
MINISTRY OF COMMUNITY, FAMILY
AND CHILDREN'S SERVICES

3.02–Children's Mental Health Services

BACKGROUND

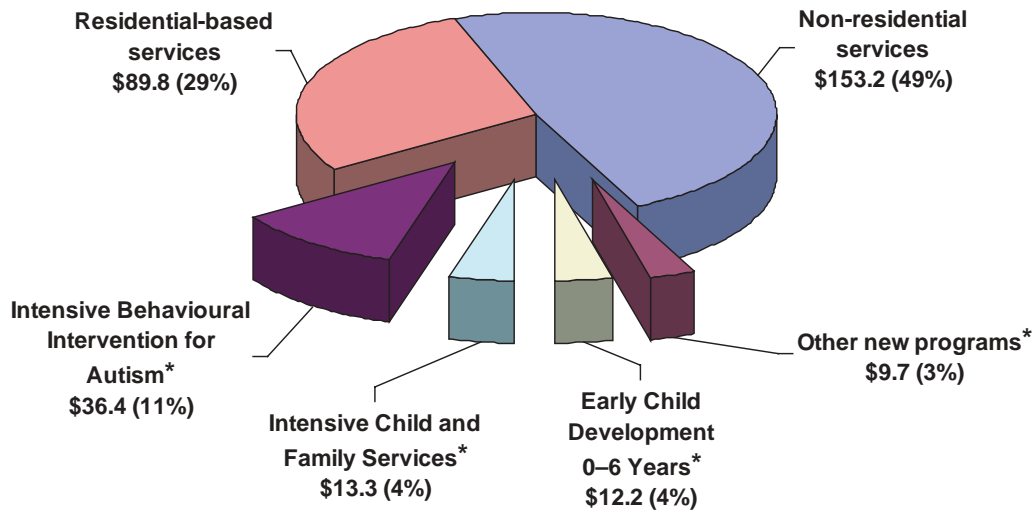
The Child and Family Intervention (CFI) and Child Treatment (CT) programs of the Ministry of Community, Family and Children's Services are collectively referred to as "Children's Mental Health Services." These programs fund transfer-payment agencies that provide services to children and/or the families of children who have social, emotional, or behavioural problems or psychiatric disorders. Services are also offered in cases such as family breakdown, physical or sexual abuse, attempted suicide, and depression. The CT program generally deals with more severe cases of children who are treated by or under the supervision of a psychiatrist; otherwise, the CFI and CT programs are similar.

Under provisions of the *Child and Family Services Act*, approximately 250 community-based agencies are funded. The types of services offered include assessment, psychiatric therapy, counselling, crisis intervention, and skills training and education, as well as residential-based services (mental health services offered in a residential setting) to children who require more intensive assistance. The Ministry's nine regional offices are responsible for contracting for and monitoring the delivery of children's mental health services by the agencies in their respective regions. However, since children's mental health services are not mandatory, services provided are limited by the level of available funding rather than the level of need.

Services are generally provided to children under the age of 18, including young offenders and children who may already be receiving services from a Children's Aid Society or other programs funded by the Ministry.

Total Children's Mental Health Services expenditures have increased substantially since the time of our last audit, from \$213 million in 1997 to \$315 million in 2002/03. However, most of this increase has been spent on several new initiatives in the last two years that in most cases provide intensive services to relatively few individuals with complex special needs. The following chart shows how funding was distributed among components of Children's Mental Health Services.

**Children's Mental Health Services Expenditures,
2002/03 Fiscal Year
(\$ million)**



*New initiative(s) since 1997

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to assess whether the Ministry's administrative procedures were adequate to ensure that:

- the quality and outcome of services provided by the community-based agencies was monitored and assessed; and
- transfer payments to agencies were reasonable and satisfactorily controlled.

The scope of our audit included a review and analyses of ministry files and administrative procedures, as well as interviews with appropriate staff at the Ministry's head office and three regional offices. We also visited a number of agency sites and interviewed staff there.

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.

Our audit work was primarily conducted in the period from November 2002 to March 2003. Our work on program expenditures and procedures focused on the 2001/02 and 2002/03 fiscal years. 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.

We did not rely on the Ministry's internal audit branch to reduce the extent of our audit work because they had not recently conducted any work in the area of our audit.

OVERALL AUDIT CONCLUSIONS

Based on the audit work we performed, we concluded that the Ministry was not adequately monitoring and assessing the quality of the services provided by agencies. As a result, the Ministry cannot be assured that vulnerable children in need are receiving the care and assistance they require. In particular, the Ministry:

- had not established service quality standards and service evaluation criteria to help staff monitor whether or not services were of an acceptable quality and represented value for money spent;
- had not established waiting-time standards for access to service that were reasonable and commensurate with individual children's needs, and was not monitoring the extent and impact of lengthy waiting times for service; and
- was not receiving or assessing information from agencies about the outcomes of the services they were providing, and could not take necessary corrective action with respect to financial and operational results due to the ineffectiveness of the existing quarterly reporting process.

We also concluded that the Ministry's administrative procedures were not adequate to ensure that transfer payments to agencies were reasonable and satisfactorily controlled. Specifically:

- The Ministry's funding decisions were not based on sufficiently detailed and relevant financial and operational information from agencies to ensure that the amounts approved were commensurate with the demand for, and value of, the services to be provided.
- The Annual Program Expenditure Reconciliations and accompanying audited financial statements that the Ministry received did not contain sufficiently detailed and comparable information to allow it to detect ineligible and inappropriate expenditures and to determine whether there were funding surpluses.
- The Ministry was not effectively recovering annual funding surpluses from agencies as required by Management Board of Cabinet directives.
- The Ministry did not ensure that its management information system provided sufficiently detailed, relevant, and accurate information to allow it to monitor the cost effectiveness of service delivery.

Our conclusions and findings were of particular concern because many dealt with issues we had previously raised in our 1997 audit of the CFI program. Although the Ministry agreed with the recommendations in that audit and agreed to implement the necessary corrective action, its progress has been less than satisfactory. The current status of our 1997 recommendations is as follows.

Current Status of 1997 Recommendations

1997 Recommendation	Current Status
Service quality standards should be established, and service quality should be periodically evaluated.	Not fully implemented—work in progress
Outcome indicators should be implemented to assess and improve program effectiveness.	Not fully implemented—work in progress
Agency funding decisions should be based on sufficiently detailed and relevant information from agencies.	Not implemented
Where the costs of similar programs are not comparable, the reasons should be explained and justified.	Not implemented
Annual Program Expenditure Reconciliations and audited financial statements should provide sufficiently detailed information to permit the identification of inappropriate and ineligible expenditures.	Not implemented
More effective procedures should be in place to recover funding surpluses.	Improvement noted
Information necessary to determine whether services are provided cost effectively should be obtained.	Not fully implemented—work in progress

Overall Ministry Response

Under the Child and Family Services Act, the Ministry of Community, Family and Children’s Services has the legislated authority to provide and/or fund services to children who have social, emotional, behavioural, and/or psychiatric problems. However, these services are discretionary under the Act and are provided to the level of available resources.

The Ministry is building on its recent experience and is developing a policy framework for children’s mental health that will: confirm the government’s expectations of children’s mental health service providers; identify core children’s mental health services; and establish a common policy platform for both the children’s mental health services funded by the Ministry of Community, Family and Children’s Services and those funded by the Ministry of Health and Long-Term Care. The Ministry expects that the policy framework will help clarify roles, responsibilities, and accountability requirements and facilitate the delivery of children’s mental health services that focus services on children most in need.

DETAILED AUDIT OBSERVATIONS

MONITORING OF SERVICES PROVIDED

Quality of Service

Measurable and meaningful quality-of-service standards are essential for ensuring that service recipients' needs are adequately met and that the services provided represent value for money spent. Such standards would include set expectations for staff qualifications and staff-to-client ratios. Having appropriate quality-of-service standards is particularly important in light of the fact that the Ministry is not currently able to monitor and assess service outcomes (as discussed further under "Performance Measurement").

However, as was the case in our last audit, we found that, for the vast majority of the programs funded, neither standards defining acceptable service nor criteria for evaluating service quality had been developed. As a result, the Ministry did not have adequate assurance that the programs it funded adequately met client needs or represented value for money spent.

For example, in that regard we noted that in July 2001, a regional office that we visited and a transfer-payment agency jointly hired a consultant to perform a clinical review of the agency's operations. The consultant examined the quality of services offered at the agency and found the following:

- In the absence of established standards, the agency fell short of achieving the standard of practice that the consultant expected.
- There were concerns about the strength and consistency of the clinical programs offered.
- There were concerns in general about waiting times for service. For one of the agency's programs in particular, the waiting time to serve a client who might be suicidal or violent could be months.

On the other hand, we are pleased to note that the Ministry had developed service guidelines for several of the newly established programs. These program guidelines outline ministry requirements for core program design and best practices and in some cases include specific guidance for staff qualifications and experience, caseload sizes, and intensity of intervention. However, the Ministry had not taken full advantage of this initiative because, although head office staff considered compliance with the guidelines to be mandatory, staff in regional offices in most cases did not, and they therefore did not monitor whether or not guidelines were adhered to.

Recommendation

To ensure that agencies are aware of the Ministry's service-delivery expectations and to assist ministry staff in assessing whether services are of an acceptable quality and represent value for money spent, the Ministry should:

- establish standards for acceptable service quality, as well as criteria for evaluating service quality, for all Children's Mental Health Services programs that it funds; and
- periodically evaluate the quality of services provided and work with its partner agencies to take corrective action where necessary.

Ministry Response

For the past year, the Ministry has been working with a group of internal and external stakeholders in children's mental health to define core services and articulate the Ministry's vision of service for this sector. The Ministry will complete this work in 2003/04 and proposes to undertake an inventory of services provided by children's mental health agencies. The inventory would enable the Ministry to provide children's mental health agencies with clear and consistent direction on the core business and services they are expected to provide. To follow up on this work, in 2005/06 the Ministry proposes to conduct a program evaluation to confirm that the policy framework is being consistently applied by agencies, that core services are being delivered, and that children's mental health services are effective, efficient, and affordable.

As noted by the Provincial Auditor, the Ministry has required that children's mental health agencies implement standardized intake and assessment tools (the Brief Child and Family Phone Interview and the Child and Family Assessment Scale). Although these tools are still being refined, they document improvements and changes in individual children as a result of services provided and received.

The Ministry recognizes the need to monitor quality of service and has undertaken a number of initiatives that focus on improving services. For example:

- *In 2003/04, the Ministry will pilot a mental health assessment tool for children under age six.*
- *The Ministry has identified common assessment tools for children with autism that are currently being implemented.*
- *In 2004/05, the Ministry will identify methods to measure child improvements as part of the Autism Strategy announced in November 2002.*

Waiting Lists

Timely access to children's mental health services is often critical for ensuring the best possible outcomes for those children in need of the services. Therefore, the Ministry needs to ensure that there are standards for access to service that are reasonable and commensurate with an individual's assessed needs. The Ministry also needs to ensure that agencies adhere to the standards.

However, we found that standards for access to services have not been established. Furthermore, with the exception of the autism program, information about waiting lists and times was not normally provided to the Ministry (in one region, information about waiting lists and times for some agencies providing non-residential services was provided to the Ministry during the time of our audit, but the Ministry had not yet reviewed and assessed it).

Our own review of what information was available indicated that waiting times were often lengthy. For example:

- Waiting times for children in the autism program averaged approximately one year for initial assessment and another year for actual services. Since the autism program is provided to children only up to the age of six, some children who turned six while waiting for service were removed from the waiting list without ever having received services. As of December 2002, 1,105 children were on the province-wide waiting list, compared to 453 children who were receiving the service.
- In one region that we visited, 224 children who had been approved as requiring residential-based care were on a waiting list for such care for an average period of eight months. Undoubtedly, the fact that all 91 beds available in this region were filled contributed to these lengthy waiting times.
- Similarly, in another region that had a consolidated waiting list for non-residential services at seven agencies, 138 children were waiting between three and 11 months for service. The seven agencies were serving only 28 children in total at that time.

Unless the regional offices receive reliable waiting-list information from the agencies and assess it, the Ministry cannot respond to significant problems on a timely basis.

Recommendation

In order that the necessary services are provided to children most in need on a timely basis and, when they are not, that the negative impact on children is lessened, the Ministry should:

- **establish standards for access to service that are reasonable and commensurate with individual children's needs; and**

- assess the extent to which the standards are complied with and develop strategies to monitor and remedy situations where waiting times for service are too lengthy.

Ministry Response

The Ministry acknowledges that waiting times for children’s mental health services may be lengthy. Children’s mental health services are discretionary under the Act and are provided to the level of available resources. It is the responsibility of service providers to prioritize an individual’s need for service, considering ministry guidelines for children “most in need.”

The Ministry implemented standardized common intake and assessment tools and access mechanisms across the province to improve access to services for children. However, the children’s mental health sector is currently experiencing capacity issues, and the Ministry is working with agencies to prioritize services at the community level so that necessary services are provided to children most in need. Although the Ministry has provided new funding for children’s mental health services since 1999, these funds have been designated to address specific service areas and gaps—for example, services to preschool-aged children and intensive child and family services—rather than to address capacity issues (for example, staffing resources), which would result in reduced wait times.

In 2001 and 2002, the Ministry asked service providers to provide specific information on numbers of children waiting for autism services. The Ministry used this information to identify additional funding required to meet the need. With the announcement of the Autism Strategy in November 2002, the Ministry will be spending approximately \$100 million on services for children with autism by 2006/07. Based on waiting-list information provided, the Ministry doubled its budget for Intensive Behavioural Intervention services to respond to the demand for service.

Performance Measurement

The objective of the Children’s Mental Health Services programs is to provide for a range of services that effectively alleviate many types of social, emotional, behavioural, and/or psychiatric problems experienced by children and their families. In order to ensure that this objective is met, the Ministry must monitor and assess the performance of its transfer-payment agencies with respect to both program/client outcomes (changes in clients’ conditions brought about by services provided) and program outputs (the types and amounts of both services provided and clients served). Such monitoring would enable the Ministry to determine whether its expectations were met and, where necessary, to take corrective action.

However, the Ministry still does not effectively monitor performance against measurable and meaningful performance targets, for either program/client outcomes or program outputs, despite similar findings having been identified in both our 1993 and 1997 audits of the CFI program. As noted in our 1993 audit, the Ministry had identified the need to improve transfer-payment-agency accountability by measuring agency effectiveness. Again in 1997, in response to one of our recommendations, the Ministry agreed that “it needs to establish measurable performance targets and indicators and monitor the results achieved against the targets established.”

Although individual agency performance is still not currently being effectively measured against pre-established targets, some progress has been made. For example, with respect to program/client outcomes, we understand that the Ministry has selected two tools that are in the process of being implemented in some agencies:

- an intake assessment tool for determining the type and severity of a child’s need at the time of intake; and
- a performance measurement tool that can be used in certain situations to assess a child’s current condition and the child’s improvement over time.

In establishing a child’s initial condition and measuring changes in the child’s condition while being treated, these tools could provide valuable information about program effectiveness. However, it has not yet been decided whether any of the information provided by these tools will be provided to the Ministry by the agencies and therefore whether the Ministry will use the information to assess the outcome of care being provided.

The Ministry also requests quarterly reports from its agencies. The intent of these reports is to compare actual expenditures to those budgeted for and provide planned and actual output information such as the number of individuals served and days of residential-based care provided. The Ministry generally requires that agencies highlight and explain unexpected variances between planned and actual results that exceed 10 percent and suggest appropriate remedial actions. These suggestions are to be reviewed and approved by the Ministry’s regional staff.

However, we found this quarterly reporting process to be ineffective for the following reasons:

- Output information about the number of individuals served was often unreliable and misleading and did not appropriately measure the type and amount of services provided.
- Agencies often did not provide the required explanations for, or suggest remedial actions for, unexpected variances between actual and planned results.
- There was often no evidence that the Ministry reviewed the quarterly reports—which means it also did not review and approve the suggested remedial actions.

Recommendation

In order that children who are receiving mental health services are provided with the care and assistance they require, the Ministry should:

- regularly obtain and assess information about the level and outcomes of the services provided by its community-based service-delivery agencies; and
- take the necessary steps to ensure that the existing quarterly reporting process is effective in providing reliable and useful information on both expenditures and service outputs.

Ministry Response

The Ministry agrees that performance measures are an essential part of the business planning process and provide important information to support funding and program management decisions.

The Ministry has identified the need to enhance its ability to develop more outcome-based measures. Implementation of a ministry-wide strategy to strengthen the performance measurement framework will begin in August 2003. With the implementation of the strategy, the Ministry will focus its performance measurements on outcomes and indicators that reflect the effectiveness of the programs. This plan is consistent with the government's overall performance measurement strategy.

As noted by the Provincial Auditor, the Ministry has implemented a number of initiatives that will help to improve agency accountability and assess effectiveness—for example, standardized common intake and assessment tools that document improvements in children.

Program Co-ordination

The Ministry's April 1997 document entitled "Making Services Work For People" set out a new framework to reshape the social services system that would: focus on the needs of the individual and family; respond more quickly to those needs; and use resources more effectively. Proposed changes to the social services system included introducing the following:

- a single point of access for residential-based services;
- fewer access points for, and greater co-ordination of, other services to help families and individuals gain access to the services that are the most appropriate for their needs;
- a mechanism to provide integrated information about all available services; and
- a case resolution function, whereby those who need help the most receive essential supports first.

Since the time of our last audit, some of the changes have been implemented, partly in order to address previous audit recommendations made by our Office. These include centralized points of access for residential-based services, the co-ordination of services for highly complex cases, and case resolution functions within each region. These changes should help to improve the efficiency of the needs assessment and intake functions for agency services.

CONTROL OF TRANSFER PAYMENTS TO AGENCIES

Agency Funding Requests and Approvals

In our prior audits of various ministry transfer-payment programs, including our most recent audit of the CFI program in 1997, we found that the Ministry lacked the necessary information to make informed funding decisions. Although the Ministry has consistently agreed that informed funding decisions require appropriately detailed budget submissions, we continue to have the same concerns we had in our 1997 audit of the CFI program. Our concerns with the agency budget submissions and the subsequent service agreements the Ministry entered into with agencies are as follows:

- Program descriptions did not provide sufficient detail for the Ministry to assess the specific nature and levels of service to be provided. For example, in many cases, the Ministry could not assess the duration or intensity of services provided, both of which have a significant impact on program costs.
- Many budget submissions combined a number of different programs into one budget request, which makes it impossible to determine and evaluate the reasonableness of the requested funding.
- Some budget submissions contained questionable information that the Ministry did not assess for accuracy or reasonableness. For example, one budget request indicated that a secretary would be paid the equivalent of \$178,000 per year. Even though we were advised by the Ministry that a secretary was not actually paid this amount, there was no evidence that the Ministry made any inquiries with respect to this information in the budget request.

In most cases the Ministry continues to provide agencies with the same amount of base funding as was provided in the prior year without assessing the reasonableness of that amount. In many cases, it also provides funding for new initiatives without any needs assessment. As a result, similar services may be funded at significantly different levels, so funding inequities between agencies may be perpetuated; questionable items may be funded; and, after funding is provided for specific agreed-to services, it may be spent for other purposes. For example, information available at the Ministry indicated that:

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- The cost of residential Child Treatment care in the regional offices that we visited ranged from \$271 to \$589 per day, and the Ministry could not explain this variance.
 - The Ministry provided two agencies with additional operational funding of \$200,000 and \$167,274, respectively, to be used for building renovations. The Ministry not only did not assess the reasonableness of these amounts, but in providing the funding it bypassed its own capital expenditure planning and priority-setting process.
 - At one regional office, four agencies were to provide early intervention services for children with autism and received funding totalling \$1.9 million for this purpose. They spent all of this funding without providing the contracted-for services. The Ministry did not have the necessary detailed information to explain what services had been provided with this funding.

The risk of not providing funding based on assessed need is that those agencies facing significantly increased service demands and cost increases may have to eliminate services to meet their budget. During our audit we noted that a number of agencies have reduced services in order to operate within their historical base funding allocation, which has contributed to the waiting-list problem. For example:

- In February 2001, a consultant conducted a review of the funding arrangements and operations of three agencies. The consultant concluded that these agencies were under-resourced and would have to cut service in order to address funding shortfalls. As a result of these financial pressures and in order to reduce costs, one agency had closed an eight-bed children's residence. At the time of our audit, this agency had 10 children on its residential-based care waiting list. Agency staff estimated that these children would wait an average of 18 months before receiving any residential-based services.
- Another agency closed an eight-bed children's mental health residence as of March 31, 2001 in order to reduce its costs and operate within its funding allocation.

Ministry staff we talked to acknowledged the importance of ensuring that transfer-payment-agency funding is reasonable and commensurate with the services received. However, they also pointed to several practical difficulties in linking funding to need for services, as follows:

- Demands on an agency's services may fluctuate significantly from year to year. As a result, the services provided in a given year, along with the resultant expenditure surpluses or deficits, may not be relevant to the service and funding needs in the following year.
- A significant proportion of an agency's costs are fixed and cannot be reduced even with year-to-year changes in service levels.
- Given that overall program funding is of a fixed amount, providing additional funding to one agency based on assessed needs would by necessity require providing another agency with less funding, which could be problematic.

While we acknowledge that these issues must be taken into consideration, we also stress that funding decisions must take into account changes in the demand for services in order to correct current inequities and prevent future ones.

Recommendation

In order to help ensure that agency funding is equitable and based on meeting the needs of children in every community, the Ministry should:

- ensure that all agencies include sufficiently detailed, reliable, and relevant information in their program budget submissions;
- assess all requests for funding and ensure that the amounts approved are commensurate with the demand for and value of the services to be provided; and
- ensure that funding provided is spent for the purposes intended.

Ministry Response

The Ministry acknowledges the need for detailed information in program budget submissions. Through the annual transfer-payment budget package, the Ministry will reconfirm its requirements for agency funding requests and approvals, that is, that information included in budget submissions is sufficiently detailed, reliable, and relevant; that requests for funding amounts approved are commensurate with the demand for and value of services provided; and that funding provided is spent for the purpose intended. Implementation of a policy framework for children's mental health services will also assist regional offices in identifying service expectations associated with funding. In addition, the Ministry is building on the financial skills of its program supervisors by providing training in financial management and accrual accounting.

Annual Program Expenditure Reconciliations

The Ministry requires that agencies submit an Annual Program Expenditure Reconciliation (APER), together with an audited agency financial statement, no later than four months after the end of the fiscal year. Ministry procedures require that the APER be reconciled to the agency's total expenditures and its approved budget in order for the Ministry to identify any surplus funding. Effective April 1, 2000, Management Board Secretariat (MBS) required that ministries recover all surplus funds, and ministry policy requires that the recovery occur within 24 months of the year-end to which the surpluses relate. The Ministry is to use the audited financial statement to verify that the APER was completely and accurately prepared, and the APER must be approved within twelve months of the agency's year-end.

We continue to question, as we have done for many years, the effectiveness of the APER process. While we found that, for the 2000/01 fiscal year (the most recent year for which the process had been completed), the APERs had generally been received and approved on a timely basis, both the APERs and the audited financial statements lacked the necessary detail to identify expenditures that were inappropriate or ineligible for funding. As a result, the Ministry cannot verify that the APERs have been accurately completed and that surplus funding has been identified and returned. More specifically, we noted the following concerns:

- A majority of the audited financial statements submitted by agencies along with their APERs consolidated a number of different social service programs and represented the financial results of the agency as a whole. Ministry policy allows the submission of such statements only if they include a note detailing the funding surplus or deficit for each program receiving ministry funding. However, we found in our review of a sample of these financial statements that three-quarters of them did not contain the required note. Consequently, the Ministry could not use those audited statements to verify that the APERs reflected actual program expenditures.
- All of the audited financial statements we reviewed were prepared based on a different basis of accounting (the accrual basis) than were the APERs (prepared on a cash basis). Therefore, the financial statements cannot be used to compare with the APERs and to verify that the APERs were correctly prepared.

Accordingly, we continue to question the effectiveness of the review and approval process.

Recommendation

In order to strengthen its financial accountability process, the Ministry should ensure that Annual Program Expenditure Reconciliations (APERs) and audited financial statements contain sufficiently detailed and comparable information to allow for the detection of ineligible or inappropriate expenditure items and funding surpluses. Secondly, the Ministry should develop a more effective process for the review and approval of APERs.

Ministry Response

The Ministry acknowledges the need for strong financial accountability processes and has taken steps to improve the Annual Program Expenditure Reconciliation (APER) form and process. Improvements were made to the 2001/02 APER form by referencing comparable information contained in audited financial statements and service contracts and providing a list of the most common ineligible expenditures. To improve the detection of funding surpluses, the rules for applying financial flexibility have been clarified and added to the 2001/02 APER form.

To improve the APER review and approval process, in 2003/04 the Ministry is providing regional and corporate office staff with training on how to use the

APER more effectively. The government's change to accrual accounting will also positively impact on the APER process.

Surplus Recovery

As noted above, ministry policy requires that all ministry-funded surpluses identified through the APER process now be returned to the Ministry within 24 months of the agency year-end to which they relate. All recovered surpluses are to be transferred to the government's Consolidated Revenue Fund.

In our review of a sample of APERs for the 2000/01 fiscal year, we found that, for surpluses that agencies self-declared, the surplus recovery process was generally initiated within the required time frame. However, we also noted cases at two of the three regional offices we visited in which the process was circumvented and therefore not effective.

Specifically, these offices entered into supplemental service agreements with their transfer-payment agencies that spanned two fiscal years. The terms of these agreements ranged from 10 to 13 months and generally started one or two months prior to the end of a fiscal year. In our review of such agreements, we noted that the Ministry provided the full funding for these agreements at the time of their start date and recorded the entire expenditure in the fiscal year of the start date. However, agencies generally incurred most of the expenditures, and provided the majority of the agreed-to services, in the following fiscal year. Only at the end of the agreement—that is, only in the second fiscal year—were agencies required to account for this funding through the APER process. In effect, these agreements are a means of transferring ministry funding from one fiscal year to the next. They thus circumvent Management Board's requirement and the Ministry's process for identifying and recovering annual funding surpluses through the APER process.

Recommendation

The Ministry should not enter into service agreements that span two fiscal years, since doing so circumvents Management Board Secretariat's requirement to identify and recover annual funding surpluses.

Ministry Response

The Ministry acknowledges this policy requirement and will reconfirm that agreements spanning two fiscal years require the identification and recovery of annual funding surpluses. The Ministry is training staff in the methods of accrual accounting, introduced government-wide in 2003/04, which also will help ensure the identification and recovery of surpluses. The Ministry has also added the rules for applying financial flexibility to the Annual Program Expenditure Reconciliation (APER) form and has clarified these requirements in the APER instructions.

Information Systems

FINANCIAL AND SERVICE INFORMATION SYSTEM

In our 1993 and 1997 audits, we reported that the Ministry did not have a management information system for monitoring financial and service data. Partly in response to our audits, the Ministry implemented a new management information system in August 1998 that captures annual and quarterly financial and service information.

However, we found in our current audit that the Ministry was not using the system to analyze whether programs are funded consistently across the province and whether the Ministry is receiving value for money for the services provided by the agencies.

Furthermore, we found that, even if the Ministry were to use the system for such analysis, the system was of limited usefulness for the following reasons:

- The definition of “individuals served,” which is the primary measure the Ministry uses to monitor the majority of agencies’ services, was interpreted differently at different agencies. For example, some agencies combine the number of individuals who began receiving service in an earlier period and are continuing to be served with the number of new cases; other agencies report only the number of new cases—individuals who have begun receiving service in the current period. As a result, these statistics cannot be used to analyze financial or service data between agencies.
- In some cases, the management information system either included inaccurate information or lacked the required information. For example, we noted that in a number of cases, an agency’s budget and service targets, rather than its actual fourth-quarter results, had been entered into the system. As a result, the system could not show variances between the budgeted and actual results, even when such variances existed.
- A number of different services are not distinguishable from one another within the information system. As a result, the Ministry cannot determine the costs or the service outputs for any particular service. For example, within the CFI Non-Residential program (which accounts for over 40% of total Children’s Mental Health Services expenditures, or \$127.7 million), services ranging from day treatment to drop-in-centre funding are not distinguishable in the system. In addition, the Ministry cannot compare agencies with respect to their provision of the same service since, when agencies provide more than one type of service, the cost and output data for all services provided are combined for those agencies within the information system.
- Information in the system pertaining to funding for supplemental services provided under contracts spanning two fiscal years is not linked to the services’ actual costs and outputs. That is, as previously noted, the system shows the Ministry paying fully for supplemental services in one fiscal year, but the services are mostly provided in the following fiscal year. Also, in many cases, the funding given out for such contracts is not distinguished from the funding given out under the regular single-fiscal-year contracts. As a result, the Ministry cannot determine from the system whether an agency

providing any of the supplemental services overspent or underspent its regular funding allotment. A second result is that the information system may show a significant, but misleading, variance between such an agency's budgeted and actual results—the variance may be partially or entirely due to the mixing together of supplemental service funding information with regular fiscal-year data.

AUTISM PROGRAM INFORMATION SYSTEM

In the 2000/01 fiscal year, the Ministry developed an information system that contains financial and client information for the nine regional autism programs. According to the Ministry, this information is mainly used to help develop new policies for the autism programs. The system contains useful information such as the number of children receiving intensive behavioural intervention service, the number of children waiting for assessment and services and the corresponding waiting periods, and the ages of the children receiving services. However, we also noted the following:

- The system provides only consolidated province-wide information. As a result, the Ministry cannot relate specific data, such as lengthy waiting lists and long waiting times, to specific agencies.
- Ministry staff stated that they were uncertain about the accuracy and completeness of the information in the system.

Without sufficiently detailed and reliable data, the autism program information system is of limited usefulness to the Ministry.

Recommendation

The Ministry should ensure that its management information systems provide sufficiently detailed, relevant, and accurate information in order to help determine whether services provided by transfer-payment agencies are effective and represent value for money spent.

Ministry Response

The Ministry is committed to having information systems that provide the appropriate information to help determine the effectiveness and value for money of services provided by transfer-payment agencies. Since 1997, the Ministry has made significant efforts to enhance Service Management Information System (SMIS) data quality. The Ministry is currently implementing an action plan to improve the management of information on services provided by transfer-payment agencies that includes strengthening reporting timelines, providing infrastructure support, and revising data definitions. Because the Ministry is also using SMIS data more regularly in the development of policy/program initiatives (for example, residential services for children with special needs), the Ministry is making a concerted effort to clean up these databases so that it can be certain that information is sufficiently detailed, relevant, and accurate.