



**Forensic Review of Resolve FM's Financial
Management Under the Hunter Region Integrated
Humanitarian Settlement Services (IHSS) Contract**

Department of Immigration and Citizenship

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**REPORT
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1. Executive Summary

1.1 Context

On 20 May 2011, Ernst and Young produced a report for the Department of Immigration and Citizenship (the department) titled *Provision of Humanitarian Support Services in the Hunter Region*¹. This report contained findings with respect to the management and delivery of the Integrated Humanitarian Settlement Strategy (IHSS) contract in the Hunter Valley region in New South Wales. Recommendation 4 of that report proposed that:

*“The Department should undertake a detailed forensic review of Resolve FM's financial management under the Hunter Region IHSS contract. This examination should identify if there has been any double charging of refugee families related to rent, utilities and damages.”*²

Subsequently the department engaged Protiviti to conduct the forensic review of the financial management records of Resolve FM and to assess the communication processes between service recipients, service providers and the department. This review was conducted based on the IHSS contract “*Agreement for the provision of Services for the Integrated Humanitarian Settlement Strategy and related Services in the Northern Metropolitan Contact Region of NSW*” (the Agreement), the objectives and service principles of which are reproduced in Appendix A. The scope of work for this review is outlined in Appendix B. Each of the steps outlined in the scope was completed and the key points are documented in this report.

1.2 Findings

Protiviti conducted interviews with Resolve FM personnel (refer to Appendix C for a full list of consultations) and reviewed financial and operational records of Resolve FM to understand the business processes and to assess the accuracy and transparency of the financial transactions for humanitarian entrants (clients of Resolve FM and the IHSS program which include refugees, Permanent Protection Visa (PPV), Temporary Humanitarian Visa (TPV) holders and Special Humanitarian Program (SHP) entrants).

Our review was focused on the financial transactions with humanitarian entrants in Short Term Accommodation (STA), and the contracting process used by Resolve FM to source Long Term Accommodation (LTA) properties for humanitarian entrants to rent in their own right.

Protiviti observed that Resolve FM has systems, procedures and an evidence base in place to support its financial transactions. The review was able to confirm transactions to source documentation, including rental property agreements, utilities invoices from recognised suppliers of electricity, gas, water and telephone services, bank statements and duly authorised documents between the humanitarian entrant and Resolve FM.

While concern has previously been raised regarding the approach to charging clients for accommodation, evidence was not identified that Resolve FM applied a flat rate of 50% of household income to all humanitarian entrants that it serviced, nor did it exceed 50% of the household income for rent payments at any time. Resolve FM has presented evidence to demonstrate the methodology behind its charges for rental accommodation to humanitarian entrants. This shows that the rental charge is below or at 50% of household income during

¹ Ernst & Young, “Independent Review: Provision of Humanitarian Support Services in the Hunter region”, 20 May 2011

² Ernst & Young, “Independent Review: Provision of Humanitarian Support Services in the Hunter region”, 20 May 2011, page 20.

the period considered within this review (ranges from 37% - 50%). The 50% of household income test is based on advice from NSW Housing³.

Resolve FM has advised that the NSW Housing income test of 50% was known to the department and ACL Pty Ltd (lead agency in the consortium delivering services under the Agreement), and that it was being applied by Resolve FM to sourcing LTA since 2008. Resolve FM assumed that the department and ACL Pty Ltd were aware that this same test was being applied for STA. The department and ACL Pty Ltd advised that they only became aware of the use of the 50% income test by Resolve FM for STA as a result of the Ernst & Young report, and had previously assumed that Resolve FM used the 30% income test for STA that was required in an earlier version of the Agreement. A change to the Agreement in early 2009 changed the 30% reference to "Fair Market Rent". It is likely that poor communication between the parties to the Agreement, and a focus by each on their own obligations, contributed to these erroneous assumptions.

The review found that Resolve FM is charging above the lease expenditure being paid by Resolve FM in the head lease for rental properties (between 11% - 30% of the unfurnished cost to Resolve FM), and this has been explained as being due to Resolve FM furnishing the homes and amortising costs such as set up of the STA accommodation, utilities connection fees, and other ancillary costs and services, as set out in Section 2.2 and Appendix D of this review.

The review found that the Agreement transfers the risk of cost onto the service providers and protects the department from unexpected costs. This method of contracting has the potential to encourage service providers to cut costs to maximise their profit opportunity. Records indicate that Resolve FM is operating at a significant financial deficit on the properties examined in this review. To manage this, Resolve FM has tried a number of different options for both STA and LTA to ensure that humanitarian entrants are appropriately accommodated on arrival to the Hunter Valley region. A further example of cost minimisation was evident where Resolve FM provided the minimum level of furnishings as required under the Agreement for each property. The department and ACL Pty Ltd had both raised the quality of the Household Goods Assistance (HGA) package with Resolve FM during the term of the Agreement, however both note that as Resolve FM was providing the services specified in the Agreement, they felt unable to enforce contractual terms to improve the level of HGA provided.

The review did not observe any activity by Resolve FM that would be considered illegal or fraudulent, in breach of the terms of the Agreement, or which would prevent Resolve FM from charging a fair market price for property rental and obtaining full recovery of utilities. Nor was any evidence identified in this review of improper practices by Resolve FM in relation to the management of repairs, maintenance and damages to STA properties.

In conducting this review we note that a relative shortage of rental accommodation, high rental costs and the long term usage of STA premises by humanitarian entrants have been raised by Resolve FM to ACL Pty Ltd. This has been communicated at quarterly contract meetings and via email to the department. Department staff acknowledged that they were aware of the issues of affordability and availability of properties generally for the duration of the Agreement, through forums such as the quarterly contract meetings and annual service provider conferences. We understand that these issues have been raised by service providers across the country, and were the reason that the department undertook an accommodation services review in 2008/09, resulting in changes to the Agreement with the ACL Consortium and other service providers nationally.

With regard to communication between parties, the review identified that the contracting parties, the department, ACL Pty Ltd and Resolve FM, appeared to have applied a

³ Housing Pathways Rentstart Supplement, publication DH3004, 03/2010

mechanistic approach to contract management, focused on the output of their own component of the contract, and not always on the overall outcomes of the IHSS Program (outlined in Appendix B). It is evident through the actions of the organisations and comments during interviews, that all parties were interested in settling humanitarian entrants. However in doing so, they failed to effectively exchange or act upon critical information and agree on proposed responses regarding funding of accommodation services.