MINISTRY OF COMMUNITY, FAMILY AND CHILDREN'S SERVICES

3.01–Ontario Works Program

BACKGROUND

Under provisions of the *Ontario Works Act,* the Ministry of Community, Family and Children's Services provides employment and temporary financial assistance to individuals on condition that they satisfy requirements intended to help them find and maintain paid employment. Financial assistance is provided through the Ontario Works program (Ontario Works) and is intended to be spent on basic living expenses for such things as food, clothing, personal needs items, and shelter.

Examples of Typical Monthly Benefit Payments

	Single Individual ($)	Sole-support Parent with One Child ($)	Couple with Two Children ($)
Basic Allowance	195	446	576
Maximum Shelter Allowance	325	511	602
Maximum Assistance	**520**	**957**	**1,178**

Source of data: Ministry of Community, Family and Children's Services

Additional assistance is available based on established need. Examples of items for which such assistance may be provided if circumstances warrant include:

• health-related necessities, such as diabetic, surgical, and other medical supplies;

• back-to-school and winter clothing allowances for eligible children;

• basic dental and vision care; and

• community and employment start-up benefits to assist in the cost of establishing a permanent residence or starting a new job.

To be eligible for financial assistance, applicants must demonstrate a need for assistance by providing evidence that their liquid assets and income levels do not exceed specified amounts. Most individuals are also required to sign a participation agreement that requires them to take part in one or more of the following employment-assistance activities:

- employment-support activities, which help participants become job ready through basic education, job-specific skills training, literacy training, or the Learning Earning and Parenting program for young parents to help them finish high school and prepare for the job market;

- community participation, which provides unpaid placements in community-service activities designed to better the community and provide participants with practical work experience; and

- employment placement and support to self-employment, which, respectively, place employment-ready participants in unsubsidized, competitive jobs or support them in pursuing self-employment opportunities.

Since April 1, 1999, Ontario Works has been delivered on behalf of the Ministry by 47 Consolidated Municipal Service Managers and First Nation delivery agents (collectively known as service managers). Funding for financial assistance to recipients through Ontario Works is cost shared between the province (80%) and the service managers (20%). Administration costs are shared equally by the province and service managers up to an annually established maximum for each service manager.

For the 2001/02 fiscal year, the Ministry's share of financial assistance benefits provided under Ontario Works was approximately $1.4 billion. The Ministry's share of costs for program administration was $171 million. Ontario Works' average monthly caseloads and consequent expenditures have steadily decreased in recent years as illustrated by the table below.

Average Monthly Caseloads and Ministry Expenditures, 1999/2000–2001/02

	1999/2000	2000/01	2001/02
Monthly Caseload Data			
Average monthly caseloads	262,436	215,614	189,321
Number of dependents	315,547	253,908	222,945
Total beneficiaries	577,983	469,522	412,266
Annual Ministry Expenditures ($ million)			
Financial assistance for the year	1,752	1,491	1,372
Administration costs for the year	172	179	171

Source of data: Ministry of Community, Family and Children's Services

The Ministry has also taken the initiative for, and has borne the cost of, an ambitious, province-wide revision of the information technology system and business processes to support the delivery of its social-assistance programs. This undertaking, called the Business Transformation Project, was, in part, to support the modernization of older computer systems and business processes at the limit of their usefulness into a new system that could deliver the new Ontario Works and the Ontario Disability Support programs efficiently and effectively.

The new service-delivery system, including both a new information technology system and revised business processes, was implemented across the province by January 2002. This system was developed at a cost of approximately $400 million, as of March 2002, by the Ministry and Accenture (formerly known as Andersen Consulting), the arrangement for which was the subject of an audit and report by the Provincial Auditor in 1998; a Special Report to the Standing Committee on Public Accounts in 1999; and a follow-up report in our *Special Report on Accountability and Value for Money* (2000) on the Ministry's implementation of recommendations from the Provincial Auditor's 1998 Annual Report.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives for Ontario Works were to assess whether the Ministry:

- ensured that its established policies and procedures for the program were adequately adhered to by service managers to ensure that only eligible individuals received financial assistance and that the financial assistance provided was in the correct amount; and

- monitored the effectiveness of the program in meeting its objectives, and, where necessary, took corrective action.

The scope of our audit included a review and analysis of relevant ministry files, policies, and procedures as well as interviews with appropriate staff at the Ministry's head office and three regional offices. We also held discussions with staff of three Ontario Works intake-screening units, reviewed a sample of recipient files and held discussions with staff at the three service managers we visited, and obtained information from other service managers by means of a questionnaire. The intake units and service managers we visited together accounted for almost 40% of total program expenditures.

Prior to the commencement of our audit work, we identified the audit criteria that we would use to conclude on our audit objectives. These were reviewed with and agreed to by senior management of the Ministry.

Given the critical importance of the new service-delivery system to the current administration of Ontario Works and the fact that it was substantially completed and implemented across the province between May 2001 and January 2002, we also followed up on the recommendations we made in our 1998 Annual Report and those made by the Standing Committee on Public Accounts in 1999 regarding the administration of the

agreement between the Ministry and Accenture and assessed the adequacy of the new business processes and information technology system that were developed as a result of it.

Our audit work was primarily conducted in the period from November 2001 to May 2002, with emphasis on program expenditures and procedures during the 2000/01 and 2001/02 fiscal years. We concentrated on areas with the largest program expenditures—basic needs and shelter assistance and community and employment start-up benefits. Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In 1999, the Ministry's Comprehensive Audit and Investigations Branch issued a quality assurance audit report on the implementation of the Consolidated Verification Process (a new process for determining recipient eligibility) in three municipal pilot sites. We reviewed this report but did not rely on the work performed since it did not address many of the issues covered in our report and predated the introduction of the Ministry's new service-delivery system, which was implemented during 2001/02.

OVERALL AUDIT CONCLUSIONS

Both the Overall Audit Conclusions and the Detailed Audit Observations portions of this report are divided into two distinct sections: Part One deals with the administration of the agreement between the Ministry and Accenture; and Part Two deals with the administration of Ontario Works.

Part One: Administration of the Agreement

Although the new business processes and information technology system resulting from the Business Transformation Project were rolled out to all service managers between May 2001 and January 2002, at the time of our audit, most of the expected benefits to program delivery remained to be realized. For example:

- Most service-manager staff we communicated with expressed considerable dissatisfaction with the Business Transformation Project, stating, for example, that the new service-delivery system was in many respects a step back from what had been available to them previously, that it had been inadequately tested, and that it was essentially still a work in progress rather than a finished product at the time of its release.

- The new system did not provide service managers with accurate and reliable expenditure information for billing the Ministry for its share of the financial assistance provided to Ontario Works recipients. We were informed that prior to the introduction of the new system, such information had been readily available.

With respect to the administration of the Business Transformation Project, we found the following:

- The Ministry paid Accenture $246 million to March 2002, which was significantly more than the original $180-million payment cap. In our view, the basis for these payments continues to be questionable because:

  - savings attributed to the Business Transformation Project and hence to Accenture were exaggerated; and

  - contrary to the recommendations of the Provincial Auditor and the Standing Committee on Public Accounts to minimize out-of-cap expenditures, the Ministry paid Accenture $66 million outside the original $180-million payment cap. Of that amount, $22.2 million related to work that the Ministry had agreed to do in January 2001 and later but was unable to perform.

- The new service-delivery system did not adequately support the administration of Ontario Works because of numerous unresolved systems defects. Business Transformation Project staff considered many of these defects to be emergency or high-priority items in need of repair. The deficiencies can generally be categorized as:

  - *A failure to meet ministry or service-manager needs:* The new information technology system often failed to provide needed information, provided it inaccurately, or provided it in a form that was not useful. Service-manager staff reported they found the system complicated to use and, for example, had great difficulty in determining why overpayments to recipients had been created and why they were recorded.

  - *Unexplained errors or omissions:* For example, in 2001, the information technology system inexplicably sent 7,110 discretionary benefit payments worth a total of $1.2 million to ineligible individuals. Also, at times the system did not permit caseworkers to issue cheques, which necessitated the issuing of manual cheques, and, at other times, it did not permit manual cheques to be recorded.

  - *Internal control deficiencies:* The information technology system exposed the program to an unnecessary risk of misappropriation of funds by allowing the same person to open new files, change banking information, make payments, and close the files without supervisory review or approval and with little chance of the changes being detected.

Part Two: Administration of the Program

With respect to the administration of Ontario Works, we concluded that the Ministry did not ensure that service managers adequately adhered to the Ministry's policies and procedures for the administration of Ontario Works and, therefore, had little assurance that only eligible individuals received financial assistance in the correct amount. For example, we found the following:

- Intake-screening units and the resultant two-step process for eligibility assessment were not meeting the anticipated objective of significantly reducing the number of lengthy in-office interviews for eligibility assessment.

- Ministry requirements for service managers to determine recipient eligibility for financial assistance and to provide that assistance in the correct amount were often not met. For example, for one of the service managers we visited, 95% of the files we reviewed lacked at least one of the information requirements necessary for establishing eligibility and the correct amount of assistance to be paid.

- Other income reported by recipients of financial assistance that should have been deducted in whole or in part was often reflected incorrectly or not reflected at all in the benefits paid.

- The reasonableness of payments for community and employment start-up assistance could often not be established, and, in some cases, the assistance was provided in excess of the maximum allowable amounts.

- When spousal and child support was potentially obtainable from a former partner, we frequently found no evidence to indicate that it was being pursued. If such support is obtained, the amount of assistance paid by Ontario Works is reduced by the amount of that support.

- The lack of accurate and reliable information about overpayments and inadequate computer system support for the collection function contributed to the inadequacy of service managers' efforts to collect overpayments.

We also concluded that the Ministry needed to improve its monitoring of the effectiveness of the program to determine whether it was meeting its objectives because:

- Although it often cited decreases in the numbers of people receiving benefits as an indication of success, it had little information as to whether their departures were linked to positive program outcomes or had occurred for other reasons.

- The circumstances under which specific termination codes indicating the reasons for recipients leaving the program were to be used were often not clearly communicated or well understood. Consequently, the codes were applied inconsistently by service managers and could not reliably be used to gather information on program outcomes.

OTHER MATTER

The Ministry reimburses service managers for 50% of administration costs up to an annual, negotiated amount. However, we found the Ministry had not assessed the cost-effectiveness of this funding, which was based on past funding amounts and not on actual caseloads. Ministry funding for administration costs ranged from a high of $1,596 per case to a low of $273 per case.

Overall Ministry Response

The Business Transformation Project is one of the most ambitious government technology initiatives in Ontario to date. It took place in a very complex environment—in a Ministry that was charged with reforming its social assistance legislation and has a highly complex, multi-stakeholder delivery system and in a province that has significant geographic diversity. It designed a delivery system that took into account the diverse needs of social assistance recipients and the myriad of interrelated policies, business rules, procedures, and practices related to two dramatically changed programs: Ontario Works, delivered by municipalities, and the Ontario Disability Support Program, delivered by ministry offices. This business transformation was implemented through two levels of government that represent almost 300 delivery sites with 7,500 users and serving more than 600,000 people.

The Business Transformation Project developed a new Service Delivery Model that features a Web-based system with on-line technology, a common province-wide database, telephone screening for eligibility, the use of third-party sources to verify eligibility, and an automated telephone system to provide recipients with up-to-date, easily accessed information on their personal case file. The Ministry believes that complex systems of this type normally require a substantial operating period in a live environment to deal with all the complexities that are inherent in the design of such large multi-user systems.

A major principle for the Ministry was that benefits achieved through the Business Transformation Project would not only fully cover project costs, but would also continue to generate a return on investment. The Ministry believes that realization of this principle has been achieved. It is the Ministry's view that savings attributed to the overall business transformation are substantial and substantial future savings will continue to accrue to taxpayers from this transformation.

Many of the issues identified by the Provincial Auditor were known to the Ministry through its rigorous feedback process with users. We are continuing to address those issues with our delivery partners. The design allows for continuous improvement over the next few years, enabling the Ministry to make many modifications and enhancements, working hand in hand with our other partners—the Consolidated Municipal Service Managers.

This project, then, has been about radical transformation of a large, complex, costly, and vital system. It has, at its foundation, been about improved services: taking the steps necessary to ensure that the law, the program, the administrative and management systems and processes, and the technology that together make up the social assistance system deliver the desired outcomes. It has been done in a way that has furthered the Ontario Public Service's knowledge and understanding about how best to partner with others to make such radical change happen.

DETAILED AUDIT OBSERVATIONS

During the mid-1990s, the computer systems used by the Ministry to process social-assistance payments had reached their practical capacity and were unable to support desired changes to improve program delivery and administrative effectiveness. The Ministry decided that it lacked the internal expertise and financial resources to develop the necessary business processes and technologies either in-house or with the assistance of outside contractors using traditional procurement methods.

Instead, the Ministry chose to follow the common purpose procurement process, an innovative arrangement under which ministries and private-sector partners are to share the risk, investment, and future savings of jointly identifying and implementing new ways of delivering services.

Thus, on January 27, 1997, the Ministry entered into a common purpose procurement agreement with Accenture (formerly known as Andersen Consulting) to undertake the Business Transformation Project. This Project entailed the development and implementation of new business processes and a province-wide information technology system operating in real time to allow service managers to deliver all social assistance services.

At the time of our first audit of the agreement between Accenture and the Ministry in 1998, we concluded that the Ministry had not demonstrated due regard for economy and efficiency in the contract terms agreed to or in the administration of the work performed to February 1998, and we made a number of recommendations in that regard.

Although the Ministry's ability to act on some of these recommendations was limited by the legally binding terms of the original agreement with Accenture, there were still significant opportunities to improve on the agreement's administration and thus to address many of our 1998 recommendations.

The need to act on the most significant of our concerns was reinforced by the Standing Committee on Public Accounts, which held hearings on our report in December 1999, and passed a motion that included the following recommendations.

- The maximum-payment cap of $180 million included in the original agreement should not be increased and expenditures excluded from the cap should be minimized.

- The Ministry should develop an auditable system of benchmarking to ensure the correct attribution of benefits to the Business Transformation Project.

- The functionality of the technology originally contracted for should not be diminished.

Part One: ADMINISTRATION OF THE AGREEMENT BETWEEN THE MINISTRY AND ACCENTURE

Payments in Excess of Payment Cap

At the time of our original audit of this agreement in 1998 and its subsequent follow-up in 2000, the Ministry expressed confidence that, despite the Provincial Auditor's various concerns, ultimately, the payments to Accenture would be capped at $180 million, excluding certain specified items. However, the table below shows that payments to Accenture to March 2002 and the total budgeted expenditures at that time significantly exceeded the cap.

Actual Payments and Budgeted Expenditures to Accenture, March 2002

	Actual Payments ($ million)	Budgeted Expenditures ($ million)
In-cap payments	180.0	180.0
Out-of-cap payments		
Production support, help desk, and application maintenance	36.4	39.1
Out-of-scope work	7.4	9.0
Accenture performing ministry work	22.2	31.3
Total payments	**246.0***	**259.4**

* These payments to Accenture do not include amounts for hardware or third-party software purchased by the Ministry from sources other than Accenture, which totalled approximately $34.6 million at the time of our audit. We also noted that the total cost of the Ministry's contribution to the Business Transformation Project, including the $34.6 million noted above, was $153.9 million to March 2002.

Source of data: Ministry of Community, Family and Children's Services

The total cost of the Business Transformation Project to March 2002, including ministry expenditures and payments to Accenture, was therefore about $400 million.

Our concerns with respect to each of the above types of out-of-cap payments are detailed below.

PRODUCTION SUPPORT, HELP DESK, AND APPLICATION MAINTENANCE

The items listed in the title above are the only items for which Accenture was to be paid outside the $180-million payment cap as outlined in the original 1997 agreement. However, as we noted in our 1998 audit report, the circumstances under which costs for some of these items could be incurred had not been clearly defined and the costs had not

been estimated, even though we thought then that they could be substantial. Costs for these items were subsequently budgeted at $19.7 million in May 2001; that budgeted amount had increased to $39.1 million by March 2002.

Most of the actual expenditures for these items were incurred after the initial system release in May 2001. We examined a sample of items in this category and found that many were attributable to the new information technology system failing to function as intended, thus requiring critical design changes and increased technical support. We believe that many of the required changes should have been identified in pre-release testing and corrected under the warranty provisions of the agreement at no cost to the Ministry. In our view, the willingness of the Ministry to pay for these items outside the agreed-to payment cap appears questionable and unnecessary.

Contrary to the recommendations made by both the Provincial Auditor and the Standing Committee on Public Accounts to minimize the number of items excluded from the maximum payment cap, the April 2000 amendment to the original contract provided for the following two additional items to be paid for outside the payment cap.

OUT-OF-SCOPE WORK

The new information technology system was essentially designed and developed in 2000 based on the business requirements of the Ontario Works and Ontario Disability Support programs as established in July 1999. After July 1999, when new requirements for both programs needed to be incorporated into the new system design, doing so was considered out of scope and the work was billed for outside the payment cap, which we considered reasonable.

However, we believe one part of this work should not have been designated as out of scope. The information technology system's reporting function as originally designed and built did not meet many of the service-manager or ministry requirements. At the time of our audit, the Business Transformation Project was developing and implementing changes to that function at an estimated out-of-cap cost of $2.3 million, $1.4 million of which had been paid as of March 2002. In our view, these costs ought to have been avoided by including the critical reporting requirements in the original information technology design.

ACCENTURE PERFORMING MINISTRY WORK

Although both the original agreement with Accenture and the subsequent amendment in April 2000 maintained the maximum payment cap at $180 million, neither the original agreement nor the subsequent amendment specifically defined the respective responsibilities of Accenture or ministry staff. Instead, some specific responsibilities were assigned to the Ministry in a January 2001 amendment to the agreement and subsequently, as specific task orders were approved.

The Ministry was unable to complete some of that work; Accenture performed the work on behalf of the Ministry and was paid for it outside the cap, which had already been reached in early 2001.

Essentially, the Ministry paid Accenture $22.2 million to March 31, 2002 outside the payment cap for performing work for which responsibility had not been defined in either the original agreement or in the April 2000 amendment. This made the payment cap ineffective and demonstrates its failure as a protection against project cost overruns for the Ministry and, ultimately, for taxpayers.

Cost and Benefit Pools

For the Ministry and Accenture to share in the risk, investment, and future savings of the Business Transformation Project, in keeping with common purpose procurement principles, the agreement between them provided for payments to be made from a benefit pool to cover the accumulated amounts charged by each partner to a cost pool. (As noted in both our 1998 audit report and in our 2000 follow-up on that report, Accenture's billing rates were substantially higher than the corresponding amounts charged by the Ministry.) Cost and benefit pool balances and the amounts actually paid as at January 2001 and March 2002 were as detailed in the following tables.

Cost Pool

	January 2001 ($ million)	March 2002 ($ million)
Accenture:		
In-cap	166.2	187.7
Out-of-cap	14.9	66.0
Subtotal	**181.1**	**253.7**
Ministry:		
In-cap	57.3*	153.9*
Out-of-cap		
Subtotal	**57.3**	**153.9**
Total	**238.4**	**407.6**

* Although costs to the Ministry cannot be divided into in-cap and out-of-cap costs, they are mainly related to in-cap activities.

Source of data: Ministry of Community, Family and Children's Services

Benefit Pool

	January 2001 ($ million)	March 2002 ($ million)
Reported benefits	274.6	587.1
Payments to Accenture	181.1	246.0*
Allocation to the Ministry	57.3	153.9

*Of this amount, $180 million is related to in-cap activities.

Source of data: Ministry of Community, Family and Children's Services

Both our 1998 Annual Report and our 2000 follow-up report described our two main reservations regarding the workings of the cost and benefit pools and hence the amount paid to Accenture, reservations we continue to hold:

• First, it is still our view that the Ministry's contribution to the cost pool is understated. For example, the total costs to the service managers for obtaining data extracts and setting up programs to process them to provide necessary management information are likely to be significant. However, those costs are not included in the cost pool even though they are a direct result of the information technology system's reporting deficiencies. This topic is discussed again further on in our report (see Failure to Meet Ministry and Service-manager Needs).

• Second, approximately 73% of the balance in the benefit pool, or $427 million as at March 31, 2002, had been attributed to the Consolidated Verification Process—a process for reviewing recipient eligibility for payments and the appropriateness of amounts paid. Contrary to our findings, the Ministry believes that the attribution of these benefits to Accenture is warranted in part because the Consolidated Verification Process introduced two major enhancements over the previous verification process, namely risk-ranking flags that automatically prioritize recipient files for review and third-party confirmation of information provided by recipients. As we discuss later on in this report, we found that neither of these features was being used as intended and therefore required improvements (see Eligibility Assessment Process Enhancements).

In addition, many staff at the service managers we visited stated that the changes inherent in the Consolidated Verification Process were relatively minor in nature compared to previous processes and often did not affect the termination rates of recipients to any noticeable degree.

Therefore, in our view, a significant portion of the reported benefits accumulated in the benefit pool continue to be highly questionable.

We also noted that since May 2001, most of Accenture's costs for the Business Transformation Project have shifted to out-of-cap activities. In addition, a January 2001 contract amendment provides for the extension of the two-year period for benefit accrual after the end of the contract "if, as, and when necessary in order to allow for Accenture to be fully reimbursed for all costs approved by the parties which are not subject to the cap."

Since the cost and benefit pool balances were reasonably similar at the time of this contract amendment, the Ministry has in effect abandoned the common purpose procurement principle of sharing risk and rewards by virtually guaranteeing Accenture full payment for all of its out-of-cap work, which is now substantial.

Business Transformation Project Status

In our 1998 report we noted that, at the time we completed our field work in February 1998, the Business Transformation Project was significantly behind schedule in meeting the then-expected rollout date of June 1999. The Project was subsequently restructured, and, at the time of our follow-up work in 2000, the expected rollout of the new service-delivery system across the province was to occur in phases between February 2001 and January 2002.

This revised rollout schedule was essentially met since the system was rolled out to all 47 service managers that administer Ontario Works between May 2001 and January 2002. However, to meet that schedule, a number of important features that were part of the original system design were either set aside or not satisfactorily completed. For example:

- Monthly income reporting by recipients using a telephone-based, interactive-voice-response system, which was to have been an important part of improving administrative efficiency, had not yet been developed.

- Data archiving of recipient information from the old computer systems so that it would be available in the new information technology system was included in the original system design but had not been implemented at the time of our audit in May 2002.

- The new information technology system as rolled out lacked the reporting functions necessary to help ensure that Ontario Works is efficiently and effectively managed, as we discuss further on in the report (see Failure to Meet Ministry and Service-manager Needs).

In addition, the system as rolled out suffered from a number of significant defects as discussed later in this report, many of which remained uncorrected at the time of our audit.

Knowledge Transfer

One of the objectives of the partnership between the Ministry and Accenture was to foster sufficient knowledge transfer from Accenture to ministry staff to allow the transition of the operation and maintenance of the new information technology system from Accenture to

the Ministry upon completion of the Business Transformation Project. To the extent that this objective was met, the Ministry would be self sufficient, thereby reducing its dependence on outside consultants.

However, at the conclusion of the agreement term in January 2002, the anticipated knowledge transfer was not sufficiently advanced with the result that the Ministry was not in a position to operate and maintain the information technology system. Instead, Accenture and other private-sector consultants provided nearly all of the technical resources necessary for completing, maintaining, and operating the information technology system after January 2002 at a substantial cost to the Ministry. For example, Accenture's services were extended from January 26, 2002 to March 31, 2002 and then to May 31, 2002 to provide technical maintenance services at an estimated cost of $5.7 million. We understand that at the time of our audit the Ministry was in the process of finalizing a decision on a request for proposals for technical maintenance services after May 31, 2002 for Management Board of Cabinet approval.

The New Service-delivery System

The overall objective for revising the business processes and modernizing the supporting information technology system for the Ministry's social-assistance programs was to provide service managers with the tools to enhance recipient services and improve the service-delivery system's financial integrity while reducing the cost of program administration. More specifically, the Ontario Works service-delivery system was intended to:

*   reduce the time spent by caseworkers on clerical and other administrative duties thereby freeing up more time for providing services to Ontario Works recipients, including time spent on the program's employment focus;

*   provide more timely and accurate determination of recipient eligibility thus reducing overpayments, inappropriate payments, and general system abuse; and

*   improve access to the information necessary for effective program management and ministry oversight of Ontario Works.

However, service-manager staff we talked to and those who responded to our questionnaire expressed considerable dissatisfaction with the new service-delivery system. In many respects, service-manager staff indicated that the revised business processes and information technology system were no improvement at all and, in some cases, were a step back from what had previously been available to them.

The Ministry recognized at an early stage of the Business Transformation Project the wealth of knowledge and expertise of municipal staff involved in the delivery of social services and considered ongoing consultation with service-manager staff vital to the Project's ultimate success, particularly during the planning stages. Nevertheless, although many sessions were held to gather service-manager staff input into the design of the new service-delivery system, staff generally indicated that only input supporting the proposed design was listened to.

Service-manager staff informed us that decisions to reject recommendations they had made during the design phase often resulted in system deficiencies that later required correction. Some of the major problems reported by service-manager staff are listed below.

- At the time of our audit, the new delivery system had not yet provided any noticeable efficiencies or time savings. In fact, numerous inefficiencies were created by the amount of manual work and number of "workarounds" required to deal with the information technology system's many deficiencies. (A "workaround" is a procedure for coaxing a computer program into producing results that it has not been programmed to produce more directly.) In addition, service-manager staff advised us that they spent much extra time manually checking unreliable information produced by the information technology system.

- Many service-manager staff we interviewed indicated that the information technology system had not been adequately tested and, in effect, was a work in progress at the time of its release.

- Staff generally felt that the training they received on how to use the new information technology system was inadequate. Most staff identified specific areas where more training was still required. For example, according to service-manager staff, the training required for using the system's reporting functions was scheduled to be offered in September 2002, almost one-and-a-half years after implementation began.

Staff were also critical of the new intake-screening process because they found that it did not significantly reduce the number of in-office eligibility assessments held.

SYSTEM INVESTIGATION REPORTS

When service-manager staff encounter a problem with the information technology system, they initially contact their on-site business expert who reviews the problem and determines whether it can be readily resolved. If the problem cannot be resolved, it is reported to the Business Transformation Project's help desk, which prepares and logs an issue ticket. These tickets are then referred to business analysts and technical experts for their consideration of the reported problem.

If the problem is found to be valid, the analyst or technical expert creates a system investigation report (SIR). Because particular problems are likely to be reported by various local offices and ticketed a number of times by the help desk, duplicate tickets are consolidated into one SIR.

As of February 2002, the Business Transformation Project had accumulated 10,600 SIRs. Of these:

- nearly half were classified as "system defects" of which 540 were unresolved at the time of our audit; and

- approximately 5,700 were considered emergency or high-priority items of which approximately 550 were unresolved.

Based on our review of the system and discussions with service-manager staff, identified system deficiencies can generally be categorized as:

- a failure to meet ministry or service-manager needs;

- unexplained errors and omissions; and

- internal control deficiencies.

Our observations concerning these system deficiencies are outlined below.

FAILURE TO MEET MINISTRY AND SERVICE-MANAGER NEEDS

Operational and Performance Information

Access to adequate operational and performance information is critical to the efficient and effective operation of any program. However, in a number of instances we noted that, at the time of our audit, the new information technology system for Ontario Works either did not provide information that was needed or provided information that was unreliable. The problems described below were all ongoing at the time of our audit.

Examples of information the new technology system could not provide included:

- A listing of cumulative overpayments for each active recipient: This report would give both service managers and the Ministry the means to monitor the level and recovery of overpayments and help identify caseworkers in need of additional training. Although there was no plan to implement this type of report, the Business Transformation Project intended to introduce one that lists non-cumulative new overpayments by recipient in June 2002, which will be of limited use in our view.

- A listing of overpayments that are not being pursued for recovery and that, in effect, are written off: The system allowed caseworkers to decide which overpayments not to pursue without supervisory approvals. As a result, supervisors need a listing of the overpayments not being pursued to identify and review the appropriateness of these decisions. At the time of our audit, there were no plans to implement such a listing.

- A listing of recipients who lacked participation agreements or whose participation agreements were expired: We were advised that correction of this deficiency was planned for March 2002 but had been delayed as a result of labour disruptions.

Examples of inaccurate or inadequate information provided by the new information technology system that had not been remedied at the time of our audit included the following:

- In order to bill the province for its share of Ontario Works costs, service managers must determine the total amount paid to recipients. However, since the implementation of the new information technology system, the service managers have been unable to reconcile detailed listings of their payments to recipients with the summary expenditure reports produced for billing purposes. At the time of our audit, attempts to fix this problem were underway. As a result, service-manager billings to the province were

based on estimates, as detailed in a later section of this report (see Service-manager Claims for Financial Assistance Costs).

- We compared the amount of overpayments recovered from inactive recipients in one service manager's own tracking system to amounts recorded as recovered by the new information technology system for the period from October 2001 to January 2002 and found that the totals were $38,300 and $309,000 respectively. Service-manager staff were unable to explain the discrepancy.

- According to service-manager staff, monthly reports of activities and outcomes for the Consolidated Verification Process generated by the new technology system were inaccurate because they contained duplicate recipients and recipients included in error. Because of these inaccuracies, the reports were not useful.

- The information technology system produces an exception report that identifies instances of caseworkers overriding a system-generated value. However, this report is simply an undifferentiated list of overrides, many of which are due to workarounds and simple errors being corrected. Although the list includes overrides that resulted in changes to amounts paid, those overrides cannot be isolated from other items and therefore the information is not useful.

Some service managers request data extracts from the Ministry so that they can process and analyze the data themselves to obtain information that is not otherwise readily available as well as to compensate for some of the deficiencies noted above. Data extracts have been provided but analyzing the data involves costs to service managers for setting up the necessary computer programs. In addition, we were informed by one of the service managers that had used this approach that the data provided was not completely reliable and accurate. For example, its monthly data extract continued to include approximately 600 cases that had previously been transferred out of the service manager's jurisdiction.

System Complexity

An information technology system should be reasonably easy to use and its users should be provided with sufficient training to obtain the required working knowledge of the new system. However, service-manager staff informed us they found the new technology complicated to use and that, combined with a lack of training, has led to errors, extra work, and stress for users:

- For example, according to the service managers, determining why an overpayment was created and recorded on the system is difficult and time consuming. Service-manager staff informed us that the previous computer system allowed caseworkers to review their actions in order to help check the accuracy of the results. The new information technology system does not allow such reviews. In addition, caseworkers were sometimes unaware of instances when they had created overpayments. Although a new feature was added to prompt caseworkers when an overpayment was about to be created, after a

subsequent update to the information technology system, that prompt appeared only intermittently.

• One service manager hired three "troubleshooters" to review and help establish the accuracy of payments to recipients. The service manager informed us that in one month alone the troubleshooters investigated 148 cases identified as likely to be affected by errors and found that:

  - $123,457 in benefits that recipients were not entitled to had been issued;

  - $106,687 was paid correctly but had been recorded on the system as overpayments; and

  - $7,743 that recipients were entitled to had not been paid.

These results are troubling because they suggest that the information technology system is not functioning properly or that staff are not using the system properly or some combination of both.

UNEXPLAINED SYSTEM ERRORS

The information technology system was not operating as consistently or reliably as expected. A number of errors were occurring for reasons that service managers could not explain. We noted that many of these errors were caught due to the vigilance of caseworkers. However, the errors made by the information technology system so far do not inspire confidence and raise the possibility that other significant problems may go undetected.

Below are examples of unexplained information technology system errors, most of which had not been corrected at the time of our audit:

• Between May and December of 2001, the information technology system inexplicably produced 7,110 discretionary benefit payments totalling $1.2 million to recipients who were ineligible for Ontario Works assistance of any kind.

• In some instances, when a caseworker attempted to cancel a cheque, the information technology system reissued the cheque the next day. The cancelling and reissuing of these cheques continued until the Business Transformation Project office effectively cancelled them.

• When a caseworker cancels a cheque, any related overpayment amount should be adjusted accordingly. We were informed, however, that this did not always occur, which resulted in overpayment balances being overstated.

• We were informed that amounts on cheques did not always agree with the amounts on the attached cheque stubs or with corresponding amounts on the paylist. We understand that this was corrected subsequent to our audit.

• In some instances, caseworkers requested that a cheque be sent to a recipient only to have the information technology system fail to comply. Service-manager staff then had to prepare a manual cheque.

- In many cases, money received from the Family Responsibility Office to reimburse the service managers for prior payments made to spouses could not be recorded as intended because doing so would trigger the information technology system to send another cheque for the reimbursement amount to the recipient.

- Many manual cheques issued to recipients and third parties on their behalf could not be recorded. For example, for one month alone, one service manager could not record on the system 41 manual cheques totalling $72,842.

- The information technology system automatically produced tax slips for all recipients who received Ontario Works assistance in 2001 so that recipients could include the amounts on their tax returns. However, a number of these slips reported unreasonable amounts, including amounts for −$1.2 million and −$194,000. Although the Ministry informed us that none of the tax slips cited had been mailed out, we found no evidence to indicate that corrected tax slips had been subsequently issued. In addition, the inability of service managers to record some reimbursements and manual cheques on the system also resulted in recipients receiving inaccurate tax slips.

- The system automatically prints form letters to recipients relating to a number of issues such as overpayments. According to the service managers, the information in many letters is inaccurate or of no value. For example, letters have been printed informing recipients that they have received a $0 overpayment and that they are "obligated to pay this debt." As a result, service managers have had to visually review all letters produced by the information technology system to ensure that they are accurate and useful. This has increased the amount of time spent on administrative functions.

INTERNAL CONTROL DEFICIENCIES

Information technology systems generally include a number of internal controls to help ensure that intentional or unintentional errors do not occur. However, we noted that the new information technology system lacked certain basic internal controls, including the following:

- The restriction of certain tasks to specific individuals helps ensure that they cannot perform combinations of tasks on their own that could result in errors or the misappropriation of funds. However, we noted the system lacked such controls over the payment function. For example, the system allowed the same person to open a new file or reactivate a terminated one, change banking information, make payments to recipients, and close the file without supervisory review or approval. The likelihood of such payments being detected was low because the system did not produce reports on cases opened or closed by caseworkers. This situation exposed Ontario Works to an unnecessary risk of misappropriation of funds.

- The system was supposed to produce an audit trail that allowed service managers to track any changes made to files by user identification. However, we noted that an audit trail was not always maintained, as there have been instances where individuals who

made no changes to a file have overridden a previous user identification. In some instances, users with read-only access have also overridden previous user identifications.

- Since the information technology system that supports both Ontario Works and the Ontario Disability Support Program is integrated and province-wide, we would have expected it to be programmed to prevent recipients from receiving both Ontario Works and Ontario Disability Support payments for the same time period and to prevent duplicate or multiple Ontario Works payments being sent to the same individual by different service managers. However, service managers informed us that they had found instances of these kinds of duplicate and multiple payments.

- The read-only access function does not permit users to view all information. To gain viewing access to all information, users must be given full edit rights, which is undesirable.

- Service managers informed us of instances when individuals, including those with read-only access, have recorded an overpayment or issued a cheque without being aware that such an operation had occurred.

- Many service managers also noted that the workarounds they must use to make the information technology system perform better could make it difficult to pursue instances of suspected fraud in the future. The integrity of the system and the data are at risk in instances where false information is entered into the system during the course of a workaround. One service manager estimated that prior to the new system's implementation it was referring for prosecution approximately four cases of suspected fraud a month, but, almost one year after system implementation, it was not referring any cases for prosecution. The service manager attributed this decrease to a lack of integrity of information in the system as a result of workarounds and the way information was organized.

Conclusions on the Administration of the Agreement Between the Ministry and Accenture

In light of the observations detailed in this report, it is our view that the common purpose procurement principles of sharing risk, investment, and rewards were not provided for in the agreement between the Ministry and Accenture or in its subsequent amendments and were clearly not adhered to. In effect, the Ministry accepted most, if not all, of the risk for the Business Transformation Project while Accenture received a disproportionate amount of the rewards.

If the Ministry again decides to undertake a common purpose procurement project of this complexity and magnitude, it needs to ensure that the project is delivered on time, on budget, and meets the business needs of the Ministry and its service-delivery agents. Based on the Ministry's experience in this case, we believe that the potential benefits of common purpose procurement projects do not justify the risk involved.

> **Ministry Comment**
>
> *It is the Ministry's view that the common purpose procurement form of contracting was well suited to this project because it allowed the parties to establish the overall deliverables as part of the Master Agreement. Over the term of the contract, the parties then evolved the business and technology solution with the participation of its many stakeholders. The Task Orders outlining this work detailed the respective responsibilities, the resources, timing, and specific outcomes that formed part of the contract. Both parties assumed a significant investment and agreed to share the risk and rewards proportional to their investment. The terms of the Master Agreement and subsequent contractual documents were strictly adhered to as validated by Contract Compliance Reviews performed during the project and at project closure.*
>
> *The Ministry agrees that all common purpose procurement contracts should ensure that the projects are delivered on time and on budget and meet the business needs of the users and believes that those criteria have been met. The benefits of this form of contracting should always be balanced against the risks involved in delivering these large, complex projects. This project furthered the Ontario Public Service's knowledge and understanding about how best to partner with others to make such radical change happen.*

Part Two: ONTARIO WORKS PROGRAM ADMINISTRATION

In preparation for the introduction of the new service-delivery system for Ontario Works, the Ministry fully implemented a new, two-step application process for eligibility assessment in January 2001. Since that time, individuals applying for assistance are to call one of seven intake-screening units and provide basic personal information about such matters as their income, assets, and current accommodation. Operators enter this information into the new technology system and, based on the information provided, advise the applicant whether he or she is likely to be eligible for assistance.

Regardless of the opinion expressed by screening-unit staff at this stage, individuals who choose to continue with the application process are referred to a service manager and, in most cases, are scheduled for an Ontario Works information session and a subsequent personal interview. During the personal interview, the applicant must produce key documents to establish eligibility for financial assistance. In addition, the service manager is required to confirm some of the information provided during the interview with third parties such as a credit agency or other benefit providers.

In cases where financial eligibility is determined, the applicant is also required to enter into a participation agreement, which entails a commitment to participate in employment-related activities designed to help the participant find and keep a job. The participant's continued

eligibility for financial assistance is periodically reassessed at frequencies that vary with the perceived risk of ineligibility.

In cases where the application for financial assistance is denied, applicants can first ask for an internal review of the decision by the service manager, after which the decision may be appealed to the Ministry's Social Benefits Tribunal.

Intake-screening Units

The two-step process for eligibility assessment was designed to increase program efficiency and effectiveness principally by:

- permitting applicants to obtain preliminary eligibility assessments at an earlier stage of the application process through a convenient telephone call that lasts, on average, only 15 to 20 minutes;

- reducing the number of in-office interviews for applicants who will ultimately be found ineligible for financial assistance, interviews that typically take up to two hours; and

- enhancing the consistency and effectiveness of the eligibility assessment process.

However, we found that the new eligibility-assessment process was not meeting the objective of significantly reducing time-consuming, in-office interviews.

Ministry documentation provided to us indicated that half of all applicants were expected to be screened out as a result of their initial telephone inquiries to the intake-screening units. However, records for 2001 indicated that the results obtained by screening units fell far short of meeting this goal.

- Based on a four-month ministry study, 40% of all applicants bypassed the screening units altogether and applied for assistance directly to a service manager.

- Eighty-seven percent of all callers to screening units in 2001 chose to proceed to a personal, in-office interview at a service manager, regardless of the preliminary assessment provided by the screening unit.

We also found that the Ministry did not have information that could demonstrate the effectiveness of the two-step eligibility-assessment process. For example, it did not have any information with respect to:

- the number of applicants who were advised by screening unit staff that they were likely to be ineligible for financial assistance but proceeded to a personal interview and were found to be eligible; or

- the number of applicants who were advised by screening unit staff that they were likely to be eligible for financial assistance, but were found to be ineligible at a later stage.

Service-manager staff we talked to expressed the following additional concerns:

- Screening-unit staff who answer applicants' calls were in some cases not as familiar with Ontario Works' requirements as they should have been.

- The Ministry's standard of answering 80% of all telephone calls within 60 seconds was often not met. For example, information for the first three months of 2002 for one of the screening units we contacted indicated that calls were answered within one minute only 14% to 72% of the time.

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Recommendation

The Ministry should obtain the information necessary for assessing the efficiency and effectiveness of its eligibility-assessment process for the Ontario Works program, determine whether the intake-screening units are meeting expectations, and, where necessary, take corrective action.

Ministry Response

The Ministry agrees. Based on experience with early implementation, the Ministry is working closely with the Ontario Works service managers to enhance performance indicators, which will assist in monitoring effectiveness and efficiencies generally and specifically with regard to the intake-screening units.

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Recipient Eligibility

Applicants must provide the service manager with the information necessary to demonstrate their eligibility for financial assistance and to determine the correct amount of assistance to be paid. Ministry policy requires that at the time of the initial eligibility assessment and for subsequent eligibility reassessments copies of certain documents must be placed on file and the visual verification of other information must be noted on file. Document copies that must be kept on file include birth certificates, legal documents relating to marital status and support agreements, and tax assessments. Information that must be visually verified and noted on file includes social insurance and health card numbers, banking information, and school records for dependent children. Any single piece of missing information could have a significant impact on the eligibility assessment and the determination of the correct amount of assistance to be provided.

Our examination of a sample of recipient files found that the Ministry's requirements for obtaining and verifying all of the information necessary to establish eligibility and amounts to be paid were often not met:

- On average, approximately three-quarters of the recipient files for which initial benefits had been granted lacked at least one of the information requirements and in some cases up to three or four. For one service manager we visited, we noted that 95% of the files we reviewed lacked at least one of the information requirements.

- On average, approximately three-quarters of the recipient files for which a subsequent eligibility reassessment had been undertaken continued to lack at least one of the required items of information.

We noted that the rates at which required information was lacking were comparable to those cited in our 1996 report on the Ministry's Provincial Allowances and Benefits Program. Therefore, little if any improvement has been realized in this area since that time. We also noted that the Ministry's own compliance-review process for recipient files found many of the same information deficiencies that we found, and no corrective action had been taken.

Recommendation

To ensure that all recipients are eligible to receive Ontario Works financial assistance and that the assistance provided is in the correct amount, the Ministry should reinforce with service managers its requirements for obtaining, documenting, and correctly assessing the required recipient information.

Ministry Response

The Ministry places a high priority on ensuring that only eligible people receive the accurate amount of financial assistance and will reinforce this with Ontario Works service managers through its compliance review and monitoring process.

Eligibility-assessment Process Enhancements

With the introduction of the new service-delivery system in 2001/02, the Ministry introduced two enhancements to the eligibility-assessment process for recipients—automatic risk flagging of files and third-party confirmation of information provided by recipients. However, neither of these were consistently used and, therefore, did not meet ministry expectations.

FLAGGING HIGH-RISK CASES FOR ELIGIBILITY REVIEW

The new information technology system is programmed to assign risk flags to active individual cases in the system based on a variety of assessed characteristics. All cases are assessed as high, medium, or low risk for potential non-compliance with program eligibility requirements.

Cases are assessed as high risk if they meet any one of a number of characteristics, such as having declared accommodation costs exceeding 80% of the total assistance provided or not having had an eligibility review conducted within the previous eleven months. Service

managers are expected to conduct reviews of cases flagged as high risk on a priority basis and before reviewing cases assessed as medium or low risk.

However, we found that the information technology system's risk-flagging feature was not effective in flagging the highest risk cases and was not effectively used to prioritize case reviews for the following reasons:

- At the time of our audit, large numbers of cases were flagged as high risk and therefore in need of review. For example, 10% of all cases for one service manager were flagged as high risk, which represents about twice as many cases as can be reviewed in a month. However, service managers were unable to prioritize their workload within this category to determine which cases should be reviewed first because:

  - cases that had not been reviewed for eleven months were not differentiated from those that had not been reviewed for two or more years; and

  - a case that met one of the criteria for high risk could not be differentiated from those that met three or four criteria.

- Service managers could not alter the risk-assessment criteria to reflect local conditions. For example, one service manager had a large proportion of cases flagged as high risk because 80% or more of the assistance amount was spent on accommodation. However, even after these cases were reviewed and recipients were found to be eligible, the cases continued to be flagged as high risk.

- Many of the cases flagged as high risk had not been reviewed for prolonged periods of time. For two of the service managers we visited, we found high-risk cases that had not been reviewed for between two and three years.

- Two service managers we visited were conducting reviews for cases rated as medium and low risk while other cases rated high risk were not reviewed. For example, of the cases assigned for review during a one-month period at one service manager, 24% were rated high risk, 44% were rated medium risk, and 32% were rated low risk while cases identified as high risk remained unreviewed.

> **Recommendation**
>
> **To better identify and rank the highest risk cases for review and to ensure that those reviews are conducted on a priority basis, the Ministry should:**
>
> - **consider refining the criteria used to identify and rank cases in need of a review; and**
> - **ensure that service managers prioritize reviews on the basis of assessed risk.**

> **Ministry Response**
>
> **The Ministry agrees. The Ministry is currently reviewing its risk criteria and monitoring process in conjunction with Ontario Works service managers to enhance this process.**

THIRD-PARTY CONFIRMATION OF INFORMATION PROVIDED BY RECIPIENTS

In our 1996 report on the Provincial Allowances and Benefits Program, we recommended that the Ministry enter into information-sharing agreements with other benefit providers and jurisdictions to help ensure that information provided by recipients is correct and that errors or omissions resulting in inappropriate eligibility determinations are prevented or detected.

As part of the introduction of the new service-delivery system, the Ministry acted on that recommendation and entered into a number of third-party information-sharing agreements. Confirming the completeness and accuracy of information provided to service managers with third parties is now mandatory in some instances and left to the discretion of caseworkers in others. Mandatory third-party confirmations at the time of both the initial eligibility determination and for subsequent reviews include:

- confirming information with respect to Employment Insurance benefits provided by the federal government; and

- confirming personal credit information with a major credit-rating agency.

Mandatory third-party confirmations of information provided only at the time of subsequent reviews include:

- confirming support payments with the Family Responsibility Office when support is a potential issue; and

- confirming income information with the Canada Customs and Revenue Agency.

However, we found that for almost half of the sample of files we reviewed that should have included mandatory third-party confirmations, at least one such confirmation had not been undertaken. For one service manager, we found that 70% of such files were missing at least one of the required third-party confirmation. In addition, we found that discretionary third-party confirmations, for example, confirming spousal support with the Family Responsibility Office at the time of the initial eligibility assessment, were seldom done, even though in our opinion they often should have been carried out.

> **Recommendation**
>
> **To help ensure that information provided by recipients of Ontario Works assistance is complete and accurate and that errors or omissions resulting in**

inappropriate eligibility determinations are detected and prevented, the Ministry should:

- **assess the advisability of making all mandatory third-party confirmations at the time of a subsequent eligibility review also mandatory at the time of the initial eligibility assessment; and**

- **reinforce with service managers its requirement that all mandatory third-party confirmations be conducted as required.**

Ministry Response

The Ministry agrees. The Ministry will assess the advisability of expanding mandatory third-party confirmations and reinforce with Ontario Works service managers the requirement for third-party confirmation.

Reporting of Other Income by Assistance Recipients

Ministry policy requires that all recipients of Ontario Works financial assistance report to their service manager any other income they receive in a month. The new information technology system was to automate this reporting requirement using a telephone-based interactive-voice-response system. However, this aspect of the new technology was not developed, and recipients continued to be required to submit a monthly income-reporting statement disclosing non-assistance income; that information is then manually entered into the system.

If, in any of the first three months of receiving financial assistance, a recipient reports employment earnings, in the following month the amount of assistance is reduced by the amount of the reported earnings. After three months, recipients may receive employment earnings up to a base amount, ranging from $143 to over $400 per month depending on the makeup of the family unit, without affecting their financial-assistance entitlements. Reported employment income in excess of the base amount is clawed back at the rate of 75% during the first year, 85% during the second year, and 100% thereafter. Income from sources other than employment is deducted in full.

We reviewed a sample of files for which income-reporting statements had been received or for which monthly benefit entitlements had been reduced due to reported income and found discrepancies in approximately one-quarter of the files. These discrepancies included:

- reported income that was incorrectly reflected in the following month's assistance payment or was not reflected at all; and

- instances where assistance payments were reduced but either the reported income did not substantiate the reduction or the relevant income-reporting statement could not be found.

We also noted that the Ministry's policy is not clear as to whether an income-reporting statement is to be submitted if no income is earned in a month. Two of the service managers we visited required an income-reporting statement to be submitted every month whether or not the recipient had any income while the other service manager did not require reporting from recipients who had no income.

Recommendation

To help ensure that financial assistance provided by the Ontario Works program is in the correct amount, the Ministry should reinforce the requirement that service managers correctly reflect other reported income in the financial assistance provided.

Also, the Ministry should clarify whether or not monthly income-reporting statements are required from assistance recipients who have no income to report in a given month.

Ministry Response

One of the cornerstones of the Ministry's reform of the social services delivery system is ensuring that participants are issued the correct amount of financial assistance. The Ministry will emphasize with Ontario Works service managers the requirement that all reported income is to be correctly reflected in financial assistance provided.

Community and Employment Start-up Assistance

In addition to financial assistance for basic needs and shelter, Ontario Works recipients may also be eligible to receive community or employment start-up assistance. Community start-up assistance may be granted for such items as moving expenses and the last month's rent for new accommodation. Employment start-up assistance may be provided for such items as appropriate work wear or transportation costs for employment or employment-assistance activity. In the 2000/01 fiscal year, approximately $36.8 million and $11.6 million was provided for community and employment start-up assistance respectively. The table below shows the maximum benefit amounts that may be provided in any 12-month period.

**Community Start-up and Employment Start-up
Assistance Amounts, 2001/02**

	Maximum Adult with No Dependants ($)	Maximum Adult with Dependant(s) ($)
Community start-up assistance	799	1,500
Employment start-up assistance	253	253

*Source of data: Ministry of Community, Family and Children's
Services*

A ministry directive defines the specific circumstances under which a recipient is eligible for community and employment start-up assistance and requires that those circumstances be documented. However, the directive does not define eligible expenditures. Instead it provides examples of the type of expenditures that may be reimbursed under either program. In addition, the directive does not require a detailed listing of the costs incurred or an assessment of their reasonableness. We also noted that although receipts are required to support employment start-up assistance payments, there is no such requirement for community start-up assistance payments.

We found that local practices for obtaining supporting documentation for start-up assistance provided under the two programs varied widely among the three service managers we visited. One service manager required receipts to be filed for employment start-up purchases only; another required receipts to be filed for community start-up purchases only; and the third required a list of items to be purchased and their estimated costs for community start-up only.

We reviewed a sample of files for which either community or employment start-up assistance had been provided and noted the following:

- Contrary to the Ministry's requirement, there was often no evidence on file that the community or employment start-up event for which assistance had been provided had occurred.

- In the absence of receipts for the items acquired, it is not possible to assess the reasonableness of the amounts paid.

- A number of assistance payments were for ineligible items or were otherwise questionable. For example, community start-up assistance was provided for such things as rent arrears, utility bills, and mortgage payments, in some cases to the maximum amount of $1,500.

We also noted instances where assistance was provided in excess of the established maximum amounts. For example, annual maximum amounts for both community and employment start-up assistance were often provided more than once in a 12-month period and, in one case, twice in the same month.

Recommendation

To help ensure that community and employment start-up assistance provided under the Ontario Works program is reasonable in the circumstances, the Ministry should:

- **reinforce with service managers its requirement to document and provide community and employment start-up assistance only in eligible circumstances and not in excess of the maximum amounts; and**
- **require service managers to obtain a list of items to be reimbursed, assess the reasonableness of the amounts of assistance requested, and obtain receipts to substantiate all actual costs incurred.**

Ministry Response

The Ministry agrees. The Ministry will reiterate with Ontario Works service managers the requirements to assess the reasonableness and accuracy of community and employment start-up assistance.

Pursuing Spousal and Child Support

Under provisions of the *Ontario Works Act,* recipients of financial assistance are required to make all reasonable efforts to pursue any spousal and/or child support they may be entitled to. If the caseworker is not satisfied that the recipient is making reasonable efforts in that regard, the caseworker may determine that the person is not eligible for basic financial assistance or reduce the amount of assistance by the amount of support that, in the caseworker's opinion, would be available if a reasonable effort had been made to obtain it. In addition, the recipient may be referred to a Family Support Worker who may assist the recipient in pursuing spousal and/or child support.

In the case of court-ordered support, rights to the support payments may be assigned to the service manager, which is usually done when support is not being regularly paid. In these cases, the recipient receives full Ontario Works assistance entitlements, and it is the service manager's obligation to collect the court-ordered support.

The Ministry does allow for circumstances where it is not reasonable to pursue support. For example, a caseworker may waive the obligation to pursue support when the recipient's former partner cannot be located, is in a penal institution, or is likely to become violent if support is pursued. Waivers for pursuing support are generally valid for a three-month period, after which the obligation to pursue support must again be assessed.

The degree of review a caseworker performs when assessing the adequacy of recipients' efforts to pursue support is a function of the caseworker's professional judgment. This results in inconsistent practices in this area and ultimately could lead to a lack of assurance that all reasonable efforts to obtain support have been taken.

We reviewed a sample of files for which spousal or child support was potentially obtainable and, in most cases, found no evidence to indicate that support was in fact being pursued. Even in those cases where the recipient had been referred to a Family Support Worker, we still often found no evidence to indicate what steps, if any, had been taken to pursue support.

We also found that for most cases where a waiver to pursue support was on file, the waiver had expired. In addition, we often found no evidence on file to indicate that the caseworker had received, verified, or assessed any information to determine whether the waiver to pursue support was warranted either initially or periodically afterward.

Recommendation

To help ensure that Ontario Works recipients who may be eligible for spousal and/or child support actively pursue such support, the Ministry should ensure that service managers:

- **ascertain and are able to demonstrate that all recipients entitled to such support have taken reasonable efforts to attain it; and**
- **adequately document the information received, assessed, and verified in issuing a waiver to pursue support, and document the reassessment of the decision at the time the waiver expires.**

Ministry Response

The Ministry agrees. The Ministry will reinforce with Ontario Works service managers the current file documentation requirements for family support.

Recipient Overpayments

Overpayments occur when the amount of assistance provided to recipients exceeds the amount they are entitled to receive. The amounts of unrecovered overpayments to recipients are substantial. As of February 2002, Ministry records indicated that overpayments outstanding on over 49,000 active accounts totalled $77.4 million. Overpayments outstanding for approximately 274,000 inactive accounts totalled $336.9 million as of that date. However, we understand that the reliability of this summary information is somewhat questionable because many of the individual account balances, which were the basis of the summary information, were found to be in error when reviewed.

Overpayments to active recipients are generally recovered through a 5% reduction to the recipient's monthly assistance payments until the overpayment is recovered in full. Overpayments to inactive clients are to be recovered through the collection efforts of service managers. Although overpayment recoveries are to be shared between the Ministry and the service manager on an 80:20 basis (the same basis on which they were originally funded), the Ministry has not assessed overpayment-recovery procedures for service managers in the last four years.

We found that service managers' efforts in collecting overpayments from inactive accounts were not adequate and were adversely affected by the following factors:

- Staff resources assigned to the collection function were often inadequate. For example, at one service manager we visited, one person was assigned to recover overpayments from 10,000 accounts representing $10 million in outstanding receivables.

- One service manager had made no attempt to collect outstanding overpayments after the introduction of the new information technology system in January 2002 because of the difficulty in determining the reasons for overpayments and in correcting outstanding balances for individual accounts after that date.

- Since the information technology system does not support the collection function and cannot interface with the service manager's own computer collection systems, the collection process is labour intensive and prone to manual input errors.

- Service managers cannot effectively age or readily identify many old outstanding balances that are likely uncollectible and therefore should be written off.

In light of the above-noted concerns, actual recoveries of overpayments from inactive accounts were minimal for the service managers we visited. For example, total recoveries averaged approximately 2% of the average amounts outstanding during 2001.

Recommendation

To maximize the recovery of overpayments to inactive recipients of Ontario Works assistance, the Ministry should:

- **ensure that its information technology system correctly indicates overpayment balances, allows the reasons for overpayments to be readily determined, and better supports the collection function;**

- **ensure that service managers actively pursue the recovery of overpayments from inactive clients where warranted; and**

- **consider the development of a policy for writing off uncollectible accounts so that uncollectible outstanding accounts can be identified and written off on a timely basis.**

Ministry Response

The Ministry agrees. The Ministry is committed to improving the capacity of the information technology system to support the collection and recovery of overpayments by Ontario Works service managers.

The Ministry will consider the development of a policy for writing off uncollectable accounts so that the outstanding uncollectable accounts can be identified and written off on a timely basis.

Service-manager Claims for Financial Assistance Costs

Each service manager is required to submit a monthly claim to the Ministry for its 80% share of actual financial-assistance payments provided to Ontario Works recipients. Prior to the introduction of the new information technology system, we understand that service managers had accurate and reliable expenditure information on the financial assistance they provided, which was used to prepare their monthly claims to the Ministry. However, since the introduction of the new information technology system, accurate and reliable expenditure information is no longer available. Although the new system produces both a summary expenditure report for Ontario Works benefits as well as a detailed payment listing, information with respect to total payments contained in these reports differed significantly and both differed again from the service managers' banking records.

As a result, two of the three service managers we visited could no longer submit monthly claims to the Ministry based on their actual Ontario Works program expenditures. Instead, the Ministry funded these service managers based on an average of three months' actual expenditures prior to the introduction of the new system, and, in some cases, with adjustments that the service managers did not understand and could not explain.

The third service manager had the necessary resources and expertise to process and analyze ministry-provided data extracts to produce program-expenditure reports that could be reconciled with its banking records. It therefore was able to continue to submit monthly claims to the Ministry based on its actual program expenditures after the introduction of the new system. We noted that the unexplained differences between this service manager's actual monthly expenditures and the summary expenditure reports produced by the system were substantial. For the six months prior to April 2002, these differences averaged $1.2 million per month and were as high as $5.4 million out of total expenditures of approximately $42 million.

Recommendation

To enable service managers to submit monthly claims to the Ministry for their share of actual Ontario Works assistance benefits provided, the Ministry

Participation Agreements

During the time a person is receiving Ontario Works financial assistance, both that individual and all other adult members of that person's family unit must sign an Ontario Works participation agreement. The agreement obligates the signer to take part in one of the three types of employment assistance activities described in the Background section of this report. A caseworker is to assign each participant the type of activity most appropriate for helping that participant find and maintain a paid job. Participation agreements are generally valid for a three-month period, after which the participant's progress and needs must be reassessed and reflected in a renewed participation agreement, which is valid for a further three months. Longer-term participation agreements are permitted for individuals with deferred participation requirements, for example, sole-support parents with pre-school-age children.

We reviewed a sample of participation agreements and related summary information about them available from the Ministry and noted the following.

- Many participation agreements were incomplete, often lacking information about an individual's educational background and employment history, information that is important for assessing the appropriate employment assistance activity. In that regard, we noted that:

    - approved participation agreement activities were generally based on client self-assessments rather than assessments by caseworkers of recipients' skills and work experience; and

    - many clients were spending extensive time working at an approved activity without evidence to indicate that the caseworker had assessed the activity for appropriateness. For example, in one instance a participant spent 30 months on independent job-search activity and, in another instance, a participant spent more than 19 months on a training activity without evidence that the activity had been regularly assessed by the caseworker for appropriateness.

- Many of the most recent participation agreements on file were expired, some for periods of between six and twelve months. For example, at one service manager we visited,

approximately 70% of all participation agreements had expired, with the result that the current circumstances and needs of those participants had not been reviewed and reflected in revised participation agreements.

Ministry Monitoring of Service Managers

The Ministry requires each of its nine regional offices to conduct two types of annual reviews of service managers within its jurisdiction to assess compliance with legislative and administrative policy requirements:

- Program-compliance reviews generally consist of a review of a sample of case files to assess whether or not they comply with selected program requirements.

- Subsidy-claims examinations are designed to determine whether service-manager claims to the Ministry for the Ministry's share of assistance payments are complete, accurate, and based on actual payments to assistance recipients.

We found that the required compliance reviews for the service managers we visited were generally being conducted on an annual basis. We examined a sample of compliance-review reports and noted that they identified many of the same concerns we identified during our audit as detailed in the earlier sections of this report. However, although the regional offices are required to ensure that service managers have taken any necessary corrective action, we often found little evidence that such corrective action had been taken.

We understand that, at the time of our audit, most service managers were not submitting monthly claims to the Ministry based on actual program expenditures because of the

difficulties with the information technology system noted above. For earlier periods, we found that the required annual subsidy-claims examinations had not been conducted for a long time or had not been adequately conducted:

- For two of the three service managers we visited, the required annual subsidy-claims examination had not been completed for the past four years.

- For the other service manager, a subsidy-claims examination had been completed during the past year, but the scope of the work undertaken was not adequate to conclude on the completeness and accuracy of the service manager's claims because insufficient work was undertaken on the basic assistance amounts that represented a majority of the total claim.

Recommendation

To help verify that service managers' subsidy claims are complete, accurate, and based on actual payments to recipients, the Ministry should ensure that:

- **actions to correct deficiencies indicated by compliance reviews are carried out;**
- **subsidy-claims examinations are undertaken annually, as required; and**
- **the scope of the work undertaken during subsidy-claims examinations is adequate to conclude on the completeness and accuracy of the claim.**

Ministry Response

The Ministry agrees. The Ministry will undertake subsidy-claims examinations annually, and, in addition, deficiencies identified in compliance reviews will be acted on and monitored.

MEASURING THE EFFECTIVENESS OF ONTARIO WORKS

The Ministry provides its service managers with a comprehensive set of program directives, decision-making principles, and program delivery standards. In addition, the Ministry enters into binding service agreements with its service managers that include service targets that are tied to payments for service. However, the Ministry also needs to systematically capture the information necessary to assess program outcomes and hence program effectiveness.

In that regard, we noted that the 2001/02 Business Plan for the Ministry included the target of a 5% reduction of the Ontario Works caseload for that year as a measure of the program's success. We also noted that the Ministry frequently refers to decreases in the number of people receiving benefits as an indication of the program's success. For example,

an October 26, 2001 announcement posted on the Ontario government's Web site reported that "7,683 people left the welfare rolls between July and September 2001," and attributed their leaving to the success of the program.

Significant decreases in the number of recipients are thus considered by the Ministry to be an indication that the program is meeting key objectives, including reducing dependency and cost to taxpayers. However, the reporting on Ontario Works caseload reductions has not differentiated between departures that represent a successful program outcome, such as a recipient finding employment as a result of Ontario Works assistance, and other departures not related to the program's operations, such as recipients moving to another province or securing other income such as Canada Pension Plan benefits.

We acknowledge that identifying successful program outcomes is inherently difficult because many factors not related to the Ontario Works program can influence the number of people leaving Ontario Works. These include:

- improvements in the general economy and the creation of the types of jobs Ontario Works recipients are most likely to qualify for;

- local conditions and seasonal factors that influence the availability of jobs in a given area; and

- individual commitment and personal initiative to find and maintain a job on the part of assistance recipients.

When recipients leave Ontario Works, caseworkers are to choose a termination code that best describes the circumstances. The Ministry's intent is to use these codes to track why recipients have left the program. However, at the time of our audit, these codes could not reliably be used for this purpose for the following reasons:

- The circumstances under which some specific termination codes were to be used were not well understood, and codes were used inconsistently by service managers.

- Many of the termination codes used by the caseworkers did not reflect the circumstances of the terminations. We found examples at two of the service managers we visited. One terminated recipient was incarcerated in a penal institution, but the termination code used indicated that termination had occurred because the individual had not reported income as required. Another recipient had found a job but was coded a "voluntary withdrawal, unknown."

- One of the codes—"voluntary withdrawal"—does not provide meaningful information about the termination. Over 50,000 terminations between 1998 and 2000 were coded as "voluntary withdrawal."

Recommendation

To determine the effectiveness of the Ontario Works program in helping assistance recipients to become self-reliant, the Ministry should:

- capture and assess the management information necessary to evaluate program effectiveness and take corrective action where necessary; and

- look for ways to make termination codes more useful and ensure that service managers understand the circumstances under which specific termination codes are to be used and use the codes consistently.

Ministry Response

The Ministry agrees that improvements to the economy and job creation are important complements to the effectiveness of the Ontario Works program in helping approximately 600,000 people leave the welfare system. By fostering personal initiative and providing effective employment-assistance measures, Ontario Works is meeting its objective of helping people to become self-reliant.

The Ministry agrees that it is important to capture and assess data to evaluate program effectiveness and to take corrective action where and when necessary.

The Ministry supports the appropriate and effective use of termination codes by Ontario Works service managers.

OTHER MATTER

ONTARIO WORKS ADMINISTRATION COSTS

The Ministry reimburses the 47 service managers for 50% of their direct costs for their administration of Ontario Works up to an annual, negotiated maximum amount. We understand that each annual, negotiated maximum amount is largely based on historical funding rather than on Ontario Works caseloads, even though a 2000 ministry study of administration expenses found that caseload size is the most relevant consideration in funding decisions.

Our review of the amounts of administration funding the Ministry provided to all service managers as a function of their caseloads showed significant variances, as the following table demonstrates.

**Ministry Funding of Administration
Costs for Service Managers
per Case, 2000/01 ($)**

Average	740
Lowest	273
Highest	1,596

*Source of data: Ministry of Community,
Family and Children's Services*

As can be seen from the table, the service manager with the highest ministry funding for administration costs per case received almost six times as much per case as the lowest-funded service manager. We wanted to find out the effect these funding discrepancies had, if any, on the number of caseworkers at individual service managers and their resultant caseloads and assess the likely impact on program delivery. However, the Ministry could not provide us with any information in that regard.

Recommendation

To help ensure that Ontario Works program administration is funded reasonably and equitably among service managers, the Ministry should consider caseload information in its funding decisions.

Ministry Response

The Ministry agrees and has already communicated that funding for cost of administration will be linked to caseloads.