

Office of the Comptroller General

Investigation of BC Housing

Report of Observations and Recommendations

March 6, 2023

Private & Confidential





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A. Background, executive summary, and scope of work

1.0 Background

BC Housing Management Commission (“BC Housing”) is a Crown corporation that develops, manages, and administers subsidized housing in the Province of British Columbia by providing funding to non-profit housing providers (“Provider” or “Providers”). One such Provider is Atira Women’s Resource Society (“Atira”), which receives a predominant amount of its funding from BC Housing.

Several allegations were raised to the Office of the Comptroller General (“OCG”) regarding the Provider selection process and BC Housing’s then CEO¹, Shayne Ramsay (“S. Ramsay”). The allegations focused on a conflict of interest (“COI”) given that S. Ramsay is the spouse of the CEO of Atira, Janice Abbott (“J. Abbott”).

Based on the above, the OCG engaged Ernst & Young LLP (“EY” or “we”) to perform a forensic investigation, as detailed below in section **3.0 Scope of work**. We provide this report (“Report”) under the terms and conditions of the Financial Review and Assurance Services Agreement, dated July 22, 2022 (“Terms of Reference”).

¹ S. Ramsay was the CEO of BC Housing from May 2000 until his departure in September 2022.



2.0 Executive summary

As part of our investigation, we obtained and analyzed electronic and hard copy information from BC Housing and held discussions with current and former BC Housing employees as well as Atira employees. Included in the electronic information analyzed was data obtained from laptops, mobile devices, desktop computers and tablets issued to BC Housing employees. Details regarding our scope of work, procedures performed as well as the scope limitations faced are set forth within section **3.0 Scope of work** and the subsections therein.

Based on the investigative steps described within this Report and subject to the scope limitations, we provide the following executive summary of the work performed.

As a publicly funded organization, BC Housing is subject to greater scrutiny regarding its management and oversight practices. Our work has uncovered significant risks to public funds resulting from the manner in which BC Housing operates and administers its oversight role. Our observations call into question BC Housing's financial oversight capabilities and the rigour with which BC Housing disperses public funds.

The former CEO's conflict of interest

Our mandate included investigating allegations related to a conflict of interest ("COI") stemming from the personal relationship between the former CEO of BC Housing and the CEO of Atira, BC Housing's largest funding recipient. Specifically, we examined BC Housing's management of the COI and the former CEO's adherence to the mitigating policies put in place by BC Housing's then Board of Commissioners.

While the COI was disclosed by the former CEO to BC Housing's then Board of Commissioners, we have concerns regarding the governance practices that allowed for the CEO of a publicly funded organization to have a direct COI with the organization's largest funding recipient. Through our investigation, we identified several examples of mismanagement and a lack of oversight from BC Housing's then Board of Commissioners with respect to the known COI. EY observed numerous instances whereby the former CEO engaged in the influence of decisions that were made to benefit Atira, clearly demonstrating that the policies put in place to manage the COI were ineffective.

BC Housing employees' enablement and/or inaction and lack of oversight from the then Board of Commissioners, resulted in a culture whereby it was deemed acceptable to tolerate noncompliance with COI policies. This demonstrates that the mismanagement of the COI had permeated throughout the organization. Furthermore, the cultural implications appear to have resulted in Atira receiving preferential treatment from BC Housing and being afforded greater access to public funds than similar Providers, as evidenced by the following observations:

- ▶ Multiple individuals told EY that Atira regularly bypassed the traditional communication channels by approaching more senior members of BC Housing directly for matters such as funding requests. In turn, the senior members of BC Housing told other BC Housing employees to "make it happen."



- ▶ Atira was direct-awarded contracts without transparent, competitive processes designed to ensure the proper use of public funds.
- ▶ We were told that “Atira was given a level of consideration that others might not be” and that Atira has “a familiarity with BC Housing or a level of comfort with BC Housing that does not exist with other providers.”

BC Housing’s funding to Atira

Over recent years, Atira has become BC Housing’s largest Provider. Since FY 2019², Atira’s funding has outpaced its peers, culminating in FY 2022 when Atira received approximately \$35M more than the next highest Provider. As detailed further in our Report, we have concerns regarding several matters which have contributed to this substantial increase in funding.

Atira’s FY 2021 financial statements state, “[Atira’s] revenue consists of approximately 84% (2020 - 79%) received from [BC Housing] and other government funding agencies” and that “the continued operation of [Atira] is dependent upon the support of its members, donors, creditors, [BC Housing] and other government funding agencies”. Given Atira’s economic dependence on BC Housing, its continued financial viability could be threatened by significant changes to the level of funding provided by BC Housing.

BC Housing’s ineffective administrative practices and processes

We have substantial concerns with BC Housing’s financial oversight processes related to Atira, as evidenced by the following observations:

- ▶ BC Housing has continued to advance substantial amounts of funding to Atira without a clear understanding of Atira’s financial status. In particular, Atira’s audited financial statements for FY 2022 have yet to be issued and BC Housing does not require Providers to submit monthly or quarterly financial information.
- ▶ BC Housing’s financial reviews of Atira are substantially delayed.
- ▶ Atira took actions contrary to the provisions of its operating agreements, and BC Housing’s response(s) to these matters were both inadequate and untimely.
- ▶ BC Housing’s record keeping was below the level that we would expect of a publicly funded organization.

Collectively, these factors have rendered BC Housing’s financial oversight processes ineffective. As a result, it has affected BC Housing’s ability to make appropriate decisions, placed a significant risk to public funds, and calls into question the diligence with which these funds are dispersed to Atira.

Refer to **Table 1** below for further detail on these key observations, other observations made by EY, and for direction to the applicable Report section.

² BC Housing and the Providers mentioned in this Report have a fiscal year-end of March 31. In reference to these fiscal years throughout this Report, FY XXXX denotes March 31 of any given year. For example, the year-ended March 31, 2019 is denoted as FY 2019.

Table 1: Summary of key themes and observations

Theme	Observations	Report References
The former CEO's conflict of interest	<p>We observed that the former CEO repeatedly involved himself in matters related to Atira through other BC Housing employees. For example:</p> <ul style="list-style-type: none"> ▶ In connection with the 303 Columbia transaction, he interfered in the decision-making and business record keeping process by having the Executive Committee ("Excom")³ meeting minutes modified to alter the concerns raised by a voting Excom member. ▶ He directly communicated with Excom members regarding Atira's purchase of the Hollywood Motel and BC Housing's assistance therewith. ▶ EY also identified at least 24 additional instances where he directly communicated with other BC Housing employees regarding Atira. ▶ The former CEO advocated for properties to be leased to the Community Impact Real Estate Society, a non-profit society that contracts with Atira's for-profit arm, Atira Property Management Inc. <p>This conduct calls into question whether Atira received preferential treatment from BC Housing and was afforded greater access to public funds than similar Providers and casts doubt upon the ability of BC Housing and its then Board to appropriately manage COI situations.</p>	4.4.1, 4.4.3, 5.1, 5.2
Significant increases in annual funding to Atira since FY 2019	<p>We have concerns regarding the diligence with which BC Housing disburses public funds to Atira. For example:</p> <ul style="list-style-type: none"> ▶ Atira was direct-awarded operating agreements and the associated subsidies without a competitive process. ▶ When compared to its peers, a larger percentage of Atira's projects receive higher operating subsidies on a per-unit, per-month basis. This is exacerbated by Atira having more projects than its peers in recent years. <p>As a result, we question the appropriateness of the significant increases in annual funding provided by BC Housing to Atira.</p>	4.1

³ Excom is an abbreviation for the Executive Committee, which also includes staff who have no voting rights but are at the weekly meetings in the capacity of reporting or advisory or covering for executives when they are not able to attend. The regular voting members of Excom are the: CEO, VP Operations, VP HR, VP Communications, VP Strategic Business Operations & Performance, VP Development & Asset Strategies, VP Corporate Services and CFO, and non-voting members are CIO, Director Executive Office, and EA to CEO.

Table 1: Summary of key themes and observations

Theme	Observations	Report References
BC Housing's ineffective financial oversight processes	<p>We have significant concerns regarding the manner in which BC Housing manages its financial relationship with Atira. For example:</p> <ul style="list-style-type: none"> ▶ BC Housing's financial reviews of Atira have been substantially delayed. The most recently completed financial review was for FY 2020, which was finalized in August 2022. ▶ At least \$90M in public funds was advanced to Atira between the end of FY 2020 and the completion of BC Housing's most recent financial review. ▶ The financial review for FY 2020 contained inaccurate and misleading components, such as the application of adjustments to projects in an arbitrary fashion. ▶ We question whether the team primarily responsible for preparing the financial review had the appropriate competence, experience, or supervision in the circumstances. ▶ BC Housing does not require Providers to submit monthly or quarterly financial data, despite that additional funding requests are made throughout the year. ▶ Between June and October 2020, BC Housing disbursed at least \$3M of COVID-19 funding to Atira without the appropriate internal approvals. <p>On multiple occasions, Atira bypassed BC Housing's standard approval channels and approached senior members of BC Housing directly for funding and other requests. BC Housing permitting such access casts doubt upon its ability to maintain objectivity while exercising financial oversight and administering public funds.</p>	4.2, 4.3
Transactions of concern between BC Housing and Atira	<p>We identified situations in which Atira's actions were contrary to the provisions of its operating agreement with BC Housing and BC Housing's response to this conduct was inadequate. For example:</p> <ul style="list-style-type: none"> ▶ Without BC Housing's knowledge or consent, Atira used \$2M in restricted funds, repayable to BC Housing, to help fund the purchase of 303 Columbia. We noted that BC Housing did not address Atira's conduct adequately until the matter was raised by EY in early 2023. ▶ Without BC Housing's knowledge or consent, Atira assigned the operating agreement for Sereena's House for Women to a credit union as additional security for a mortgage. This led to BC Housing entering into an inter-lender agreement in order to induce the credit union to release the assignment. The inter-lender agreement required BC Housing to cure any defaults of 	4.4

Table 1: Summary of key themes and observations

Theme	Observations	Report References
	<p>Atira under the mortgage, representing significant additional financial risk to BC Housing.</p> <p>BC Housing's failure to exercise its legal rights in response to Atira's actions can send a message to Providers that they can act in contravention of their operating agreements without fear of repercussions from BC Housing.</p> <p>EY also identified gaps in BC Housing's business record keeping regarding Atira's purchase of the Hollywood Motel, which may be contrary to the Financial Accountability section of BC Housing's Standards of Conduct, stating that "records will be properly and accurately maintained."</p>	
Atira's use of funds from BC Housing	<p>Subject to our scope limitations, we have not identified payments to vendors or payees from Atira's cash disbursement ledger which would suggest that Atira used grants or other public funds for means outside of their required purposes.</p>	4.5
Deletion of phone data by former CEO and former CFO	<p>When questioned, both the former CEO and the former CFO stated they had a practice of periodically deleting text messages, notwithstanding BC Housing's practice of sometimes making business decisions via text message.</p> <ul style="list-style-type: none"> ▶ This practice effectively limited the availability of relevant records for EY's investigation and may represent a deviation from government record retention requirements. ▶ With respect to the former CEO, we note that he deleted his text messages despite explicit instructions from the OCG to "take steps to ensure that all records and things of BC Housing are preserved and not destroyed." <p>This conduct is inconsistent with the expectations of the CEO and CFO of a publicly funded organization.</p>	6.0



3.0 Scope of work

Our mandate was to investigate allegations relating to the COI and other issues reported to the OCG. In particular, we were asked to:

1. Confirm or dispel the issues reported to the Comptroller General, including to:
 - a. Quantify and evaluate the relationship between BC Housing and Atira.
 - b. Evaluate BC Housing's record keeping and decision-making for financial transactions entered into with Atira.
 - c. Assess the financial decision-making methods and practices of the CEO and CFO of BC Housing.
 - d. Evaluate if Atira used grants or advances of public money, or the borrowings of which may be guaranteed by the Government of British Columbia, for their required purposes.
2. Undertake a risk-based analysis of cash outflows to selected housing providers and perform limited data analytic procedures on other payments made by BC Housing considering potential fraud risks faced by the organization.
3. As identified through this forensic engagement, provide recommendations for improvement of BC Housing's processes or procedures.

The period covered by this engagement was January 1, 2015, to July 24, 2022 ("Scope Period").

3.1 *Scope limitations*

Our investigative work is subject to inherent limitations and not guaranteed to identify or prevent all frauds or illegal acts and our work may not have detected any or all fraudulent activities or illegal acts. We were also limited to assessing documentation as presented to us. We relied on the information provided by BC Housing and Atira to be accurate and complete and to not have contained errors or omissions.

Our work was limited by the following gaps in information available to us:

- ▶ BC Housing's financial reviews⁴ for Atira's FY 2021 and FY 2022 remain incomplete as of the date of this Report.
- ▶ As of the date of this Report, Atira's audited financial statements for FY 2022 remain unissued.

⁴ Refer to section 4.2 *BC Housing's ineffective financial oversight processes* for an overview of BC Housing's financial review objectives



In addition, our work was further limited by the following factors:

- ▶ We performed a limited analysis for FY 2015 to FY 2018 due to the absence of readily available, structured, transactional data for these fiscal periods.
- ▶ Certain individuals were either unavailable or unwilling to be interviewed by EY.
- ▶ Certain information appears to have been deleted and was not available for examination. For example, text messages were deleted from the mobile devices of S. Ramsay and Abbas Barodawalla (“A. Barodawalla”), former BC Housing CFO5.
- ▶ There are inherent limitations in the use of keywords and filters for efficient electronic document review. Accordingly, documents that may be relevant may not have been identified during our work.
- ▶ We did not examine the banking records of Atira.
- ▶ Our scope did not cover Atira’s subsidiaries, Atira Property Management Inc. (“APMI”) and Atira Development Society or other affiliated entities such as the Community Impact Real Estate Society (“CIRES”).

It is important to note that without knowing what other information may exist on or within the other sources of potential evidence that were not available to us, we may have drawn other conclusions and/or made other recommendations.

3.2 Restrictions on use of this Report

In addition to the agreed upon mandate per the Terms of Reference, and the general terms and conditions of this engagement, we would like to draw your attention to the following:

- ▶ EY was not engaged to, and did not perform an audit, review, or compilation assessment. The work described in this Report was not performed in accordance with generally accepted auditing, review, or other assurance standards in the relevant jurisdiction and accordingly does not express any form of assurance. Nothing in this Report shall constitute any legal opinion or advice of any kind.
- ▶ This engagement adhered to the Standard Practices for Investigative and Forensic Accounting (IFA) Engagements, as published by the Chartered Professional Accountants of Canada
- ▶ This Report is provided for the use of the OCG. It does not consider the interests of third parties.
- ▶ We shall have no responsibility whatsoever to any third party in respect to the contents of this Report.
- ▶ This Report may be distributed only in accordance with section 6.3 of the Terms of Reference.
- ▶ This Report is based on the information provided as of this Report date, and we reserve the right, but not the obligation to, update this Report if new information would change the findings listed herein.
- ▶ This Report is intended to be read in its entirety, including all appendices, exhibits, and tables.

⁵ A. Barodawalla was BC Housing’s CFO from February 2020 to January 2023.



3.3 Nature and extent of work performed

See Appendix A for a listing of procedures performed by EY.



B. Detailed observations

4.0 BC Housing's relationship with Atira

Background

EY analyzed the financial relationship between BC Housing and Atira. As part of this analysis, we performed an assessment of BC Housing's funding levels, decision-making and record keeping regarding the organization's financial relationship with Atira. We identified that funding by BC Housing to Atira began increasing significantly in FY 2019. Concerns were raised regarding BC Housing's relationship with Atira and whether Atira was receiving preferential treatment, given the former CEO's personal relationship with the CEO of Atira.

Based on our assessment of BC Housing's financial relationship with Atira, we make the following observations:

4.1 BC Housing's funding to Atira

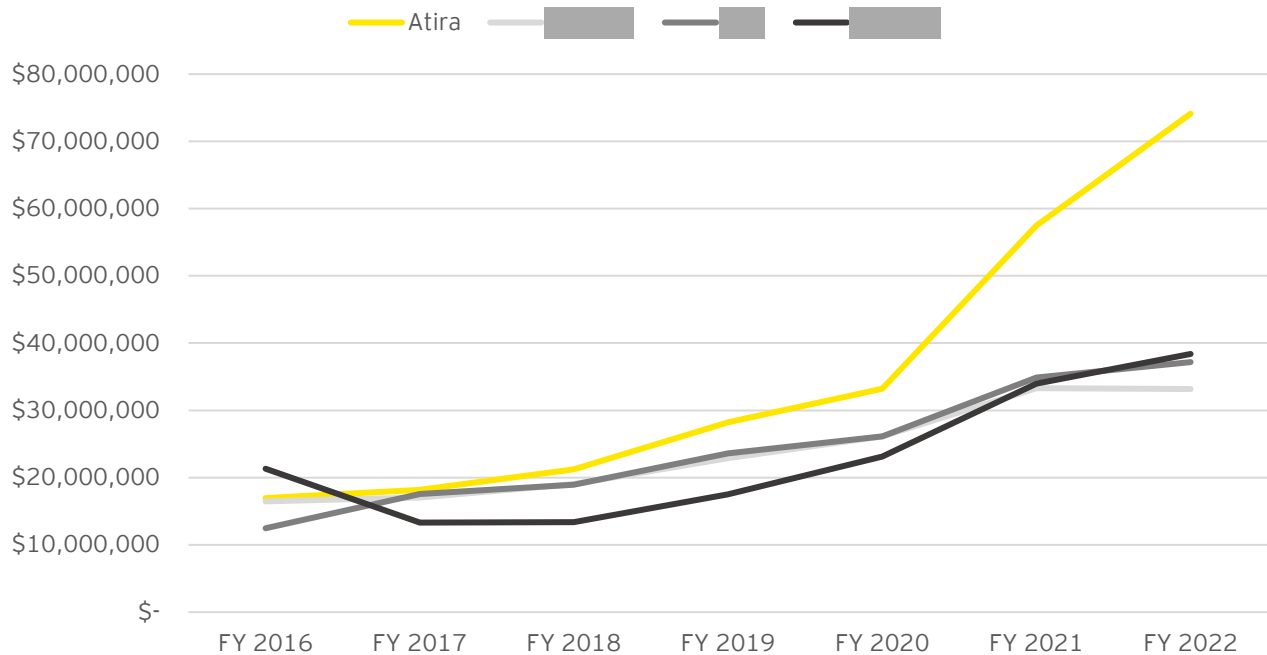
Key observation

Since FY 2019, Atira's funding has outpaced its peers. We observed that a larger percentage of Atira's projects received higher operating subsidies on a per-unit, per-month basis, compared to its peers. This is exacerbated by Atira having more projects than its peers in recent years, some of which were awarded directly by BC Housing without a competitive process. Additionally, we observed approximately \$3M in COVID-19 funding disbursed by BC Housing to Atira without appropriate internal approval. These observations raise concerns about the rigour with which public funds are being disbursed to Atira.

We understand that, in addition to Atira, BC Housing's largest housing Providers are [REDACTED]

To understand the funding trends over the Scope Period, EY analyzed the annual cash disbursements from BC Housing to these Providers. EY noted that all four Providers received similar levels of annual funding from FY 2016 to FY 2018. Starting in FY 2019, Atira began receiving more funding than the other Providers. Between FY 2019 and FY 2022, the spread between Atira and the next highest Provider continued to grow, culminating in FY 2022 when Atira received approximately \$35M more than the next highest Provider. See **Exhibit 1** below for a visual representation of these funding levels.

Exhibit 1: Annual funding to BC Housing's largest housing Providers



EY analyzed the available financial reviews conducted by BC Housing for Atira during our Scope Period. EY noted that prior to FY 2019, BC Housing's financial reviews determined that Atira was either in a deficit position or had modest surpluses. Starting in FY 2019, Atira began generating surpluses in excess of \$1M, as shown in **Table 2** below. EY observed that these increased surpluses aligned with the point in time when Atira's annual funding levels jumped.

Table 2: BC Housing's calculation of Atira's surplus/(deficits) from FY 2016 to FY 2020

Fiscal year	Annual funding provided by BC Housing	Current year surplus/(deficit) per financial reviews
FY 2016	\$17.0M	\$64K
FY 2017	\$18.2M	(\$454K)
FY 2018	\$21.2M	\$8K
FY 2019	\$28.2M	\$1.7M
FY 2020	\$33.2M	\$2.5M
FY 2021	\$57.5M	Unknown ⁶
FY 2022	\$74.1M	Unknown ⁶

⁶ As noted in section 4.2 *BC Housing's ineffective financial oversight processes*, as of the date of this Report, BC Housing has not completed the financial reviews for FY 2021 and FY 2022.



BC Housing's financial reviews for FY 2021 and FY 2022 are incomplete as of the date of this Report. Therefore, we could not analyze whether Atira was in a surplus or deficit position. However, we undertook the below procedures to understand the rationale for the funding increases in these years. It is important to note that EY's procedures do not serve as a substitute for a completed financial review by BC Housing.

We understand that BC Housing's Providers generally receive funding in one of four types: (1) Operating subsidies based on budgeted expenses for managing the properties; (2) Capital funding for the purchase of new properties or renovations of existing properties; (3) extraordinary expenses for unforeseen costs; and (4) COVID-19 funding to assist with the pandemic response.

EY analyzed funding received by Atira from BC Housing across the four types:

(1) Operating subsidies

EY analyzed the operating subsidies provided by BC Housing to Atira. This analysis was performed in three key respects:

- (a) **Per-unit analysis:** EY analyzed the operating subsidy per-unit for Atira and compared it to the per-unit amounts received by [REDACTED]. To help benchmark the level of funding advanced to each Provider, for FY 2022 as the most recent year, EY set a threshold of \$3,500 per-unit, per-month ("PUPM"), or \$42K per year. While we acknowledge that certain Atira properties provide a heightened level of services to tenants or do not collect rent, we note that 23% of Atira's properties received PUPM operating subsidies in excess of our threshold. In comparison, 15% of [REDACTED] properties receive PUPM operating subsidies in excess of our threshold, followed by [REDACTED] with 6%, and [REDACTED] with 4%. Regarding the properties over the defined threshold, EY noted that if only \$3,500 PUPM had been provided to Atira, its operating subsidy funding would have decreased by approximately \$3.5M in FY 2022 alone. We note that the PUPM received by Atira appears to be a contributing factor to the higher amount of overall operating subsidy funding that it receives.
- (b) **Operating budget analysis:** Based on the cash disbursement records provided by BC Housing, EY identified projects that appeared to have notable year-over-year funding increases. For these projects, EY obtained and analyzed the operating budgets. Our analysis identified several accounts that were the primary contributors to the increases in year-over-year funding to Atira. The most predominant accounts contributing to the change were the administration charge as well as labour and benefits.

Administration charge

BC Housing provides funding for administration charges, which are overhead costs incurred by a Provider to run its operations that are not directly attributable to projects. For example, we understand these costs can include items such as the wages and benefits of the finance team, the human resources team, the information technology team, and other office-related costs for these staff.

EY obtained an analysis prepared by BC Housing's Finance team calculating how much BC Housing's Providers received in administration charge funding as a percentage of their operating budget for FY 2021 and FY 2022. This analysis showed that Atira received administration charge funding totaling approximately 15% of its operating budget. In comparison, the average across all of BC Housing's Providers was approximately 9%. Furthermore, Atira received more administration charge funding than [REDACTED], and [REDACTED]. In particular, Atira received nearly 4%, or \$3.3M, more than [REDACTED] which had the next highest amount among the other Providers analyzed. The higher amount of administration charge contributed to the overall operating subsidy increases that Atira received.

Labour and benefits expense

EY analyzed Atira's labour and benefits expenses and held discussions with various BC Housing employees in this regard. We note that as part of its annual budget submissions, Atira has requested funding for additional staffing for its properties.

EY was told by both Atira and BC Housing representatives that Atira has experienced difficulties with recruiting staff for its projects. In turn, this has led to public funds going unspent and generating surpluses for Atira⁷. However, when questioned on the matter, EY was unable to obtain clear answers from BC Housing on the rationale for notable increases in labour and benefits funding.

We observed that BC Housing continued to provide Atira with funding for additional employees despite Atira's history of being unable to utilize these funds provided by BC Housing in a timely manner due to the difficulties in hiring. As a result, we question whether it is prudent for BC Housing to be advancing funds that have a questionable likelihood of being spent in the year provided and could therefore generate a surplus for Atira.

- (c) **New project analysis:** In connection with our investigation, EY undertook an analysis of select Atira projects that began receiving operating subsidies during the Scope Period. During this time, we noted that Atira was awarded the operating agreements for at least six projects owned by the Provincial Rental Housing Corporation ("PRHC")⁸.

Concerns were raised to EY regarding the manner in which BC Housing awarded these operating agreements to Atira. In particular, we were told that these operating agreements were awarded to Atira without BC Housing undertaking a Request for Proposal ("RFP") process. We observed the following two examples:

⁷ Refer to section 4.4.1 *Purchase of 303 Columbia* for further discussion on the generation and use of surpluses by Atira.

⁸ PRHC is a BC Housing-associated entity which holds property for social and low-cost housing.

Burn's Block

In FY 2022, Atira was granted the operating agreement for Burn's Block, a 30-unit property owned by PRHC, with an annual subsidy of \$1.3M. We observed the following communications regarding this property:

- ▶ On January 31, 2021, J. Abbott emailed [REDACTED] of BC Housing, stating, "I have the Burn's Block under contract for \$10.6M."
- ▶ We observed an email dated March 14, 2021 from [REDACTED] stating, "Is [sic] possible to clarify any remaining Atira connection here? Saw an email last month from [J. Abbott] that stated Atira had the "...Burns Block under contract for \$10.6M'." [sic] Presuming if we go SHF route PRHC will have ownership and then Ops/BC Housing would need to choose the [Provider]?"
 - ▶ [REDACTED] at the time, responded, "You are correct, but the deal has since materially changed. Atira cannot close so PRHC will enter into a new contract directly with [vender]...Ops will decide whether to RFP, DM, or direct award to [REDACTED] who may have synergies with the site they operate next door." We note that [REDACTED] specifically raised [REDACTED] as a potential operator of the property.
- ▶ We also noted that during this time frame, S. Ramsay was copied on relevant communications regarding the Burn's Block transaction.
- ▶ On April 8, 2021, [REDACTED] at BC Housing emailed [REDACTED] at BC Housing, stating, "we are seeking to purchase [Burn's Block] via assignment of a contract from Atira who has the property under contract currently... My understanding is that commitments have been made to Atira to appoint them as Operator..."
 - ▶ [REDACTED] replied, "Yes, commitment has been made to Atira that they will be the operator."

We were unable to identify documentation supporting the rationale for BC Housing accepting assignment of Atira's contract after it was determined that Atira "cannot close." Furthermore, we were unable to identify a rationale for Atira being directly awarded the operating agreement for this property.

Buchan Hotel

In FY 2021, Atira was granted the operating agreement for the Buchan Hotel, a 63-unit property owned by PRHC, with an annual subsidy of approximately \$1M. We observed the following communications regarding this property:

- ▶ On September 3, 2020, [REDACTED] at BC Housing at the time, emailed [REDACTED] requesting an Excom submission be prepared for "Atira to manage the Buchan Hotel

on permanent term basis” and that “the submission should explain the current circumstances as to how Atira came to be managing the site, namely that there was no appetite from the other local providers to take on and manage this location.”

- ▶ [REDACTED] replied, “Prior to the excom approval, I believe this merits further discussion...From my perspective, this is a public asset which should go to public tender.”

Based on our analysis, it does not appear that an RFP process was undertaken for the management of this property. Absent an RFP, we question the conclusion drawn that “there was no appetite from the other local providers.” Furthermore, we were unable to identify documentation supporting the rationale as to why the property was awarded directly to Atira, despite [REDACTED] comments stating his view regarding the need for a public tender.

EY also questioned [REDACTED], regarding the operating agreements for properties owned by PRHC, which were awarded directly to Atira. For certain projects, [REDACTED] told us that “Other [Providers] did not have capacity to operate.” EY questioned [REDACTED] about how many Providers were asked if they had capacity before BC Housing decided to award the operating agreements directly to Atira. [REDACTED] stated that “we don’t have this info” due to turnover within Excom. Accordingly, EY was unable to obtain support to substantiate the assertion that other Providers did not have capacity for the projects.

Our observations regarding Burn’s Block and Buchan Hotel raise concerns regarding the manner in which BC Housing awards operating agreements for PRHC-owned properties. Furthermore, our observations call into question the adequacy of BC Housing’s record keeping surrounding the decision-making process undertaken prior to awarding the operating agreements for the projects directly to Atira.

In analyzing the operating subsidies provided to Atira by BC Housing, EY also identified a number of concerns regarding BC Housing’s financial oversight processes. Refer to section **4.2 BC Housing’s ineffective financial oversight processes** for further detail.

Capital funding

EY analyzed the capital funding provided by BC Housing to Atira. Through this analysis, we identified two key capital projects that contributed to the increase in funding. Based on our scope, limitations in scope, and procedures performed, EY did not identify concerns with these transactions:

(a) The Alex Affordable Housing Project (“The Alex”)

In FY 2019, Atira responded to an RFP from BC Housing under the Community Housing Fund. EY analyzed this transaction, including the RFP package submitted by Atira and BC Housing’s evaluation of the package. Atira’s proposal contemplated building “83 units of Affordable Housing within the City of Port Coquitlam” as well as support spaces and



requested \$8.3M in capital grant funding. In FY 2020, BC Housing approved the requested capital funding for The Alex.

(b) Bridge Housing

In FY 2021, BC Housing approved capital funding for Bridge Housing. We observed the following rationale within the BC Housing Excom meeting minutes dated July 15, 2020:

"This building's one elevator is at risk of complete failure and has reached the end of its service life. The elevator has failed many times recently and requires a full upgrade as well as electrical and fire alarm system tie-ins. The interior upgrades are required in the units as existing conditions are very worn and in need of upgrading. These improvements consist of complete flooring replacement, interior painting, and replacement of cabinets and fittings. Common area flooring replacement is also required."

Our analyses of these projects did not raise matters warranting further investigation. However, in analyzing the capital funding provided to Atira by BC Housing, EY identified other transactions whereby Atira took actions contrary to that expected of a Provider, and BC Housing's response to such conduct was inadequate. Refer to section **4.4.1 Purchase of 303 Columbia** and **4.4.2 Purchase of Sereena's House for Women** for further detail.

Extraordinary Expenses ("EE")

EY analyzed select EE transactions and did not identify significant concerns. However, we did observe what appeared to be an inconsistent definition of what constitutes an EE. BC Housing's operating agreements define an EE as an expense that a "Provider, or a prudent operator of similar property and services, is not reasonably expected to control or manage..." whereas we were informed by a BC Housing representative that they view an EE as one that is "not budgeted for." In other words, if an expense could be controlled or managed, it would not meet the definition of EE under the operating agreements. Conversely, the definition employed in practice would cover unbudgeted costs, irrespective of whether they were or were not manageable. The potential for misinterpretation could lead to inappropriate disbursements in the future. However, we noted that between FY 2019 and FY 2022, total EE funding was \$1.8M, representing approximately 1% of total funding from BC Housing to Atira during that time period.

COVID-19 funding

EY analyzed select disbursements made to Atira related to the COVID-19 pandemic response. We note, as outlined in our scope limitations, our analysis was limited to the information provided by BC Housing and Atira and did not include an examination of Atira's banking records. In general, the disbursements appeared to be appropriately applied to costs incurred by Atira in response to COVID-19. However, we noted at least \$3M in COVID-19 related disbursements were made to Atira without the appropriate internal BC Housing approvals. Refer to section **4.2.3 Disbursements to Atira without appropriate approvals** for further detail.



4.2 BC Housing's ineffective financial oversight processes

Key observation

Given the lack of timeliness, efficacy and accuracy that we have observed in BC Housing's financial review processes, we have significant concerns regarding the manner in which BC Housing manages its financial relationship with Atira. Furthermore, we have identified instances in which BC Housing has disbursed funding to Atira without obtaining the approvals required by BC Housing's internal control processes. Overall, we question the rigour with which public funds are being dispersed by BC Housing.

We understand that BC Housing has two principal processes for monitoring the financial relationship between itself and the Providers:

1. An annual budgeting process which focuses on assessing allocation, eligibility and budget categories of revenues and expenses that form the size of the operating subsidy received by the Provider.
2. An annual financial review process which focuses on analyzing the Provider's financial status year-over-year, including an assessment of whether the Provider is in a surplus or deficit position for the current year, which in turn, determines whether funds are due to or from BC Housing. For Providers receiving subsidies in excess of \$100K, Providers are required to submit their audited financial statements for analysis within four months of the end of their fiscal year.

We note that the purpose of the financial review process is to inform the decisions made for the annual budgeting process.

Our work has uncovered concerns regarding the procedures and processes by which BC Housing manages its financial relationship with Atira, as detailed below.

4.2.1 Lack of timeliness of the financial oversight processes

BC Housing's annual financial review process has faced delays, leading to long periods of time wherein BC Housing does not have a clear picture of whether Atira is being over or underfunded and by how much. We observed that BC Housing has continued to advance funding to Atira prior to the completion of an annual financial review. In doing so, BC Housing is making funding decisions without having the information a completed financial review provides.

The financial review for Atira's FY 2020 was not completed until August 2, 2022. When the financial review was ultimately completed, it revealed a \$2.5M surplus for Atira's FY 2020. The delay in the completion of the financial review led to BC Housing being unaware of the \$2.5M surplus for approximately two years. Refer to **Exhibit 2** for a visual representation of this timeline.

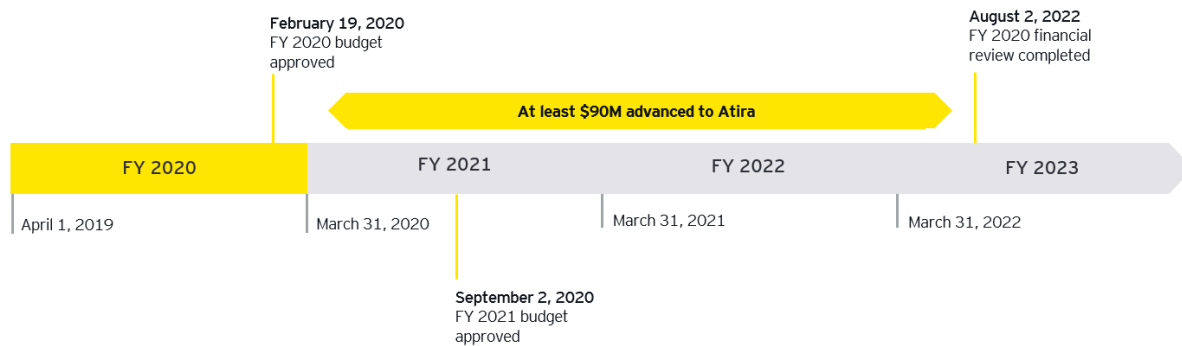
Of the overall \$2.5M surplus, we identified that the top three projects contributing to the surplus also received budget increases from FY 2020 to FY 2021, as illustrated in **Table 3** below:

Table 3: FY 2020 surplus analysis

Atira project	Surplus per FY 2020 financial review package	FY 2021 budget increase per operating budgets
Sorella Housing for Women ("Sorella")	\$311,793	\$294,670
Aneki Housing for Women ("Aneki")	\$293,697	\$82,722
The Rice Block Redevelopment ("Rice Block")	\$263,501	\$83,703
Total	\$868,991	\$461,095

The FY 2021 budget increase noted above was approved by Excom on September 2, 2020, approximately two years prior to the completion of the FY 2020 financial review and five months after FY 2021 began. This raises concern that at the time of budget approval, Excom was unaware of the extent of the surpluses that the FY 2020 budget had generated. Despite this substantial gap in information, Excom decided to approve a budget increase for Atira. This is in addition to other types of funding Atira received throughout the year. Refer to **Exhibit 2** for a visual representation of this timeline.

Exhibit 2: Timeline of budget and financial review processes



As noted above, a portion of the \$2.5M surplus was created as a result of the \$312K surplus from Sorella. EY discussed Sorella with [REDACTED], specifically asking at what point BC Housing realized that Sorella was in a surplus position for FY 2020. [REDACTED] told us that BC Housing identified the surplus "when the financial review [was] processed." This suggests that BC Housing was unaware of the extent of the surplus Atira had for FY 2020 at the time of granting them a budget increase for FY 2021. While we have not performed a detailed assessment of these concerns for other Providers, EY was informed that the financial reviews for other Providers are similarly delayed. Given the lag between the financial review and budget processes, there is a

[REDACTED] was the [REDACTED] assigned to the majority of the Atira portfolio until 2022.



potential for Atira, and other Providers, to continue to receive budget increases, while simultaneously generating surpluses.

As of the date of this Report, BC Housing's financial review for FY 2021 remains incomplete. With respect to the FY 2022 financial review, we understand that it will not commence until the FY 2021 financial review is complete and Atira's FY 2022 financial statements¹⁰ are issued. As a result, it is clear that BC Housing's financial review process continues to be delayed, yet Atira's budgets continue to be approved, further exemplifying a gap in financial oversight.

When questioned about the causes of the delays observed, [REDACTED] told us a predominant factor is resource constraints experienced by both BC Housing and Atira.

The consequences of BC Housing's lapses in prudent financial oversight could call into question the rigour with which taxpayer money is dispersed by BC Housing. Since April 1, 2020, BC Housing has advanced at least \$90M of public funds to Atira for operating subsidies without having completed its financial review process. Unless substantial changes are made to BC Housing's financial oversight processes, we expect that the delays described above will continue to persist.

4.2.2 Lack of efficacy and accuracy of the financial oversight processes

We analyzed BC Housing's records regarding the procedures performed as part of the annual budget review and financial review processes. We were told by [REDACTED] that BC Housing does not require Atira, or any of the Providers, to submit current year financial data on a monthly or quarterly basis. We understand that if Atira had provided BC Housing financial information, outside of the annual financial statement requirement, it was usually as part of a request for additional funding. We were told by [REDACTED] that Atira's financial information submissions were sometimes "inaccurate" in that "their year to dates were like three months off."

In FY 2022, Atira received a monthly average of \$4M in operating subsidies. Given the scale of funds provided to Atira, the lack of accurate monthly or quarterly financial analysis represents a significant gap in BC Housing's financial oversight.

We were told by [REDACTED] that the financial review process is principally performed by BC Housing's Operations team. For Providers or situations deemed to be "complex", the AAS¹¹ team, led by [REDACTED], participates in the financial review process.

EY held discussions with [REDACTED] and [REDACTED] regarding the financial review process. We were told that AAS was involved in the FY 2020 financial review process for Atira. However, when questioned regarding the \$2.5M surplus, it does not appear that the AAS team was knowledgeable about the outcome.

¹⁰ EY was informed by [REDACTED] that a primary cause of the delay of the issuance of Atira's FY 2022 financial statements relates to Atira's unauthorized use of restricted funds, as discussed in section 4.4.1 *Purchase of 303 Columbia*.

¹¹ AAS's mandate is to provide internal audit support to ensure effective financial oversight of BC Housing's various Providers and departments, particularly where BC Housing's largest and most complex housing providers are involved.



We were told by [REDACTED] that AAS has recently taken a reduced role in the budget review and financial review processes and that Operations continues to hold primary control and oversight of the processes. EY analyzed the FY 2020 financial review package that was prepared by BC Housing's Operations team with the support of AAS. Based on our analysis, we identified inaccuracies and misleading information within the package. For example, we noted that the project-specific revenue reported by BC Housing's surplus calculation was inaccurate. BC Housing's surplus calculation did not account for all adjustments BC Housing applied during the fiscal year and therefore did not reflect the true financial position of each property. Further, when attempting to agree the financial review package to BC Housing's internal cash disbursement records, EY observed that the adjustments appeared to be incorrectly applied.

When questioned about EY's observations regarding the adjustments within BC Housing's cash disbursement records, [REDACTED] stated that BC Housing did not know which projects to adjust. EY specifically inquired about the adjustment to a certain project. [REDACTED] responded that he had selected the project "arbitrarily" and that the adjustment had "nothing to do with" the project, confirming EY's observations that certain decisions made by BC Housing were not reflected in the documents provided. To this end, the FY 2020 financial review may not represent fully accurate figures.

We are concerned that the team primarily responsible for this review may not have had the appropriate competence, experience, or supervision in the circumstances.

EY's observations surrounding the financial review process, including the personnel involved and the results of the FY 2020 financial review, call into question the overall reliability of the process and its reported results. Furthermore, should our concerns remain unremedied, future financial reviews could prove to be ineffective and remain an unreliable information source which should not inform BC Housing's decision-making process.

4.2.3 Disbursements to Atira without appropriate approvals

BC Housing requires that disbursements in excess of \$250K receive Excom approval. Despite this requirement, EY observed that at least \$3M of COVID-19 related funding was advanced to Atira without the necessary approval. These disbursements occurred through at least eight payments greater than \$250K between June and October 2020.

For certain transactions, we observed the following communications:

- ▶ [REDACTED] stated, "What happened to the excom??"
 - ▶ [REDACTED] replied, "No excom. [REDACTED] said no need for excom..."
- ▶ In a subsequent email, [REDACTED] stated, "Whilst the amounts Atira submitted are significant, [A. Barodawalla] and team were happy to support the costs..."

¹² [REDACTED] prepared the FY 2020 financial review package, under the direction of Operations leadership.

¹³ [REDACTED] was BC Housing's [REDACTED] from January 2020 to May 2021.



In the same email correspondence, [REDACTED] recognized that, “the costs of this provider are remarkably high...”, that, “the current funding is likely not to be sustainable over the long term...”, and that there is “heightened sensitivity around the funding allocation to Atira.” Despite acknowledging these factors, [REDACTED] proceeded to approve the disbursements without obtaining Excom approval.

EY was unable to locate evidence to substantiate A. Barodawalla’s support of these costs. Regardless, we note that approval from [REDACTED] and A. Barodawalla alone does not amount to a substitute for full Excom approval.

EY recognizes that organizations faced challenges stemming from the onset of the COVID-19 pandemic. However, we noted that during the time period that these disbursements were made, Excom met at least 15 times. Despite the opportunities for the contrary, [REDACTED] informed us that “there [was] no Excom approval” for this funding to Atira.

The decision to advance funds to Atira constituted a clear contravention of established BC Housing policies and represents a departure from the internal control of having Excom review and approve disbursements in excess of \$250K. This has resulted in at least \$3M of disbursements made between June and October 2020, without appropriate scrutiny.

4.3 Atira’s propensity to bypass standard BC Housing channels

Key observation

We were informed by both current and former BC Housing employees about Atira’s propensity to circumvent standard channels and approach Excom members directly regarding its requests. We were informed that employees of BC Housing were told by their superiors to “make it happen” for Atira when these requests came in. Allowing Atira to bypass standard channels appears to be a form of preferential treatment by BC Housing, which casts doubt upon BC Housing’s objectivity while exercising its financial oversight role.

Background

EY conducted interviews with a variety of current and former BC Housing employees, including Excom members. We were informed that BC Housing’s standard procedure is for Providers to approach their respective SHAs or NPPM¹⁴ as a first point of contact when submitting requests to BC Housing. Based on our interviews, we have concerns regarding the manner in which requests from Atira were handled.

¹⁴ Providers are managed by BC Housing’s SHA or NPPM depending on what type of housing is delivered by the Provider. These roles act as the key point of contact between the Provider and BC Housing. This is where issues are expected to be first identified and actioned, such as raising a request for a major capital repair or investigating a mid-year subsidy adjustment.



Atira's access to senior members of BC Housing

We were told by multiple interviewees that, contrary to the standard procedure, Atira regularly bypassed the traditional communication channels by approaching more senior members of BC Housing directly for matters such as funding requests. In turn, the senior members of BC Housing told other BC Housing employees to "make it happen." We understand that this is in contrast to the standard procedure where requests are initiated with lower-level employees and escalated upward as necessary. We were also told that when faced with opposition to its requests from BC Housing employees, Atira employees would state, "[J. Abbott] will make a call", suggesting J. Abbott has a preferential access to the senior members of BC Housing.

By allowing Atira to direct their requests to Excom members, BC Housing's tone at the top has been negatively impacted in that it appears to endorse a viewpoint that Atira is permitted access that other Providers are not.

We asked [REDACTED] about Atira's relationship with BC Housing, and he told us about "Atira's propensity to go alone and to make decisions without an appropriate level of consultation." [REDACTED] also told us that "Atira was given a level of consideration that others might not be" and that Atira has "a familiarity with BC Housing or a level of comfort with BC Housing that does not exist with other providers". Our observations surrounding Atira's tendency to direct their requests to Excom members combined with [REDACTED] statements appears to confirm that Atira receives preferential treatment.

4.4 Transactions of concern between BC Housing and Atira

4.4.1 Purchase of 303 Columbia

Key observation

Atira utilized \$2M of restricted funds, repayable to BC Housing and without BC Housing's authorization, to purchase 303 Columbia. BC Housing failed to consult with legal counsel at the time to assess whether Atira's actions breached the provisions of BC Housing's operating agreements. This purchase caused Atira cash flow issues which resulted in \$1.4M of additional BC Housing funding. Approximately one year after Atira's actions, BC Housing notified Atira that they did not approve the use of the restricted funds. This transaction appears to demonstrate that Atira was making important financial decisions with the expectation that support from BC Housing would follow. We are also concerned that BC Housing's delayed response to Atira's actions may suggest to Providers that BC Housing is unwilling to exercise the legal remedies available under its operating agreements.

Background

303 Columbia is a 74-unit Single Room Occupancy ("SRO") property owned and operated by Atira, located in Vancouver's Downtown Eastside. We understand that the possibility of BC Housing



purchasing 303 Columbia had been previously explored. However, we observed internal BC Housing emails in May 2021 where it was stated that BC Housing was not supportive of purchasing the property themselves, given a discrepancy between the appraised value of the property and the asking price.

In June 2021, Atira approached BC Housing about the possibility of purchasing 303 Columbia themselves as a replacement for the Colonial Hotel, and to transfer over the operating subsidy then being received for the Colonial Hotel to 303 Columbia.

Atira's use of \$2M in restricted funds and BC Housing's response

On January 31, 2022, Atira closed on the purchase of 303 Columbia for a sum of \$16.9M, which included a \$900K assignment fee. \$13.5M of the purchase was funded by Vancity Savings Credit Union ("Vancity") by way of a mortgage. After closing, on February 3, 2022, J. Abbott requested funding for this transaction from BC Housing via an email to [REDACTED]. The email read, "Atira can cover about \$2M of the equity required from restricted funds (past year's surpluses, primarily), but is short around \$1.4M". Atira's use of \$2M in restricted funds was confirmed to EY by both Atira's [REDACTED] Refer to **Exhibit 3** below for a visual representation of this timeline.

[REDACTED] told us that "[BC Housing] did not authorize either the use of restricted funds or the use of surplus." Further, [REDACTED] told us that he was made aware of the use of the funds "after the fact" and "didn't provide authorization" to Atira at that time either.

BC Housing's operating agreements include provisions regarding the use of surplus funds. We were told by both [REDACTED] and A. Barodawalla, that when there is no consent permitting otherwise, operating surpluses are expected to be remitted to BC Housing. This explanation is consistent with our understanding of the provisions in the operating agreements. We were informed by [REDACTED] that BC Housing has various remedies in the event that a provider breaches an operating agreement, including issuing a notice of default, appointing a receiver, or terminating the agreement.

Given that we did not identify a provision in the operating agreements which would allow Atira to utilize surplus funds to make a capital purchase and that BC Housing did not provide authorization, Atira's actions appear to be in breach of the provisions of the operating agreements.

EY questioned [REDACTED] about the actions taken by BC Housing upon becoming aware of Atira's unauthorized use of the \$2M in restricted funds. [REDACTED] told us that he did not consult with legal counsel at the time to assess whether Atira's actions breached the operating surplus provisions because he did not feel that the legal remedies available to BC Housing were "palatable" options.

We were told by [REDACTED], that in February 2023, BC Housing advised Atira that it did not and will not be approving Atira's use of the \$2M surplus for

[REDACTED] since S. Ramsay's departure in September 2022.



the purchase of 303 Columbia. We noted that BC Housing did not address Atira's conduct adequately until the matter was raised by EY.

As noted in section **4.2 BC Housing's ineffective financial oversight processes**, Providers are required to submit their audited financial statements to BC Housing within four months of their fiscal year-end. As at the date of this Report, Atira's FY 2022 financial statements have yet to be issued, almost 11 months after the fiscal year-end. We understand that the audited financial statements form an integral part of BC Housing's financial review processes, especially given that BC Housing receives limited financial information from Providers outside of the annual financial statements.

We were told by [REDACTED] that the delay is partly due to the fact that Atira's unauthorized use of the \$2M in restricted funds could result in a "material" adjustment to Atira's financial statements. Furthermore, it appears likely that part of the \$2.5M surplus discussed in section **4.2 BC Housing's ineffective financial oversight processes**, facilitated Atira's purchase of 303 Columbia.

BC Housing's decision to grant an additional \$1.4M to Atira

On March 7, 2022, J. Abbott followed up with [REDACTED] regarding the requested \$1.4M via a text message stating "We are going to hit some cash flow struggles for next payroll, in just under 2 weeks." We were told by both A. Barodawalla and [REDACTED] that Atira has made "last-minute" claims of a potential inability to make payroll as a means of requesting funding from BC Housing on more than one occasion.

We noted that within 10 days of J. Abbott's message to [REDACTED], Excom approved a \$1.4M forgivable mortgage to Atira. The Excom meeting minutes stated that:

- ▶ *"After the purchase closing date of January 31, 2022, Atira advised BC Housing Operations that the loan obtained from VanCity was \$13,500,000. Atira had to pay an [sic] equity of \$3,400,000".*
- ▶ *"Atira is requesting for [sic] \$1,400,000 grant from BC Housing to cover for a portion of the equity they funded from various society accounts. They need this funding to assist their cashflow..."*

Refer to **Exhibit 3** below for a visual representation of this timeline.

We discussed the circumstances of BC Housing's decision to advance the \$1.4M with [REDACTED]. We were told by [REDACTED] that BC Housing viewed the implications of Atira potentially "missing a payroll" to be "significant", and therefore, BC Housing was "left with very little options."

We note that BC Housing being "left with very little options" appears to be a direct result of their inability to provide effective financial oversight of Atira, inconsistent with the conduct expected of a publicly funded organization.

Exhibit 3: Timeline of 303 Columbia purchase



This timeline is for illustrative purposes and is not to scale

Involvement of S. Ramsay in the 303 Columbia transaction

We were told by [REDACTED] that he had concerns regarding various aspects of the 303 Columbia transaction. [REDACTED] voiced these concerns during the January 5, 2022 Excom meeting to discuss the transfer of the Colonial Hotel's operating subsidy to 303 Columbia. During this meeting, he had abstained from the Excom vote on the matter. Further [REDACTED] told us that after the Excom meeting, S. Ramsay approached [REDACTED] and requested that he rescind his abstention. [REDACTED] agreed to rescind the abstention on the condition that the risks giving rise to his concerns were noted in the Excom meeting minutes.

We noted that at the time of this Excom, [REDACTED] [REDACTED] Given the DAS team's mandate¹⁶, [REDACTED] abstention on the matter was significant. Despite this, EY observed email correspondence showing that subsequent to the agreement to include [REDACTED] concerns in the minutes and at the instruction of S. Ramsay, [REDACTED] as shown in **Table 4** below:

Table 4: Modification of [REDACTED] concerns in Excom meeting minutes

Original concerns per [REDACTED]	Modified wording per S. Ramsay
The BCA [Building Condition Assessment] for 303 Columbia identified a number of capital repairs that are required for the building prior to occupancy in the order of \$2 to \$2.5M.	The condition assessment for 303 Columbia identified a number of capital repairs that are required for the building prior to occupancy and will need to be addressed.
The lease end for the Colonial will require BC Housing to return the building to it's [sic] "pre-lease" state. This will need to be funded through CRF and is estimated to be around \$2.5M. Both	The lease end for the Colonial requires Atira to return the building to it's [sic] "pre-lease" state. This will need to be funded through CRF and estimates will need to be finalized.

¹⁶ BC Housing's DAS team is responsible for the development of housing stock as well as redevelopments and improvements to existing housing stock.

Table 4: Modification of [REDACTED] concerns in Excom meeting minutes

Original concerns per [REDACTED]	Modified wording per S. Ramsay
pressures on CRF have not been budgeted for this fiscal and are not reflected in the report and will need to be resolved.	
The part of the subsidy to cover Atira's debt servicing for the purchase of 303 Columbia needs to be securitized in an agreement and/or title. There needs to be consideration for how this is done.	BC Housing/PRHC will enter into an operating agreement with Atira setting out the subsidy structure to support the operation of 303 Columbia.
The implications for the newly approved Vacancy Control Bylaw by the City of Vancouver has [sic] not been accounted for in the report or this transaction.	The applicability of the newly approved Vacancy Control Bylaw by the City of Vancouver will need to be considered in PRHC SRO transactions.

EY noted that the modified version of the risks was recorded within the finalized Excom meeting minutes. [REDACTED] further stated, "after the Columbia incident... it was made clear [he] wasn't the route to get these approvals" and that "things started moving around [him], outside of the [DAS] group."

This represents a direct contravention of BC Housing's COI policies, which resulted in an adjustment of BC Housing's records regarding this transaction with Atira. We further note that S. Ramsay's involvement occurred approximately six weeks after executing the 2021 Declaration, as defined in section **5.1 S. Ramsay's conflict of interest** below.

External inquiries regarding the \$1.4M

Treasury Board Secretariat Inquiry

On April 14, 2022, after BC Housing advanced the \$1.4M to Atira, a member of BC Housing's media relations team sent an inquiry to other BC Housing employees regarding "how to publicly refer to the \$1.4M that BC Housing has provided for Atira's purchase of [303 Columbia]."

Within the ensuing email correspondence, [REDACTED] stated:

"At this time, I'm not aware of anyone asking about the financing arrangements for 303 Columbia. By raising this issue we only invite others to ask further questions and dig deeper into the decisions of the BC Housing Executive. This ultimately negatively impacts our flexibility and "nimbleness" in making decisions that are in the best interests of BC Housing, our Providers, our tenants and serve in the best public interest. I would strongly suggest that we not raise this issue unless we are specifically asked for this information."

In an email reply, [REDACTED] stated this information was "requested by GCPE [Government Communications & Public Engagement] upon direction by TBS [Treasury Board Secretariat]."



A. Barodawalla then asked [REDACTED] a series of questions, including, “Who informed TBS about the Columbia and how much BC Housing contributed to it?” A. Barodawalla stated in a later email, “I need to understand the source of these requests and how financial information is being shared as this will have a significant implication on how we manage pressures internally...”

This series of communications appears to reflect concerns that BC Housing executives had with external parties, including the Government of British Columbia, becoming aware of the nature and circumstances surrounding the \$1.4M disbursement to Atira.

EY Inquiry to A. Barodawalla

In May 2022, EY questioned A. Barodawalla via email regarding whether he was aware of Atira experiencing any cash flow issues within the past six months. A. Barodawalla replied, “I am not aware of any cashflow issues with Atira recently”.

Despite this email response to EY, we obtained an email to A. Barodawalla from a member of Excom on March 8, 2022 which included the quote from J. Abbott stating, “We are going to hit some cash flow struggles for next payroll, in just under two weeks”. EY observed that A. Barodawalla subsequently forwarded the March 8, 2022 message to [REDACTED] suggesting that A. Barodawalla was aware of this communication showing that Atira was experiencing cash flow challenges at the time, contrary to A. Barodawalla’s initial response to EY’s inquiry.

EY then questioned A. Barodawalla about the above referenced email and the apparent discrepancy in his email response to EY. A. Barodawalla told us, “...maybe I didn’t frame it correctly but that was not the intent... in my mind, even now, there is no cash flow issue at Atira...”

A. Barodawalla’s explanation to us did not acknowledge that he was in receipt of information clearly communicating cash flow challenges at Atira and that BC Housing ultimately provided Atira \$1.4M to address these same cash flow challenges. As a result, EY deemed A. Barodawalla’s responses to be misleading, and calls into question whether there was an intent to conceal information from EY.

4.4.2 Purchase of Sereena’s House for Women

Key observation

Without BC Housing’s knowledge or consent, Atira assigned its BC Housing operating agreement for Sereena to Vancity as additional security for Atira’s mortgage. To release this assignment, we noted that BC Housing entered into an inter-lender agreement with Vancity which left BC Housing responsible to cure any default by Atira, and therefore assuming financial risk it was previously not exposed to. Despite considering Atira’s actions to constitute an event of default, BC Housing chose not to exercise the legal rights afforded to it under the operating agreements.



Background

Sereena's House for Women ("Sereena") is a 56-unit SRO transition house located in Vancouver's Downtown Eastside. Atira has operated Sereena since 2006, with the building being leased from [REDACTED]. The asking price for Sereena was \$6.3M.

When Atira approached BC Housing in November 2021 for assistance with the transaction, multiple BC Housing employees responded with concerns. Specifically, EY identified emails noting the following:

- ▶ BC Housing not being provided adequate time to perform due diligence regarding the transaction;
- ▶ Questions concerning the necessity of the purchase of Sereena given that BC Housing had excess capacity in its existing portfolio.

Despite the concerns raised, we understand BC Housing provided \$1.6M in financial support to Atira.

Atira's actions and BC Housing's response

In early 2022, Atira closed on the purchase of Sereena, using a \$4.7M mortgage from Vancity and \$1.6M of funding from BC Housing. As a part of the transaction with Vancity, Atira assigned its BC Housing operating agreement for Sereena to Vancity as additional security for the mortgage. We were told by BC Housing that this assignment was done without BC Housing's knowledge or consent. [REDACTED] told EY that this action came as a "complete surprise" and "caused significant concern" to BC Housing. [REDACTED] further stated that he was "not sure that there would be any other provider that [he] could think of that would do that."

In addition to concerns BC Housing had regarding Atira's conduct in assigning the operating agreement without consent, BC Housing was also concerned about what would happen in the event Atira did default under the Vancity mortgage. In this regard, [REDACTED] noted that Vancity would obtain control of Sereena and may not be in a position to ensure tenants are properly looked after, given that Vancity is not a housing operator.

In an effort to mitigate the risks associated with Atira's conduct, BC Housing sought to induce Vancity to release the assignment. In order to release the assignment, Vancity required BC Housing to execute an inter-lender agreement which bound BC Housing to cure any defaults by Atira under the mortgage. On August 17, 2022, Excom approved entering into the inter-lender agreement with Vancity, which exposed BC Housing to additional financial risk.

Based on our analysis of the operating agreements related to Sereena, we noted that they included the following provisions:

- ▶ "[Atira] will not without the prior written consent of BC Housing...assign, either directly or indirectly, this Agreement or any right of [Atira] under this Agreement".



- ▶ *“Any of the following events will constitute an event of default by [Atira] under this Agreement...[Atira] fails to comply with any provision of this Agreement”.*

The operating agreements for Sereena were executed by [REDACTED]. When questioned, [REDACTED] told us that BC Housing considered Atira’s actions to constitute an event of default, but BC Housing chose not to exercise any of the legal rights afforded to it under the operating agreements. The circumstances around the purchase of Sereena demonstrate another example of EY’s observations regarding BC Housing failing to sufficiently manage its relationship with Atira by not exercising the legal remedies available under its operating agreements in response to Atira’s actions.

Given the above noted provisions, we question whether it was necessary for BC Housing to execute the inter-lender agreement and therefore absorb the additional financial risk.

[REDACTED] confirmed, that as of the date of this Report, BC Housing remains bound by the inter-lender agreement with Vancity.

4.4.3 Purchase of Hollywood Motel

Key observation

Despite the Excom submission reflecting the purchase price being three times the appraised value of the property, BC Housing provided funding to Atira to purchase the Hollywood Motel. We observed text messages from S. Ramsay to Excom members regarding this transaction, suggesting S. Ramsay may have unduly influenced BC Housing’s decision-making. We also observed email correspondence from late August 2017 indicating that BC Housing’s preference was for Atira to transfer the Hollywood Motel to PRHC after closing.

In the years subsequent to the purchase of the Hollywood Motel, there remained inconsistent records and correspondence regarding the mortgage’s classification. In July 2021, BC Housing replaced the repayable mortgage with a forgivable mortgage. In the associated Excom submission, we noted the absence of a discussion regarding the rationale for this change. Overall, the Hollywood Motel transaction is an example of EY’s observations regarding BC Housing’s incomplete record keeping regarding financial transactions entered into with Atira. These gaps in record keeping can undermine the ability of external parties to analyze and understand BC Housing’s decisions.

Background

The Hollywood Motel (“Hollywood”) is comprised of two properties: 9145 King George Boulevard (“9145”) and 9155 King George Boulevard (“9155”). In 2017, Atira approached BC Housing for assistance in purchasing 9155. BC Housing had previously assisted Atira with purchasing 9145.



BC Housing's actions

On August 23, 2017, Excom approved full funding for 9155's purchase price of \$3.6M via a forgivable mortgage. The Excom submission identified that the "appraised value does not support [sic] purchase price" in that the purchase price was three times the "as if vacant" appraisal value of \$1.2M. While this was noted as a project risk in the Excom submission, EY did not identify documentation outlining the rationale for BC Housing proceeding to fund the purchase, which represents a critical gap in record keeping.

In late August 2017, subsequent to the Excom decision described above, we observed email correspondence indicating that BC Housing's preference was for Atira to transfer the property to the PRHC after closing. [REDACTED] directed that a repayable mortgage be registered against the property "with the transfer to follow at a later date" once Atira "confirm[ed] their position" on the transfer. We did not locate Excom minutes approving this classification change from forgivable to repayable, further exemplifying gaps in documentation by BC Housing. However, EY observed that the loan commitment letter, that was signed and accepted by J. Abbott, for 9155 reflected the mortgage's status as repayable.

In the years subsequent to the purchase of 9155, there remained inconsistent records and correspondence between BC Housing and Atira regarding the mortgage's classification. For example, in 2019, BC Housing responded to a confirmation received from Atira's auditor stating that the mortgage was repayable. This was contrary to how Atira had recorded the loan on its financial statements for FY 2018. EY observed the following within Atira's audited financial statements:

- ▶ FY 2017: Atira disclosed the transaction as a subsequent event, with 9155's mortgage described as repayable.
- ▶ FY 2018: Atira recorded the mortgage as forgivable.
- ▶ FY 2019: Atira disclosed the following:
 - ▶ "During the year, the [BC Housing] forgivable loan related to the property located at 9155 King George Highway [sic], Surrey, BC in the amount of \$3,550,000 was converted to a [BC Housing] mortgage, the terms of which are being finalized."
 - ▶ EY could not locate contemporaneous documentation to support this statement.
- ▶ FY 2020 and FY 2021: Atira recorded the mortgage as repayable with terms "yet to be finalized."

EY has concerns regarding the varying nature in which this mortgage has been recorded over the years.

Furthermore, in July 2021, BC Housing consolidated the mortgages on 9145 and 9155 to reflect the lot consolidation that was to take place. An Excom submission dated July 28, 2021, indicated BC Housing approved discharging the "repayable" mortgage and then registering a "1st priority forgivable mortgage in favour of BC Housing over the newly consolidated lot at 9145 and 9155



King George Boulevard”, effectively replacing the existing repayable mortgage with a forgivable mortgage. We noted that the meeting minutes for the July 28, 2021 Excom meeting approving the discharge of the repayable mortgage did not include discussion of the rationale for changing the mortgage type. We would expect that the rationale for a change of this magnitude would be clearly documented in the Excom meeting minutes and the lack thereof represents a gap in record keeping. We note that the identified gaps in record keeping may be contrary to the Financial Accountability section of BC Housing’s Standards of Conduct, which states that “records will be properly and accurately maintained.”

As of the date of this Report, [REDACTED] confirmed that Atira remains the owners of Hollywood, with BC Housing’s forgivable mortgage registered against the property. Given the limited records available to BC Housing executives, internal understanding of the series of events that took place surrounding 9155’s mortgage is not in line with what we would expect for a publicly funded organization.

Involvement of S. Ramsay

We observed direct involvement of S. Ramsay via text messages sent to a former Excom member regarding BC Housing’s funding decision for the Hollywood transaction.

Specifically, we observed the following messages from S. Ramsay:

- ▶ “... have we approved Hollywood yet...”
- ▶ “Just tell him to find the money... work is proceeding...”
- ▶ “Why the full court press to return Hollywood to PRHC... we getting some outside pressure?”

Based on the text messages observed, S. Ramsay’s conduct contravened BC Housing’s conflict of interest policies - see section **5.1 S. Ramsay’s conflict of interest** for further information. This conduct could be interpreted as S. Ramsay exercising inappropriate influence over BC Housing’s decision-making in the matter.

4.5 Atira’s use of funds from BC Housing

Key observation

We have not identified payments to vendors or payees from Atira’s cash disbursement ledger which would suggest that Atira used grants or other public funds for means outside of their required purposes. We note, as outlined in our scope limitations, our analysis was limited to information provided by BC Housing and Atira and did not include an examination of Atira’s banking records.

As part of our work, we evaluated whether Atira used grants or advances of public money, or the borrowings of which may be guaranteed by the Government of British Columbia (the “Province”), for their required purposes.



In order to assess whether funds were used for their required purposes, we performed risk-based data analytic procedures on Atira's cash disbursement ledgers for FY 2019 to FY 2022. Our analysis was focused on vendors or payees who were paid more than \$50,000 during the period.

In performing this analysis, we faced an inherent limitation due to the structure of Atira's cash disbursement ledgers which do not specify whether the funds used for disbursement were from BC Housing or another funding source.

Based on our analysis of the vendors or payees who received in excess of \$50,000 from Atira, we did not identify transactions which would suggest that Atira used grants or other public funds for means outside of their required purposes. Specifically, we did not identify disbursements to the following:

- ▶ Executives or employees of BC Housing
- ▶ Unidentified numbered companies
- ▶ Non-arms length or companies owned by J. Abbott or S. Ramsay
- ▶ Foreign entities

5.0 BC Housing's management of conflicts of interest

Key observation

We identified numerous instances in which S. Ramsay involved himself in matters related to Atira, in addition to his involvement in the 303 Columbia and Hollywood Motel matters discussed above. This further calls into question whether Atira received preferential treatment from BC Housing and BC Housing's ability to appropriately manage COI situations.

5.1 S. Ramsay's conflict of interest

Background

EY was provided with two declarations regarding the known COI between S. Ramsay and J. Abbott (collectively, the "Declarations") by BC Housing:

- ▶ Standards of Conduct/Conflict of Interest signed June 10, 2010 (the "2010 Declaration") and in effect until November 25, 2021.
- ▶ CEO Conflict of Interest Declaration and Conflict Screen Protocol signed November 26, 2021 (the "2021 Declaration"), in effect until S. Ramsay's departure in September 2022.

The 2010 Declaration was signed by S. Ramsay, affirming that he had "read, understood, and agreed to the protocol procedure". In summary, this declaration stated:

- ▶ All dealings and decisions regarding Atira will be made without reference or consultation with S. Ramsay.
- ▶ In the event a decision exceeds the authority of a Vice President, the decision shall be made by Excom, and S. Ramsay will excuse himself from the Excom process in the event of Atira-related decisions.
- ▶ S. Ramsay will hold confidential information not generally available to other stakeholders from J. Abbott and/or any other representative of Atira.
- ▶ S. Ramsay will report any situation not captured above that has the potential to be perceived as a COI or if made available in the public domain could potentially damage the reputation of BC Housing.

The 2021 Declaration was signed by S. Ramsay on November 26, 2021. The 2021 Declaration was also signed by the Chair of the Board of Commissioners at the time, Cassie J. Doyle ("C. Doyle") and [REDACTED]. In summary, excerpts of the declaration stated:

- ▶ Recusal and avoidance by S. Ramsay of any matters involving Atira, including that S. Ramsay:
 - ▶ *"Will not access documents that describe dealings with Atira, except information that is already public."*

- ▶ *"Will avoid all discussions regarding Atira business with officers, employees, members of the Executive Committee, and members of the Board."*
- ▶ *"Will not influence or attempt to influence officers, employees, members of the Executive Committee, and members of the Board, in exercising their responsibilities in relation to matters concerning Atira."*
- ▶ Delegation of duties by S. Ramsay to Appropriate Vice-Presidents¹⁷ in dealing with Atira
- ▶ Administration of Conflict-of-Interest Screen¹⁸ by the [REDACTED]
- ▶ Monitoring of S. Ramsay by other employees who interact with the CEO, with the expectation that matters or issues subject to the Conflict-of-Interest Screen are raised to the [REDACTED]

In addition to the Declarations, EY noted that BC Housing's Standards of Conduct includes language outlining the expectations regarding the manner in which COIs are to be handled.

As demonstrated in sections **4.4.1 Purchase of 303 Columbia** and **4.4.3 Purchase of Hollywood Motel** of this Report, S. Ramsay's actions in these matters directly contravened the Declarations. In addition to the aforementioned matters, EY observed at least 24 additional instances¹⁹ of S. Ramsay violating the Declarations by directly communicating with other BC Housing employees regarding Atira.

The following are examples of such communications:

- ▶ When discussing plans for a potential new project with a member of Excom, S. Ramsay sent a text message stating, "That would be a good one for Atira" and later in that exchange appears to instruct the Excom member to "offer [project] to Atira..."
- ▶ S. Ramsay sent a text message stating, "...just so long as Atira is the lead" when discussing a project with an Excom member.
- ▶ In email correspondence with a member of Excom regarding project allocation across Providers, S. Ramsay stated, "[J. Abbott] thinks [project] is way better for women..."
- ▶ S. Ramsay sent a text message stating, "... Jus [sic] off [sic] phone with [J. Abbott] who was relaying comments from the women's meeting..." when discussing a meeting where both BC Housing and Atira representatives were present.

We also observed communications whereby S. Ramsay appears to direct other BC Housing employees to assist him in concealing his involvement in Atira-related matters. For example, we noted the following two instances:

¹⁷ Under this protocol, "Appropriate Vice-President" means the Executive Committee member within whose responsibility a matter concerning Atira lies.

¹⁸ The Screen is a protocol to be carried out by the [REDACTED] to ensure that: (A) Copies of protocol are placed in appropriate files. (B) Documents subject to COI are clearly marked as such. (C) Files subject to COI are labelled "Subject to a Conflict-of-Interest Screen: Not to be shown to Shayne Ramsay", or similarly. (D) Records subject to COI are kept in a manner that the CEO will not have access. (E) Documents subject to COI are not left out in the open. (F) Board is aware of information that is not to be shared or discussed with CEO. (G) New employees are briefed on protocol and existing employees are periodically reminded. Note that we have not tested these individual aspects as of the date of this Report.

¹⁹ In addition to the text messages EY obtained through our collection of electronic data, we were also provided with screenshots of text messages, some of which were without time and date stamps.



- ▶ In a text message sent to an Excom member, S. Ramsay proposed an idea related to Atira and noted "...if asked [sic] that is your idea."
- ▶ In an email exchange referencing Atira, S. Ramsay stated, "Don't attribute answer to me because of Atira link."

Further, we observed at least four occurrences where J. Abbott included S. Ramsay in matters concerning Atira:

- ▶ J. Abbott emailed S. Ramsay stating, "We need two staff, 24/7 in all our buildings."
 - ▶ S. Ramsay in turn forwarded this to an Excom member stating, "She is right... we should have two staff 24/7 in all the hotels."
- ▶ We observed two other similar instances in which J. Abbott directly emailed S. Ramsay regarding an Atira matter and S. Ramsay forwarded it onto Excom members.
- ▶ We also observed an email that J. Abbott sent to BC Housing employees while blind copying S. Ramsay on the email. We then observed S. Ramsay following up with a member of Excom on J. Abbott's concerns.

Overall, it is evident that S. Ramsay repeatedly violated the terms of the Declarations through his direct involvement in matters related to Atira. As a result, this raises concerns that Atira received preferential treatment from BC Housing and was afforded greater access to public funds than similar Providers.

5.1.1 Community Impact Real Estate Society

EY was informed by current and former Excom members about concerns regarding BC Housing's relationship with the non-profit society CIREs, particularly, the fact that a service management contract exists between CIREs and Atira's for-profit arm, APMI²⁰ and that S. Ramsay advocated for additional business to be directed from BC Housing to CIREs shortly before his departure.

CIREs was established in 2016 to allow BC Housing to transfer the responsibility of the management of PRHC's commercial property rental units in Vancouver's Downtown Eastside. This is accomplished by CIREs entering into lease agreements with PRHC and BC Housing.

EY noted that CIREs procures property management services from third parties. We noted that property management services were initially provided to CIREs by MacDonald Commercial Real Estate Services, but that APMI was subsequently hired to assume this role. Several former and current BC Housing employees told us that APMI was "direct awarded" this contract but noted there would not be documentation outlining this change. Based on the available information, EY has been unable to substantiate the rationale for the shift in the property management service provider or whether this shift was done through a competitive process.

We were informed by [REDACTED] and [REDACTED] that prior to S. Ramsay's departure, he was advocating for additional properties to be leased to CIREs and for existing leases to be extended. [REDACTED] stated that S. Ramsay "felt pretty strongly that we needed to get this done like now"

²⁰ APMI is Atira's for-profit arm focused on providing property management services.



and that this was “a little unusual”. [REDACTED] further stated that some Excom members felt it was not a good decision to renew the contract with CIRES and that the renewal and transfer would result in a lack of control over the properties.

Despite this, EY observed emails from S. Ramsay to BC Housing employees regarding this matter. In one instance, EY observed S. Ramsay stating, “don’t want any foot dragging on this”. EY observed that this communication occurred shortly before S. Ramsay’s departure from BC Housing.

In an interview, J. Abbott told EY that APMI “has value” and that Atira “leverages [APMI] to make purchases.” Given APMI’s value to Atira, coupled with APMI’s property management contract with CIRES, S. Ramsay advocating for the transfer of properties and lease extensions to CIRES raises concerns that S. Ramsay was utilizing his position with BC Housing to indirectly benefit Atira. Despite this conduct representing another example of S. Ramsay’s violation of BC Housing’s COI policies, we are unaware of any action taken by either BC Housing executives or the Board of Commissioners to address this conduct.

The consequences of S. Ramsay’s actions combined with other BC Housing employees’ inaction, has resulted in a culture whereby it is deemed acceptable to enable or tolerate noncompliance with COI policies. This culture has manifested itself in Atira being given “a level of consideration that others might not be” and having a “familiarity with BC Housing or a level of comfort with BC Housing that does not exist with other providers”, as stated by [REDACTED]

5.2 Concerns regarding BC Housing’s ability to manage COI situations

We have concerns regarding the BC Housing governance practice that allowed for the CEO of a publicly funded organization to have a direct conflict of interest with the organization’s largest funding recipient. During our investigation, we identified several examples of mismanagement and a lack of oversight of BC Housing. S. Ramsay’s repeated violations of BC Housing’s COI policies demonstrate that BC Housing’s approach to managing the COI was ineffective.

The negative impact of mismanaging the COI has permeated throughout the organization. We were told by numerous individuals that they felt pressured to either directly or indirectly comply with requests that benefited Atira, despite concerns that they may have had at the time. This is illustrative of the impact the COI has had on BC Housing.



6.0 Conduct of S. Ramsay, former CEO, and A. Barodawalla, former CFO

6.1 Deletion of phone data

Key observation

Prior to EY's collection of BC Housing electronic data, the OCG instructed S. Ramsay to preserve and not destroy records of BC Housing. However, contrary to this instruction, we were told by S. Ramsay and A. Barodawalla that they have a practice of deleting text messages and did so prior to collection. In addition to the destruction of records that may be subject to government retention requirements, this practice effectively obstructed our investigation.

6.1.1 S. Ramsay, former CEO

On July 22, 2022, the OCG provided BC Housing a letter outlining EY's work. This letter was sent to Allan Seckel, BC Housing's Board Chair and subsequently sent to S. Ramsay. The letter stated that throughout EY's work, BC Housing was to "take steps to ensure that all records and things of BC Housing are preserved and not destroyed." S. Ramsay confirmed receipt and understanding of this letter via email on July 22, 2022 and stated he will "send a copy of the terms and reference to members of excom".

Upon collecting and imaging S. Ramsay's mobile device, EY discovered that less than 20 text messages were present on the mobile device. Based on our understanding that BC Housing executives routinely used text messages as a means of communication and the number of records present of other executives' devices, the limited number of messages on S. Ramsay's device suggested that S. Ramsay deleted text messages. Subsequently, during our discussion with S. Ramsay, EY inquired about the number of text messages present on his phone at the time of collection. S. Ramsay stated, "I clean them up if I don't need them." When reminded of the OCG's instructions to not delete records, S. Ramsay stated, "I do it every day, done this for years. I did it yesterday."

6.1.2 A. Barodawalla, former CFO

EY noted that less than 70 text messages were present on A. Barodawalla's two mobile devices. EY subsequently asked A. Barodawalla about the number of text messages present on his devices at the time of collection. A. Barodawalla told us that he views text messages as a "transitory" record and therefore does not retain them. Per S. Ramsay's email above, EY's understanding is that A. Barodawalla was also aware of the OCG's instructions to ensure records were "preserved and not destroyed."

Further, EY asked A. Barodawalla whether BC Housing business decisions were made through text message and could therefore constitute government records subject to retention requirements. A.



Barodawalla responded, “Right, and I agree, there are business decisions that are made through text too. But again, with me it was in terms of efficiency and managing my texts.”

6.1.3 Implications of data deletion

S. Ramsay’s and A. Barodawalla’s practice of deleting text messages effectively limited the availability of important decision-data making and business records available to EY and had the impact of obstructing our investigation. Moreover, their actions may represent a deviation from government record retention requirements. This conduct is inconsistent with the expectations of the CEO and CFO of a publicly funded organization. Furthermore, with respect to S. Ramsay, his actions represent a direct contravention of the instructions provided by the OCG.

6.2 S. Ramsay’s conduct regarding HPC Housing Investment Corporation (“HIC”)

Key observation

S. Ramsay, through BC Housing, founded and invested public funds entrusted to BC Housing in an organization called HIC. EY was informed by a representative of the Province that it is the Province’s opinion that consultation, if not approval, was required prior to HIC’s creation, neither of which the Province has record of. S. Ramsay, in his capacity as CEO of BC Housing, executed a service agreement between BC Housing and HIC, which named S. Ramsay as CEO of HIC in his personal capacity. HIC, in its proposed form, could have allowed organizations such as Atira to obtain both operating funding from BC Housing as well as debt from HIC. Both organizations would have been under the leadership of S. Ramsay.

Background

Through the course of our investigation, EY became aware of concerns that the Province had regarding BC Housing’s relationship with an entity called HIC. HIC was founded by BC Housing, Manitoba Housing and Housing Services Corporation of Ontario in 2018. The board of HIC was comprised of the then CEOs of each founding organization. HIC’s purpose was to provide long-term fixed rate financing for affordable housing projects. HIC would provide 40-year fixed interest rate mortgages, thereby providing stability for subsidy payments used to fund interest expenses. Current long-term financing options with third parties facilitated by BC Housing offer a 35-year amortization period with 10-year renewal terms. We understand that part of the rationale for the creation of HIC is that the 10-year renewal terms could expose BC Housing to interest rate risk, as BC Housing provides subsidies to cover interest payments.

EY was informed by a representative of the Province that the Province has no record of BC Housing seeking consultation or approval prior to the creation of HIC. EY was informed that the Province is of the opinion that consultation, if not approval, was required from the Province prior to HIC’s creation. Further we understand that upon becoming aware of HIC’s existence in 2018, the Province immediately developed concerns regarding the genesis of the organization. In



particular, the Province was concerned that BC Housing established and invested public funds in HIC.

During our interviews with [REDACTED] he told us that BC Housing has a service agreement with HIC and had provided \$1.65M in funding in addition to a commitment by BC Housing to provide staff resources to HIC. [REDACTED] stated that HIC was not intended to be a subsidiary of BC Housing and that no formal partnership was in place between the two entities outside of the service agreement. However, EY obtained the service agreement between BC Housing and HIC and noted that it stated, "S. Ramsay would act as CEO of HIC and devote up to 10% of his time to the business of HIC." Naming S. Ramsay directly, as opposed to CEO of BC Housing, had the effect of ensuring the position would not roll forward to new CEOs of BC Housing. HIC, as structured, could have allowed organizations such as Atira to obtain both operating funding from BC Housing, as well as debt from HIC - organizations that were both under the leadership of S. Ramsay.

In 2022, the Province instructed BC Housing to terminate its relationship with HIC. We understand that HIC had already provided financing for properties in British Columbia and Alberta. EY was informed by [REDACTED] that as of the date of this Report, responsibility for these outstanding loans, has not been ascertained. EY noted that at least \$70M has been advanced by HIC to borrowers, as of the date of this Report. Our understanding is that S. Ramsay, while no longer with BC Housing, remains the CEO of HIC.

7.0 Recommendations to address risks resulting from the conduct described in this Report

As noted in this Report, we have uncovered significant risks to public funds resulting from the manner in which BC Housing operates and administers its oversight role. By virtue of being a publicly funded organization, BC Housing is subject to greater scrutiny regarding its management and oversight practices. Our observations call into question BC Housing's financial oversight capabilities and the rigour with which BC Housing disperses public funds. Based on our work, we provide the following observations and corresponding recommendations for consideration which, if implemented, could improve BC Housing's financial oversight and administration of public funds. The following recommendations are specific to our point in time observations as of the date of this Report and specific to our Scope Period. Accordingly, any changes made by BC Housing since our Scope Period, such as enhancements to policies and processes, may not be reflected in the recommendations below.

Table 5: Recommendations to address risks resulting from the conduct described in this Report

Observations	Risks	Recommendations
S. Ramsay repeatedly violated the terms of the COI Declarations and BC Housing's Standards of Conduct. S. Ramsay's ability to breach these policies was enabled by other BC Housing employees, including current and former Excom members. We have concerns regarding the adequacy of BC Housing's ability to effectively manage future COIs.	<ul style="list-style-type: none"> ▶ By virtue of the size and scope of BC Housing we note that COIs may continue to occur in the future. ▶ S. Ramsay's conduct, notwithstanding his departure from BC Housing, has resulted in a culture whereby it is deemed acceptable to enable or tolerate noncompliance with COI policies. 	<ol style="list-style-type: none"> 1. Consider strengthening the current COI policies to explicitly prohibit a COI of this magnitude from recurring in the future. 2. Consider updating the Standards of Conduct to clarify that employees, including members of Excom, are prohibited from enabling others in the organization to act on their declared COIs. This would include an obligation for BC Housing employees, including Excom members, to report COI violations directly to the Board of Commissioners. 3. Consider implementing an anonymous whistleblower hotline to provide employees the opportunity to report on matters of noncompliance with the Standards of Conduct, including the COI

		<p>policies, and declarations made thereunder. The Standards of Conduct should then be updated to refer to the whistleblower hotline. We understand that as of late 2022, BC Housing has created a whistleblower policy to address the requirements of the Public Interest Disclosure Act. Consider leveraging this existing tool to include the matters outlined above.</p> <p>4. Consider implementing annual, organization-wide COI trainings, including continued annual signoff of the Standards of Conduct. Consider implementing annual signoffs of the COI declarations, as applicable.</p> <p>5. Consider implementing a process to ensure that the Standards of Conduct are reviewed by the Board of Commissioners at least annually and updated, where necessary.</p>
<p>Ineffectiveness of BC Housing's financial oversight processes due to a lack of timeliness, efficacy, and accuracy.</p>	<ul style="list-style-type: none"> ▶ Without the timely completion of the financial review process: ▶ BC Housing is unable to adequately monitor the use of public funds by Providers, thereby creating an opportunity for Providers to misappropriate funds. ▶ BC Housing cannot adequately assess budget increase or other funding requests as they lack the historical data to support whether existing funding levels are sufficient. 	<p>6. Consider requiring Providers to submit ongoing financial information. At a minimum, this should include quarterly revenue and expense data. We expect that this information should be readily available from Providers, given the capabilities of modern accounting systems.</p> <p>7. Consider establishing a formal structure and documented procedures outlining how budget and financial reviews are to be completed, including expected timelines and mechanisms for enforcement</p>

	<ul style="list-style-type: none"> ▶ Providers could be generating and using surpluses in an unauthorized manner, without BC Housing's knowledge, akin to Atira's actions in the 303 Columbia matter. ▶ Without effective and accurate financial reviews: <ul style="list-style-type: none"> ▶ The decisions made based on the results of the financial reviews could be inappropriate. ▶ BC Housing is unable to exercise the level of diligence that we would expect from a publicly funded organization. ▶ BC Housing will be unable to accurately identify instances in which Providers utilize funds in an inappropriate manner. This risk is further exacerbated by BC Housing's failure to obtain monthly or quarterly financial information from Providers. <p>The team responsible for the financial reviews may not have the appropriate competence and experience to effectively execute this type of review.</p>	<p>of those timelines. BC Housing cannot allow the financial review delays to persist, given the consequences that could flow from such delays.</p> <ol style="list-style-type: none"> 8. Consider requiring that financial reviews are completed prior to analyzing and approving budget requests for subsequent fiscal years. 9. Consider developing a status tracking framework, including key performance indicators and oversight responsibility matrix, illustrating BC Housing's progress in performing budget and financial reviews. This status tracking framework can be presented to the Board of Commissioners on at least a semi-annual basis to promote enhanced governance practices. 10. Consider restructuring financial reviews to be under AAS's purview, given AAS's mandate to "provide effective non-profit financial oversight... of BC Housing's largest and complex housing providers" and their financial qualifications, supplemented with support and consultation from the Operations team. 11. Prioritize hiring additional individuals with an accounting and/or finance background to supplement both the AAS and Operations teams with the budget review and financial review processes.
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		12. Consider if steps can be taken to simplify the funding models utilized by BC Housing to promote more efficient processes.
Disbursements to Atira without appropriate approval.	<ul style="list-style-type: none"> ▶ BC Housing's internal controls do not appear stringent enough to ensure cash disbursements above the relevant threshold receive the appropriate approval, which could lead to public funds being disbursed without the necessary level of scrutiny. 	13. Consider implementing additional preventative controls within BC Housing's information systems to require explicit confirmation of Excom approval for disbursements in excess of the relevant threshold.
BC Housing has demonstrated an unwillingness to exercise the legal remedies available under its operating agreements with Providers.	<ul style="list-style-type: none"> ▶ If Providers learn that BC Housing appears unwilling to enforce the provisions in the operating agreements, Providers may use public funds inappropriately without fear of repercussions from BC Housing. 	14. Consider implementing a triaging protocol whereby, in the event that BC Housing becomes aware of an actual or suspected breach of an operating agreement provision, a formal assessment and response plan is developed by Excom with the assistance of legal counsel that requires reporting to the Board of Commissioners. We understand that BC Housing is introducing an Office of General Counsel and Corporate Secretary, which may aid in the implementation of this recommendation.
Outright gaps, as well as omissions of contextual information, were identified within BC Housing's records.	<ul style="list-style-type: none"> ▶ The absence of fulsome and accurate record keeping undermines the ability of external parties, such as the Province, to analyze BC Housing's decisions and to hold the organization accountable for those decisions. ▶ We identified the potential for noncompliance with government record retention requirements given our 	<p>15. Consider implementing a process whereby quantitatively or qualitatively significant Excom submissions are circulated to the full Excom in advance of finalization, to help ensure the completeness of Excom submissions and associated documentation prior to decision-making.</p> <p>16. Consider limiting business decision-making to formal</p>

	<p>understanding that BC Housing business decisions are, at times, made via text messages, which in some instances are subsequently deleted.</p>	<p>communication methods such as email and virtual/in-person discussions supported by detailed meeting minutes. In the event that business decisions are made via text message, BC Housing should communicate the requirement for these records to be retained in the official record management system.</p>
<p>Atira regularly directs its funding requests to members of Excom, thereby bypassing proper channels that other Providers are expected to go through.</p>	<ul style="list-style-type: none"> ▶ Allowing Atira to go through improper channels appears to be a form of preferential treatment by BC Housing, which in turn, casts doubt upon BC Housing's objectivity while exercising its financial oversight role. ▶ BC Housing's standard channels for funding requests include a screening process by the relevant SHA or NPPM. By circumventing the SHA or NPPM the necessary due diligence is potentially being overlooked. ▶ By allowing Atira to direct their requests to Excom members, BC Housing's tone at the top has been negatively impacted in that it appears to endorse a viewpoint that Atira is permitted access that other Providers are not. 	<p>17. Consider establishing a Provider Code of Conduct, which can be incorporated into BC Housing's operating agreements, that includes the following elements:</p> <ul style="list-style-type: none"> ▶ Request and communication protocols ▶ Minimum standard required information for funding requests ▶ COI policies <p>18. Distribute and obtain written acceptance of the Provider Code of Conduct from existing and future Providers.</p> <p>19. Update the language in the Standards of Conduct policy to align with the expectations set forth in the Provider Code of Conduct.</p> <p>20. Incorporate into the employee Standards of Conduct the expectation that employees are to ensure that their actions promote Provider compliance with the Provider Code of Conduct.</p>



Appendix A – EY procedures pursuant to our scope of work

We relied on information and documentation provided to us by BC Housing, Atira and the Province of British Columbia. In completing this engagement, we performed the following procedures:

- ▶ Conducted a kick-off meeting with representatives from the OCG to gather background information and context regarding the issues to be investigated, identifying potential planning interviews and individuals of interest.
- ▶ Obtained and assessed BC Housing’s COI policies including:
 - ▶ Standards of Conduct/Conflict of Interest signed June 10, 2010
 - ▶ CEO Conflict of Interest Declaration and Conflict of Interest Screen Protocol signed November 26, 2021
- ▶ Attended on-site at BC Housing’s office to execute a collection of relevant electronic information and hard copy documents as follows:
 - ▶ Collected hard copy documents related to Atira projects including, but not limited to, financial records, meeting minutes, sale and purchase agreements and other books and records.
 - ▶ Captured forensic images of laptops, mobile devices, desktop computers, and tablets of the following individuals²¹:
 - ▶ Shayne Ramsay, CEO
[REDACTED]
 - ▶ Abbas Barodawalla, CFO
[REDACTED]
 - ▶ Acquired and preserved data from BC Housing’s email and electronic servers.
- ▶ Processed and hosted 2.5M electronic documents including spreadsheets, documents, emails, text messages, and other corporate records.
- ▶ Conducted various keyword searches, supplemented by judgemental review, on the electronic documents obtained to support our analyses and gathered evidence regarding the issues to be investigated.

²¹ The positions listed above were held by the individuals at the time of collection.

Other individuals	
Name	Title, at the time of interview
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

- ▶ Conducted interviews and discussions with former BC Housing employees.



- ▶ Analyzed Excom meeting minutes relevant to the matters to be investigated.
- ▶ Analyzed select budgets submitted by Atira to BC Housing and performed year-over-year variance analyses.
- ▶ Analyzed select Atira operating agreements with BC Housing.
- ▶ For a sample of Atira projects funded through a non-competitive process we obtained and analyzed various documents, where available, including but not limited to the expression of interest (“EOI”), BC Housing’s evaluation, Excom submission, and Excom meeting minutes. Where irregularities were identified, we held further discussions with BC Housing employees.
- ▶ For a sample of Atira projects funded through a competitive process we obtained and analyzed various documents, where available, including but not limited to, the RFP, BC Housing’s evaluation, Excom submission and Excom meeting minutes. Where irregularities were identified, we held further discussions with BC Housing employees.
- ▶ Performed various analyses on the funding received by Atira and other similar providers including:
 - ▶ A year-over-year analysis of the total funding from all funding types provided to Atira compared to other similar providers from FY 2016 to FY 2022.
 - ▶ Obtaining the available financial reviews for Atira completed by BC Housing and the budgets submitted by Atira for FY 2019 to FY 2022. Analyzed the per project data to identify the projects which reported an operating surplus while receiving a budget increase in the following year. For a sample of the projects, we analyzed the individual expense line items to identify those with the largest year-over-year increases for further discussion with BC Housing.
 - ▶ A comparison of the per-unit operating subsidies between Atira and other Providers.
 - ▶ An assessment of BC Housing’s administrative charge analysis for Providers.
 - ▶ A comparison of the EE between Atira and other Providers between FY 2019 and FY 2022.
 - ▶ Sample testing of EE paid to Atira between FY 2019 and FY 2022 to ensure the expense met the criteria for EE under the operating agreement. This included an analysis of the EE authorization form, Provider invoice, vendor invoices, operator agreement, payment remittance and expense reimbursement.
 - ▶ Sample testing of the COVID-19 related expenses paid to Atira, including an analysis of the expense authorization form and invoices, to validate the nature of the expenses incurred and determine if the funding was appropriately approved by BC



Housing. COVID-19 transaction testing also included an assessment of COVID-19 related operating subsidies paid to Atira by BC Housing.

- ▶ For a sample of Atira projects, obtained and analyzed the supporting documentation such as Excom submissions and meeting minutes, building appraisals, loan commitment letters and purchase and sale agreements to assess the transactions.
- ▶ Conducted various analyses on cash disbursement ledger information provided by Atira from FY 2018 onward including:
 - ▶ Summarizing Atira's cash disbursement ledger and calculated the total amount paid by Atira by vendor
 - ▶ An analysis of the vendors that were paid more than \$50,000 to identify vendors that may represent a red flag regarding potential misappropriation of BC Housing funding. This included limited open-source searches on certain identified vendors.
- ▶ Performed limited ratio analyses on Atira's financial statements for FY 2016 to FY 2021. We also compared the ratios calculated for Atira with a similar Provider for the period of FY 2019 to FY 2022.