

Overview and Value-for-money Audit Summaries

Overview

NEED FOR BETTER OVERSIGHT

In this, my third Annual Report to the Legislative Assembly, I want to highlight one overriding theme that was apparent from the 14 value-for-money audits conducted by my Office this year: more rigorous managerial oversight is needed to ensure that services to the public are being delivered economically, efficiently, and effectively. Such oversight is necessary not only when services are being delivered directly by government staff but also when service delivery has been delegated to other organizations or municipalities on behalf of the government. By way of example, when programs or services were delivered directly by Ontario public servants, we noted the following areas where better management oversight was needed:

- *Registration of and production of certificates for vital events:* Until a few years ago, the Office of the Registrar General registered vital events and produced birth and other certificates on a timely basis. About two years ago, continuing problems with the implementation of a new computer system and human resources issues resulted in a significant deterioration in that Office's ability to provide birth, death, marriage, and other cer-

tificates on a timely basis. Only recently has that Office started turning this situation around.

- *Engagement of temporary help:* The government spends about \$40 million to \$50 million annually engaging temporary help on a short-term basis. We found widespread non-compliance with government procurement policies, particularly with respect to sole-sourcing instead of using a competitive process, not addressing potential conflict-of-interest situations, and frequently engaging temporary help for long-term periods.
- *Use of consultants at the Office of the Chief Election Officer:* Senior management was not paying sufficient attention to the principles of fair, open, and transparent competition in the engagement of consultants or to the ongoing oversight of consultants' work.
- *Community-oriented policing:* Although senior leadership of the Ontario Provincial Police had placed an increased emphasis on community-oriented policing, insufficient guidance and oversight of detachments meant that they had little assurance that this initiative was being adequately delivered in communities across Ontario.

Like other provincial governments, the Ontario government provides funding to a wide variety of municipal, broader public-sector, and other community-based organizations to deliver

services to the public on its behalf. In reviewing the adequacy of ministry oversight where services were being significantly funded by the Ontario government but delivered by others, we noted during this year's audits that better oversight of the government's service delivery partners was needed in the following areas:

- *Land and air ambulance response times:* Regulatory or contractual response times were not being met up to two-thirds of the time. As well, the Ministry of Health and Long-Term Care had not acted on a prior recommendation by the Legislature's Standing Committee on Public Accounts that land ambulance response times in each municipality be publicly reported.
 - *Integrity of charitable gaming:* The Alcohol and Gaming Commission of Ontario has a mandate to ensure that games of chance are conducted in the public interest by people with integrity and that charities receive the money they are entitled to. Although municipalities issue close to 95% of the charitable gaming licences issued in Ontario, the Commission believed that it did not have the legislative authority to monitor whether municipalities were properly overseeing gaming operators and therefore did not do such monitoring. We felt that the Commission's interpretation of its lack of authority was not correct.
 - *Quality of testing at medical laboratories:* The Ministry of Health and Long-Term Care relies on the Ontario Medical Association to evaluate the quality and accuracy of testing performed by private-sector and hospital medical laboratories. However, the Ministry was not obtaining sufficient information to ensure that timely corrective action was being taken with respect to laboratories that were performing poorly. In addition, and as further discussed in Chapter 2, we did not receive all the information we needed (information that we have received in the past) to complete our audit work in this area
- due to a section in the *Quality of Care Information Protection Act, 2004* that came into force on November 1, 2004.
- *Providing English-as-a-second-language instruction to students:* Even though the Ministry of Education provided school boards with more than \$225 million last year for English-as-a-second-language and related literacy programs, the Ministry had no information on how much school boards were actually spending in this area. One board we visited indicated that more than half of the funding received was actually spent on other areas. As well, the Ministry had little information on whether students were achieving the proficiency in English needed to be successful in their studies.
 - *Issuing driver's licences and vehicle registrations:* The Ministry of Transportation relies on a network of 280 privately operated issuing offices to function as partners in issuing driver's licences and vehicle registrations. The Ministry was not exercising adequate oversight and control over its private-sector partners to minimize the risk of unsafe drivers obtaining or retaining a licence and of driver's licences and other documents going missing or being used for illegal purposes. As well, the Ministry must address the deterioration in relations that has occurred over the last few years between it and private issuing offices if the value of the private issuers' network in delivering front-line government services is to be maintained.
 - *Providing child-care services:* Last year the Ministry of Children and Youth Services gave municipalities \$575 million in grants that, in turn, were used to fund hundreds of community-based child-care centres. The Ministry was not providing sufficient guidance to child-care centres and was not adequately assessing the quality of care and developmental opportunities being provided so as to know whether child-care centres across

Ontario were delivering consistent and sound developmental programs.

In the case of two audits—land ambulances and charitable gaming—we requested separate external legal opinions as to who was responsible for ensuring that the objectives of the underlying legislation were being met: the government (through the Minister responsible) or the service delivery organization or municipality actually delivering the service. In both cases, the legal opinions we received supported our interpretation that the government was ultimately responsible.

SIGNIFICANT EXPANSION IN OUR MANDATE

For almost 15 years, this Office has been seeking amendments to the *Audit Act*, our enabling legislation, that would allow us to better serve the Legislative Assembly. I am very pleased to be able to report that amendments to the *Audit Act* were unanimously passed by the Legislature on November 22, 2004 and received Royal Assent on November 30, 2004.

The key amendment passed has expanded our value-for-money audit mandate to include organizations in the broader public sector that receive government grants, such as hospitals, school boards, colleges, universities, long-term-care facilities, and thousands of other smaller organizations. With over 50% of provincial expenditures going to these broader public-sector organizations, we felt for many years that it was essential for the Auditor General to have access to these organizations for the purpose of conducting value-for-money audits if we were to fully achieve our mandate of assisting the Legislature in ensuring that value for money is being received for *all* government expenditures. The Minister of Finance echoed this sentiment when the amendments to the *Audit Act* were tabled, as he stated that, with these amendments:

we will allow the public watchdog to shine a light on more of those organizations that spend taxpayer dollars as a key means to ensuring that Ontarians are getting value for the money they invest in their public services.

In addition, since my last Annual Report, the Legislature has passed two Acts, the *Government Advertising Act, 2004*, and the *Fiscal Transparency and Accountability Act, 2004*, that further expand the work of the Office.

The *Government Advertising Act, 2004* requires that the Auditor General review and approve specific types of proposed government advertising and printed matter before they are run in the media. The primary purpose of the review by my Office is to ensure that the proposed advertisements are not partisan in nature. We expect this Act to be proclaimed in fall 2005, at which time our review and approval process would begin.

The *Fiscal Transparency and Accountability Act, 2004* requires that the government prepare and release a pre-election report about Ontario's finances. The Act also requires that the Auditor General promptly review the pre-election report to determine whether it is reasonable and release a statement describing the results of the review. Bill 214, proposed legislation currently being considered by the Legislature, would, if passed, result in provincial elections at a maximum of four-year intervals on the first Thursday in October, starting on October 4, 2007 (unless a general election has been held sooner). If Bill 214 is passed, our first review of the government's pre-election report would likely occur in summer 2007.

Further details on amendments to the *Audit Act* and on the above two Acts, as well as the Auditor General's increased responsibilities under them, are discussed in Chapter 2.

The Challenge of Our Expanded Mandate

Understandably, our recently added responsibilities—particularly the significant expansion of our value-for-money mandate—will require additional, as well as more specialized, staff resources in certain areas. With this in mind, we sought approval from the Legislature’s all-party Board of Internal Economy to increase our staffing levels from 95 staff to 105 staff and requested an increase in our annual budget to \$12,679,000 for the 2005/06 fiscal year. In May 2005, we were advised that the Board had approved estimates for the Office’s 2005/06 fiscal year in the amount of \$12,552,200. We had also advised the Board in our submission that the additional funding being requested was the first step in a planned multi-year expansion of the Office that will be necessary if we are to fulfill our increased statutory responsibilities.

Despite this initial financial support, my Office still faces ongoing difficulty in attracting and retaining professional accounting and auditing staff in the extremely competitive Toronto job market. Discussions with public accounting firms and professional recruitment firms, as well as our own recruitment efforts, have confirmed that the demand for such staff has rarely been as competitive as it is now. While we offer an interesting and challenging work environment, we are constrained by the requirement under the *Auditor General Act* that our salary levels be comparable to similar positions in the Ontario government. Unfortunately, Ontario government salary ranges and annual merit pay policies are not competitive with those in the private sector and in the broader public sector. While we were able to complete and report on 14 value-for-money audits and fulfill our financial-statement audit responsibilities in a timely and professional manner this year, our continued ability to meet both our ongoing and new responsibilities will be largely dependent on our ability to attract and retain top-notch staff.

ACKNOWLEDGMENTS

The Office expresses its sincere appreciation to the staff at the ministries, agencies, and other entities we audited this past year for their co-operation in providing Office staff with the information and explanations required during the performance of the Office’s audit work.

The Auditor General and the Deputy Auditor General also extend their sincere appreciation to the staff of the Office for their dedication and their professionalism and for a job well done.

Value-for-money Audit Summaries

The following are summaries of the 14 value-for-money audits reported on in Chapter 3 of this Annual Report. For all audits reported on in Chapter 3, we made a number of recommendations for improvement and received commitments from the relevant ministries that they would take action to address our concerns.

3.01 AMBULANCE SERVICES—AIR

As with land ambulance services, the provision of air ambulance services in Ontario is governed by the *Ambulance Act*, under which the Minister of Health and Long-Term Care must ensure “the existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances.” The air ambulance program was established in 1977 to serve remote areas primarily in northern Ontario that are inaccessible to land ambulances or that land ambulances would take too long to reach. Ministry expenditures for the air ambulance program totalled approximately \$93 million in the 2004/05 fiscal year.

We found that the Ministry needs to take action to ensure that its expectations for the delivery of air ambulance services, including patient care, are being met in a cost-effective manner. In particular, we noted the following:

- Although the Ministry had implemented a recommendation from our last audit to establish dispatch reaction-time standards, it was not monitoring actual dispatch reaction times against the standard. In addition, the Ministry only monitored the reaction times of certain air ambulance operators, and for these operators contractual reaction times were met only between 38% and 67% of the time.
- In about 70% of the service reviews we examined, the Ministry certified air ambulance operators even though either the operator had clearly not met the certification criteria or it was not certain whether the operator had met the criteria. In addition, we saw little evidence of follow-up to ensure that identified deficiencies had been corrected.
- The percentage of helicopter calls being cancelled after the helicopter has already been dispatched has been increasing, from about 27% in the 2003/04 fiscal year to 33% in 2004/05. The Ministry has not formally analyzed the reasons for the high level of cancellations to determine whether changes to the dispatch process were required. Aside from the costs associated with cancelled flights, dispatched helicopters are generally unavailable to respond to another call, and therefore reaction times for subsequent patients may be increased.
- One key recommendation arising from a 2003 accreditation review of the air ambulance program, that a clear line of authority be established to better ensure consistent quality in the delivery of air ambulance services, had not yet been satisfactorily implemented.

3.02 AMBULANCE SERVICES—LAND

Under the *Ambulance Act*, the Minister of Health and Long-Term Care must ensure “the existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances.” On January 1, 2001, responsibility for providing land ambulance services was transferred from the province to the 40 upper-tier municipalities and 10 designated delivery agents in remote areas (municipalities). Under the *Ambulance Act*, municipalities are responsible for “ensuring the proper provision of land ambulance services in the municipality in accordance with the needs of persons in the municipality.” However, the Ministry is responsible for ensuring that minimum standards are met for all aspects of ambulance services.

The Ministry of Health and Long-Term Care funds 50% of approved eligible costs of municipal land ambulance services, and 100% of the approved costs of ambulance dispatch centres, ambulances for the First Nations and territories without municipal organization, and other related emergency services. In the 2004/05 fiscal year, ministry expenditures on land ambulance services were approximately \$358 million, including \$241 million provided to municipalities for land ambulance services.

We found that the Ministry needed to take additional action to address many of the challenges identified in our 2000 audit of Emergency Health Services and the related recommendations made subsequently by the Standing Committee on Public Accounts. Specifically, the Ministry had not ensured that municipally operated land ambulance services were providing integrated and balanced service across the province. We noted that:

- Municipal boundaries could impact the delivery of health services. For example, at the time of our audit, at least two municipalities were not participating in the Ontario Stroke Strategy and were not transferring patients to the nearest

stroke centre because it was outside their respective boundaries.

- The Ministry was not determining whether transfers of patients between institutions were performed in the most appropriate and cost-effective manner, which can result in delayed patient treatment or longer-than-necessary hospital stays.
- Ambulance response times increased in about 44% of municipalities between 2000 and 2004, even though the Ministry has provided about \$30 million in additional funding. In addition, 64% of municipalities did not meet their legislated response times in 2004, even though the requirements were based on meeting their actual 1996 response times. Also, 15 of the 18 dispatch centres that reported information did not dispatch ambulances within the time required by the Ministry. Despite a previous recommendation by the Standing Committee on Public Accounts, response times are still generally not publicly reported.
- Total provincial and municipal costs of providing land ambulance services increased by 94% over four years, from \$352 million in the 1999/2000 fiscal year to \$683 million in 2003/04. However, total ambulance calls involving patients remained at about the same level.
- The current division of responsibilities and funding of land ambulance services, as well as significant differences in funding levels among municipalities (varying from \$57 to \$150 per household among 12 municipalities), can result in varying levels of service across the province for people with similar emergency-care needs living in similar municipalities.
- For about 40% of all high-priority ambulance calls province-wide, once the ambulance arrived at the hospital it took more than 40 minutes for the hospital to accept the patient.
- While service reviews of ambulance operators were generally conducted within the required

three-year period, reviews conducted between 2002 and 2004 indicated that over 40% of all operators failed to meet certification standards, even though they received advance notice of the review.

3.03 CHARITABLE GAMING

The Alcohol and Gaming Commission of Ontario (Commission) regulates charitable gaming in Ontario, with a mandate to ensure that the games are conducted in the public interest, by people with integrity, and in a manner that is socially and financially responsible.

The Commission estimates that the public wagered approximately \$1.6 billion on charitable gaming province-wide in 2003. Charitable gaming in Ontario benefits thousands of local community charitable organizations, which received net revenues estimated by the Commission at \$246 million for 2003.

The Commission regulates charitable gaming using a framework of legislation and policies, supplier and employee registrations, licensing of lottery events, inspection, and enforcement. Annually, the Commission registers about 9,600 businesses and individuals, and issues about 2,600 lottery licences, chiefly for province-wide or large-dollar events. The province has granted municipalities the authority to issue licences, and they issue about 43,000 licences annually for smaller local lottery events.

In the 2003/04 fiscal year, the Commission spent approximately \$11 million on its charitable gaming-related regulatory activities, and received approximately \$30 million in fees from charitable gaming sources.

Municipalities issue close to 95% of the charitable gaming licences issued in Ontario. Since the Commission believes that it does not have the legislative authority to oversee municipal licensing activities, it had not established any processes for doing

so. However, we believe that the Commission's interpretation of its legislative authority is overly narrow. Without appropriate oversight of and coordination with municipalities' licensing activities, the Commission cannot, for instance, effectively ensure that charitable organizations are getting the gaming proceeds that they are entitled to.

We also noted several areas in which the Commission-delivered regulatory activities required strengthening:

- While the Commission has generally established good regulation requirements to assess the character, financial history, and competence of the key players in the charitable gaming industry, it did not ensure that these requirements were consistently met or that registrants adhered to the terms and conditions of registration.
- Procedures were often not followed in assessing an organization's eligibility for a licence and ensuring that lottery proceeds were used for approved charitable purposes.
- The Commission had not established formal policies and a risk-based approach for conducting inspections and enforcement with respect to charitable gaming activities, nor had it informed municipalities of the results of inspections and investigations carried out in their jurisdictions.
- In 1997, the Management Board of Cabinet provided funding to strengthen controls over the production and distribution of break-open tickets. However, many of the key controls were never put in place.

3.04 CHILD CARE ACTIVITY

The Ministry of Children and Youth Services administers the Child Care Activity (Activity) under the authority of the *Day Nurseries Act*. The Activity's main responsibilities include inspecting, licensing, and monitoring child-care operators that care for more than five children to promote quality child-care services and ensure the health and safety of

the children in care. Most of the Child Care Activity is administered by 47 consolidated municipal service managers (CMSMs), which manage and coordinate funding and programs in their respective jurisdictions.

The Ministry subsidizes child-care costs for children of parents in need (subject to available funding); provides additional financial support for the care of children with special needs; and provides funding for community-based resource centres offering various programs for parents and children. For the 2004/05 fiscal year, ministry child-care expenditures totalled \$575.4 million.

We concluded that if the Ministry is to ensure that licensed child-care centres are providing children with adequate early opportunities for learning and for physical and social development, it must better define and communicate program expectations to the centres and systematically monitor and assess their implementation. Some of our observations included:

- Ontario has not yet developed adequate curriculum guidance to help child-care centres deliver consistent and comprehensive developmental programs.
- The *Day Nurseries Act* and ministry-developed information materials provide little specific direction to individuals providing child care. What direction is provided is subject to broad interpretation and sometimes missing critical updates.
- While the timeliness of licensing inspection has improved since our last audit, the tools used by ministry staff to assess program delivery require these staff to exercise a significant degree of discretion and interpretation. Many ministry staff responsible for licensing and monitoring program delivery do not have an early childhood education background or equivalent experience, and would therefore benefit from additional guidance.

- The licensing checklists used during the Ministry's annual inspections of child-care facilities addressed health and safety issues, but did not adequately assess the quality of care or developmental opportunities provided.
- Funding inequities contributed to comparatively low salaries in some centres, difficulties in staff recruitment and retention, and high caregiver turnover, further raising the risk that child-care services provided are not of a consistently high quality across the province.

We also concluded with respect to funding that the Ministry's policies and procedures did not ensure that transfer payments to CMSMs were based on an appropriate assessment of sufficiently detailed financial and operational information and adequately controlled. Many of our observations and recommendations on funding issues in this report are similar to those reported in 1999 and 1995. Although the Ministry agreed to take corrective action in previous years, sufficient action has not been taken.

3.05 DRIVER AND VEHICLE PRIVATE ISSUING NETWORK

The Ministry of Transportation's Road User Safety division has as one of its goals improving the accessibility of products and services relating to driver and vehicle licensing. The most significant channel for delivering such products and services are the 280 privately operated "issuer" offices, which are located in communities throughout the province and are collectively known as the Private Issuing Network (PIN). The PIN processes almost 19 million transactions annually, including approximately 80% of Ontario's vehicle-registration transactions and 40% of its driver-licensing transactions. In the 2004/05 fiscal year, the PIN collected on the government's behalf over \$766 million in revenue for driver and vehicle products and services.

The Ministry and the government view the PIN as a strategic asset of significant value for delivering front-line government services. However, several factors have contributed to a deterioration in relations between the Ministry and the PIN over the last several years, with the result that the two parties are now more adversaries than partners. Some of our more significant observations in this regard and with respect to the quality of services delivered to the public include the following:

- Issuer compensation has not been increased since 1997, and many low-volume issuers appear to be struggling for their financial survival.
- Policies and procedures developed by the Ministry were not applied consistently across the PIN, primarily because almost 90% of issuing offices were operating under an older contract that does not require adherence to several requirements that have been incorporated in a newer contract governing a small minority of issuers.
- Issuers requiring help from the Ministry's call centers often experienced delays, and ministry call-centre operators were not available to take calls approximately 40% of the time.
- Although the government had estimated that, by 2006, 45% to 77% of all plate-renewal transactions would be conducted over the Internet, less than one-fifth of 1% were processed over the Internet in 2004. As well, until they are integrated with licensing systems, Internet transactions cost more to process than issuers are paid to process the same transactions.
- A significant decrease in the number of annual full audits being conducted of issuing offices, as well as weaknesses in system and supervisory controls, meant that the Ministry:
 - was not adequately managing the risk of issuers manipulating transactions to, for example, generate additional commissions or create fraudulent driver's licences; and

- was not ensuring that temporary driver's licences and other stock were not going missing and being used for illegal purposes.
- Controls to ensure that licensed drivers were actually insured and that only eligible drivers obtained Disabled Person Parking Permits were also weak.

3.06 DRIVER LICENSING

The Ministry of Transportation's (Ministry) Road User Safety Division's driver-safety-related responsibilities include setting road safety standards and monitoring and enforcing compliance with these standards; working to reduce unsafe driving behaviour, such as impaired or aggressive driving; licensing drivers; and maintaining driver information. During the 2004/05 fiscal year, the Ministry spent \$173 million on its Road User Safety Program, while its licensing and registration activities generated approximately \$950 million in government revenues. Over 4.7 million driver's licences are issued or renewed every year.

We concluded that the Ministry needs to strengthen its systems and procedures if it is to ensure that only legitimate and safe drivers are licensed to drive in Ontario. The difficulties of maintaining a very old and complex computer information system and improving its ability to meet users' needs have undoubtedly contributed to the Ministry's challenges in this regard. Our specific concerns included the following:

- Some of the identification documents accepted when someone applies for a new driver's licence were of questionable reliability. For instance, such items as membership cards for wholesale warehouse clubs and employee or student cards without photos were accepted as one of the two required identification documents.
- Improvements were needed to ensure that only individuals entitled to an Ontario driver's licence have one. Specific areas for improvement

were the procedures for identifying potentially fraudulent or duplicate driver's licences and for exchanging licences from other provinces for an Ontario driver's licence.

- While programs relating to drinking and driving appear to have been successful in contributing to road safety, we found deficiencies in ministry programs and procedures with respect to dealing with drivers who were at fault in three or more collisions within a two-year-period, drivers who continued to drive with a suspended licence or whose licence was suspended multiple times, young offenders, and drivers over 75 years of age.
- We found weaknesses in the measures taken to protect the integrity and confidentiality of drivers' personal information.
- The Driver Licence System did not always calculate demerit points accurately; accordingly, driver suspensions were not always generated automatically as intended.
- The Ministry had not developed adequate policies and procedures to deal with prospective and existing driver examination service-provider employees with criminal records.

3.07 ENGLISH AS A SECOND LANGUAGE AND ENGLISH LITERACY DEVELOPMENT

Each year, Ontario receives an average of approximately 17,000 school-age immigrants who speak little or no English or French. The Ministry of Education (Ministry) provides grants to school boards for English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) programs.

The Ministry's overall goals for ESL/ELD programs are to assist students in developing the English literacy skills they require to achieve success at school, in postsecondary education, and in the workplace on an equal basis with their peers whose first language is English. While school boards are responsible for designing and implementing the

programs and services needed to achieve these goals, the Ministry is ultimately accountable for the quality of the education system.

We found that while the Ministry provides school boards with more than \$225 million a year of ESL and ELD grants, there was a lack of oversight of ESL/ELD program delivery. In particular, the Ministry had no information about whether students whose first language is not English were achieving appropriate proficiency in English. In addition, the Ministry had no information on how much school boards were actually spending on ESL/ELD programs. One board we visited indicated that more than half of its ESL/ELD funding was spent on other areas.

The considerable discretion that school boards and in some cases individual schools have with respect to ESL/ELD programs increases the risks of students with similar needs receiving different levels of assistance. In addition, the lack of a centrally co-ordinated process to develop ongoing training programs for teachers and various instructional aids results in under-investment and possible duplication of effort.

We also found that:

- The Ministry had not established a measurable English-proficiency standard that ESL/ELD students should attain before ESL/ELD services are discontinued. Some teachers we interviewed were concerned that services were discontinued prematurely due to budget considerations.
- There was a lack of tools to help teachers properly assess students' progress in achieving English proficiency and determine whether additional assistance was needed.
- The Ministry has supplied little guidance on implementing its recommendation that teachers modify the standard curriculum expectations for, and provide accommodations (for example, extra time on tests) to, ESL/ELD students. The lack of guidance has resulted in inconsistent practices. In addition, the lack of documentation on accom-

modations provided meant that parents, principals, and school boards could not evaluate the appropriateness of the modifications and accommodations or their impact on marks.

- The Ministry was not ensuring that the ESL/ELD funding policy targeted students most in need of assistance, which may have resulted in inequitable funding allocations among school boards.

In 2004, the government established the Literacy and Numeracy Secretariat. The Secretariat specifically identified ESL students as a group that continues to struggle. In its May 2005 strategy document, the Secretariat states that its key purposes include strengthening the focus on literacy and numeracy, and sharing successful practices among schools and districts. Each of these directly relates to the concerns noted during our audit.

3.08 HEALTH LABORATORY SERVICES

Under the *Laboratory and Specimen Collection Centre Licensing Act*, the Ministry of Health and Long-Term Care licenses and regulates Ontario's 191 hospital and 45 private medical laboratories, and these laboratories' 341 specimen-collection centres. In addition, the Ministry has a contract with the Ontario Medical Association (OMA) to operate a quality-management program to monitor and improve the proficiency of licensed laboratories, which includes evaluating the quality and accuracy of testing performed in all licensed laboratories, and conducting laboratory accreditation.

During the 2003/04 fiscal year, the Ministry spent \$1.3 billion on laboratory services. Hospital laboratory expenditures totalled \$730 million; \$541 million was paid to private-sector laboratories, with three companies receiving over 90% of these payments; and the OMA received \$3.7 million to operate the quality-management program.

A scope limitation imposed by the *Quality of Care Information Protection Act*, which came into force on November 1, 2004, prevented us from fully

assessing whether the Ministry had adequate processes in place to ensure that private-sector and hospital laboratories were complying with applicable legislation and established policies and procedures. Specifically, we were prohibited from examining the OMA's quality-management program or the Ministry's monitoring of this program after October 31, 2004, and therefore we were unable to determine whether the quality-management program for laboratory services was functioning as intended after that time. However, we were able to determine that, for the most part, the Ministry had adequate procedures to ensure that specimen-collection centres were complying.

Given the considerable responsibility that the Ministry delegates to the OMA for assessing the quality of laboratory services, it is vital that the Ministry obtain adequate information to assess whether the OMA is fulfilling its responsibilities to the degree needed to ensure quality patient care. However, based on information available to October 31, 2004, we found that the Ministry was not obtaining sufficient and timely information on laboratories that performed poorly and did not ensure that timely corrective action was always being taken. Our specific concerns included:

- Although laboratories were notified in advance that a specimen sample was part of the OMA's quality-management program, the number of significant errors being made when testing those samples had increased.
- The Ministry was not normally notified that a laboratory was producing inaccurate or questionable test results (that is, significant and lesser errors) for certain types of tests until the laboratory had been performing poorly on its external quality-assessment tests for between two and four years.
- As noted in our *1995 Audit Report*, the *Laboratory and Specimen Collection Centre Licensing Act* allows laboratories in physicians' offices to conduct only *simple* laboratory procedures, whereas

a regulation under the Act effectively allows physicians to conduct *all* laboratory tests. Nevertheless, we remain concerned that laboratories in physicians' offices are not subject to the quality-assurance provisions that apply to other laboratories.

- No integrated system was in place to make laboratory test results accessible to all health-care providers, which could result in duplicate testing and delays in patient treatment.
- An inter-provincial study estimated that Ontario's per-capita spending on all laboratory services in the 2001/02 fiscal year was the second highest in Canada. Despite high costs, the Ministry:
 - had not periodically reviewed or studied on an overall basis whether laboratory tests that were conducted were appropriate or necessary, even though other jurisdictions had noted concerns in these areas and had found that best-practice guidelines could significantly improve laboratory utilization; and
 - had not analyzed the underlying actual costs of providing laboratory services so that this information could be utilized in negotiating the fees to be paid for private laboratory services.

With respect to well-water testing by public-health laboratories, we noted that the report of the results of well-water testing issued to well owners does not clearly state that well water that is reported to have no significant evidence of bacterial contamination may still be unsafe to drink due to chemical and other contaminants.

3.09 MINES AND MINERALS PROGRAM

The Mines and Minerals Program/Division of the Ministry of Northern Development and Mines is responsible for the administration of the *Mining Act*, which sets out the Ministry's responsibilities for all phases of mining in the province, from

exploration to mine development, operation, and closure. The purpose of the Act is to encourage prospecting, claims staking, and exploring for the development of mineral resources, as well as to minimize the impact of these activities on public health and safety and the environment through the rehabilitation of mining lands.

The Ministry provides province-wide geological maps, on-line access to geoscience information, and geological advisory services in field offices throughout the province, and promotes Ontario mining development opportunities in domestic and international markets. During the 2004/05 fiscal year, the Ministry employed approximately 200 staff and spent \$35.5 million to carry out these and other program activities.

Due largely to the quality of the maps and advisory assistance it provides, the Ministry is generally seen by its stakeholders as contributing to the success of the mining industry in Ontario. However, the Ministry did not have adequate procedures in place to ensure compliance with legislation and its internal policies or to measure and report on its effectiveness. For instance:

- To maintain a mining claim in good standing, the holder must perform certain exploration work, referred to as assessment work, and must report this to the Ministry. We found that the Ministry's review of assessment reports was not sufficient to ensure that only allowable exploration expenditures were approved.
- We noted several cases where claims were forfeited because the required assessment work had not been carried out to keep the claims in good standing, and the same people who had their claims forfeited reclaimed the lands as soon as they became open for staking. A situation where a claim-holder can in effect indefinitely retain mining rights by continually reclaiming them after they are forfeited—without performing any assessment work—is contrary to the intent of the *Mining Act*.
- To keep geological information sufficiently current and relevant, the Ministry has determined that it needs to map all areas of significant mineral potential over a 20-year period, or about 15,000 square kilometres annually. However, due to difficulties in completing mapping projects on a timely basis and to resourcing issues, the Ministry had mapped only about 8,000 square kilometres annually. In addition, the Ministry did not have a project management system to periodically report on the status of active projects.
- As of March 2005, closure plans, which commit mine owners to providing financial assurance sufficient to rehabilitate mine sites and return them to their former state without harmful effects on the environment, were not in place for 18 of the 144 mine sites that were required to have them. Also, the Ministry was not periodically reviewing whether the closure-cost estimates and financial assurances are still sufficient to properly close out the mine.
- At the time of our audit, the Ministry had identified more than 5,600 abandoned mine sites and had estimated that 4,000 of these sites were potentially hazardous to the environment and public health. The Ministry did not have the information needed to assess the risk of water and soil contamination around abandoned sites.

3.10 OFFICE OF THE CHIEF ELECTION OFFICER

The Office of the Chief Election Officer, known as Elections Ontario, is an independent agency of the province's Legislative Assembly. Under the *Election Act*, the Lieutenant Governor in Council appoints a Chief Election Officer on the recommendation of the Legislative Assembly. The responsibilities of the Chief Election Officer include the organization and conduct of general elections and by-elections in accordance with the provisions of the *Election Act*

and the *Representation Act, 1996*, and the administration of the *Election Finances Act*.

Total expenditures incurred by Elections Ontario related to the *Election Act* more than doubled in the four years leading up to and including the 2003 election compared to the four years leading up to and including the 1999 election. As a legislative office, Elections Ontario is independent of government. However, unlike other legislative offices, it is not required by its enabling legislation (the *Election Act*) to submit a budget to, or receive approval from, the Board of Internal Economy for the vast majority of its expenditures. Furthermore, there is also no requirement for Elections Ontario to report annually on its activities.

The results of our audit work indicated that more care is needed in certain areas in the spending of taxpayer funds. In particular, we noted that Elections Ontario:

- did not have adequate procedures for acquiring and managing consulting services, as we noted a number of instances where:
 - the process followed did not ensure fair and open access;
 - assignments were not clearly defined, leading to significant increases in cost; and
 - assignments or their extensions did not have a written contract or agreement;
- had not assessed whether running its own public call centre to handle calls from the public was the most economical means of providing the service;
- did not adequately consider all options to ensure that the \$4.4 million paid over 49 months to lease computer equipment was cost effective; and
- did not always ensure that hospitality and travel expenses were incurred with due regard for economy.

The federal chief election officer and chief election officers in several other provinces are required to report annually to Parliament/the Legislature and include all or most of their expected expendi-

tures in an annual appropriation request. Given the fact that Elections Ontario's annual expenditures have increased substantially over the last few years—and that budgeted expenditures over the next three years are projected to be approximately \$119 million, of which approximately \$100 million would not be submitted to the Board of Internal Economy for approval—increased legislative oversight of Elections Ontario through the processes of appropriations approval and annual reporting warrants consideration.

3.11 OFFICE OF THE REGISTRAR GENERAL

The Office of the Registrar General (Office) registers births, deaths, marriages, stillbirths, adoptions, and name changes and provides certificates and certified copies of registrations to the public. Each year, approximately 300,000 events are registered and 400,000 certificates and certified copies are issued. In the 2004/05 fiscal year, the Office had operating expenditures of over \$30.3 million and collected \$19.6 million in fees for issuing certificates.

Until a few years ago, the Office registered all vital events and provided the public with timely and reliable service for all document requests. However, due largely to significant and continuing problems with a new computer system and human resources issues, the turnaround time for getting essential documents, formerly about three weeks, increased to several months, even a year or more, despite more than a doubling of staff. At the time of our audit, the Office indicated that the situation had improved; however, we found that it often still took months to obtain certificates.

We concluded that significant improvements were required in a number of key areas. For instance:

- The Office's call centres were not effective in handling the public's inquiries and complaints—

99% of calls either produced busy signals or were disconnected before callers could reach someone to help them.

- Prudent business and information technology practices were not being followed in the acquisition, development, and implementation of a new computer system. As of March 2005, the system had cost over \$10 million—more than \$6 million above the original estimate of \$3.75 million. Furthermore, the system was implemented before it was ready, with numerous outstanding work orders and without many of the necessary capabilities in place.
- Staff morale and productivity had declined significantly because of a poorly planned organization restructuring and questionable promotion practices. Specifically, a new level of managers was appointed, without competition or job specification. Clerical staff with little management experience were appointed to supervise existing managers to whom they used to report. None of the existing managers was given an opportunity to compete for the new positions.
- There were inadequate controls to safeguard registration information from unauthorized access and from loss in the event of a disaster.

3.12 ONTARIO PROVINCIAL POLICE

Under the *Police Services Act*, the Ontario Provincial Police (OPP) primarily provides patrols on all provincial highways, waterways, and trail systems; front-line police services in smaller rural communities that do not have their own municipal police service; emergency support services to all communities in Ontario; support for complex criminal and organized crime investigations, as well as intelligence with respect to anti-terrorism activities; and laboratory services in support for criminal investigations. The OPP maintains 79 local detachment offices and 87 satellite offices (which report to one of the detachments) throughout the province.

With approximately 5,500 uniformed officers, 1,800 civilian employees, and 800 auxiliary officers, the OPP is one of North America's largest deployed police services. For the 2004/05 fiscal year, OPP expenditures before municipal recoveries (costs paid by municipalities for policing services) totalled \$733.2 million.

While several issues from our last audit—such as the use of overtime and billings to municipalities—have been largely addressed, in other areas—such as staff deployment, shift scheduling, and the implementation of community-oriented policing principles—much work remains to be done. Our specific concerns included the following:

- The assignment of officers to detachments and the scheduling of work shifts at detachments did not take into account actual total workload and the optimal match between the number of officers on duty and the demand for police services. Also, the Differential Response Unit was not fully implemented province-wide to free up officer time to respond to more serious calls for service.
- There was little evidence that the objectives of community-oriented policing were being met at some detachments, and detachments had little guidance for implementing community-oriented policing consistently. In addition, no internal measures were in place to evaluate its effectiveness.
- There were no provincial standards for what an adequate level of traffic patrol should be. Therefore, traffic patrol was often not a high priority and was found to vary, at times significantly, from detachment to detachment and region to region.
- Even though the collision rate for OPP vehicles was high and the OPP classified approximately half of these collisions as preventable, no periodic and/or remedial driver training was being provided.

- We found weaknesses with respect to adherence to requirements relating to seized property and drugs and the storage of armaments.

3.13 RECOVERY OF HEALTH COSTS RESULTING FROM ACCIDENTS

The Ministry of Health and Long-Term Care has the legal authority to recover the medical and hospital costs incurred in treating people injured in non-automobile accidents (for example, slips and falls, medical malpractice, and product and general liability) caused by someone else. A subrogation unit of 21 staff pursues cost recoveries. The unit spends about \$2.5 million annually to pursue an average of 13,000 active case files, recovering about \$12 million a year (net of legal costs).

Until 1990, the Ministry's right of recovering such costs also extended to injuries arising from automobile accidents where a driver insured in Ontario was found at fault. Due to changes in the *Insurance Act*, that right was eliminated, and between 1990 and 1996 no amounts were recovered. In 1996, the *Insurance Act* and related regulations were amended to require automobile insurers to pay an annual "assessment of health system costs" (assessment) in lieu of having the province pursue individual claims against at-fault drivers. The Financial Services Commission of Ontario has collected about \$80 million annually since 1996 from automobile insurance companies through the assessment under the *Insurance Act*, which is administered by the Ministry of Finance.

We believe that the ministries of Health and Long-Term Care and Finance could potentially recover twice as much as they do now, perhaps in excess of \$100 million a year more. However, to accomplish this, they will need better information on recoverable health costs actually being incurred by the province. Our particular concerns included:

- The Ministry of Finance advised us that, in view of the instability of auto insurance rates and the

potential negative effect on premiums, it has not changed the \$80-million annual assessment charged to the automobile insurance industry since its introduction in 1996. As a result, Ontario's levy per registered vehicle is now among the lowest of the provinces, despite the fact that Ontario's health costs have risen 70% since 1996. Our review of available information led us to conclude that the actual recoverable health costs incurred are considerably higher than what is currently being recovered from the annual assessment and that Ontario recovers proportionately less than most other provinces.

- The Ministry of Health and Long-Term Care did not have information systems or processes to collect and analyze health-care costs and insurance industry data to quantify the extent and costs of non-automobile accident cases not reported.
- Much more could be done to identify unreported cases that may justify cost recovery. Ministry staff acknowledged that many cases in which they may have an interest go unreported. Hospitals alone incurred costs of over \$500 million in 2004 to treat more than 38,000 people injured in slips and falls, but the Ministry was recovering costs from only about 2,800 such cases annually. The potential for increased recoveries is thus substantial, even though there has been no study of the proportion of these accidents that is attributable to third-party negligence.
- In calculating recoveries of hospital-care costs, the Ministry did not use the uninsured hospital rates charged to non-residents receiving treatment here, as required by the legislation. Instead, it used the Interprovincial Hospital Billing rates, normally charged to other Canadians injured in Ontario, which are, on average, 77% lower.
- The Ministry also needs to review the feasibility and cost effectiveness of alternative recovery methods, such as bulk subrogation agreements

with liability insurers similar to the automobile insurance assessment, as a way of increasing recoveries of health costs arising from non-automobile accidents.

3.14 TEMPORARY HELP SERVICES

The Ministry of Government Services, formerly Management Board Secretariat, is responsible for the development of government-wide policies on planning, acquiring, and managing temporary help required by the government.

At the time of our audit, about 4,400 people working in the Ontario government were not employees of the province. Most were temporary help workers, employed either directly by a government ministry or through a private-sector temporary help agency. In the 2003/04 fiscal year, government-wide expenditures on temporary help services were reported to be \$43.1 million and over the last 10 years totalled \$460 million.

In four of the five ministries we selected for detailed testing, we found non-compliance with government procurement policies for temporary help services. In the fifth, the Ministry of Community and Social Services, we concluded that adequate procedures were in place for some aspects of temporary help procurement, although improvements were still needed in other areas.

Specifically, we noted the following:

- Despite a government policy that, with few exceptions, limits the tenure of temporary help employees to six months, more than 60% of the temporary staff we tested had been working in the government for more than six months, and 25% had been there more than two years. One temporary employee had worked for the government continuously for more than 12 years.
- The temporary help engagements we tested were sole-sourced, with no quotes from other vendors, and none were competitively tendered. Over half of these arrangements resulted in pay-

ments exceeding \$25,000, the threshold for which a competitive process is required. Since 1999, tens or even hundreds of millions of dollars may have been spent without a competitive process in place.

- We noted significant differences in the rates charged by various temporary help agencies, suggesting that ministries could have obtained the same services for less had they shopped around. We also found that overall, the temporary agency staff that we reviewed were paid more—sometimes substantially more—than comparable government employees.
- In the 2003/04 fiscal year, the province paid one temporary help agency \$10.5 million, including almost \$4 million from the former Management Board Secretariat. We were informed that a former employee of the Secretariat runs this agency. Another agency, run by a former Ministry of Health and Long-Term Care employee, collected almost \$700,000 from that ministry during the 2003/04 fiscal year. A perception of unfair advantage can be created when government ministries award significant business to entities run by former government employees without a competitive process.
- We found that a number of temporary employees were listed as secondments from organizations, such as hospitals, that received provincial funding from the Ministry of Health and Long-Term Care. However, many of these individuals were recruited by the Ministry and put on the payroll of, for example, a hospital that was then allocated increased provincial funding to cover the salaries of such secondments. Consequently, money that was recorded as hospital operating expenditures was actually being spent on other health-care programs and ministry administration instead.