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on
Public Accounts

Chairperson
Mr. Leonard Derkach
Constituency of Russell

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Ninth Legislature

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**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

Wednesday, October 7, 2009

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Leonard Derkach (Russell)

VICE-CHAIRPERSON – Ms. Jennifer Howard (Fort Rouge)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Ms. Wowchuk

*Messrs. Borotsik, Derkach, Ms. Howard,
Messrs. Jha, Lamoureux, Maguire, Ms.
Marcelino, Mr. Martindale, Ms. Selby, Mrs.
Stefanson*

APPEARING:

Hon. Jon Gerrard, MLA for River Heights

*Ms. Carol Bellringer, Auditor General of
Manitoba*

*Mr. Martin Billinkoff, Deputy Minister of Family
Services and Housing*

*Mr. Jack Buckwold, Director of Special Audits,
Office of the Auditor General*

MATTERS UNDER CONSIDERATION:

*Auditor General's Report – Aiyawin
Corporation: The Consequences of
Mismanagement in a Shared Responsibility
Framework, dated March 2006*

*Auditor General's Report – Investigation of the
Maintenance Branch of the Manitoba Housing
Authority, dated November 2004*

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Mr. Chairperson: Good evening, ladies and gentlemen. Will the Standing Committee on Public Accounts please come to order. This meeting has been called to consider the following Auditor General's reports: Aiyawin Corporation: The Consequences of Mismanagement in a Shared Responsibility Framework, dated March 2006; An Investigation of the Maintenance Branch of the Manitoba Housing Authority, dated November 2004.

Before we get started, are there any suggestions from the committee as to how long we should sit this evening? And I would recommend two hours.

Mr. Doug Martindale (Burrows): Mr. Chairperson, I recommend that we follow the normal procedure, which would be to sit for two hours and re-assess at 9 o'clock and see what progress we're making, unless, of course, we pass both these reports before then.

Mr. Chairperson: Mr. Martindale, thank you for that, but I would also remind you that in the past we have sat for–till 9 o'clock as a recommendation, but do whatever you like tonight.

Anybody else? Is that agreed?

An Honourable Member: Till 9 o'clock. I think till 9 o'clock.

An Honourable Member: Or earlier. Whenever the reports are done.

Mr. Chairperson: Nine o'clock? Earlier?

An Honourable Member: Agreed.

* (19:10)

Mr. Chairperson: Agreed? [Agreed] Thank you very much.

Next question: Are there any suggestion as to the order in which we should consider these reports?

An Honourable Member: As per agenda.

An Honourable Member: As printed.

Mr. Chairperson: As per agenda has been recommended. Agreed? [Agreed]

I would like to welcome the honourable minister of family housing and–oh, I'm sorry. Mr. Lamoureux.

Mr. Kevin Lamoureux (Inkster): Just for clarification on the investigation and maintenance branch report, there is going to be the 2009 report, and as per our discussion, we anticipate that we'd be able to ask questions on this report when that report does come before the committee sometime in the future. Is that what we–

Mr. Chairperson: Is that agreed to, committee?

Ms. Jennifer Howard (Fort Rouge): I think, you know, that report will be followed up in the follow-up report and you can ask questions about any report that's in the follow-up report. So that would be the normal procedure, only look at the follow-up document.

Mr. Chairperson: Is that agreed? [*Agreed*] Thank you. Any other questions or comments before we move on? Thank you.

Now I would like to welcome the honourable Minister of Family Services and Housing (Mr. Mackintosh) to the table and also his deputy minister and staff, and I will begin by asking the Auditor General to make some opening statements.

Ms. Carol Bellringer (Auditor General of Manitoba): I'm joined today by Jack Buckwold, who is the director of Special Audits in our office.

The Aiyawin audit was an audit that was issued in March of 2006, and the report followed up allegations that had been received by the office of the Auditor General. The story that's told in the book ends in 2005 when the Manitoba Housing Renewal Corporation terminated the operating agreements with Aiyawin.

There are a number of recommendations that are directed to organizations other than the Manitoba Housing Renewal Corporation, several for the boards of directors of urban Native housing organizations, several for senior management of urban Native housing organizations and five recommendations that were addressed to the Manitoba Housing Renewal Corporation. And the nature of those recommendations is such that by implementing them, we believe that the system would be strengthened to be able to identify issues and make sure that they're seen at an earlier stage than was the case with the situation at Aiyawin.

Mr. Chairperson: Thank you, Madam Auditor General. I would now like to ask the deputy minister, Mr. Billinkoff, perhaps to introduce his staff and to make an opening statement.

Mr. Martin Billinkoff (Deputy Minister of Family Services and Housing): I just introduce to my left, Darrell Jones, who's the chief operating officer for Manitoba Housing, and Joy Cramer, who's the assistant deputy minister for Housing and also the chief executive officer for Manitoba Housing Renewal Corporation.

Aiyawin was one of 12 urban Native housing organizations which were originally funded by the Canada Mortgage and Housing Corporation. Responsibility for urban Native housing, including Aiyawin, was transferred to the Province under the social housing agreement in 1999. The Urban Native Housing Program is fully subsidized and assists non-profit Aboriginal groups whose mandate is to provide affordable housing based on rent geared to income to Aboriginal households.

Due to third-party allegations directed at the board of directors of the Aiyawin Corporation, Manitoba Housing and Renewal Corporation initiated an operational review of Aiyawin in late 2003. Based on concerns raised in this review, in 2004 the officer of the Auditor General was contacted by MHRC and asked to investigate.

In October 2005, the project operating agreement containing—or covering the 219 residential units owned by Aiyawin Corporation was dissolved by MHRC due to continued non-compliance with the project operating agreement by the board of directors and the portfolio is transferred to Dakota Ojibway First Nations Housing Authority Incorporated, which we call DOFNHAI. A new project operating agreement was executed transferring authority and control to DOFNHAI as well as providing MHRC with increased remedies through the new agreement.

On March 16th, 2006, the office of the Auditor General tabled a report entitled *Aiyawin Corporation: The Consequences of Mismanagement in a Shared Responsibility Framework*.

Manitoba Housing accepts the recommendations that the Auditor General has made with respect to the operations of Manitoba Housing and the urban Native non-profit housing groups.

I'm pleased to report to the Public Accounts Committee that Manitoba Housing has implemented all the recommendations as they relate to the operations of Housing. In addition, Manitoba Housing is working diligently with the housing groups to assist them in implementing the OAG recommendations that were directed to the urban Native non-profit housing groups.

Some of the key initiatives undertaken since receiving this Auditor General report include: conducting cyclical operational reviews on all urban Native groups with all related recommendations; time lines and work-out processes being addressed by each urban Native organization; the distribution

of a questionnaire to all non-profit groups with the results utilized to identify gaps, self-identified by the groups, in areas of board governance, finance, maintenance and employee relations and development. These gaps helped formulate the training modules delivered by Manitoba Housing for the urban Native groups. A communications schedule is mailed out to the urban Native groups each year that identifies reporting expectations under the project operating agreements and to maintain open dialogue with these groups and their management and staff.

Beginning in October 16th, 2008, Manitoba Housing initiated a series of quarterly meetings with the urban Native groups to discuss progress on the Auditor General's recommendations and to provide direct training to these groups.

Manitoba is satisfied that it has an aggressive work plan established with the urban Native housing groups on a regular basis for ensuring ongoing compliance with the project operating agreements.

I'll just stop there and try to answer any questions that the committee may have.

Mr. Chairperson: I thank the deputy minister for that opening statement. The floor is now open for questions.

Mr. Rick Borotsik (Brandon West): I have to admit, when I read the Auditor General's report, I saw some serious deficiencies obviously in the operations of Aiyawin, and that wasn't difficult to identify, I'm sure, Mr. Deputy Minister.

You said that there were—that your department now has implemented cyclical operational reviews. Can you expand upon the cyclical operational review? What does it consist of? On what cycle does it occur? And if you find any kind of non-compliance or deficiencies, where does it go from there in that particular review?

Mr. Billinkoff: We do have a cycle of operational reviews and it applies not just to the urban Native housing, but to all of our organizations that we fund through Housing.

Each organization is reviewed every three years. All 12 of the urban Native groups have been reviewed since the time that the audit was released and it's a process that we go through.

The operational reviews focus on a number of areas. They're more like quality assurance reviews. In other program areas, we would probably call them

a quality assurance review rather than an operational review, but essentially what we look at, we have a staff team that meets with the organization. We look at board governance to see whether they have a conflict of interest policy, whether their membership is current, whether they are keeping minutes and whether their proceedings are transparent. We look at their basic financial operations to ensure that they're in compliance with filing of reports and their books are being properly kept and that they have proper administrative and financial management techniques in place. We look at tenancing and leasing policies, including whether they are accurately calculating the rent geared to income that's charged to their tenants, whether they have proper procedures for determining who accesses new housing when there's vacancies, and we look at basic maintenance of the property. This is not a capital inspection so much, but we do look at the condition of the property and whether it appears to be properly maintained.

* (19:20)

So that's basically what we do in operational reviews. It's not unlike an internal audit in the sense that we almost always find some things that could be improved. We document those. We meet with the organization's board and the staff and we work out a plan for them to address whatever observations we've made, and we then meet with them until they've achieved compliance.

Mr. Borotsik: Thank you. So, if there are deficiencies, if there are areas that aren't in compliance, you would then continue to follow up until they are complied with, that you would continue to do that particular follow-up, or does it stop at that point?

Mr. Billinkoff: Yes, that's correct. We do follow-up with them until compliance is achieved, and then within three years we basically do another operational review.

Mr. Borotsik: Yeah, you said it's not an internal audit and I appreciate that, and I know when you have to send a team in there are certain functions that you look at, you talk about operating manuals, you talk about other compliance with board minutes. Do you look at purchase orders at that point in time? Do you look at receivables? Do you look at accounts payable? Not a complete financial audit, but are you actually looking at, on the surface, those types of financials?

Mr. Billinkoff: Typically, we do. With some—with all of the organizations in the urban Native housing we have done file reviews, so that'd include looking at the types of things that you've just mentioned to determine whether, you know, it's not a full audit, but to determine, you know, through sampling and through examining files in on-site visits to ensure there's compliance. In some of the other areas where we—where we have smaller organizations or where there's very little risk involved, we may do a less complete operational review, but, well, all of these particular organizations we've done the type of review that involves having staff on site reviewing files, reviewing vouchers and the like.

Mr. Borotsik: Question; hypothetical, perhaps: had you had this operational review process in place, would've Aiyawin been able to continue the way it did continue for the time line that it was continuing?

Mr. Billinkoff: Oh, I don't think so. I think there's no question that the organization stepped over a number of lines in terms of their operation as determined by the auditor. I think the department has to acknowledge that we probably should've been able to catch that quicker and deal quicker with it. Although, in our defence, you know, these are organizations transferred to us relatively recently because they came over in 1999. But I think with the new regime that we have in place, absolutely, we should be able to identify the types of blatant problems that was exhibited by Aiyawin through—not just through the operational reviews, but through, in some cases, through the normal quarterly reports and reviewing of annual audited statements that we also require as a separate process.

Mr. Borotsik: Yeah, that was my next question. If I looked at the financials that were identified in the Auditor General's report, particularly with the replacement reserve. It didn't take anyone very long to find out that the replacement reserve funds were being—were being spent quite quickly and we did know that there was a requirement in place to apply for the need to use those reserves. Why was that not caught in just the financial review of the financial statements when they came forward? You say in 1999 it came forward. I agree with that, but you can see, starting 2001-2002, a substantial amount of those replacement reserves being used. Why was that not caught? Why was that not identified sooner than 2003-2004?

Mr. Billinkoff: I think we weren't—the department wasn't keeping up with its analysis of financial

reports at the time. We weren't—we weren't ensuring that all reports were received. I think, you know, you learn from your—from your mistakes, if you will, and so I think what we put in place is a regime now that's much more aggressive, and not just in Housing, but members of this committee will know in other areas as well. You know, most of our organizations are above board and do really good work. But from time to time you run into problems, and I think one of the, you know, we've learned a number of lessons, and helped a lot by Auditor's reports about how to do a better job both in preventing the types of things that happened at Aiyawin and also in trying to pick them up when they happen.

Mr. Borotsik: Dealing with the, this particular agency, or these agencies, what is the requirement by the department with respect to financial statements? When do financial statements have to be sent in by the agency? If they aren't sent in by that certain time, what is the—what is the remedies from the department?

Mr. Billinkoff: Generally, what we require is, is that each organization provide us with a budget, and I'm not sure of the exact date, due date for the budget, but they provide us with a budget. They're then required to provide us with quarterly reports that allow us to monitor variances from the budget, and they provide us with annual audited financial statements. Those are the main financial reports that are required in this—in the Housing area.

Mr. Borotsik: What if one of the agencies doesn't provide the quarterly report, what's the remedy?

Mr. Billinkoff: Well, we do follow up. It's not unusual for organizations to be late, and we experience that with other programs as well. But we—part of what we try to do is establish a good working relationship, and, through training, and we've done a lot of training for boards and organizations. They understand what the responsibilities are. Most of them are compliant, and if they're late then we have a protocol for following up with them, and they generally comply, you know, within a reasonable period of time.

If you run into serious problems where they're—where they're late beyond a certain—beyond an acceptable lateness, if you will, we would meet with the board and then there's an escalating series of steps that we can take with organizations that are continuing to be non-compliant, all the way up to, I guess, cancelling the operating agreement if it came to that.

But, short of that, there are other steps that we can take. You know, if we are missing financial information, key financial information, particularly audited financial statements for an undue amount of time, that might trigger us to do an operational review or some other form of an audit or investigation to determine whether we have reason for concern, because we wouldn't have the material that we need to do our work.

So those are—those are the kind of options we have in Housing. Because all of these organizations are subsidized, you do have the option—we have the option of withholding the subsidies for a period of time until the compliance is achieved but, at least with these particular organizations, we've not had to do that.

Mr. Borotsik: You didn't do that with Aiyawin. I saw that you were still funding it at \$1.8 million a year, and that kept flowing even though that they weren't complying with any of your requests, whether they be your questionnaires or whether they be your requirements. So that didn't happen and it—and you're saying that that would happen now if, in fact, it were the case.

Are there any outstanding allegations against any of the other 12 urban Native housing unit agencies?

* (19:30)

Mr. Billinkoff: No. There's not so much allegations. We have done operational reviews on all of them. For the most part they've addressed whatever observations and concerns we've raised. I believe two, maybe—well, basically, two of the 12 are still outstanding on providing some written documentation that we've requested around some of their policies, but we're working with them on that. We expect that to be done shortly. We don't consider that to be a particularly significant concern, but they do have to—they do have to do it. And the rest, I think, have met all of our requirements, and the requirements are really built around best practices. They're consistent with some of the themes in the Auditor General's report and the manual that we use from Canada Mortgage and Housing. And, you know, that's basically what we use when we do the operational reviews to—in terms of what our expectations would be.

Mr. Borotsik: The last two questions, I promise, for the time being anyway. Were any charges laid with respect to the Aiyawin Auditor's report, as well as

your review of what was going on in that particular agency? Did you—were there any criminal charges laid?

Mr. Billinkoff: No, there weren't, and I know there were some discussions with the police at the time, but no charges were ever laid.

Mr. Borotsik: The last question, so far. There were employee advances that were given, quite a number of them, actually, which was contrary to the policy at the time. The Auditor General's report identifies that approximately \$8,000, as of 2004, had not been repaid.

Have those employee advances been repaid or has that just simply been written off?

Mr. Billinkoff: I'm not sure. I believe the advances were actually to board members rather than to employees. But I don't believe they—I think there were still some outstanding at the time that, essentially, the organization was wound down. And what we did is, we basically—well, employees of the organization were dismissed. The board members were all replaced. The organization, basically, was wound down and—not technically, but all the assets were transferred to a different organization with a different board and different employees. So that was the basic outcome of all of this. My understanding is that there were a number of relatively small items that were never recovered.

Mr. Martindale: Some excellent questions have been suggested to us, so I'm going to ask them. Notwithstanding the fact that the Department of Family Services and Housing fund over 1,200 organizations, such as child-care centres, housing organizations and group homes, monitoring is—maybe because of that—monitoring these organizations would seem to me to be a huge task. But how much ongoing monitoring is enough and how much is too much? It seems to me that if you don't do enough, then there may be problems that aren't detected. If you do too much, then organizations may feel that you're breathing down their neck and asking for too much information or interfering in the internal operations of their organization.

So, in your opinion, what would be too much and what would be not enough?

Mr. Billinkoff: Well, it is difficult at times to find the right balance. I think, speaking, you know, for staff within the department, I think, one of the lessons we've learned is that when you—when

government purchases services for vulnerable people, it's not the same thing as buying goods and services from RONA or Canadian Tire. You know, the expectations of the public and the expectations for the Legislature are quite different. And so what the board does—like, we don't care what the board at RONA typically does when we buy stuff from them, but people do care what the organization does when they're dealing with vulnerable people, and they're almost entirely dependent on government money.

So we try not to micromanage organizations. They do have boards. They are independent corporations. The basic approach that we take is to try and provide them with, first of all, training and what our expectations are, so they understand, as an organization, as an independent organization, what the expectations are from the funder. We try to ensure transparency so that it's apparent to the board and it's apparent to the department what the organization is doing and we try to ensure that there are proper procedures in place to deal with the kinds of issues that can come up in an organization.

So, you know, we don't typically get involved, for example, in, you know, setting a conflict of interest policy within organizations, but the way we've approached it, just using that as one example, is with most of our organizations, we require that the board have a conflict of interest policy. We give them an example of a conflict of interest policy. We set what we consider to be some minimum standards, and then it's up to the board to develop it—to approve through their by-laws or whatever process, how they're going to deal with conflicts of interest. And we try to monitor them to ensure that they have, for example, recordings in their minutes when there's a declaration of a conflict of interest.

So, it's a—you know, we are pretty hands on with organizations, short of trying to interfere in how they deal with their own internal operations, and that's kind of how we try to do it. We try to take more of a preventative approach and a—and a training approach as opposed to trying to scrutinize their work. And I think, as you mentioned, we have so many organizations, if we tried to manage or monitor their day-to-day operations, we would drown. But we do, that is part of what we do, and then the other aspect of it that I think's really important that we've started doing in the last number of years with many of our organizations, is more of a quality assurance approach.

So, you know, having set all these guidelines and these—and these expectations, we can't monitor or review every organization every year, but we do try to review them on a cyclical basis. We try to ensure that they are in compliance. We do risk assessments to determine which organizations we need to watch more closely than others, and that's where we focus our energy. And I think that's pretty consistent with usual auditing and controllership approaches, is to—is to approach it in those ways.

Mr. Martindale: Mr. Chairperson, as a member of the Legislature, from time to time I get complaints and allegations about government-funded organizations, and I'm sure other members around the table do as well. I pass them on to the appropriate body. My sense is that a lot of times there it's more innuendo. There's very seldom proof offered of allegations or complaints, but somebody else is tasked with following up to see whether there's any truth to the allegations.

But in MHRC, how do complaints get investigated or allegations get investigated and how—like what's the department's response to allegations and/or complaints?

Mr. Billinkoff: Well, we do—we do follow up on all allegations we get, and we do get—we do get a number of them, and some of them are anonymous, and some of them are not, but we do follow up on all of them. We take them all seriously. I think many of them turn out not to be well founded. A lot of them, to be frank, are from former staff who may or may not have been dismissed—or for whatever reason. I'm not being critical of them; I'm just saying, you know, it's not unusual for former staff to raise concerns, and sometimes they're questionable, and sometimes they prove to be correct. So, you know, we take 'em all seriously. We do follow up on them.

We have a—we have a, sort of step-by-step process that we've introduced in the last number of years for how we deal with allegations that we get from outside of the department about organizations that, you know—and in part it's, you know, having established an agency accountability and support unit, we use that to sort of register all these sorts of allegations and to ensure that proper steps are followed. So, typically, we would, depending on the nature of the allegation and the seriousness, we would—we would meet with the executive director. If we're not satisfied with the response, then we would meet with the board. If we're still not satisfied, then we would initiate some sort of a review, whether it's

an audit or a quality assurance review or an operational review, depending on the program.

If we—if we suspect there's criminal, anything involved that might be of a criminal nature, we would work with the police, and that's in, at least, in a general sense how we approach that. And like I say, many times we don't find substance or we're not able to substantiate the allegations, but sometimes we are able to and then we do appropriate follow up.

* (19:40)

Mrs. Heather Stefanson (Tuxedo): Mr. Billinkoff, one of the recommendations that came forward in the Auditor General's report was that MHRC develop a long-term strategy to undertake regular physical inspections of the units within each housing portfolio. So I just wanted to draw your attention to that recommendation and those recommendations, and just ask a couple of questions of you in that area. And I'm wondering if you could indicate how often inspections are taken, and maybe just a little bit about the process of how that works.

Mr. Billinkoff: What we—what we've established is a five-year cycle of capital inspections, so all of the housing organizations that we're involved with through funding have their—have their facilities inspected at least every five years. That's the current approach that we're taking, and there is a cycle, and there's an element of risk assessment that's done, so, you know, if we have concerns, we may—we may do the review earlier. All of the urban Native portfolio have been inspected.

We've hired additional staff who are basically inspection—capital planning inspectors, who actually go into the facility, and they follow a protocol for looking at all the infrastructure in the facility. And they're trained, you know, to do the—to do capital inspections, and they identify areas of deficiency. And typically, they either fall into two categories: they may be capital, which requires some long-term investment in upgrading or dealing with life-cycle kind of things like when's the roof gonna have to be replaced as a maintenance issue, and more routine repairs and maintenance. Those are sort of two different categories of deficiencies that they would typically identify.

Mrs. Stefanson: How many housing units are there now?

Mr. Billinkoff: In the urban Native portfolio, we currently have 983 units.

Mrs. Stefanson: How many of those units—I mean, I recognize that you're talking about five-year cycles, which I—is five years, is that—it seems like a long time to me, I guess. How did—how did you arrive at that number? Is that—is that sort of standard? You know, is that when inspection is done across all of housing units or what—how did you arrive at that?

Mr. Billinkoff: I think, generally speaking, this is what we found to be appropriate for capital planning, is a five-year cycle because, you know, typically, projects, you know—major projects, anyways—require, you know, lead time, and we look at life cycle of the facilities themselves. So we found that, you know, given the resources we have available, this seems to work.

Separate and apart from these capital inspections, the organizations are responsible for identifying routine maintenance, repair sorts of things that need to be done. And if they don't have sufficient funds, they're not shy about approaching us for assistance. That's kind of done separately from the capital inspections.

So the capital inspections really focus more on the basic infrastructure, and what we've found is that a five-year inspection cycle is sufficient.

Mrs. Stefanson: Is there a standard in terms of—on the regular maintenance that you require the organizations—like, how often do you require the organizations to go in on a regular routine maintenance, or is that—does that differ from organization to organization, or is there sort of a standard set there, and how often do they inspect for routine maintenance in the units?

Mr. Billinkoff: Well, generally, that's up to each organization. Like, the organizations are responsible, particularly in—like, the urban Native groups are non-profits that own their own facilities and we subsidize. So they are responsible or should be responsible for routine maintenance of their facilities and they do have—they're supposed to have reserve funds. We watch the reserve funds carefully now to ensure that they have reserve funds to deal with these issues. So that's their responsibility.

You know, having said that, because we're trying to maintain good working relationships with all the groups, when we meet with them, they may identify problems that they have difficulty dealing with, you know, costs that go beyond what they—what they can cover out of their reserve funds or other problems and they may ask us for assistance. But generally

speaking, we leave that, the repairs and the maintenance to the organizations. That's their responsibility to do.

Mrs. Stefanson: How many units would you say, going back to the five-year cycle and under your purview, how many units would be inspected per year, like, in one year, and how many staff would be required to, you know, staff, I guess, would be required to inspect those units?

Mr. Billinkoff: Yeah, there's about—if you use a five-year life cycle, that would be about 200 units that would have to be inspected each year, and that equates to about two staff doing nothing but inspections and so forth. So we're talking here just about the urban Native portfolio. So it's about two staff, not, you know, we do have staff doing inspections for other parts of our portfolio as well. So there's some crossover, but I—so I would say two full-time equivalents of people, it may not be two individuals.

Mrs. Stefanson: No, I'll leave it at that.

Hon. Jon Gerrard (River Heights): Let me start by looking at figure 15 and figure—on page 30, figure 7. Figure on page 15, this gives the rental income, the MHRC subsidies, other income and expenditures and so on. This rental income is based on rent geared to income, and so I'm presuming that somebody on social assistance who has a certain allocation that that allocation would be that which goes to rent and somebody who's earning income above and beyond that would be paying a higher rate of rent. Is that correct?

Mr. Billinkoff: Yes, that's correct.

Mr. Gerrard: And so, in essence, the amount of rental income would be dependent on the income of the people who were staying there, essentially. Now, the subsidy—what, you know, there's a relatively large subsidy which is more than two times the amount of rental revenue. Is that to indicate that the amount of rental revenue that comes through social assistance is hopelessly inadequate in terms of being able to maintain and look after the houses under this portfolio?

Mr. Billinkoff: Well, first of all, there's two different—there's typically two different ways that it works for people. Like, people that are on social assistance, social assistance would pay whatever social assistance rates are. Most of the people in this—these portfolios—are not on social assistance and they're paying rent geared to income. So it's kind of

one or the other, not both. And so rent geared to income typically is for people who have some other source of income. And so, you know, they're allowed to—the amount of money they contribute is based on a formula. I think it's 28 percent of their income towards rent.

* (19:50)

And—but to answer your question, you know, regardless, whether it's RGI or social assistance, all of the units cost more than what rents cover, and so part of—part of the approach that's been taken historically in social housing is for government to subsidize the difference so that the units are economically viable. And if people had to fully cover the cost through rent, the rents would have to be considerably higher and then low-income people wouldn't be able to live in these units.

So there's a variety—your point's correct, there's a variety of subsidies that are provided to make social housing affordable for people. Some of it's to the individual and some of it's to the organization.

Mr. Gerrard: Just to take that a little bit further, just to understand the dollar flow here, somebody who's paying rent geared to income, if they're not on social assistance but have other income, that average, what somebody is paying in rent geared to income, is likely to be above that which is being paid on social assistance as part of the social assistance housing allocation. Is that right?

Mr. Chairperson: Dr. Gerrard, I'm sorry I cannot hear your question. Would you please repeat the question.

Mr. Gerrard: Okay. Let me be closer to the microphone.

I'm just trying to understand how the rent comes in. People who are on social assistance, you would have rent coming in because there is allocation in terms of housing on social assistance what they receive. But somebody who's on rent geared to income, who's on low income but not as low as on social assistance—what I'm trying to understand is that—what they are paying in terms of 28 percent of their income? I would have thought it would have been larger than what you would get from the social assistance contribution.

Mr. Billinkoff: Not necessarily. It really does depend on the size and composition of the family. So, you know, when people—if you have a large family on social assistance, for example, the amount

of money that's paid through rent by social assistance could be considerably higher actually than what a rent-geared-to-income formula for the family would be if they were working at a relatively low wage.

For other configurations, you know, typically if you've got a single person living in a unit, it could be the reverse. If the question is the landlord here, which one is more beneficial? You know, for individuals, they may get a higher rent through RGI typically than they would through social assistance if they're a single individual.

So it really does—it does vary and it really does depend on the type of family and the size and so forth but my understanding is for this particular portfolio, primarily they're RGI people, they're not people that are on social assistance.

Mr. Gerrard: Now the amount of the subsidy which was something over \$1.8 million a year, where does that number come from? Is it—maybe you can explain to me because you're—the income that comes from rent could vary quite a bit from house to house although it's not that variable from year to year. Why is that number \$1.8 million?

Mr. Billinkoff: So without trying to make this too complicated, more complicated than I could understand or explain, the subsidy is in many respects, a residual. It's the difference between the rent or the projected rent that the organization will receive and the expenses, and that's outlined in the table there.

So, you know, there are a number of expenses that are identified, including the costs of the mortgage and the amortization in maintenance and repair and so forth. And the amount of subsidy is really the difference between the cost of the—the cost of the operation, I believe it's the projected cost of the operation and the projected revenues that will be received through the rent, whether it's paid by social assistance or RGI.

Mr. Gerrard: Okay, now, let me move to a comparison, the table on page 30, and on it—in the table on page 30, purchases and fees, this is dealing with the table which has got the replacement reserve. This is figure 7. In '99 and one thousand—and 2000 and 2001—you know, purchases and fees were 70 to 80,000, and all of a sudden in 2001, 2002 they jump to 230,000 and then up to 537,000.

You know, what I'm trying to understand is what were those purchases and fees for? I mean, if you look, for instance, at figure 1 on page 15, you know,

you've got maintenance repairs which are running around three hundred to three hundred and fifty thousand. And so I'm trying to understand why the expenditures under the replacement reserve would have been jumping like that, and where, you know, what was happening because the expenditures on maintenance and repairs were not going up.

Mr. Billinkoff: I think the—I'm not sure if this is quite what you're—what you're looking for, but the placement reserves are not intended for routine maintenance and repair. They're intended for capital major—more major capital, and capital costs can fluctuate quite considerably depending on life cycles and sometimes unforeseen circumstances. You know, damage to roofs, that's not insured or whatever. And so there is a fluctuation or can be a fluctuation in capital costs and when they occur, and that can impact on the reserves, the reserve funds and the purchases out of reserve funds.

I can't really speak to the specifics of what Aiyawin was doing year by year through the audit because I'm not, I'm really not that familiar with that. But I could—I think that's the sort of general answer that I can provide.

Mr. Gerrard: What you're implying, if I understand correctly, is that the expenditures when they went up to 230,000 and 537,000 that there were some major capital expenses being made, and that that would account for the huge increase in those expenditures.

Certainly, the depletion of the reserve which was occurring and very evident, even by 2002 and 2003, was a—I mean, should have been a dramatic signal to anybody whose having looked, that there was something very unusual happening. You can't explain any further what that unusual stuff that was happening was that caused those huge expenditures?

Mr. Billinkoff: I can't. I mean, the Auditor may, probably did know or would have known at the time they did the audit what was going on. I think the basic problem that was identified through the audit, and certainly acknowledged by the department, was that—was that the organization was, was not following the terms of their operating agreement. They were using the reserve fund without getting permission in advance from the department, which is what they're supposed to be doing, and there were questions raised about the appropriateness of some of the expenditures that were undertaken by the organization.

So I think that would be kind of what was going on with the organization at the time. The department, if it were monitoring the organization today, I think, would have caught this much earlier, and that's one of the earlier questions, I think, through the work that we're now doing. We would, and we do, closely watch reserve funds and utilization, and we also require organizations to get our approval when they—when they undertake major repairs out of reserve funds.

* (20:00)

But at that time, as the auditor pointed out, this organization, anyways, wasn't following the rules and the department was not monitoring them closely enough to be able to catch that. Or, when we did catch it, it was late in the game, and it took us awhile to be able to address it properly.

Mr. Gerrard: In addition to that problem of the reserve funds which was not picked up and you now believe that you would be on top of, there was a major problem in that the board which—I forget exactly what the number of the board was composed of, but it had basically shrunk to about three people—which allowed for, you know, a real bit of situation to arise, where very few people were watching what was going on. And would what you have in place now also pick up that sort of change in the composition of a board which would be problematic?

Mr. Billinkoff: I believe so. I'm not—I wouldn't say on a day-to-day basis we would necessarily, but we would certainly—changes in board structure and so forth, we would pick up through our operating reviews, and I think the sort of preventative approaches we're taking, which involve training of board members and board governance and regular quarterly meetings with the organizations, I think, would go a long way to prevent those sorts of things happening in the first place. I think we would certainly pick up some of the financials through more closely monitoring the financial reports from the organizations than was being done at that time. Changes in the board, I think, might be a little more problematic, that we would pick them up right away, but I think we would identify, you know, with boards who've fallen below their required levels and so forth, we would—we would pick that up, through the operating reviews and through the regular contact that we have with them.

I think, you know, your characterization of the organization at the time is probably accurate enough in that, I think, there were only, I believe, two or

three members still on the board and they were not—I mean, this is all in the report—they were not keeping minutes of board meetings. There is no record of decisions that they were making around expenditures. There was a conflict of interest in terms of, you know, who was doing the contract work in terms of the relatives of one of the board members was actually doing the contract work. So there were all those problems happening at that time and picked up in the audit.

Mr. Gerrard: Now, one of the issues which arose here, my recollection is that the—a lot of the information made in terms of what was happening came from two individuals who blew the whistle, who were whistle-blowers, and those individuals were—ended up being dismissed and out on the street and were not protected in any way. Can you sort of give us a little bit of a sense of what would happen now in terms of somebody who was a whistle-blower, and whether there would be any protection if they came to you with information that was problematic, suggested there was major problems? What would happen today?

Mr. Billinkoff: Well, we do have people who come to us with allegations. As I said, sometimes they prove unfounded and sometimes they prove to be very well founded, unfortunately. I mean, we do have whistle-blower—the whistle-blower legislation—I forget the exact title of it. It's not called whistle-blower but we do have the legislation and so employees of organizations do have the option of protection under that legislation, so if they came to us under that legislation or utilized that legislation, we would—we would certainly follow up and they would have that protection. Beyond that, as I say, you know, employees do come to us and raise allegations and we do follow up, even on anonymous ones, and so there's a variety of different sort of options available to individuals.

Mr. Gerrard: Yeah, just in the context of the whistle-blower legislation which is there, the question would be, have you recent experience which suggests that it's actually working, that people who are blowing the whistle are actually protected? Or is there no sort of yet concrete experience to determine that from?

Mr. Billinkoff: I'm not aware of anybody using that legislation in the housing area unless they've been doing it directly through the Auditor. I'm not aware of anybody using that in terms of our department. I'm also not aware of problems that people have

experienced in recent years when they've raised concerns with us either in terms of losing their jobs. So, you know, I'm not—I'm not aware that there's a problem, and I'm also not aware that people are actually using the legislation in this area, at least at this point.

Mr. Gerrard: It—there clearly was a problem here and, hopefully, it will correct it, but that's all for the moment.

Mr. Chairperson: Thank you.

Mr. Larry Maguire (Arthur-Virden): I just had a couple of questions in regards to a little bit of follow-up on the tendering, some of the inspections, I guess, that are done. I know you gave us the number of 983 housing units that are presently there, correct? And the report had—I know the report's an '04 report, but it had 1,032 family housing units in it. There's 49 there that, can you just—do you have—can you explain to me just where the 49 went or are they just normal depreciated units or?

Mr. Billinkoff: No, the units still exist and they're still there, and they're still being administered by the organizations, but they've fallen out of the operating agreements because their mortgages have matured. So the subsidies that we provide are tied to the mortgages, and so when the mortgages mature, the organization fully owns the property and they are now responsible for it and the subsidies cease. So there is a time line for when that happens and there's been a couple of organizations within this portfolio that have had mortgages mature and so they've assumed responsibility for those units. So that's the reason for the drop.

Mr. Maguire: Is there still any kind of follow-up on those units then as well from your department?

Mr. Billinkoff: No, because they're not—they're no longer our responsibility. Having said that, because this is just the beginning of this project—this is going to be a major problem, I think, down the road. And it's kind of a federal-provincial area because there's a major saving to the federal government as these mortgages mature and the subsidies end, and we've been arguing for the federal government to re-invest their savings, the provinces call it the legacy savings, back into the upgrading of the facilities. But it's just starting now so even though they're no longer covered under our agreement and they're not our responsibilities, we do work with these organizations in trying to develop a plan for how they're going to manage these units once the subsidies end. So far

we've been successful in working with them on the few that have matured so that they don't go out of the market or they don't have to replace low-income RGI with higher rents, but this is going to be an ongoing problem over the next number of years.

Mr. Maguire: For my own information, can you just expand on the legacy fund and, that you mentioned?

Mr. Billinkoff: Well, I, when the federal government—like all of these units were initially created by the federal government and then transferred. When the federal government created the units, I guess, the intent was that the organizations would get subsidy while the mortgage, until the mortgages matured and that they would put aside funds in their reserves, you know, to cover capital costs. And when the mortgages matured and they no longer had to make payments on the mortgages, they would have—that would free up sufficient money for the organizations to continue to operate in a self-sufficient way.

* (20:10)

With inflation, and as time has gone by and the facilities have aged, most of the organizations are going to find when their mortgages mature that the reduction in their principal and interest payments is not—nowhere near sufficient to cover the subsidies that they're losing because expenses have increased so much over time. And so that's a real challenge for these organizations and for all the provinces if they want to maintain this housing stock.

Mr. Maguire: Just to go back to the inspections then, as well. You indicated that you've got two staff from capital planning that look after those units or do the inspections on them. Do those two people, do they work independently? Do they work together? Did two of them do an inspection at one time, or?

Mr. Billinkoff: They're part of a group—we have a team of capital planning inspectors, and they don't just—they don't just do the urban Native housing portfolio, they do other parts of our portfolio as well. And so that's why I say, it's about two full-time equivalents of people, it's not necessarily two people. So the team—I'm not sure of the exact—how many people we employ as capital inspectors, but they wouldn't just do these, they would do some of these as part of their work. So it would be spread out amongst the larger team of staff.

Mr. Maguire: At the Manitoba Housing, it states here you've got—employ five portfolio administrators, and they're looking at 13,400 housing units,

5,000 personal care homes and group home beds. I'm assuming that these two—and you may have answered it, I think you indicated you're not just sure of the number of inspectors that capital planning has, you're only requiring two of them to do these inspections that you're looking at under the 983 I think it was that you indicated you have. Is that correct?

Mr. Billinkoff: I think it's a little different than what you just said in that. I think the—we have a capital inspection team in our Asset Management area, and that's different and separate from the Portfolio Administration unit. The Portfolio Administration unit staff work with our sponsored managed and non-profit organizations on an ongoing basis. They're, you know, around—and they do the operational reviews and things of that nature. The capital inspectors are—inspections are done out of a different, different unit. So there's two different units involved.

Mr. Maguire: Just so I can try and get some clarification in my own mind, the two persons that do the inspections over five years for the 983 units, then, I assume, they're looking—you mentioned that would take about five years at 200 apiece a year, and the report indicates that capital planning can probably do 75 to 100 a year. Do you hire, then, other people to do inspections on top of that or are there some that you would contract or are they just these two out of capital planning?

Mr. Billinkoff: You know, again, we don't have two people specifically who do capital inspections for the urban Native unit. We have a larger team and we have hired additional staff who do inspections for all of our portfolio, which is much larger than just the urban Native. So it's kind of—the work is distributed, but, generally, we have had to hire additional staff in order to do more capital inspections, and we've also hired additional staff over the last number of years in the Portfolio Administration branch to do operational reviews and to work closely with the organizations. So we have increased our staffing complement in those areas in order to implement the kinds of improvements that are necessary.

Mr. Maguire: And you're finding that once every five years is enough? I think—I don't know if there's a standard in this—in other provinces or across Canada that they've used. Is that meeting that standard or, you know, is it—does that meet the needs of making sure that things are compliant, that there is compliance in these units?

Mr. Billinkoff: I'm not sure whether there is a standard or not that's being used in other jurisdictions. I think what we've done is kind of work from the resources that we have available, and how often can we do capital inspections. And we believe that once every five years, with a risk assessment, that allows us to do them more often, if needed, is sufficient. It's certainly much more than what we've ever done before. So we believe that is sufficient to do the job. You know, we are relatively new at some of this too. So, I mean, if we find that we're not able to do the job, then we would, of course, have to consider more resources. But that's our plan at this point, and we think it's sufficient.

Mr. Maguire: I don't know what the other provinces do, but have they looked at Saskatchewan, say, Ontario, other provinces with similar public housing circumstances in those areas, and what would their averages be?

Mr. Billinkoff: I'm not sure what other provinces are doing specifically. I believe in Saskatchewan it was, they were attempting to, because Darrell, who's beside me here, was working in Saskatchewan. They've kind of worked around a three- to five-year cycle geared to a three- to five-year capital plan, and so the two sort of go together, you know.

You know, our primary objective here is to have a five-year capital plan. In order to do a five-year capital plan you want to have inspections done at least every five years. So that's kind of how we've approached it in Manitoba.

Mr. Maguire: I understand that CMHC may be looking at a standard of every three years, and to do that you'd probably have to hire more staff, then, to do something like that. You know, and maybe it's needed, maybe it isn't. What would your view—would more inspections in your view help in relation to the funding, help in relation to repairs, help in relation to minimizing extra costs, or is there a relationship there?

Mr. Billinkoff: I think, in a general way, you know, it probably would be desirable to be able to do inspections more often, but you have to find the balance. And you also need to consider, you know, the nature of your capital planning, not just the inspections but the plans themselves, and we are working towards a five-year plan. In this particular part of our portfolio, the urban Native portfolio, we have done all 12 of them within a three- to four-year period. So, in part, it's based on risk assessment and the like. So, you know, those that we think need to

be done more often we can do and we are doing more often than those—the rest of them we are trying to achieve a five-year cycle.

If it proves to be a problem, then we would, of course, have to think about hiring additional staff and doing them more often. But, you know, that is an improvement over what we were doing before, and we think it's been very helpful. And we've actually, the capital planning that we've done, I think, has put us in a much better position than we've been in many, many years, you know, to upgrade the facilities that we have and to deal with life cycle issues.

Mr. Maguire: Mr. Chairman, I know that the, mentioned earlier, the five portfolio administrators, in this particular case, there's to be portfolio administrators put in place, I believe, for each urban Native housing group. Has this occurred?

*(20:20)

Mr. Billinkoff: Well, we actually, I believe we now have—we may have had five at one point. We now have—I think we have 10 now working as portfolio administrators, and I think more important than just hiring additional staff, we kind of reorganized that whole area to be more specialized. So we have a couple of staff who specialize in this unit, so—and we have others that specialize in others. So they know the types of portfolios and they deal with these people, with the organization on a regular basis, and I think that that's been very, very effective for us in establishing a good working relationship.

So, in the urban Native housing, I think there's—it's about, again, it's about one, one and a half people that just work with them and they specialize in these—in the urban Native portfolio and other staff specialize in other specialized portfolios, and we think it's a much more effective way of organizing staff and dealing with the organizations.

Mr. Maguire: Just a couple more, Mr. Chairperson, thank you. Who would those be? Who would those people be? Would they be people in your own staff in your department, or can you name the positions of the individuals that are doing that?

Mr. Billinkoff: No, they are—they're all our own staff.

Mr. Maguire: I think I have another one here, Mr. Chairman. The—in regards to recommendations, I think, that ensure comprehensive monitoring functions for subsidized social housing projects as

appropriately designed and resource was one of the areas of concern. And it's indicated that there were no current policies or procedures in place on these and capital estimates were supposed to be provided to the MHRC, and were they done? And if not, where did they go from there?

Mr. Billinkoff: I'm not sure I—I'm not sure I understood the question, I'm sorry. I, you know, as a—we, you know, we do, you know, as we were saying, we do the capital inspections on a life cycle and that's the primary mechanism that we use to develop a multi-year capital plan with the organizations, and I'm not sure if I caught the question.

Mr. Maguire: Yeah, just in regards to the monitoring function, then, I guess on the subsidized social housing projects themselves that indicated that there were several, I guess, to go back to the beginning of the report, there were several inequities in this. And one of them was that there was no tendering process or monitoring maintenance and quality of work in that whole area. Can you just elaborate on what's been done to improve that particular recommendation?

Mr. Billinkoff: Oh, okay, I, you know, I understand better now the question. Well, we have a number of things that we do. We do meet with the organizations on a regular basis. They do provide us with input into budgeting. We have a quarterly reporting system that—against the approved budgets. We review their financial statements and, most importantly, we do the operational reviews. So those are—those are the ways that we monitor, you know, the capital assets, if you will, to—and part of the operational reviews is, you know, to review the facilities and the condition of the facilities. It's not the same as the capital inspections, but it's a mechanism that we use to see whether they're in good repair.

Mr. Maguire: Final question, Mr. Chairman, I think the—my colleague from Brandon West and the Auditor General indicated earlier that it was pretty obvious some of the issues that were taking place in this report. One of the observations in regards to, you know, where there was permitted conflicts of interest, preferential treatment, inadequate board governance, a number of issues before Aiyawin operating agreements were terminated. One was 60 board meetings with 10 included agendas and none had any financial management or personal reports attached.

And I noted a number of other shortfalls in operations on these issues as well, one of them being board composition and membership. And there's a paragraph on page 41 in the report that indicates the CMHC manual statement in regards to responsibilities. I won't read them all here, but, you know, it indicated that there was no—that the number of people on the board never, after June of '03, never amounted to any more than three, and that they were making all the decisions in regards to finances and positions that they were appointing themselves to, and of course, they were the executive, that sort of thing. And directives to place ads in papers were given, but there was never even anybody—there's no documentation as to whether they were ever actually printed or advertised, and no new board members were appointed.

So I guess I wonder—no doubt there needed to be changes, but my question is, who made the decision and why were—was the—when the decision was made in '05 for Aiyawin's operation, the agreement to terminate, was it transferred over to the Dakota Ojibway First Nations Housing Authority? I don't—can you maybe just explain why that was done? I know why they had to make a change; it's obvious from the things I've just stated. But, you know, I don't know the Dakota Ojibway First Nations Housing Authority well enough myself to know if that was good or bad or indifferent. I just wanted to know who made the decision and why.

Mr. Billinkoff: My understanding of what happened at the time was that the Manitoba Housing indicated to the Aiyawin board that, basically, time was up. You know, they had failed to comply with our requests; some they had, but some of them that we considered important they had not complied with. Time was up, and so we—either we would cancel the operating agreement or they would have to—or they would have to transfer their assets and create a new board, and the latter is what was done. So my understanding is that Aiyawin, the Aiyawin board had a couple of options, but their option, their preferred option was to transfer their assets to DOFNHAI, the Dakota Ojibway, which was a separate organization altogether from Aiyawin.

And the department was satisfied with that at the time. It was prepared to, you know, continue the operating—it's basically—we didn't cancel the operating agreement. We basically continued the operating agreement, but we changed the organization that was under the operating agreement, and so they transferred the assets from Aiyawin

board to the new board for the—for DOFNHAI. And the department approved that transfer of assets, and DOFNHAI has continued to operate and manage that portfolio.

So DOFNHAI was actually selected by Aiyawin, and then that transfer was approved by the department.

Mr. Borotsik: Mr. Billinkoff, I don't want to—I don't want to whip a dead horse here, but going back to the physical inspections of the housing stock, can you just give me some understanding as, when you send an inspector out, and you're looking at the housing stock, do they have a list that they're going through and identifying mechanical, electrical, the roof, the foundation? What is it that they're looking for when they go out and do a physical inspection of one housing unit in that particular—or a particular Urban Native Housing Program?

Mr. Billinkoff: My understanding is that the capital planning inspectors are typically tradespersons, like electricians or others, who have received training specifically in doing these inspections. And they have a—they have a checklist. It's quite a lengthy checklist of what they do when they go through a facility, and with a specific format, and they look at internal and external and equipment deficiencies. What they're looking for are deficiencies in the basic infrastructure. But they have a fairly elaborate checklist that they use when they do that, and they also have to record against this on a template based with—based on the checklist. So they record any deficiencies that they identify. And some of them—just in very general terms—some of them are repairs, which are not capital, and some of them are replacement, you know, types of things that are eligible as capital repairs. And then the reports are provided—that they prepare are provided to the portfolio administrators, and the Portfolio Administration staff then meet with the organizations involved and go through the results of this inspection. And, you know, it becomes—those things that are repairs become the responsibility of the organization to undertake. Those things that are capital become part of a capital plan.

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Mr. Borotsik: Yeah, and that's where I was heading. So you now have a capital plan, a five-year capital plan in your particular case, because you're looking at five-year inspections.

It does say here, however, that the *Urban Native Housing Operating Manual* recommended three-year cycles as opposed to a five-year capital cycle. And, I guess my question's to the Auditor General. There seems to be a discrepancy here. There seems to be a five-year cycle, a three-year cycle as identified in the operating manual. Is five years sufficient for that capital cycle in your opinion?

Ms. Bellringer: I have absolutely no idea. Obviously, if you want to do it faster, you got to put more staff. And it is that balance, that the departments come to the conclusion that over five years they're going to get some good idea of what's going on out there. And I really can't provide you any additional insight into that.

Mr. Borotsik: Well, thank you, but one of the recommendations was that they undertake a regular physical inspection. And then we talk about the CMHC that had a requirement there for three years but the MHRC has decided that five years is the capital cycle. And I don't know which is the right cycle either, and I have to depend on the department to see if the capital cycle of five years is sufficient.

My last point, and again, flogging a dead horse, going back to the Aiyawin Auditor General's report, on page, if I had my glasses, 16, the—one of the biggest issues that I found in here was the replacement reserve that was drained, if you will, or drawn down some 91 percent, as identified in the report. In 2002-2003 it was \$537,000 and in 2003-04 it was \$572,000, substantially more than it had been in previous years, which should have been that red flag in the first place, when you look at the financials and we've already talked about that.

Those dollars that were expended out of that reserve—we talk capital, we talk operating—the reserve, obviously, was for capital. Did you identify a capital asset that corresponded to the expenditure of that particular year? The 500 or, you know, the half a million dollars for those two—those two fiscal years?

Mr. Billinkoff: My understanding is that in both our own review and the auditor's review, there didn't—there didn't seem to be questions that the money was spent on work that was done. So the work was done with the money.

I think the issue, though, was whether it was work that should have been done using money from the capital reserve. And I believe, you know, the way it's supposed to work is that if an organization wants

to use the capital reserve, they're supposed to identify to the department and get departmental approval before they make major expenditures out of the reserve. They did not do that. They used the reserve money to help with ongoing kind of repairs and maintenance that probably should not have been used—money from the reserve fund. They may have used the money for upgrading of some facilities that may or may not have been wise to do. But the key point is that they did not use the reserve fund money for what the reserve fund was intended, which is major capital repairs. They did not get approval from us.

And so, the net result of that is because they didn't have capital reserve money left, they largely drained it, they were not positioned to deal with future capital repairs. You know, if something was required down the road they would have nothing in the bank, you know, to undertake that. So they put themselves in a very vulnerable position, and us, as well.

Mr. Borotsik: In my last question and my question was, did you find any capital asset that could correspond with the expenditures?

I did read the report, quite thoroughly, actually, and there were some projects that were—that were undertaken. There were windows that weren't installed properly. There were sheds that weren't constructed properly. There was a lot of projects that were undertaken that were certainly deficient, and, had the inspectors from your department been there during that time, would have identified what I'm sure that they've seen as capital projects not actually be capital projects, and not—and projects that weren't completed under normal—under normal conditions.

I guess what I'm saying—the 570 some-odd thousand dollars that was expended, in my opinion, reading the report, was expended and there was no value for that dollar that was put into the properties and, had the inspectors done that prior, they would have probably noticed that some of those projects were terribly deficient.

Again, you tried to answer my question. I asked, were there any capital assets that were identified to offset that 572,000? The answer being, probably not. And, certainly, there's a requirement now, I suspect, for other capital requirements to those housing units—all I can say is, I know you had already indicated you learned from your mistakes. You put into place the proper checks and balances that it doesn't happen again, and I have to take your word for it that, in fact,

those checks and balances are in place right now, that this type of situation never arises again, because it was certainly a, I hope a one-off, but thank you, Mr. Billinkoff.

Mr. Billinkoff: Well, I think—I think our understanding of what happened was much like as you said. I mean, the money, you know, the money in the reserve, capital reserve fund, was used for repairs and maintenance, and some of the work was shoddy, and, even if it wasn't shoddy, it's not what the capital reserve fund is for. It should have been covered under their normal repair budgets, and so it left them vulnerable to true major capital repairs when they would be required.

So, you know, yes, that was a real problem and, you know, part of our response to that is to better training for the organizations in how to use their budgets and to more frequent meetings with our Portfolio Administration staff. Part of it is through the capital inspections. Part of it, part of the response to that is by more closely monitoring their financial reports so that you can see when draws are being made out of the reserve fund, and the operational reviews, as well, to see whether they have proper procedures in place.

You know, I'm not sure the department can guarantee that the quality of the work that's being undertaken by, you know, sort of independent organizations in terms of repair, their ongoing repair and maintenance that is their responsibility. But, certainly, they should not have been using reserve funds for those things and we should have been able to identify that that money was being drawn out of the reserve fund for things that hadn't been approved by us and that were inappropriate.

Mr. Chairperson: Mr. Billinkoff, I have a question for you. I've been listening to the responses and to the questions tonight, and this is a serious issue in terms of where we have come from with Aiyawin and, certainly, credit goes to your department and to you for what you have done.

And our responsibility as PAC is to, I guess, achieve a level of comfort that, indeed, you know, accountability has been at least if not completely achieved, the department has come a long way in progressing to that, and you're to be congratulated for that.

But as I sat here and listened tonight, I am not given the comfort that, indeed, the physical inspections, if you like, the oversights in terms of

governance, are really adequate right now. And I almost sense almost a hesitation or a question in your answers as to whether or not you had enough inspectors on the ground to do the physical inspections in a timely fashion that would not allow for what had happened with Aiyawin to happen again.

And I guess I'm going to ask you a bit of a subjective question and, certainly, you're—you may answer it in any way you see fit. But are you satisfied, as the deputy minister of the department, that the steps that you have taken to date are foolproof for ensuring that anything of the nature that happened with Aiyawin will not be possible to happen in the future, given the steps that you have put into place with your department to assure accountability and to assure that the monies that are appropriated are properly accounted for?

* (20:40)

Mr. Billinkoff: Well, nothing is—nothing is foolproof. I think—I'm satisfied that the department is in the process of putting in place, and largely has put in place, effective systems for trying to prevent the kinds of problems that happened with Aiyawin and catching them and remedying them when they happen. We have no way to ensure that people don't do foolish things or illegal things, and it's not just in housing, I think it's in any of the organizations that we work with. They are external organizations, so, you know, we can't monitor every step of the way what they do. I think we've tried to use standard controllership techniques that involve, you know, setting up proper systems and having multiple ways of dealing with these sorts of issues.

So, you know, we do review financial reports. We do quality assurance through operational reviews. We do training. We do meet them on a regular basis. When we get complaints, we investigate the complaints. If we have serious concerns, we call in the auditors or we call in the police. And I think we have a reasonable number of staff right now assigned to this, and it's certainly more than what we've had in the past. So I think we're on the right track, and I think we have the right systems in place. But that doesn't mean that organizations won't do bad things or improper things. We need to try and prevent that. We need to sort of identify it when it happens and address it. And, again, it's not just in housing, it's in any of the organizations, and, so, that's a challenge we face.

I forget who asked the question earlier on, but it's a challenge government faces when they're dealing with independent organizations, non-profit organizations in terms of how intrusive you want to be. I mean, if we were taking this to the extreme, we wouldn't have them. We would do it ourselves, I guess. Then you have other problems 'cause we, you know, getting into the second audit. So, but, you know, as long as they're independent organizations, you know, you need to put in place a proper—a proper regime with risk-based assessments, but it doesn't mean that nothing will ever go wrong or that an organization won't do something incorrect. And it's not always from bad intentions, sometimes the organizations are just not aware of what the best ways to do things, or sometimes they're not just as sophisticated as they should be about their responsibilities, so we try to address that through training and the like.

So, I'm not sure if that's—if that's the answer you're looking for but I think we've certainly come a long way, and I think the kind of—the kind of controllership that we've put in place, I think, is what most auditors would see as the appropriate level of scrutiny.

Mr. Maguire: Thank you, Mr. Billinkoff. As I sit here trying to get my head around the inspections, the number that it takes, and how many a year we can do it and those sorts of things, it suddenly hit me that a Manitoba Assessment branch person comes to my house and does an assessment on my home periodically, five, ten years. Asks a few questions, walks around inside, walks around outside, is gone in half an hour max, versus—here we've got a situation where we're doing 200 inspections a year, in about 210 to 200 days or 210 days a year by the time you take off weekends and holidays and other days, you know, there's about 210 inspection days. That's about one inspection a day. Two people are doing 'em so that's an inspection each—every other day. What's the discrepancy that I'm missing here? There's gotta be something hugely different between the types of inspections. I know there's detailed lists and there's checklists that each of them do. What am I missing on that?

Mr. Billinkoff: Well, I think the example that you provide of somebody who's coming to your home, they're not doing an inspection. They're doing an appraisal really. They're not inspecting your, you know, your roof to see when it needs to be replaced or any of those things, not unless you're paying them

to do it. They're really just appraising your home to see, you know, what they should be taxing you at.

These inspections are much more rigorous, and the amount of time, I think, varies, depending on the facility, of course. Some are big, some are small, some are scattered, some are high-density, so it's hard to be exact about how long it takes, but the inspections that are done are rigorous. We do have a pretty comprehensive management information system now that tracks them and keeps track of them and helps us in developing a multi-year plan.

We don't, you know—because we're dependent on how much resources are available from government, because it's not unlimited, you know, we're not able to fix everything and replace everything when needs are identified, so we have to prioritize. We do fix anything that's a health and safety issue. Things that are not health and safety, we may defer. And we build them into a multi-year plan and we try and schedule it, and if we don't have enough resources in a given year, then some things sometimes get deferred further. And people aren't always happy about that, but, you know, we do work in a strategic way within the resources that we have.

So I think that's the main differences. You know, we're talking—when we do these capital inspections, for the most part, we're not looking for routine repairs. We're looking for major upgrades that need to be done.

Mr. Chairperson: Thank you very much.

Auditor General's Report – Aiyawin Corporation: The Consequences of Mismanagement in a Shared Responsibility Framework, dated March 2006—pass.

Now we will move on to the second report, Investigation of the Maintenance Branch of the Manitoba Housing Authority, dated November 2004.

We will begin as we did before, and I would like to ask the Auditor General for an opening statement.

Ms. Bellringer: This was an audit that came about as a result of a number of allegations that were brought to the former Auditor General regarding alleged operational irregularities within the Maintenance branch of the Manitoba Housing Authority.

The audit report notes that the work was conducted within the context of two significant limitations. One was that inadequate manual records and information systems for the period of review

didn't enable a complete review and assessment of information, and secondly, that important documents were inadvertently destroyed.

The limited information that was available provided no evidence of secret commissions or frauds against the government, which was the nature of the allegations, but the report did also note that the culture at Manitoba Housing Authority at the time was one where rumour and innuendo were widespread, and significant morale and communications issues were impacting their effectiveness. The report makes recommendations in that area.

As well, there's a follow-up in that report of the December 2002 report on the public housing program, which were seen to be very relevant as well to the— to the issues at hand.

Mr. Chairperson: Thank you, Madam Auditor General.

Mr. Billinkoff, do you have an opening statement?

Mr. Billinkoff: Significant progress has been made to fully implement the recommendations made in the 2004 investigation of the maintenance branch by the office of the Auditor General. The ongoing reorganization at Manitoba Housing has begun to streamline operational functions and help achieve efficiencies and transparency. Manitoba Housing has worked to develop better policies and procedures related to procurement and asset management and to improve communications with its staff as part of a concerted response to the issues raised by the Auditor General and in the KPMG report.

Purchasing policies and procedures have been revised and implemented under the leadership of a new director of procurement, who will ensure the marketplace is being monitored against industry standards continuously to ensure Manitoba Housing is paying reasonable prices for the goods being purchased. Prices are also being monitored and compared against other public housing jurisdictions.

A growing list of approved vendors promotes better efficiencies. Checks and balances are in place to ensure Manitoba Housing is receiving best value for goods and services procured. Projects and property goods are tracked manually to allow staff to organize and track efforts and expenditures. Electronic systems are researched and implemented to enhance the manual processes, and a data base has

been created to ensure purchasing data is accurate and timely.

* (20:50)

Staff receive ongoing training on any new procedures to keep them informed and updated. Information resource manuals are being updated and new standard operating procedures processes in the pilot stages. Communications have been enhanced with more frequent meetings, newsletters, seminars, training sessions. Communications material has been developed for staff about correct procedure and general operational information better inform Manitoba Housing tenants about their rights and responsibilities.

An abandoned goods officer has been hired to ensure policies are followed and procedures are developed. Current computer systems have been reviewed to ensure their functionality and their interface with other accounting control systems. There will be a business needs analysis completed to determine systems enhancements that will better serve Manitoba Housing, and linkages will continue to be explored, and the business applications support group will continue to monitor all business systems functionalities.

Maybe I'll stop there and see if there are questions.

Mr. Chairperson: Okay. Thank you very much, Mr. Billinkoff. The floor is now open for questions.

Mr. Maguire: I just wanted to make a comment in a couple of areas, I guess, that are concerned. The department is to annually advise the Treasury Board and come up with a five-year plan, and I wondered if, first of all, that has been put in place?

Mr. Billinkoff: Yes, we did it a couple of years ago. Then we provided a report to Treasury Board within the last, I believe, month a half, two months, as well.

Mr. Maguire: The Housing Authority is to look at the conduct of the documentation related to the inspection processes. There was a great deal of concern in the report, I guess, around that whole area, and how have they determined what the estimates of costs would be and are you satisfied that there's sufficient documentation around those areas, and who does those inspections now?

Mr. Billinkoff: I think the main thing that we've done in this area that would be of interest is the creation of a separate procurement branch, and that branch—creating that branch has created a number of

important improvements to how we do our work. Instead of having, you know, staff out in the field, basically, do their own tendering and select their own contractors, which is, I think, the nub of some of the problems that we've experienced, not necessarily that they were doing something wrong, but, you know, it certainly opened us to vulnerabilities. We now have—all of our non-emergency procurement is done through the Procurement branch, so we've separated the functions of initiating work orders from the function of tendering and awarding of contracts. So we have, within the Procurement branch, staff who are trained and who are dedicated to tendering practices and to leasing, and to awarding of contracts. And they're not the same staff that are out in the field. So, you know, the field basically initiates—sorry.

So, I mean, I think that's been really important. I think it's allowed us to both to have better control over ensuring the integrity of the system and also to have a much more cost-effective operation. So we are—the staff that work in the procurement area are specialists in tendering. They know what the market is. They are in a position to negotiate bulk purchases and standing offers, which give us better deals than what we were getting when we were allowing people to contract locally. And it avoids having a lot of emergency, untendered contracts where we have very few controls, because we have standing offers. So we have lists of qualified vendors, and when something needs to be done on an emergency basis, you go to the list and you know what the price will be. And so those are really important improvements, I think, and we believe we've saved as much as a million dollars annually simply by reorganizing how we do those functions.

We also have increased our capacity within our Asset Management branch, which is a separate area, to monitor the quality of work that's being done by contractors. And, again, it's being monitored by people other than the people out in the field. So it's a standard sort of approach based on separation of functions, which we think has dealt with many of the issues that were of concern when this audit was raised.

Mr. Maguire: I know the Auditor General indicated in her comments, in her opening remarks, as well, that there was a couple of areas of great concern, and one of them was that documents were destroyed. Can you indicate to us what documents or the nature of those documents that might have been destroyed, and I'm assuming that, perhaps, some of the areas that

you put in place have prohibited that from happening in the future. Is that the case?

Mr. Billinkoff: Yeah, I don't believe they were—my understanding of it was that these were documents that, either through a move or some inadvertent way were sent to—for destruction under—through the archiving process. I'm not entirely sure. The Auditor may be in a better position. I don't think the Auditor felt that there is—that this was because of any attempt to hide anything. It was just an unfortunate circumstance where some of the information that she wanted to look for had inadvertently been sent off for recycling. She could, perhaps, speak better to that than I could.

Mr. Chairperson: Ladies and gentlemen, the hour being 9 o'clock, I would like to ask the wish of the committee.

Ms. Howard: Well, I would suggest if there's a will to pass this report, which I think there might be, that we sit until 9:30.

Mr. Chairperson: What—is that agreed to?

An Honourable Member: Agreed.

Mr. Chairperson: Agreed?

An Honourable Member: Or earlier. I'm happy to—

An Honourable Member: Or sooner.

Mr. Chairperson: Or sooner. Okay. We will continue with the questions.

Mr. Borotsik, you were—or pardon me, Mr. Maguire, have you completed your questions?

Mr. Maguire: Well, my next question would be to the Auditor General, I think it's—

Mr. Chairperson: Okay, Mr. Maguire, continue.

Mr. Maguire: Just an elaboration, if the Auditor General could just inform me, then, as to the comments that she made earlier in regards to the documentation discrepancies—discrepancies that were referenced in your opening remarks.

Mr. Chairperson: Thank you. Madam Auditor General, I think you've indicated to me that you would like to have your assistant answer that question.

Is there leave for that? *[Agreed]*

Mr. Jack Buckwold (Director of Special Audits, Office of the Auditor General): To answer your question, the documents in question were maintained

in a particular room along with documents that were set to go for destruction, and the understanding was that those documents were inadvertently included with those that were set for destruction, and that's how they were destroyed.

Mr. Borotsik: Yeah, two very brief questions. The abandoned goods officer. We talk about abandoned goods, obviously, when tenants vacate the premise, perhaps, sooner than what they had anticipated, you said that the abandoned goods officer that you've now hired to look at that particular problem is to develop policy. Has the policy been developed, or is it in the process of being developed?

Mr. Billinkoff: Yes. This—I mean, this was a problem that was identified. We didn't have a standard procedure for how we dealt with abandoned goods, and we get a lot of people leaving stuff behind when they leave. The—we have hired an abandoned goods officer. They do have policies that they put in place that are consistent with the RTB requirements around what to do with abandoned goods. We're required to maintain them for a certain amount of time and to store them in certain ways, and the responsibility of the abandoned goods officer is to ensure that that is being done throughout our operations.

* (21:00)

Mr. Borotsik: Throughout the 13,400 housing units, this is how the new policy is now put into place with respect to abandoned goods. The last question that I have—the only question—now, as I understand it, there has been a follow-up report on this report that's been tabled, the 2009 follow-up, but—I question your procurement. And I understand what you've indicated with respect to central purchasing and being able to identify suppliers, better cost, things of that nature.

Is there still the ability within that procurement policy to still deal with local suppliers? And I'm thinking of Swan River, perhaps, where there's some housing units. Some of the people in Swan River would like to purchase goods and services from local suppliers. Or I'm thinking maybe Brandon, where we have substantial MHRC housing units. Do they have the ability to purchase locally in those jurisdictions, or is it simply a central purchasing that's coming out of the city of Winnipeg?

Mr. Billinkoff: Not everything is bulk purchased, and we do—we do have the capacity and we do in practice purchase locally. The difference is that—is

that it's done—there is a tendering process and it's done through the Procurement branch rather than the local staff.

And the—I think one of the problems that gave rise to this audit was concern that, you know, when you have a lot of local staff out in the field with an ability to buy locally with no—with limited controls and supervision, you create a vulnerability that people will contract inappropriately with people. So, you know, by separating the function and by using the Procurement branch to do the contracting, I think we've dealt with that issue. But we do buy locally as well.

And we also—you know, for emergency and smaller types of things that need to be done in the field, the local regional staff also have a capacity, so we don't always go to a large tender if it's a question of getting a simple repair done or a simple product, you know, that can be done—found locally.

Mr. Borotsik: Okay, I'm—and I appreciate that, but there are certain materials that could and should be purchased at a local basis. I do know that you can get a better bulk purchase for drywall, for example, but if there's a housing unit in Swan River that requires two sheets of drywall does that mean that drywall has to be shipped out of Winnipeg in order to, on a bulk purchase, get to Swan River? Or does the regional staff have the ability to purchase up to a certain limit, up to a certain cap limit?

Mr. Billinkoff: Typically, when we do bulk purchases, it's typically for larger items like appliances or things that we buy in volume, more expensive products, and that's where we get really much better deals through bulk purchases. In the example that you're giving, if we—if we are doing some work in Swan River, say, and we need—we need drywall, we would—we would do a tendering process in the Swan River area and buy from local—from local suppliers. And I believe it works kind of as you say: if it's a very small purchase, the region may do it themselves, but they have to tender, unless it's an emergency. And if it's a large purchase, over a certain dollar value, it would be done through the Procurement branch. But as much as possible we try to do our purchasing through a tender process, rather than just having the local people go to the local person and buy.

Mr. Borotsik: And that's fair. Sometimes efficiencies don't necessarily generate the value that one would like to see. Your regional people in the field, in those areas, have they bought into this

procedure and process? Are they—are they happy, and do they feel that they are getting the best that they can, possibly, through your Procurement department?

Mr. Billinkoff: Some of them find it a little difficult at times, because it may take a little longer. I think all in—overall, I believe they like it in the sense that it protects them from accusations from people that they're, you know, either exercising favouritism when they buy things, or they're getting bad deals. So I think they—as a general rule, they are satisfied with the process that we're using now, and I'm advised that we have a variety of different ways of tendering. There's, you know, not all of them are a big public tender. So for local purchases we have invitational tenders, and we have a number of ways that don't necessarily involve lengthy periods of time or undue difficulties for local suppliers.

Mrs. Stefanson: Mr. Chair, just under the recommendations, under communications, the second bullet there in the report says: The Manitoba Housing Authority establish internal communication policies to ensure that all concerns and issues identified to management are acted upon and the results are communicated to those concerned in a timely manner.

I'm just wondering if you could indicate what has been done since this report to—what policies have been put in place with respect to communications.

Mr. Billinkoff: We have a number of mechanisms. I mean, we do, of course, have a sort of chain of command mechanism for staff if they have concerns to raise, but we also, after the KPMG report was released, we did a series of regional meetings, and senior management have been out meeting with staff through the province as well, just to try and build good communications and better understanding. We have a Web site that we've established that staff can use as well to raise concerns in a more anonymous sort of a way. And so those—I think those have been effective ways, or more effective ways than maybe in the past, for staff to raise any concerns or questions that they might have.

Mrs. Stefanson: I guess just with respect to communications with tenants in the housing units, if there are a group of tenants that come forward with, you know, a shared concern over what's going on within the housing development or units, what is the process that takes place? If the complaint comes forward, what is the time frame, like what is the

chain of command that that would go to? How is that complaint dealt with?

Mr. Billinkoff: Well, we do try to respond as quickly as we can, and our staff do meet with tenant groups all the time both—we do have some tenant advisory committees. Not every housing complex has them, but any group that wants to meet with us, we try to arrange for staff to be available. We do meet all the time. Our staff are meeting all the time with them.

One of the organizational changes that we've done that I think helps with this or helps us be more responsive is we, in the past, are—typically in the regions you have property managers who collect the rents and manage the properties, and you have maintenance people who look after the repairs, and you have tenant relations people, particularly in Winnipeg, who deal with the tenants. And in the past those three types of staff all reported out of the regions to program people in a headquarters. So, within the region, the maintenance people and the property managers and the Tenant Services people weren't necessarily communicating with each other, because they didn't do reports within the regions.

* (21:10)

So we've regionalized our system, and we think that'll provide a much better service, a much more responsive service locally. So all of our staff within the region now report to a regional director, and we believe that will significantly improve communications and responsiveness and avoid some of the duplication that comes up. You know, Tenant Services people may hear things from tenants, and they're in a much better position to pass those on to the maintenance people and the property managers, because they all report within the region now.

So, I mean, it sounds like a pretty, straightforward thing that you would want to do, but that's not how we were organized in the past, and that's one of a number of organizational changes that we've made that we think will be, make us much more responsive to local issues.

Mrs. Stefanson: Well, yeah, and I think, and just I think this is relevant to this particular issue in the document, but I know a housing unit and development in my area, the 170 Hendon, has been a particular concern over the last number of years. And, you know, where tenants have come together and they have, you know, reported various, you

know, issues that they have within the housing unit and, you know, whether it's happened or not and maybe it's because, it wasn't—this was prior to regionalization. I'm not sure when regionalization took place, and that really is my question.

But, you know, I have serious concerns—tenants coming forward from 170 Hendon. We were able to get together with them last Friday where there were members of your staff that were there which was great, and it was a very productive meeting. Tenants were concerned because that is, sort of, one of the first times they've seen them, they said in upwards of 10 years in the building. And so they were happy that they came out, but it sort of took us getting them there. And I guess that is a bit of a red flag and concern to me that when tenants come forward and have serious issues with safety concerns and, you know, bed bugs and different, you know, conditions in the building.

You know, the concern to me is the process and I think that that was identified in this report. And I'm just wondering, I mean, this meeting was a week ago, is this—when did regionalization take place? And, I mean, is this something that now, you know, we can get to the bottom of and we can deal with for the folks at 170 Hendon? Are—can we put, you know, the past behind us now and work forward, and are these recommendations that have been implemented in terms of regionalization, is that going to help the situation? Is that going to help the people of 170 Hendon?

Mr. Billinkoff: Well, the regionalization process, the reorganization of the reporting lines and so forth is still in progress. It's just, it's something that we've started within the last year so it's certainly not complete yet. You know, we've gone through a process of identifying regional directors and organizing how it would work and the staff are in the process of changing their reporting line. So it's not fully in place.

You know, we do try to be responsive. I believe staff have met before with residents on Hendon and many other facilities and we do try to be responsive. I know that our staff are out meeting with groups of tenants all the time. Now whether they're satisfied with the meetings or whether we're, you know, whether we respond to their concerns adequately, I think, remains to be seen. I think that's something that we continue to work on, but I do think a more regionalized approach will help with that. And, you know, we do try to be a good landlord, and we do try

to be responsible, and we do try to respond to concerns that tenants raise. We're not always able to address all the concerns they raise, but we do listen and we do try to organize ourselves to deal with those things that we can deal with.

Mrs. Stefanson: Just one more question for you. Does the Housing Authority perform regular inspections on all housing projects using inspection guides at regular intervals of two to three years?

Mr. Billinkoff: We do—we're on the same—in terms of capital issues, we're on the same five-year cycle that we use with the non-profits and with the sponsor managed portfolio. So our facilities are inspected, in terms of major capital requirements, every five years, more often, if needed.

But separate and apart from that, we do inspections of our facilities, you know, as issues arise, as complaints are received or as staff are in and out of the building. What we're trying to do is have staff in the buildings more, and so we become more knowledgeable about problems within the buildings.

Mrs. Stefanson: And how are the—how are the capital projects prioritized?

Floor Comment: I'm sorry?

Mrs. Stefanson: How are the capital projects prioritized?

Mr. Billinkoff: Generally, we have a sort of ranking system that we use. The things that are of a health and safety nature, we would—we would rank as our first priority and we try to tend to those right away. Once those are dealt with, depending on the resources available, usually the next priority is the envelope of the building, so things like roofs and that nature because if you don't repair those, then it causes other damage. So that's kind of where we start and then, depending on the availability of resources, you know, we try to address other things.

We've been fortunate, I guess, in the last—in the last year or so in that there's been considerably a big increase in resources available for capital upgrades to our housing stock from both the federal government and from the Province as well. So we are spending—we are planning to spend this year, for example, sixty two and a half million dollars on deep—what we call deep refreshes. These are major concentrated renovations, inside and out, of a number of major complexes like Gilbert Park and Lord Selkirk Park and in Brandon and a couple of other locations as well as another fifteen and a half million dollars on

interior sorts of what we call refreshes to common areas and exterior work. And this is being supported by federal money that's available as part of the economic stimulus package as well as commitments that the Province made even before the federal announcements.

So this is allowing us to address a number of deferred major capital projects, and—that we've not been able to address in a long time, to catch up on some of the backlog, but also to—I think part of our approach with the deep refreshes has been to try and upgrade the buildings from top to bottom because, you know, you go and you replace the roof, which is important, but people there don't feel much better about it. You know, people feel a lot better when the front entrance is fixed, then when their own unit is fixed, then—and then you get a whole different atmosphere in the facility. So we think we're—you know, this approach is making a big difference in the large complexes where we've been able to do this.

Mrs. Stefanson: And I'm just gonna ask because I have to, on behalf of my area, but would 170 Hendon be on the top of the priority list for—

Mr. Chairperson: I'm not sure I can allow that question, Mrs. Stefanson. Perhaps, Mrs. Stefanson, you can deal with that issue privately with Mr. Billinkoff.

Any others? Mrs. Stefanson, is that it?

Mrs. Stefanson: Yeah.

* (21:20)

Mr. Maguire: When I asked the previous question about the destruction of documents, it—I appreciated the answer, Mr. Buckwold. I wonder if I could ask you, then, because, of course, you had to be looking for some type of document and they were not available, and I understand that the circumstances

around that and how it could happen. But can you just outline to me what the documents were that you were looking for then, that you weren't able to get?

Mr. Buckwold: Mr. Chairman, yes, those documents related to specific maintenance co-ordinators and some of the work that they were involved in. What they were exactly we never knew because they weren't there. That was part of our problem. We didn't really know what we were actually missing.

Mr. Maguire: Okay, thank you. And sort of just a final one, Mr. Billinkoff. What sort of steps have been taken to prevent this from happening again?

Mr. Billinkoff: Why, I think we do have a pretty structured process for dealing with archiving and destruction of documents and I think we've tried to strengthen those processes over the last number of years. I think we've not had very many experiences like this where files have been inadvertently destroyed. It's a pretty rare occasion and a pretty rare occurrence and a very unfortunate one, given that we were, you know, involved in an audit. So it's not a common occurrence, but, you know, it's something we pay ongoing attention to.

Mr. Chairperson: Thank you very much.

Auditor General's Report – Investigation of the Maintenance Branch of the Manitoba Housing Authority, dated November 2004—pass.

The hour being 9:24, what is the wish of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

Thank you very much everybody.

COMMITTEE ROSE AT: 9:24 p.m.

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