, rather than lending directly to the developer. However, the Corporation did not have any strategies to mitigate the risk that it

would be unable to resell the units. One year later, the Corporation has yet to sell any of the four units.

- In the third project, the Corporation loaned \$1.0 million to a developer in October 2008 to be repaid on a proportional basis from the first nine units sold. However, to allow the developer to complete the project, the Corporation assumed a higher risk of default on the loan by agreeing to not receive payments until five units were sold. At the end of our field work, three units in the building had been sold.

**50. Recommendation.** The Corporation should identify and fully assess the significant risks it faces when lending under the Joint Venture Program. It should develop specific strategies such as using sensitivity analysis to determine various probable outcomes. It should also develop action plans that clearly outline how it plans to limit its financial exposure to the risks identified.

*The Corporation's response.* Agreed. The Corporation recently developed and continues to refine its Risk Management Framework. Within nine months, a risk mitigation strategy and action plan template for major projects will be presented to the Corporation's Financial and Risk Management Committee and then to the Board of Directors for their review and consideration.

## Staff housing program

### There is no territory-wide plan for replacing aging staff housing

**51.** We expected that the Corporation would adequately respond to the needs of individual departments and their employees by providing suitable staff housing outside of Whitehorse. We also looked at whether the staff housing units had enough bedrooms for the size and makeup of the resident households.

**52.** We found that for the most part, suitable housing has been provided to Government staff. However, we found that staff units had more bedrooms than occupants. For example, 70 percent of the staff units in Dawson City had more bedrooms than occupants.

**53.** As of 30 June 2009, eight Government employees in the communities were on the wait list for staff housing. The Corporation received approximately \$1.8 million for staff housing projects during the period 2007 to 2009.

**54.** The Corporation has recognized in its staff housing management plans that many of the staff housing units are aging and will need to be

replaced soon. However, we found no cross-departmental plan for addressing this need.

**55. Recommendation.** The Corporation should work with the Public Service Commission and individual departments to bring staff housing management plans into line with future needs.

*The Corporation's response.* Agreed. In March 2009, the President of the Corporation began to chair a committee of Deputy Ministers charged with a review of staff housing. Corporation staff will continue to work with the Public Service Commission, individual departments and the interdepartmental Human Resource Managers Advisory Committee and will identify within 18 months, current and future employee housing needs.

#### **Government policy on the allocation of staff accommodation is not being followed**

**56.** We examined whether the Corporation has managed its Staff Housing Program in keeping with the Government's Staff Accommodation Policy and the Corporation's legislative mandate.

**57.** We found that the Corporation's involvement in the allocation of available staff housing units is not in keeping with the Government's Staff Accommodation Policy. According to the Policy, all vacant staff accommodation should be allocated by the Public Service Commission (PSC) on the following priority basis:

- personnel hired outside the community in which they are to reside;
- key personnel as defined and determined by the PSC;
- road crews, as operational requirements dictate;
- personnel working under contract with the Government of Yukon to provide specific services.

**58.** We identified 88 departmental staff housing requests received by the Corporation between 1 April 2008 and 18 June 2009. For each of these requests, we tested the allocation of staff housing against the prioritization criteria in the Government's Staff Accommodation Policy. Despite the stated policy, we found that in practice, departments go directly to the Corporation, rather than the PSC, with their requests for staff housing. We also found that staff requests were not prioritized by either the PSC or the Corporation as the Policy requires. Rather, housing was allocated on a first come, first served basis. Further, neither the Corporation nor the PSC has defined who the key personnel are for staff housing priority. The Government's



recruitment and retention efforts could be undermined by the lack of suitable staff housing in communities for its key personnel.

**59. Recommendation.** The Public Service Commission and the Corporation should comply with the Government's Staff Accommodation Policy. If the Corporation is to be involved directly in allocating staff housing, the Government's Staff Accommodation Policy should be changed to clarify this involvement.

*The Corporation's and the Public Service Commission's response. Agreed. The Public Service Commission recognizes that the Staff Accommodation Policy is out of date. It is most practicable for the Yukon Housing Corporation to work directly with departments to determine the appropriate allocation of staff housing. The Public Service Commission will abolish this policy when the Yukon Housing Corporation develops a Staff Housing Policy to replace it.*

#### **Employee housing buy-back limits are out of date**

**60.** The Whitehorse real estate market is large and active. As an alternative to renting, staff can purchase and sell properties, as can government employees in larger centres in the rest of Canada. It is different in the other communities, where housing is limited and the cost of construction is often higher than the price at which a new house can later be sold on the open market. Under the Government's plan, the Corporation can help an employee by buying his or her home for a maximum of \$68,400. We found that the Plan has rarely been accessed by Government employees over the past ten years.

**61. Recommendation.** The Corporation should consult with the Government to consider either updating the *Government Employee Housing Plan Act* to reflect existing market values or eliminating the plan.

*The Corporation's response. Agreed. Within 24 months, the Corporation will complete a review of policy issues regarding the Government Employee Housing Plan Act. This review will occur in conjunction with other inter-related activities regarding staff housing needs.*

## **Strategic planning**

### **Strategic planning is not comprehensive**

**62.** We assessed whether the Corporation has an adequate strategic planning process, that is, one that allows the Corporation's Board of Directors and management

- to work together to build a view of the Corporation's future;

- to focus efforts on priorities that deliver on the Corporation's objectives, mission, vision, and values; and
- to foster the conditions for innovation and renewal.

**63.** We expected that the Corporation would have a strategic planning process. An adequate strategic planning process would include setting the Corporation's strategic direction and specific measurable goals and objectives to achieve its legislative and public policy mandate. Its strategic direction and goals should take into account Government priorities, identified risks, an assessment of overall housing needs, the setting of priorities, and the management of its resources.

**64.** We found that the Corporation's strategic goals and corporate objectives in the strategic plan are consistent with its mandate under the *Housing Corporation Act*, with the Government's priorities, and with Canada Mortgage and Housing Corporation objectives under the federal Economic Action Plan. The Corporation has also linked its activities to the Government's four stated objectives: achieved quality of life, economy, environmental protection, and good government.

**65.** However, the last strategic plan, completed in 2007, does not include integrated housing strategies (see paragraphs 70 to 72 for further details). In addition, the Corporation does not have specific and measurable goals and objectives to achieve its legislative and public policy mandate. Analysis and selection of alternative ways to achieve objectives are missing from the plan, as are performance indicators. The Corporation also has not identified what its clients need in terms of expected quality and level of service.

**66.** Other elements are also missing from the strategic plan. For example, its strategic direction and goals do not take into account identified risks, nor has the Corporation identified its competitive strengths and weaknesses.

**67. Recommendation.** The Corporation should include in its strategic plan specific and measurable goals and objectives to achieve its legislative and public policy mandate, analysis, and selection of alternative ways to achieve objectives, performance indicators and targets, expected quality and level of service to be provided to clients, identified risks, and its competitive strengths and weaknesses.

*The Corporation's response.* Agreed. The Corporation will develop a draft Strategic Plan within the next 24 to 36 months, for consideration by the Board of Directors, which addresses the issues in this recommendation.

### **A lack of coordination with social agencies hampers needs assessment**

**68.** Proper research, including the identification, analysis, and assessment of housing needs in the Yukon, is very important. It is especially helpful for

- identifying gaps between needs and current housing supply,
- deciding how the Corporation plans to close these gaps and over what time frame,
- determining what type of social housing needs to be built and where,
- planning how to repair and maintain existing stock, and
- deciding when to remove older buildings from use.

**69.** Through interviews with corporate staff, we documented the current planning process. We also examined documents to determine the extent of research undertaken to identify Yukon's future housing needs.

**70.** We expected that as part of its strategic planning process, the Corporation would identify the number, location, and types of housing needed in Yukon. We also expected that it would use this information to develop an action plan and a schedule for addressing any gaps, including how it plans to work with others.

**71.** We found that the Corporation does not have integrated housing strategies. While the Corporation has carried out needs analysis for individual projects, it does not have a complete assessment of what social housing exists in Yukon, how and to what extent the need for and supply of social housing is identified, and how the various departments and social agencies involved communicate with each other on these matters. The lack of coordination among the Corporation and other federal and territorial agencies risks leading to an over-supply of social housing in some communities and an under-supply in others, or providing some tenants with more assistance or larger accommodations than they need.

**72. Recommendation.** The Corporation should develop integrated housing strategies, reflective of its mandate, which includes identifying housing needs compared with existing supply. The Corporation should also describe, as part of its strategic plan, how it plans to address identified gaps in housing and over a planned time frame.

**The Corporation's response.** *Agreed. The Corporation will commence the development of integrated housing strategies based on over-arching principles to be approved by the Board of Directors within 12 months. Components of the integrated housing strategies may include seniors housing, affordable housing, energy efficient housing, and so on. These will be presented to the Board of Directors in the Corporation's Draft Strategic Plan within 24 months as the fiscal framework of the Corporation permits.*

### **Improved coordination is needed with the Department of Health and Social Services**

**73. Communication.** We also found that communication between agencies working with applicants and with tenants of the Corporation is ad hoc and inconsistent. There is no strategy to coordinate care and management of individuals in need of social housing, social assistance, or child protection services. There is a working-level relationship between social workers at the Child Protection Unit of the Department of Health and Social Services and the tenant relation officers at the Whitehorse Housing Authority (housing authorities are the Corporation's managers in the communities). However, this communication is informal and its quality may vary with the staff involved.

**74.** There was a small wait list of applicants in some communities, but in Whitehorse, the wait list ranged from 75 to 113 applicants between April 2008 and May 2009. In some cases applicants had been removed from the list for failing to contact the Corporation once a month, as the Corporation's policy requires, to confirm that they are still in need of social housing. Approximately 25 percent of applicants on the wait list are receiving social assistance, but we found that the Corporation does not verify with the Government's Department of Health and Social Services whether these applicants still need housing before removing them from the list.

**75. Recommendation.** For those applicants collecting social assistance who have not contacted the Corporation for more than a month, the Corporation should confirm with the Government's Department of Health and Social Services whether, based on the Department's knowledge of the applicant's circumstances, the applicant is still in need of social housing or should be removed from the wait list.

**The Corporation's response.** *Agreed. In consultation with the departments of Justice and of Health and Social Services, the Corporation will, within nine months, complete a review of processes regarding clients on the social housing waiting list.*

**76. Shelter Allowance.** A tenant who receives social assistance is given a shelter allowance based on family size as per Yukon's *Social Assistance Regulations*. In 2001, the budgets for the Corporation and the Department of Health and Social Services were adjusted so that the Corporation could charge rent based on the *Social Assistance Regulations*. Both the Corporation and private landlords who provide housing to those on social assistance can charge the entire shelter allowance as rent, even if the premises may normally command lower rent. As a result, tenants receiving social assistance may be charged more than other tenants in similar units in the same building.

**77. Recommendation.** The Corporation and the Department of Health and Social Services should review the basis for establishing rent for the social housing units.

*The Corporation's response.* Agreed. The Corporation and the Department will undertake an analysis of rental assessments for social assistance clients by the end of the second quarter in the fiscal year 2010–2011.

#### **More closely matching housing supply to demand remains a challenge**

**78.** Capital plans must be prepared and submitted to the Government's Management Board for approval; the key step in the capital plan is documenting the needs assessment. However, as already noted, we found that the Corporation's identification, analysis, and assessment of needs are dated. For example, community surveys were last done in 2000, and the last evaluation of the Social Housing Program was completed in 2004.

**79.** The report on that evaluation recommended further research and analysis to determine the nature and extent of any community-specific gaps in available housing. It also concluded that many social housing units were approaching or had passed the end of their estimated useful life. The report recommended that the current housing stock be reviewed with a goal of better meeting the needs of seniors and single tenants, and to consider re-aligning the local housing stock to provide more single-tenant dwellings if feasible.

**80.** Until recently, the Corporation had not replaced much of its housing stock, thereby limiting its options to change its mix of housing units. For example, in Dawson City, 44 percent of the 54 social housing units have more bedrooms than occupants. In thirteen cases one person is housed in a three- or four-bedroom unit. We also found that this problem was not addressed by the largest recent addition to the

Whitehorse housing stock: 50 percent of the tenants in the 48-unit seniors' residence converted from the 2007 Canada Winter Games Athletes' Village are single occupants residing in two-bedroom units.

**81.** We found no analysis of the long-term needs for existing two- and three-bedroom units or whether there is a need to reconfigure any of them into smaller single-family units, once single-parent families move to new family housing now being constructed. This is important because the majority of applicants on the social housing wait list are single, and they have the longest wait times. The one-bedroom wait list in Whitehorse gives priority to victims of violence, but because of the shortage of units, these applicants can wait for over a year before securing accommodations. Victims of violence are given temporary accommodations at transition homes for up to six months, after which they are evicted. In Whitehorse, victims of violence requesting one-bedroom units waited anywhere from nine days to fifteen months.

**82. Recommendation.** Once they are developed, the Corporation should use its integrated housing strategies as the basis for preparing its capital plan. The Corporation should also review its options for realigning the housing stock to provide appropriate types of housing identified in the integrated housing strategies.

*The Corporation's response. Agreed. Within 30 months, the Corporation will use the integrated housing strategies it has developed, along with information from other sources, to determine the best approach to address the specific housing needs of Yukoners, within the fiscal framework of the Corporation.*

### **A risk management framework is not in place**

**83.** We assessed whether the Corporation has an adequate risk management process in place as part of the preparation of its strategic plan. A risk management framework includes a systematic approach to managing significant risks that could limit the achievement of an organization's objectives. Such an approach fosters a culture where learning, innovation, responsible risk-taking, and continuous improvement are valued. As part of a risk management framework, risks should be identified, measured, mitigated, monitored, and reported so they can be consistent with the nature of the business and ensure that the Corporation's assets are safeguarded.

**84.** We found that the Corporation addresses risks in an informal and non-systematic manner. While business risks are not identified in its strategic or departmental plans, elements of risk management do

exist in various policies, guidelines, and business processes of the Corporation. An example is the documented mitigation strategies for the home ownership and home repair programs to reduce the risk of loan defaults.

**85.** Managing the large number of housing construction projects being built in the next two years under the federal Economic Action Plan will be a priority for the Corporation, given the additional significant risks these projects entail. The federal plan announced in early 2009 will provide the Corporation with \$51.29 million over two years for social housing construction projects. In support of Government of Yukon priorities for the 2009–10 fiscal year, the Corporation is to build a new children’s receiving home (estimated at \$1.25 million), and a 32-unit affordable family housing project for single-parent families (estimated at \$11 million), both in Whitehorse, as well as a multi-unit seniors building in Watson Lake (estimated at \$4.2 million). The Corporation is using processes developed by the industry to address risks that may arise during the construction phase, and it does have an experienced project manager and additional staff to manage these projects.

**86.** We found that the Corporation has not identified or addressed other risks, such as maintaining operations with declining contributions from CMHC; running out of Government funding for lending programs, repairs, maintenance, and capital replacement; and increased heating costs due to global conditions such as rising oil prices, for example. Risks to the health and safety of its social housing tenants are also important to identify and address.

**87.** The Corporation has approved a bylaw to have the Financial and Risk Management Committee of the Board of Directors review information provided to it related to corporate risks, but a risk management framework still needs to be developed.

**88. Recommendation.** The Corporation should identify, assess, and rank the significant risks it faces, including the significant additional risks arising in the construction projects stemming from the funding under the federal Economic Action Plan. It should then develop specific strategies and action plans that clearly outline how it plans to mitigate those risks that it determines need to be addressed. In addition, the Financial and Risk Management Committee should monitor and report regularly to the Board of Directors on whether the Corporation is addressing risks appropriately and efficiently.

**The Corporation's response.** *Agreed. The Corporation will continue to refine and implement its recently introduced integrated risk management framework. Within nine months, a risk mitigation strategy and action plan template for major projects will be presented to the Corporation's Financial and Risk Management Committee and then to the Board of Directors for their review and consideration. Corporation staff recently began and will continue to formally report on risk management to the Financial and Risk Management Committee which, in turn, reports on risks to the Board of Directors.*

## Corporate governance and performance measurement

### Governance structure could be clarified

**89.** We assessed the adequacy of the governance structure in place for the Corporation. Corporate governance refers to the structures, systems, and practices for overseeing the direction and management of an organization so it can carry out its mandate, achieve its objectives, and account for its results.

**90.** We expected that the Corporation would have a formally documented governance structure with clearly set out roles and responsibilities. The absence of a clear governance structure could lead to a breakdown in management decision making and approval.

**91.** We reviewed the protocol agreements and letters of understanding and interviewed the members of the Board of Directors, the Financial and Risk Management Committee, and the Corporation's President.

**92.** We found that there is a governance structure in place as specified under the *Housing Corporation Act*; it sets out the roles of the Corporation, the Minister, the Board of Directors, and the President.

**93.** More specific roles and responsibilities of the Minister, Board of Directors, and the President are also included in an annual Protocol Agreement required by the *Housing Corporation Act*. While the Act describes the Board as a governing board with the responsibility for conducting the affairs of the Corporation, the Protocol Agreement suggests that the Board is to act in a more advisory capacity to the President. For example, the Agreement also makes the President accountable through the Minister to the Legislative Assembly for the activities of the Corporation. Normally corporation presidents are accountable to their boards, and boards are accountable to the Minister. As required by the *Housing Corporation Act*, the President is selected and appointed by the Commissioner in Executive Council.



### There is little performance information

94. Measuring performance is important for making sound decisions and holding management accountable for its use of resources. It also helps determine how well an organization is meeting its strategic objectives.

95. We assessed whether the Corporation has an adequate performance measurement process. An adequate process would start with identifying specific and measurable performance indicators consistent with the Corporation's mandate and the Government's priorities, setting short and long-term targets, and monitoring and reporting against those indicators and targets to enable management and the Board of Directors to meaningfully assess the Corporation's performance.

96. Our review of the Corporation's 2006–07 and draft 2007–08 annual reports found a lack of performance indicators and targets, and reporting only on activities undertaken and some outputs achieved with little or no reference to long-term outcomes. For example, the Corporation considers the number of funding recipients—an output—to be an important measure of the success of the home ownership and home repair programs. However, it does not measure how these programs have addressed overall housing needs—an outcome.

97. The Corporation has not reported on outcomes such as

- improvement in the overall housing situation in the Yukon;
- increasing or stable percentage of satisfied clients;
- increasing home ownership in the Yukon; or
- the adequate maintenance of the overall condition of social housing.

98. **Recommendation.** The Corporation should establish appropriate performance indicators—including short-term and longer term targets—gather performance data, use the data to compare indicators to targets and to help link outputs to desired results, and assess the Corporation's performance.

*The Corporation's response.* Agreed. The Corporation has recently begun discussing performance measurements with the Northwest Territories and Nunavut Housing Corporations. These discussions will assist with the development of the Corporation's overall performance measurement framework. The Corporation will introduce performance measurements in

24-36 months, thereby providing the Corporation time to identify and create meaningful measurements and targets.

**Financial and program information is not timely, complete, or reliable**

99. We assessed whether the Corporation has appropriate financial and performance-related information systems that make appropriate information available for decision making.

100. We expected that the Corporation would have adequate information systems to inform senior managers involved in making decisions. We looked at the quality of reporting to determine if these systems were reporting complete, reliable, and timely program information to management.

101. We found serious transition problems when new information systems were implemented without proper planning, monitoring, and data testing. Old systems were not maintained while the new systems were still being tested for proper functioning.

102. Between June and August 2008, hundreds of loan applications were processed. As the reporting of information to management on loan applications was weak, the faster than expected pace of lending was not adequately managed. To eliminate a possible funding shortfall, the Corporation stopped accepting any new applications for home ownership and home repair loans, and all program staff were instructed not to enter into any new agreements or contracts. In December 2008, a special warrant was approved that gave the Corporation an additional \$2.85 million to fund more applications.

103. We also noted that by the end of our field work in September 2009, the financial statements for the 2007–08 fiscal year still had not been finalized and the reporting deadline for last year's Annual Report had not been met.

104. **Recommendation.** The Corporation should ensure that

- when new information systems are being implemented, developments are properly planned and monitored and the data entered is checked for accuracy;
- any system being replaced is maintained concurrently until the new system is functioning properly;
- its information systems report complete, timely, and reliable information; and

- financial statements and internal financial reports are completed on time.

***The Corporation's response.** Agreed. Recruitment for additional staff within the Finance Systems, and Administration Branch has been initiated. This will assist the Corporation in the areas of Information Technology and Finance to ensure that reporting is complete, accurate, and reliable. The Department of Finance is also providing financial stewardship to the Corporation as the transition from the previous organizational structure is completed.*

## Conclusion

**105.** The Corporation has adequately managed its Social Housing and Staff Housing programs, but we found areas in these programs that need attention. Social and staff housing units are generally well maintained and the wait lists are short, other than for social housing in Whitehorse. While we found social housing units to be allocated in accordance with the Corporation's rating policy, staff housing units were not being allocated as prescribed in the Government's Staff Accommodation Policy.

**106.** The Corporation has adequately managed its lending programs as it has a good collection record and few defaults on its loans. However, we found that loans are made without documenting that the applicant has been unable to obtain bank financing or has never owned a home as required by the Corporation's legislative mandate, policies, and procedures. The risks of joint venture loans need to be better identified and mitigated.

**107.** The Corporation does not have integrated housing strategies. The Corporation also does not have adequate strategic planning or performance measurement processes to help it determine how it is performing in meeting the housing needs of Yukon residents, and it is only beginning to develop a risk management process. For example, it needs to determine how many types of different units it requires in each community and when and how current buildings will be replaced. There are also significant weaknesses in the capacity of its financial accounting and reporting systems to provide timely, complete, and reliable information for decision making. These weaknesses affect the Corporation's ability to deliver programs effectively and efficiently.

## About the Audit

All of the audit work in this report was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

### Objective

To determine whether the Yukon Housing Corporation has adequately managed its Social Housing, Staff Housing, and lending programs.

For the purposes of this audit, “adequate management” means that

- programs are being delivered in keeping with the Corporation’s legislative mandate, policies, and procedures;
- social and staff housing units are suitable (have the appropriate number of bedrooms for the size and makeup of resident households) for serving the changing needs of clients;
- housing units are being adequately maintained (that is, they do not require major repairs); and
- the Corporation has strategic planning, risk management, governance, and performance measurement processes to assist it in meeting the housing needs of all Yukon residents.

### Scope, approach, and criteria

Our audit focused on whether the Corporation has adequately managed its lending programs for home ownership and home repair; how the Corporation plans, carries out, and measures its activities; and how it is held accountable for the resources used to provide adequate, affordable, and suitable housing. Our audit did not look specifically at the areas involving tenant appeals, the environment, health and safety, energy efficiency loans, education and the training provided to industry, human resources, and housing programs under the jurisdiction of Canada Mortgage and Housing Corporation or Indian and Northern Affairs Canada.

When we sampled the applicant files, the inspection reports, and the loan applications, we used our statistical standard of 90 percent confidence level and a confidence interval of plus 10 percent. Our finding for the first sample is within this standard. We could not test the second sample on house inspections because a significant proportion had not been carried out by the end of our field work. While we did test the third sample, we did not generalize to all the files.

The results of our sampling and file review of social housing applications; staff housing requests; and maintenance, repair, and lending activities were complemented by interviews with the Corporation’s Board of Directors, Financial and Risk Management Committee members, advisory board members, Corporation’s staff, relevant Government department officials (including the Internal Auditor), personnel from the First Nations, Indian and Northern Affairs Canada, the Canada Mortgage and Housing Corporation and other third parties such as financial institutions. We visited several Yukon communities to observe the condition of social and staff housing and interviewed key personnel. We also spoke to British Columbia Housing staff to get a perspective of social housing issues in general.

## Criteria

Listed below are the criteria that were used to conduct this audit and their sources.

Criteria	Sources
<b>Social Housing Program</b>	
We expected that the Corporation's policies for the Social Housing Program would be consistent with the corporate objectives.	<ul style="list-style-type: none"> <li>• Yukon Housing Corporation, Field Services Manual, Chapter 12.1, Principles</li> <li>• May 2008 Report of the Auditor General of Canada to the Legislative Assembly of Nunavut, Nunavut Housing Corporation</li> </ul>
We expected that the Corporation would deliver the Social Housing Program in accordance with its legislation and policies.	<ul style="list-style-type: none"> <li>• <i>Housing Corporation Act</i>, sections 4(1), 4(2), and 9</li> <li>• Yukon Housing Corporation's Field Services Manual, Chapter 5, Rental Housing Programs, and Chapter 12.1, Principles</li> <li>• May 2008 Report of the Auditor General of Canada to the Legislative Assembly of Nunavut, Nunavut Housing Corporation</li> </ul>
We expected that the Corporation would deliver social housing units to high priority applicants in a timely manner.	<ul style="list-style-type: none"> <li>• Yukon Housing Corporation, Field Services Manual, Chapter 5.3, Application Process</li> <li>• Yukon Housing Corporation, Social Housing Priority Point Rating Scale Procedures</li> </ul>
We expected that the Corporation would carry out its repairs and maintenance in accordance with its standards.	<ul style="list-style-type: none"> <li>• Yukon Housing Corporation, Field Services Manual, Chapter 12.1, Principles</li> <li>• May 2008 Report of the Auditor General of Canada to the Legislative Assembly of Nunavut, Nunavut Housing Corporation</li> <li>• February 2008 Northwest Territories Housing Corporation—Public Housing and Homeownership Programs</li> </ul>
<b>Staff Housing Program</b>	
We expected that when taking action to meet the needs of Government departments for staff housing, the Corporation would follow relevant legislation and policies, and established standards.	<ul style="list-style-type: none"> <li>• <i>Housing Corporation Act</i>, section 29</li> <li>• Government of Yukon, General Administration Manual, Human Resources, Staff Accommodation, section 1.3, Purpose and Principles</li> <li>• <i>Government Employee Housing Plan Act</i>, sections 4 and 5</li> </ul>
We expected that the Corporation would adequately respond to the needs of Government of Yukon departments, by prioritizing staff needs and providing suitable and adequate staff housing.	<ul style="list-style-type: none"> <li>• Yukon Housing Corporation, Field Services Manual, Section 5.10, Staff Housing</li> <li>• Government of Yukon, General Administration Manual, Human Resources, Staff Accommodation, section 1.3, Purpose and Principles</li> </ul>

Criteria	Sources
We expected that the Corporation would carry out its repairs and maintenance in accordance with its standards.	<ul style="list-style-type: none"> <li>• Yukon Housing Corporation, Field Services Manual, Chapter 12.1, Principles</li> <li>• May 2008 Report of the Auditor General of Canada to the Legislative Assembly of Nunavut, Nunavut Housing Corporation</li> <li>• February 2008 Northwest Territories Housing Corporation—Public Housing and Homeownership Programs</li> </ul>
<b>Lending Program</b>	
We expected that the Corporation would have policies as well as application and award procedures consistent with the home ownership and home repair program objectives.	<ul style="list-style-type: none"> <li>• Yukon Housing Corporation, Field Services Manual, Chapter 12.1, Principles, and Chapter 12.2, Program Descriptions</li> </ul>
We expected that the Corporation would comply with its legislation, policies, and procedures for the allocation of home ownership and home repair assistance to eligible applicants.	<ul style="list-style-type: none"> <li>• <i>Housing Corporation Act</i>, sections 4(1), 4(2), 9, 21, 24, 33 and 34</li> <li>• Yukon Housing Corporation's Field Services Manual, Chapter 12.1, Principles, and chapter 12.2, Program Descriptions</li> </ul>
We expected that the Corporation would monitor the risks to its mortgage portfolio; and	<ul style="list-style-type: none"> <li>• Yukon Housing Corporation, 2008 Loan Program Guidelines, 2004 Lending Guidelines and Arrears Management Guidelines</li> </ul>
We expected that the Corporation would monitor and evaluate whether its home ownership and home repair programs are meeting the housing needs of Yukon residents.	<ul style="list-style-type: none"> <li>• Social Housing Agreement made 14 August 1998 between CMHC and the Yukon Housing Corporation, section 13</li> <li>• Government of Yukon, Financial Administration Manual, Chapter 2.5.3</li> </ul>
<b>Strategic planning</b>	
We expected that the Corporation would have an adequate strategic planning process.	<ul style="list-style-type: none"> <li>• Government of Yukon, Financial Administration Manual, section 2.3.2</li> <li>• 2009 Canada Mortgage and Housing Corporation, Special Examination Report</li> </ul>
<b>Risk management</b>	
We expected that the Corporation would have an adequate risk management framework, where the key risks are identified and integrated into its strategic plan.	<ul style="list-style-type: none"> <li>• 2009 Canada Mortgage and Housing Corporation, Special Examination Report</li> </ul>
<b>Governance</b>	
We expected that the Corporation would have a governance structure that is formally documented.	<ul style="list-style-type: none"> <li>• <i>Housing Corporation Act</i>, sections 10(2) to (4)</li> <li>• <i>Corporate Governance Act</i>, sections 1(3), 2, 4, and 6(1)</li> </ul>
<b>Performance measurement</b>	
We expected that the Corporation would have an adequate performance measurement process that establishes and uses performance indicators.	<ul style="list-style-type: none"> <li>• Government of Yukon, Financial Administration Manual, sections 2.3.2, and 2.5</li> </ul>

Criteria	Sources
We expected that the Corporation would have an adequate information system to inform senior managers.	<ul style="list-style-type: none"> <li>• Government of Yukon, Financial Administration Manual, section 2.4</li> <li>• 2009 Canada Mortgage and Housing Corporation, Special Examination Report</li> </ul>

Management reviewed and accepted the suitability of the criteria used in the audit.

### **Period covered by the audit**

We examined the Social Housing Program for the period from 1 April 2007 to 4 September 2009. Our examination of the other programs covered the period from 1 April 2008 to 4 September 2009. Audit work for the Report was substantially completed on 4 September 2009.

### **Audit team**

Assistant Auditor General: Andrew Lennox

Principal: Eric Hellsten

Director: John Sokolowski

Shari Laszlo

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## Appendix List of recommendations

The following is a list of recommendations found in this Report. The number in front of the recommendation indicates the paragraph where it appears in the report. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<b>Social housing</b>	
<p>19. Upon completion of the Applicant and Tenant Online Management System, the Corporation should ensure that the applicant database for social housing is complete and accurate. (16–18)</p>	<p>Agreed. In 24 months, the Corporation will complete the multi-phased Applicant and Tenant Online Management System and ensure that the applicant database for social housing is complete and accurate.</p>
<p>25. The Corporation should ensure that the evaluation required under its agreement with Canada Mortgage and Housing Corporation is completed on a timely basis to help assess the effectiveness of its Social Housing Program. Recommendations stemming from the evaluation should be considered for implementation to help improve the Social Housing Program. (20–24)</p>	<p>Agreed. The contract for the evaluation has been awarded and the scheduled completion date is March 31, 2010. The Corporation will consider all recommendations contained in the final report. Options papers will be developed and presented to the Corporation’s Board of Directors for their review and consideration within 18 months.</p>
<b>Maintenance of housing stock</b>	
<p>32. The Corporation should document the inspection standards to be applied on its inspections of staff and social housing. (26–31)</p>	<p>Agreed. The Corporation will document the inspection standards, and it will apply them in the inspections of social and staff housing in the fiscal year 2010–11.</p>
<p>36. A checklist or other standardized method should be established and completed as evidence of inspections taking place. Once the new maintenance reporting system is fully implemented, it should be used to ensure that all major components of each housing unit have been inspected and to monitor and prioritize required repairs. (33–35)</p>	<p>Agreed. The Corporation has completed the development of a standardized method, which will be used during unit inspections in 2010. The new system will be able to monitor and prioritize required repairs.</p>



Recommendation	Response
<b>Home ownership and home repair loan programs</b>	
<p><b>44.</b> The Corporation should comply with all of its loan policies and procedures. The Corporation should also modify its processes to require documentation to support its assertion that it is not lending to applicants who are ineligible. (39–43)</p>	<p>Agreed. The Corporation’s Board of Directors approved policy changes on December 11, 2009 to ensure that the Corporation’s lending policies are relevant and up to date. Within 12 months, staff will review existing documents and identify additional documentation that will be utilized during the confirmation of eligibility process.</p>
<p><b>45.</b> The Corporation should obtain market appraisals of rural properties to help ensure that it is not being overexposed on rural mortgages. If such a practice is not considered feasible, the Corporation should consider revising its policy requiring market appraisals for rural properties and consider other means to manage the risks of overexposure on such properties. (39–43)</p>	<p>The Corporation notes that it has a good collection record and few defaults on its loans but will review the existing processes to further improve managing the risk of overexposure. Within 12 months, an options paper will be developed and presented to the Corporation’s Financial and Risk Management Committee and then to the Board of Directors for their review and consideration.</p>
<p><b>50.</b> The Corporation should identify and fully assess the significant risks it faces when lending under the Joint Venture Program. It should develop specific strategies such as using sensitivity analysis to determine various probable outcomes. It should also develop action plans that clearly outline how it plans to limit its financial exposure to the risks identified. (46–49)</p>	<p>Agreed. The Corporation recently developed and continues to refine its Risk Management Framework. Within nine months, a risk mitigation strategy and action plan template for major projects will be presented to the Corporation’s Financial and Risk Management Committee and then to the Board of Directors for their review and consideration.</p>
<b>Staff housing program</b>	
<p><b>55.</b> The Corporation should work with the Public Service Commission and individual departments to bring staff housing management plans into line with future needs. (51–54)</p>	<p>Agreed. In March 2009, the President of the Corporation began to chair a committee of Deputy Ministers charged with a review of staff housing. Corporation staff will continue to work with the Public Service Commission, individual departments and the interdepartmental Human Resource Managers Advisory Committee and will identify within 18 months, current and future employee housing needs.</p>

Recommendation	Response
<p><b>59.</b> The Public Service Commission and the Corporation should comply with the Government’s Staff Accommodation Policy. If the Corporation is to be involved directly in allocating staff housing, the Government’s Staff Accommodation Policy should be changed to clarify this involvement. (56–58)</p>	<p>Agreed. The Public Service Commission recognizes that the Staff Accommodation Policy is out of date. It is most practicable for the Yukon Housing Corporation to work directly with departments to determine the appropriate allocation of staff housing. The Public Service Commission will abolish this policy when the Yukon Housing Corporation develops a Staff Housing Policy to replace it.</p>
<p><b>61.</b> The Corporation should consult with the Government to consider either updating the <i>Government Employee Housing Plan Act</i> to reflect existing market values or eliminating the plan. (60)</p>	<p>Agreed. Within 24 months, the Corporation will complete a review of policy issues regarding the <i>Government Employee Housing Plan Act</i>. This review will occur in conjunction with other inter-related activities regarding staff housing needs.</p>
<hr/> <p><b>Strategic planning</b></p>	
<p><b>67.</b> The Corporation should include in its strategic plan specific and measurable goals and objectives to achieve its legislative and public policy mandate, analysis, and selection of alternative ways to achieve objectives, performance indicators and targets, expected quality and level of service to be provided to clients, identified risks, and its competitive strengths and weaknesses. (62–66)</p>	<p>Agreed. The Corporation will develop a draft Strategic Plan within the next 24 to 36 months, for consideration by the Board of Directors, which addresses the issues in this recommendation.</p>
<p><b>72.</b> The Corporation should develop integrated housing strategies, reflective of its mandate, which includes identifying housing needs compared with existing supply. The Corporation should also describe, as part of its strategic plan, how it plans to address identified gaps in housing and over a planned time frame. (68–71)</p>	<p>Agreed. The Corporation will commence the development of integrated housing strategies based on over-arching principles to be approved by the Board of Directors within 12 months. Components of the integrated housing strategies may include seniors housing, affordable housing, energy efficient housing, and so on. These will be presented to the Board of Directors in the Corporation’s Draft Strategic Plan within 24 months as the fiscal framework of the Corporation permits.</p>

Recommendation	Response
<p><b>75.</b> For those applicants collecting social assistance who have not contacted the Corporation for more than a month, the Corporation should confirm with the Government's Department of Health and Social Services whether, based on the Department's knowledge of the applicant's circumstances, the applicant is still in need of social housing or should be removed from the wait list. (73–74)</p>	<p>Agreed. In consultation with the departments of Justice and of Health and Social Services, the Corporation will, within nine months, complete a review of processes regarding clients on the social housing waiting list.</p>
<p><b>77.</b> The Corporation and the Department of Health and Social Services should review the basis for establishing rent for the social housing units. (76)</p>	<p>Agreed. The Corporation and the Department will undertake an analysis of rental assessments for social assistance clients by the end of the second quarter in the fiscal year 2010–2011.</p>
<p><b>82.</b> Once they are developed, the Corporation should use its integrated housing strategies as the basis for preparing its capital plan. The Corporation should also review its options for realigning the housing stock to provide appropriate types of housing identified in the integrated housing strategies. (78–81)</p>	<p>Agreed. Within 30 months, the Corporation will use the integrated housing strategies it has developed, along with information from other sources, to determine the best approach to address the specific housing needs of Yukoners, within the fiscal framework of the Corporation.</p>

Recommendation	Response
<p><b>88.</b> The Corporation should identify, assess, and rank the significant risks it faces, including the significant additional risks arising in the construction projects stemming from the funding under the federal Economic Action Plan. It should then develop specific strategies and action plans that clearly outline how it plans to mitigate those risks that it determines need to be addressed. In addition, the Financial and Risk Management Committee should monitor and report regularly to the Board of Directors on whether the Corporation is addressing risks appropriately and efficiently. (83–87)</p>	<p>Agreed. The Corporation will continue to refine and implement its recently introduced integrated risk management framework. Within nine months, a risk mitigation strategy and action plan template for major projects will be presented to the Corporation’s Financial and Risk Management Committee and then to the Board of Directors for their review and consideration. Corporation staff recently began and will continue to formally report on risk management to the Financial and Risk Management Committee which, in turn, reports on risks to the Board of Directors.</p>
<p><b>Corporate governance and performance measurement</b></p>	
<p><b>98.</b> The Corporation should establish appropriate performance indicators—including short-term and longer term targets—gather performance data, use the data to compare indicators to targets and to help link outputs to desired results, and assess the Corporation’s performance. (94–97)</p>	<p>Agreed. The Corporation has recently begun discussing performance measurements with the Northwest Territories and Nunavut Housing Corporations. These discussions will assist with the development of the Corporation’s overall performance measurement framework. The Corporation will introduce performance measurements in 24-36 months, thereby providing the Corporation time to identify and create meaningful measurements and targets.</p>

Recommendation	Response
<p><b>104.</b> The Corporation should ensure that</p> <ul style="list-style-type: none"> <li>• when new information systems are being implemented, developments are properly planned and monitored and the data entered is checked for accuracy;</li> <li>• any system being replaced is maintained concurrently until the new system is functioning properly;</li> <li>• its information systems report complete, timely, and reliable information; and</li> <li>• financial statements and internal financial reports are completed on time. (99–103)</li> </ul>	<p>Agreed. Recruitment for additional staff within the Finance Systems, and Administration Branch has been initiated. This will assist the Corporation in the areas of Information Technology and Finance to ensure that reporting is complete, accurate, and reliable. The Department of Finance is also providing financial stewardship to the Corporation as the transition from the previous organizational structure is completed.</p>